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

Chicago, Illinois

For the Year Ended
December 31, 2016

Finance Department
JACQUELINE TORRES, Clerk/Director of Finance

Incorporated May 29, 1889

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INTRODUCTORY SECTION

School students help place native plants in new gardens at Corkery Elementary School during construction of Space to Grow gardens and schoolyard areas in October. Space to Grow is an innovative program led by Healthy Schools Campaign and Openlands to transform Chicago schoolyards into vibrant outdoor spaces that benefit students, community members and the environment. Schoolyard renovations prioritize physical activity, play, learning, exploration and community engagement. The green schoolyards also incorporate landscape features that capture a significant amount of rainfall, helping keep the city's water resources clean and resulting in less neighborhood flooding. Common elements of Space to Grow projects: turf fields for sports and play, play equipment for younger and older students, outdoor classroom areas, rain gardens with native plants, vegetable gardens, benches and seating throughout.

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Metropolitan Water Reclamation District of Greater Chicago

Board of Commissioners and Principal Officers

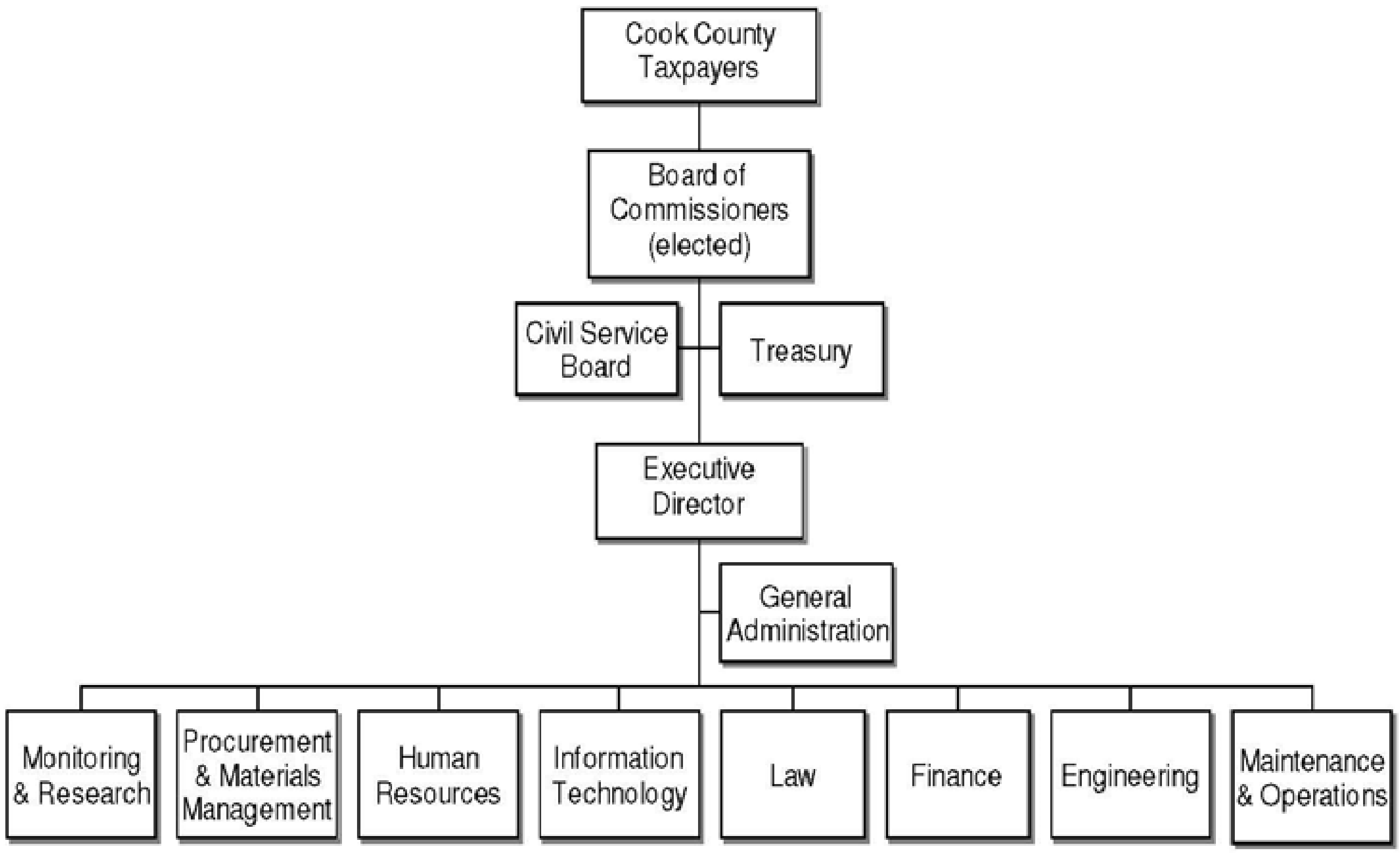
Board of Commissioners:
Honorable Mariyana T. Spyropoulos, President
Honorable Barbara J. McGowan, Vice President
Honorable Frank Avila, Chairman, Committee on Finance
Honorable Timothy Bradford
Honorable Martin J. Durkan
Honorable Josina Morita
Honorable Debra Shore
Honorable Kari K. Steele
Honorable David J. Walsh

Principal Officers:
David St. Pierre, Executive Director
Mary Ann Boyle, Treasurer
Allison Fore, Public and Intergovernmental Affairs Officer
Thomas C. Granato, Director of Monitoring and Research
Ronald M. Hill, General Counsel
Darlene A. LoCascio, Director of Procurement and Materials Management
Eileen M. McElligott, Administrative Services Officer
John Murray, Director of Maintenance and Operations
Catherine A. O'Connor, Director of Engineering
Beverly K. Sanders, Director of Human Resources
John Sudduth, Director of Information Technology
Jacqueline Torres, Clerk/Director of Finance

Main Office
100 East Erie Street
Chicago, Illinois 60611

Metropolitan Water Reclamation District of Greater Chicago

Organization Chart



1,976 Budgeted
Positions in 2016

Metropolitan Water Reclamation District of Greater Chicago

President's Annual Message 2016

The year 2016 was a great one at the MWRD. The MWRD is raising the bar on water quality initiatives, recovering resources, neutralizing energy usage, managing stormwater and improving the planet. Our size and scope make us a world leader in the water utility field and a pioneer in implementing initiatives that impact our environment. Our staff's ingenuity and unbridled passion for protecting the environment and our residents has expanded our footprint, elevated our performance and sparked many achievements in 2016. Here are a few highlights from this inspiring year.

Mariyana T. Spyropoulos
President of the Board of Commissioners

Financial Savings

In September, the GFOA again bestowed the MWRD with the GFOA Distinguished Budget Presentation Award for 2016 and for the 32nd consecutive year. This award includes special performance measures recognition for providing objective measures of progress toward accomplishing the government's mission and goals and objectives for specific units and programs. The District again received the Certificate of Achievement for Excellence in Financial Reporting (CAFR) marking 40 consecutive years putting the MWRD in the top two percent of governments receiving a consecutive award. The MWRD's CAFR documents our ability to provide assurance to investors, regulators, rating agencies and the public that the MWRD's financial condition and results of operations are fully and fairly presented. This is critically important because in July we closed on a $427 million bond sale. We achieved savings in excess of $120 million on future debt service. The MWRD maintains a AAA rating with Fitch Ratings and a AA+ rating from Standard and Poor's. We continue to be a national leader in cost savings. In fact, at $197 per Chicago resident, the average cost for the MWRD's wastewater services is less than half the cost of the national average of $452.

The MWRD has continued to support its mission by implementing sustainable practices in resource recovery and energy efficiency while strengthening our financial foundation. We continue to maintain strong general fund balances and reserve balances for the capital improvement budget.

Legislative Assistance Advances Crucial Project

The McCook Reservoir, part of the Tunnel and Reservoir Plan (TARP), took a major step closer to becoming the world's largest combined sewage reservoir in 2016. With Phase 1 of the McCook Reservoir set for completion in 2017, our Illinois delegation successfully introduced an amendment to the Water Resources Development Act of 2016 which requires the U.S. Army Corps of Engineers to expedite the completion of McCook Reservoir Phase 2. Adopted in 1972, TARP has been instrumental in protecting the region's drinking water supply in Lake Michigan, improved water quality of local rivers and streams and provided an outlet for floodwaters to reduce street and basement sewage backup flooding. The first phase of the McCook Reservoir will provide 3.5 billion gallons of storage. Phase 2 will be completed in 2029 and will provide an additional 6.5 billion gallons of storage. The reservoir will protect the waterways from pollution and provide more than $114 million per year in flood damage reduction benefits to 5 million people in Chicago and 36 suburbs.

Praise for Thornton Composite Reservoir

Although McCook is on schedule to become the world's largest combined sewage reservoir, this distinction for now belongs to the MWRD's Thornton Composite Reservoir (TCR) which went online in the fall of 2015. This reservoir serves a 90-square-mile area in Cook County by holding up to 7.9 billion gallons of water before it can be treated at the nearby Calumet Water Reclamation Plant (WRP). TCR protects 556,000 people from flooding in 14 communities, including the South Side of Chicago and 13 suburban communities. Since it was brought into service, there has only been one combined sewer overflow in the Calumet River System, a prime example of the reservoir's effectiveness in protecting our waterways from pollution and our basements from flooding. The MWRD received multiple awards and honors for the reservoir: the Illinois Department of Natural Resources' Office of Mines and Minerals 2016 Illinois Mined Land Reclamation Award; the Illinois Association for Floodplain and Stormwater Management 2016 Flood Reduction Project Award; the American Public Works Association (APWA), Chicago Metro Chapter's 2016 Project of the Year; the APWA Chicago Metro Chapter's 2016 Public Works Project Excellence Award; the APWA National Conference's 2016 Project of the Year; Water and Wastes Digest's Top Projects for 2016 Award; Friends of the Chicago River's 2016 Green Ribbon Award; and the ASCE Illinois Section's 2016 Project of the Year.

Disinfection Facility Unveiled at O'Brien WRP

The new disinfection facility at the O'Brien WRP went online in time for this year's recreation season. The O'Brien WRP utilizes ultraviolet (UV) radiation to disinfect water as a final layer to its treatment process to reduce bacteria in the water that is released from the plant into the North Shore Channel. Together with the Calumet WRP disinfection system the quality of water throughout the Chicago Area Waterway System (CAWS) will dramatically improve.

Eradicating Drugs from our Water

We have always known that safer and cleaner waterways start at home. The MWRD once again partnered with the U.S. Drug Enforcement Administration (DEA) to collect hundreds of pounds of pharmaceuticals. The success of these collections prompted the MWRD to permanently house drug drop-off boxes at four locations, including three WRPs and the Main Office Building. While educating the general public about the potential for abuse of medications and harm to the environment, we are also working to reduce accidental contamination of streams, rivers and lakes. We also partnered with the Cook County Sheriff's Office to expand their Prescription Drug Take-Back Program. In addition, we continue to push for the elimination of pesticides, microbeads, chlorides and other harmful pollutants to our waters.

