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

**Chicago, Illinois**



**For the Year Ended  
December 31, 2014**

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# I. INTRODUCTORY SECTION



*During a special ceremony for Women's History Month held at the James R. Thompson Center in Chicago on March 2014, the late Illinois State Comptroller Judy Baar Topinka presented the "Leading Women of Law Enforcement" Award to MWRD Police Chief Kaye Heidenreich.*

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# Metropolitan Water Reclamation District of Greater Chicago

## **Board of Commissioners and Principal Officers**

### **Board of Commissioners:**

Honorable Barbara J. McGowan, Acting President  
Honorable Mariyana T. Spyropoulos, Chairman, Committee on Finance  
Honorable Michael A. Alvarez  
Honorable Frank Avila  
Honorable Timothy Bradford  
Honorable Cynthia M. Santos  
Honorable Debra Shore  
Honorable Kari K. Steele  
Honorable Patrick D. Thompson

### **Note: Effective January 8, 2015:**

Honorable Mariyana T. Spyropoulos, President  
Honorable Barbara J. McGowan, Vice President  
Honorable Frank Avila, Chairman, Committee on Finance

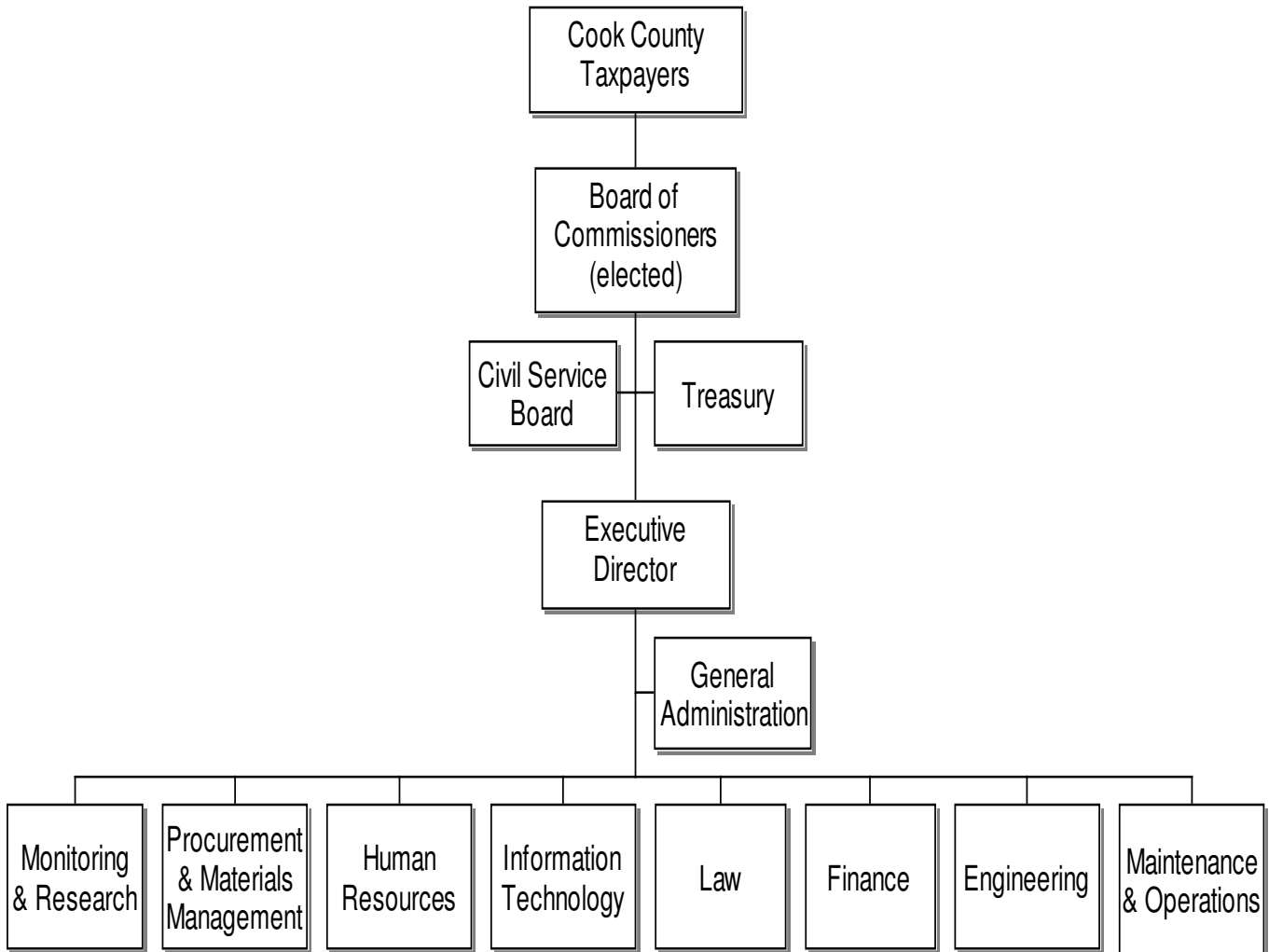
### **Principal Officers:**

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

**Main Office**  
**100 East Erie Street**  
**Chicago, Illinois 60611**

# Metropolitan Water Reclamation District of Greater Chicago

## Organization Chart



1,961 Budgeted  
Positions in 2014



**Metropolitan Water Reclamation District of Greater Chicago**

100 EAST ERIE STREET

CHICAGO, ILLINOIS 60611-3154

312.751.5600

**KATHLEEN THERESE MEANY**

President

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kathleen.meany@mwr.org

November 30, 2014

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

My term as President has come to a close, and I will look back on my 26 years as both an employee and as a commissioner fondly.

**Consent Decree Lodged**

This year was the District's 125th Anniversary, and we kicked off the year with long-awaited news from the United States District Court. Judge George M. Marovich approved and entered the consent decree, on Jan. 6, between the US EPA, the Illinois EPA and the District, which provides targeted completion dates for our long-term control plan, namely the Tunnel and Reservoir Plan (TARP) Thornton and McCook reservoirs. TARP will result in a significant decrease in the volume of water discharged to the waterways from combined sewer overflows in Cook County, along with dramatically reducing the potential for flooding. The District is committed to executing this work as quickly as possible.

**Legislative Achievements**

Our two major legislative initiatives were unanimously passed by the General Assembly and signed by Governor Pat Quinn. House Bill 3912 authorizes the District to acquire flood-prone properties and to proceed with local stormwater projects where, previously, only regional projects were authorized. These two new tools will allow us to provide needed flood relief to Cook County residents. We are especially grateful to Representative Elaine Nekritz and Senator Daniel Biss, who carried this bill forward in their respective chambers. In 2004, the District assumed responsibility for stormwater management in Cook County, and since then, over \$300 million in regional stormwater projects are underway. These projects will yield over \$400 million in benefits. We have also been accepting applications from communities on behalf of interested homeowners who have experienced multiple flooding events.

**Resource Recovery**

**Phosphorus**

Phosphorus is a non-renewable resource needed for life to exist. However, too much in the environment can impair water quality and harm aquatic life. In July, Governor Quinn signed legislation allowing the District to recover valuable resources in used water, and he later announced that he would provide \$124 million in IL Clean Water Initiative funds for a new phosphorus recovery facility. The process will transform phosphorus and nitrogen recovered from municipal and industrial wastewater into a high-value, eco-friendly fertilizer. To further reduce phosphorus levels in the waterways, staff reached out to commercial and industrial users interested in voluntarily reducing such levels from their waste streams; we will be assisting organizations in identifying how they may be able to divert their high-strength waste phosphorus to the new recovery system.

**Biosolids**

Biosolids, which are the nutrient-rich, organic material developed through the extensive wastewater treatment process, will also be maximized under this new law as the District explores opportunities to reuse water, market biosolids and recover other valuable commodities. Our staff has the expertise and experience needed to capture and beneficially reuse recovered resources. Not only will this transformation reduce landfill usage, but we will also see a reduction in greenhouse gases and in our carbon footprint.

### ***Wood chips mulch blend***

The District signed an IGA with the City of Chicago to accept tree debris which is being mixed with biosolids and composted into an organic material for use as a fertilizer substitute, compost and soil amendment. This material will be used for maintaining or establishing turf grass in parks, athletic fields and public access areas throughout Cook County. The City will provide the District with approximately 150,000 yards of wood chips over the next three years.

### ***Maggie Daley Park***

Commissioners were on hand as the first truckloads of biosolids were delivered to Maggie Daley Park in downtown Chicago this summer. The biosolids are mixed with soil prior to application to improve the quality of the fields. The Park's total acreage is 25.2 acres, of which 16.9 acres will serve as a green roof to parking facilities. This will be the second largest green roof in the country, second only to Millennium Park.

### **Wastewater Treatment**

The District's core mission is to provide wastewater treatment for more than five million people living and working in Cook County. That work is strictly scrutinized and requires the monitoring, testing and the evaluation of hundreds of water samples on any given day. A flaw in any one could affect a perfect score. Five of our treatment facilities once again achieved perfect scores on annual reports to earn the National Association of Clean Water Agencies' (NACWA) highest honor, the Platinum Peak Performance awards. These awards recognize exceptional performance under National Discharge Elimination System (NPDES) permit requirements and federal Clean Water Act standards.

### **NACWA Management Award**

The District also received the highest management award level offered by NACWA this summer. The award represents "outstanding dedication to the implementation of sustainable, successful programs that exemplify the attributes of an effectively managed utility." The District's work met or exceeded numerous attributes of utility excellence. Executive Director David St. Pierre accepted the award on behalf of the MWRD during NACWA's summer conference and 44th annual meeting in Portland, Oregon.

### **Space to Grow Partnership**

The District partnered with the Chicago Public Schools, City of Chicago Department of Water, Openlands and Healthy Schools Campaign on the Space to Grow project. This work transformed four Chicago school grounds into green spaces that will improve student health. We participated in ribbon cuttings on the four schoolyards in October: Grissom School, Leland, Morrill School, and Schmid School. All four yards had been covered with impervious asphalt surfaces and now have rain gardens and other features that collect rainwater to help stop basement flooding and prevent pollution from flowing into the Chicago Area Waterways. In October, we approved at least 30 more schools to undergo similar transformations. It will be nice to see the happy faces of all of the children playing on their new spaces in the coming years while learning about stormwater management.

### **Water Works Rally in Washington, DC**

The District took part in a survey of 30 water utilities nationwide, and this study culminated in water sector leaders from across the country meeting in Washington, DC in September to invite congressional leaders to partner in strengthening the nation's water infrastructure. The Executive Director and I met with our delegation about the importance of the water sector, as the District and the City of Chicago will support 290,000 annual jobs and produce \$524 billion in economic output over the next decade.

### **Disparity Study**

The District was the first area agency to institute an Affirmative Action ordinance in 1977. The current ordinance expired on Dec. 6, 2014, so we conducted a Disparity Study of the District's Minority and Women-Owned Business Enterprise Program for our construction and construction-related professional service contracts to ensure that this critical program remains successful. More than 80 women and minority-owned business contractors and subcontractors participated in a public study session convened in July. Colette Holt & Associates reviewed program eligibility criteria, certification and program implementation policies to develop findings and new goals.

### **Soil in the City and Sustainability Summit**

In conjunction with the US Department of Agriculture and Illinois Water Environment Association, the District co-hosted the internationally-renowned “Soil in the City” conference to provide the opportunity to share ideas for new uses for deindustrialized land. This conference was held at the Allerton Hotel in Chicago and was followed by the second annual Sustainability Summit. We presented four organizations with recycled glass awards for their sustainable efforts. Evanston High School and the Chicago Park District received the 2014 Biosolids Beneficial Reuse awards, and the Village of Franklin Park and Historic Chicago Bungalow Association received awards for their sustainable achievements in building construction, landscaping and community outreach.

### **Improving the Water Environment**

#### ***Incident Reporting App***

As part of our ongoing effort to protect our water environment, our IT Department released an on-line incident reporting application in May and a mobile Incident Reporting application for Apple iOS devices in September. The new app allows users to submit instances of odors and other environmental-related issues.

#### ***Household Hazardous Waste, Unwanted Medicine collections***

The District hosted two unwanted medicine collections at the Calumet, Stickney and O’Brien plants, and hundreds of pounds of pharmaceuticals were prevented from entering the waste stream. We also partnered with the Illinois Environmental Protection Agency and Moraine Valley Community College to collect household hazardous waste.

#### **Staff Celebrations**

We celebrated African American History Month during a special event held in the Board Room in February. In March, we celebrated Women’s History Month and heard wonderful speeches from Manju Sharma, Director of Maintenance and Operations; Pam Ball, electrical foreman; and Toni Glymph, senior environmental microbiologist. In May, we celebrated the retirement of 70 staff members. We wish them all the best.

As the industry evolves, we are using emerging technologies and processes to support our mission, our customers and our water environment. We are pursuing sustainable practices, embracing partnerships and implementing available technologies while working together with communities to eliminate flooding. The work we started in 1889 made the Chicago region habitable. The cutting edge work we are pursuing today will continue to transform and shape the wastewater industry in the future. I am happy to have played a role in the agency’s transformation. During my 26 years at the District, I witnessed extraordinary engineering feats and capital projects, milestones such as our 100th and 125th anniversary, and countless dedicated employees who continue to move our agency forward as leaders in the wastewater and stormwater industry. I have been honored to serve and will look on with pride whenever I visit the beautiful garden dedicated in my honor at the Stickney plant.

Respectfully submitted,



Kathleen Therese Meany  
President of the Board of Commissioners

**Metropolitan Water Reclamation District of Greater Chicago**

**Multi-Year Awards**

**1975-2013**

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

**1993-2013**

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*

**1985-2014**

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

**2007-2013**

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

**2010-2011**

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

**2003-2015**

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

**Individual Year Awards (partial listing)**

**2010**

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

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

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

Illinois Water Environment Association  
*Best Technical Presentation Award: Protozoa as Indicators of Activated Sludge Treatment System Conditions*

**2011**

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewage Agencies  
*NACWA Award for Full Compliance with National Pollutant Discharge Elimination System, Gold Award for Hanover Park Water Reclamation Plant*

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

**Water Environment Federation**

*Thomas E. Kunetz, Assistant Director of Engineering, is a recipient of the Water Environment Federation's Fellows Recognition Program, which honors professional achievements, stature, and contributions to the water profession*

# Metropolitan Water Reclamation District of Greater Chicago

## Individual Year Awards (continued)

### 2012

American Academy of Environmental Engineers

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

American Public Works Association

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

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

Federation of Women Contractors

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

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

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

### 2013

Illinois Water Environment Association

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

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

*NACWA Award for Compliance with National Pollutant Discharge Elimination System, Platinum Award for 22 consecutive years of full compliance for Calumet Water Reclamation Plant; Platinum Award for 17 consecutive years of full compliance for Lemont Water Reclamation Plant; Platinum Award for 9 consecutive years of full compliance for James C. Kirie Water Reclamation Plant; Platinum Award for eight consecutive years of full compliance for Terrence J. O'Brien Water Reclamation Plant; and Platinum Award for six consecutive years of full compliance for Hanover Park Water Reclamation Plant*

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

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

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

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

National Association of Government Defined Contribution Administrators

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

Water Environment Research Foundation

*Award for Excellence in Innovation*

### 2014

Academy of Interactive and Visual Arts

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

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

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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Metropolitan Water Reclamation  
District of Greater Chicago  
Illinois**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

Mariyana T. Spyropoulos  
*President*

Barbara J. McGowan  
*Vice President*

Frank Avila  
*Chairman of Finance*

Michael A. Alvarez  
Timothy Bradford  
Cynthia M. Santos

Debra Shore  
Kari K. Steele

Patrick D. Thompson

**Metropolitan Water Reclamation District of Greater Chicago**

100 EAST ERIE STREET

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312.751.5600

**JACQUELINE TORRES**

Clerk/Director of Finance

312.751.6500 f: 312.894.1104

[jacqueline.torres@mwrdd.org](mailto:jacqueline.torres@mwrdd.org)

May 11, 2015

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, 2014. This statute requires that the Clerk/Director of Finance prepare and publish the financial statements and any other data necessary to reflect the true financial condition and operations of the Metropolitan Water Reclamation District of Greater Chicago (the District) within six months of the close of each fiscal year.

The CAFR's basic financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) in the United States of America, promulgated by the Governmental Accounting Standards Board (GASB). In accordance with Chapter 70, Illinois Compiled Statutes, Act 2605/5.12, the District's basic financial statements for the period ended December 31, 2014, have been subject to an audit by independent accountants. The unmodified opinion of Baker Tilly Virchow Krause, LLP, has been included in the Financial Section of this report.

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

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

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

## MISSION STATEMENT

The District will protect the health and safety of the public in its service area, protect the quality of the water supply source (Lake Michigan), improve the quality of water in watercourses in its service area, protect businesses and homes from flood damages, and manage water as a vital resource for its service area. The District's service area is 883.6 square miles of Cook County, Illinois. The District is committed to achieving the highest standards of excellence in fulfilling its mission.

## BACKGROUND

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

The District operates primarily within the boundaries of Cook County. Although the District exercises no direct control over wastewater collection and transmission systems maintained by cities, towns, and villages in Cook County, it does control municipal sewer construction by permits in suburban Cook County. Furthermore, the District provides the main sewer lines for the collection of wastewater from local sewer systems together with the treatment and disposal thereof. Combined sewage and stormwater runoff is stored, treated, and released using District facilities. The District owns and operates seven water reclamation plants (WRP) and 22 pumping stations that treat an average of 1.3 billion gallons of wastewater each day. The Central (Stickney) WRP is the largest plant in the world. The District controls approximately 76.1 miles of navigable waterways that serve as headwaters of the Illinois waterway system. Stringent federal and state standards require that the District's wastewater treatment processes keep the waterways free of pollution. The District monitors industries in Cook County to assure that

hazardous substances not suitable for a sewer are disposed of in an environmentally responsible way that complies with applicable laws.

## REPORTING ENTITY

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

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



*The multi-award winning Metropolitan Water Reclamation District of Greater Chicago is headed by the Board of Commissioners who determine its policies. (Seated L to R) Vice President Barbara J. McGowan, President Mariyana T. Spyropoulos and Chairman of Finance Frank Avila (Standing L to R) Patrick D. Thompson, Timothy Bradford, Debra Shore, Kari K. Steele, Cynthia M. Santos and Michael A. Alvarez*



## MAJOR INITIATIVES

### *Intercepting Sewers*

In order to collect wastewater from local sewer systems for conveyance to its water reclamation plants, the District has constructed approximately 560 miles of intercepting sewers and force mains. These intercepting sewers range in size from 6 inches to 27 feet in diameter. A continuing inspection program and lining of deteriorated sewers ensure a high service level on existing sewers.

The expected construction cost over the next five years for the sewer program is \$525 million. This money will primarily be used in the rehabilitation of deteriorated District interceptors.

### *Water Reclamation Plant Expansions and Improvements*

The District has a total secondary treatment capacity of approximately 2 billion gallons per day. To ensure that the District continues to provide high quality service in the future, master planning studies for the major treatment plants, Calumet, Central (Stickney), and O'Brien have been completed. The studies were undertaken to determine the future needs of each plant and to establish a long range plan for each facility that will improve the air and water environment. Over the next five years, approximately \$78 million in construction projects will be awarded.

### *Biosolids Management*

The District collects biosolids from the wastewater treatment processes. The effective dewatering and drying of these biosolids is a major District undertaking. As discussed in the Notes to Basic Financial Statements (Note 14), the District's Board of Commissioners authorized the District to enter into a long-term contract to build and operate a 150 dry ton per day biosolids processing facility at the Central (Stickney) WRP. The facility has been operational since July 2010. The expected construction cost over the next fifteen years for the biosolids management program is \$65 million.



*The rain garden at Haines Elementary School in Chicago was constructed by volunteers and students as part of the Water Environment Federation's 86th Annual Technical Exhibition and Conference.*



*More than 350 residents from the city of Lockport and surrounding communities listened to presentations and toured the MWRD's historic Powerhouse during Old Canal Days on June 14.*



*Local and state officials scoop up dirt to signify the beginning of construction on a portion of the Cal-Sag Trail in Alsip in June. Government officials, bicyclists, hikers and neighbors gathered in Alsip's Freedom Park for the groundbreaking. Fifty percent of the land has been set aside by the MWRD, and once complete, the trail will be 26 miles long.*



*Former Illinois Governor Pat Quinn signed three bills, including Senate Bill 2966, which created the Urban Flooding Awareness Act, on August 3rd at the Centennial Fountain. From L to R are Governor Quinn, Jen Walling, Exec. Director of the IL Environmental Council, Marc Miller, Director, IDNR, Pres. Meany, Chairman of Finance Mariyana Spyropoulos and Commissioner Kari Steele of the MWRD.*

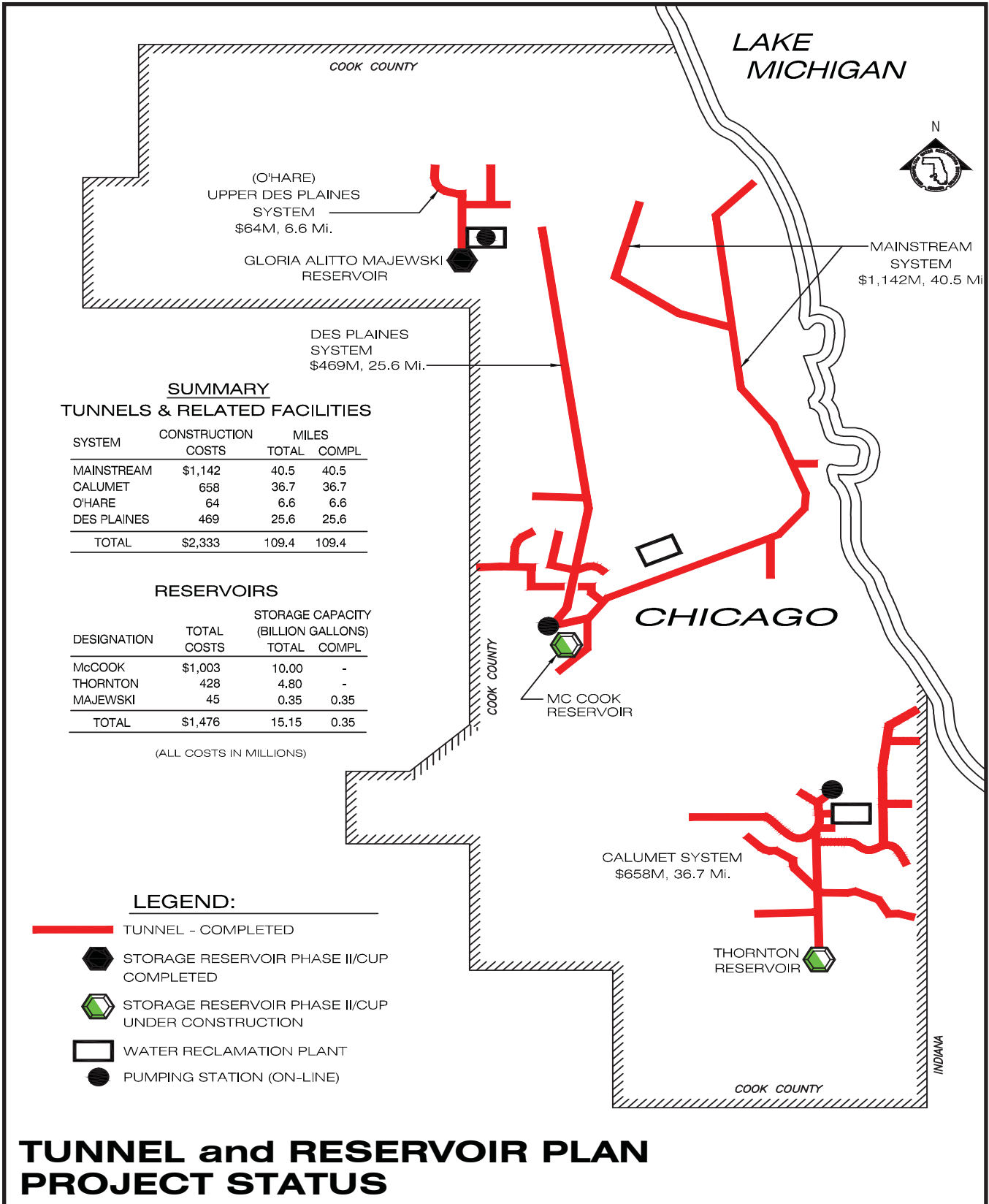
reservoirs. However, the District has assumed responsibility for the design and construction of the Thornton Composite Reservoir from the Corps, and is seeking reimbursement of the federal cost sharing portion of the reservoir. The combined construction and land rights cost for all three reservoirs is estimated at \$1.5 billion, with the Corps and the District providing approximately \$790 million and \$710 million, respectively. The Gloria Alitto Majewski Reservoir, the smallest of the three, was completed in 1998 at a cost of \$45 million. Engineering design and construction for McCook and Thornton reservoirs are currently underway.

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

The District's Board of Commissioners adopted the Tunnel and Reservoir Plan (TARP) in 1972 as a comprehensive pollution and flood control program for its 375 square mile combined sewer area. This area comprises 52 communities, including the City of Chicago. The primary goals of TARP are as follows: protect Lake Michigan, the area's primary source of drinking water from polluted backflows; clean up the area's waterways; and provide an outlet for floodwater and rainfall runoff by capturing wastewater before it enters streams and rivers from within the District's service area. TARP Phase I is composed of four tunnel systems that store polluted sewer overflows during wet weather. All 109.4 miles of Phase I tunnels have been constructed and are operational and the entire system has an approximate construction cost of \$2.33 billion. TARP, by providing an outlet for floodwater and rainfall runoff and by capturing wastewater before it enters streams and rivers, is having a remarkable impact on the water quality in Chicago's rivers, including the quality of life for residents and visitors to the Chicagoland area. Marked visible improvement in the water quality of local rivers has increased recreational use and tourism, and has spurred real estate development of riverside hotels, restaurants, promenades, marinas, and apartment buildings.

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

Phase II is the flood control segment of TARP and consists of three storage reservoirs to serve as outlets for combined sewer overflows (CSO's). The three reservoirs – Gloria Alitto Majewski, Thornton, and McCook – will provide 15.2 billion combined gallons of storage for CSO's that otherwise would spill into local waterways, degrading the water quality and causing flooding. The District has executed Project Cooperation Agreements (PCAs) with the Army Corps of Engineers (the Corps) to construct all three



### ***Tunnel and Reservoir Plan – Phase II (continued)***

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

### ***Green Infrastructure and TARP***

A consent decree between the Metropolitan Water Reclamation District of Greater Chicago and the U.S. Department of Justice has been approved. One section of the consent decree is designed to foster the use of green infrastructure controls, which are relatively new technologies that help reduce the amount of stormwater that flows into the sewer during a storm. During 2014, the District partnered with the Chicago Department of Water Management and the Chicago Public Schools to provide stormwater retention at four elementary schools while reconstructing substandard playgrounds. Due to the success of the program, the District agreed to reconstruct six more school playgrounds per year, for the next five years, beginning in 2015. The District will also partner in green infrastructure projects in the communities of Blue Island and Evanston during 2015. The consent decree also provides an enforceable schedule for implementing the MWRD's Tunnel and Reservoir Plan, which will result in a significant decrease in the volume of water discharged to the waterways from combined sewer overflows in Cook County, along with dramatically reducing the potential for flooding.

### ***Resource Recovery Projects***

The District voluntarily sought a phosphorus discharge limitation in our NPDES permits, and decided to achieve this through our biological process. With one of the District's objectives of sustainability, the District is pursuing the recovery of phosphorus at the Stickney WRP. We have entered into agreements for the design and construction of a phosphorus recovery facility. This facility will utilize the Pearl Reactor manufactured by Ostara to recover a phosphorus product for the centrate streams of the pre and post digestion centrifuges. The facility is being designed for potential recovery of approximately 9,500 tons/year of product. The design of the facility is 98% complete and the contractor has begun construction. A separate agreement has been issued to Ostara for the marketing and beneficial use of the product.

The anaerobic digester complex at the Calumet Water Reclamation Plant has the capacity to take in more organic material than is currently produced in the plants. Through a proposal process, the District identified a vendor who will enter into a long term agreement with the District to supply approximately 400 tons per day of waste organic material to the Calumet Water Reclamation Plant consisting of food waste extracted from commercial solid waste, liquid high strength industrial waste, fats, oils and greases. The addition of this organic waste material will increase the biogas production in the anaerobic digesters up to 160% of current production. The District has identified a second vendor through the proposal process who will clean the biogas to natural gas quality of "biomethane" and transport it to a natural gas pipeline, where it can be sold at a profit to the District. Design of these facilities will commence in 2015 with construction starting in 2016. This project will not only recover biogas from the anaerobic digestion process, but will also divert organic material from landfills, reduce greenhouse gas emissions, and replace petroleum-based methane with an equivalent volume of renewable energy-based methane.

### ***Stormwater Management***

The District has completed all six Detailed Watershed Plans (DWPs), identifying flood and erosion prone areas within Cook County. The District anticipates beginning construction on eight flood control projects and eight streambank stabilization projects in 2015. Additional DWP-identified capital improvement projects are still in various stages of design.

### ***Stormwater Management (continued)***

During development of DWPs, the District sought opportunities to fund projects meeting our objectives for regional flood control that had been studied and approved by other agencies, such as the U.S. Army Corps of Engineers and the Illinois Department of Natural Resources/Office of Water Resources. One such project, the Heritage Park Flood Control Facility, which consists of a series of detention ponds to provide compensatory storage for the U.S. Army Corps of Engineers' Levee 37, commenced in 2013, has been substantially completed, and is in service.

Based on direction provided by the Board of Commissioners in April 2013, the District initiated Phase II of its stormwater master plans across Cook County, and set up a program for purchasing flood prone and flood damaged property on a voluntary basis. Information about stormwater problems and potential projects was requested from each municipality, township and regional agency having jurisdiction in Cook County. Over 600 problem areas were identified and/or project requests were submitted. On September 19, 2014, 35 projects located throughout the County were recommended to the Board of Commissioners. The Board authorized the District to assist local communities and agencies in the furtherance of these projects in the form of funding, engineering and/or other assistance to be defined through negotiation with these entities. The approved projects include green infrastructure improvements, localized detention, upsizing critical storm sewers/culverts, pump stations, and establishing drainage ways. In addition to assisting the local communities with the projects as described above, the District is conducting five pilot studies to prepare stormwater master planning studies. The pilot areas are located within the geographic areas of each of the Councils of Government (COGs) and the City of Chicago (City). District staff consulted with the COGs and the City to determine suitable areas for the pilot studies. It is anticipated that stormwater master plans will be developed for all areas of Cook County over the next several years following the process to be defined through the pilot studies.

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

### ***Replacement and Maintenance of Facilities***

Many of the District's plants and interceptor sewers were placed in service over 50 years ago. In order to maintain continuous operations, the District has initiated a Master Plan to replace physically deteriorating facilities through rehabilitation, alteration or expansion. The expected construction cost over the next five years for the replacement and maintenance of facilities is \$112 million. As discussed in the MD&A, condition assessments required under the modified approach alert management to the need for maintenance and preservation projects for its infrastructure assets.

### ***Means of Financing***

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

## **BUDGET PROCESS**

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

## **BUDGET PROCESS (continued)**

The District utilizes an on-line, real-time computer system to provide budget control at the line item level for the General Corporate, Construction, and Stormwater Management Funds, at the fund level for the Debt Service Fund, and at the line item class level for the Capital Improvements Bond Fund. All budget-relevant transactions are tested for the sufficiency of available appropriation before any obligations resulting from purchase requisitions, purchase orders, or contracts are formally recognized, or payments resulting from payroll or other expenditures are released.

## **ECONOMIC BASE OUTLOOK**

The District's service area is sizeable, encompassing 98% of the assessed valuation of Cook County. The equalized assessed valuation of the District has experienced a .8% average growth rate over the last ten years and the current equalized assessed valuation of \$123,419,543,828 is 7.5% lower than the previous year. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels.

## **COMMITMENT TO SUSTAINABILITY**

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

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

### ***Financial Sustainability Initiatives***

- Continued efforts to control health care costs through the Employee Wellness Program by conducting on-site health fairs and flu vaccinations
- Implemented an Employer Group Waiver Plan for retirees to reduce prescription drug cost
- Maintained excess insurance to assist with funding for catastrophe losses
- Utilize information technology to improve business processes through automation in workflow, eliminating unnecessary tasks, reducing errors, making business intelligence data more available for better decision making and making performance measurements more visible
- Created a strategic capital planning section to coordinate selection of the best technologies and ensure right sizing of major capital improvement projects
- Engage in full cost pricing and perform Triple Bottom Line analysis for all engineering process system alternatives evaluations
- Evaluate business practices to maximize User Charge and Land Rental revenues and reduce program costs
- Maintain reserve funds sufficient to allow for flexibility and protection in a volatile financial environment
- Internal audits and procedural reviews that ensure the integrity of financial information
- Provide cost effective counsel, representation, litigation and real estate administrative services
- Incorporate long-term budgetary planning
- Increase automation and consolidate staff to reduce future Human Resources expense footprint
- Maintained a comprehensive risk management program to protect the assets of the District and the safety of employees

## COMMITMENT TO SUSTAINABILITY (continued)

### *Environmental Sustainability Initiatives*

- Installed a thermal recovery system at Kirie WRP to heat and cool the administration building using effluent water as the heat source and sink.
- Maximize the production of biogas, a renewable energy source, at the Stickney and Calumet WRPs, through the importation of food waste and other organic waste material into the anaerobic digesters, and offset an equivalent volume of petroleum-based natural gas by cleaning the biogas to pipeline quality and feeding it to the natural gas pipeline.
- Begin operation of the Heritage Park Flood Control Facility, which will provide necessary compensatory storage for the USACE's Levee 37 project along the Des Plaines River incorporating into the design sustainable elements such as native plantings, bioswales, natural streambank stabilization, and the addition of a riparian buffer area
- Reviewed process alternatives/improvements and began design to implement recovery of phosphorus from side streams and its beneficial reuse. Entered into an agreement for the construction of a phosphorus recovery facility at the Stickney WRP. Entered into an agreement for the eventual marketing and beneficial reuse of the recovered phosphorus product
- Update IT infrastructure to reduce electricity consumption needed to run computing, telecom equipment and datacenters; reduce resources consumed to build out new facilities and reduce electronic waste that results from equipment disposal
- Reevaluate use and deployment of computing equipment, datacenters and satellite technology rooms.
- Use green technologies such as server virtualization, teleconferencing and remote access to enable employees to work from any location
- Utilize "green" janitorial products and paints which will be stored in our storerooms for District use
- Initiate an ink and toner cartridge recycling program for these items which are carried in our storerooms for District use
- Implement energy efficient enhanced biological phosphorus removal process at several water reclamation plants to facilitate non-renewable resource recovery and reduce nutrient loading to receiving waters
- Increase the use of biosolids within the 126 community service areas of the District by 10 users in each of the next 5 years and 1,500 dry tons per year
- Continue to evaluate test installations of green infrastructure such as permeable pavement and sustainable streetscape, to reduce stormwater inflow into the District's collection system, reduce energy utilization and improve water quality, including side-by-side testing for evaluation of the long-term consequences of permeable concrete, permeable asphalt, and paver blocks

### *Infrastructure Sustainability Initiatives*

- Develop an enhanced Rain Barrel Distribution Program to further promote green infrastructure
- Employed e-learning for mandatory employee training and expanded its use for other targeted training programs
- Explore opportunities for installation of green roofs during building re-roofing contracts, such as the 2014 installation of a white solar reflective roof and a vegetative roof at the Racine Avenue Pumping Station
- Perform an investment grade audit that will fully define cost and savings for a comprehensive list of energy conservation projects that meet District criteria
- Drafted a Green Infrastructure Program Plan including a comprehensive Land Use Policy
- 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
- Restore wetlands and habitats, as well as other sustainable bioengineering measures will be incorporated into the flood control projects where practicable
- Utilize newer trenchless rehabilitation technologies and materials to reline deteriorated sewers and manholes to reduce the amount of infiltration into the sewers. 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
- Perform community outreach to 100 schools and community organizations informing them about District operations and programs

## FINANCIAL POLICIES

In order to protect the strong financial position of the District, ensure uninterrupted services, and stabilize annual tax levies, the Board of Commissioners adopted the following policies on December 21, 2006 to enhance and maintain budgetary fund balances. The General Corporate Fund policy was amended and the Stormwater Management Fund policy was adopted on December 10, 2009. The Stormwater Management Fund policy and the Bond Interest Funds Investment Income Policy were amended on November 3, 2011.

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

### *General Corporate Fund*

- Corporate Fund undesignated fund balance as of January 1 of each budget year is to be kept between 12% and 15% of appropriations. The fund balance may be maintained by not fully appropriating prior year fund balances. This level of fund balance will ensure the District's ability to maintain all operations even in the event of unanticipated revenue shortfalls and provide time to adjust budget and operations.
- Corporate Working Cash Fund must be sufficient to finance 95% of the full annual expenditure of the Corporate Fund. This will be financed through transfers of surpluses from the Construction Working Cash Fund, direct tax levies, tax levy financed debt (Working Cash Bonds) and transfers of accumulated interest from other funds. This level of fund balance will continue financing the Corporate Fund in the event of the typical and extraordinary delays in second installment real estate tax collections.
- It is the intent of the Board of Commissioners to fund the Reserve Claim Fund to the maximum level permitted by statute, 0.05% of the Equalized Assessed Valuation, whenever economically feasible. This will be financed through tax levies at the maximum 0.5 cents per \$100 of equalized assessed valuation when economically feasible and financially prudent. This level of funding will protect the District in the event that environmental remediation costs cannot be recovered from former industrial tenants of District properties, catastrophic failure of District operational infrastructure or other claims. As the District is partially self-insured, adequate reserves are critical.

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

### *Stormwater Management Fund*

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

### *Capital Improvements Bond Fund Investment Income*

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



## FINANCIAL POLICIES (continued)

### ***Bond Redemption and Interest Funds Investment Income (Debt Service Fund)***

Fund balances in the Bond Redemption and Interest Funds that might accumulate due to investment income will be identified and used to abate Bond and Interest property tax levies or for other corporate purposes. These abatements appropriately reduce property tax levies by the amount earned on invested balances above what is necessary for paying principal and interest due over the following 12 months, while still maintaining appropriate fund balances and when not required for other corporate purposes. This policy and the subsequent tax abatements will assist in compliance with the Board of Commissioners' overall tax levy policy (not to exceed a 5% increase over prior year not including the Stormwater Management Fund tax levy).

### ***Abatement of Interest Rate Subsidies from Build American Bond Issuances***

Interest reimbursement payments related to taxes levied for Build America Bond issuances will be presented to the Board of Commissioners for approval to abate, to be used for any lawful corporate purpose, or a combination thereof as determined as part of the annual budget process. Such abatement or alternative lawful use of the funds will be presented to the Board of Commissioners for approval prior to any abatement or use of reimbursement funds.

### ***Capital Improvements Bond Fund Accumulated Income***

Revenues that have accumulated in the Capital Improvements Bond Fund (CIBF) from investment income, grants, or State Revolving Fund revenues will primarily be used for capital projects. Capital projects are generally in the CIBF; however, capital projects in the Construction or Corporate Funds of critical importance may be financed by transfers from this revenue source. These funds may be transferred to the Bond Redemption and Interest Funds to be used to abate property taxes, or may be used for other corporate needs as necessary.

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

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

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

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

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

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

### ***Retirement Fund***

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

### ***OPEB Trust Fund***

Under the Policy, the District set a target funding level of 50% over 50 years in establishing a reserve that will help ensure the financial ability to provide health care coverage for District retirees and their beneficiaries in the future. Under the amendment to the Policy, the District will set a 100% funding goal to be achieved within 12 years or by 2026, with no further advance funding contributions required after that date. Amending the Policy to increase the OPEB liability funding percentage helps to solidify the District's strategic goal of having a solid financial foundation and makes the retiree healthcare plan sustainable for the long-term.

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Water Reclamation District of Greater Chicago for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013. This was the 39th 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, 2014. 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 30 consecutive years.

## ACKNOWLEDGMENTS

Preparation of this report reflects the combined efforts of the dedicated professional personnel of the operating and support Departments. Their expertise, enthusiasm, and unswerving focus on excellence are gratefully acknowledged. The general citizenry, in our opinion, may fully rely on the 2014 Comprehensive Annual Financial Report as a fair and accurate presentation, in all material aspects, of the financial position and operational results of the Metropolitan Water Reclamation District of Greater Chicago.

Respectfully submitted,



Jacqueline Torres  
Clerk/Director of Finance



Matthew Glavas  
Comptroller

- Mariyana T. Spyropoulos  
*President*
- Barbara J. McGowan  
*Vice President*
- Frank Avila  
*Chairman of Finance*
- Michael A. Alvarez
- Timothy Bradford
- Cynthia M. Santos
- Debra Shore
- Kari K. Steele
- Patrick D. Thompson

**Metropolitan Water Reclamation District of Greater Chicago**

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611 3154 312.751.5600

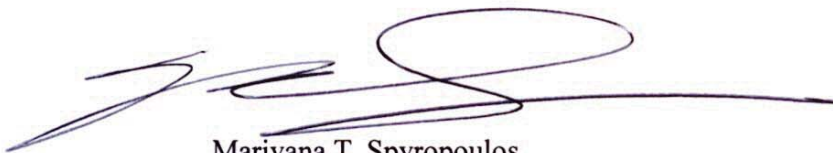
May 11, 2015

**STATEMENT OF RESPONSIBILITY**

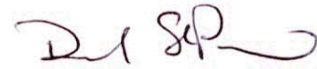
To the Citizens of the Metropolitan Water Reclamation District of Greater Chicago and to the Financial Community:

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, 2014, in accordance with accounting principles generally accepted in the United States of America;
- The statements contain no untrue statement of material facts; and
- There are no omissions of material fact(s).



Mariyana T. Spyropoulos  
President



David St. Pierre  
Executive Director



Jacqueline Torres  
Clerk/Director of Finance



Matthew Glavas  
Comptroller

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## II. FINANCIAL SECTION



*On October 7, the Friends of the Chicago River released 25,000 channel catfish into the North Branch of the Chicago River at the MWRD's Davon Aeration Station.*

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Metropolitan Water Reclamation District of Greater Chicago's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Water Reclamation District Pension Trust Fund, which represents 85 percent, 86 percent and 68 percent, respectively, of the assets, equity and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Metropolitan Water Reclamation District Pension Trust Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

The District's financial statements include partial prior year comparative information. Such information does not include notes to the basic financial statements or management's discussion and analysis, which are required to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2013 from which such partial information was derived.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago as of December 31, 2014 and the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Special Revenue Retirement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, modified approach information, and pension and other postemployment benefit plans schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit for the year ended December 31, 2014 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Water Reclamation District of Greater Chicago's basic financial statements. The combining and individual fund statements and schedules for the year ended December 31, 2014, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2014, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund statements and schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2014.

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Metropolitan Water Reclamation District of Greater Chicago as of and for the year ended December 31, 2013 (not presented herein), and have issued our report thereon dated May 7, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The combining statements of the nonmajor governmental and trust funds and the Schedule of Expenditures by Type – GAAP Basis for the year ended December 31, 2013 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining statements of the nonmajor governmental and trust funds and the Schedule of Expenditures by Type – GAAP Basis for the year ended December 31, 2013 are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2013.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metropolitan Water Reclamation District of Greater Chicago's basic financial statements. The Introductory Section and the Statistical and Demographics Section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2015, on our consideration of the Metropolitan Water Reclamation District of Greater Chicago's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Water Reclamation District of Greater Chicago's internal control over financial reporting and compliance.



Chicago, Illinois  
May 11, 2015



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

Year ended December 31, 2014

Metropolitan Water Reclamation District of Greater Chicago

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

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

## 2014 FINANCIAL HIGHLIGHTS

- The District's government-wide net position is \$5,228,778,000. This can be attributed to the District's positive balance of \$4,548,793,000 in net investment in capital assets.
- The District's government-wide net position increased by \$63,846,000 in 2014. The increase is primarily due to an increase in capital assets. In line with the District's mission to be environmentally responsible, new facilities and technologies are being implemented to meet this goal resulting in an increase to the capital assets of the District. This includes construction of disinfection facilities at the Calumet and O'Brien WRPs, the use of Anita Mox for cost effective ammonia removal at the Egan WRP, implementing a process at the Stickney WRP to recover phosphorous and continued construction of TARP tunnels and the related reservoirs to alleviate flooding throughout Cook County.
- The District's combined fund balances for its governmental funds at December 31, 2014 totaled \$619,400,000 a decrease of \$157,156,000 from the prior year. The decrease is primarily attributable to a decrease in Corporate Fund Investments and the District not issuing general obligation bonds in 2014. The decrease in investments is due primarily to these factors: a planned spend down of excess reserves and a decrease of cash available in the Corporate Fund because of a reallocation of property taxes and personal property replacement taxes to the Pension Trust Fund.
- The District's government-wide liabilities decreased by \$57,373,000 in 2014 which is mostly attributable to the settlement of an ongoing lawsuit. Additionally, both pension and OPEB liabilities also decreased due to increased contributions from the District and employees.

## DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

The District's basic financial statements include both a short and long-term view of its financial activities. The focus is on both the District as a whole (government-wide) and on major individual funds. The District's basic financial statements include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the basic financial statements. In addition to the basic financial statements, the financial section of this report includes Required Supplementary Information (RSI) and Combining and Individual Fund Statements and Schedules.

**Government-wide financial statements.** The government-wide financial statements are provided to give readers a long-term overview of the District's finances, similar to a private-sector business. Government-wide statements consist of the Statements of Net Position and Statements of Activities, and are prepared using the accrual basis of accounting and the economic resources (long-term) measurement focus. They include all the District's governmental activities; there are no business-type activities. The fiduciary funds' resources are restricted for employee pensions and other post employment benefits, and are not available to support the operations of the District. Therefore, the fiduciary funds are not reported in the government-wide financial statements.

The Statements of Net Position report the financial position of the District as a whole, presenting all the assets and liabilities (including capital assets and long-term obligations) with the difference between the assets and deferred outflows of resources less liabilities and deferred inflows of resources representing net position. The increase or decrease in net position over time can

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

*Year ended December 31, 2014*

serve as a useful indicator of whether the financial position of the District is improving or declining.

The Statements of Activities report the operating results of the District as a whole, presenting all revenues and expenses of the District as well as the change in net position. The Statements of Activities include revenues earned in the current fiscal year that will be received in future years, and expenses incurred for the current year that will be paid in future years (i.e. revenue for uncollected taxes and expenses for accumulated, but unused, compensated absences). Revenues are segregated by general revenues and program revenues. General revenues include taxes, interest on investments, and all other revenues not classified as program revenues. Program revenues include charges for services (i.e. user charges, land rentals, fees, forfeitures, and penalties) and capital grants. Depreciation for depreciable capital assets is recorded as an expense in this statement.

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

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

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position report the net position available for future pension and OPEB benefits and the change in net position, respectively. The fiduciary financial statements utilize the accrual basis of accounting, similar to that used for the government-wide financial statements.

**Reconciliation of governmental fund financial statements to government-wide financial statements.** Because the short-term focus of governmental fund financial statements is narrower than the long-term government-wide financial statement focus, reconciliations are required to explain the differences between the fund and government-wide financial statements. As a special purpose government, the District has elected to present the reconciliation by combining the presentation of the governmental fund statements with the government-wide statements. The Governmental Funds Balance Sheets are reconciled to the Statements of Net Position in a combined financial statement presentation (Exhibit A-1). Likewise, the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances are reconciled to the Statements of Activities in a combined financial statement presentation (Exhibit A-2).

**Notes to the basic financial statements.** The basic financial statements include notes that provide additional disclosure to better explain the financial data provided in the basic financial statements.

## KEY FINANCIAL COMPARISONS

**Property taxes.** The primary source of revenue for the District is ad valorem property taxes. All District funds, with the exception of the District's Capital Improvements Bond Fund, derive their revenues primarily from property taxes. In 2014, total property tax revenues increased by \$54,830,000 in the District's Statement of Changes in Net Position, as shown on page 36. Approximately \$28 million of the increase is due to the increase in the Retirement Fund levy. Public Act 97-0894 changed the manner in which the District calculates the annual tax levy, increasing the contribution multiplier to 4.19 from 2.19 in prior years. Another significant portion of the increase in property taxes is due to an increase to the Bond and Interest Fund levy. Principal payments started for the March 2007 Unlimited Tax Series A bonds, increasing the levy for that issuance by approximately \$20 million. Increases in tax levies also occurred in the Construction Fund to cover the maintenance and the related materials for District facilities and Corporate Fund to cover an increase in general operating expenses.

**Interest.** The increase in interest income of \$6,435,000 on page 37 is attributable to a change in investment strategy from money market investments to high yield savings and more favorable market returns in 2014.

**Construction costs.** The increase in construction costs of \$37,028,000 for the total governmental funds was primarily due to the construction of disinfection facilities and the continued construction of TARP and the related reservoirs. The government-wide adjustments of \$159,068,000 to capitalize construction in progress for infrastructure and software results in an overall government-wide construction cost decrease.

**Employee costs.** The District's employee related expenditures are the largest single cost of the corporate fund comprising 61.1% of the total outlays for 2014. Employee costs are comprised of regular pay, overtime and health care premiums. The increase in employee costs of \$8,281,000 on page 39 can be attributed to the addition of 34 budgeted positions and an increase in employee health care claims.

**Energy costs.** A significant amount of District expenditures are energy costs, mainly electricity and gas. The District currently purchases electricity for its major facilities from a provider at a fixed rate. In 2014, energy costs in the General Corporate Fund's governmental fund financial statements increased by \$3,834,000, as seen on page 39. Electricity increased approximately \$2,369,000, which can be attributed to an increase in the Main Stream Pumping Station requirements and plant increased flows. Natural gas costs increased by \$1,465,000 due to reduction of digester gas production, which resulted from the shortage of volatile solids available for digester gas production.

**Pension costs.** Total government-wide pension costs include the Retirement Fund's tax levy and the change in the actuarial calculated net pension obligation. The increase in pension costs of \$21,648,000, as seen on page 37, is primarily due to two items. In 2014, the District contributed \$18 million less than the prior year. The decreased contribution causes an increase in the District's expense on an actuarial basis. The District's contribution is calculated as the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior, which was increased from 2.19 in the prior year.

**Claims and judgments.** In 2014, the General Corporate Fund claims and judgments expenditures increased \$40,018,000, as shown on page 39 due to a settlement paid from an ongoing lawsuit from the Reserve Claim Fund. The claim had been properly accrued in the government-wide financial statements in the prior year resulting in a minimal change in the Statement of Activities for claims and judgments expense on page 37.

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

Year ended December 31, 2014

## ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed comparison of the Statements of Net Position for December 31, 2014 and 2013, is presented in the following schedule (in thousands of dollars):

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
<b>Assets:</b>				
Current and other assets	\$ 1,173,059	\$ 1,301,264	\$ (128,205)	(9.9)%
Capital assets	<u>7,040,441</u>	<u>6,903,046</u>	<u>137,395</u>	2.0
Total assets	<u>8,213,500</u>	<u>8,204,310</u>	<u>9,190</u>	0.1
<b>Deferred Outflows of Resources</b>				
Loss on prior debt refunding	<u>13,518</u>	<u>16,376</u>	<u>(2,858)</u>	(17.5)
Total deferred outflows of resources	<u>13,518</u>	<u>16,376</u>	<u>(2,858)</u>	(17.5)
<b>Liabilities:</b>				
Current liabilities	161,406	143,391	18,015	12.6
Long-term liabilities	<u>2,833,889</u>	<u>2,909,277</u>	<u>(75,388)</u>	(2.6)
Total liabilities	<u>2,995,295</u>	<u>3,052,668</u>	<u>(57,373)</u>	(1.9)
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	<u>2,945</u>	<u>3,086</u>	<u>(141)</u>	(4.6)
Total deferred inflows of resources	<u>2,945</u>	<u>3,086</u>	<u>(141)</u>	(4.6)
<b>Net Position:</b>				
Net investment in capital assets	4,548,793	4,506,950	41,843	0.9
Restricted	665,612	653,945	11,667	1.8
Unrestricted (Deficit)	<u>14,373</u>	<u>4,037</u>	<u>10,336</u>	256.0
Total net position	<u>\$ 5,228,778</u>	<u>\$ 5,164,932</u>	<u>\$ 63,846</u>	1.2 %

The above schedule reports that the District's net position totaled \$5,228,778,000 at December 31, 2014, which represents the amount the District's assets exceed its liabilities. The largest portion of the position, \$4,548,793,000, represents the District's capital assets used to provide services to taxpayers, net of the related debt. These assets include land, buildings, equipment, and infrastructure, and they are not available for the District's future spending needs. Restricted net assets total \$665,612,000 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, tax levies for working cash, and debt service. The remaining portion of the unrestricted net position is \$14,373,000, which represents the net position that has no external restriction as to use or purpose.

*Metropolitan Water Reclamation District of Greater Chicago*

A comparison of the changes in net position resulting from the District's operations for the years ended December 31, 2014 and 2013 is presented in the following schedule (in thousands of dollars):

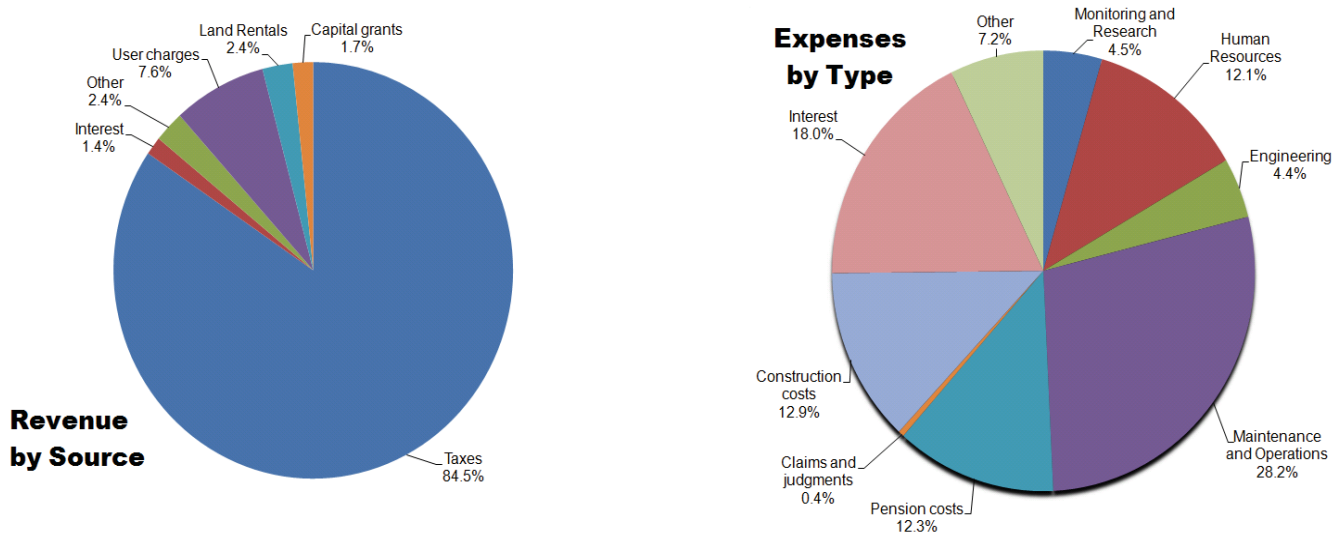
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
<b>Revenues</b>				
General Revenues:				
Taxes	\$ 566,422	\$ 511,592	\$ 54,830	10.7 %
Interest	9,486	3,051	6,435	210.9
Other	10,853	11,320	(467)	(4.1)
Program Revenues:				
User charges	50,696	49,182	1,514	3.1
Land rentals	16,357	14,851	1,506	10.1
Fees, forfeits, and penalties	5,456	3,396	2,060	60.7
Capital grants	11,089	11,110	(21)	(0.2)
Total revenues	<u>670,359</u>	<u>604,502</u>	<u>65,857</u>	10.9
<b>Expenses</b>				
Board of Commissioners	3,721	3,520	201	5.7
General Administration	15,096	14,426	670	4.6
Monitoring and Research	26,922	25,294	1,628	6.4
Procurement and Materials Management	6,331	5,660	671	11.9
Human Resources	72,896	67,841	5,055	7.5
Information Technology	14,708	14,331	377	2.6
Law	6,812	6,975	(163)	(2.3)
Finance	3,433	3,394	39	1.1
Engineering	26,561	25,051	1,510	6.0
Maintenance and Operations	169,234	162,372	6,862	4.2
Pension costs	73,713	52,065	21,648	41.6
OPEB Trust Fund costs	(19,449)	(19,567)	118	(0.6)
Claims and judgments	2,660	3,369	(709)	(21.0)
Construction costs	77,191	88,528	(11,337)	(12.8)
Loss on disposal of capital assets	127	173	(46)	(26.6)
Unallocated depreciation	12,229	12,020	209	1.7
Interest	114,328	116,249	(1,921)	(1.7)
Total expenses	<u>606,513</u>	<u>581,701</u>	<u>24,812</u>	4.3
Increase (decrease) in net position	63,846	22,801	41,045	180.0
Total net position, beginning of year	5,164,932	5,142,131	22,801	0.4
Total net position, end of year	<u>\$ 5,228,778</u>	<u>\$ 5,164,932</u>	<u>\$ 63,846</u>	1.2 %

Total revenues increased by \$65,857,000 in 2014, or 10.9% from the prior year and total expenses increased by \$24,812,000 in 2014, or 4.3% from the prior year. The major reasons for the variances are detailed under "Key Financial Comparisons" on pages 34-35.

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

Year ended December 31, 2014

The following charts show the major sources of revenue and expenses for the year ended December 31, 2014:



## 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 2014, the District reports four major funds and two non-major funds. The four major governmental funds are the General Corporate Fund, the Retirement Fund, the Capital Improvements Bond Fund, and the Debt Service Fund. The non-major governmental funds are the Construction Fund and the Stormwater Management Fund.

The District ended the current fiscal year with combined governmental fund balances of \$619,400,000, a decrease of \$157,156,000 or 20.2% from 2013. A total of \$41,729,000 of the fund balances represents non-spendable fund balances. Restricted fund balances totaled \$526,753,000, Assigned fund balance totaled \$112,768,000, and the remaining deficit of (\$61,850,000) was unassigned.

The General Corporate Fund is the principal operating fund of the District and it includes annual property taxes and other revenues, which are used for the payment of general operating expenditures not chargeable to other funds. The General Corporate Fund's fund balance at the end of the current fiscal year totaled \$287,026,000. The fund balance represented 74% 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 \$48,099,000 in the current year mainly due to payment of a settlement from the Reserve Claim Fund. The District's General Corporate Fund consists of the Corporate, Corporate Working Cash, and Reserve Claim Divisions, which are presented and explained in Note 1b on pages 60-61.

The General Corporate Fund ended the year with an unassigned fund balance deficit of (\$61,850,000) due to the required reserve claims restriction, non-spendable 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, 2014 and 2013 is shown in the following schedule (in thousands of dollars):

**General Corporate Fund  
Comparative Revenue Schedule**

	2014		2013		Increase (Decrease)	Percent Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Revenues:						
Property taxes	\$ 230,128	67.7 %	\$ 222,163	66.9 %	\$ 7,965	3.6 %
Personal property replacement tax	27,309	8.0	32,055	9.6	(4,746)	(14.8)
Total tax revenue	257,437	75.7	254,218	76.5	3,219	1.3
Interest on investments	3,594	1.1	1,575	0.5	2,019	128.2
Land sales	8	0.0	2,575	0.8	(2,567)	(99.7)
Tax increment financing distributions	4,925	1.4	3,361	1.0	1,564	46.5
Claims and damage settlements	177	0.1	971	0.3	(794)	(81.8)
Government grants	21	0.0	53	0.0	(32)	(60.4)
Miscellaneous	2,908	0.9	2,933	0.9	(25)	(0.9)
User charges	50,396	14.8	48,882	14.7	1,514	3.1
Land rentals	16,357	4.8	14,851	4.5	1,506	10.1
Fees, forfeits, and penalties	3,959	1.2	2,629	0.8	1,330	50.6
Total revenues	\$ 339,782	100.0 %	\$ 332,048	100.0 %	\$ 7,734	2.3 %

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, and rental income. In 2014, General Corporate Fund revenues totaled \$339,782,000, an increase of \$7,734,000, or 2.3%, from 2013. The major variances in revenues are explained under "Key Financial Comparisons" on pages 34-35.

A comparative analysis of the General Corporate Fund expenditures by object class for the years ended December 31, 2014 and 2013, is shown in the following schedule (in thousands of dollars):

**General Corporate Fund  
Comparative Expenditures Schedule**

	2014		2013		Increase (Decrease)	Percent Increase (Decrease)
	Amount	% of Total	Amount	% of Total		
Expenditures:						
Employee cost	\$ 237,187	61.1 %	\$ 228,906	69.1 %	\$ 8,281	3.6 %
Energy cost	37,183	9.6	33,349	10.1	3,834	11.5
Chemicals	5,798	1.5	5,818	1.8	(20)	(0.3)
Solids disposal	9,007	2.3	8,595	2.6	412	4.8
Repair to structures/equipment	14,395	3.7	15,001	4.5	(606)	(4.0)
Materials, parts & supplies	11,914	3.1	9,961	3.0	1,953	19.6
Machinery & equipment	1,157	0.3	784	0.2	373	47.6
Claims and judgments	44,988	11.6	4,970	1.5	40,018	805.2
All other	26,252	6.8	24,041	7.2	2,211	9.2
Total expenditures	\$ 387,881	100.0 %	\$ 331,425	100.0 %	\$ 56,456	17.0 %

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

*Year ended December 31, 2014*

In 2014, General Corporate Fund expenditures totaled \$387,881,000, an overall increase of \$56,456,000, or 17.0%, from 2013. Employee costs, energy costs, and claims and judgments were the three largest expenditure components of the General Corporate Fund in 2014, accounting for 72.7% of total expenditures versus 79.2% in 2013. The major variances in expenses are explained under "Key Financial Comparisons" on pages 34-35.

**Other Major Funds.** The District's Debt Service Fund accounts for property tax revenues and interest earnings used for the payment of principal and interest on bonded debt. The Debt Service Fund's fund balance at the end of the current fiscal year totaled \$140,162,000. The fund balance represented 71.9% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund increased by \$17,635,000 in the current year, as a result of an increase to the fund's tax levy in order to make upcoming bond principal and interest payments.

The Capital Improvements Bond Fund is a capital projects fund used by the District for the construction and preservation of capital facilities. The Capital Improvements Bond Fund's resources are bond proceeds, government grants, and state revolving fund loans. The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled \$121,689,000. This amount will provide resources for the 2015 construction program. The fund balance represented 63.9% of the fund's expenditures. The fund balance decrease of \$110,649,000 in the current year was primarily due to spending down previously issued bond proceeds from earlier years for current capital projects. In January of 2015, the District issued \$225,000,000 of General Obligation Improvement Bonds and \$70,805,000 General Obligation Refunding Bonds.

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

## GENERAL CORPORATE FUND BUDGET ANALYSIS

The General Corporate Fund budget includes the budgetary accounts of the Corporate Fund and Reserve Claim divisions. A comparison of the 2014 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 2014 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-1).



*Metropolitan Water Reclamation District of Greater Chicago*

A condensed summary of the 2014 General Corporate Fund budget and actual amounts is presented in the following schedule (in thousands of dollars):

	<b>Budget</b>		<b>Actual Amounts</b>	<b>Actual Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Property and personal property replacement taxes	\$ 246,979	\$ 246,979	\$ 246,523	\$ (456)
Adjustment for working cash borrowing	(4,358)	(4,358)	(4,358)	-
Adjustment for estimated tax collections	-	-	3,783	3,783
Tax revenue available for current operations	242,621	242,621	245,948	3,327
User charges	40,000	40,000	44,665	4,665
Interest on investments	3,200	3,200	2,571	(629)
Tax increment financing distributions	2,450	2,450	4,395	1,945
Land rentals	14,700	14,700	16,933	2,233
Land sales	-	-	8	8
Claims and damage settlements	-	-	130	130
Other	2,470	2,470	6,892	4,422
Total revenues	<u>305,441</u>	<u>305,441</u>	<u>321,542</u>	<u>16,101</u>
<b>Operating expenditures:</b>				
Board of Commissioners	4,047	4,047	3,710	337
General Administration	16,675	16,675	14,795	1,880
Monitoring and Research	28,298	28,298	26,125	2,173
Procurement and Materials Management	9,365	9,365	8,046	1,319
Human Resources	75,266	75,300	72,855	2,445
Information Technology	16,219	16,219	14,368	1,851
Law	8,224	8,224	6,796	1,428
Finance	3,609	3,609	3,424	185
Engineering	56,684	56,684	25,295	31,389
Maintenance and Operations	176,958	176,924	166,542	10,382
Claims and judgments	64,000	64,000	44,986	19,014
Total expenditures	<u>459,345</u>	<u>459,345</u>	<u>386,942</u>	<u>72,403</u>
Revenues over (under) expenditures	<u>(153,904)</u>	<u>(153,904)</u>	<u>(65,400)</u>	<u>88,504</u>
Fund balance at beginning of year	212,459	212,459	234,930	22,471
Net assets available for future use	(58,555)	(58,555)	-	58,555
Fund balance at beginning of year as adjusted	<u>153,904</u>	<u>153,904</u>	<u>234,930</u>	<u>81,026</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,530</u>	<u>\$ 169,530</u>

Actual revenues on a budgetary basis for 2014 in the General Corporate Fund totaled \$321,542,000 or \$16,101,000 more than budgeted revenues, a 5.3% variation. Property taxes and personal property replacement taxes were \$3,327,000 more than the budget because of the adjustment for estimated tax collections over the working cash borrowings. User charge receipts were \$4,665,000 more than the budget as a result of continued economic growth within the District operating area. Interest on investments was \$(629,000) under budget as of result of decreased investments in the corporate fund. Land rentals were \$2,233,000 more than the budget due to the increase in the number of leases and the expiration of older leases being renewed at their current market value. All other revenues had a \$6,505,000 positive variance because of better-than-expected results for fines, and revenues from tax increment financing districts.

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

Year ended December 31, 2014

The 2014 General Corporate Fund final appropriation of \$459,345,000 did not change from the original amount. Actual budgetary expenditures totaled \$386,942,000, or 84.2%, of the total appropriation. The \$72,403,000 excess of appropriations over actual expenditures was primarily due to engineering costs being \$31,389,000 less than appropriations. The Flood Prone Property Acquisition program was budgeted in 2014; however, due to required legislative changes, the program did not begin until 2015. Expenditures for claims and judgments were \$19,014,000 less than appropriations due to a litigation settlement in 2014. In prior years, the District's Reserve Claim fund actual payments were significantly lower resulting in a large variance between budget and actual as it is the policy of the District to appropriate the entire Reserve Claim fund balance. This is consistent with the Board of Commissioners' policy to accumulate sufficient reserves for payment of future claims without exposing the District to financial risk that could curtail normal operations. Expenditures for the Maintenance & Operations Department were \$10,382,000 below appropriations, for a variety of reasons including a variance in the tonnage of pelletizer biosolids, decreased repairs, and the related repair parts, and a decreased need for chemicals based on using more efficient processes.

## CAPITAL ASSETS AND MODIFIED APPROACH

**Capital Assets.** The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2014, amounted to \$7,040,441,000. Reportable capital assets, net of accumulated depreciation, for 2014 as compared to 2013 are as follows (in thousands of dollars):

	<b>2014</b>	<b>2013</b>	<b>Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
Land	\$ 129,458	\$ 129,215	\$ 243	0.2 %
Permanent easements	1,330	1,330	-	-
Buildings	7,539	7,724	(185)	(2.4)
Machinery and equipment	27,706	27,562	144	0.5
Computer software	2,248	1,560	688	44.1
Depreciable infrastructure	1,685,392	1,696,738	(11,346)	(0.7)
Modified infrastructure	4,356,999	4,287,461	69,538	1.6
Construction in progress	829,769	751,456	78,313	10.4
Total	<u>\$ 7,040,441</u>	<u>\$ 6,903,046</u>	<u>\$ 137,395</u>	2.0 %

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

- Total capital asset additions exceeded retirements and depreciation by \$137,395,000 in 2014.
- Construction in progress increased by \$78,313,000 from 2013 to 2014 due to the expansion of ongoing projects as well as the startup of new construction projects. Major projects in 2014 include the Thornton Tunnel Gates Connection for \$22,784,185, facility disinfection at both the O'Brien and Calumet Plants for \$21,971,975 and \$20,592,968 and the wet weather treatment facility at Lemont for \$14,992,595.

In addition to the above, commitments totaling \$627,975,407 remain outstanding for ongoing construction projects. Additional disclosure on construction commitments can be found in Note 9 to the basic financial statements.

**Modified approach.** The District's infrastructure assets include interceptor sewers, wastewater treatment basins, waterway assets (such as reservoirs and aeration stations) and deep tunnels, drop shafts and regulating elements making up a pollution and flood control program called TARP. The District is using the modified approach to report its infrastructure assets, with the exception of the TARP deep tunnels and drop shafts, which are depreciated. The District elected the modified approach to: a) clearly convey to the taxpayers the District's efforts to maintain infrastructure assets at or above an established condition

level; b) provide and codify a process to coordinate construction projects between the Engineering and Maintenance and Operations departments; c) readily highlight infrastructure assets that need significant repair/rehabilitation/replacement under a construction project; and d) provide additional evaluative information to bond rating agencies to insure that the District's bond rating is maintained at the highest level.

The Kirie, Hanover, Egan, Central (Stickney), O'Brien, Calumet, Lemont, and Waterways network assets had their initial condition assessments completed between 2002 and 2006. The Kirie, Central (Stickney) and Waterways networks each had its most recent condition assessment completed in 2014. The Egan and O'Brien networks each had its most recent condition assessment completed in 2013. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2012. (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, 2014, totaled \$ 2,833,889,000. The breakdown of this debt and changes from 2013 to 2014 are as follows (in thousands of dollars):

	2014	2013	Increase (Decrease)	Percent Increase (Decrease)
Bonds payable, net	\$ 2,500,785	\$ 2,564,999	\$ (64,214)	(2.5) %
Bond anticipation notes	90,460	35,809	54,651	152.6
Claims payable	35,668	77,996	(42,328)	(54.3)
Compensated absences	27,564	27,627	(63)	(0.2)
Capital lease	45,653	47,795	(2,142)	(4.5)
Net OPEB obligation	30,409	49,858	(19,449)	(39.0)
Net Pension liability	103,350	105,193	(1,843)	(1.8)
Total	\$ 2,833,889	\$ 2,909,277	\$ (75,388)	(2.6) %

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

- Bonds payable, net, decreased by \$64,214,000 in 2014 as a result of debt payments.
- Bond anticipation notes increased by \$54,651,000 in 2014 as a result of the issuance of \$81,721,000 in notes, the accrual of \$553,000 of interest and the conversion of \$27,623,000 from bond anticipation notes to bonds.
- Claims payable decreased by \$42,328,000 due to the settlement of a lawsuit and decreases in general and construction claims.