Chicago Area Waterways System (CAWS) Microbiome Research

The MWRD is partnering with the U.S. Department of Energy's Argonne National Laboratory to study the typical sources and distribution of microbial communities in the CAWS. Microbial communities are key players in maintaining the CAWS' health. This seven-year study aims to understand the composition and sources of the CAWS microbial population using state-of-the-art metagenomic science. Since 2012, Argonne scientists have been analyzing samples taken monthly from the Chicago River between March and November and running the samples through a DNA sequencer to identify and count the microbes in the river. The work is measuring and recording changes in microbial communities as we begin disinfecting secondary treated water at O'Brien and Calumet WRPs and as the Thornton reservoir and the first phase of the McCook reservoir are completed. The entire study will be completed in 2019 and will record the improvements that occur as the MWRD takes steps to manage its outflow.

Resource Recovery

NUTRIENT RECOVERY UNDERWAY

In 2016, we opened the world's largest nutrient recovery facility to improve conditions as far away as the Gulf of Mexico. The new Ostara facility at the Stickney Water Reclamation Plant works to recover nutrients, such as phosphorus and nitrogen, from the wastewater treatment process. Excess phosphorus in waterways can cause algae to grow and bloom, creating toxic conditions that destroy aquatic life and severely limit recreational enjoyment of lakes and rivers. The MWRD's nutrient recovery facility will greatly reduce its nutrient effluent load to the Chicago/Calumet river system, upstream of the Mississippi river basin, and as a result, will reduce its impact on hypoxia in the Gulf of Mexico. Phosphorus and nitrogen are being recovered to create a high value fertilizer, marketed as Crystal Green. The process is both economically and environmentally viable. The new facility has a production capacity of 10,000 tons of Crystal Green per year. As part of the commercial sale of Crystal Green, the

MWRD receives revenue for every ton of fertilizer it produces. By removing phosphorus from the water and returning it to farmers and other agricultural producers, this facility represents a significant shift in the wastewater industry from treatment to recovery for reuse.

WATER REUSE

In addition to phosphorus, we are creating new opportunities to recover water through a new partnership with American Water to supply clean, reusable water to the industrial sector at the rate of about 10 million gallons per day. We have also experimented with the recovery of algae, which we can produce 24 tons daily. The algae can be harvested and converted for use in bioplastics, biochemicals, biofuels, pharmaceuticals and dyes, or used as fertilizer or as aquaculture feed, returning the phosphorus to the nutrient cycle.

WORKING TOWARD ENERGY NEUTRALITY

In September, the Board of Commissioners unanimously supported an amendment to the Resource Recovery ordinance, which allows us to begin accepting organics that will help us grow our energy production and reach our goal of energy neutrality by 2023. We are currently developing a program that will allow us to receive organic waste at our Stickney and Calumet WRPs that will help us produce biogas, which can offset the energy demands of the treatment plants. Our Calumet WRP has digester capacity to process 400 tons of food waste daily, and we are building a processing facility and a receiving station that will help expedite the process. Through the ordinance, we would also be able to receive high strength organic materials for biological phosphorus removal and organic feedstock, such as yard waste, tree trimmings, and wood chips to strengthen and add to our biosolids compost blend. These are critical initiatives that protect our planet and produce savings for our taxpayers.

BIOSOLIDS

Part of the waste that is being hauled each day to landfills is wood chips and yard waste. By combining it with our Class A biosolids, we are developing another reuse opportunity through a high-value compost. Since receiving state authority last year, we continued to develop this product and move it closer to the market. We produced approximately 145,000 dry tons annually over each of the past five years and are targeting a distribution goal of 90,000 dry tons per year. Given the demand for this product on golf courses and at park districts, we know there is a similar value to making biosolids available to the public. We held a naming contest for a product we hope to market soon. We received 726 creative submissions that will help us market our resource and educate the public on the many benefits of biosolids reuse. Receiving the materials to create the compost and selling the finished product will provide another revenue stream for the MWRD. This compost blend will assist soil for plants, helping to increase water retention and promote root development.

Utility of the Future

Expanding our mission beyond water treatment to an array of environmental causes has made us a leader in the industry. In 2016, we were one of 61 utilities from across the U.S., Canada, and Denmark that were selected by a peer committee of utility leaders to receive the inaugural "Utility of the Future Today" designation. The recipients received a display flag and a special certificate to further identify and promote their outstanding achievement as a Utility of the Future organization. The Utility of the Future program is a partnership of water sector organizations that celebrate the progress and exceptional performance of wastewater utilities while supporting the widespread adoption of an innovative business model. Through our many endeavors in water management, resource recovery and community partnering, we are setting a national trend as a utility of the future.

Stormwater Management

As watershed stewards during a time of changing weather patterns, one of the growing issues facing our region is flooding. Since the Illinois General Assembly granted authority to the MWRD to manage stormwater for Cook County, we have extended our resources to fight the danger of flooding to the point we now have 100 projects in stormwater management currently ongoing. We are performing preliminary engineering and design work on several alternatives recommended for phase I projects, including flood control projects and streambank restorations, while also constructing drainage improvements in phase II, moving forward with the flood prone property acquisition program and green infrastructure improvements. Many of these green infrastructure projects are drawing major acclaim while contributing to quality of life improvements for communities. The trade magazine Stormwater Solutions recently named a green infrastructure project implemented by the MWRD in Blue Island as a top 10 stormwater project in the nation. The magazine recognized the innovative green infrastructure project for its work in managing water and preventing flooding in the community. For the project, the MWRD installed six rain gardens and two permeable parking lots in flood prone areas to capture more than 150,000 gallons of stormwater per rain event and assist in mitigating flooding damages.

The MWRD has invested in and is currently working on about 20 green infrastructure projects throughout Cook County. The MWRD partners with various municipalities on these projects that use natural landscaping to manage water and provide environmental and community benefits, while preventing stormwater from entering the sewer system. We are currently finalizing five studies across Cook County that examine the potential use of green infrastructure as a solution to managing excess stormwater. As a result of some of these findings, we are partnering with the city of Chicago on a pilot study that will gain insight into the effectiveness of various technologies aimed at reducing basement backups. The proposed dataset will be comprised of approximately 40 residential properties in the Chatham neighborhood to evaluate the effectiveness of low-cost improvements in reducing basement backups, such as downspout disconnection and extension, rain gardens and backflow preventers.

Space to Grow

No MWRD conversation about green infrastructure would be replete without a mention of our award-winning partnership known as Space to Grow. The collaborative program converts Chicago schoolyards into community spaces for physical activity, outdoor learning, environmental literacy and engagement with art, while addressing neighborhood flooding issues. This joint venture, formed between the MWRD, Chicago Department of Water Management, Chicago Public Schools, Healthy Schools Campaign and Openlands constructed three new schoolyards in 2016: Wadsworth Elementary School in the Woodlawn neighborhood, Gunsaulus Scholastic Academy in the Brighton Park neighborhood and Corkery Elementary School in the Little Village neighborhood. The program received the 2016 Best of Green School Award for Collaboration by the Center for Green Schools at the U.S. Green Building Council (USGBC) in collaboration with the Green Schools National Network (GSNN) in Pittsburgh in March, and then again in August, Space to Grow partners received the National Association of Flood and Stormwater Management Agencies' (NAFSMA) first place Green Infrastructure award in Portland, Oregon.

Rain Barrels

The free rain barrel program continued to be extremely popular among residents, municipalities, and community groups. Between January 2014 and December 2016, the MWRD worked with 88 municipal partners and two dozen non-governmental organizations to distribute more than 120,000 barrels. This demand has cultivated a newfound understanding and appreciation for managing water in addition to providing communities with a tool to combat flooding. When we started this program, we knew that a few barrels may not make a drastic difference in the amount of water overwhelming our drainage and storm sewer systems, but 120,000 rain barrels capturing rain in a one-inch event is equivalent to 6.6 million gallons of water, enough to fill 10 Olympic size swimming pools.

Restoring the Canopy

In April we launched a new program designed to inspire Cook County residents to adopt a more traditional form of green infrastructure that will truly add green to our communities while retaining stormwater. Driven by the devastation caused by the emerald ash borer and extreme weather events that have led to the loss of approximately 13 million trees, staff embarked on an ambitious plan to help restore the Cook County tree canopy. In only a few months, more than 25,000 free oak tree saplings were distributed as part of the Restore the Canopy, Plant a Tree program. This program works toward restoring the region's tree canopy and managing local stormwater which will help reduce flooding, improve local water quality by lessening the load of water overwhelming our sewer system, and promote resource recovery by planting the trees in our composted biosolids blend. To distribute these trees, the MWRD has forged partnerships with more than 25 different municipalities, 30 schools and nearly 50 community groups.

Board Changes

Commissioners Michael Alvarez and David Walsh completed their terms on the Board. Both were instrumental in guiding the vision of the MWRD during their tenure, and their presence will be missed. In 2017, we welcome two new commissioners, Josina Morita and Martin J. Durkan, to serve on the Board and look forward to their collaboration as we continue to work on behalf of the residents of Cook County.

Looking Ahead to 2017

Next year we will continue working toward our ambitious goals of transforming water and recovering resources, all while continuing to explore cost saving measures for the residents of Cook County. We have some exciting initiatives moving forward, from capturing energy from our renewable resources to promoting business opportunities for those who served through a veteran's preference policy. Our pledge to meet energy neutrality will have our engineers and scientists testing and applying the latest technologies, while our plant managers and treatment plant operators will continue to push for the best and most resourceful ways to treat water and keep operations running smoothly on a daily basis. Our team of stormwater experts will continue to develop community partnerships and find solutions that will continue to make the Chicago region a phenomenal place to call home. We realize we cannot protect our water environment all by ourselves. The water quality we have worked so hard to attain in our waterways and Lake Michigan affords us this wonderful home, and through the MWRD and our various partners we aim to keep it that way for a long time to come.

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Multi-Year Awards

1975-2015
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting/Comprehensive Annual Financial Report

1993-2015
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

1985-2016
Government Finance Officers Association of the United States and Canada
Award for Distinguished Budget Presentation

2007-2015
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting Award for the Retiree Health Care Trust Fund's Comprehensive Annual Financial Report

Individual Year Awards (partial listing)

2013
Illinois Water Environment Association
Commissioner Debra Shore is the recipient of the inaugural Public Official of the Year award for 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 Sewerage Agencies
NACWA Award for Compliance with National Pollutant Discharge Elimination System, Silver Award for John E. Egan and Stickney Water Reclamation Plants • Former Executive Director Richard Lanyon was inducted into the Hall of Fame and became the fifth District executive in its ranks. The other four are former Director of M&R Dr. Cecil Lue-Hing and former General Superintendents Bart Lynam, Hugh McMillan, and Ben Sosewitz

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

Water Environment Research Foundation
Award for Excellence in Innovation

2014
Academy of Interactive and Visual Arts
The Interactive Multimedia Communicator Award for "National Save for Retirement Week Campaign"

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

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

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewerage Agencies
Excellence in Management Platinum Award for excellence in utility management and successful implementation of programs that address the range of management challenges facing public wastewater utilities in today's competitive environment

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

United States Green Building Council
Emerald Award for the Space to Grow Program in the Chapter Mission category recognizes the impact collaborations can have in building better, brighter, and healthier spaces to live, learn and work

2015

Chatham Business Association
Partner Award

Construction Industry Service Corporation (CISCO)
Public Body of the Year • Project of the Year - Infrastructure category for constructing the Wet Weather Treatment Facility and Reservoir at the Lemont Water Reclamation Plant

Government Finance Officers Association of the United States and Canada
Budget document received outstanding in the overall category of Communications Device

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewerage Agencies
NACWA Award for Compliance with National Pollutant Discharge Elimination System, Platinum Award for 24 consecutive years of full compliance for Calumet Water Reclamation Plant • Platinum Award for 19 consecutive years of full compliance for Lemont Water Reclamation Plant • Platinum Award for 11 consecutive years of full compliance for James C. Kirie Water Reclamation Plant • Platinum Award for 10 consecutive years of full compliance for Terrence J. O'Brien Water Reclamation Plant • Platinum Award for 8 consecutive years of full compliance for Hanover Park Water Reclamation Plant • Gold Award for 2 consecutive years for John E. Egan and Stickney Water Reclamation Plants

United States Green Building Council
Best of Green Schools Award for Collaboration, Space to Grow Partnership

2016

American Infrastructure Magazine; American Public Works Association; American Public Works Association, Chicago Metro Chapter; American Society of Civil Engineers - Illinois Section; Water and Wastes Digest
PUBBY Award for Water Project of the Year: Thornton Composite Reservoir • Project of the Year for the Thornton Composite Reservoir • Outstanding Civil Engineering Achievement Award, Over $25 Million Category, for the Thornton Composite Reservoir • Top Projects for 2016 Award

American Society of Civil Engineers - Illinois Section
Outstanding Civil Engineering Achievement Award, Under $10 Million Category, for the Busse Reservoir South Dam Modification Project

Federation of Women Contractors
Advocate of the Year Award

Friends of the Chicago River
Chicago River Blue Awards Green Ribbon Award for Disinfection at the Calumet Water Reclamation Plant and O'Brien Water Reclamation Plant and Thornton Reservoir

Illinois Department of Natural Resources
Illinois Mined Land Reclamation Award in the non-coal category for the Thornton Composite Reservoir

Illinois Water Environment Association
Best Presentation Award, "Biosolids Beneficial Reuse Programs: SWOT and PEST Evaluations to Ensure Sustainability"

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewerage Agencies
Utility of the Future Today Recognition

National Association of Flood and Stormwater Management Agencies (NAFSMA)
Green Infrastructure Award, First Place in the Large Agency Category for the Space to Grow Program

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, 2015

Executive Director/CEO

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago

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May 12, 2017

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, 2016. 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, 2016, have been subject to an audit by independent accountants. The unmodified opinion of RSM US LLP has been included in the Financial Section of this report.

District management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in accordance with GAAP. The cost of internal controls should not outweigh their benefits; therefore, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance, rather than absolute assurance, that the financial statements will be free from material misstatement. Management understands the risks of financial processing and has implemented procedures to evaluate the effectiveness of these controls. District management and Internal Audit staff continually evaluate the internal control structure.

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

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

MISSION STATEMENT

The District will protect the health and safety of the public in its service area, protect the quality of the water supply source (Lake Michigan), improve the quality of water in watercourses in its service area, protect businesses and homes from flood damages and manage water as a vital resource for its service area. The District's service area is 882.1 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 23 pumping stations that treat an average of 1.3 billion gallons of wastewater each day. The Central (Stickney) WRP is the largest plant in the world. The District controls approximately 76.1 miles of navigable waterways that serve as headwaters of the Illinois Waterway system. Stringent federal and state standards require that the District's wastewater treatment processes keep the waterways free of pollution. The District monitors industries in Cook County to assure that hazardous substances not suitable for a sewer are disposed of in an environmentally responsible way that complies with applicable laws.

The multi-award winning Metropolitan Water Reclamation District of Greater Chicago is headed by the Board of Commissioners who determine its policies. (Seated L to R) Vice President Barbara J. McGowan, President Mariyana T. Spyropoulos and Chairman of Finance Frank Avila (Standing L to R) David J. Walsh, Kari K. Steele, Debra Shore, Timothy Bradford, Josina Morita and Martin J. Durkan.

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.

Improve Water Quality

The District cost effectively collected and treated approximately 486.3 billion gallons of wastewater from businesses and homes and captured stormwater runoff from its service area. Our performance for treating this wastewater approaches 100 percent compliance with all applicable effluent standards at all water reclamation plants. Disinfection technology has been implemented and placed into service at two plants using multiple cost-effective strategies. Chlorination/de-chlorination has been implemented at the Calumet water reclamation plant and ultraviolet technology at the O'Brien water reclamation plant.

Provide Stormwater Management

Flooding continues to be the number one issue facing the District. The Stormwater Management Program is aggressively working to minimize flooding damage by helping communities with local flooding issues, acquiring flood-prone properties, and partnering with municipalities or other local governments on large capital green infrastructure projects. Since 2004 the District has distributed more than 95,000 rain barrels, and in 2016 the District distributed more than 21,000 oak tree saplings as a part of the "Restore the Canopy, Plant a Tree" initiative.

The District undertakes stormwater management projects under two phases of its Stormwater Management Program. Phase I consists of projects identified under Detailed Watershed Plans (DWPs), which were completed in 2010. Phase I projects address regional waterway overbank flooding and streambank stabilization concerns. The District constructed four Phase I projects in 2016, two of which were substantially completed. It is anticipated that an additional nine Phase I projects will begin construction in 2017. The design of three Phase I projects will be completed in 2017 and are scheduled to begin construction in 2018.

The District initiated Phase II of its Stormwater Management Program in 2013 to address local flooding problems not necessarily involving overbank flooding. Since then, the District's Board of Commissioners has approved Phase II projects to assist communities and agencies across Cook County in addressing flooding issues. In 2016 six shovel ready projects were completed with partial District funding. Seven shovel-ready and one Phase II design project will be constructed in 2017. Nine Phase II design projects are currently in preliminary and final design. It is anticipated these projects will be constructed in 2018 and beyond.

For circumstances where a flood control project is not feasible, the District initiated a Flood-Prone Property Acquisition Program in 2015 and has partnered with the Village of Glenview, City of Des Plaines, Cook County Land Bank Authority, and the City of Northlake to acquire 76 properties to date. The structures on the acquired properties have been removed and deed restrictions have been recorded requiring the properties to remain as open space into perpetuity. The municipalities own the acquired properties and perform all required maintenance. In 2017, the District will partner with Flossmoor, Stone Park, Des Plaines, Franklin Park and Wheeling Township to acquire an additional 122 flood-prone properties.

On October 3, 2013, the District's Board of Commissioners adopted the Watershed Management Ordinance (WMO), which replaced the Sewer Permit Ordinance and established uniform, minimum, countywide stormwater management regulations for new development and redevelopment in Cook County. Components regulated under the WMO include

Workers inspect the nearly completed stormwater retention facility underground at Wescott Park in Northbrook, IL, in June. The Wescott Park Stormwater Facility provides 7.5 million gallons of storage capacity, equivalent to more than 11 Olympic-sized swimming pools. In addition to the stormwater reuse and detention components, the project includes a newly constructed ballfield, a bike path and minor landscaping improvements around the perimeter of the park.

In July, excavation of a 230' x 130' area at the McCook Reservoir began with a bang as 28,000 lbs. of explosives, requiring 996 detonators, were used to remove over 27,000 tons of limestone. The McCook Reservoir is a part of the MWRD's Tunnel and Reservoir Plan (TARP or "Deep Tunnel" Project) and is comprised of two stages, the first stage is set to go online in 2017 and will provide an estimated 3.5 billion gallons of storage. The second stage, expected to be completed in 2029, will provide an estimated 6.5 billion gallons of storage. In all, the McCook Reservoir is expected to provide 10 billion gallons of storage capacity when completed. The TARP reservoirs will greatly increase the volume available for capturing combined sewer overflows that previously would have been discharged to the rivers.

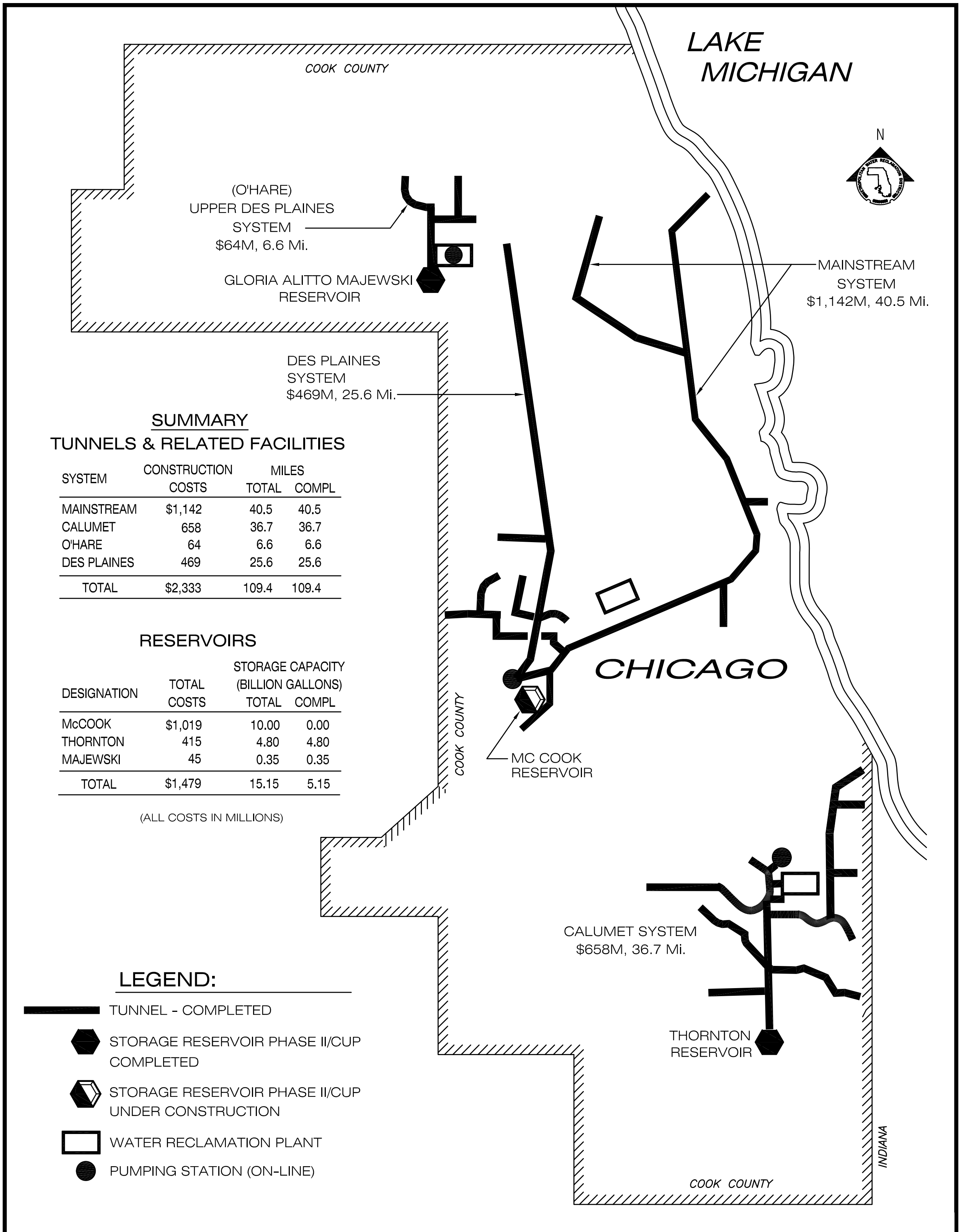
drainage and detention, volume control, floodplain management, isolated wetland protection, riparian environment protection, and soil erosion and sediment control. The WMO became effective on May 1, 2014. The stormwater management regulations of the WMO serve to prevent the flooding situation in Cook County from worsening through development or redevelopment. Over 1,200 WMO permits have been issued to date. Since the development of the WMO, the District has conducted numerous training events in addition to presenting at various seminars and conferences hosted by professional organizations.