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

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

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

*Year ended December 31, 2014*

In August 2013, Moody's Investor Service downgraded the District's Bonds from Aaa to Aa1. Moody's stated two reasons for the downgrade. The significant debt burden and pension liabilities for major governmental agencies in Cook County is now considered a risk for the District's tax base. In addition, Moody's changed its pension rating methodology in April 2013 and implemented different assumptions to estimate the unfunded pension liability than is currently required by governmental accounting standards. Additional disclosure on debt can be found in Note 11 to the basic financial statements.

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

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

The amount of the District's debt may not exceed 5.75% of the last published equalized assessed valuation of taxable real estate within the District, which was \$123,419,543,828 for the 2013 property tax levy. At December 31, 2014, the District's statutory debt limit of \$7,096,623,770 exceeded the applicable net debt amount of \$2,606,669,632 by \$4,489,954,138.

The Illinois Compiled Statutes provide authorization for the funding of the District Capital Improvement Program by the issuance of non-referendum capital improvement bonds. Starting in 2003, bonds may be issued during any budget year in an amount not to exceed \$150 million (\$100 million in prior years) plus the amount of any bonds authorized and unissued during the three preceding budget years. The District has issued various series of bonds since the authorization. This limitation is not applicable to refunding bonds, money received from the Water Pollution Control Revolving Fund and obligations issued as part of the American Recovery and Reinvestment Act of 2009, issued prior to January 1, 2011, commonly known as "Build America Bonds". Bonds authorized, unissued and carried forward were \$450,000,000 for the budget year ended December 31, 2014.

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 2014 levy year is \$156,942,465 (the "Debt Service Extension Base"), which can be increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index (as defined in the Limitation Law). The Property Tax Extension Limitation Law has been amended so that the issuance of bonds by the District to construct TARP will not reduce the District's ability to issue limited bonds for other major capital projects. The amount of outstanding non-referendum Capital Improvement Bonds may not exceed 3.35% of the last known equalized assessed valuation of taxable property within the District. At December 31, 2014, the District's outstanding capital improvement and refunding bonds (excluding bonds treated as outstanding State Revolving Fund bonds) of \$1,816,795,000 did not exceed the limitation of \$4,134,554,718.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2014, are indicated in the following schedule (in millions of dollars):

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

<u>Year of Issue</u>	<u>Total</u>	<u>Capital Improvement</u>	<u>Refunding</u>
2006	497	100	397
2007	364	-	364
2009	600	600	-
2011	356	356	-
Total bonds outstanding at December 31, 2014	1,817	\$ 1,056	\$ 761
Remaining bond authorization at December 31, 2014	2,318		
Total bond authorization at December 31, 2014	\$ 4,135		

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, 2014, the District's remaining Corporate Working Cash Fund bond authorization is \$236,200,000.

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

**ECONOMY AND OTHER CONDITIONS IMPACTING THE DISTRICT**

The equalized assessed valuation of the District has experienced a .8% average growth rate over the last ten years although the current equalized assessed valuation of \$123,419,543,828 is 7.5% lower than the previous year. The Cook County Assessor's office is in the process of gauging the impact of housing price declines and foreclosures on property values, which may result in decreased valuations in the next reassessment. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels. The boundaries of the District encompass 91% of the land area of Cook County. The District is located in one of the strongest and economically diverse geographical areas of Illinois. The area's economy is beginning to slowly emerge and recover from the impact of the recession. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division decreased to a seasonally adjusted rate of 7.0% for 2014 down from 9.1% a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets had all been negatively impacted but are slowly improving. This trend is expected to continue through most, if not all, of 2015.

**Corporate Fund.** The Corporate Fund is the District's general operating fund and includes appropriation requests for all the day-to-day operational costs anticipated for 2015. The total appropriation for the Corporate Fund in 2015 is \$359.0 million, a decrease of \$36.3 million, or 9.2% from the 2014 Adjusted Budget.

The 2015 tax levy for the Corporate Fund is \$227.2 million, a decrease of \$2.8 million or 1.2% compared to the 2014 Adjusted Budget. It is the District's intent over the next few years to reduce, then maintain the fund balance, or net assets appropriable for the Corporate Fund in the \$43 to \$54 million range. This fund balance level balances the competing imperatives of minimizing the annual levy and providing for unexpected shortfalls in revenues.

Continuing through 2015, economically sensitive non-property tax revenues, such as interest income, are expected to slowly improve based on forecasted local and national economic indicators.

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

*Year ended December 31, 2014*

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 2015 is 17.44 cents a decrease of .83 cents from 2014 as adjusted. User charges are collected from industrial, commercial, and non-profit organizations to recover operations, maintenance, and replacement costs proportional to their sewage discharges, in excess of property taxes collected. The major categories of payers: chemical manufacturers, food processors, and government services, are generally expected to maintain their recent level of discharges.

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

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

The Stormwater Management Fund appropriation for 2015 totals \$46.6 million, a decrease of \$4.3 million or 8.5% from the 2014 Adjusted Budget.

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

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

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

Property taxes are the primary funding source for the District's Stormwater Management Fund. Illinois law limits the tax rate of this fund to 5 cents per \$100 of equalized assessed valuation. The estimated tax rate for the Stormwater Management Fund in 2015 is 1.85 cents, which is an increase of 0.18 cents from 2014 as adjusted.

**Capital Improvement Program: Construction Fund and Capital Improvements Bond Fund.** The District's overall Capital Program includes 2015 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately \$2.3 billion. Capital projects involve the acquisition, improvement, replacement, remodeling, completing, altering, constructing, and enlarging of District facilities. Included are all fixtures which are permanently attached to and made a part of such structures and non-structural improvements, and which cannot be removed without, in some way, impairing the facility or structure.

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

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

The Capital Improvements Bond Fund, the District's other capital fund, includes major capital infrastructure projects whose useful lives extend beyond 20 years, and which will be financed by long-term debt, Federal and State grants, and State Revolving Fund loans.

The 1995 Tax Extension Limitation Law (Tax Cap), and subsequent amendments to the bill, dramatically impacted the methods of financing the Capital Improvements Bond Fund. The original legislation required, in general, that all new debt be approved by referendum. However, an exemption for projects initiated before October 1, 1991 was granted to the District to enable completion of the Tunnel and Reservoir Plan (TARP). The bill was later amended to establish a "debt extension base," which allowed local governments, with non-referendum authority, to continue to issue non-referendum debt in terms of "limited bonds" as long as their annual debt service levies did not exceed 1994 levels. This law was further amended in 1997 to exclude TARP project debt from this debt service extension base. The passage of legislation in 1997 allowing for expanded authority to issue "limited bonds" by excluding pre-existing TARP projects provides additional financing flexibility to proceed with our Capital program.

**Construction Fund.** The Construction fund appropriation for 2015 totals \$37.9 million, a decrease of \$15.4 million or 28.9% from the 2014 Adjusted Budget.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to the Tax Cap. The 2015 tax levy planned for the Construction Fund is \$16.5 million, a decrease of \$.9 million or 5.2 percent from the 2014 Adjusted Levy.

**Capital Improvements Bond Fund.** The 2015 appropriation for the Capital Improvements Bond Fund is \$453.1 million, an increase of \$66.9 million or 17.3 percent from the 2014 Adjusted Budget. The appropriation is based on the scheduled award of \$324.8 million in projects. Capital Improvements Bond Fund projects scheduled for award in 2015 with estimated award values consist of two TARP projects at \$164.8 million; one plant expansion and improvement project at \$7.5 million; five facilities replacement projects at \$71.5 million; fourteen stormwater management projects at \$64.5 million, and two solids projects at \$16.5 million.

The increase in appropriation for the Capital Improvements Bond Fund of \$66.9 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 \$128.3 million appropriation for this fund will provide for studies, services, and supplies to support District design and administration of proposed and ongoing construction activity, including the TARP reservoirs. A comprehensive narrative, and exhibits detailing our entire Capital program, is provided in the Capital Budget (Section V) of the 2015 budget document.

A listing and description of proposed projects, and projects under construction, scheduled for 2015, can be found in the Capital Budget (Section V) of the 2015 Budget document.

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

Year ended December 31, 2014

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

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

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

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

The policy adopted by the District is cautious by design, and will provide ample opportunity for adjustment as experience is gained. Future direction may also be changed significantly by national health care policies and programs.

In 2006, the District proposed state legislation to give authority to establish an OPEB trust. Public Act 95-394 became effective on August 23, 2007. Since inception, the District has budgeted and transferred a total of \$112.4 million into the OPEB Trust Fund. The District contributed \$20.0 million in 2013 and 2014 to reach that goal. Total net position was \$146,375,000 as of December 31, 2014. The accumulated unfunded OPEB obligation was estimated at approximately \$139 million at both December 31, 2013 and December 31, 2014. On December 19, 2013, the Board of Commissioners adopted a revised investment policy statement for the Metropolitan Water Reclamation District Retiree Health Care Trust.

**Upcoming Pension Reporting Changes.** The District will implement GASB 68, Accounting and Financial Reporting for Pensions, for the year ended December 31, 2015. The implementation of this standard will result in an unfunded pension liability recognized by the District. Based on current actuarial data, the District expects a decrease in net position of approximately \$1 billion; however, net position will remain positive.

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

**Retirement Fund.** On August 3, 2012 Governor Quinn signed House Bill 4513, now Public Act 97-0894, into law. The tax multiple, which is limited by state statute, was increased in 2013 from 2.19 to the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior. The employee contributions for tier 1 employees (those hired before January 1, 2011) increase 1% each year for 3 years beginning January 1, 2013, increasing the contribution rate from 9% to 12%. The employee contributions will remain at 12% until the funded ratio reaches 90% then the contribution rate will be reduced to 9%.

## REQUESTS FOR ADDITIONAL INFORMATION

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



## **BASIC FINANCIAL STATEMENTS**

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

December 31, 2014  
(with comparative amounts for prior year)

	General Corporate Fund		Debt Service Fund		Capital Improvements Bond Fund	
	2014	2013	2014	2013	2014	2013
	<i>(in thousands of dollars)</i>					
<b>Assets and deferred outflows of resources</b>						
Assets:						
Cash	\$ 45,390	\$ 29,781	\$ 2,065	\$ 24,959	\$ 6,574	\$ 6,561
Certificates of deposit (note 4)	10,295	17,555	7,013	4,011	6,002	44,138
Investments (note 4)	191,294	251,043	99,313	69,036	119,156	185,432
Prepaid insurance	2,143	2,391	-	-	-	-
Taxes receivable, net (note 5)	224,845	222,071	210,679	195,211	-	-
Other receivables, net (note 5)	4,380	(1,943)	928	1,001	32,908	31,853
Due from other funds (note 12)	52	176	-	-	-	-
Restricted deposits	1,409	1,425	-	-	-	-
Inventories	39,586	40,136	-	-	-	-
Capital assets not being depreciated/amortized (note 6)	-	-	-	-	-	-
Capital assets being depreciated/amortized, net (note 6)	-	-	-	-	-	-
Total assets	<u>519,394</u>	<u>562,635</u>	<u>319,998</u>	<u>294,218</u>	<u>164,640</u>	<u>267,984</u>
Deferred outflows of resources:						
Loss on prior debt refunding	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 519,394</u>	<u>\$ 562,635</u>	<u>\$ 319,998</u>	<u>\$ 294,218</u>	<u>\$ 164,640</u>	<u>\$ 267,984</u>
<b>Liabilities, deferred inflows of resources, and fund balances/net position</b>						
Liabilities:						
Accounts payable and other liabilities (note 5)	\$ 37,817	\$ 30,530	\$ -	\$ -	\$ 42,951	\$ 35,646
Due to Pension Trust Fund	-	-	-	-	-	-
Due to other funds (note 12)	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-
Long-term liabilities: (note 11)						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total liabilities	<u>37,817</u>	<u>30,530</u>	<u>-</u>	<u>-</u>	<u>42,951</u>	<u>35,646</u>
Deferred inflows of resources:						
Unavailable tax revenue (note 5)	190,865	193,898	178,908	170,690	-	-
Other unavailable/unearned revenue (note 5)	3,686	3,082	928	1,001	-	-
Total deferred inflows of resources	<u>194,551</u>	<u>196,980</u>	<u>179,836</u>	<u>171,691</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable:						
Prepaid insurance	2,143	2,391	-	-	-	-
Inventories	39,586	40,136	-	-	-	-
Restricted for:						
Deposits	1,409	1,425	-	-	-	-
Working cash	278,148	276,894	-	-	-	-
Reserve claims	27,590	66,239	-	-	-	-
Debt service	-	-	140,162	122,527	-	-
Capital projects	-	-	-	-	8,921	119,860
Assigned	-	-	-	-	112,768	112,478
Unassigned (Deficit)	(61,850)	(51,960)	-	-	-	-
Total fund balances	<u>287,026</u>	<u>335,125</u>	<u>140,162</u>	<u>122,527</u>	<u>121,689</u>	<u>232,338</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 519,394</u>	<u>\$ 562,635</u>	<u>\$ 319,998</u>	<u>\$ 294,218</u>	<u>\$ 164,640</u>	<u>\$ 267,984</u>
Net position:						
Net investment in capital assets						
Restricted for corporate working cash						
Restricted for reserve claim						
Restricted for debt service						
Restricted for capital projects						
Restricted for construction working cash						
Restricted for stormwater working cash						
Unrestricted (Deficit)						
Total net position						

See accompanying notes to the basic financial statements.

*Metropolitan Water Reclamation District of Greater Chicago*

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Funds		Adjustments (Note 2a)		Statements of Net Position	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
\$ -	\$ -	\$ 3,244	\$ 3,195	\$ 57,273	\$ 64,496	\$ -	\$ -	\$ 57,273	\$ 64,496
-	-	1,801	11,612	25,111	77,316	-	-	25,111	77,316
-	-	71,555	74,422	481,318	579,933	-	-	481,318	579,933
-	-	-	-	2,143	2,391	-	-	2,143	2,391
54,678	56,638	37,056	29,991	527,258	503,911	-	-	527,258	503,911
-	-	745	745	38,961	31,656	-	-	38,961	31,656
-	-	-	-	52	176	(52)	(176)	-	-
-	-	-	-	1,409	1,425	-	-	1,409	1,425
-	-	-	-	39,586	40,136	-	-	39,586	40,136
-	-	-	-	-	-	5,317,556	5,169,462	5,317,556	5,169,462
-	-	-	-	-	-	1,722,885	1,733,584	1,722,885	1,733,584
<u>\$ 54,678</u>	<u>\$ 56,638</u>	<u>\$ 114,401</u>	<u>\$ 119,965</u>	<u>\$ 1,173,111</u>	<u>\$ 1,301,440</u>	<u>\$ 7,040,389</u>	<u>\$ 6,902,870</u>	<u>\$ 8,213,500</u>	<u>\$ 8,204,310</u>
-	-	-	-	-	-	13,518	16,376	13,518	16,376
<u>\$ 54,678</u>	<u>\$ 56,638</u>	<u>\$ 114,401</u>	<u>\$ 119,965</u>	<u>\$ 1,173,111</u>	<u>\$ 1,301,440</u>	<u>\$ 7,053,907</u>	<u>\$ 6,919,246</u>	<u>\$ 8,227,018</u>	<u>\$ 8,220,686</u>
\$ -	\$ -	\$ 12,337	\$ 6,330	\$ 93,105	\$ 72,506	\$ -	\$ -	\$ 93,105	\$ 72,506
13,293	12,975	-	-	13,293	12,975	41,385	43,663	54,678	56,638
-	-	52	176	52	176	(52)	(176)	-	-
-	-	-	-	-	-	13,623	14,247	13,623	14,247
-	-	-	-	-	-	114,993	143,086	114,993	143,086
-	-	-	-	-	-	2,718,896	2,766,191	2,718,896	2,766,191
<u>13,293</u>	<u>12,975</u>	<u>12,389</u>	<u>6,506</u>	<u>106,450</u>	<u>85,657</u>	<u>2,888,845</u>	<u>2,967,011</u>	<u>2,995,295</u>	<u>3,052,668</u>
41,385	43,663	31,489	26,148	442,647	434,399	(442,647)	(434,399)	-	-
-	-	-	745	4,614	4,828	(1,669)	(1,742)	2,945	3,086
<u>41,385</u>	<u>43,663</u>	<u>31,489</u>	<u>26,893</u>	<u>447,261</u>	<u>439,227</u>	<u>(444,316)</u>	<u>(436,141)</u>	<u>2,945</u>	<u>3,086</u>
-	-	-	-	2,143	2,391	(2,143)	(2,391)	-	-
-	-	-	-	39,586	40,136	(39,586)	(40,136)	-	-
-	-	-	-	1,409	1,425	(1,409)	(1,425)	-	-
-	-	58,868	59,334	337,016	336,228	(337,016)	(336,228)	-	-
-	-	-	-	27,590	66,239	(27,590)	(66,239)	-	-
-	-	-	-	140,162	122,527	(140,162)	(122,527)	-	-
-	-	11,655	27,232	20,576	147,092	(20,576)	(147,092)	-	-
-	-	-	-	112,768	112,478	(112,768)	(112,478)	-	-
-	-	-	-	(61,850)	(51,960)	61,850	51,960	-	-
-	-	70,523	86,566	619,400	776,556	(619,400)	(776,556)	-	-
<u>\$ 54,678</u>	<u>\$ 56,638</u>	<u>\$ 114,401</u>	<u>\$ 119,965</u>	<u>\$ 1,173,111</u>	<u>\$ 1,301,440</u>	<u>\$ 4,548,793</u>	<u>\$ 4,506,950</u>	<u>\$ 4,548,793</u>	<u>\$ 4,506,950</u>
-	-	-	-	-	-	278,148	276,894	278,148	276,894
-	-	-	-	-	-	7,764	9,861	7,764	9,861
-	-	-	-	-	-	305,375	278,970	305,375	278,970
-	-	-	-	-	-	15,457	28,886	15,457	28,886
-	-	-	-	-	-	21,833	21,644	21,833	21,644
-	-	-	-	-	-	37,035	37,690	37,035	37,690
-	-	-	-	-	-	14,373	4,037	14,373	4,037
-	-	-	-	-	-	<u>\$ 5,228,778</u>	<u>\$ 5,164,932</u>	<u>\$ 5,228,778</u>	<u>\$ 5,164,932</u>

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

Year ended December 31, 2014  
(with comparative amounts for prior year)

	General		Debt Service		Capital Improvements	
	Corporate Fund		Fund		Bond Fund	
	2014	2013	2014	2013	2014	2013
(in thousands of dollars)						
<b>Revenues</b>						
General revenues:						
Property taxes	\$ 230,128	\$ 222,163	\$ 202,991	\$ 167,914	\$ -	\$ -
Personal property replacement tax	27,309	32,055	-	-	-	-
Interest on investments	3,594	1,575	1,342	363	3,283	618
Land sales	8	2,575	-	-	-	-
Tax increment financing distributions	4,925	3,361	-	-	-	-
Claims and damage settlements	177	971	-	-	452	1,246
Miscellaneous	2,908	2,933	5	4	2,396	1,520
Gain on sale of capital assets	-	-	-	-	-	-
Program revenues:						
Charges for services:						
User charges	50,396	48,882	-	-	-	-
Land rentals	16,357	14,851	-	-	-	-
Fees, forfeits, and penalties	3,959	2,629	-	-	-	-
Capital grants and contributions:						
Federal and state grants	21	53	11,141	11,057	-	-
<b>Total revenues</b>	<b>339,782</b>	<b>332,048</b>	<b>215,479</b>	<b>179,338</b>	<b>6,131</b>	<b>3,384</b>
<b>Expenditures/Expenses</b>						
Operations:						
Board of Commissioners	3,710	3,514	-	-	-	-
General Administration	14,829	14,111	-	-	-	-
Monitoring and Research	26,687	25,128	-	-	-	-
Procurement and Materials Management	6,325	5,671	-	-	-	-
Human Resources	72,879	67,856	-	-	-	-
Information Technology	14,582	14,024	-	-	-	-
Law	6,802	6,984	-	-	-	-
Finance	3,425	3,393	-	-	-	-
Engineering	25,278	23,987	-	-	-	-
Maintenance and Operations	168,376	161,787	-	-	-	-
Pension costs	-	-	-	-	-	-
OPEB costs	-	-	-	-	-	-
Claims and judgments	44,988	4,970	-	-	-	-
Construction costs	-	-	-	-	186,112	155,073
Loss on disposal of capital assets	-	-	-	-	-	-
Depreciation and amortization (unallocated)	-	-	-	-	-	-
Debt service:						
Redemption of bonds and capital lease	-	-	86,976	83,667	2,142	2,042
Interest and bond issuance costs	-	-	107,868	109,317	2,247	2,348
<b>Total expenditures/expenses</b>	<b>387,881</b>	<b>331,425</b>	<b>194,844</b>	<b>192,984</b>	<b>190,501</b>	<b>159,463</b>
Revenues over (under) expenditures	(48,099)	623	20,635	(13,646)	(184,370)	(156,079)
Other financing sources (uses):						
State revolving fund loans	-	-	-	-	81,721	41,546
Bond anticipation notes converted	-	-	-	-	27,623	50,264
Bond anticipation notes refunded	-	-	-	-	(27,623)	(50,264)
Transfers	-	(30,000)	(3,000)	-	(8,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(30,000)</b>	<b>(3,000)</b>	<b>-</b>	<b>73,721</b>	<b>41,546</b>
Revenues and other financing sources (uses) over (under) expenditures	(48,099)	(29,377)	17,635	(13,646)	(110,649)	(114,533)
Change in net position	-	-	-	-	-	-
Fund balances/net position:						
Beginning of the year	335,125	364,502	122,527	136,173	232,338	346,871
End of the year	<u>\$ 287,026</u>	<u>\$ 335,125</u>	<u>\$ 140,162</u>	<u>\$ 122,527</u>	<u>\$ 121,689</u>	<u>\$ 232,338</u>

See accompanying notes to the basic financial statements.

*Metropolitan Water Reclamation District of Greater Chicago*

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Funds		Adjustments (Note 2b)		Statements of Activities	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
\$ 51,293	\$ 28,841	\$ 31,904	\$ 36,048	\$ 516,316	\$ 454,966	\$ 10,535	\$ 15,889	\$ 526,851	\$ 470,855
12,262	8,682	-	-	39,571	40,737	-	-	39,571	40,737
-	-	1,267	495	9,486	3,051	-	-	9,486	3,051
-	-	-	-	8	2,575	(8)	(2,575)	-	-
-	-	-	-	4,925	3,361	-	-	4,925	3,361
-	-	1	54	630	2,271	-	-	630	2,271
1	-	135	308	5,445	4,765	(155)	-	5,290	4,765
-	-	-	-	-	-	8	923	8	923
-	-	300	300	50,696	49,182	-	-	50,696	49,182
-	-	-	-	16,357	14,851	-	-	16,357	14,851
-	-	1,497	767	5,456	3,396	-	-	5,456	3,396
-	-	-	-	11,162	11,110	(73)	-	11,089	11,110
<u>63,556</u>	<u>37,523</u>	<u>35,104</u>	<u>37,972</u>	<u>660,052</u>	<u>590,265</u>	<u>10,307</u>	<u>14,237</u>	<u>670,359</u>	<u>604,502</u>
-	-	-	-	3,710	3,514	11	6	3,721	3,520
-	-	-	-	14,829	14,111	267	315	15,096	14,426
-	-	-	-	26,687	25,128	235	166	26,922	25,294
-	-	-	-	6,325	5,671	6	(11)	6,331	5,660
-	-	-	-	72,879	67,856	17	(15)	72,896	67,841
-	-	-	-	14,582	14,024	126	307	14,708	14,331
-	-	-	-	6,802	6,984	10	(9)	6,812	6,975
-	-	-	-	3,425	3,393	8	1	3,433	3,394
-	-	-	-	25,278	23,987	1,283	1,064	26,561	25,051
-	-	-	-	168,376	161,787	858	585	169,234	162,372
75,556	67,523	-	-	75,556	67,523	(1,843)	(15,458)	73,713	52,065
-	-	-	-	-	-	(19,449)	(19,567)	(19,449)	(19,567)
-	-	-	-	44,988	4,970	(42,328)	(1,601)	2,660	3,369
-	-	50,147	44,158	236,259	199,231	(159,068)	(110,703)	77,191	88,528
-	-	-	-	-	-	127	173	127	173
-	-	-	-	-	-	12,229	12,020	12,229	12,020
-	-	-	-	89,118	85,709	(89,118)	(85,709)	-	-
-	-	-	-	110,115	111,665	4,213	4,584	114,328	116,249
<u>75,556</u>	<u>67,523</u>	<u>50,147</u>	<u>44,158</u>	<u>898,929</u>	<u>795,553</u>	<u>(292,416)</u>	<u>(213,852)</u>	<u>606,513</u>	<u>581,701</u>
<u>(12,000)</u>	<u>(30,000)</u>	<u>(15,043)</u>	<u>(6,186)</u>	<u>(238,877)</u>	<u>(205,288)</u>	<u>302,723</u>	<u>228,089</u>		
-	-	-	-	81,721	41,546	(81,721)	(41,546)	-	-
-	-	-	-	27,623	50,264	(27,623)	(50,264)	-	-
-	-	-	-	(27,623)	(50,264)	27,623	50,264	-	-
12,000	30,000	(1,000)	-	-	-	-	-	-	-
<u>12,000</u>	<u>30,000</u>	<u>(1,000)</u>	<u>-</u>	<u>81,721</u>	<u>41,546</u>	<u>(81,721)</u>	<u>(41,546)</u>	<u>-</u>	<u>-</u>
-	-	(16,043)	(6,186)	(157,156)	(163,742)	157,156	163,742	-	-
-	-	-	-	-	-	63,846	22,801	63,846	22,801
-	-	86,566	92,752	776,556	940,298	-	-	5,164,932	5,142,131
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,523</u>	<u>\$ 86,566</u>	<u>\$ 619,400</u>	<u>\$ 776,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,228,778</u>	<u>\$ 5,164,932</u>

Exhibit A-3  
 General Corporate Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual on Budgetary Basis

Year ended December 31, 2014

(in thousands of dollars)

	Budget		Actual Amounts	Actual Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes:				
Gross levy	\$ 230,000	\$ 230,000	\$ 230,000	\$ -
Allowance for uncollectible taxes	(8,050)	(8,050)	(8,050)	-
Net property tax levy	221,950	221,950	221,950	-
Property tax collections	6,421	6,421	5,965	(456)
Personal property replacement tax:				
Entitlement	18,608	18,608	18,608	-
Total tax revenue	246,979	246,979	246,523	(456)
Adjustment for working cash borrowing	(4,358)	(4,358)	(4,358)	-
Adjustment for estimated tax collections	-	-	3,783	3,783
Tax revenue available for current operation	242,621	242,621	245,948	3,327
Interest on investments	3,200	3,200	2,571	(629)
Land sales	-	-	8	8
Tax increment financing distributions	2,450	2,450	4,395	1,945
Miscellaneous	2,470	2,470	5,930	3,460
Grants	-	-	22	22
User charges	40,000	40,000	44,665	4,665
Land rentals	14,700	14,700	16,933	2,233
Claims and damage settlements	-	-	130	130
Fees, forfeits, and penalties	-	-	940	940
Total revenues	305,441	305,441	321,542	16,101
Expenditures:				
Board of Commissioners	4,047	4,047	3,710	337
General Administration	16,675	16,675	14,795	1,880
Monitoring and Research	28,298	28,298	26,125	2,173
Procurement and Materials Management	9,365	9,365	8,046	1,319
Human Resources	75,266	75,300	72,855	2,445
Information Technology	16,219	16,219	14,368	1,851
Law	8,224	8,224	6,796	1,428
Finance	3,609	3,609	3,424	185
Engineering	56,684	56,684	25,295	31,389
Maintenance and Operations	176,958	176,924	166,542	10,382
Claims and judgments	64,000	64,000	44,986	19,014
Total expenditures	459,345	459,345	386,942	72,403
Revenues over (under) expenditures	(153,904)	(153,904)	(65,400)	88,504
Fund balances at beginning of year	212,459	212,459	234,930	22,471
Net assets available for future use	(58,555)	(58,555)	-	58,555
Fund balances at beginning of the year as adjusted	153,904	153,904	234,930	81,026
Fund balances at end of year	\$ -	\$ -	\$ 169,530	\$ 169,530

See accompanying notes to the basic financial statements.

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

Year ended December 31, 2014

(in thousands of dollars)

<b>Retirement Fund</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Actual Variance with Final Budget - Positive (Negative)</b>
Revenues:			
Property taxes	\$ 49,814	\$ 51,293	\$ 1,479
Personal property replacement tax	13,170	12,262	(908)
Miscellaneous	-	1	1
Equity transfer from Stormwater Working Cash Fund	1,000	1,000	-
Equity transfer from Capital Improvements Bond Fund	8,000	8,000	-
Equity transfer from Bond and Interest Fund	3,000	3,000	-
Total tax revenue	<u>74,984</u>	<u>75,556</u>	<u>572</u>
Operating expenditures:			
Pension costs	<u>74,984</u>	<u>75,556</u>	<u>(572)</u>
Total expenditures	<u>74,984</u>	<u>75,556</u>	<u>(572)</u>
Revenues over (under) expenditures	-	-	-
Fund balances at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

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

December 31, 2014

(with comparative amounts for prior year)

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Cash	\$ 275	\$ 123
Receivables		
Employer contributions-taxes (net of allowance for uncollectibles of \$3,495 in 2014; \$5,383 in 2013)	61,654	62,984
Securities sold	9,929	8,012
Forward foreign exchange contracts	28,089	32,768
Accrued interest and dividends	4,600	2,646
Accounts receivable	40	52
Total receivables	<u>104,312</u>	<u>106,462</u>
Investments at fair value		
Corporate and governmental bonds and notes	252,271	161,406
Money market funds	13,857	13,267
Pooled funds - fixed income	246,148	223,486
Pooled funds - equities	59,949	73,747
Balanced funds	12,379	-
Common and preferred stocks	808,449	843,885
Short-term investments	34,621	51,789
Total investments	<u>1,427,674</u>	<u>1,367,580</u>
Securities lending capital	<u>51,053</u>	<u>45,659</u>
Total assets	<u>\$ 1,583,314</u>	<u>\$ 1,519,824</u>
<u>Liabilities</u>		
Accounts payable	\$ 1,660	\$ 1,544
Securities lending collateral	51,053	45,659
Forward foreign exchange contracts	28,089	32,768
Securities purchased	18,342	20,356
Total liabilities	<u>99,144</u>	<u>100,327</u>
Net position held in trust for pension and OPEB benefits	<u>\$ 1,484,170</u>	<u>\$ 1,419,497</u>

See accompanying notes to the basic financial statements.



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

Year ended December 31, 2014

(with comparative amounts for prior year)

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Additions:		
Contributions:		
Employer contributions	\$ 107,623	\$ 126,779
Employee contributions	18,975	16,891
Retiree contributions	6,773	6,218
Total contributions	<u>133,371</u>	<u>149,888</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	65,857	224,279
Interest and dividend income	26,782	21,599
Total investment income	92,639	245,878
Less investment expenses	<u>(5,942)</u>	<u>(5,508)</u>
Investment income (loss) net of expenses	<u>86,697</u>	<u>240,370</u>
Security lending activities:		
Security lending income	64	89
Borrower rebates	506	630
Bank fees	<u>(135)</u>	<u>(174)</u>
Net income from securities lending activities	<u>435</u>	<u>545</u>
Other	<u>4</u>	<u>7</u>
Total additions	<u>220,507</u>	<u>390,810</u>
Deductions:		
Annuities and benefits:		
Employee annuitants	111,352	106,624
Retiree health care benefits	20,490	20,053
Surviving spouse annuitants	20,444	19,432
Child annuitants	157	114
Ordinary disability benefits	821	822
Duty disability benefits	<u>140</u>	<u>214</u>
Total annuities and benefits	153,404	147,259
Refunds of employee contributions	984	1,129
Administrative expenses	<u>1,446</u>	<u>1,429</u>
Total deductions	<u>155,834</u>	<u>149,817</u>
Net increase (decrease)	<u>64,673</u>	<u>240,993</u>
Net position held in trust for pension and OPEB benefits		
Beginning of year	1,419,497	1,178,504
End of year	<u>\$ 1,484,170</u>	<u>\$ 1,419,497</u>

See accompanying notes to the basic financial statements.

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

# Notes to the Basic Financial Statements

*Metropolitan Water Reclamation District of Greater Chicago*

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# Notes to the Basic Financial Statements

Year ended December 31, 2014

## 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 or on their website: [mwrdrf.org](http://mwrdrf.org). Complete financial statements of the OPEB Trust Fund can be obtained from the Treasurer of the Metropolitan Water Reclamation District at 100 East Erie Street, Chicago, Illinois 60611-5498 or on the District's website: [mwrdrf.org](http://mwrdrf.org).
- b. **Government-wide and Fund Financial Statements** - The District's basic financial statements include government-wide financial statements and fund financial statements.

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

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

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

The District reports the following major governmental funds:

**General Corporate Fund**

Established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Corporate Fund. These accounts were established under Chapter 70, ILCS 2605/9b of the Illinois Compiled Statutes, which refers to these accounts as a "Working Cash Fund." Amounts borrowed from the Working Cash Fund in one year are generally repaid by the Corporate Fund from tax collections received during the subsequent year. Also included in this fund are accounts of the "Reserve Claim Fund," established under Chapter 70, ILCS 2605/12 of the Illinois Compiled Statutes, which is restricted for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2014, are as follows (in thousands of dollars):

	<b>Total General Corporate Fund</b>	<b>Corporate Division</b>	<b>Corporate Working Cash Division</b>	<b>Reserve Claim Division</b>
<b>Assets</b>				
Cash	\$ 45,390	\$ 43,987	\$ 468	\$ 935
Certificates of deposit	10,295	9,594	701	-
Investments	191,294	77,467	86,979	26,848
Prepaid Insurance	2,143	2,108	-	35
Receivables:				
Property taxes receivable	240,709	237,503	-	3,206
Allowance for uncollectible taxes	(15,864)	(15,553)	-	(311)
Taxes receivable, net	<u>224,845</u>	<u>221,950</u>	-	<u>2,895</u>
User charges	3,038	3,038	-	-
Miscellaneous	1,342	1,342	-	-
Due from Stormwater Management Fund	52	52	-	-
Restricted deposits	1,409	1,409	-	-
Inventories	39,586	39,586	-	-
Total assets	<u>\$ 519,394</u>	<u>\$ 400,533</u>	<u>\$ 88,148</u>	<u>\$ 30,713</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 37,817	\$ 37,136	\$ -	\$ 681
Due to corporate fund from corporate working cash	-	190,000	(190,000)	-
Total liabilities	<u>37,817</u>	<u>227,136</u>	<u>(190,000)</u>	<u>681</u>
Deferred inflows of resources:				
Unavailable tax revenue	190,865	188,423	-	2,442
Other unavailable/unearned revenue	3,686	3,686	-	-
Total deferred inflows of resources	<u>194,551</u>	<u>192,109</u>	<u>-</u>	<u>2,442</u>
Fund balances:				
Nonspendable:				
Prepaid insurance	2,143	2,143	-	-
Inventories	39,586	39,586	-	-
Restricted for:				
Deposits	1,409	1,409	-	-
Working cash	278,148	-	278,148	-
Reserve claims	27,590	-	-	27,590
Unassigned (Deficit)	(61,850)	(61,850)	-	-
Total fund balances	<u>287,026</u>	<u>(18,712)</u>	<u>278,148</u>	<u>27,590</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 519,394</u>	<u>\$ 400,533</u>	<u>\$ 88,148</u>	<u>\$ 30,713</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2014

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, 2014, are as follows (in thousands of dollars):

	<b>Total General Corporate Fund</b>	<b>Corporate Division</b>	<b>Corporate Working Cash Division</b>	<b>Reserve Claim Division</b>
<b>Revenues:</b>				
Property taxes	\$ 230,128	\$ 224,463	\$ -	\$ 5,665
Personal property replacement tax	27,309	27,309	-	-
Total tax revenue	<u>257,437</u>	<u>251,772</u>	<u>-</u>	<u>5,665</u>
Interest on investments	3,594	1,670	1,254	670
Land sales	8	8	-	-
Tax increment financing distributions	4,925	4,925	-	-
Claims and damage settlements	177	173	-	4
Miscellaneous	2,908	2,908	-	-
User charges	50,396	50,396	-	-
Land rentals	16,357	16,357	-	-
Fees, forfeits and penalties	3,959	3,959	-	-
Federal grants	21	21	-	-
Total revenues	<u>339,782</u>	<u>332,189</u>	<u>1,254</u>	<u>6,339</u>
<b>Operations:</b>				
Board of Commissioners	3,710	3,710	-	-
General Administration	14,829	14,829	-	-
Monitoring and Research	26,687	26,687	-	-
Procurement and Materials Management	6,325	6,325	-	-
Human Resources	72,879	72,879	-	-
Information Technology	14,582	14,582	-	-
Law	6,802	6,802	-	-
Finance	3,425	3,425	-	-
Engineering	25,278	25,278	-	-
Maintenance and Operations	168,376	168,376	-	-
Claims and judgments	44,988	-	-	44,988
Total expenditures	<u>387,881</u>	<u>342,893</u>	<u>-</u>	<u>44,988</u>
Revenues over (under) expenditures	(48,099)	(10,704)	1,254	(38,649)
Net Change in Fund balance	<u>(48,099)</u>	<u>(10,704)</u>	<u>1,254</u>	<u>(38,649)</u>
Fund balance at the beginning of year	<u>335,125</u>	<u>(8,008)</u>	<u>276,894</u>	<u>66,239</u>
Fund balance at the end of year	<u>\$ 287,026</u>	<u>\$ (18,712)</u>	<u>\$ 278,148</u>	<u>\$ 27,590</u>

**Debt Service Fund**

A sinking fund established to account for annual property tax levies and certain other revenues, principally interest on investments, which are restricted to be used for the payment of interest and redemption of principal on bonded debt.