Provide flood protection with Tunnel and Reservoir Plan

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 consists of 109.4 miles of deep rock tunnels designed to capture 2.3 billion gallons of the first flush of sewage contaminated stormwater from combined sewers which had previously flowed into the area waterways.

The flood control segment of TARP 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 18.2 billion combined gallons of storage for CSO's that otherwise would spill into local waterways, degrading the water quality and causing flooding. The Gloria Alitto Majewski Reservoir, the smallest of the three, was completed in 1998 at a cost of $45 million and has prevented over 5 billion gallons of combined sewer overflow from entering the waterways and mitigated over $350 million in flood damage. The Thornton Composite Reservoir became operational in 2015 and, through the first nine months of operations, more than 3.5 billion gallons have been captured during 12 fill events. The first stage of the Mc Cook Reservoir will be completed in 2017 and the second stage will be completed in 2029. The McCook Reservoir is projected to bring $100 million per year in flood reduction benefits to its residents. 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.

TUNNEL and RESERVOIR PLAN PROJECT STATUS



SUMMARY
TUNNELS & RELATED FACILITIES

SYSTEM	CONSTRUCTION COSTS	MILES TOTAL	MILES COMPL
MAINSTREAM	$1,142	40.5	40.5
CALUMET	658	36.7	36.7
O'HARE	64	6.6	6.6
DES PLAINES	469	25.6	25.6
TOTAL	$2,333	109.4	109.4

RESERVOIRS

DESIGNATION	TOTAL COSTS	STORAGE CAPACITY (BILLION GALLONS) TOTAL	STORAGE CAPACITY (BILLION GALLONS) COMPL
McCOOK	$1,019	10.00	0.00
THORNTON	415	4.80	4.80
MAJEWSKI	45	0.35	0.35
TOTAL	$1,479	15.15	5.15

(ALL COSTS IN MILLIONS)

A consent decree between MWRDGC and the U.S. Department of Justice was entered into in 2014. One section of the consent decree is designed to foster the use of green infrastructure controls to reduce the amount of stormwater that flows into the sewer systems during a storm and requires MWRDGC to develop a Green Infrastructure Program Plan, which was approved by the Environmental Protection Agency in 2015. In 2014, MWRDGC partnered with Chicago Public Schools System (CPSS) and the Chicago Department of Water Management (CDWM) to incorporate stormwater retention at four elementary schools while reconstructing substandard playgrounds under a program known as Space to Grow. The projects serve to educate the public on the importance of stormwater management and the value of green infrastructure to reduce basement backup flooding. The success of this project led to MWRDGC, CPSS, and CDWM to agree to partner on 30 more schools from 2015 through 2019. In 2015 and 2016, five more CPSS school playgrounds were completed, and design is underway for five additional schools to be improved in 2017. The District completed construction of a green infrastructure project in the City of Blue Island, where permeable pavement and rain gardens were installed to combat local flooding. The District partnered with the City of Evanston to install permeable pavement, swales, and rain gardens at the City's Civic Center. In 2016, the District entered into intergovernmental agreements with the Village of Crestwood, City of Berwyn, Village of Kenilworth, Village of Niles, Village of Wilmette, Village of Northbrook, and Village of Skokie on various green infrastructure projects. The consent decree provides an enforceable schedule for implementing MWRDG's Tunnel and Reservoir Plan, which will result in a significant decrease in the volume of water discharged to the waterways from combined sewer overflows in Cook County, along with dramatically reducing the potential for flooding.

Maintenance of Facilities and Infrastructure

The District owns and operates seven water reclamation plants, 560 miles of intercepting sewers and force mains, 109.4 miles of TARP tunnels, 23 pumping stations, 35 flood control reservoirs, and three TARP reservoirs. Through preventative maintenance management, modernization, rehabilitation, and planned replacement, the District will ensure the long-term reliability and cost-effectiveness of operations. To aid planning and prioritize projects for both near term and long term, the District implemented procedures for project vetting and Long-Term Capital Plan evaluation. 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 $90.6 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.

RESOURCE RECOVERY

The District understands the obligation to implement sustainable practices and has maintained that focus for the past few years by investing in research and development of resource recovery programs. The current sustainability effort is focused on recovering phosphorous, biosolids, water, and energy.

Phosphorus

The District had voluntarily sought a phosphorus discharge limitation in our National Pollutant Discharge Elimination System (NPDES) permits and had decided we would pursue achieving this through our biological process. With one of the District's objectives of sustainability, at the Stickney WRP, the District is pursuing the recovery of phosphorus. In partnership with Ostara Nutrient Recovery Technologies, start up of the world's largest nutrient recovery facility occurred in May 2016 and is in the operational testing phase of the construction contract. Phosphorus is recovered from the plant's liquid waste stream and turned into a fertilizer pellet, which is marketed and distributed. Construction of the Waste Activated Sludge Stripping to Remove Internal Phosphorous (WASSTRIP) process began in June 2016. This process will be operational by the end of 2017 and will further increase the recoverable phosphorous by repurposing existing tanks in combination with the Ostara process to remove magnesium ammonium phosphate from wasted active sludge. Phosphorus and nitrogen recovery will provide significant environmental benefits to the Chicago Area Waterway System and downstream through the Mississippi to the Gulf of Mexico. By taking this approach, the District is recovering a non-renewable resource and placing it back into the food cycle, rather than letting it be diluted and lost to the water environment.

The MWRD, in partnership with Ostara Nutrient Recovery Technologies, opened the world's largest nutrient recovery facility at the Stickney WRP in May. The facility will help the MWRD provide significant environmental benefits to the Chicago Area Waterway System and downstream by recovering phosphorus and nitrogen from water and converting them into a high value fertilizer.

As part of the voluntary effluent phosphorus reduction efforts, the District has created an Algae Research Facility at the O'Brien Water Reclamation Plant. This facility carries our research on treatment technologies using algae to recover phosphorus from the wastewater. Algae treatment technologies have several advantages over the traditional chemical precipitation approach including the ability to recover and reuse the phosphorus by creating valuable commodity products from the algae, sequestration of atmospheric carbon dioxide, and use of natural energy from sunlight. Currently, the District has promising results from a one-year study from a technology that cultivates algae using a revolving biofilm reactor, and will continue with additional research in 2017. Also in 2017, the District will be constructing an algae treatment technology pilot plant that uses submerged artificial light in a flow-through configuration. Results from these pilot studies will be used to inform the design of large-scale installations.

Biosolids

Due to changes in Illinois law, the District can sell Exceptional Quality (EQ) biosolids and EQ biosolids blend that is composted with wood chips to the general public. By taking this approach, the District is recovering a non-renewable resource and placing it back into the food cycle, rather than letting it be diluted and lost to the water environment. Biosolids can be used almost anywhere that chemical fertilizers are used. The District can also reduce its carbon footprint by reducing significant vehicle traffic as organics will no longer need to be hauled to landfills.

Water

Efforts have been focused on reuse applications for the high quality water produced at the plants and the capture and reuse of stormwater. Reuse opportunities are being explored at the Calumet and Stickney industrial corridors. The District is also exploring reuse at parks and golf courses.

The District is also researching technologies using algae as a means to recover nutrients from wastewater. The algae can be used in a sustainable manner such as compost, aquaculture food supplement, bio plastics, and commercial dyes.

A vial of "Crystal Green" pellets at the Stickney WRP nutrient recovery facility open house in May. "Crystal Green" is the brand name under which the fertilizer product created at the Stickney WRP will be sold. The pellets are an efficient slow-release fertilizer that are good for plants and also can reduce water pollution.

Energy

The District's goal is to achieve energy neutrality by 2023. The anaerobic digesters at the Calumet and Stickney Water Reclamation Plants produce biogas as a natural byproduct of the digestion process. The biogas contains methane gas, which is currently used as fuel for the plants' boilers. A significant step towards the District's goal of becoming energy neutral will be the utilization of the biogas to produce renewable energy. Design work is currently underway for a facility to treat the biogas at the Calumet WRP to pipeline quality gas called Renewable Natural Gas (RNG). This RNG will be sold to an off-taker for use as a renewable fuel, and the District will realize significant revenue from the sale of the gas product plus the market value of environmental attributes. In order to boost biogas production, the District will accept liquid organic wastes, such as restaurant grease and industrial food waste, into the anaerobic digesters under the new Resource Recovery Ordinance, which was approved by the Board of Commissioners in 2016. To handle this incoming feedstock, a new Liquid Organic Waste Receiving Station will be constructed at the Calumet WRP. Design of the receiving station is completed. Both the receiving station and the biogas treatment facility will be completed in late 2019. Design work for a similar biogas treatment facility at the Stickney WRP will commence in 2017, with the completion of the facility expected in 2020.

Existing initiatives are also being examined for further reduction of energy consumption. The District is looking to maximize use of digester capacity at the Stickney WRP, market electrical capacity at Lockport to maximize return on investment and optimize the aeration processes to further reduce energy consumption by 25%.

BUDGET PROCESS

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

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

ECONOMIC BASE OUTLOOK

The District's service area is sizeable, encompassing 98% of the assessed valuation of Cook County. The Equalized Assessed Valuation (EAV) of the District has experienced a 4.0% average growth rate over the last ten years and the current equalized assessed valuation of $130,304,803,798 is 3.6% higher than the previous year. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels.

The District operates a fiscally sound organization, maintaining a AAA bond rating with Fitch Ratings and AA+ with Standard and Poor's. Solid ratings led to strong investor confidence at the District's 2016 bond sale, resulting in excess of $120 million in savings on future debt service as the District was able to take advantage of 51 year long interest rates. This accomplishment is an outstanding achievement in the midst of an uncertain Illinois financial environment. Our finances are managed in a prudent manner, as evidenced by our excellent bond ratings, healthy fund balance, and continuing efforts to manage costs. Additional processes to ensure that the District's finances remain healthy include continued prioritization of projects to ensure best use of current spending, project base budget targets and assure approvals above base are tied to strategic initiatives, and manage resources to ensure financial stability targets are met.

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 on December 10, 2009. The Bond Redemption & Interest Funds Investment Income policy was amended on November 3, 2011. The Stormwater Management Fund policy was adopted on December 10, 2009 and amended on November 3, 2011 and December 17, 2015.

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 percent and 15 percent of appropriations. The fund balance may be maintained by not fully appropriating prior year fund balances. This level of fund balance will ensure the District's ability to maintain all operations even in the event of unanticipated revenue shortfalls and provide time to adjust budget and operations.

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

- Reserve Claim Fund balance will be targeted toward the maximum level permitted by statute, 0.05% of the EAV, whenever economically feasible. This will be financed through tax levies at the maximum 0.5 cents per $100 of EAV 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 five cents per $100 of EAV for the Stormwater Management Fund shall be allocated at a maximum two cents per $100 of EAV to fund operations and maintenance expenditures and the remainder of the levy shall 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 & Interest Funds and be used to abate property tax levies or for other corporate needs. This practice will also limit the payment of arbitrage rebates.

Bond Redemption & Interest Funds Investment Income (Debt Service Fund)

Fund balances in the Bond Redemption & Interest Funds that might accumulate due to investment income will be identified and used to abate Bond Redemption & 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, which is not to exceed a five percent increase over the prior year, excluding the Stormwater Management Fund tax levy.