**Capital Improvements Bond Fund**

A capital projects fund established to account for the proceeds of bonds authorized by the Illinois General Assembly, bond anticipation notes net of redemptions, government grants, and certain other revenues, all are restricted to be used in connection with improvements, replacements, and additions to designated environmental improvement projects.

**Retirement Fund**

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

## Notes to the Basic Financial Statements

Year ended December 31, 2014

The District reports the following non-major governmental funds:

### Construction Fund

A capital projects fund established to account for the annual property tax levy and certain other revenues to be used for the acquisition of capital assets used in the principal functions of the District. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9c of the Illinois Compiled Statutes, which refers to these accounts as a "Construction Working Cash Fund." Amounts borrowed in one year are generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2014, are as follows (in thousands of dollars):

	<b>Total Construction Fund</b>	<b>Construction Division</b>	<b>Construction Working Cash Division</b>
<b>Assets</b>			
Cash	\$ 747	\$ 657	\$ 90
Certificates of deposit	800	-	800
Investments	29,997	21,054	8,943
Receivables:			
Property taxes receivable	17,770	17,770	-
Allowance for uncollectible taxes	(979)	(979)	-
Taxes receivable, net	16,791	16,791	-
Miscellaneous receivable	745	745	-
Total assets	<u>\$ 49,080</u>	<u>\$ 39,247</u>	<u>\$ 9,833</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
Liabilities:			
Accounts payable and other liabilities	\$ 6,648	\$ 6,648	\$ -
Due to Construction Fund from Construction Working Cash	-	12,000	(12,000)
Total liabilities	<u>6,648</u>	<u>18,648</u>	<u>(12,000)</u>
Deferred inflows of resources:			
Unavailable tax revenue	14,283	14,283	-
Total deferred inflows of resources	<u>14,283</u>	<u>14,283</u>	<u>-</u>
Fund balances:			
Restricted for:			
Working cash	21,833	-	21,833
Capital projects	6,316	6,316	-
Total fund balances	<u>28,149</u>	<u>6,316</u>	<u>21,833</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 49,080</u>	<u>\$ 39,247</u>	<u>\$ 9,833</u>



*Metropolitan Water Reclamation District of Greater Chicago*

The revenues, expenditures, and changes in fund balances of the Construction Fund, detailed as to the Construction and Working Cash account divisions for the year ended December 31, 2014, are as follows (in thousands of dollars):

	<b>Total Construction Fund</b>	<b>Construction Division</b>	<b>Working Cash Division</b>
Revenues:			
Property taxes	\$ 11,831	\$ 11,831	\$ -
Total tax revenue	11,831	11,831	-
Interest on investments	564	375	189
User charge	300	300	-
Claims and damages settlements	1	1	-
Fees, forfeits and penalties	1,491	1,491	-
Total revenues	<u>14,187</u>	<u>13,998</u>	<u>189</u>
Construction Costs:			
Personal services	2,653	2,653	-
Contractual services	142	142	-
Materials and supplies	433	433	-
Machinery and equipment	2,954	2,954	-
Capital projects	16,572	16,572	-
Total expenditures	<u>22,754</u>	<u>22,754</u>	<u>-</u>
Revenues over (under) expenditures	<u>(8,567)</u>	<u>(8,756)</u>	<u>189</u>
Net Change in Fund balance	<u>(8,567)</u>	<u>(8,756)</u>	<u>189</u>
Fund balance at the beginning of year	36,716	15,072	21,644
Fund balance at the end of year	<u>\$ 28,149</u>	<u>\$ 6,316</u>	<u>\$ 21,833</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2014

### 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, 2014, are as follows (in thousands of dollars):

	<b>Total Stormwater Management Fund</b>	<b>Stormwater Management Division</b>	<b>Stormwater Working Cash Division</b>
<b>Assets</b>			
Cash	\$ 2,497	\$ 2,084	\$ 413
Certificates of deposit	1,001	-	1,001
Investments	41,558	15,937	25,621
Receivables:			
Property taxes receivable	21,669	21,669	-
Allowance for uncollectible taxes	(1,404)	(1,404)	-
Taxes receivable, net	<u>20,265</u>	<u>20,265</u>	<u>-</u>
Total assets	<u>\$ 65,321</u>	<u>\$ 38,286</u>	<u>\$ 27,035</u>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>			
Liabilities:			
Accounts payable and other liabilities	\$ 5,689	\$ 5,689	\$ -
Due to Corporate Fund	52	52	-
Due to Stormwater Management Fund from Stormwater Working Cash	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Total liabilities	<u>5,741</u>	<u>15,741</u>	<u>(10,000)</u>
Deferred inflows of resources:			
Unavailable tax revenue	<u>17,206</u>	<u>17,206</u>	<u>-</u>
Total deferred inflows of resources	<u>17,206</u>	<u>17,206</u>	<u>-</u>
Fund balances:			
Restricted for:			
Working cash	37,035	-	37,035
Capital projects	<u>5,339</u>	<u>5,339</u>	<u>-</u>
Total fund balances	<u>42,374</u>	<u>5,339</u>	<u>37,035</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 65,321</u>	<u>\$ 38,286</u>	<u>\$ 27,035</u>

*Metropolitan Water Reclamation District of Greater Chicago*

The revenues, expenditures, and changes in fund balances of the Stormwater Management Fund, detailed as to the Stormwater Management and Working Cash account divisions for the year ended December 31, 2014, are as follows (in thousands of dollars):

	<b>Total Stormwater Management Fund</b>	<b>Stormwater Management Division</b>	<b>Stormwater Working Cash Division</b>
<b>Revenues:</b>			
Property taxes	\$ 20,073	\$ 20,073	\$ -
Total tax revenue	20,073	20,073	-
Interest on investments	703	358	345
Fees, forfeits and penalties	6	6	-
Miscellaneous	135	135	-
Total revenues	<u>20,917</u>	<u>20,572</u>	<u>345</u>
<b>Construction Costs:</b>			
Personal services	10,173	10,173	-
Contractual services	11,645	11,645	-
Materials and supplies	59	59	-
Capital projects	5,268	5,268	-
Fixed and other charges	248	248	-
Total expenditures	<u>27,393</u>	<u>27,393</u>	<u>-</u>
Revenues over (under) expenditures	<u>(6,476)</u>	<u>(6,821)</u>	<u>345</u>
<b>Other financing sources (uses):</b>			
Transfer out to Pension Fund	(1,000)	-	(1,000)
Total other financing sources (uses):	<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>
Net Change in Fund balance	<u>(7,476)</u>	<u>(6,821)</u>	<u>(655)</u>
Fund balance at the beginning of year	49,850	12,160	37,690
Fund balance at end of year	<u>\$ 42,374</u>	<u>\$ 5,339</u>	<u>\$ 37,035</u>

In addition, the District reports the following fiduciary funds:

**Pension Trust Fund**

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

**OPEB Trust Fund**

A fund established (pursuant to 70 ILCS 2605/9.6d) to administer the defined benefit, post-employment healthcare plan. The intention of the District is that the Plan satisfies the requirements of Section 115 of the Internal Revenue Code of 1986, as amended. A private letter ruling regarding the exclusion of the Trust's income from gross income under Section 115 has been received from the IRS.

## Notes to the Basic Financial Statements

Year ended December 31, 2014

### c. Basis of Accounting and Measurement Focus

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

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

#### Governmental Fund Financial Statements

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

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

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

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

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

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

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

- (5) Shortly after the public hearings, the Board of Commissioners adopts the budget for the coming year;
  - (6) Then, after a minimum five-day waiting period following budget adoption, and at a Regular Board Meeting, the Commissioners consider and approve any budget amendments. The Adopted Budget, along with any approved amendments, is the final budget document. This process must be completed prior to December 31 preceding the year to which the budget applies;
  - (7) The budget implementation phase begins January 1;
  - (8) The legal level of control for the District's appropriations (the level at which the Board of Commissioners must approve any transfers of appropriated amounts) is on a line item class (object) basis. (A line item class represents a group of line items. For example, the line item class "personal services" is a grouping of line items such as salaries and wages, group insurance, professional services, Medicare contributions). Transfers of appropriations between objects of expenditure or between departments must be presented to the Board of Commissioners in accordance with applicable statutes. The District's Annual Appropriation Ordinance further requires line item class appropriations be supported by a schedule of line items, and expenditures be made in accordance with such schedule of line items. The Executive Director is authorized to transfer appropriations between line items within an object class of expenditure within a department. For the Debt Service Fund and the Retirement Fund, the level of control is on a fund basis;
  - (9) The Executive Director is authorized to transfer appropriations between line items within an object class of expenditure within a department. After March 1, transfers of appropriations between objects of expenditures or between departments can be made with the approval of the Board of Commissioners;
  - (10) Budgets are adopted on a basis not consistent with generally accepted accounting principles. In the General Corporate Fund budget, revenues are recognized on a cash basis except for property and personal property replacement taxes, which are recognized based on working cash borrowing plus an estimate of collections of property and property replacement taxes over and above the working cash borrowing. Expenditures are recognized on a GAAP basis except for inventory expenditures, which are accounted for on the purchase method for budgetary purposes and on the consumption method for GAAP financial reporting purposes. Transfers out to other funds are budgeted as expenditures, while transfers in are considered other financing sources. The Capital Improvements Bond Fund is budgeted on an "obligation" basis of accounting, which records total expenditures and grant revenues in the period in which contracts or grants are awarded. Appropriations lapse at year-end for the General Corporate, Retirement, Construction, Stormwater Management, and Debt Service Funds. Appropriations for the Capital Improvements Bond Fund lapse at the end of the year to the extent of the unencumbered balances. Encumbered balances are not reported as reservations of fund balances, as the amounts are re-appropriated in the following year;
  - (11) All governmental funds have legally adopted budgets.
- e. **Deposits with escrow agent** (if any) represent cash with the escrow agent for the subsequent payment of interest on debt.
  - f. **Certificates of deposit** are stated at cost plus accrued interest.
  - g. **Investments** of the Governmental Funds are stated at fair value plus accrued interest. The investment with the State Treasurer's Illinois Funds is at fair value, which is the same value as the pool shares. The Illinois Funds are not registered with the SEC. State statute requires the State Treasurer's Illinois Funds to comply with the Illinois Public Funds Investment Act (30 ILCS 235). Oversight is provided by the Auditor General's Office of the State of Illinois. Investments of the Pension and OPEB Trust Funds, other than short-term investments, are stated at fair value.
  - h. **Inventory**, consisting mainly of materials, supplies, and repair parts which maintain and extend the life of the District's treatment facilities, is reported on the Balance Sheet of the General Corporate Fund and the government-

## Notes to the Basic Financial Statements

Year ended December 31, 2014

wide Statements of Net Position. The District maintains a perpetual record-keeping system and uses a moving-average method, based on cost, for pricing its storeroom inventories. Materials, supplies, and repair parts are recorded as expenditures/expenses when consumed.

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

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

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

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

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

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

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

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

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

In compliance with Governmental Accounting Standards Board (GASB) Statement 34, existing infrastructure assets accounted for with the modified approach are not reported in the government-wide financial statements until an initial condition assessment is completed for the assets' network. Currently, all the District's WRP's infrastructure assets are reported as infrastructure under the modified approach in the government-wide financial statements. Condition assessments of eligible infrastructure assets must be completed at least every three years following the initial assessments. The Kirie, Central (Stickney), Hanover, North Side, Egan, Calumet, Lemont WRP's, and Waterways had their initial condition assessments completed between 2002 and 2006. The Kirie, Central (Stickney) and Waterways networks each had its most recent condition assessment completed in 2014. The Egan and O'Brien networks each had its most recent condition assessment completed in 2013. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2012.

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

- m. Compensated Absences** for accumulated unpaid vacation, holiday, overtime, severance and sick leave are paid to employees upon retirement or termination. An employee is eligible to receive 100 percent of earned vacation, holiday and overtime pay. Depending upon the date of hire and/or collective bargaining agreements, employees may also be eligible to receive severance pay and 50% of accumulated sick pay up to a maximum of sixty days. Compensated absences are accrued as they are earned in the government-wide financial statements. Expenditures and liabilities for compensated absences are recorded in the fund financial statements when due and payable. Included in the long-term liabilities of the Statements of Net Position at December 31, 2014, are liabilities for compensated absences of \$1,728,000, due within one year, and \$25,836,000, due in more than one year.
- n. Deferred Outflows/Inflows of Resources** for items that meet the definition of an outflow/inflow of current year resources, but related to a future period. Deferred outflows are not reported as assets because there is no consumption of resources, similarly, deferred inflows are not reported as liabilities because there is no acquisition of resources. The end result of both items is a reclassification from one balance sheet account to another due to an event in the future period.
- o. Long-Term Obligations** – Long-term debt and other long-term obligations are reported in the government-wide Statements of Net Position. Bond premiums are reported with bonds payable and amortized over the life of the bonds, using the straight-line method, in the government-wide financial statements. In addition, the refunding transaction cost, representing the excess of the amount required to refund debt over the book value of the old debt, is reported as a deferred outflow of resources and amortized over the shorter of the life of the old debt or new debt in the government-wide financial statements.

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

- p. Fund Balances** - The Board of Commissioners on December 9, 2010, adopted a new fund balance classification policy in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions: The policy categorizes the balances of governmental funds into the following categories: nonspendable, restricted, committed, assigned and unassigned fund balances. The categories are described as follows:

  - Nonspendable Fund Balance – This consists of amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.
  - Restricted Fund Balance – Reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

## Notes to the Basic Financial Statements

*Year ended December 31, 2014*

- Committed Fund Balance – This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a board motion. The District’s commissioners shall establish, modify, or rescind a fund balance commitment by vote of a motion presented to the Board.
  - Assigned Fund Balances – This consists of amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The District’s Board of Commissioners approved a motion authorizing the Executive Director to assign amounts of fund balances to a specific purpose.
  - Unassigned Fund Balances – This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.
  - In the General Corporate Fund, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which restricted fund balance is available, followed by committed amounts, and then assigned amounts. Unassigned amounts are used only after the other categories of fund balance have been fully utilized. For each budget year, the total fund balance in the General Corporate Fund is to be maintained between 12% and 15% of total appropriations. In governmental funds other than the General Corporate Fund, the District considers restricted amounts to have been spent last. When an expenditure is incurred for purposes for which restricted fund balance is available, the District will first utilize assigned amounts, followed by committed amounts, and then restricted amounts.
- q. Net Position** – The government-wide Statements of Net Position display three components of net position, as follows:
- Net investment in capital assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any debt attributable to capital assets.
  - Restricted Net Position - This consists of net position that is legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. Net position restricted for working cash and reserve claims is based on legal restrictions, while net position restricted for debt service and capital projects is based on legal restrictions and/or outside parties. The government-wide statement of net position reports \$665,612,000 of restricted net position.
  - Unrestricted Net Position - This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”
- r. User Charge** – The Environmental Protection Agency requires grant recipients to charge certain users of waste water treatment services a proportionate share of the cost of operations and maintenance. The District has utilized a User Charge System since January 1, 1980. The system was developed in accordance with 70 ILCS 2305/7.1.
- s. Comparative data and reclassifications** – The basic financial statements present comparative data for the prior year to provide an understanding of the changes in financial position and results of operations. Certain prior year amounts have been reclassified to conform to the current year presentation.
- t. Use of Estimates** – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets 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.
- u. New Accounting Pronouncement** - Issued in 2012, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, is designed to improve accounting and financial reporting for pensions. This statement will replace GASB Statement No. 27 and the requirements of GASB statement No. 50. The District is required to implement this statement for the year ending December 31, 2015.



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

- a. **Reconciliation of Total Fund Balances to Total Net Position** - The following explanations are provided for the reconciling adjustments shown in the Governmental Funds Balance Sheets/Statements of Net Position at December 31, 2014 (in thousands of dollars):

Total fund balances of governmental funds	\$ 619,400
<i>Amounts reported for governmental activities in the Statements of Net Position are different because:</i>	
Capital assets are not current financial resources and therefore are not reported as assets in governmental funds. However, capital assets are reported in the Statements of Net Position. The cost of capital assets and accumulated depreciation is as follows:	
Capital assets	7,293,443
Accumulated depreciation/amortization	(253,002)
Capital assets, net	<u>7,040,441</u>
Long-term liabilities are not due and payable in the current period and accordingly are not reported as liabilities in governmental funds. However, long-term liabilities are reported in the Statements of Net Position. The long-term liabilities consist of :	
Compensated absences	(27,564)
Claims and judgments	(35,668)
Capital lease	(45,653)
Bond anticipation notes	(90,460)
General obligation debt	(2,422,620)
Net OPEB obligation	(30,409)
Net Pension liability	(103,350)
Total long-term liabilities	<u>(2,755,724)</u>
Bond refunding transactions are recorded as deferred outflows of resources in the governmental funds while bond premiums and discounts are recorded as other financing sources and uses, respectively. Bond premiums are amortized over the life of the bonds for the Statements of Net Position. They consist of:	
Bond premium	(78,165)
Bond refunding transactions	13,518
Total bond premium and refunding transactions	<u>(64,647)</u>
Interest on debt is not accrued in governmental funds, but rather is recognized as a liability and an expenditure when due. Interest is recorded as a liability as it is incurred in the Statements of Net Position. The 2014 amount is:	
Accrued interest	<u>(13,623)</u>
Some assets reported in governmental funds do not increase fund balance because the assets are not "available" to pay for current-period expenditures. These assets are offset by unavailable revenues (deferred inflows of resources) in the governmental funds. However, these assets increase net position in the Statements of Net Position. They consist of:	
Unavailable property taxes and personal property replacement tax	442,647
Unavailable property taxes for pension trust fund	(41,385)
Grants and rents	1,669
Adjustment to unavailable revenues	<u>402,931</u>
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	52
Due to other funds	(52)
Total interfund	<u>-</u>
Total net position of governmental activities	<u>\$ 5,228,778</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2014

- b. Reconciliation of the Change in Fund Balances to the Change in Net Position** - The following explanations are provided for the adjustments shown in the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities for the year ended December 31, 2014 (in thousands of dollars):

Net change in fund balances of governmental funds	\$ (157,156)
<i>Amounts reported for governmental activities in the Statements of Activities are different because:</i>	
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	159,068
Depreciation expense-allocated to various departments	(2,884)
Depreciation/amortization expense-unallocated	(12,229)
Excess of construction and capital outlay costs over depreciation expense	<u>143,955</u>
Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statements of Net Position. In the current period, debt proceeds and related items were:	
Bond anticipation notes proceeds	(81,721)
Debt proceeds total	<u>(81,721)</u>
Repayment of long-term debt is reported as an expenditure in the governmental funds, or as an other financing use in the case of refunding, but the repayment reduces the long-term liabilities in the Statements of Net Position. In the current year, the repayments consist of:	
Debt service principal retirement	89,118
Debt service principal retirement total	<u>89,118</u>
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	63
Change in claims and judgments	42,328
Change in bond interest	285
Change in bond anticipation notes interest	(6,491)
Amortization of bond issuance/refunding costs	(2,868)
Amortization of bond premium	4,861
Change in net pension obligation	1,843
Change in OPEB costs	19,449
Total additional expenses	<u>59,470</u>
The proceeds from the sale of land and equipment are reported as revenue in the governmental funds. However, the cost of the land and equipment is removed from the capital assets account in the Statements of Net Position and offset against sale proceeds resulting in gain or (loss) in the Statements of Activities. The net effect of miscellaneous transactions involving capital asset sales:	
Total land and equipment sales	<u>(282)</u>
Unavailable tax revenues and certain other revenues that are earned but "unavailable" for the current period are not recognized in governmental funds. These revenues consist of:	
Property tax - net	10,535
Grant and rent adjustment	(73)
Total adjustments	<u>10,462</u>
Change in net position of governmental activities	<u>\$ 63,846</u>

### 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):

	<b>General Corporate Fund</b>
Revenues and other sources (uses) over (under) expenditures on a budgetary basis	\$ (65,400)
Adjustment from Budget to GAAP for:	
Tax revenues	11,489
Cash basis other revenues	6,751
GAAP versus budgetary expenditure differences	(939)
Revenues and other sources (uses) over (under) expenditures on GAAP Basis	\$ (48,099)

### 4. Deposits and Investments

#### Deposits

As of December 31, 2014, the District, the Pension Trust Fund and OPEB Trust Fund deposits were fully insured and collateralized.

#### Investments (excluding Trust Funds)

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

## Notes to the Basic Financial Statements

Year ended December 31, 2014

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District's investments at December 31, 2014 (in thousands of dollars):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1- 5 Years</u>
U.S. Agencies	\$ 210,797	\$ 12,530	\$ 198,267
Municipal Bonds	192,715	72,317	120,398
Commercial Paper	49,999	49,999	-
State Treasurer's Illinois Funds	26,267	26,267	-
Total Investments	<u>\$ 479,778</u>	<u>\$ 161,113</u>	<u>\$ 318,665</u>

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 \$1,540,000.

### Interest Rate Risk

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

### Credit Risk

The District's investment policy applies the "prudent person" standard in managing its investment portfolio. As such, investments are made with such judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy limits investments in commercial paper to the highest rating classifications, as established by at least two of the four major rating services, and which mature not later than 270 days from the purchase date. Such purchases may not exceed 10 % of the issuer corporation's outstanding obligations.

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Credit ratings for the District's investments in debt securities as described by Standard & Poor's, Moody's and Fitch at December 31, 2014 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

<u>Investment Type</u>	<u>Credit Ratings at 12/31/14 S&amp;P/Moody's/Fitch</u>	<u>% of Investment Type</u>	<u>% of Total Investments in Debt Securities</u>
U.S. Agencies			
Federal National Mortgage Association (FNMA)	AA+/Aaa/AAA	61.2%	
Federal Home Loan Mortgage Corporation (FHLMC)	AA+/Aaa/AAA	23.5%	
Federal Home Loan Banks (FHLB)	AA+/Aaa/NR	10.6%	
Federal Farm Credit Banks (FFCB)	AA+/Aaa/AAA	4.7%	
Total U.S. Agencies		100.0%	43.9%
Commercial Paper	A-1/P-1/F1	100.0%	10.4%
State Treasurer's Illinois Funds	AAAm	100.0%	5.5%
State of Illinois *	A-/A3/A-	36.2%	14.8%
Colorado Housing & Finance Authority *	NR/Aa2/AA	13.1%	5.3%
New York City Transitional Finance Authority *	AAA/Aa1/AAA	7.1%	2.8%
State of California *	A+/Aa3/A	5.8%	2.3%
Rosemont, Illinois *	A/A3/NR	5.4%	2.2%
Illinois Sales Tax*	AAA/NR/AA+	5.2%	2.1%
State of New York Dormitory Authority *	AAA/Aa1/AA	5.0%	2.0%
State of Connecticut *	AA/Aa3/AA	3.2%	1.3%
Peoria County Illinois School District *	NR/Aa2/NR	2.3%	0.9%
Long Beach California Bond Finance Authority *	A+/NR/AA-	2.2%	0.9%
Massachusetts Department of Transportation *	NR/Aa3/AA-	2.1%	0.8%
Indiana University *	AA+/Aaa/NR	2.0%	0.8%
Cook County, Illinois *	AA/A1/A+	1.8%	0.7%
Arizona School Facilities Board *	AAA/Aaa/AAA	1.6%	0.6%
University of Illinois *	AA-/Aa3/NR	0.9%	0.4%
New York State Urban Development Corporate *	AAA/Aa1/AA+	0.8%	0.3%
California Department of Water Resources *	AAA/Aa1/NR	0.8%	0.3%
Town of Cicero *	A+/NR/NR	0.8%	0.3%
Houston Texas Utility System *	AA/Aa2/AA	0.6%	0.2%
Monmouth County Improvement Authority *	AAA/Aaa/AAA	0.6%	0.2%
Cook County Illinois School District #68 Skokie *	NR/Aa1/NR	0.6%	0.2%
Bloomington, Illinois *	AA-/NR/NR	0.5%	0.2%
Tampa-Hillsborough County Florida Expressway Authority *	A/A3/NR	0.5%	0.2%
Oklahoma City Economic Development Trust *	AA/Aa2/NR	0.5%	0.2%
Illinois Housing Development Authority *	AA/Aa3/NR	0.4%	0.2%
			100.0%

\* Municipal Bond

NR - Not Rated

## Notes to the Basic Financial Statements

Year ended December 31, 2014

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

<u>Investments</u>	<u>Fair Value</u>	<u>% of Fair Value</u>
U.S. Agencies	\$ 210,797	41.8%
Municipal Bonds	192,715	38.1%
Commercial Paper	49,999	9.9%
Certificate of Deposit	25,400	5.0%
State Treasurer's Illinois Funds	26,267	5.2%
	<u>\$ 505,178</u>	<u>100.0%</u>

(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 2014, the fair value of commercial paper represented 10.4% of the District's total investments. None of the District's commercial paper in any one entity exceeded the 20% goal. As of December 31, 2014, the following investments were greater than 5% of total investments (in thousands of dollars):

<u>Investment</u>	<u>Fair Value</u>
Federal National Mortgage Association (FNMA)	\$ 129,083
State of Illinois Municipal Bonds	79,865
Federal Home Loan Mortgage Corporation (FHLMC)	49,486
State Treasurer's Illinois Funds	26,266
Colorado Housing and Finance Authority Municipal Bonds	25,298

### Custodial Credit Risk

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

### Trust Fund Investments

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

The OPEB Trust Fund is authorized under State Statute 70 ILCS 2605/9.6d. In accordance with the Statute, the Trust Fund shall be managed by the District Treasurer in any manner deemed appropriate subject only to the prudent person standard. The Trust adopted its investment policy on November 19, 2009, which was revised on December 19, 2013.

At December 31, 2014, the OPEB Trust’s assets were invested in fixed income and equity mutual funds traded on national securities exchanges. Investments are stated at fair value. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates. For purposes of determining realized gains or losses on the disposal of investments, the “first in first out” disposition method is used at the time of sale.

### Interest Rate Risk

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities for the Pension Trust Fund’s investments at December 31, 2014 (in thousands of dollars)

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1 Year	1-5 Years	6-10 Years	10+ Years
Fixed Income:					
Pooled Funds - Long Term investments	\$ 186,016	\$ -	\$ -	\$ 186,016	\$ -
Pooled Funds - Short Term investments	34,621	34,621	-	-	-
Corporate bonds and notes	139,180	2,330	38,397	38,520	59,933
Common collective trust	14,859	743	8,767	4,903	446
Municipal bonds	4,167	231	-	-	3,936
U.S. Governmental and government agency obligations	94,065	15,996	7,090	3,228	67,751
Total Fixed Income	<u>472,908</u>				
Equities:					
Common and Preferred Stock	808,449				
Securities lending Collateral	51,053				
Total Equities	<u>859,502</u>				
Total Investments	<u><u>\$ 1,332,410</u></u>				

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

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

## Notes to the Basic Financial Statements

Year ended December 31, 2014

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, 2014 (in thousands of dollars):

Investment Type	Fair Value	Percentage	Average Maturities (years)
Fixed Income Mutual Funds:			
Dodge & Cox Income	\$ 26,999	44.9%	6.8
Payden Core Bond Fund	3,376	5.6%	6.8
PIMCO Total Return Instl.	29,757	49.5%	10.5
Total Fixed Income	60,132		
Equities:			
Harbor International Instl.	11,896		
Artisan International Fund	6,469		
Fidelity Contra Fund	10,056		
Vanguard Small Cap Index Instl.	10,172		
LSV Value Equity Institutional	10,642		
Spartan 500 Index Advantage Class	10,714		
Total Equities Income	59,949		
Global Balanced Funds:			
PIMCO All Asset Institutional	12,379		
Money Market Funds:			
Illinois Funds Investment Pool	10,128		
Other Money Market Funds	3,729		
Total Plan Assets at Fair Value	13,857		
Total Investments	\$ 146,317		

### Credit Risk

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



The following reports the credit ratings for the Pension Trust Fund's debt securities at December 31, 2014 (in thousands of dollars):

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

<u>Credit Rating</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>%</u>
Aaa	U.S. Governmental and Government Agency	\$ 94,065	19.9
A1-A3	Municipal Bonds	396	0.1
Aa1-Aa3	Municipal Bonds	1,854	0.4
Aaa	Municipal Bonds	1,342	0.3
Not Rated	Municipal Bonds	575	0.1
		<u>4,167</u>	<u>0.9</u>
A1-A3	Corporate Bonds and Notes	17,776	3.7
Aa1-Aa3	Corporate Bonds and Notes	8,359	1.8
Aaa	Corporate Bonds and Notes	10,297	2.2
B1-B3	Corporate Bonds and Notes	17,436	3.7
Ba1-Ba3	Corporate Bonds and Notes	22,179	4.7
Baa1-Baa3	Corporate Bonds and Notes	43,784	9.3
C	Corporate Bonds and Notes	350	0.1
Caa1-Caa3	Corporate Bonds and Notes	2,912	0.6
Not Rated	Corporate Bonds and Notes	16,087	3.4
		<u>139,180</u>	<u>29.5</u>
B1	Common collective trust-fixed income	14,859	3.1
A	Pooled funds - long term investments	21,689	4.6
Aa	Pooled funds - long term investments	8,110	1.7
Aaa	Pooled funds - long term investments	133,578	28.2
Baa	Pooled funds - long term investments	22,620	4.8
Below Baa	Pooled funds - long term investments	19	0.0
		<u>186,016</u>	<u>39.3</u>
Not Rated	Pooled funds - long term investments	34,621	7.3
		<u>\$ 472,908</u>	<u>100.0%</u>

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

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

## Notes to the Basic Financial Statements

Year ended December 31, 2014

The following reports the credit ratings for the OPEB Trust Fund's debt securities at December 31, 2014; excluded are U.S. government obligations or obligations explicitly guaranteed by the U.S. Government, if any, which are classified under the headings U.S. Treasuries and U.S. Agencies:

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

Credit Rating	Dodge & Cox Income	Payden Core Bond Fund	PIMCO Total Return Instl.
AAA	49.7 %	10.0 %	48.0 %
AA	6.5	39.0	18.0
A	14.8	11.0	9.0
BBB	23.2	26.0	17.0
BB	5.8	8.0	4.0
B	0.0	3.0	1.0
Below B	0.0	1.0	3.0
Not Rated	0.0	2.0	0.0
	100.0 %	100.0 %	100.0 %

Morningstar Inc. provided the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's or Moody's credit rating agencies for Dodge & Cox and Payden Core. PIMCO Investments LLC provided the information for PIMCO Total Return as it was not available from Morningstar Inc.

### Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments are in equities and cash. The Pension Trust Fund does not maintain an investment policy relative to foreign currency risk. The Pension Trust Fund's exposure to foreign currency risk at December 31, 2014 was as follows:

<u>Equities</u>	<u>Fair Value</u>	<u>%</u>
Australian Dollar	\$ 10,644,703	6.5
Canadian Dollar	8,223,863	5.0
Swiss Franc	17,143,867	10.5
Danish Krone	3,382,242	2.1
Euro	37,138,912	22.7
Pound Sterling	36,642,697	22.4
Hong Kong Dollar	7,323,874	4.5
Israeli Shekel	486,956	0.3
Japanese Yen	33,148,572	20.3
Norwegian Krone	2,922,374	1.8
New Zealand Dollar	1,238,519	0.8
Swedish Krona	3,741,850	2.3
Singapore Dollar	1,544,133	0.8
Total	\$ 163,582,562	100.0%

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<b><u>Fixed Income</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
Brazil Real	\$ 107,135	1.6
Euro	740,787	11.1
Pound Sterling	356,971	5.3
Indonesian Rupiah	504,372	7.5
Indian Rupee	862,296	12.9
Mexican New Peso	719,080	10.7
Norwegian Krone	2,291,837	34.2
New Zealand Dollar	347,493	5.2
Polish Zloty	82,613	1.2
Romanian Leu	627,207	9.4
Russian Rubel	57,521	0.9
Total	<u>\$ 6,697,312</u>	<u>100.0%</u>

<b><u>Foreign Cash</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
Australian Dollar	\$ 852,037	26.4
Canadian Dollar	17,065	0.5
Swiss Franc	17,802	0.6
Danish Krone	16,624	0.5
Euro	103,319	3.2
British Pound Sterling	42,077	1.3
Hong Kong Dollar	84,869	2.6
Indonesian Rupiah	13,087	0.4
Israeli Shekel	348,524	10.8
Indian Rupee	60,696	1.9
Japanese Yen	189,682	5.9
Mexican New Peso	24,078	0.7
Norwegian Krone	936,396	29.1
Romanian Leu	6,932	0.2
Swedish Krona	466,199	14.5
Singapore Dollar	11,987	0.4
New Turkish Lira	30,814	1.0
Total	<u>\$ 3,222,188</u>	<u>100.0%</u>

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

## Notes to the Basic Financial Statements

Year ended December 31, 2014

As of December 31, 2014, the OPEB Trust investments in international equity mutual funds stated at fair market value are as follows (in thousands of dollars):

<u>Fund Name</u>	<u>Fair Value</u>
Harbor International Instl.	\$ 11,896
Artisan International Fund	6,469
	<u>\$ 18,365</u>

### Securities Lending

The Pension Trust Fund lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's master custodian, lends for collateral in the form of cash, irrevocable letters of credit or other securities worth at least 102% of the lent securities' market value, and international securities for collateral worth at least 105%. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan.

All securities loans can be terminated on demand by either the Pension Trust Fund or the borrower, although the average term of the loans is one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 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.

A summary of securities loaned at fair value as of December 31, 2014 is as follows:

Market value of securities loaned for cash collateral	\$ 49,508,049
Market value of securities loaned for non-cash collateral	10,244,821
Total market value of securities loaned	<u>\$ 59,752,870</u>
Market value of cash collateral from borrowers	\$ 51,053,444
Market value of non-cash collateral from borrowers	10,455,514
Total market value of collateral	<u>\$ 61,508,958</u>

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

The fund also participates in the securities lending programs offered by State Street Global Advisors (SSGA) with regards to their commingled index funds. Securities lending income earned by SSGA serves as a credit to quarterly management fees, and any remainder is used for purchasing additional units in the bond index fund.

## 5. Receivables, Unavailable/Unearned Revenues and Payables

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

### Receivables

Receivables as of December 31, 2014 in the District's governmental funds and government-wide financial statements, net of uncollectible accounts, are detailed as follows (in thousands of dollars):

	<u>General Corporate</u>	<u>Debt Service</u>	<u>Capital Improve- ments Bond</u>	<u>Retirement</u>	<u>Other Govern- mental</u>	<u>Total Govern- mental</u>	<u>Statement of Net Position</u>
Receivables at December 31, 2014:							
Property taxes:	\$ 240,709	\$ 225,053	\$ -	\$ 52,257	\$ 39,439	\$ 557,458	\$ 557,458
Allowance for uncollectible taxes	(15,864)	(14,374)	-	(3,495)	(2,383)	(36,116)	(36,116)
Net property taxes	224,845	210,679	-	48,762	37,056	521,342	521,342
Personal property replacement tax	-	-	-	5,916	-	5,916	5,916
Total taxes receivable, net	224,845	210,679	-	54,678	37,056	527,258	527,258
Other receivables:							
User charges	3,038	-	-	-	-	3,038	3,038
State revolving fund loans	-	-	32,176	-	-	32,176	32,176
Federal subsidy	-	928	-	-	-	928	928
Miscellaneous	1,342	-	732	-	745	2,819	2,819
Total other receivables, net	4,380	928	32,908	-	745	38,961	38,961
Total net receivables, December 31, 2014	<u>\$ 229,225</u>	<u>\$ 211,607</u>	<u>\$ 32,908</u>	<u>\$ 54,678</u>	<u>\$ 37,801</u>	<u>\$ 566,219</u>	<u>\$ 566,219</u>

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

### Unavailable/Unearned Revenues

Unavailable tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered to be available to liquidate liabilities of the current period. Other unavailable revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Position for rental resources that have been received, but not earned. Other unavailable revenue is reported in the Governmental Funds Balance Sheets for the federal subsidy accrual relating to the direct reimbursement for the District's Build America Bonds. A summary of unavailable revenue as of December 31, 2014 is as follows (in thousands of dollars).

	<u>General Corporate</u>	<u>Debt Service</u>	<u>Retirement</u>	<u>Other Govern- mental</u>	<u>Total Govern- mental</u>	<u>Adjust- ments</u>	<u>Statement of Net Position</u>
Unavailable revenue at December 31, 2014:							
Unavailable tax revenue	\$ 190,865	\$ 178,909	\$ 41,385	\$ 31,488	\$ 442,647	\$ (442,647)	\$ -
Other unavailable/unearned revenue:							
Rental income	819	-	-	-	819	4	823
Grant revenue	-	928	-	-	928	(928)	-
Other unavailable/unearned revenue	2,867	-	-	-	2,867	(745)	2,122
Total unavailable/unearned revenue	3,686	928	-	-	4,614	(1,669)	2,945
Total unavailable revenue at December 31, 2014	<u>\$ 194,551</u>	<u>\$ 179,837</u>	<u>\$ 41,385</u>	<u>\$ 31,488</u>	<u>\$ 447,261</u>	<u>\$ (444,316)</u>	<u>\$ 2,945</u>

## Notes to the Basic Financial Statements

Year ended December 31, 2014

### Payables

Payables reported as “Accounts payable and other liabilities” at December 31, 2014 in the District’s governmental funds and government-wide financial statements are detailed as follows (in thousands of dollars):

	<u>General Corporate</u>	<u>Debt Service</u>	<u>Capital Improve- ments Bond</u>	<u>Retirement</u>	<u>Other Govern- mental</u>	<u>Total Govern- mental</u>	<u>Statement of Net Position</u>
Accounts payable and other liabilities at December 31, 2014:							
Vouchers payable and other liabilities	\$ 27,229	\$ -	\$ 42,951	\$ -	\$ 12,337	\$ 82,517	\$ 82,517
Accrued payroll and withholdings	8,802	-	-	-	-	8,802	8,802
Bid deposits	1,786	-	-	-	-	1,786	1,786
Total accounts payable and other liabilities as of December 31, 2014	<u>\$ 37,817</u>	<u>\$ -</u>	<u>\$ 42,951</u>	<u>\$ -</u>	<u>\$ 12,337</u>	<u>\$ 93,105</u>	<u>\$ 93,105</u>

### 6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2014, are as follows (in thousands of dollars):

	<u>Balances January 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances December 31, 2014</u>
Governmental activities:				
Capital assets not depreciated/amortized:				
Land	\$ 129,215	\$ 243	\$ -	\$ 129,458
Permanent easements	1,330	-	-	1,330
Construction in progress	751,456	165,047	86,734	829,769
Infrastructure under modified approach	4,287,461	76,092	6,554	4,356,999
Total capital assets not depreciated/amortized	<u>5,169,462</u>	<u>241,382</u>	<u>93,288</u>	<u>5,317,556</u>
Capital assets depreciated/amortized:				
Buildings	13,226	-	-	13,226
Equipment	56,118	3,428	1,409	58,137
Computer software	4,570	1,571	-	6,141
Infrastructure and easements	1,898,383	-	-	1,898,383
Total capital assets being depreciated/amortized	<u>1,972,297</u>	<u>4,999</u>	<u>1,409</u>	<u>1,975,887</u>
Less accumulated depreciation/amortization:				
Buildings	5,502	185	-	5,687
Equipment	28,556	2,699	824	30,431
Computer software	3,010	883	-	3,893
Infrastructure and easements	201,645	11,346	-	212,991
Total accumulated depreciation/amortization	<u>238,713</u>	<u>15,113</u>	<u>824</u>	<u>253,002</u>
Total capital assets depreciated/amortized, net	<u>1,733,584</u>	<u>(10,114)</u>	<u>585</u>	<u>1,722,885</u>
Governmental activities capital assets, net	<u>\$ 6,903,046</u>	<u>\$ 231,268</u>	<u>\$ 93,873</u>	<u>\$ 7,040,441</u>

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 31, 2014, was charged to the District's governmental functions as follows (in thousands of dollars):

<b>Department</b>	<b>Amount</b>
Board of Commissioners	\$ 10
General Administration	271
Monitoring and Research	248
Procurement and Materials Management	7
Human Resources	16
Information Technology	128
Law	10
Finance	9
Engineering	1,295
Maintenance and Operations	890
Total allocated depreciation	2,884
Unallocated infrastructure depreciation	12,229
Total depreciation	\$ 15,113

## 7. Pension Plan

### Plan Description

The Metropolitan Water Reclamation District Retirement Fund (Pension Trust Fund) is the administrator of a single employer defined benefit pension plan (Plan) established by the State of Illinois. The defined benefits of the Plan, as well as the employer and employee contribution levels of the Plan, are mandated by Illinois State Statutes and may be amended only by the Illinois Legislature. The Pension Trust Fund provides retirement, death, and disability benefits to qualifying employees. Covered employees are required to contribute 9% or 11% of their salary to the Pension Plan, based upon their date of hire. The District is required to contribute the remaining amounts necessary to finance the requirements of the Plan on an actuarially funded basis. The District contribution is currently calculated as the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior.

The Pension Trust Fund issues a financial report that includes financial statements and required supplementary information establishing the financial position of the Plan. That report may be obtained by writing to the Metropolitan Water Reclamation District Retirement Fund, 111 E. Erie, Chicago, IL, 60611-2898 or electronically on their website: [www.mwrdrf.org](http://www.mwrdrf.org).

### Basis of Accounting

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

## Notes to the Basic Financial Statements

Year ended December 31, 2014

### Annual Pension Cost and Net Pension Obligation

The annual net pension obligation cost of the Plan for the year ended December 31, 2014, were as follows (in thousands of dollars):

Annual required contribution	\$ 69,925
Interest on net pension obligation	8,152
Adjustment to annual required contribution	(6,014)
Annual pension cost	<u>72,063</u>
Contributions made	<u>73,906</u>
Increase (decrease) in net pension obligation	(1,843)
Net pension obligation beginning of year	<u>105,193</u>
Net pension obligation end of year	<u><u>\$ 103,350</u></u>

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

### Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation, using the Entry Age Normal actuarial cost method and the Level Percentage of Payroll amortization method. The actuarial assumption includes: (a) 7.50% per year rate of return on investments, net of investment expense, compounded annually; (b) projected salary increases are based on an actuarial table of rates derived from years of service, percentage ranges from 4.25% to 7.00%; (c) post-retirement benefit compound increases of 3.00% per year for employees hired before January 1, 2011 and surviving spouse annuitants and 1.25% per year for employees hired after January 1, 2011; and (d) 2.50% 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 a closed basis to the year 2050.

### Trend Information

The annual pension cost, percentage of annual pension contributed and net pension obligation for the past three years ending December 31, 2014, are presented below (in thousands of dollars):

Fiscal Year Ending	Employer Contributions		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
12/31/2014	\$ 72,063	102.56%	\$ (103,350)
12/31/2013	77,486	119.95%	(105,193)
12/31/2012	77,267	84.25%	(120,651)

### 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
12/31/2014	\$ 1,263,287	\$ 2,296,439	\$ 1,033,152	55.00%	\$ 176,184	586.41%



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

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

### **Plan Description**

The Metropolitan Water Reclamation District Retiree Health Care Trust (OPEB Trust) administers the financing of OPEB and the payment of benefits for the Metropolitan Water Reclamation District of Greater Chicago. Pursuant to Illinois Statute 70 ILCS 2605/9.6d, the District adopted the Metropolitan Water Reclamation District Retiree Health Care Plan (the “Plan”) effective December 6, 2007. The purpose of the “Plan” is to provide postretirement medical and prescription drug coverage benefits to retirees as well as spouses and dependants of retirees that fulfill certain eligibility requirements. Retirees and annuitants receiving a pension through the Pension Trust Fund are eligible for District-sponsored health insurance. As of December 31, 2013, there are 2,808 retirees and beneficiaries currently receiving health care coverage.

The OPEB Trust Fund issues a financial report that includes financial statements and required supplementary information establishing the financial position of the Plan. That report may be obtained by writing to the Metropolitan Water Reclamation District Retiree Health Care Trust Fund, 100 E. Erie, Chicago, IL, 60611-2898 or electronically on the District’s website: [www.mwrdd.org](http://www.mwrdd.org).

### **Basis of Accounting**

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

### **Contributions**

The District has not entered into any long-term contracts for contributions to the plan as of the date of this report. State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners discretionary authority to determine contribution amounts to be paid by the District. The OPEB Funding Policy includes a target funded ratio of 100% with an expected funding period of 12 years (beginning in 2015). In 2014, \$20,000,000 was contributed by the District to the OPEB Trust Fund bringing the total contributed through December 31, 2014 to \$112,400,000. In succeeding fiscal years, the Trust will receive the District (employer) contribution as determined by the Board of Commissioners. There is currently no requirement for the District to partially or fully fund the Trust, and any funding is on a voluntary basis. Plan participants do not contribute to the plan other than providing premium contributions as discussed below.

The District allows employees who retire and meet certain eligibility requirements to continue medical coverage as participants in the Metropolitan Water Reclamation District Retiree Health Care Plan. The plan allows for subsidized health care benefits for its retirees. Retirees contribute 32.5% of the premium and the District pays the remaining 67.5%. Each year for the next seven years, retiree contributions will rise by 2.5% until the premium reaches 50%. Annually, the Board approves an appropriation to fund retiree medical costs as part of the Human Resources Department, General Corporate Fund budget. The amount of OPEB expenditure recognized during 2014 by the District was \$33,717,000, all claims paid (net of participant contributions).

## Notes to the Basic Financial Statements

Year ended December 31, 2014

### Annual OPEB Cost and Net OPEB Obligation

The following OPEB cost and net OPEB obligation was determined for the year ended December 31, 2014 (in thousands of dollars).

Annual required contribution (ARC)	\$ 13,212
Interest on net OPEB obligation	4,860
Adjustment to annual required contribution	<u>(3,804)</u>
Annual OPEB cost	14,268
Contributions made	<u>(33,717)</u>
Increase (decrease) in net OPEB obligation	(19,449)
Net OPEB obligation beginning of year	<u>49,858</u>
Net OPEB obligation end of year	<u><u>\$ 30,409</u></u>

### Funding Status and Progress

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

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)
12/31/2014	12/31/2013	\$ 120,883	\$ 260,364	\$ 139,481	46.43%	\$ 164,005	85.0%

### Actuarial Methods and Assumptions

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

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

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

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

Valuation date	December 31, 2013
Actuarial cost method	Projected unit credit
Amortization method and period	30 years, open, level percentage of payroll
Asset valuation method	Fair market value
Discount rate	7.00%
Inflation Rate	3.00%
Health care cost trend rates	7.3% Initial rate, 5% Ultimate rate, Year 2018
Annual projected payroll growth rate	3.60%

**Trend Information**

The OPEB annual required contribution, percentage of annual required contributions contributed and net OPEB obligation for the year ending December 31, 2014, are presented below (in thousands of dollars):

<u>Period Ended</u>	<u>Schedule of Employer Contributions</u>			<u>Net OPEB Obligation</u>
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>		
12/31/2014	\$ 13,212	255.2%	\$	30,409
12/31/2013	13,212	256.1%		49,858
12/31/2012	27,264	129.9%		69,425

**9. Commitments and Rebatable Arbitrage Earnings**

The General Corporate Fund has existing purchase order encumbrances of \$2,190,239 at December 31, 2014. Construction, Stormwater Management, and Capital Improvements Bond Funds’ contract commitments (encumbrances) were \$645,026,731 at December 31, 2014. State Revolving Fund Loan commitments of \$192,378,646 at December 31, 2014, 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, 2014, 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”).

The District is participating in a rulemaking before the Illinois Pollution Control Board involving a Use Attainability Analysis (UAA)(Docket R08-9) that seeks to upgrade the recreational and aquatic uses, and criteria protective of those uses, for the Chicago Area Waterway System (CAWS). In connection with the rulemaking, the District has agreed to add disinfection processes at its O’Brien and Calumet water reclamation plants. The cost of the capital improvements to add the disinfection processes is approximately \$95 million. The addition of disinfection processes at these two plants is on schedule.

## Notes to the Basic Financial Statements

*Year ended December 31, 2014*

The District is a defendant in the case of United States of America and State of Illinois v. Metropolitan Water Reclamation District of Greater Chicago, et al., case no. 11 cv 08859, pending in the U.S. District Court for the Northern District of Illinois. On January 6, 2014, the court entered a consent negotiated between the parties that requires the District to complete the Tunnel & Reservoir Plan in accordance with an enforceable schedule, as well as implement various other measures to address alleged violations of the Clean Water Act and the District's operating permits. The District did not admit to any violations in the decree. The decree also requires the payment of a \$675,000 civil penalty, which the District has already paid. Intervenor in the lawsuit appealed the court's entry of the decree. The appeal, which is pending in the Seventh Circuit Court of Appeals (Consolidated Nos. 14-1776 & 14-1777), has been fully briefed and argued. The parties are awaiting the decision of the Court.

NDPES permits were recently issued for the District's three major plants that contain a 1.0 mg/l phosphorus discharge limit which is to be achieved over a period of years. The current amount of capital costs budgeted to achieve this standard at two of the plants is \$50 million. As the District is in the early stages of developing the treatment processes, the actual capital costs incurred could be different from the initial budget. In addition, several citizens groups challenged the 1.0 mg/L phosphorous limit as not being low enough. These citizens groups were not successful in their challenge before the Illinois Pollution Control Board, but have appealed the issue to the Illinois Appellate Court for the First District. If these groups were successful in obtaining implementation of a lower phosphorus limit, capital costs could also increase. The District plans to sell the recovered phosphorus as a fertilizer component.

The District is a defendant in a lawsuit captioned National Resource Defense Council, et al. v. MWRD, Case No. 11 cv 2937, wherein certain environmental groups allege that the District is violating its operating permits and certain narrative water quality standards. The District contests the allegations in the complaint and intends to vigorously defend the lawsuit. There is currently a motion pending seeking summary judgment in the District's favor on the major claim made in the lawsuit.

In March 2011, the Illinois Environmental Protection Agency (IEPA) approved the District's Long Term Control Plan (LTCP) to address combined sewer overflows in the Lemont basin. Modifications to the LTCP were approved by the IEPA in July 2014. The District is currently in the process of designing and constructing the projects listed in the approved LTCP.

### **10. Risk Management and Claims**

The District is primarily self-insured for the "working layer" of losses and purchases excess insurance to assist in the response to catastrophic claims. Under the "Reserve Claim Fund" the District may levy an annual property tax not to exceed .005% of the equalized assessed valuation of taxable property within the District's territorial limits. The Reserve Claim Fund can be used for the payment of claims, awards, losses, judgments, liabilities, settlements, or demands and associated attorney's fees and costs that might be imposed on or incurred by such sanitary district in matters including, but not limited to, the Workers' Compensation Act or the Workers' Occupational Diseases Act, any claim in tort, any claim of deprivation of any constitutional or statutory right or protection, for all expenses, fees, and costs, both direct and in support of any property owned by such sanitary district which is damaged by fire, flood, explosion, vandalism or any other peril, natural or manmade. The aggregate amount that may accumulate in the Reserve Claim Fund cannot exceed .05% of the equalized assessed valuation. The Reserve Claim Fund accounts are included in the General Corporate Fund as described in Note 1.b to the financial statements.

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

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

The District may be also involved in various litigation for claims relating to environmental regulations. Under current environmental protection laws, the District may be ultimately responsible for the environmental remediation of some of its leased-out properties. The District has developed a preliminary estimate of environmental remediation costs for major lease sites. The range of such estimated costs at December 31, 2014, is between \$22.5 million and \$36.4 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site clean-up costs. Negotiations are ongoing between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. The current estimated cost was determined to be \$28,835,000 with an estimated cost recoverable amount of \$18,650,000 resulting in \$10,185,000 being recognized at December 31, 2014 in the liabilities of the government-wide financial statements. Of this amount, \$750,000 is classified as a short-term liability and the remaining \$9,435,000 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, 2014, are listed below. Insurance coverage for Automobiles, Trucks and Trailers was folded into the Excess Liability Coverage and the stand alone policy for Automobiles, Trucks and Trailers was allowed to expire. There were no other 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:

<i>Marine Liability</i>	
Aggregate .....	\$10,000,000
Deductible .....	\$10,000
<i>Workers Compensation</i>	
Aggregate.....	statutory
Deductible.....	\$2,000,000
<i>Excess Liability</i>	
Aggregate.....	\$50,000,000
Deductible.....	\$1,000,000
Flood Sewer Backup Deductible.....	\$5,000,000
Employers Liability Deductible.....	\$1,000,000
<i>Government Crime</i>	
<i>Public Employee Forgery or Alteration</i>	
Each occurrence .....	\$500,000
Deductible .....	\$500
<i>Employee Theft - Per Loss</i>	
Each occurrence .....	\$6,000,000
Deductible .....	\$100,000
<i>Computer Fraud</i>	
Each occurrence .....	\$1,000,000
Deductible .....	\$100,000

## Notes to the Basic Financial Statements

Year ended December 31, 2014

<i>Property Insurance</i>	
Each occurrence .....	\$1,500,000,000
Deductible .....	\$1,000,000
<i>Earth Movement</i>	
Aggregate .....	\$250,000,000
Deductible .....	\$1,000,000
<i>Flood and Water Damage</i>	
Aggregate .....	\$250,000,000
Deductible .....	\$1,000,000
<i>Flood and Water Damage - Lockport Powerhouse</i>	
Aggregate .....	\$200,000,000
Deductible .....	\$1,000,000
<i>Group Travel Accidental</i>	
Aggregate limits - Per accident .....	\$5,000,000
<i>Accidental Death</i>	
Per employee (5 times salary up to this maximum) .....	\$500,000
<i>Accidental Dismemberment and Paralysis</i>	
Per Loss .....	sliding scale
<i>Pension &amp; Welfare Fiduciary Liability for Deferred Compensation Plan/Retiree</i>	
<i>Health Care Trust/OPEB</i>	
Aggregate limit.....	\$5,000,000
Deductible.....	\$25,000
<i>Group Term Life (basic)</i>	
Per Employee .....	\$20,000

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

	<u>2014</u>	<u>2013</u>
Claims Payable at January 1	\$ 77,996	\$ 79,597
Claims incurred	44,988	4,970
Changes in prior years' claims estimate	(42,328)	(1,601)
Claim payments	(44,988)	(4,970)
Claims Payable at December 31	<u>\$ 35,668</u>	<u>\$ 77,996</u>

## 11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2014 (in thousands of dollars):

	<b>Balance January 1, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2014</b>	<b>Due Within One Year</b>
<b>Governmental long-term liabilities:</b>					
Bonds and notes payable:					
General obligation debt	\$ 1,857,731	\$ -	\$ (40,935)	\$ 1,816,796	\$ 52,745
Converted bond anticipation notes	624,242	27,623	(46,041)	605,824	46,228
Total general obligation debt	2,481,973	27,623	(86,976)	2,422,620	98,973
Other Bond Cost:					
Premium	83,026	-	(4,861)	78,165	4,861
Bonds payable, net	2,564,999	27,623	(91,837)	2,500,785	103,834
Bond anticipation notes	35,809	82,274	(27,623)	90,460	-
Net bonds and notes payable	2,600,808	109,897	(119,460)	2,591,245	103,834
Other liabilities:					
Claims and judgments	77,996	2,660	(44,988)	35,668	7,183
Compensated absences	27,627	120	(183)	27,564	1,728
Capital lease (note 14)	47,795	-	(2,142)	45,653	2,248
OPEB obligation (note 8)	49,858	-	(19,449)	30,409	-
Pension liability (note 7)	105,193	-	(1,843)	103,350	-
Total governmental long-term liabilities	<u>\$ 2,909,277</u>	<u>\$ 112,677</u>	<u>\$ (188,065)</u>	<u>\$ 2,833,889</u>	<u>\$ 114,993</u>

Liabilities for the Bonds and Bond Anticipation Notes are paid from the Debt Service Fund. Liabilities for Compensated Absences are primarily paid from the General Corporate 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.

## Notes to the Basic Financial Statements

Year ended December 31, 2014

As of December 31, 2014, the annual debt service requirements for general obligation bonds are shown below (in thousands of dollars):

**Bonds Payable Maturity Table**

Maturing	Capital Improvement	Refunding	State Revolving	Total	Total
	Bond Series (3.0-5.720%) (Issued 12/02 to 07/11)		Funds Series (0.0-3.745%) (Issued 12/91 to 07/12)		
2015	\$ 33,070	\$ 19,675	\$ 46,228	\$ 98,973	\$ 106,175
2016	26,695	20,585	45,952	93,232	102,708
2017	22,220	17,955	45,817	85,992	99,563
2018	40,265	20,015	43,034	103,314	96,717
2019	29,970	21,125	41,731	92,826	92,880
2020-2024	102,300	145,595	192,508	440,403	417,379
2025-2029	39,275	225,385	140,918	405,578	337,002
2030-2034	307,350	244,435	49,636	601,421	235,287
2035-2039	455,000	45,881	-	500,881	69,333
	<u>\$ 1,056,145</u>	<u>\$ 760,651</u>	<u>\$ 605,824</u>	<u>\$ 2,422,620</u>	<u>\$ 1,557,044</u>

Expenditures for principal and interest made on January 1, 2015 approximated \$23,374,000 and \$5,700,000 respectively.

### 2011 Bond Issues

In July 2011, the District issued \$30,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series A, with maturity dates from 2013 to 2016. Interest accrues on the bonds at rates ranging from 0.891% to 2.229%, payable December 1 and June 1.

In July 2011, the District issued \$270,000,000 of General Obligation Capital Improvement Bonds, Limited Tax Series B, with maturity dates from 2017 to 2032. The bonds were issued at a premium of \$27,686,556. Interest accrues on the bonds at rates ranging from 3.0% to 5.0%, payable December 1 and June 1.

In July 2011, the District issued \$100,000,000 of General Obligation Capital Improvement Bonds, Unlimited Tax Series C, with maturity dates from 2013 to 2031. The bonds were issued at a premium of \$9,657,071. Interest accrues on the bonds at rates ranging from 3.0% to 5.0%, payable December 1 and June 1.

### 2009 Bond Issues

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

### 2007 Bond Issues

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



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

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

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

**2006 Bond Issues**

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

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

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

In July 2006, the District issued \$100,000,000 of General Obligation Capital Improvement Bonds, Unlimited Tax Series, with a maturity date of December 1, 2035. The bonds were issued at a premium of \$1,943,000. Interest accrues on the bonds at a rate of 5.0%, payable December 1 and June 1. These bonds were refunded in March 2007.

**Capital Improvement Bonds, IEPA Series**

The District has adopted bond ordinances authorizing issuance of its general obligation bonds to the Illinois Environmental Protection Agency (IEPA). The most recent such authorization was pursuant to a bond ordinance adopted in calendar year 2014 in the amount of \$425,000,000 for Capital Improvement Bonds, 2014 IEPA Series. The IEPA approves various wastewater system improvement projects for funding from the State Water Pollution Control Revolving Loan Fund (RLF). Once a project has been approved, the State offers the District a loan from the RLF, which the District incorporates into the form of the bond which is issued to the IEPA (the Loan/Bond). When work on the project begins, the District pays the contractor. The District receives from the IEPA a corresponding amount of advance on the Loan/Bond. This form of loan is commonly referred to as a drawdown loan. The advances continue on the Loan/Bond until the project is completed or the amount of the loan fully advances, whichever occurs first. In general, within two years of the first advance on a Loan/Bond, the IEPA promulgates a repayment schedule on such Loan/Bond. The repayment schedules call for level payments of principal and interest, collectively, over a 20 year period beginning within six months of the date the repayment schedule is promulgated. Under this authority, the IEPA has approved the following loan amount:

2014..... \$ 80,000,000

## Notes to the Basic Financial Statements

Year ended December 31, 2014

In 2012, the District authorized the issuance of \$ 300,000,000 of Capital Improvement Bonds, 2012 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The terms and conditions are similar to the 2014 IEPA Series. Under this authority, the IEPA has subsequently approved the following loan amounts. Under this authority, the IEPA has subsequently approved the following loan amounts:

2014.....	\$ 82,591,000
2013.....	\$163,791,000
2012.....	\$ 30,728,000

In 2009, the District authorized the issuance of \$ 258,000,000 of Capital Improvement Bonds, 2009 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The terms and conditions are similar to the 2012 IEPA Series. Under this authority, the IEPA has subsequently approved the following loan amounts. Under this authority, the IEPA has subsequently approved the following loan amounts:

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

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

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

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

2009.....	\$ 5,648,000
2008.....	\$ 47,099,000
2006.....	\$ 71,664,000

State Revolving Fund (SRF) Loan proceeds of \$81,721,000 are recognized as “other financing sources” in the Capital Improvements Bond Fund. The amount recognized is based upon reimbursable expenditures incurred during the fiscal year. The amount recognized as SRF proceeds is also recognized as a long-term liability in the government-wide Statements of Net Position.

The District refinances bond anticipation notes through the issuance of its Capital Improvement Bonds in the amount of the bond anticipation notes, plus accrued interest. As a result, there is no debt service required until these notes are converted into bonds. The District has accrued principal of \$81,721,000 and interest of \$553,000 through the balance sheet date on bond anticipation notes resulting in the total increase to long-term debt of \$82,274,000.

The converted bond anticipation notes, a reduction of long-term debt, for \$27,623,000 in 2014 represented the sum of converted bond anticipation note principal of \$27,380,000 and interest in the amount of \$243,000.

**2014 Bond Issues** and adjustments to existing issues under the IEPA 2004, 2007, 2009, and 2012 authority, included:

- August 2014 – The District issued \$1,716,000 of Capital Improvement Bonds - IEPA Series 04A, through the conversion of the sum of bond anticipation note principal of \$1,697,000 and interest of \$19,000 with maturity dates from January 1, 2015 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- August 2014 – The District issued \$1,474,000 of Capital Improvement Bonds - IEPA Series 07A, through the conversion of the sum of bond anticipation note principal of \$1,456,000 and interest of \$18,000 with maturity dates from January 1, 2015 to January 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.
- August 2014 – The District issued \$4,801,000 of Capital Improvement Bonds - IEPA Series 09G, through the conversion of the sum of bond anticipation note principal of \$4,772,000 and interest of \$29,000 with maturity dates from January 1, 2015 to January 1, 2033. Interest on the bonds accrues at a rate of 1.25%, payable January 1 and July 1.
- August 2014 – The District issued \$67,000 of Capital Improvement Bonds – IEPA Series 09H, through the conversion of bond anticipation note principal of \$67,000 with maturity dates from January 1, 2015 to January 1, 2031. Terms of the loan agreement provide for the forgiveness of all accrued interest. Payments of principal are made on January 1 and July 1.
- August 2014 – The District issued \$7,349,000 of Capital Improvement Bonds - IEPA Series 09D, through the conversion of the sum of bond anticipation note principal of \$7,254,000 and interest of \$95,000 with maturity dates from January 1, 2015 to July 1, 2033. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.
- August 2014 – The District issued \$284,000 of Capital Improvement Bonds - IEPA Series 09I, through the conversion of the sum of bond anticipation note principal of \$277,000 and interest of \$7,000 with maturity dates from January 1, 2015 to Jan 1, 2031. Interest on the bonds accrues at a rate of 1.25%, payable January 1 and July 1.
- August 2014 – The District issued \$6,585,000 of Capital Improvement Bonds - IEPA Series 12A, through the conversion of the sum of bond anticipation note principal of \$6,560,000 and interest of \$25,000 with maturity dates from January 1, 2015 to January 1, 2034. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.
- August 2014 – The District issued \$5,347,000 of Capital Improvement Bonds - IEPA Series 12B, through the conversion of the sum of bond anticipation note principal of \$5,297,000 and interest of \$50,000 with maturity dates from January 1, 2015 to January 1, 2034. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

Beginning in 1991, the District's Board of Commissioners adopted ordinances providing for the issuance of bond anticipation notes. The bond anticipation notes are issued exclusively to cover interim project loan advances from the Illinois Environmental Protection Agency. Principal and interest liabilities related to the bond anticipation notes were \$90,460,000 at December 31, 2014. Of the bond anticipation notes outstanding at December 31, 2014, \$2,339,000 will be refinanced through IEPA Series 2004 bonds, \$8,278,000 will be refinanced through IEPA Series 2009 bonds, and the remaining \$79,843,000 will be refinanced through IEPA series 2012 bonds. The conversion of these bond anticipation notes to Capital Improvement Bonds is not expected to occur within the next calendar year; therefore, the notes will be reported as a part of long term-debt.

### **Refunding Transactions**

In prior years, the District defeased certain obligations and other bonds by placing the proceeds of new bonds and additional cash in trust to provide for all future debt service requirements of the refunded debt. Accordingly, the trust account assets and the liability for the refunded bonds are not included in the accompanying financial statements, as the District defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions. Bonds outstanding in the amount of \$231,479,000 were considered defeased at December 31, 2014.

# Notes to the Basic Financial Statements

Year ended December 31, 2014

## 12. Interfund Transactions

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

Individual interfund receivable and payable balances at December 31, 2014 are as follows (in thousands of dollars):

	Interfund	
	Receivables	Payables
General Corporate Fund	\$ 52	\$ -
Capital Projects Funds:		
Stormwater Management Fund (Nonmajor Fund)	-	52
	<u>\$ 52</u>	<u>\$ 52</u>

In addition to the previous table, amounts were due from the Primary Government to the Pension Trust Fund at December 31, 2014 that represented earned but uncollected property taxes in the Retirement Fund and the government-wide Statements of Net Position.

Transfers between funds as authorized in the budget are recorded as “other financing sources (uses)” in the fund operating statements. Transfers are eliminated in the government-wide Statements of Activities. During the year ended December 31, 2014, the Board of Commissioners authorized net transfers to the Retirement Fund of \$12,000,000, which consists of \$8,000,000 from the Capital Improvement Bond Fund, \$3,000,000 from the Debt service Fund, and \$1,000,000 from the Stormwater Working Cash Fund.

## 13. Property Tax Extension Limitation Law

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

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

## 14. Leases

### Capital Lease

In December 2000, the Board of Commissioners authorized the District to enter into a long-term contract with an engineering firm to design, build, finance, own, operate, and maintain a 150 dry ton per day biosolids processing facility at the District’s Central (Stickney) Water Reclamation Plant, and beneficially use the final product for a period of twenty years.

The cost of the biosolids processing facility is considered a capital lease since it will become the property of the District at the end of the contract. The District also has an option to purchase the facility at the end of the fifth, tenth, and fifteenth year of operation for the remaining principal portion of the debt. Total payments for the capital lease are estimated at \$83,123,000 for the full term of the contract, which will be paid from the Capital Improvements Bond Fund. The gross amount of assets acquired under the capital lease is \$54,535,000. During 2014, the District incurred expenses of approximately \$2,142,000 for principal and \$2,247,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

As of December 31, 2014, 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
2015	2,248	2,142	4,390
2016	2,358	2,032	4,390
2017	2,473	1,916	4,389
2018	2,595	1,795	4,390
2019	2,722	1,668	4,390
2020-2024	15,750	6,198	21,948
2025-2029	17,507	1,965	19,472
Total Minimum Lease Payments	\$ 45,653	\$ 17,716	\$ 63,369

**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, 2014, (in thousands of dollars):

2015	\$ 10,600
2016	10,567
2017	10,343
2018	10,172
2019	9,657
Later Years	249,353
Total Minimum Future Rental Income	\$ 300,692

The cost of the land associated with the commercial leases is \$5,199,000. The District does not lease any depreciable assets.

**15. Subsequent Events**

In January 2015, the District issued \$225,000,000 of General Obligation Capital Improvement Bonds, with interest rates ranging from 2.0% to 5.0%, payable on June 1 and December 1, and maturity dates from 2016 to 2044. The bond proceeds are intended to fund certain projects included in the District's Capital Improvement Program.

In January 2015, the District issued \$70,805,000 of General Obligation Refunding Bonds, Limited Tax Series D, with interest rates ranging from 2.0% to 5.0%, payable on June 1 and December 1, and maturity dates from 2016 to 2022.

## Notes to the Basic Financial Statements

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*Year ended December 31, 2014*

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

In March 2015, the Board of Commissioners approved an ordinance providing for a partial abatement of 2014 tax levies for two Bond Redemption and Interest Funds in the aggregate amount of \$11,164,305. These amounts will be reflected in the District's financial statements as of December 31, 2015.

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

### Modified Approach for Eligible Infrastructure Assets

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

1. Central (Stickney) WRP Basin All systems, subsystems, and components associated with the Central (Stickney) WRP service area (excluding Waterways Network assets).
2. O'Brien WRP Basin All systems, subsystems, and components associated with the O'Brien WRP service area (excluding Waterways Network assets).
3. Calumet WRP Basin All systems, subsystems, and components associated with the Calumet WRP service area (excluding Waterways Network assets and Lemont Network).
4. Egan WRP Basin All systems, subsystems, and components associated with the Egan WRP service area (excluding Waterways Network assets).
5. Kirie WRP Basin All systems, subsystems, and components associated with the Kirie WRP service area (excluding Waterways Network assets).
6. Hanover Park WRP Basin All systems, sub-systems, and components associated with the Hanover Park WRP service area (excluding Waterways Network assets).
7. Lemont WRP Basin All systems, subsystems, and components associated with the Lemont WRP service area (excluding Waterways Network assets).
8. Waterways All waterways under the jurisdiction of the District including the Waterways Control System, Lockport Powerhouse and Controlling Works, Chicago River Controlling Works, Wilmette Pumping Station, all District flood control reservoirs and pump stations, sidestream elevated pool aeration stations, instream aeration stations, Melas Park, and Centennial Fountain.