Abatement of Interest Rate Subsidies from Build America 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 & 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 Board of 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 District's Board of Commissioners adopted a Funding Policy recommended by the Retirement Fund Board of Trustees to ensure the long-term financial health of the pension program while balancing the interests of the employees, retirees, taxpayers, and the District. The funding goal of the policy is to contribute annually to the Fund an amount that will increase the funded ratio to 100 percent by the year 2050. This is to be achieved by accumulating adequate resources for future benefit payments in a manner that fully funds the long-term costs of benefits and reduces volatility in the employer contribution amounts, in accordance with statutory requirements.

OPEB Trust

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Water Reclamation District of Greater Chicago for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2015. This was the 41st 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, 2016. 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 32 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 2016 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

Protecting Our Water Environment

Metropolitan Water Reclamation District of Greater Chicago
100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

May 12, 2017

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, 2016, 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

II. FINANCIAL SECTION

The MWRD opened a new disinfection facility at the O'Brien Water Reclamation Plant (WRP) in March. The facility uses ultraviolet (UV) radiation to disinfect water and reduce pathogenic bacteria in the water being released from the plant into the North Shore Channel. On hand to celebrate the opening of the facility were, from left to right, MWRD President Mariyana Spyropoulos, Vice President Barbara McGowan, former Commissioner Cynthia Santos, acting U.S. EPA Region 5 Administrator Robert Kaplan, Commissioner Kari Steele, Commissioner Debra Shore, Exec. Director David St. Pierre, Representative Elaine Nekritz, Commissioner Frank Avila, State Representative Laura Fine and U.S. Senator Dick Durbin.

RSM

Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Retirement Fund for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Water Reclamation District Pension Trust Fund (Pension Fund), which represents 86 percent and 72 percent, respectively, of the assets and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago, as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Retirement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Prior-Year Comparative Information
The basic financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's basic financial statements for the year ended December 31, 2015, from which such partial information was derived. Our audit report on the financial statements for the year ended December 31, 2015, dated May 9, 2016, expressed an unmodified opinion.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis, modified approach information, and pension and other postemployment benefit plans schedules on pages 33-48 and 110-117 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 which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit for the year ended December 31, 2016, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining and Individual Fund Statements and Schedules and the Introductory and Statistical and Demographic Section for the year ended December 31, 2016, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Combining and Individual Fund Statements and Schedules have been subjected to the auditing procedures applied in the audits of the financial statements for the year ended December 31, 2016, 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 and that of the other auditors, 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, 2016.

Our audit report on the financial statements for the year ended December 31, 2015, dated May 9, 2016, expressed an unmodified opinion. The report stated that the Combining and Individual Fund Statements and Schedules for the year ended December 31, 2015, were subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2015.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
May 12, 2017

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

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

2016 FINANCIAL HIGHLIGHTS

- The District's government-wide net position is $4,539,945,000. This can be attributed to the District's positive balance of $4,591,899,000 in net investment in capital assets.
- The District's government wide net position increased by $10,739,000. One of the reasons for the increase is related to the issuance of capital improvement bonds. In line with the District's mission, the capital is being used for Green Projects in each of the four categories: 1) Tunnel and Reservoir Plan (TARP), 2) Stormwater Management Program projects, 3) Resource recovery projects, and 4) Water Reclamation Plant expansions and system improvements.
- The District's combined fund balances for its governmental funds at December 31, 2016 totaled $883,464,000, an increase of $99,064,000 from the prior year. The increase is primarily attributable to the issuance of general obligation bonds in 2016 and an increase in the number of SRF loans receivable.
- The District's government-wide liabilities increased by $293,444,000 in 2016 which is largely attributable to the issuance of general obligation bonds and an increase in the net pension liability.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

The fund financial statements include information segregated between the District's governmental funds and its fiduciary funds. The governmental funds are used to account for the day-to-day activities of the District, while the fiduciary funds account for employee pensions (Pension Trust Fund) and other post-employment benefits (OPEB Trust Fund). The Governmental Funds Balance Sheets and Statements of Governmental Fund Revenues, Expenditures and Changes in Fund Balances focus the reader's attention on the short-term financial position and results of operations, respectively, using the modified accrual basis of accounting. They also include budgetary statements for the General Corporate Fund and the Retirement 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 as 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 2016, total property tax revenues increased by $24,506,000 in the District's Statement of Activities, as shown on page 37. The property tax levies for the Stormwater Management Fund, Retirement Fund, and Debt Services Funds increased while the Corporate Fund and Constructions Fund levies decreased resulting in a net change in the property tax levies of $18,470,000. Additionally, the District had an increase in collections from prior year levies for all funds of approximately $5,338,000 and accruals for timing of collections.

Tax increment financing. The decrease in other general revenues of $5,971,000, shown on page 37, was primarily due to the $3,841,000 decrease in tax increment financing distributions received from the City of Chicago during 2016 and a decrease of land sales of $1,931,000. The District can sell land when it is deemed no longer needed for corporate purposes.

Construction costs. The increase in construction costs of $66,769,000, shown on page 37, was due to a combination of items. The largest increase to the construction cost is attributable to the retirement of infrastructure assets under the modified approach. Infrastructure items such as centrifuge units and water piping were replaced with more efficient equipment at the sludge thickening facilities at SWRP. Sixteen centrifuge units and the associated piping were replaced accounting for approximately $48 million. An additional $8 million of infrastructure assets were also retired at other District facilities. The additional construction costs are due to the completion of large projects including the final preparation of the Thornton reservoir, the TARP inlet/outlet tunnels connected to the Thornton reservoir and the disinfection facilities at the O'Brien Water Reclamation Plant.

Pension costs. The 2016 pension cost increased $21,461,000 from 2015, as seen on page 37. While most of the components that make up pension expense stayed relatively stable, the majority of the increase was due to amortization of the difference between projected and actual earnings. The current year difference of $99,897,000 is amortized over five years. Pension expense is made up of a variety of items including employee service cost, interest, benefit payments, administrative expenses and differences between expected and actual experiences. Employee contributions and net investment income of the fund offset some of these annual expenses.

Claims and judgments. Due to changes in the accrued claims liabilities, there is a $32,108,000 positive effect on the Statement of Activities claims and judgments expense on page 37. This positive change in the accrued liabilities was due to a large decrease in the accrued construction claims of $18,986,000. Prior year accrued claims were paid, settled, or submitted to insurance as a claim. There was also a decrease in workman's compensation claims of $1,810,000.

Employee costs. The District's employee-related expenditures are the largest single cost of the General Corporate Fund, comprising 66.6% of the total outlays for 2016. Employee costs are comprised of regular pay, overtime, and health care benefits. The increase in employee costs of $1,645,000, shown on page 39, was attributable to an increase in salary and wages for existing employees and several budgeted positions being filled in 2016.

Chemical costs. In 2016, chemical costs in the General Corporate Fund showed an increase of $2,283,000 as seen on page 39. Processing chemicals increased at the Calumet Water Reclamation Plant due to the Disinfection process. Chemical costs also increased at the Stickney Water Reclamation Plant because of the Ostara process, which recovers phosphorous. Both are new processes in 2016.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed comparison of the Statements of Net Position for December 31, 2016 and 2015, is presented in the following schedule (in thousands of dollars):

	2016	2015	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	$ 1,419,531	$ 1,349,680	$ 69,851	5.2 %
Capital assets	7,426,934	7,282,020	144,914	2.0
Total assets	8,846,465	8,631,700	214,765	2.5
Deferred Outflows of Resources				
Loss on prior debt refunding	5,426	12,511	(7,085)	(56.6)
Deferred amounts related to pension	187,959	91,456	96,503	105.5
Total deferred outflows of resources	193,385	103,967	89,418	86.0
Liabilities:				
Current liabilities	320,758	303,102	17,656	5.8
Long-term liabilities	4,179,147	3,903,359	275,788	7.1
Total liabilities	4,499,905	4,206,461	293,444	7.0
Net Position:				
Net investment in capital assets	4,591,899	4,630,463	(38,564)	(0.8)
Restricted	735,309	654,897	80,412	12.3
Unrestricted (Deficit)	(787,263)	(756,154)	(31,109)	(4.1)
Total net position	$ 4,539,945	$ 4,529,206	$ 10,739	0.2 %

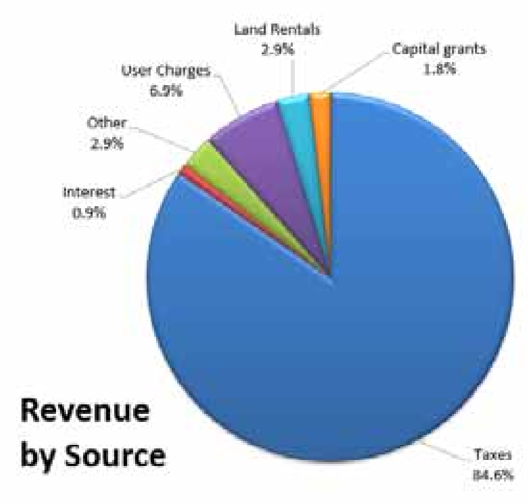
The above schedule reports that the District's net position totaled $4,539,945,000 at December 31, 2016, which represents the amount the District's assets and deferred outflows exceeded its liabilities. The largest portion of the net position, $4,591,899,000, represents the District's capital assets used to provide services to taxpayers, net of the related debt. These assets include land, buildings, equipment, and infrastructure, and they are not available for the District's future spending needs. Restricted net assets totaled $735,309,000 and represents resources that are subject to external or legal restrictions as to how they may be spent, such as federal grants or state loans, capital bond proceeds, tax levies for working cash, and debt service. The remaining portion of the unrestricted net position is a deficit of ($787,263,000).

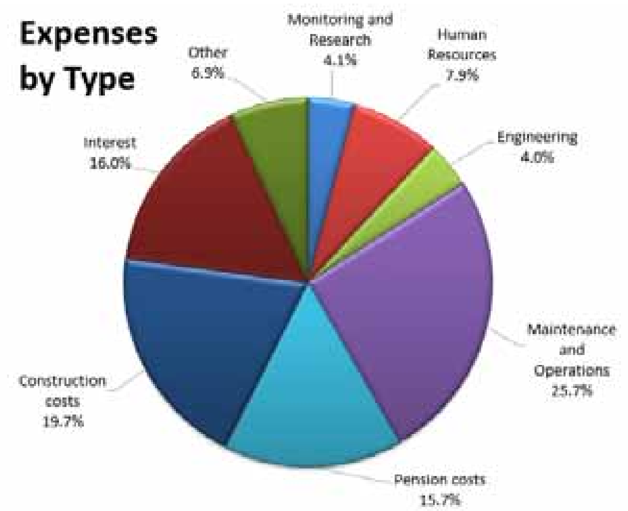
A comparison of the changes in net position resulting from the District's operations for the years ended December 31, 2016 and 2015 is presented in the following schedule (in thousands of dollars):

	2016	2015	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
General Revenues:				
Taxes	$ 595,609	$ 571,103	$ 24,506	4.3 %
Interest	6,181	5,381	800	14.9
Other	16,174	22,145	(5,971)	(27.0)
Program Revenues:				
User charges	48,621	46,238	2,383	5.2
Land rentals	20,166	18,189	1,977	10.9
Fees, forfeits, and penalties	4,164	4,885	(721)	(14.8)
Capital grants	12,825	11,170	1,655	14.8
Total revenues	703,740	679,111	24,629	3.6
Expenses				
Board of Commissioners	4,166	3,671	495	13.5
General Administration	15,690	14,835	855	5.8
Monitoring and Research	28,753	27,259	1,494	5.5
Procurement and Materials Management	6,602	6,801	(199)	(2.9)
Human Resources	54,447	58,512	(4,065)	(6.9)
Information Technology	14,702	14,602	100	0.7
Law	6,709	6,008	701	11.7
Finance	3,570	3,401	169	5.0
Engineering	28,002	27,232	770	2.8
Maintenance and Operations	177,829	173,177	4,652	2.7
Pension costs	108,606	87,145	21,461	24.6
OPEB Trust Fund costs	(7,008)	(5,408)	(1,600)	29.6
Claims and judgments	(8,548)	23,560	(32,108)	(136.3)
Construction costs	136,203	69,434	66,769	96.2
Loss on disposal of capital assets	13	32	(19)	(59.4)
Unallocated depreciation	12,083	12,123	(40)	(0.3)
Interest	111,182	118,977	(7,795)	(6.6)
Total expenses	693,001	641,361	51,640	8.1
Increase in net position	10,739	37,750	(27,011)	(71.6)
Total net position, beginning of year	4,529,206	4,491,456	37,750	0.8
Total net position, end of year	$ 4,539,945	$ 4,529,206	$ 10,739	0.2 %

Total revenues increased by $24,629,000 in 2016, or 3.6% from the prior year, and total expenses increased by $51,640,000 in 2016. The major reasons for the variances are detailed under "Key Financial Comparisons" on pages 34-35.

The following charts show the major sources of revenue and expenses for the year ended December 31, 2016:





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 2016, 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 $883,464,000, an increase of $99,064,000 or 12.6% from 2015. A total of $37,620,000 of the fund balances represents non-spendable fund balances. Restricted fund balances totaled $758,456,000, Assigned fund balances totaled $145,341,000, and the remaining deficit of ($57,953,000) was unassigned.

General Corporate Fund

The General Corporate Fund is the principal operating fund of the District. It includes annual property taxes and other revenues, which are used for the payment of general operating expenditures not chargeable to other funds. The General Corporate Fund's fund balance at the end of the current fiscal year totaled $299,991,000. The fund balance represented 87.6% of the General Corporate Fund expenditures, a good indication of the fund's liquidity. The total fund balance for the General Corporate Fund had an increase of $12,879,000 from 2015. 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 61-62.

The General Corporate Fund ended the year with an unassigned fund balance deficit of ($44,428,000) due to the required reserve claims restriction, non-spendable inventories and restricted working cash.

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2016 and 2015 is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Revenue Schedule

	2016		2015			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Increase (Decrease)
Revenues:						
Property taxes	$ 243,847	68.6 %	$ 225,861	66.3 %	$ 17,986	8.0 %
Personal property replacement tax	23,436	6.6	25,295	7.4	(1,859)	(7.3)
Total tax revenue	267,283	75.2	251,156	73.7	16,127	6.4
Interest on investments	1,872	0.5	1,838	0.5	34	1.8
Land sales	1,233	0.3	3,164	0.9	(1,931)	(61.0)
Tax increment financing distributions	9,228	2.6	13,069	3.9	(3,841)	(29.4)
Claims and damage settlements	187	0.1	191	0.1	(4)	(2.1)
Miscellaneous	3,275	0.9	3,486	1.0	(211)	(6.1)
User charges	48,621	13.7	45,938	13.5	2,683	5.8
Land rentals	20,166	5.7	18,189	5.3	1,977	10.9
Fees, forfeits, and penalties	3,418	1.0	3,667	1.1	(249)	(6.8)
Total revenues	$ 355,283	100.0 %	$ 340,698	100.0 %	$ 14,585	4.3 %

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, rental income and tax increment financing distributions. In 2016, General Corporate Fund revenues totaled $355,283,000, an increase of $14,585,000, or 4.3%, from 2015. 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, 2016 and 2015, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Expenditures Schedule

	2016		2015			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Increase (Decrease)
Expenditures:						
Employee cost	$ 228,479	66.7 %	$ 226,834	66.6 %	$ 1,645	0.7 %
Energy cost	38,136	11.1	37,207	10.9	929	2.5
Chemicals	9,756	2.9	7,473	2.2	2,283	30.5
Solids disposal	9,260	2.7	10,356	3.0	(1,096)	(10.6)
Repair to structures/equipment	15,962	4.7	16,514	4.8	(552)	(3.3)
Materials, parts & supplies	11,372	3.3	11,486	3.4	(114)	(1.0)
Machinery & equipment	678	0.2	690	0.2	(12)	(1.7)
Land	-	0.0	326	0.1	(326)	(100.0)
Claims and judgments	4,786	1.4	5,658	1.7	(872)	(15.4)
All other	23,975	7.0	24,068	7.1	(93)	(0.4)
Total expenditures	$ 342,404	100.0 %	$ 340,612	100.0 %	$ 1,792	0.5 %

In 2016, General Corporate Fund expenditures totaled $342,404,000, an increase of $1,792,000, or .5%, from 2015. Employee costs, energy costs, and repair to structures and equipment were the three largest expenditure components of the General Corporate Fund in 2016, accounting for 82.5% of total expenditures versus 82.4% in 2015. 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 $163,508,000. The fund balance represented 75.9 % of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund increased by $22,702,000 in the current year, as a result of an increase in the amount of outstanding bonds after the 2016 bond offering.

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 $374,035,000. This amount will provide resources for the 2017 capital construction program. The fund balance represented 147% of the fund's expenditures. The fund balance increase of $70,385,000 in the current year was primarily due to a $55,969,000 increase in SRF loan proceeds and a decrease of $21,975,000 in construction costs.

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

GENERAL CORPORATE FUND BUDGET ANALYSIS

The General Corporate Fund budget includes the budgetary accounts of the Corporate Fund and Reserve Claim divisions. A comparison of the 2016 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 2016 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-1).

A condensed summary of the 2016 General Corporate Fund budget and actual amounts is presented in the following schedule (in thousands of dollars):

	Budget		Actual	Actual Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property and personal property replacement taxes	$ 248,358	$ 248,358	$ 248,438	$ 80
Adjustment for working cash borrowing	(4,672)	(4,672)	(4,672)	-
Adjustment for estimated tax collections	-	-	3,344	3,344
Tax revenue available for current operations	243,686	243,686	247,110	3,424
User charges	49,000	49,000	44,487	(4,513)
Interest on investments	1,000	1,000	1,304	304
Tax increment financing distributions	2,245	2,245	8,657	6,412
Land rentals	17,500	17,500	20,459	2,959
Land sales	1,250	1,250	1,234	(16)
Claims and damage settlements	-	-	192	192
Other	4,218	4,218	6,160	1,942
Total revenues	318,899	318,899	329,603	10,704
Operating expenditures:				
Board of Commissioners	4,408	4,408	4,158	250
General Administration	16,819	17,019	15,469	1,550
Monitoring and Research	30,523	30,523	27,864	2,659
Procurement and Materials Management	8,777	8,941	8,328	613
Human Resources	60,817	60,817	54,540	6,277
Information Technology	17,448	17,448	14,293	3,155
Law	7,973	7,973	6,704	1,269
Finance	3,696	3,696	3,597	99
Engineering	28,073	28,073	26,039	2,034
Maintenance and Operations	187,726	187,362	174,437	12,925
Claims and judgments	30,176	30,176	4,786	25,390
Total expenditures	396,436	396,436	340,215	56,221
Revenues over (under) expenditures	(77,537)	(77,537)	(10,612)	66,925
Fund balance at beginning of year	177,618	177,618	145,889	(31,729)
Net assets available for future use	(100,081)	(100,081)	-	100,081
Fund balance at beginning of year	77,537	77,537	145,889	68,352
Fund balance at end of the year	$ -	$ -	$ 135,277	$ 135,277

Actual revenues on a budgetary basis for 2016 in the General Corporate Fund totaled $329,603,000, or $10,704,000 more than budgeted revenues, a 3.4% variance. Property taxes and personal property replacement taxes were $3,344,000 more than the budget, mostly due to the collection of taxes greater than the allowance. User charge receipts were $4,513,000 less than the budget due to a rate decrease from 2015 to 2016, a Large Commercial Industrial User's bankruptcy in 2016, and increased efficiencies in the management of discharge. Interest on investments was $304,000 over budget as of result of a switch to more short term investments in commercial paper, due to greater availability and higher interest rates. Land rentals were $2,959,000 more than the budget due to an increased effort to maximize the District's real estate portfolio.

The 2016 General Corporate Fund final appropriation of $396,436,000 did not change from the original amount. Actual budgetary expenditures totaled $340,215,000, or 85.8%, of the total appropriation. The $56,221,000 excess of appropriations over actual expenditures was primarily due to claims and judgments costs being $25,390,000 less than appropriations. The District's Reserve Claim fund actual payments were significantly lower than budgeted, resulting in a large variance between budget and actual 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 $12,925,000 below appropriations, for reasons that include position vacancies throughout the year, lower than estimated production from the pelletizer facility, fewer than anticipated expenditures for electrical energy, telemetry, water, chemicals at Calumet Plant, repairs to collection facilities and mechanical repair parts.

CAPITAL ASSETS AND MODIFIED APPROACH

Capital Assets. The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2016, amounted to $7,426,934,000. Reportable capital assets, net of accumulated depreciation, for 2016 as compared to 2015 are as follows (in thousands of dollars):

	2016	2015	Increase (Decrease)	Percent Increase (Decrease)
Land	$ 142,880	$ 130,573	$ 12,307	9.4 %
Permanent easements	1,463	1,330	133	10.0
Buildings	7,169	7,354	(185)	(2.5)
Machinery and equipment	25,239	27,588	(2,349)	(8.5)
Computer software	857	1,549	(692)	(44.7)
Depreciable infrastructure	1,662,767	1,674,158	(11,391)	(0.7)
Modified infrastructure	5,045,360	4,662,520	382,840	8.2
Construction in progress	541,199	776,948	(235,749)	(30.3)
Total	$ 7,426,934	$ 7,282,020	$ 144,914	2.0 %

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

- Total capital asset additions exceeded retirements and depreciation by $144,914,000 in 2016.
- Construction in progress decreased by $235,749,000 from 2015 to 2016 due to the completion of the TARP tunnels and gates connecting to the Thornton Reservoir, final preparation of the Thornton Reservoir, substantial completion of the Sludge Thickening facilities at the Stickney Water Reclamation plant, and completion of the disinfection facilities at the O'Brien Water Reclamation Plant. These projects were all moved to infrastructure in 2016.
- Major projects which remained in progress during 2016 include: additional construction related to the Mc Cook reservoir and surrounding tunnels, the Phosphorous Recovery system at the Stickney Water Reclamation Plant, construction of an organic water receiving and processing facility at the Calumet water reclamation plant, and construction of Calumet TARP screens.