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



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

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

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

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

Condition assessments of each network will continue at least every three years following the initial assessment. The Hanover, Calumet, and Lemont networks were re-assessed in 2012, the Egan and O'Brien networks were re-assessed in 2013, and the Kirie, Central (Stickney), and Waterways networks were re-assessed in 2014.

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

*Year ended December 31, 2014*

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

	<u>Collection Processes System</u>	<u>Treatment Processes System</u>	<u>Solids Processing System</u>	<u>Flood and Pollution Control System</u>	<u>Solids Drying/ Utilization System</u>
<b><u>Condition Assessment Ratings</u></b>					
<b>Kirie WRP Network</b>					
Subsequent assessment - 2008	3	3	3	NA	NA
Subsequent assessment - 2011	3	3	3	NA	NA
Subsequent assessment - 2014	3	3	3	NA	NA
<b>Hanover WRP Network</b>					
Subsequent assessment - 2006	3	2	2	NA	2
Subsequent assessment - 2009	3	2	2	NA	2
Subsequent assessment - 2012	3	2	3	NA	2
<b>Egan WRP Network</b>					
Subsequent assessment - 2007	3	2	2	NA	NA
Subsequent assessment - 2010	3	3	3	NA	NA
Subsequent assessment - 2013	3	3	3	NA	NA
<b>O'Brien WRP Network</b>					
Subsequent assessment - 2007	3	3	3	NA	NA
Subsequent assessment - 2010	3	3	3	NA	NA
Subsequent assessment - 2013	3	2	2	NA	NA
<b>Central (Stickney) WRP Network</b>					
Subsequent assessment - 2008	3	3	3	NA	2
Subsequent assessment - 2011	3	3	3	NA	2
Subsequent assessment - 2014	3	3	3	NA	3
<b>Waterways WRP Network</b>					
Subsequent assessment - 2008	NA	NA	NA	2	NA
Subsequent assessment - 2011	NA	NA	NA	3	NA
Subsequent assessment - 2014	NA	NA	NA	3	NA
<b>Calumet WRP Network</b>					
Initial Condition Assessment - 2006	3	3	3	NA	3
Subsequent assessment - 2009	3	3	3	NA	2
Subsequent assessment - 2012	3	2	2	NA	2
<b>Lemont WRP Network</b>					
Initial Condition Assessment - 2006	2	3	2	NA	NA
Subsequent assessment - 2009	3	3	3	NA	NA
Subsequent assessment - 2012	3	3	3	NA	NA
<b><u>Maintenance/Preservation Costs</u></b>					
<b>Kirie WRP Network</b>					
Estimated 2014	\$ 6,929,813	\$ 3,360,179	\$ 40,621	\$ -	\$ 402,000
Actual 2014	8,799,253	3,344,290	35,258	-	142,921
Estimated 2013	1,535,713	4,244,436	108,696	-	1,167,000
Actual 2013	680,616	2,800,304	82,684	-	866,076
Estimated 2012	584,663	7,960,196	210,624	-	5,728,926
Actual 2012	795,534	6,799,659	28,110	-	5,440,496
Estimated 2011	2,735,300	2,773,048	6,400	-	-
Actual 2011	4,048,785	1,715,000	358,536	-	-
Estimated 2010	613,200	6,171,585	-	-	-
Actual 2010	596,164	2,859,083	1,210	-	-

*(continued)*

Metropolitan Water Reclamation District of Greater Chicago

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
<b>Hanover WRP Network</b>					
Estimated 2014	\$ 142,317	\$ 732,151	\$ 674,596	\$ -	\$ 65,800
Actual 2014	243,960	855,994	543,204	-	-
Estimated 2013	155,517	778,851	1,808,221	-	72,400
Actual 2013	231,153	1,014,670	1,581,782	-	29,223
Estimated 2012	191,617	797,168	3,345,043	-	28,200
Actual 2012	199,915	959,531	567,985	-	28,416
Estimated 2011	170,200	626,223	190,200	-	27,400
Actual 2011	233,598	985,072	514,495	-	29,153
Estimated 2010	173,700	678,205	192,300	-	29,100
Actual 2010	170,921	969,002	254,706	-	28,605
<b>Egan WRP Network</b>					
Estimated 2014	\$ 626,241	\$ 2,885,084	\$ 8,833,464	\$ -	\$ -
Actual 2014	862,655	3,026,570	5,957,431	-	-
Estimated 2013	653,741	4,350,679	2,045,064	-	-
Actual 2013	865,065	3,744,215	1,758,866	-	-
Estimated 2012	785,152	4,419,441	1,206,657	-	-
Actual 2012	903,678	4,488,430	1,511,647	-	-
Estimated 2011	639,479	7,666,487	651,528	1,154,000	-
Actual 2011	971,945	4,473,685	1,094,366	1,042,670	-
Estimated 2010	704,825	3,406,512	871,569	-	-
Actual 2010	925,942	3,299,260	1,350,277	-	-
<b>O'Brien WRP Network</b>					
Estimated 2014	\$ 5,355,115	\$ 7,256,184	\$ 537,919	\$ 3,061,000	\$ -
Actual 2014	5,618,267	8,380,776	432,517	2,732,851	-
Estimated 2013	10,460,115	7,787,840	1,267,919	2,097,000	-
Actual 2013	12,046,926	9,530,828	475,148	3,038,583	-
Estimated 2012	3,301,450	4,565,194	383,608	7,236,000	-
Actual 2012	4,232,213	5,122,387	541,287	11,924,519	-
Estimated 2011	7,861,157	4,853,642	572,747	41,000	-
Actual 2011	9,952,532	6,111,578	438,867	2,243,730	-
Estimated 2010	3,963,054	6,070,964	576,800	11,493	-
Actual 2010	4,048,224	5,956,375	605,929	70,850	-
<b>Central (Stickney) WRP Network</b>					
Estimated 2014	\$ 15,875,228	\$ 17,334,819	\$ 10,565,977	\$ -	\$ 1,377,507
Actual 2014	10,557,770	20,427,807	10,398,973	121,615	2,444,671
Estimated 2013	16,102,533	16,765,601	9,453,922	-	2,027,507
Actual 2013	9,431,129	16,923,785	10,563,927	-	1,555,668
Estimated 2012	10,760,149	11,999,337	8,664,888	-	3,566,472
Actual 2012	10,777,690	18,585,996	10,922,993	-	3,135,077
Estimated 2011	11,279,737	30,318,366	8,293,784	-	6,667,383
Actual 2011	12,033,277	33,694,435	10,937,293	-	5,818,433
Estimated 2010	15,061,076	19,329,365	8,725,254	-	14,784,156
Actual 2010	14,219,095	13,759,866	12,745,392	-	12,175,411

(continued)

Required Supplementary Information (RSI) Other than MD&A - Unaudited

Year ended December 31, 2014

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
<b>Waterways WRP Network</b>					
Estimated 2014	\$ -	\$ -	\$ -	\$ 1,314,200	\$ -
Actual 2014	1,437	-	-	831,265	-
Estimated 2013	-	-	-	1,319,000	-
Actual 2013	11,323	-	-	1,047,698	-
Estimated 2012	-	-	-	1,324,200	-
Actual 2012	-	-	-	1,552,914	-
Estimated 2011	15,000	-	-	1,635,188	-
Actual 2011	8,653	-	-	1,177,533	-
Estimated 2010	-	-	-	1,910,783	-
Actual 2010	-	-	-	1,262,520	-
<b>Calumet WRP Network</b>					
Estimated 2014	\$ 5,891,856	\$ 6,156,523	\$ 2,241,157	\$ 1,949,900	\$ -
Actual 2014	4,295,832	6,741,305	2,366,667	590,908	-
Estimated 2013	6,229,856	6,288,023	2,330,057	915,100	-
Actual 2013	3,505,024	5,932,302	2,416,419	734,104	-
Estimated 2012	5,325,141	8,260,407	2,095,308	709,453	-
Actual 2012	5,255,239	6,140,875	2,157,252	1,042,053	-
Estimated 2011	7,089,465	10,080,957	3,432,425	5,315,335	-
Actual 2011	6,604,037	8,195,502	4,145,249	4,582,004	-
Estimated 2010	6,270,304	26,407,171	3,136,498	533,804	-
Actual 2010	5,466,321	23,313,873	3,610,143	554,878	-
<b>Lemont WRP Network</b>					
Estimated 2014	\$ 47,000	\$ 34,200	\$ -	\$ -	\$ -
Actual 2014	17,475	417	-	-	-
Estimated 2013	47,000	34,200	-	-	-
Actual 2013	(4,607)	8,294	-	-	-
Estimated 2012	48,004	12,404	-	-	-
Actual 2012	25,000	31,200	-	-	-
Estimated 2011	97,000	34,200	-	-	-
Actual 2011	17,087	7,240	-	-	-
Estimated 2010	47,000	116,360	-	-	-
Actual 2010	4,428	11,724	-	-	-

**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 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)
12/31/2014	12/31/2014	\$ 1,263,287	\$ 2,296,439	\$ 1,033,152	55.00%	\$ 176,184	586.41%
12/31/2013	12/31/2013	1,188,504	2,194,912	1,006,408	54.15%	169,376	594.19%
12/31/2012	12/31/2012	1,076,740	2,136,508	1,059,768	50.40%	163,817	646.92%

A copy of the Pension Plan CAFR may be obtained by accessing the Metropolitan Water Reclamation District Retirement Fund's website at [www.mwrdrf.org](http://www.mwrdrf.org)

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

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

(in thousands of dollars)

Period Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
12/31/2014	12/31/2013	\$ 120,883	\$ 260,364	\$ 139,481	46.43%	\$ 164,005	85.05%
12/31/2013	12/31/2013	120,883	260,364	139,481	46.43%	164,005	85.05%
12/31/2012	12/31/2011	54,996	394,676	339,680	13.93%	162,853	208.58%

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

A copy of the OPEB Trust Fund CAFR may be obtained by accessing the District's website at [www.mwrdrf.org](http://www.mwrdrf.org)

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**OTHER SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**NON-MAJOR GOVERNMENTAL FUNDS**

**CONSTRUCTION FUND**

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

**STORMWATER MANAGEMENT FUND**

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

Exhibit B-1

Combining Balance Sheets - Nonmajor Governmental Funds

December 31, 2014

(with comparative amounts for prior year)

(in thousands of dollars)

	<b>Construction Fund</b>		<b>Stormwater Management Fund</b>		<b>Total Nonmajor Governmental Funds</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>						
Cash	\$ 747	\$ 1,678	\$ 2,497	\$ 1,517	\$ 3,244	\$ 3,195
Certificates of deposit	800	5,503	1,001	6,109	1,801	11,612
Investments	29,997	30,944	41,558	43,478	71,555	74,422
Taxes receivable, net	16,791	10,691	20,265	19,300	37,056	29,991
Other receivable	745	745	-	-	745	745
Total assets	<u>\$ 49,080</u>	<u>\$ 49,561</u>	<u>\$ 65,321</u>	<u>\$ 70,404</u>	<u>\$ 114,401</u>	<u>\$ 119,965</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Liabilities:						
Accounts payable and other liabilities	\$ 6,648	\$ 2,815	\$ 5,689	\$ 3,515	\$ 12,337	\$ 6,330
Due to other funds	-	-	52	176	52	176
Total liabilities	<u>6,648</u>	<u>2,815</u>	<u>5,741</u>	<u>3,691</u>	<u>12,389</u>	<u>6,506</u>
Deferred inflows of resources:						
Unavailable tax revenue	14,283	9,285	17,206	16,863	31,489	26,148
Other unavailable/unearned revenue	-	745	-	-	-	745
Total deferred inflows of resources	<u>14,283</u>	<u>10,030</u>	<u>17,206</u>	<u>16,863</u>	<u>31,489</u>	<u>26,893</u>
Fund balances:						
Restricted for:						
Working Cash	21,833	21,644	37,035	37,690	58,868	59,334
Capital projects	6,316	15,072	5,339	12,160	11,655	27,232
Total fund balances	<u>28,149</u>	<u>36,716</u>	<u>42,374</u>	<u>49,850</u>	<u>70,523</u>	<u>86,566</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 49,080</u>	<u>\$ 49,561</u>	<u>\$ 65,321</u>	<u>\$ 70,404</u>	<u>\$ 114,401</u>	<u>\$ 119,965</u>



Exhibit B-2

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

Year ended December 31, 2014

(with comparative amounts for prior year)

(in thousands of dollars)

	<b>Construction Fund</b>		<b>Stormwater Management Fund</b>		<b>Total Nonmajor Governmental Funds</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Revenues</b>						
Revenues:						
Property taxes	\$ 11,831	\$ 17,585	\$ 20,073	\$ 18,463	\$ 31,904	\$ 36,048
Interest on investments	564	223	703	272	1,267	495
Fees, forfeits and penalties	1,491	762	6	5	1,497	767
User charge	300	300	-	-	300	300
Claims and damage settlements	1	54	-	-	1	54
Miscellaneous	-	-	135	308	135	308
Total revenues	<u>14,187</u>	<u>18,924</u>	<u>20,917</u>	<u>19,048</u>	<u>35,104</u>	<u>37,972</u>
<b>Expenditures</b>						
Current Operations:						
Construction costs	<u>22,754</u>	<u>13,084</u>	<u>27,393</u>	<u>31,074</u>	<u>50,147</u>	<u>44,158</u>
Total expenditures	<u>22,754</u>	<u>13,084</u>	<u>27,393</u>	<u>31,074</u>	<u>50,147</u>	<u>44,158</u>
Revenues over (under) expenditures	(8,567)	5,840	(6,476)	(12,026)	(15,043)	(6,186)
Other financing sources (uses):						
Transfer out to Pension Fund	-	-	(1,000)	-	(1,000)	-
Total other financing sources (uses)	-	-	(1,000)	-	(1,000)	-
Revenues over (under) expenditures	<u>(8,567)</u>	<u>5,840</u>	<u>(7,476)</u>	<u>(12,026)</u>	<u>(16,043)</u>	<u>(6,186)</u>
Fund balances						
Beginning of the year	<u>36,716</u>	<u>30,876</u>	<u>49,850</u>	<u>61,876</u>	<u>86,566</u>	<u>92,752</u>
End of the year	<u>\$ 28,149</u>	<u>\$ 36,716</u>	<u>\$ 42,374</u>	<u>\$ 49,850</u>	<u>\$ 70,523</u>	<u>\$ 86,566</u>

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## **GENERAL CORPORATE FUND**

A fund used to account for an annual property tax levy and certain other revenues, which are to be used for the operations and payments of general expenditures of the District not specifically chargeable to other funds.

Exhibit C-1

General Corporate Fund - Corporate and Reserve Claim Divisions

Schedule of Appropriations and Expenditures on a Budgetary Basis

Year ended December 31, 2014

Corporate Division	(in thousands of dollars)				Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts			Actual Amounts	
	Original	Net Transfers	Final		
Board of Commissioners:					
Personal services					
Salaries of regular employees	\$ 3,286	\$ (53)	\$ 3,233	\$ 3,196	\$ 37
Compensation plan adjustments	84	-	84	30	54
Tuition and training payments	26	-	26	7	19
Payment for professional services	366	-	366	207	159
Personal services not otherwise classified	188	53	241	218	23
Total personal services	3,950	-	3,950	3,658	292
Contractual services					
Travel	15	-	15	7	8
Meals and lodging	33	-	33	10	23
Subscriptions and membership dues	31	-	31	30	1
Contractual services not otherwise classified	1	-	1	1	-
Total contractual services	80	-	80	48	32
Materials and supplies					
Office, printing, and photographic supplies	17	-	17	4	13
Total materials and supplies	17	-	17	4	13
Board of Commissioners total	4,047	-	4,047	3,710	337
General Administration:					
Personal Services					
Salaries of regular employees	9,425	(4)	9,421	8,909	512
Compensation plan adjustments	991	109	1,100	1,067	33
Salaries nonbudgeted	-	4	4	3	1
Tuition and training payments	177	-	177	101	76
Payment for professional services	782	(109)	673	582	91
Total personal services	11,375	-	11,375	10,662	713
Contractual services					
Travel	10	-	10	5	5
Meals and lodging	17	5	22	18	4
Postage, freight, and delivery charges	191	(79)	112	99	13
Compensation for personally owned autos	9	-	9	7	2
Motor vehicle operating expenditures	79	-	79	73	6
Reprographic services	100	-	100	21	79
Electrical energy	450	-	450	352	98
Natural gas	38	-	38	38	-
Water and water services	6	-	6	5	1
Communication services	3	-	3	3	-
Subscriptions and membership dues	865	(5)	860	442	418
Rental charges	22	-	22	13	9
Advertising	10	-	10	9	1
Administration building operation	989	2	991	963	28

(continued)

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division (continued)	Budget Amounts			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	(in thousands of dollars)				
	Original	Net Transfers	Final		
General Administration (continued):					
Administrative building operation annex	\$ 675	\$ (2)	\$ 673	\$ 654	\$ 19
Contractual services not otherwise classified	262	(3)	259	189	70
Repairs to buildings	398	-	398	304	94
Repairs to office furniture and equipment	134	-	134	73	61
Computer software maintenance	6	(2)	4	-	4
Communication equipment maintenance	16	3	19	16	3
Repairs to vehicle equipment	388	81	469	424	45
Repairs not otherwise classified	4	-	4	-	4
Total contractual services	4,672	-	4,672	3,708	964
Materials and supplies					
Electrical parts and supplies	20	6	26	21	5
Plumbing accessories and supplies	20	(1)	19	12	7
Hardware	17	-	17	14	3
Office, printing, and photographic supplies	247	(12)	235	130	105
Cleaning Supplies	5	-	5	2	3
Wearing apparel	47	-	47	28	19
Books, maps, and charts	24	-	24	8	16
Computer software	4	-	4	-	4
Computer supplies	6	-	6	-	6
Communications supplies	-	8	8	-	8
Materials and supplies not otherwise classified	72	(1)	71	50	21
Total materials and supplies	462	-	462	265	197
Machinery and equipment					
Office furniture and equipment	10	(4)	6	-	6
Machinery and equipment not otherwise classified	156	4	160	160	-
Total machinery and equipment	166	-	166	160	6
General Administration total	16,675	-	16,675	14,795	1,880
Monitoring and Research:					
Personal services					
Salaries of regular employees	24,751	(75)	24,676	23,368	1,308
Compensation plan adjustments	719	-	719	672	47
Salaries of non-budgeted employees	2	118	120	113	7
Tuition and training payments	49	-	49	38	11
Payment for professional services	456	(43)	413	37	376
Total personal services	25,977	-	25,977	24,228	1,749

(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, 2014

Corporate Division (continued)	(in thousands of dollars)				Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts			Actual Amounts	
	Original	Net Transfers	Final		
Monitoring and Research (continued):					
Contractual services					
Travel	\$ 35	\$ -	\$ 35	\$ 12	\$ 23
Meals and lodging	36	-	36	27	9
Postage, freight, and delivery charges	11	-	11	4	7
Compensation for personally owned autos	43	2	45	42	3
Motor vehicle operating services	2	-	2	1	1
Reprographic services	3	-	3	-	3
Water and water services	1	-	1	-	1
Communication services	1	-	1	-	1
Rental charges	6	-	6	3	3
Governmental services charges	17	-	17	17	-
Contractual services not otherwise classified	332	15	347	300	47
Repairs to marine equipment	84	-	84	49	35
Computer software maintenance	104	-	104	104	-
Communication equipment maintenance	1	-	1	-	1
Repairs to testing and laboratory equipment	555	(17)	538	389	149
Repairs not otherwise classified	3	-	3	1	2
Total contractual services	<u>1,234</u>	<u>-</u>	<u>1,234</u>	<u>949</u>	<u>285</u>
Materials and supplies					
Office, printing, and photographic supplies	49	19	68	55	13
Farming supplies	3	-	3	3	-
Laboratory testing supplies and small equipment	410	(19)	391	325	66
Wearing apparel	35	-	35	29	6
Books, maps, and charts	8	-	8	4	4
Computer software	1	-	1	-	1
Computer supplies	4	-	4	3	1
Fuel	35	-	35	18	17
Communications supplies	3	-	3	-	3
Materials and supplies not otherwise classified	80	-	80	55	25
Total materials and supplies	<u>628</u>	<u>-</u>	<u>628</u>	<u>492</u>	<u>136</u>
Machinery and equipment					
Testing and laboratory equipment	459	-	459	456	3
Total machinery and equipment	<u>459</u>	<u>-</u>	<u>459</u>	<u>456</u>	<u>3</u>
Monitoring and Research total	<u>28,298</u>	<u>-</u>	<u>28,298</u>	<u>26,125</u>	<u>2,173</u>
Procurement and Materials Management:					
Personal Services					
Salaries of regular employees	5,153	-	5,153	4,873	280
Compensation plan adjustments	145	-	145	21	124
Tuition and training payments	5	-	5	-	5
Total personal services	<u>5,303</u>	<u>-</u>	<u>5,303</u>	<u>4,894</u>	<u>409</u>

(continued)

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division (continued)	(in thousands of dollars)				Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts			Actual Amounts	
	Original	Net Transfers	Final		
Procurement and Materials Management (continued):					
Contractual services					
Travel	\$ 2	\$ -	\$ 2	\$ -	\$ 2
Meals and lodging	3	(1)	2	-	2
Postage, freight, and delivery charges	2	-	2	-	2
Compensation for personally owned autos	2	1	3	3	-
Testing and inspection services	12	-	12	-	12
Advertising	165	-	165	136	29
Contractual services not otherwise classified	5	-	5	-	5
Repairs to buildings	3	-	3	2	1
Repairs to office furniture and equipment	5	-	5	1	4
Computer software maintenance	7	-	7	2	5
Communication equipment maintenance	2	-	2	-	2
Repairs to vehicle equipment	13	-	13	8	5
Total contractual services	221	-	221	152	69
Materials and supplies					
Metals	150	-	150	121	29
Electrical parts and supplies	366	-	366	323	43
Plumbing accessories and supplies	360	-	360	322	38
Hardware	35	10	45	44	1
Buildings, grounds, paving materials, and supplies	120	-	120	116	4
Fiber, paper and insulation materials	41	-	41	37	4
Paints, solvents, and related materials	62	-	62	42	20
Vehicle parts and supplies	15	-	15	10	5
Mechanical and repair parts	140	-	140	136	4
Office, printing, and photographic supplies	35	-	35	17	18
Laboratory testing supplies and small equipment	575	1	576	573	3
Cleaning supplies	250	-	250	249	1
Tools and supplies	91	-	91	79	12
Wearing apparel	14	-	14	141	3
Books, maps, and charts	2	-	2	-	2
Safety and medical supplies	124	-	124	92	32
Computer supplies	224	(11)	213	67	146
Fuel	450	-	450	324	126
Gas (in containers)	90	-	90	39	51
Communications supplies	10	-	10	7	3
Lubricants	300	-	300	226	74
Materials and supplies not otherwise classified	257	-	257	35	222
Total materials and supplies	3,841	-	3,841	3,000	841
Procurement and Materials Management total	9,365	-	9,365	8,046	1,319

(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, 2014

Corporate Division (continued)	(in thousands of dollars)			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts				
	Original	Net Transfers	Final		
Human Resources:					
Personal services					
Salaries of regular employees	\$ 5,940	\$ (351)	\$ 5,589	\$ 5,405	\$ 184
Compensation plan adjustments	308	-	308	170	138
Social security and medicare contributions	2,425	10	2,435	2,428	7
Salaries of non-budgeted employees	20	27	47	40	7
Employee claims	100	-	100	24	76
Tuition and training payments	521	-	521	310	211
Payment for professional services	1,886	(114)	1,772	1,275	497
Health and life insurance premiums	59,647	-	59,647	59,015	632
Personal services not otherwise classified	-	324	324	56	268
Total personal services	70,847	(104)	70,743	68,723	2,020
Contractual services					
Travel	9	-	9	5	4
Meals and lodging	18	(9)	9	8	1
Postage, freight, and delivery charges	4	-	4	3	1
Compensation for personally owned autos	10	(3)	7	5	2
Court reporting services	13	14	27	24	3
Medical services	182	93	275	129	146
Subscription and membership dues	4	(1)	3	3	-
Insurance premiums	3,300	46	3,346	3,346	-
Rental charges	22	9	31	27	4
Contractual services not otherwise classified	58	-	58	47	11
Safety repairs services	241	(3)	238	156	82
Computer software maintenance	96	(8)	88	80	8
Total contractual services	3,957	138	4,095	3,833	262
Materials and supplies					
Office, printing, and photographic supplies	55	-	55	32	23
Books, maps, and charts	9	-	9	2	7
Safety medical supplies	359	-	359	263	96
Materials and supplies not otherwise classified	9	-	9	2	7
Total materials and supplies	432	-	432	299	133
Machinery and equipment					
Computer software	30	-	30	-	30
Total machinery and equipment	30	-	30	-	30
Human Resources total	75,266	34	75,300	72,855	2,445
Information Technology:					
Personal services					
Salaries of regular employees	7,718	-	7,718	7,020	698
Compensation plan adjustments	163	-	163	151	12
Tuition and training payments	157	-	157	109	48

(continued)



Metropolitan Water Reclamation District of Greater Chicago

Corporate Division (continued)	Budget Amounts			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	(in thousands of dollars)				
	Original	Net Transfers	Final		
Information Technology (continued):					
Payment for professional services	\$ 586	\$ (60)	\$ 526	\$ 301	\$ 225
Total personal services	8,624	(60)	8,564	7,581	983
Contractual services					
Travel	12	-	12	2	10
Meals and lodging	17	-	17	4	13
Compensation for personally owned autos	7	-	7	5	2
Communication services	1,280	156	1,436	1,229	207
Subscription and membership dues	26	-	26	2	24
Rental charges	185	(51)	134	69	65
Contractual services not otherwise classified	4	10	14	4	10
Computer equipment maintenance	810	(140)	670	551	119
Computer software maintenance	3,294	(231)	3,063	2,910	153
Communication equipment maintenance	577	154	731	700	31
Repairs not otherwise classified	1	-	1	-	1
Total contractual services	6,213	(102)	6,111	5,476	635
Materials and supplies					
Office, printing, and photographic supplies	24	2	26	22	4
Books, maps, and charts	2	(1)	1	1	-
Computer software	267	22	289	262	27
Computer supplies	600	(30)	570	529	41
Communication supplies	146	(8)	138	132	6
Materials and supplies not otherwise classified	1	-	1	-	1
Total materials and supplies	1,040	(15)	1,025	946	79
Machinery and equipment					
Computer equipment	70	26	96	16	80
Computer software	40	-	40	39	1
Communication equipment	212	146	358	285	73
Machinery and equipment not otherwise classified	20	5	25	25	-
Total machinery and equipment	342	177	519	365	154
Information Technology total	16,219	-	16,219	14,368	1,851
Law:					
Personal Services					
Salaries of regular employees	4,241	70	4,311	4,304	7
Compensation plan adjustments	67	-	67	8	59
Tuition and training payments	18	-	18	10	8
Payment for professional services	2,876	(70)	2,806	1,646	1,160
Total personal services	7,202	-	7,202	5,968	1,234
Contractual services					
Travel	11	-	11	4	7
Meals and lodging	11	-	11	5	6

(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, 2014

Corporate Division (continued)	(in thousands of dollars)			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts				
	Original	Net Transfers	Final		
Law (continued):					
Postage, freight, and delivery charges	\$ 2	\$ -	\$ 2	\$ 1	\$ 1
Compensation for personally owned autos	3	-	3	1	2
Reprographic services	56	-	56	7	49
Court reporting services	68	-	68	9	59
Contractual services not otherwise classified	88	-	88	77	11
Repairs not otherwise classified	1	-	1	-	1
Total contractual services	240	-	240	104	136
Materials and supplies					
Office, printing, and photographic supplies	9	-	9	7	2
Books, maps, and charts	20	-	20	13	7
Materials and supplies not otherwise classified	3	-	3	-	3
Total materials and supplies	32	-	32	20	12
Fixed and other charges					
Taxes on real estate	750	-	750	704	46
Total fixed and other charges	750	-	750	704	46
Law total	8,224	-	8,224	6,796	1,428
Finance:					
Personal services					
Salaries of regular employees	2,970	(20)	2,950	2,895	55
Compensation plan adjustments	47	50	97	89	8
Tuition and training payments	30	-	30	28	2
Payment for professional services	396	(30)	366	268	98
Total personal services	3,443	-	3,443	3,280	163
Contractual services					
Travel	8	(1)	7	4	3
Meals and lodging	8	(1)	7	3	4
Postage, freight, and delivery charges	4	-	4	3	1
Compensation for personally owned autos	-	2	2	2	-
Reprographic services	3	-	3	2	1
Court reporting services	50	-	50	45	5
Contractual services not otherwise classified	76	-	76	72	4
Repairs to office furniture and equipment	8	-	8	5	3
Total contractual services	157	-	157	136	21
Materials and supplies					
Office, printing, and photographic supplies	7	1	8	8	-
Books, maps, and charts	2	(1)	1	-	1
Total materials and supplies	9	-	9	8	1
Finance total	3,609	-	3,609	3,424	185

(continued)

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division (continued)	Budget Amounts			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	(in thousands of dollars)				
	Original	Net Transfers	Final		
Engineering:					
Personal services					
Salaries of regular employees	\$ 24,818	\$ -	\$ 24,818	\$ 24,020	\$ 798
Compensation plan adjustments	488	-	488	307	181
Salaries of nonbudgeted employees	5	-	5	-	5
Tuition and training payments	136	-	136	84	52
Payments for professional services	2,545	(8)	2,537	402	2,135
Personal service expenditure - preliminary engineering reports and studies	268	8	276	174	102
Total personal services	<u>28,260</u>	<u>-</u>	<u>28,260</u>	<u>24,987</u>	<u>3,273</u>
Contractual services					
Travel	36	-	36	14	22
Meals and lodging	52	-	52	28	24
Postage, freight, and delivery charges	2	-	2	1	1
Compensation for personally owned autos	40	-	40	38	2
Motor vehicle operating services	1	-	1	1	-
Reprographic services	22	-	22	3	19
Water and water services	4	-	4	3	1
Rental charges	6	-	6	5	1
Contractual services not otherwise classified	154	-	154	89	65
Repairs to waterway facilities	125	-	125	53	72
Communications equipment maintenance	2	-	2	-	2
Repairs to testing and laboratory equipment	6	-	6	1	5
Repairs not otherwise classified	24	-	24	12	12
Total contractual services	<u>474</u>	<u>-</u>	<u>474</u>	<u>248</u>	<u>226</u>
Materials and supplies					
Office, printing, and photographic supplies	49	-	49	38	11
Wearing apparel	5	-	5	4	1
Books, maps, and charts	10	-	10	6	4
Computer software	5	-	5	-	5
Materials and supplies not otherwise classified	19	-	19	3	16
Total materials and supplies	<u>88</u>	<u>-</u>	<u>88</u>	<u>51</u>	<u>37</u>
Machinery and equipment					
Machinery and equipment not otherwise classified	12	-	12	9	3
Total machinery and equipment	<u>12</u>	<u>-</u>	<u>12</u>	<u>9</u>	<u>3</u>
Capital projects					
Capital projects not otherwise classified	27,800	-	27,800	-	27,800
Total capital projects	<u>27,800</u>	<u>-</u>	<u>27,800</u>	<u>-</u>	<u>27,800</u>
Land	50	-	50	-	50
Engineering total	<u>56,684</u>	<u>-</u>	<u>56,684</u>	<u>25,295</u>	<u>31,389</u>

(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, 2014

Corporate Division (continued)	(in thousands of dollars)				Actual Variance with Final Budget - Positive (Negative)
	Budget Amounts			Actual Amounts	
	Original	Net Transfers	Final		
Maintenance and Operations:					
Personal services					
Salaries of regular employees	\$ 83,472	\$ (150)	\$ 83,322	\$ 82,938	\$ 384
Compensation plan adjustments	4,287	170	4,457	4,271	186
Salaries of non-budgeted employees	100	-	100	81	19
Tuition and training payments	301	(20)	281	180	101
Payment for professional services	900	-	900	750	150
Total personal services	<u>89,060</u>	<u>-</u>	<u>89,060</u>	<u>88,220</u>	<u>840</u>
Contractual services					
Travel	34	(10)	24	14	10
Meals and lodging	89	(14)	75	56	19
Compensation for personally owned autos	259	(59)	200	169	31
Motor vehicle operating services	3	-	3	-	3
Electrical energy	29,816	3,323	33,139	33,125	14
Natural gas	1,741	1,959	3,700	3,667	33
Water and water services	1,363	208	1,571	1,560	11
Communications services	635	(71)	564	457	107
Testing and inspection services	287	(183)	104	75	29
Subscription and membership dues	7	(7)	-	-	-
Rental charges	185	(31)	154	135	19
Governmental service charges	2,759	892	3,651	3,645	6
Maintenance of grounds and pavements	2,575	(809)	1,766	1,635	131
Contractual services not otherwise classified	651	(155)	496	426	70
Waste material disposal charges	12,905	(2,185)	10,720	9,007	1,713
Farming services	20	4	24	24	-
Sludge disposal	5,400	(686)	4,714	3,880	834
Repairs to collection facilities	3,941	(445)	3,496	3,128	368
Repairs to waterway facilities	116	-	116	115	1
Repairs to process facilities	5,115	(1,085)	4,030	3,675	355
Repairs to railroads	408	(291)	117	80	37
Repairs to buildings	1,389	(198)	1,191	987	204
Repairs to material handling and farm equipment	399	(79)	320	276	44
Safety repairs and services	205	(69)	136	116	20
Repairs to marine equipment	60	-	60	55	5
Computer software maintenance	5	(5)	-	-	-
Communication equipment maintenance	57	(20)	37	25	12
Repairs to vehicle equipment	141	(23)	118	83	35
Repairs to testing and laboratory equipment	3	-	3	-	3
Repairs not otherwise classified	52	(23)	29	19	10
Total contractual services	<u>70,620</u>	<u>(62)</u>	<u>70,558</u>	<u>66,434</u>	<u>4,124</u>

(continued)

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division (continued)	Budget Amounts			Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
	(in thousands of dollars)				
	Original	Net Transfers	Final		
Maintenance and Operations (continued):					
Materials and supplies					
Metals	\$ 67	\$ -	\$ 67	\$ 53	\$ 14
Electrical parts and supplies	2,479	(15)	2,464	1,584	880
Plumbing accessories and supplies	1,252	-	1,252	892	360
Hardware	51	-	51	22	29
Buildings, grounds, paving materials, and supplies	385	-	385	149	236
Fiber, paper and insulation materials	51	-	51	32	19
Paints, solvents, and related materials	28	-	28	12	16
Vehicle parts and supplies	276	-	276	210	66
Mechanical repair parts	3,390	-	3,390	1,980	1,410
Manhole materials	60	-	60	21	39
Office, printing, and photographic supplies	73	-	73	67	6
Farming supplies	5	-	5	5	-
Processing chemicals	7,496	(20)	7,476	5,798	1,678
Laboratory testing supplies and small equipment	27	20	47	41	6
Cleaning supplies	11	-	11	4	7
Tools and supplies	254	-	254	205	49
Wearing apparel	5	-	5	1	4
Books, maps, and charts	3	-	3	-	3
Safety and medical supplies	217	-	217	123	94
Computer software	25	-	25	6	19
Computer supplies	44	-	44	21	23
Fuel	526	-	526	383	143
Gas (in containers)	26	-	26	5	21
Communication supplies	58	-	58	1	57
Lubricants	30	-	30	23	7
Materials and supplies not otherwise classified	175	-	175	96	79
Total materials and supplies	<u>17,014</u>	<u>(15)</u>	<u>16,999</u>	<u>11,734</u>	<u>5,265</u>
Machinery and equipment					
Equipment for collection facilities	49	-	49	11	38
Equipment for process facilities	119	-	119	95	24
Computer software	-	43	43	43	-
Vehicle equipment	60	-	60	-	60
Testing and laboratory equipment	21	-	21	5	16
Machinery and equipment not otherwise classified	15	-	15	-	15
Total machinery and equipment	<u>264</u>	<u>43</u>	<u>307</u>	<u>154</u>	<u>153</u>
Maintenance and Operations total	<u>176,958</u>	<u>(34)</u>	<u>176,924</u>	<u>166,542</u>	<u>10,382</u>

(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, 2014

Corporate Division (continued)	<i>(in thousands of dollars)</i>			Actual Variance with Final Budget - Positive (Negative)	
	Budget Amounts				
	Original	Net Transfers	Final		
<b>Corporate Division Total</b>					
Total all departments:					
Personal services	\$ 254,041	\$ (164)	\$ 253,877	\$ 242,201	\$ 11,676
Contractual services	87,868	(26)	87,842	81,088	6,754
Materials and supplies	23,563	(30)	23,533	16,819	6,714
Machinery and equipment	1,273	220	1,493	1,144	349
Capital projects	27,800	-	27,800	-	27,800
Land	50	-	50	-	50
Fixed and other charges	750	-	750	704	46
Total Corporate Division	<u>395,345</u>	<u>-</u>	<u>395,345</u>	<u>341,956</u>	<u>53,389</u>
<b>Reserve Claim Division</b>					
Employee claims	10,000	-	10,000	3,594	6,406
General claims and emergency repair and replacement cost over \$10,000	54,000	-	54,000	41,392	12,608
Total Reserve Claim Division	<u>64,000</u>	<u>-</u>	<u>64,000</u>	<u>44,986</u>	<u>19,014</u>
<b>Total General Corporate Fund</b>	<u>\$ 459,345</u>	<u>\$ -</u>	<u>\$ 459,345</u>	<u>\$ 386,942</u>	<u>\$ 72,403</u>

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## Exhibit C-2

### General Corporate Fund - Corporate and Reserve Claim Divisions

#### Schedule of Expenditures by Type - GAAP Basis

Year ended December 31, 2014

(with comparative amounts for prior year)

	<i>(in thousands of dollars)</i>				
	<b>2014</b>	<b>2013</b>	<b>Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>	<b>Percent of Total 2014</b>
<b>Personal services:</b>					
Salaries and wages	\$ 174,227	\$ 167,737	\$ 6,490	4 %	45 %
Employee health and life insurance premiums	59,015	57,300	1,715	3	15
Payment for professional services	5,469	5,468	1	0	1
Social security and medicare contributions	2,428	2,308	120	5	1
Tuition and training payments	867	771	96	12	0
Other	198	112	86	77	0
<b>Total personal services</b>	<b>242,204</b>	<b>233,696</b>	<b>8,508</b>	<b>4</b>	<b>62</b>
<b>Contractual services:</b>					
Electrical energy	33,477	31,107	2,370	8	9
Natural gas	3,706	2,242	1,464	65	1
Postage, freight, and delivery charges	111	120	(9)	(8)	0
Waste material disposal charges	9,007	8,595	412	5	2
Administration building operation	1,617	1,706	(89)	(5)	1
Communication services	1,718	1,895	(177)	(9)	1
Farming services	24	24	-	-	0
Court reporting services	78	73	5	7	0
Water and water services	1,569	1,337	232	17	0
Motor vehicle operating services	76	74	2	3	0
Employee travel and transportation	498	434	64	15	0
Medical services	129	124	5	4	0
Rental charges	251	221	30	14	0
Maintenance of grounds and pavements	1,636	1,286	350	27	1
Governmental service charges	3,663	3,313	350	11	1
Repairs to process facilities	3,675	4,672	(997)	(21)	1
Other repairs	10,720	10,330	390	4	3
Other contractual services	9,162	7,988	1,174	15	2
<b>Total contractual services</b>	<b>81,117</b>	<b>75,541</b>	<b>5,576</b>	<b>7</b>	<b>22</b>
<b>Materials and supplies:</b>					
Processing chemicals	5,798	5,817	(19)	(0)	1
Laboratory testing supplies	903	862	41	5	0
Mechanical repair parts	1,956	2,258	(302)	(13)	1
Fuels and lubricants	1,008	1,038	(30)	(3)	0
Electrical parts and supplies	1,831	1,589	242	15	1
Plumbing accessories and supplies	1,309	915	394	43	0
Office, printing, and photographic supplies	398	304	94	31	0
Buildings, grounds, paving materials, and supplies	259	280	(21)	(8)	0
Cleaning supplies	240	253	(13)	(5)	0
Metals	171	151	20	13	0
Computer supplies	799	539	260	48	0
Other materials and supplies	3,040	1,772	1,268	72	1
<b>Total materials and supplies</b>	<b>17,712</b>	<b>15,778</b>	<b>1,934</b>	<b>12</b>	<b>4</b>

(continued)



*Metropolitan Water Reclamation District of Greater Chicago*

	<i>(in thousands of dollars)</i>				
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>	<u>Percent of Total 2014</u>
Machinery and equipment:					
Material handling and farming equipment	\$ 12	\$ -	\$ 12	100 %	0 %
Vehicle equipment	-	132	(132)	(100)	0
Office furniture and equipment	-	32	(32)	(100)	0
Testing and laboratory equipment	461	402	59	15	0
Equipment for collection facilities	11	8	3	38	0
Computer software	82	-	82	100	0
Communication equipment	285	8	277	100	0
Other machinery and equipment	306	202	104	51	0
Total machinery and equipment	<u>1,157</u>	<u>784</u>	<u>373</u>	48	<u>0</u>
Fixed other charges:					
Taxes on real estate	<u>703</u>	<u>656</u>	<u>47</u>	7	<u>0</u>
Total fixed other charges	<u>703</u>	<u>656</u>	<u>47</u>	7	<u>0</u>
Claims and judgments	<u>44,988</u>	<u>4,970</u>	<u>40,018</u>	100	<u>12</u>
Total expenditures	<u>\$ 387,881</u>	<u>\$ 331,425</u>	<u>\$ 56,456</u>		<u>100 %</u>

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## **DEBT SERVICE FUND**

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

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

Year ended December 31, 2014

(in thousands of dollars)

	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Actual Variance with Final Budget - Positive (Negative)</b>
Revenues:			
Property taxes	\$ 198,035	\$ 195,743	\$ (2,292)
Total tax revenue	198,035	195,743	(2,292)
Interest on investments	1,375	1,061	(314)
BAB Grants	10,967	11,141	174
Miscellaneous	-	5	5
Total revenues	210,377	207,950	(2,427)
Expenditures:			
Debt service	194,906	194,844	62
Revenues over (under) expenditures	15,471	13,106	(2,365)
Other financing sources (uses):			
Transfers to Retirement Fund	(3,000)	(3,000)	-
Total other financing sources (uses)	(3,000)	(3,000)	-
Revenues and Other financing (use) over (under) expenditures	12,471	10,106	(2,365)
Fund balances at beginning of year	104,417	115,802	11,385
Fund balances at end of the year	\$ 116,888	\$ 125,908	\$ 9,020

## **CAPITAL PROJECTS FUNDS**

### **Construction Fund**

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

### **Stormwater Management Fund**

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

### **Capital Improvements Bond Fund**

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

Exhibit E-1  
 Capital Projects Funds  
 Schedule of Appropriations and Expenditures on Budgetary Basis  
 Year ended December 31, 2014

	<i>(in thousands of dollars)</i>				<b>Actual Variance with Final Budget - Positive (Negative)</b>
	<b>Budget Amounts</b>			<b>Actual Amounts</b>	
	<b>Original</b>	<b>Net Transfers</b>	<b>Final</b>		
<b>Construction Fund:</b>					
Personal services					
Payment for professional services	\$ 6,885	\$ (1,075)	\$ 5,810	\$ 2,517	\$ 3,293
Preliminary engineering reports and studies	150	389	539	93	446
Construction drawings, specifications, and cost estimates	328	2,000	2,328	-	2,328
Post-award engineering for construction projects	471	-	471	43	428
Total personal services	<u>7,834</u>	<u>1,314</u>	<u>9,148</u>	<u>2,653</u>	<u>6,495</u>
Contractual services					
Testing and inspection services	40	-	40	-	40
Court reporting services	5	-	5	4	1
Soil and rock mechanics investigation	30	-	30	11	19
Contractual services not otherwise classified	192	-	192	49	143
Repairs to collection facilities	600	-	600	78	522
Total contractual services	<u>867</u>	<u>-</u>	<u>867</u>	<u>142</u>	<u>725</u>
Materials and supplies					
Vehicle parts and supplies	-	78	78	69	9
Mechanical repair parts	1,500	789	2,289	374	1,915
Lab testing supplies, small equipment, and chemicals	25	-	25	17	8
Computer supplies	233	200	433	347	86
Total materials and supplies	<u>1,758</u>	<u>1,067</u>	<u>2,825</u>	<u>807</u>	<u>2,018</u>
Machinery and equipment					
Equipment for waterway facilities	570	(89)	481	24	457
Equipment for process facilities	625	-	625	231	394
Marine equipment	500	16	516	509	7
Computer equipment	-	470	470	-	470
Computer software	-	161	161	121	40
Vehicle equipment	2,896	(78)	2,818	1,772	1,046
Machinery and equipment not otherwise classified	951	-	951	297	654
Total machinery and equipment	<u>5,542</u>	<u>480</u>	<u>6,022</u>	<u>2,954</u>	<u>3,068</u>
Capital Projects					
Collection facilities structures	1,605	25	1,630	1,175	455
Waterways facilities structures	20	-	20	-	20
Process facility structures	16,952	(3,083)	13,869	2,939	10,930
Buildings	3,698	738	4,436	2,198	2,238
Capital projects not otherwise classified	750	(591)	159	-	159
Preservation of collection facility structures	2,919	384	3,303	2,546	757

*(continued)*

Metropolitan Water Reclamation District of Greater Chicago

	Budget Amounts			Actual	Actual
	Net			Amounts	Variance
	Original	Transfers	Final		with Final
					Budget -
					Positive
					(Negative)
<b>Construction Fund (continued):</b>					
Capital Projects (continued)					
Preservation of waterway facility structures	\$ 100	\$ 550	\$ 650	\$ 205	\$ 445
Preservation of process facility structures	5,977	(684)	5,293	3,600	1,693
Preservation of buildings	4,034	(200)	3,834	3,566	268
Preservation capital projects not otherwise classified	1,250	-	1,250	343	907
Total capital projects	<u>37,305</u>	<u>(2,861)</u>	<u>34,444</u>	<u>16,572</u>	<u>17,872</u>
<b>Construction Fund Summary:</b>					
Personal services	7,834	1,314	9,148	2,653	6,495
Contractual services	867	-	867	142	725
Materials and supplies	1,758	1,067	2,825	807	2,018
Machinery and equipment	5,542	480	6,022	2,954	3,068
Capital projects	37,305	(2,861)	34,444	16,572	17,872
Construction Fund total	<u>53,306</u>	<u>-</u>	<u>53,306</u>	<u>23,128</u>	<u>30,178</u>
<b>Stormwater Management Fund:</b>					
Personal services					
Salaries of regular employees	5,547	(56)	5,491	4,175	1,316
Compensation plan adjustments	115	56	171	119	52
Salaries of non-budgeted employees	20	-	20	-	20
Tuition and training payments	27	-	27	8	19
Payment for professional services	929	(509)	420	-	420
Health and life insurance	550	-	550	506	44
Preliminary engineering reports and studies	5,743	1,800	7,543	3,112	4,431
Construction drawings, specifications, and cost estimates	5,642	(1,291)	4,351	2,044	2,307
Post-award engineering for construction projects	361	-	361	209	152
Total personal services	<u>18,934</u>	<u>-</u>	<u>18,934</u>	<u>10,173</u>	<u>8,761</u>
Contractual services					
Travel	5	-	5	2	3
Meals and lodging	6	-	6	6	-
Postage and delivery charges	1	-	1	1	-
Compensation for personally owned autos	38	-	38	16	22
Motor vehicle operating services	1	-	1	-	1
Reprographic services	60	(4)	56	-	56
Testing and inspection services	50	-	50	-	50
Court reporting services	10	4	14	14	-

(continued)

Exhibit E-1 (continued)  
 Capital Projects Funds  
 Schedule of Appropriations and Expenditures on Budgetary Basis  
 Year ended December 31, 2014

	<i>(in thousands of dollars)</i>				<b>Actual Variance with Final Budget - Positive (Negative)</b>
	<b>Budget Amounts</b>			<b>Actual Amounts</b>	
	<b>Original</b>	<b>Net Transfers</b>	<b>Final</b>		
<b>Stormwater Management Fund (continued):</b>					
Contractual services (continued)					
Rental charges	\$ 1	\$ -	\$ 1	\$ -	\$ 1
Advertising	80	-	80	-	80
Soil and rock mechanics investigation	25	-	25	-	25
Contractual services not otherwise classified	14,108	-	14,108	9,500	4,608
Waste material disposal charges	60	-	60	34	26
Repairs to collection facilities	50	-	50	-	50
Repairs to waterways facilities	2,676	-	2,676	2,065	611
Computer software maintenance	1	-	1	-	1
Repairs to vehicle equipment	10	-	10	-	10
Repairs not otherwise classified	12	-	12	7	5
Total contractual services	<u>17,194</u>	<u>-</u>	<u>17,194</u>	<u>11,645</u>	<u>5,549</u>
Materials and supplies					
Office, printing, and photo supplies	4	-	4	3	1
Processing chemicals	5	-	5	3	2
Tools and supplies	6	-	6	5	1
Wearing apparel	6	-	6	2	4
Communication supplies	1	-	1	-	1
Materials and supplies not otherwise classified	195	-	195	33	162
Total materials and supplies	<u>217</u>	<u>-</u>	<u>217</u>	<u>46</u>	<u>171</u>
Capital Projects					
Waterways facilities structure	10,916	(2,943)	7,973	5,193	2,780
Capital projects not otherwise classified	2,841	(805)	2,036	75	1,961
Preservation of waterway facility structures	-	3,748	3,748	-	3,748
Total capital projects	<u>13,757</u>	<u>-</u>	<u>13,757</u>	<u>5,268</u>	<u>8,489</u>
Land	<u>125</u>	<u>-</u>	<u>125</u>	<u>-</u>	<u>125</u>
Fixed and other charges					
Payments for easements	680	-	680	248	432
Total fixed and other charges	<u>680</u>	<u>-</u>	<u>680</u>	<u>248</u>	<u>432</u>

(continued)



*Metropolitan Water Reclamation District of Greater Chicago*

	<i>(in thousands of dollars)</i>				<b>Actual Variance with Final Budget - Positive (Negative)</b>
	<b>Budget Amounts</b>			<b>Actual Amounts</b>	
	<b>Original</b>	<b>Net Transfers</b>	<b>Final</b>		
<b>Stormwater Management Fund Summary:</b>					
Personal services	\$ 18,934	\$ -	\$ 18,934	\$ 10,173	\$ 8,761
Contractual services	17,194	-	17,194	11,645	5,549
Material and supplies	217	-	217	46	171
Capital projects	13,757	-	13,757	5,268	8,489
Land	125	-	125	-	125
Fixed and other charges	680	-	680	248	432
Stormwater Management Fund total	<u>50,907</u>	<u>-</u>	<u>50,907</u>	<u>27,380</u>	<u>23,527</u>
<b>Capital Improvements Bond Fund Summary:</b>					
Personal services	11,250	7,694	18,944	12,263	6,681
Contractual services	828	-	828	332	496
Capital projects	365,258	(7,694)	357,564	339,656	17,908
Land	7,300	-	7,300	243	7,057
Fixed and other charges	1,572	-	1,572	8,002	(6,430)
Capital Improvements Bond Fund total *	<u>386,208</u>	<u>-</u>	<u>386,208</u>	<u>360,496</u>	<u>25,712</u>
Capital Projects Funds total	<u>\$ 490,421</u>	<u>\$ -</u>	<u>\$ 490,421</u>	<u>\$ 411,004</u>	<u>\$ 79,417</u>

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

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## **TRUST FUNDS**

### **PENSION TRUST FUND**

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

### **OPEB TRUST FUND**

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

Exhibit F-1

Pension and Other Post Employment Trust Funds  
Combining Statements of Fiduciary Net Position

December 31, 2014

(with comparative amounts for prior year)

(in thousands of dollars)

	Pension Trust Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Cash	\$ 275	\$ 123	\$ -	\$ -	\$ 275	\$ 123
<b>Receivables</b>						
Employer contributions-taxes (net of allowance for uncollectible \$3,495 in 2014; \$5,383 in 2013)	61,654	62,984	-	-	61,654	62,984
Securities sold	9,929	8,012	-	-	9,929	8,012
Forward foreign exchange contracts	28,089	32,768	-	-	28,089	32,768
Accrued interest and dividends	4,529	2,440	71	206	4,600	2,646
Accounts receivable	40	52	-	-	40	52
Total receivables	104,241	106,256	71	206	104,312	106,462
<b>Investments at fair value</b>						
Corporate and governmental bonds and notes	252,271	161,406	-	-	252,271	161,406
Money market funds	-	-	13,857	13,267	13,857	13,267
Pooled funds - fixed income	186,016	189,819	60,132	33,667	246,148	223,486
Pooled funds - equities	-	-	59,949	73,747	59,949	73,747
Balanced funds	-	-	12,379	-	12,379	-
Common and preferred stocks	808,449	843,885	-	-	808,449	843,885
Short-term investments	34,621	51,789	-	-	34,621	51,789
Total investments	1,281,357	1,246,899	146,317	120,681	1,427,674	1,367,580
Securities lending capital	51,053	45,659	-	-	51,053	45,659
Total assets	1,436,926	1,398,937	146,388	120,887	1,583,314	1,519,824
<b>Liabilities</b>						
Accounts payable	1,646	1,540	14	4	1,660	1,544
Securities lending collateral	51,053	45,659	-	-	51,053	45,659
Forward foreign exchange contracts	28,089	32,768	-	-	28,089	32,768
Securities purchased	18,342	20,356	-	-	18,342	20,356
Total liabilities	99,130	100,323	14	4	99,144	100,327
Net position held in trust for pension and OPEB benefits	\$ 1,337,796	\$ 1,298,614	\$ 146,374	\$ 120,883	\$ 1,484,170	\$ 1,419,497

## Exhibit F-2

### Pension and Other Post Employment Trust Funds

#### Combining Statements of Changes in Fiduciary Net Position

Year ended December 31, 2014

(with comparative amounts for prior year)

(in thousands of dollars)

	Pension Trust Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2014	2013	2014	2013	2014	2013
Additions:						
Contributions:						
Employer contributions	\$ 73,906	\$ 92,944	\$ 33,717	\$ 33,835	\$ 107,623	\$ 126,779
Employee contributions	18,975	16,891	-	-	18,975	16,891
Retiree contributions	-	-	6,773	6,218	6,773	6,218
Total contributions	<u>92,881</u>	<u>109,835</u>	<u>40,490</u>	<u>40,053</u>	<u>133,371</u>	<u>149,888</u>
Investment income:						
Net appreciation (depreciation) in fair value of investments	63,590	211,132	2,267	13,147	65,857	224,279
Interest and dividend income	23,476	19,884	3,306	1,715	26,782	21,599
Total investment income (loss)	87,066	231,016	5,573	14,862	92,639	245,878
Less investment expenses	(5,900)	(5,465)	(42)	(43)	(5,942)	(5,508)
Investment income (loss) net of expenses	<u>81,166</u>	<u>225,551</u>	<u>5,531</u>	<u>14,819</u>	<u>86,697</u>	<u>240,370</u>
Security lending activities:						
Security lending income	64	89	-	-	64	89
Borrower rebates	506	630	-	-	506	630
Bank fees	(135)	(174)	-	-	(135)	(174)
Net income from securities lending activities	<u>435</u>	<u>545</u>	<u>-</u>	<u>-</u>	<u>435</u>	<u>545</u>
Other	<u>4</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>7</u>
Total additions	<u>174,486</u>	<u>335,938</u>	<u>46,021</u>	<u>54,872</u>	<u>220,507</u>	<u>390,810</u>
Deductions:						
Annuities and benefits						
Employee annuitants	111,352	106,624	-	-	111,352	106,624
Retiree health care benefits	-	-	20,490	20,053	20,490	20,053
Surviving spouse annuitants	20,444	19,432	-	-	20,444	19,432
Child annuitants	157	114	-	-	157	114
Ordinary disability benefits	821	822	-	-	821	822
Duty disability benefits	140	214	-	-	140	214
Total annuities and benefits	<u>132,914</u>	<u>127,206</u>	<u>20,490</u>	<u>20,053</u>	<u>153,404</u>	<u>147,259</u>
Refunds of employee contributions	984	1,129	-	-	984	1,129
Administrative expenses	1,406	1,391	40	38	1,446	1,429
Total deductions	<u>135,304</u>	<u>129,726</u>	<u>20,530</u>	<u>20,091</u>	<u>155,834</u>	<u>149,817</u>
Net increase (decrease)	39,182	206,212	25,491	34,781	64,673	240,993
Net position held in trust for pension and OPEB benefits						
Beginning of year	<u>1,298,614</u>	<u>1,092,402</u>	<u>120,883</u>	<u>86,102</u>	<u>1,419,497</u>	<u>1,178,504</u>
End of year	<u>\$ 1,337,796</u>	<u>\$ 1,298,614</u>	<u>\$ 146,374</u>	<u>\$ 120,883</u>	<u>\$ 1,484,170</u>	<u>\$ 1,419,497</u>

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# III. STATISTICAL AND DEMOGRAPHICS SECTION



*On October 25, MWRD officials joined Governor Pat Quinn, Mayor Rahm Emanuel and other elected officials and community leaders in announcing the expansion of public recreational opportunities on unused portions of Lake Calumet. Chicago Mayor Rahm Emanuel, Commissioner Kari Steele, and Chairman of Finance Mariyana Spyropoulos were on hand for the announcement in the Millennium Reserve area on Chicago's south side.*

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# Statistical and Demographics Section (Unaudited)

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

## Contents

### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the District's most significant local revenue sources, property taxes and user charges.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and its ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in this financial report relates to the services the District provides and the activities it performs.

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

## Exhibits

**I-1 through I-4**

**I-5 through I-9**

**I-10 through I-12**

**I-13 and I-14**

**I-15 through I-17**

## Exhibit I-1 Net Position by Component

*Last Ten Fiscal Years*

*(accrual basis of accounting)*

*(in thousands of dollars)*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net investment in capital assets	\$ 4,548,793	\$ 4,506,950	\$ 4,514,633	\$ 4,506,544
Restricted				
Restricted for corporate working cash	278,148	276,894	277,006	277,270
Restricted for reserve claim	7,764	9,861	4,524	6,211
Restricted for debt service	305,375	278,970	268,760	257,418
Restricted for capital projects	15,457	28,886	18,828	29,908
Restricted for construction working cash	21,833	21,644	21,649	21,611
Restricted for stormwater working cash	37,035	37,690	37,737	39,573
Restricted for pension	-	-	-	-
Unrestricted (Deficit)	<u>14,373</u>	<u>4,037</u>	<u>(1,006)</u>	<u>(53,477)</u>
Total net position	<u>\$ 5,228,778</u>	<u>\$ 5,164,932</u>	<u>\$ 5,142,131</u>	<u>\$ 5,085,058</u>

*Metropolitan Water Reclamation District of Greater Chicago*

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 4,492,811	\$ 4,559,884	\$ 4,575,974	\$ 4,580,604	\$ 4,541,778	\$ 3,728,581
277,249	275,459	272,120	267,848	263,229	244,319
22,521	25,073	35,817	31,295	-	-
227,320	232,815	212,353	203,656	220,306	278,218
38,018	-	13,412	18,656	1,044	12,287
27,377	27,286	27,005	26,313	25,750	25,642
39,554	38,953	37,902	35,275	32,064	25,227
-	-	-	-	-	28,602
(96,934)	(49,191)	47,316	70,431	95,357	27,594
<u>\$ 5,027,916</u>	<u>\$ 5,110,279</u>	<u>\$ 5,221,899</u>	<u>\$ 5,234,078</u>	<u>\$ 5,179,528</u>	<u>\$ 4,370,470</u>

## Exhibit I-2 Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands of dollars)

	2014	2013	2012	2011
<b>Revenues</b>				
General Revenues:				
Property taxes	\$ 526,851	\$ 470,855	\$ 486,316	\$ 506,888
Personal property replacement tax	39,571	40,737	35,605	36,849
Interest on investments	9,486	3,051	11,123	13,156
Tax increment financing distributions	4,925	3,361	6,239	12,715
Claims and damage settlements	630	2,271	1,472	1,298
Miscellaneous	5,290	4,765	5,822	4,859
Gain on sale of capital assets	8	923	-	676
Total general revenues	<u>586,761</u>	<u>525,963</u>	<u>546,577</u>	<u>576,441</u>
Program Revenues:				
Charges for services				
User charges	50,696	49,182	69,322	57,469
Land rentals	16,357	14,851	12,081	12,161
Fees, forfeits and penalties	5,456	3,396	3,353	3,279
Capital grants and contributions				
Federal grants	11,089	11,110	22,164	17,218
Total program revenues	<u>83,598</u>	<u>78,539</u>	<u>106,920</u>	<u>90,127</u>
Total revenues	<u>670,359</u>	<u>604,502</u>	<u>653,497</u>	<u>666,568</u>
<b>Expenses</b>				
Board of Commissioners	3,721	3,520	3,471	3,348
General Administration	15,096	14,426	14,296	14,844
Monitoring and Research	26,922	25,294	24,689	25,221
Procurement and Materials Management	6,331	5,660	5,694	6,928
Human Resources	72,896	67,841	63,103	47,683
Information Technology	14,708	14,331	13,714	14,423
Law	6,812	6,975	5,942	7,151
Finance	3,433	3,394	3,175	2,962
Engineering	26,561	25,051	4,332	4,028
Maintenance and Operations	169,234	162,372	161,919	178,438
Pension costs	73,713	52,065	78,360	70,331
OPEB Trust Fund costs (1)	(19,449)	(19,567)	(7,155)	10,251
Claims and judgments	2,660	3,369	25,738	25,488
Construction costs	77,191	88,528	75,496	84,240
Loss on sale of capital assets	127	173	147	95
Depreciation (unallocated)	12,229	12,020	12,459	12,235
Interest on bonds	114,328	116,249	111,044	101,760
Total expenses	<u>606,513</u>	<u>581,701</u>	<u>596,424</u>	<u>609,426</u>
Change in Net Position	<u>\$ 63,846</u>	<u>\$ 22,801</u>	<u>\$ 57,073</u>	<u>\$ 57,142</u>

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

*Metropolitan Water Reclamation District of Greater Chicago*

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 409,550	\$ 429,968	\$ 432,412	\$ 370,777	\$ 392,775	\$ 405,423
39,352	37,477	42,527	45,935	37,743	36,031
9,119	7,632	27,112	48,750	43,659	19,693
6,818	1,359	797	644	1,167	1,634
285	695	606	64	614	77
5,181	6,642	5,450	3,434	2,584	2,300
2,736	-	-	21	-	93
<u>473,041</u>	<u>483,773</u>	<u>508,904</u>	<u>469,625</u>	<u>478,542</u>	<u>465,251</u>
49,433	47,886	49,439	54,612	53,986	46,576
10,040	9,660	9,572	9,243	7,972	6,310
2,731	4,305	4,357	3,383	4,693	4,748
17,156	5,518	896	253	-	867
<u>79,360</u>	<u>67,369</u>	<u>64,264</u>	<u>67,491</u>	<u>66,651</u>	<u>58,501</u>
<u>552,401</u>	<u>551,142</u>	<u>573,168</u>	<u>537,116</u>	<u>545,193</u>	<u>523,752</u>
3,627	3,680	3,748	3,513	3,422	3,341
15,767	19,046	18,438	16,875	17,293	17,807
28,450	29,252	27,612	26,178	25,317	25,230
6,447	6,196	5,398	6,631	5,480	5,170
46,882	43,670	61,465	61,878	35,216	32,941
16,127	20,611	20,767	16,475	11,312	11,111
8,132	7,491	7,274	6,147	5,748	6,199
3,189	3,233	3,238	3,109	3,218	3,124
6,245	9,284	8,144	4,483	4,519	10,160
191,090	209,488	196,612	179,938	156,984	158,802
62,996	54,804	45,343	49,891	42,320	47,549
24,540	25,464	8,920	7,405	-	-
9,134	17,536	9,174	17,606	876	4,466
104,947	131,095	93,421	56,914	70,594	51,145
381	436	750	273	4,430	676
11,428	9,227	9,224	9,216	9,216	7,596
95,382	72,249	65,819	64,584	81,876	61,872
<u>634,764</u>	<u>662,762</u>	<u>585,347</u>	<u>531,116</u>	<u>477,821</u>	<u>447,189</u>
<u>\$ (82,363)</u>	<u>\$ (111,620)</u>	<u>\$ (12,179)</u>	<u>\$ 6,000</u>	<u>\$ 67,372</u>	<u>\$ 76,563</u>

Exhibit I-3  
Fund Balances: Governmental Funds

*Last Ten Fiscal Years*

*(modified accrual basis of accounting)*

*(in thousands of dollars)*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Corporate Fund					
Nonspendable:					
Prepaid insurance	\$ 2,143	\$ 2,391	\$ -	\$ -	\$ -
Inventories	39,586	40,136	39,467	38,922	38,924
Restricted	307,147	344,558	344,186	342,398	341,381
Unassigned (Deficit)	<u>(61,850)</u>	<u>(51,960)</u>	<u>(19,151)</u>	<u>(96,225)</u>	<u>(175,521)</u>
Total General Corporate Fund	<u>287,026</u>	<u>335,125</u>	<u>364,502</u>	<u>285,095</u>	<u>204,784</u>
All Other Governmental Funds					
Restricted	219,606	328,953	575,796	763,064	519,456
Assigned	<u>112,768</u>	<u>112,478</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Funds	<u>\$ 619,400</u>	<u>\$ 776,556</u>	<u>\$ 940,298</u>	<u>\$ 1,048,159</u>	<u>\$ 724,240</u>

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Metropolitan Water Reclamation District of Greater Chicago

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

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

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>					
General Revenues:					
Property taxes	\$ 516,316	\$ 454,966	\$ 489,168	\$ 492,751	\$ 410,663
Personal property replacement tax	39,571	40,737	35,605	36,849	39,352
Interest on investments	9,486	3,051	11,123	13,156	9,119
Land sales	8	2,575	-	2,326	3,045
Tax increment financing distributions	4,925	3,361	6,239	12,715	6,818
Claims and damage settlements	630	2,271	1,472	1,298	285
Miscellaneous	5,445	4,765	5,822	4,859	5,181
Program Revenues:					
Charges for services					
User charges	50,696	49,182	69,322	57,469	49,433
Land rentals	16,357	14,851	12,081	12,161	10,040
Fees, forfeits and penalties	5,456	3,396	3,353	2,534	2,731
Capital grants and contributions					
Government grants	11,162	11,110	22,164	17,218	20,233
Total revenues	<u>660,052</u>	<u>590,265</u>	<u>656,349</u>	<u>653,336</u>	<u>556,900</u>
<b>Expenditures</b>					
Operations:					
Board of Commissioners	3,710	3,514	3,463	3,344	3,628
General Administration	14,829	14,111	13,877	14,332	15,411
Monitoring and Research	26,687	25,128	24,495	25,084	28,445
Procurement and Materials Management	6,325	5,671	5,698	6,949	6,493
Human Resources	72,879	67,856	63,105	47,710	46,944
Information Technology	14,582	14,024	13,167	13,820	15,823
Law	6,802	6,984	5,942	7,166	8,164
Finance	3,425	3,393	3,172	2,965	3,203
Engineering	25,278	23,987	3,229	2,975	5,367
Maintenance and Operations	168,376	161,787	161,188	177,908	191,165
Pension costs	75,556	67,523	66,191	36,635	30,099
Claims and judgments	44,988	4,970	5,998	6,923	6,728
Construction costs	236,259	199,231	259,315	337,051	496,885
Debt service:					
Redemption of bonds	89,118	85,709	71,400	64,112	60,602
Interest on bonds	110,115	111,665	118,854	98,015	104,414
Total expenditures	<u>898,929</u>	<u>795,553</u>	<u>819,094</u>	<u>844,989</u>	<u>1,023,371</u>
Revenues over (under) expenditures	<u>(238,877)</u>	<u>(205,288)</u>	<u>(162,745)</u>	<u>(191,653)</u>	<u>(466,471)</u>
Other Financing Sources (Uses)					
Payment to escrow agent		-	-	(253)	-
State revolving fund loan proceeds	81,721	41,546	54,884	78,481	152,465
Sale of refunding bonds			-	-	-
Proceeds from sale of bonds			-	400,000	-
Premium on sale of bonds			-	37,344	-
Proceeds from capital lease			-	-	54,535
Total other financing sources (uses)	<u>81,721</u>	<u>41,546</u>	<u>54,884</u>	<u>515,572</u>	<u>207,000</u>
Net change in fund balance	<u>\$ (157,156)</u>	<u>\$ (163,742)</u>	<u>\$ (107,861)</u>	<u>\$ 323,919</u>	<u>\$ (259,471)</u>
Debt service as a percentage of non-capital expenditures	26.9%	28.8%	29.9%	27.4%	26.1%



*Metropolitan Water Reclamation District of Greater Chicago*

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 418,077	\$ 399,917	\$ 376,757	\$ 380,675	\$ 423,941
37,477	42,527	45,935	37,743	36,031
7,632	27,112	48,750	43,659	19,693
6	6	28	516	100
1,359	797	644	1,167	1,634
695	606	64	614	77
6,642	5,450	3,495	2,729	2,573
47,886	49,439	54,117	52,504	45,983
9,660	9,572	9,243	7,972	6,310
4,305	4,357	3,383	4,693	4,748
1,440	896	253	-	867
<u>535,179</u>	<u>540,679</u>	<u>542,669</u>	<u>532,272</u>	<u>541,957</u>
3,659	3,721	3,496	3,401	3,323
18,555	17,958	16,491	16,974	17,259
28,891	27,146	25,892	24,985	24,787
6,156	5,341	6,556	5,352	5,023
43,603	61,385	61,841	35,162	32,900
20,200	19,328	16,125	11,034	10,811
7,446	7,211	6,121	5,709	6,168
3,208	3,205	3,093	3,197	3,102
7,951	6,703	4,331	4,318	9,538
208,123	194,916	179,012	155,899	157,612
31,744	28,937	31,115	30,071	31,561
9,464	7,626	9,353	4,954	4,368
397,265	191,415	194,151	164,157	133,599
73,105	112,577	90,466	83,692	107,767
67,148	66,591	68,148	88,177	61,252
<u>926,518</u>	<u>754,060</u>	<u>716,191</u>	<u>637,082</u>	<u>609,070</u>
<u>(391,339)</u>	<u>(213,381)</u>	<u>(173,522)</u>	<u>(104,810)</u>	<u>(67,113)</u>
-	-	(437,621)	(416,000)	-
81,000	41,185	47,104	27,464	15,973
-	-	382,020	397,390	-
600,000	-	-	350,000	-
-	-	53,098	24,594	-
-	-	-	-	-
<u>681,000</u>	<u>41,185</u>	<u>44,601</u>	<u>383,448</u>	<u>15,973</u>
<u>\$ 289,661</u>	<u>\$ (172,196)</u>	<u>\$ (128,921)</u>	<u>\$ 278,638</u>	<u>\$ (51,140)</u>
21.2%	27.3%	27.4%	31.6%	32.1%

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)*

<b>Fiscal Year Ended December 31,</b>	<b>Chicago Equalized Assessed Value</b>	<b>Suburbs Equalized Assessed Value</b>	<b>Total Equalized Assessed Value</b>	<b>Total Direct Tax Rate (1)</b>	<b>Estimated Full Taxable Value</b>	<b>Equalized Assessed Value as a Percentage of Full Value</b>
2004	\$ 55,277,096	\$ 63,761,464	\$ 119,038,560	0.347	\$ 541,942,050	22.0%
2005	59,304,530	71,282,391	130,586,921	0.315	581,371,295	22.5
2006	69,511,192	71,957,450	141,468,642	0.284	666,223,062	21.2
2007	73,645,316	82,327,478	155,972,794	0.263	656,474,744	23.8
2008	80,977,543	89,119,839	170,097,382	0.252	616,163,594	27.6
2009	84,586,808	89,880,835	174,467,643	0.261	550,135,370	31.7
2010	82,087,170	84,830,896	166,918,066	0.274	449,811,540	37.1
2011	75,122,914	73,925,579	149,048,493	0.320	442,787,689	33.7
2012	65,250,387	68,147,608	133,397,995	0.370	414,382,389	32.2
2013	62,363,876	61,055,668	123,419,544	0.417	414,382,389 (2)	29.8

**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)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>District direct rates</b>										
Corporate	\$ 0.183	\$ 0.177	\$ 0.179	\$ 0.168	\$ 0.144	\$ 0.135	\$ 0.141	\$ 0.150	\$ 0.151	\$ 0.158
Corporate Working Cash			-	-	-	-	-	-	-	-
Reserve Claim	0.002	0.005	0.005	0.002	0.001	0.002	0.004	0.004	0.004	0.004
Retirement	0.040	0.040	0.021	0.019	0.016	0.016	0.015	0.016	0.018	0.018
Debt Service	0.164	0.160	0.135	0.114	0.094	0.097	0.083	0.087	0.087	0.113
Construction	0.014	0.009	0.015	0.001	0.005	0.006	-	0.003	0.013	0.014
Stormwater Management	0.017	0.016	0.015	0.016	0.014	0.005	0.009	0.003	0.011	0.008
<b>Total direct rate</b>	<b>\$ 0.420</b>	<b>\$ 0.407</b>	<b>\$ 0.370</b>	<b>\$ 0.320</b>	<b>\$ 0.274</b>	<b>\$ 0.261</b>	<b>\$ 0.252</b>	<b>\$ 0.263</b>	<b>\$ 0.284</b>	<b>\$ 0.315</b>

**Major local governments' tax rates (2)**

City of Chicago	\$ 1.209	\$ 1.151	\$ 0.999	\$ 0.914	\$ 0.887	\$ 0.928	\$ 1.004	\$ 1.012	\$ 1.153
Chicago Board of Education	3.671	3.422	2.875	2.581	2.366	2.472	2.583	2.697	3.026
Chicago Park District	0.402	0.395	0.346	0.319	0.309	0.323	0.355	0.379	0.443
Cook County	0.560	0.531	0.462	0.423	0.394	0.415	0.446	0.500	0.533
Cook County Forest Preserve Dist.	0.069	0.063	0.058	0.051	0.049	0.051	0.053	0.057	0.060
City Colleges of Chicago	0.198	0.190	0.165	0.151	0.150	0.156	0.159	0.205	0.234
Chicago School Finance Authority	-	-	-	-	-	-	0.091	0.118	0.127
City of Chicago Library Fund	0.135	0.128	0.111	0.102	0.099	0.102	0.040	0.050	0.090
City of Chicago School Bldg/Imprvmt	0.152	0.146	0.119	0.116	0.112	0.117	-	-	-

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

Corporate	\$230,000	\$224,100	\$237,247	\$249,828	\$240,059	\$237,116	\$240,082	\$233,982	\$213,860	\$206,565
Stormwater Management	21,000	20,000	20,000	24,100	24,029	8,849	15,212	3,942	15,508	10,451
Corporate Working Cash		-	-	-	-	-	-	-	-	-
Reserve Claim	3,000	6,500	6,670	3,400	1,951	3,182	7,073	6,530	5,957	5,513
Retirement	50,531	51,621	28,490	28,163	26,478	26,751	25,664	24,843	25,072	23,598
Debt Service	218,319	202,290	180,748	169,645	156,090	169,051	140,614	135,730	123,608	147,281
Construction	17,400	11,079	20,418	1,819	8,749	10,441	-	5,181	17,766	17,940
<b>Total tax levies</b>	<b>\$540,250</b>	<b>\$515,590</b>	<b>493,573</b>	<b>\$476,955</b>	<b>\$457,356</b>	<b>\$455,360</b>	<b>\$428,645</b>	<b>\$410,208</b>	<b>\$401,771</b>	<b>\$411,348</b>

Source: Cook County Clerk

- (1) District's tax rates are estimated based on 2013 equalized assessed valuation of \$123 billion.
- (2) Major local governments' rates for 2014 are not yet available.

# Exhibit I-7 Principal Property Taxpayers

2013 and Nine Years Ago

(in thousands of dollars)

Taxpayer	Type of Business	2013 (1)			2004		
		Equalized Assessed Value (3)	Rank	Percentage of Total Equalized Assessed Value	Equalized Assessed Value	Rank	Percentage of Total Equalized Assessed Value
Willis Tower	Retail & Office	\$ 370,197	1	0.30%	\$ 489,383	1	0.41%
Aon Center	Insurance	248,906	2	0.20	322,214	2	0.27
Merchandise Mart	Retail & Office	231,146	3	0.19	-	-	-
Citadel Center	Office	228,376	4	0.19	-	-	-
Hyatt Center	Office	218,526	5	0.18	-	-	-
One North Wacker Drive	Office	210,714	6	0.17	150,400	8	0.13
CME Center (2)	Office	209,623	7	0.17	321,563	3	0.27
Blue Cross Blue Shield Tower	Office	201,987	8	0.16	-	-	-
One Prudential Plaza	Financial Services	193,495	9	0.16	279,002	4	0.23
Water Tower Place	Retail & Office	190,953	10	0.15	-	-	-
Chase Tower	Banking	-	-	-	244,202	5	0.21
Citicorp Center	Banking	-	-	-	194,730	6	0.16
Three First National Plaza	Retail & Office	-	-	-	179,451	7	0.15
AT & T Corporate Center	Communications	-	-	-	144,651	9	0.12
311 South Wacker	Investments	-	-	-	134,521	10	0.11
		<u>\$ 2,303,923</u>		<u>1.87%</u>	<u>\$ 2,460,117</u>		<u>2.06%</u>

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

(1) 2014 information is unavailable

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

(3) The Equalized Assessed Valuation for 2013 is \$123,419,543,828

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
2005	\$ 411,348	\$ 398,343	96.8%	09/01/06	\$ 1,864	\$ 400,207	97.3%
2006	401,771	353,566	88.0	12/03/07	35,228	388,794	96.8
2007	410,208	390,440	95.2	11/03/08	9,528	399,968	97.5
2008	428,645	400,048	93.3	12/01/09	16,277	416,325	97.1
2009	455,360	383,612	84.2	12/13/10	72,531	456,143	100.2
2010	457,356	435,009	95.1	10/01/11	14,390	449,399	98.3
2011	476,955	460,618	96.6	08/01/12	9,253	469,871	98.5
2012	493,573	476,881	96.6	08/01/13	15,225	492,106	99.7
2013	515,590	497,452	96.5	08/01/14	-	497,452	96.5
2014	540,250	-	-	08/01/15	-	-	-

## Exhibit I-9 User Charge Rates

*Last Ten Fiscal Years*

	<u>2014 (1)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Large Commercial/Industrial User Rates (2)</b>					
Flow per million gallons	\$ 246.08	\$ 241.73	\$ 256.48	\$ 243.99	\$ 262.44
5-day BOD per 1,000 lbs. (5)	245.75	250.76	259.22	247.48	270.68
SS per 1,000 lbs. (6)	159.72	165.24	195.95	194.18	200.33
<b>Tax-Exempt User Rates (3)</b>					
Flow per million gallons	\$ 246.08	\$ 245.18	\$ 263.48	\$ 250.31	\$ 269.25
5-day BOD per 1,000 lbs. (5)	245.75	254.34	266.27	253.89	277.70
SS per 1,000 lbs. (6)	159.72	167.60	201.24	199.21	205.53
<b>OM&amp;R Rate (4)</b>	0.4350	0.4240	0.4860	0.4730	0.5570

- (1) The Large Commercial-Industrial and Tax-Exempt Users Rates are the same beginning with tax year 2014.
- (2) Large Commercial-Industrial users are non-governmental, non-residential users engaged in significant commercial or industrial activities.
- (3) Tax-Exempt users are exempt from payment of property taxes.
- (4) This rate represents the OM&R costs as a percentage of the District's total tax levy and it is applied to Commercial-Industrial users' real estate tax credits for determining their final user charge.
- (5) BOD = Biological Oxygen Demand
- (6) SS = Suspended Solids

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*Metropolitan Water Reclamation District of Greater Chicago*

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 229.37	\$ 223.72	\$ 224.87	\$ 225.80	\$ 210.91
231.90	229.23	228.39	239.79	226.64
174.25	178.11	173.01	183.41	174.33
\$ 235.96	\$ 230.29	\$ 231.07	\$ 235.40	\$ 219.30
238.56	235.98	234.69	249.99	235.65
179.25	183.35	177.77	191.20	181.26
0.5040	0.4990	0.5040	0.5680	0.5680

Exhibit I-10  
 Ratios of Total General Bonded Debt and Net Bonded Debt Outstanding (1)

Last Ten Fiscal Years

(dollars and population in thousands, except debt per capita)

Fiscal Year	General Obligation Bonds	Bond Anticipation Notes and Interest	Capital Lease Payable (4)	Total Debt	Resources Available for Repayment of Debt (2)	Net Debt	Total Debt as a % Personal Income (3)	Total Debt Per Capita (3)	Net Debt as a % of Estimated Full Taxable Value (3)	Net Debt Per Capita (3)
2005	\$ 1,280,569	\$ 48,238	\$ -	\$ 1,328,807	\$ 168,920	\$ 1,159,887	0.95%	\$ 248.98	0.20%	\$ 217.33
2006	1,579,401	25,261	-	1,604,662	124,540	1,480,122	1.15	302.37	0.22	278.90
2007	1,465,854	63,131	-	1,528,985	97,492	1,431,493	1.10	289.69	0.22	271.22
2008	1,392,699	64,894	-	1,457,593	101,053	1,356,540	1.05	277.00	0.22	257.80
2009	1,979,203	86,286	-	2,065,489	106,279	1,959,210	1.46	392.01	0.36	371.84
2010	1,961,974	196,225	53,688	2,211,887	111,055	2,100,832	1.44	422.12	0.47	400.92
2011	2,466,464	108,008	51,784	2,626,256	137,217	2,489,039	1.87	503.50	0.56	477.19
2012	2,515,376	44,527	49,838	2,609,740	136,173	2,473,567	1.79	506.75	0.60	480.30
2013	2,481,973	35,809	47,795	2,565,577	122,527	2,443,050	1.73	489.52	0.59	466.14
2014	2,422,620	90,460	45,653	2,558,733	140,162	2,418,571	1.77	481.15	0.58	454.79

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

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

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

(4) The District entered into a capital lease agreement in 2010.



# Exhibit I-11 Estimate of Direct and Overlapping Debt

As of December 31, 2014

(In thousands of dollars)

Direct debt		
Bonds and notes payable		\$ 2,591,245
Capital lease		45,653

Overlapping bonded debt of major local governments (1)	Net Debt (2)	% Applicable (3)	Applicable
			Amount
City of Chicago	\$ 8,122,072	100.00%	\$ 8,122,072
Chicago Board of Education	6,006,833 (4)(5)	100.00	6,006,833 (4)
Chicago Park District	806,690 (4)	100.00	806,690 (4)
City Colleges (District 508)	250,000	100.00	250,000
Cook County	3,578,912	97.96	3,505,902
Cook County Forest Preserve District	170,322	97.96	<u>166,847</u>
Total overlapping debt (6)			<u>18,858,345</u>
Total direct and overlapping debt			<u>\$ 21,495,243</u>

(1) Excludes outstanding tax anticipation notes and warrants.

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

(3) Based on 2013 Equalized Assessed Valuation, which is the most recent available.

(4) Includes approximately \$250 million, \$5.18 billion and \$333 million of general obligation bonds of the City Colleges (District 508), Chicago Board of Education and the Chicago Park District, respectively, issued as "alternate revenue" bonds secured by alternate revenue sources. An ad valorem property tax levy is filed in an amount sufficient to pay debt service on the alternate revenue bonds. When sufficient revenues have accumulated to pay annual debt service on the alternate revenue bonds, the property tax levy is abated. To date, alternate revenues have been available in amounts sufficient to pay principal and interest coming due on alternate revenue bonds issued by the Chicago Board of Education and the Chicago Park District.

(5) Includes approximately \$196.47 million of Public Building Commission Bonds debt.

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

Exhibit I-12  
Computation of Statutory Debt Margin

Last Ten Fiscal Years

(in thousands of dollars)

	<u>2014 (1)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Equalized assessed valuation</b>	\$ 123,419,544	\$ 123,419,544	\$ 133,397,995	\$ 149,048,493	\$ 166,918,066
<b>Statutory debt limit (5.75% of equalized assessed valuation)</b>	<u>7,096,624</u>	<u>7,096,624</u>	<u>7,670,385</u>	<u>8,570,288</u>	<u>9,597,789</u>
<b>Total debt applicable to debt limit:</b>					
General obligation bonds outstanding	2,422,620	2,481,973	2,515,375	2,466,464	1,961,974
Bond anticipation notes outstanding	90,460	35,809	44,527	108,008	196,225
Capital lease outstanding	45,653	47,795	49,837	51,784	53,688
Liabilities of tax financed funds:					
Corporate	37,136	30,150	30,076	35,347	45,381
Stormwater	5,689	3,515	2,496	1,956	2,496
Debt service	-	-	-	-	-
Reserve claim	681	380	1,110	1,381	410
Construction	<u>6,648</u>	<u>2,816</u>	<u>4,062</u>	<u>1,542</u>	<u>1,732</u>
Total applicable debt	2,608,887	2,602,438	2,647,483	2,666,482	2,261,906
Less applicable assets:					
Debt service funds unrestricted cash and investments	108,392	98,006	105,285	114,344	88,710
Interest payable in the next twelve months	<u>(106,175)</u>	<u>(107,868)</u>	<u>(109,300)</u>	<u>(116,410)</u>	<u>(92,619)</u>
Total applicable assets	2,217	(9,862)	(4,015)	(2,066)	(3,909)
<b>Total net debt applicable to debt limit</b>	<u>2,606,670</u>	<u>2,612,300</u>	<u>2,651,498</u>	<u>2,668,548</u>	<u>2,265,815</u>
<b>Statutory debt margin</b>	<u>\$ 4,489,954</u>	<u>\$ 4,484,324</u>	<u>\$ 5,018,887</u>	<u>\$ 5,901,740</u>	<u>\$ 7,331,974</u>
<b>Total applicable net debt as a percentage of statutory debt limit</b>	36.7%	36.8%	34.6%	31.1%	23.6%

(1) Debt limit calculation based on 2013 equalized assessed valuation since 2014 value is not yet available.

*Metropolitan Water Reclamation District of Greater Chicago*

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 174,467,643	\$ 170,097,382	\$ 155,972,794	\$ 141,468,642	\$ 130,586,921
<u>10,031,889</u>	<u>9,780,599</u>	<u>8,968,436</u>	<u>8,134,447</u>	<u>7,508,748</u>
1,979,203	1,392,699	1,465,854	1,579,401	1,280,569
86,286	64,894	63,131	25,261	48,238
-	-	-	-	-
45,260	42,374	38,699	27,233	25,394
1,101	1,470	1,179	340	72
-	-	-	56	154
327	1,036	1,243	1,495	124
<u>4,236</u>	<u>2,855</u>	<u>2,662</u>	<u>2,810</u>	<u>3,949</u>
<u>2,116,413</u>	<u>1,505,328</u>	<u>1,572,768</u>	<u>1,636,596</u>	<u>1,358,500</u>
88,849	89,397	77,599	108,814	127,860
<u>(59,873)</u>	<u>(73,103)</u>	<u>(68,877)</u>	<u>(69,111)</u>	<u>(55,119)</u>
<u>28,976</u>	<u>16,294</u>	<u>8,722</u>	<u>39,703</u>	<u>72,741</u>
<u>2,087,437</u>	<u>1,489,034</u>	<u>1,564,046</u>	<u>1,596,893</u>	<u>1,285,759</u>
<u>\$ 7,944,452</u>	<u>\$ 8,291,565</u>	<u>\$ 7,404,390</u>	<u>\$ 6,537,554</u>	<u>\$ 6,222,989</u>
20.8%	15.2%	17.4%	19.6%	17.1%

# Exhibit I-13 Demographic and Economic Statistics

*Last Ten Fiscal Years*

*(population and dollars in thousands)*

<b>Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Household Income</b>	<b>Unemployment Rate</b>
2014	5,318	\$ 144,394,219	\$ 27,152	\$ 53,653	7.0%
2013	5,241	148,352,487	28,304	51,391	9.1
2012	5,150	145,456,281	28,246	53,852	8.8
2011	5,216	140,483,393	26,933	54,036	9.8
2010	5,240	153,959,010	29,381	59,201	10.4
2009	5,269	141,675,329	26,888	53,709	10.1
2008	5,262	139,190,968	26,452	52,664	6.2
2007	5,278	138,936,974	26,324	52,477	4.9
2006	5,307	139,547,983	26,295	52,408	4.5
2005	5,337	139,159,977	26,075	51,635	6.0

**Source:** Population, Personal Income and Median Household Income is for Cook County, Illinois. Population, Median Household Income and Personal Income information is provided by Claritas Data Services and unemployment information is provided by the U.S. Department of Labor, Bureau of Labor Statistics. The District service area represents 98% of the assessed valuation of Cook County.

Exhibit I-14  
Principal Employers

2014 and Nine Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
U.S. Government	45,673	1	0.86%	78,000	1	1.46%
Chicago Public Schools	38,933	2	0.73	43,783	2	0.82
City of Chicago	30,345	3	0.57	39,675	3	0.74
Cook County	21,622	4	0.41	25,482	5	0.48
Advocate Health Care	18,556	5	0.35	25,279	6	0.47
University of Chicago	16,025	6	0.30	-	-	-
J.P. Morgan Chase & Co.	15,015	7	0.28	-	-	-
State of Illinois	14,925	8	0.28	17,056	8	0.32
Northwestern Memorial Healthcare	14,550	9	0.27	-	-	-
United Continental Holdings Inc. (1)	14,000	10	0.26	-	-	-
Jewel-Osco	-	-	-	34,037	4	0.64
United Parcel Service of America, Inc.	-	-	-	19,346	7	0.36
AT&T	-	-	-	16,500	9	0.31
Wal-Mart Stores Inc.	-	-	-	16,350	10	0.31
Total	<u>229,644</u>		<u>4.31%</u>	<u>315,508</u>		<u>5.91%</u>

(1) Owns and operates United Airlines

Source: Reprinted with permission, *Crain's Chicago Business* [January 19, 2015] © Crain Communications, Inc.

Exhibit I-15  
Budgeted Positions by Fund/Department

Last Ten Fiscal Years

<b>Fund/Department</b>	<b>Budgeted Positions</b>									
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>General Corporate Fund</b>										
Board of Commissioners	37	37	37	40	45	45	45	45	45	46
General Administration	112	109	114	125	124	146	138	144	145	146
Monitoring and Research Procurement and Materials	288	286	280	303	308	308	309	311	317	321
Management	62	62	62	69	70	70	70	70	70	71
Human Resources	72	58	57	59	60	54	54	53	53	56
Information Technology	70	70	69	71	71	72	72	66	63	64
Law	36	38	37	38	40	40	40	40	41	41
Finance	29	29	29	31	31	31	33	34	35	35
Engineering (Corporate Fund) (1)	241	242	29	32	34	34	34	33	33	33
Maintenance & Operations	951	947	943	1,029	1,047	1,046	1,045	1,044	1,071	1,124
<b>Total General Corporate Fund</b>	<b>1,898</b>	<b>1,878</b>	<b>1,657</b>	<b>1,797</b>	<b>1,830</b>	<b>1,846</b>	<b>1,840</b>	<b>1,840</b>	<b>1,873</b>	<b>1,937</b>
Engineering (Construction Fund) (2)	0	0	21	28	45	45	45	49	63	63
Engineering (Stormwater Management)	63	49	48	44	50	49	47	48	38	9
Engineering (Capital Improvements Bond Fund) (2)	0	0	196	202	191	191	177	157	133	134
<b>Grand Total</b>	<b>1,961</b>	<b>1,927</b>	<b>1,922</b>	<b>2,071</b>	<b>2,116</b>	<b>2,131</b>	<b>2,109</b>	<b>2,094</b>	<b>2,107</b>	<b>2,143</b>

(1) Increase in 2013 due to the transfer of positions from the Capital Improvements Bond and Construction Funds to the Corporate Fund

(2) Decrease in 2013 due to the transfer of positions from the Capital Improvements Bond and Construction Funds to the Corporate Fund

# Exhibit I-16 Operating Indicators

*Last Ten Fiscal Years*

	<b>Area Served (1)</b>	<b>Communities Served (2)</b>	<b>Number of People Served(3)</b>	<b>Commercial and Industrial Population Equivalent Served</b>	<b>Number of Local Sewer Connections to Intercepting Sewers</b>	<b>Gallons of Pumping Station Maximum Capacity (4)</b>	<b>Gallons of Sewage Processed per Day (4)</b>	<b>Daily Sewage Treatment Capacity (4)</b>
2014	883	129	5,318,365	4,500,000	10,000	4,000,000	1,288,600	2,000,000
2013	884	126	5,241,489	4,500,000	10,000	4,000,000	1,218,200	2,000,000
2012	884	126	5,149,578	4,500,000	10,000	4,000,000	1,070,200	2,000,000
2011	884	126	5,215,968	4,500,000	10,000	4,000,000	1,342,800	2,000,000
2010	884	126	5,239,879	4,500,000	10,000	4,000,000	1,245,200	2,000,000
2009	884	126	5,269,000	4,500,000	10,000	4,000,000	1,366,700	2,000,000
2008	884	126	5,262,000	4,500,000	10,000	4,000,000	1,284,600	2,000,000
2007	876	126	5,278,157	4,500,000	10,000	4,000,000	1,310,000	2,000,000
2006	876	126	5,306,935	4,500,000	10,000	4,000,000	1,329,000	2,000,000
2005	876	126	5,377,000	4,500,000	10,000	4,000,000	1,158,000	2,000,000

(1) In square miles

(2) Including the City of Chicago

(3) Claritas Data Service

(4) In thousands of gallons

## Exhibit I-17 Capital Asset Statistics

*Last Ten Fiscal Years*

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Miles of intercepting sewers and force mains operated	560	560	559	559	559	559	559	559	559	559
Miles of waterway water levels controlled	76	76	76	76	76	76	76	76	76	76
Acres of strip-mined land utilized for solids processing	13,796+	13,796+	13,796+	13,796+	13,796+	13,796+	13,796+	13,000+	13,000+	15,000+
Number of water reclamation plants	7	7	7	7	7	7	7	7	7	7
Number of pumping stations	22	22	22	22	22	22	22	23	23	23
Miles of TARP tunnels constructed for pollution and flood control	109.4	109.4	109.4	109.4	109.4	109.4	109.4	109.4	109.4	101.5
Miles of TARP tunnels under construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.9
Number of TARP reservoirs constructed	1	1	1	1	1	1	1	1	1	1
Number of TARP reservoirs under construction	2	2	2	2	2	2	2	2	2	2
Number of flood control reservoirs	33	31	31	31	31	31	32	32	32	32
Instream aeration stations	2	2	2	2	2	2	2	2	2	2
Sidestream elevated pool aeration stations	5	5	5	5	5	5	5	5	5	5

**Source:** District's Engineering Department



# IV. SINGLE AUDIT SECTION



*Students and volunteers place the final plants in a rain garden at Leland Elementary School on October 25. The school was one of the four pilot projects for “Space to Grow: Greening Chicago Schoolyards,” a public school playground rehabilitation program co-managed by Chicago-based nonprofits Healthy Schools Campaign and Openlands and funded by the MWRD, Chicago Public Schools (CPS) and the Chicago Dept. of Water Management.*

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago (the "District") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 11, 2015. Our report includes a reference to other auditors who audited the financial statements of the District's Pension Trust Fund as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Baker Tilly Vinchow Krause, LLP*

Chicago, Illinois  
May 11, 2015

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Schedule of Expenditures of Federal Awards**

We have audited the accompanying Schedule of Expenditures of Federal Awards (Schedule) of the Metropolitan Water Reclamation District of Greater Chicago (District), for the year ended December 31, 2014 and the related notes to the Schedule.

#### ***Management's Responsibility for the Schedule of Expenditures of Federal Awards***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement.

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

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

***Opinion***

In our opinion, the Schedule referred to above presents fairly, in all material respects, the respective expenditures of federal awards of the District for the year ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

***Report on Other Legal and Regulatory Requirements***

In accordance with the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, we have also issued a report dated May 11, 2015 on our consideration of the District's compliance with requirements that could have a direct and material effect on the major program and on internal control over compliance in accordance with OMB Circular A-133. That report is an integral part of an audit performed in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and should be read in conjunction with this report.



Chicago, Illinois  
May 11, 2015



## INDEPENDENT AUDITORS' REPORT

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

### **Report on Compliance for the Major Federal Program**

We have audited the Metropolitan Water Reclamation District of Greater Chicago's (District) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended December 31, 2014. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

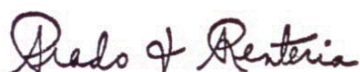
### **Report on Internal Control over Compliance**

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

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

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

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



Chicago, Illinois  
May 11, 2015

# Schedule of Expenditures of Federal Awards

Year ended December 31, 2014

Federal CFDA Number (A)	Grant/ Identifying Number (B)	Award Date (C)	Project Description (D)	Total 2014 Federal Expenditures (E)
<b>Major Programs:</b>				
<b>Federal Grantor: U.S. Environmental Protection Agency</b> (passed through Illinois Environmental Protection Agency)				
<u>Capitalization Grants for Clean Water State Revolving Funds</u>				
66.458	L172485	June, 2005	Kirie Pump Station Rehabilitation	1,413,777
66.458	L173075	January, 2011	39th Street Conduit Rehab - Phase 1 Bypass Tunnel, SSA	3,593,356
66.458	L173800	November, 2009	Upper Des Plaines Intercepting Sewers 12 & 13B, Rehabilitation, NSA	34,999
66.458	L174558	May, 2012	Sludge Thickening Facilities at Stickney Water Reclamation Plant	6,059,258
66.458	L174621	May, 2014	Des Plaines River Intercepting Sewer Rehabilitation, SSA	332,320
66.458	L174709	September, 2013	Upper Des Plaines Intercepting Sewer Rehabilitation, NSA	3,870,928
66.458	L174710	October, 2012	North Side 8 Intercepting Sewer Rehabilitation, NSA	1,365,695
66.458	L174712	October, 2012	Battery D - Aeration Tank No 8 - North Side WRP	4,621,732
66.458	L174923	May, 2013	Calumet TARP Pumping Station Improvements, Calumet WRP	2,448,735
66.458	L174924	September, 2013	Wet Weather Treatment Facility and Reservoir, Lemont WRP	5,679,612
66.458	L174925	December, 2013	TARP Control Structure Rehabilitation, NSA, SSA, CSA	1,953,089
66.458	L174988	August, 2013	Disinfection Facilities at the Calumet WRP	8,819,730
66.458	L174989	August, 2013	Disinfection Facilities at the Terrence J. O'Brien WRP	9,165,633
Total U.S. Environmental Protection Agency Funding of Capitalization Grants for Clean Water State Revolving Funds				<b>\$ 49,358,864</b>
<b>Non-Major Programs:</b>				
<b>Federal Grantor: U. S. Department of Homeland Security</b> (passed through Illinois Emergency Management Agency)				
<u>Disaster Grants - Public Assistance (Presidentially Declared Disasters)</u>				
97.036	1960-031-U0362-00	May, 2011	2011 Severe Winter Storms	1,521
Total Federal Expenditures under Non-Major Programs				<b>\$ 1,521</b>
<b>Total Federal Expenditures</b>				<b>\$ 49,360,385</b>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.



## Notes to Schedule of Expenditures of Federal Awards

*Year ended December 31, 2014*

### **Note 1 – Basis of Presentation**

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

### **Note 2 – Heading and Column Explanations**

- (A) Catalog of Federal Domestic Assistance Number (CFDA), if determinable.
- (B) Grant Number assigned by pass-through entity.
- (C) Date of original award.
- (D) Description of project receiving federal funds.
- (E) Total expenditures representing eligible costs claimed by the District.

### **Note 3 – Program Descriptions**

Descriptions of federal programs, funded wholly or partially by federal sources, for which the District received funds during the year ended December 31, 2014.

#### **CFDA # 66.458 – Capitalization Grants for Clean Water State Revolving Funds**

The Capitalization Grants for Clean Water State Revolving Funds creates State Revolving Funds (SRFs) through a program of capitalization grants to states, which will provide a long-term source of state financing for construction of wastewater treatment facilities and implementation of other water quality management activities. The capitalization grant is deposited in the SRF, which is used to provide loans and other types of financial assistance, but no grants, to local communities and inter-municipal and interstate agencies. The States must agree to enter into binding commitments with recipients to provide financial assistance from the SRF in an amount equal to 16.67% of the total SRF loan, with the federal share being 83.33%. Those loans awarded under the American Recovery and Reinvestment Act of 2009 are funded 50% from ARRA funds and 50% from SRFs.

#### **CFDA # 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

The Public Assistance Grant provides assistance to state and local governments in responding to and recovering from the devastating effects of disasters, the grant provides 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**

#### **State Revolving Fund Loans**

**Loan #L172485** was awarded to the District on June 3, 2005, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the Rehabilitation of the Existing Influent Pumping Station at the Kirie WRP, Project 01-353-

## Notes to Schedule of Expenditures of Federal Awards

*Year ended December 31, 2014*

2M. The maximum SRF loan amount is \$20,719,049. The maximum pass through federal funding is \$17,265,184. A total of \$1,413,777 in federal funds was disbursed by the Illinois Environmental Protection Agency (IEPA) during fiscal year 2014. As of December 31, 2014, \$2,338,700 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L173075** was awarded to the District on January 27, 2011, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the 39th Street Conduit Rehabilitation Phase I Bypass Tunnel, SSA, Project 01-103-2S. The maximum SRF loan amount is \$33,696,083. The maximum pass through federal funding is \$28,078,946. A total of \$3,593,356 in federal funds was disbursed by the IEPA during fiscal year 2014.

**Loan #L173800** was awarded to the District on November 3, 2009, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the Upper Des Plaines Intercepting Sewers 12 and 13B Rehabilitation, NSA, Project 03-122-3S. The maximum SRF loan amount is \$1,059,659. The maximum pass through federal funding is \$883,014. A total of \$34,999 in federal funds was disbursed by IEPA during fiscal year 2014. As of December 31, 2014, \$42,000 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L174558** was awarded to the District on May 8, 2012, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the Sludge Thickening Facilities at the Stickney Water Reclamation Plant, Project 09-176-3P. The maximum SRF loan amount is \$40,000,000. The maximum pass through federal funding is \$33,332,000. A total of \$6,059,258 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$8,236,593 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L174621** was awarded to the District on May 8, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Des Plaines River Intercepting Sewer Rehabilitation, SSA, Project 06-158-3S. The maximum SRF loan amount is \$13,628,725. The maximum pass through federal funding is \$11,356,817. A total of \$332,320 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$1,555,133 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L174709** was awarded to the District on September 27, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the Upper Des Plaines River Intercepting Sewer 20B Rehabilitation, NSA, Project 06-357-3S. The maximum SRF loan amount is \$5,930,513. The maximum pass through federal funding is \$4,941,896. A total of \$3,870,928 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$5,321,725 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L174710** was awarded to the District on October 4, 2012, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the North Side 8 Intercepting Sewer Rehabilitation, NSA, Project 10-050-3S. The maximum SRF loan amount is \$7,575,320. The maximum pass through federal funding is \$6,312,514. A total of \$1,365,695 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$797,591 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L174712** was awarded to the District on October 4, 2012, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for improvements to Battery D – Aeration Tank No. 8, North Side WRP, Project 10-046-3P. The maximum SRF loan amount is \$6,607,509. The maximum pass through federal funding is \$5,506,037. A total of \$4,621,732 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$830,595 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L174923** was awarded to the District on May 2, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Calumet TARP Pump Station Improvements, Project 06-212-3M. The maximum SRF loan amount is \$32,893,059. The maximum pass through federal funding is \$27,409,786. A total of \$2,448,735 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$3,226,849 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

## Notes to Schedule of Expenditures of Federal Awards

*Year ended December 31, 2014*

**Loan #L174924** was awarded to the District on September 27, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Wet Weather Treatment Facility and Reservoir at the Lemont WRP, Project 10-716-3P. The maximum SRF loan amount is \$29,787,157. The maximum pass through federal funding is \$24,821,638. A total of \$5,679,612 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$14,017,224 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L174925** was awarded to the District on December 13, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for TARP Control Structure Rehabilitation, NSA, SSA, CSA, Project 10-880-3H. The maximum SRF loan amount is \$14,828,138. The maximum pass through federal funding is \$12,356,287. A total of \$1,953,089 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$5,444,519 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L174988** was awarded to the District on August 22, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Disinfection Facilities, Calumet WRP, Project 11-241-3P. The maximum SRF loan amount is \$34,973,952. The maximum pass through federal funding is \$29,143,794. A total of \$8,819,730 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$21,557,908 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

**Loan #L174989** was awarded to the District on August 22, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Disinfection Facilities, Terrence J. O'Brien WRP, Project 11-054-3P. The maximum SRF loan amount is \$66,136,932. The maximum pass through federal funding is \$55,111,905. A total of \$9,165,633 in federal funds was disbursed by the IEPA during fiscal year 2014. As of December 31, 2014, \$19,521,982 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

### Disaster Assistance – 2011 Severe Winter Storms

**Grant 1960-031-U0362-00** was awarded to the District from the U.S. Department of Homeland Security, 2011 Severe Winter Storms and Snowstorm, CFDA #97.036. The grant provides federal participation for the alleviation of suffering and hardship resulting from the Winter Storm of February 2011. For fiscal year 2014, the District received \$1,521 in federal funding for amounts spent.

### **Note 5 – Noncash Assistance**

Of the federal expenditures presented in the schedule, the District did not receive any noncash assistance during the year.

### **Note 6 – Federal Insurance**

The District had no federal insurance for the year ended December 31, 2014.

# Schedule of Findings and Questioned Costs

Year ended December 31, 2014

## **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

### ***Financial Statements***

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

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  
 Yes  None reported

Noncompliance material to financial statements noted?  
 Yes  No

### ***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  
 Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a)? of OMB Circular A-133?  
 Yes  No

Identification of major programs:

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

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$1,480,812

Auditee qualified as low-risk auditee?  Yes  No

## Schedule of Findings and Questioned Costs

*Year ended December 31, 2014*

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### **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