In addition to the above, commitments totaling $486,339,638 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 Egan and O'Brien networks each had its most recent condition assessment completed in 2016. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2015. The Kirie, Central (Stickney) and Waterways each had its most recent condition assessment completed in 2014. (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, 2016, totaled $4,319,547,000. The breakdown of this debt and changes from 2015 to 2016 are as follows (in thousands of dollars):

	2016	2015	Increase (Decrease)	Percent Increase (Decrease)
Bonds payable, net	$ 2,965,282	$ 2,770,788	$ 194,494	7.0 %
Bond anticipation notes	157,390	161,697	(4,307)	(2.7)
Claims payable	40,236	53,570	(13,334)	(24.9)
Compensated absences	24,486	25,153	(667)	(2.7)
Capital lease	41,047	43,405	(2,358)	(5.4)
Net Pension liability	1,073,113	947,300	125,813	13.3
Net OPEB obligation	17,993	25,001	(7,008)	(28.0)
Total	$ 4,319,547	$ 4,026,914	$ 292,633	7.3 %

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

- Bonds payable, net, increased by $194,494,000 in 2016 as a result of General Obligation bond issuances.
- Bond anticipation notes decreased by $4,307,000 in 2016 as a result of the issuance of $181,378,000 in notes and the conversion of $185,685,000 from bond anticipation notes to bonds.
- Claims payable decreased by $13,334,000 due to the decrease in construction claims.
- A number of items factor into the Net Pension Liability; however, the largest variance of these factors is an increase in the liability due to the differences between expected and actual earnings. See note 7 for additional details.

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

Standard & Poor's Financial Services. LLC	AA+
Fitch, Inc.	AAA
Moody's Investors Service	Aa2

In July 2015, Moody's Investor Service downgraded the District's bond rating from Aa1 to Aa2. In May 2016, Standard & Poor's Financial Services downgraded the District's bond rating from AAA to AA+. The primary reason for the downgrades is the pressure on the District's tax base due to the significant debt burden and pension liabilities for major governmental agencies in Cook County, reflecting the opinion on the affordability of possible tax increases by other agencies and how this could impact Cook County residents. 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 $130,304,803,798 for the 2015 property tax levy. At December 31, 2016, the District's statutory debt limit of $7,492,526,218 exceeded the applicable net debt amount of $2,904,452,397 by $4,588,073,821.

The Illinois Compiled Statutes provide authorization for the funding of the District Capital Improvement Program by the issuance of non-referendum capital improvement bonds. Starting in 2003, bonds may be issued during any budget year in an amount not to exceed $150 million plus the amount of any bonds authorized and unissued during the three preceding budget years. The District has issued various series of bonds since the authorization. This limitation is not applicable to refunding bonds, money received from the Water Pollution Control Revolving Fund, and obligations issued as part of the American Recovery and Reinvestment Act of 2009, issued prior to January 1, 2011, commonly known as "Build America Bonds". Bonds authorized, unissued and carried forward were $450,000,000 for the budget year ended December 31, 2016.

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 2016 levy year is $159,305,390 (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, 2016, the District's outstanding capital improvement and refunding bonds (excluding State Revolving Fund bonds and alternate bonds) of $1,863,965,000 did not exceed the limitation of $4,365,210,927.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2016, are indicated in the following schedule (in millions of dollars):

Capital Improvement and Refunding Bonds
Outstanding and Remaining Authorization

Year of Issue	Total	Capital Improvement	Refunding
2007	323	-	323
2009	600	600	-
2011	320	320	-
2014	245	174	71
2016	376	54	322
Total bonds outstanding at December 31, 2016	1,864	$ 1,148	$ 716
Remaining bond authorization at December 31, 2016	2,501		
Total bond authorization at December 31, 2016	$ 4,365		

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

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

ECONOMY AND OTHER CONDITIONS IMPACTING THE DISTRICT

The equalized assessed valuation of the District has experienced a .3% average growth rate over the last ten years although the 2015 equalized assessed valuation of $130,304,803,798 is 3.6% higher than the previous year. Despite sluggish home sales, area home prices continued to climb because there is competition to buy homes amid low levels of inventory. The median price of homes in the Chicago area were up 8.3% compared to the prior 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. The boundaries of the District encompass 91% of the land area of Cook County. The District is located in one of the strongest and most economically diverse geographical areas of Illinois. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division decreased to a seasonally adjusted rate of 5.8% for 2016, unchanged from a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets have all been steadily improving in the past few years.

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 2017. The total appropriation for the Corporate Fund in 2017 is $368.9 million, an increase of $2.7 million, or .7% from the 2016 Adjusted Budget. The 2017 tax levy for the Corporate Fund is $223.9 million, a decrease of $2.2 million or .9% compared to the 2016 Adjusted Budget.

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 2017 is 16.20 cents, a decrease of .65 cents from 2016 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 2017 totals $45.8 million, an increase of $5.3 million or 13.1% from the 2016 Adjusted Budget. 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 2017 is 2.96 cents, which is an increase of 0.4 cents from 2016 as adjusted.

Although the primary funding source for the Fund is the Stormwater Property Tax Levy, the District also issued Alternate Revenue Bonds funded from the Stormwater Levy in both the 2015 and 2016 bond offerings. The "green" projects financed by the bonds involves the development, design, planning and construction of regional and local stormwater facilities provided for in the countywide stormwater management plan and the acquisition of real property.

By means of this program, the District has completed Detailed Watershed Plans (DWP) for all six watersheds in Cook County, initiated a Stormwater Management Capital Improvement program, initiated a Small Streams Maintenance Program (SSMP), and adopted and implemented the Watershed Management Ordinance.

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.

Through the management of the SSMP, the M&O Department works to reduce flooding in urbanized areas. The streams that flow through the neighborhoods of Cook County are more than just a scenic part of the landscape but serve the vital function of draining stormwater and preventing flooding. In order to function, the streams must be maintained, which includes removing blockages and preventing future blockages by removing dead and unhealthy trees and invasive species.

The District's statutory authority for Stormwater Management in Cook County (70 ILCS 2605/7h) was amended in 2014 to allow for the acquisition of flood-prone properties. Subsequent to amending the Cook County Stormwater Management Plan to be consistent with Public Act 98-0652, the District's Board of Commissioners adopted a policy on selection and prioritization of projects for acquiring flood-prone property, which is comprised of three distinct components, as follows:

- Local Sponsorship Assistance Program: The District's top priority will be to facilitate the Illinois Emergency Management Agency's federally funded program by assisting local sponsor communities in providing their share of the cost for property acquisition;
- District Initiated Program: The cost of a property acquisition alternative will be estimated for any approved project and compared to the estimated cost of the structural project determined through a preliminary engineering analysis. Should the cost of the property acquisition alternative be less than the structural project, and the benefits at least equivalent, the acquisition alternative will be pursued in lieu of the structural project;
- Local Government Application Program: The District will consider applications directly from local governments requesting property acquisition of specific flood-prone structures.

Capital Improvement Program: Construction Fund and Capital Improvements Bond Fund. The District's overall Capital Program includes 2017 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately $1.1 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.

The USEPA implemented the State Revolving Fund (SRF) to ensure that each state's program is designed and operated to continue to provide capital funding assistance for water pollution control activities in perpetuity, but preserves a high degree of flexibility for operating revolving funds in accordance with each state's unique needs and circumstances. Funds in the SRF are not used to provide grants, but must be available to provide loans for the construction of publicly owned wastewater treatment works. Low interest SRF loans are an integral part of the District's capital improvements financing. SRF revenues are based on the award and construction schedule of specific projects. In 2016, the District received $124.8 million in cash receipts for SRF projects.

Construction Fund. The Construction fund appropriation for 2017 totals $34.5 million, a decrease of $2.2 million or 5.9% from the 2016 Adjusted Budget.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to the Tax Cap. The 2017 tax levy planned for the Construction Fund is $17.0 million, an increase of $3.7 million or 28.0% from the 2016 Adjusted Levy.

Capital Improvements Bond Fund. The 2017 appropriation for the Capital Improvements Bond Fund is $354.6 million, a decrease of $129.1 million or 26.7% from the 2016 Adjusted Budget. Capital projects pursued by the District are: mission critical, improve environmental quality, preservation/rehabilitation of existing infrastructure or commitment to the community through process optimization. The appropriation is based on the scheduled award of $273.3 million in projects. Capital Improvements Bond Fund projects scheduled for award in 2017 with estimated award values consist of one TARP project at $11.2 million; four plant expansion and improvement projects at $6.5 million; four facilities replacement projects at $6.9 million; fourteen stormwater management projects at $202.6 million; and three solids projects at $37.5 million.

The decrease in appropriation for the Capital Improvements Bond Fund of $129.1 million reflects the pattern in the award of major projects. An appropriation for the open value of existing contracts is also carried forward from the prior year.

The remaining $81.3 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 2017 budget document.

A listing and description of proposed projects, and projects under construction, scheduled for 2017, can be found in the Capital Budget (Section V) of the 2017 Budget document.

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

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 $122.4 million into the OPEB Trust Fund. The District contributed $5.0 million in both 2016 and 2015 to reach that goal. Total net position was $164.8 million as of December 31, 2016. The accumulated unfunded OPEB obligation was estimated at approximately $137.0 million at December 31, 2016. On December 19, 2013, the Board of Commissioners adopted a revised investment policy statement for the Metropolitan Water Reclamation District Retiree Health Care Trust.

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.

Pension and OPEB Reporting Changes. The District implemented GASB 68, Accounting and Financial Reporting for Pensions, beginning with the year ended December 31, 2015. The implementation of this standard resulted in a net pension liability recognized by the District of $947.3 million; however, net position remained positive. The OPEB Trust Fund will be implementing GASB 74 (for post-retirement plan) in 2017 and the District will be implementing GASB 75 (for employer) in 2018.

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 2015 and will expire in 2017.

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

REQUESTS FOR ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

December 31, 2016
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund 2016	General Corporate Fund 2015	Debt Service Fund 2016	Debt Service Fund 2015	Capital Improvements Bond Fund 2016	Capital Improvements Bond Fund 2015
Assets and deferred outflows of resources						
Assets:						
Cash	$ 19,388	$ 57,769	$ 3,478	$ 15,826	$ 7,514	$ 92,764
Certificates of deposit	65,675	4,498	20,009	2,014	82,187	16,617
Investments (note 4)	146,736	174,547	92,185	90,831	233,557	202,441
Prepaid insurance	2,117	2,137	-	-	-	-
Taxes receivable, net (note 5)	223,793	224,745	219,040	216,631	-	-
Other receivables, net (note 5)	14,294	8,720	-	-	97,261	41,521
Due from other funds (note 12)	101	77	-	-	-	-
Restricted deposits	285	1,405	-	-	-	-
Inventories	35,502	37,623	-	-	-	-
Capital assets not being depreciated/amortized (note 6)	-	-	-	-	-	-
Capital assets being depreciated/amortized, net (note 6)	-	-	-	-	-	-
Total assets	$ 507,891	$ 511,521	$ 334,712	$ 325,302	$ 420,519	$ 353,343
Deferred outflows of resources:						
Loss on prior debt refunding	-	-	-	-	-	-
Deferred outflows for employer contributions	-	-	-	-	-	-
Deferred outflows for other pension amounts	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 507,891	$ 511,521	$ 334,712	$ 325,302	$ 420,519	$ 353,343
Liabilities, deferred inflows of resources, and fund balances/net position						
Liabilities:						
Accounts payable and other liabilities (note 5)	$ 28,126	$ 28,815	$ -	$ -	$ 45,543	$ 48,760
Due to Pension Trust Fund (note 12)	-	-	-	-	-	-
Due to other funds (note 12)	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-
Unearned Revenue (note 5)	4,855	4,222	-	-	-	-
Long-term liabilities: (note 11)						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total liabilities	32,981	33,037	-	-	45,543	48,760
Deferred inflows of resources:						
Unavailable tax revenue (note 5)	174,919	191,372	171,204	184,496	-	-
Other unavailable revenue (note 5)	-	-	-	-	941	933
Total deferred inflows of resources	174,919	191,372	171,204	184,496	941	933
Fund balances:						
Nonspendable:						
Prepaid insurance	2,117	2,137	-	-	-	-
Inventories	35,502	37,623	-	-	-	-
Restricted for:						
Deposits	285	1,405	-	-	-	-
Working cash	279,390	278,852	-	-	-	-
Reserve claims	27,125	25,522	-	-	-	-
Debt service	-	-	163,508	140,806	-	-
Capital projects	-	-	-	-	228,694	175,730
Construction	-	-	-	-	-	-
Assigned	-	-	-	-	145,341	127,920
Unassigned (Deficit)	(44,428)	(58,427)	-	-	-	-
Total fund balances	299,991	287,112	163,508	140,806	374,035	303,650
Total liabilities, deferred inflows, and fund balances	$ 507,891	$ 511,521	$ 334,712	$ 325,302	$ 420,519	$ 353,343
Net position:						
Net investment in capital assets						
Restricted for corporate working cash						
Restricted for reserve claim						
Restricted for debt service						
Restricted for capital projects						
Restricted for construction working cash						
Restricted for stormwater working cash						
Unrestricted (Deficit)						
Total net position						

See accompanying notes to the basic financial statements.

	Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Funds		Adjustments (Note 2a)		Statements of Net Position	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$ -	$ -	$ 5,081	$ 7,342	$ 35,461	$ 173,701	$ -	$ -	$ 35,461	$ 173,701
	-	-	5,003	502	172,874	23,631	-	-	172,874	23,631
	-	-	31,360	50,305	503,838	518,124	-	-	503,838	518,124
	-	-	1	-	2,118	2,137	-	-	2,118	2,137
	69,200	61,566	45,865	39,131	557,898	542,073	-	-	557,898	542,073
	-	-	-	745	111,555	50,986	-	-	111,555	50,986
	-	-	-	-	101	77	(101)	(77)	-	-
	-	-	-	-	285	1,405	-	-	285	1,405
	-	-	-	-	35,502	37,623	-	-	35,502	37,623
	-	-	-	-	-	-	5,730,902	5,571,371	5,730,902	5,571,371
	-	-	-	-	-	-	1,696,032	1,710,649	1,696,032	1,710,649
	$ 69,200	$ 61,566	$ 87,310	$ 98,025	$ 1,419,632	$ 1,349,757	$ 7,426,833	$ 7,281,943	$ 8,846,465	$ 8,631,700
	-	-	-	-	-	-	5,426	12,511	5,426	12,511
	-	-	-	-	-	-	80,259	71,041	80,259	71,041
	-	-	-	-	-	-	107,700	20,415	107,700	20,415
	-	-	-	-	-	-	193,385	103,967	193,385	103,967
	$ 69,200	$ 61,566	$ 87,310	$ 98,025	$ 1,419,632	$ 1,349,757	$ 7,620,218	$ 7,385,910	$ 9,039,850	$ 8,735,667
	$ -	$ -	$ 5,430	$ 11,785	$ 79,099	$ 89,360	$ -	$ -	$ 79,099	$ 89,360
	20,051	13,867	-	-	20,051	13,867	60,208	57,174	80,259	71,041
	-	-	101	77	101	77	(101)	(77)	-	-
	-	-	-	-	-	-	16,145	14,924	16,145	14,924
	-	-	-	-	4,855	4,222	-	-	4,855	4,222
	-	-	-	-	-	-	140,400	123,555	140,400	123,555
	-	-	-	-	-	-	4,179,147	3,903,359	4,179,147	3,903,359
	20,051	13,867	5,531	11,862	104,106	107,526	4,395,799	4,098,935	4,499,905	4,206,461
	49,149	47,699	35,849	33,331	431,121	456,898	(431,121)	(456,898)	-	-
	-	-	-	-	941	933	(941)	(933)	-	-
	49,149	47,699	35,849	33,331	432,062	457,831	(432,062)	(457,831)	-	-
	-	-	1	-	2,118	2,137	(2,118)	(2,137)		
	-	-	-	-	35,502	37,623	(35,502)	(37,623)		
	-	-	-	-	285	1,405	(285)	(1,405)		
	-	-	59,454	59,163	338,844	338,015	(338,844)	(338,015)		
	-	-	-	-	27,125	25,522	(27,125)	(25,522)		
	-	-	-	-	163,508	140,806	(163,508)	(140,806)		
	-	-	-	-	228,694	175,730	(228,694)	(175,730)		
	-	-	-	2,759	-	2,759	-	(2,759)		
	-	-	-	-	145,341	127,920	(145,341)	(127,920)		
	-	-	(13,525)	(9,090)	(57,953)	(67,517)	57,953	67,517		
	-	-	45,930	52,832	883,464	784,400	(883,464)	(784,400)		
	$ 69,200	$ 61,566	$ 87,310	$ 98,025	$ 1,419,632	$ 1,349,757				
Net position:										
Net investment in capital assets							4,591,899	4,630,463	4,591,899	4,630,463
Restricted for corporate working cash							279,390	278,852	279,390	278,852
Restricted for reserve claim							2,128	6,499	2,128	6,499
Restricted for debt service							318,575	310,383	318,575	310,383
Restricted for capital projects							75,762	-	75,762	-
Restricted for construction working cash							22,070	21,947	22,070	21,947
Restricted for stormwater working cash							37,384	37,216	37,384	37,216
Unrestricted (Deficit)							(787,263)	(756,154)	(787,263)	(756,154)
Total net position							$ 4,539,945	$ 4,529,206	$ 4,539,945	$ 4,529,206

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

Year ended December 31, 2016
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund 2016	General Corporate Fund 2015	Debt Service Fund 2016	Debt Service Fund 2015	Capital Improvements Bond Fund 2016	Capital Improvements Bond Fund 2015
Revenues						
General revenues:						
Property taxes	$ 243,847	$ 225,861	$ 235,341	$ 212,150	$ -	$ -
Personal property replacement tax	23,436	25,295	-	-	-	-
Interest on investments	1,872	1,838	1,065	887	2,689	1,975
Land sales	1,233	3,164	-	-	-	-
Tax increment financing distributions	9,228	13,069	-	-	-	-
Claims and damage settlements	187	191	-	-	22	127
Miscellaneous	3,275	3,486	4	4	2,217	2,377
Gain on sale of capital assets	-	-	-	-	-	-
Program revenues:						
Charges for services:						
User charges	48,621	45,938	-	-	-	-
Land rentals	20,166	18,189	-	-	-	-
Fees, forfeits, and penalties	3,418	3,667	-	-	-	-
Capital grants and contributions:						
Federal and state grants	-	-	-	-	12,817	11,165
Total revenues	355,283	340,698	236,410	213,041	17,745	15,644
Expenditures/Expenses						
Operations:						
Board of Commissioners	4,158	3,662	-	-	-	-
General Administration	15,490	14,833	-	-	-	-
Monitoring and Research	28,490	27,486	-	-	-	-
Procurement and Materials Management	6,611	6,885	-	-	-	-
Human Resources	54,606	58,441	-	-	-	-
Information Technology	14,213	14,697	-	-	-	-
Law	6,707	6,018	-	-	-	-
Finance	3,597	3,427	-	-	-	-
Engineering	26,051	25,971	-	-	-	-
Maintenance and Operations	177,695	173,534	-	-	-	-
Pension costs	-	-	-	-	-	-
OPEB costs	-	-	-	-	-	-
Claims and judgments	4,786	5,658	-	-	-	-
Construction costs	-	-	-	-	249,294	271,269
Loss on disposal of capital assets	-	-	-	-	-	-
Depreciation and amortization (unallocated)	-	-	-	-	-	-
Debt service:						
Redemption of bonds and capital lease	-	-	100,312	98,973	2,358	2,247
Interest and bond issuance costs	-	-	115,159	115,793	2,315	2,887
Total expenditures/expenses	342,404	340,612	215,471	214,766	253,967	276,403
Revenues over (under) expenditures	12,879	86	20,939	(1,725)	(236,222)	(260,759)
Other financing sources (uses)						
Payment to escrow agent for refunded bonds	-	-	(399,432)	(82,906)	-	-
Bond anticipation notes issued	-	-	-	-	179,224	181,537
Bond anticipation notes converted	-	-	-	-	185,685	111,964
Bond anticipation notes refunded	-	-	-	-	(185,685)	(111,964)
Refunding bonds issued	-	-	322,260	70,805	-	-
General obligation bonds issued	-	-	-	-	104,000	225,000
Premium on bonds issued	-	-	78,041	12,346	21,004	36,183
Transfers	-	-	894	2,124	2,379	-
Total other financing sources (uses)	-	-	1,763	2,369	306,607	442,720
Revenues and other financing sources (uses) over (under) expenditures	12,879	86	22,702	644	70,385	181,961
Change in net position	-	-	-	-	-	-
Fund balances/net position:						
Beginning of the year	287,112	287,026	140,806	140,162	303,650	121,689
End of the year	$ 299,991	$ 287,112	$ 163,508	$ 140,806	$ 374,035	$ 303,650

See accompanying notes to the basic financial statements.

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Funds		Adjustments (Note 2b)		Statements of Activities	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
$ 62,186	$ 49,929	$ 42,501	$ 37,362	$ 583,875	$ 525,302	$ (27,227)	$ 7,938	$ 556,648	$ 533,240
15,525	12,568	-	-	38,961	37,863	-	-	38,961	37,863
-	-	555	681	6,181	5,381	-	-	6,181	5,381
-	-	-	-	1,233	3,164	(1,233)	(3,164)	-	-
-	-	-	-	9,228	13,069	-	-	9,228	13,069
-	-	-	32	209	350	-	-	209	350
1	1	43	1	5,540	5,869	(13)	(65)	5,527	5,804
-	-	-	-	-	-	1,210	2,922	1,210	2,922
-	-	-	300	48,621	46,238	-	-	48,621	46,238
-	-	-	-	20,166	18,189	-	-	20,166	18,189
-	-	746	1,218	4,164	4,885	-	-	4,164	4,885
-	-	-	-	12,817	11,165	8	5	12,825	11,170
77,712	62,498	43,845	39,594	730,995	671,475	(27,255)	7,636	703,740	679,111
-	-	-	-	4,158	3,662	8	9	4,166	3,671
-	-	-	-	15,490	14,833	200	2	15,690	14,835
-	-	-	-	28,490	27,486	263	(227)	28,753	27,259
-	-	-	-	6,611	6,885	(9)	(84)	6,602	6,801
-	-	-	-	54,606	58,441	(159)	71	54,447	58,512
-	-	-	-	14,213	14,697	489	(95)	14,702	14,602
-	-	-	-	6,707	6,018	2	(10)	6,709	6,008
-	-	-	-	3,597	3,427	(27)	(26)	3,570	3,401
-	-	-	-	26,051	25,971	1,951	1,261	28,002	27,232
-	-	-	-	177,695	173,534	134	(357)	177,829	173,177
77,712	62,498	-	-	77,712	62,498	30,894	24,647	108,606	87,145
-	-	-	-	-	-	(7,008)	(5,408)	(7,008)	(5,408)
-	-	-	-	4,786	5,658	(13,334)	17,902	(8,548)	23,560
-	-	47,474	55,161	296,768	326,430	(160,565)	(256,996)	136,203	69,434
-	-	-	-	-	-	13	32	13	32
-	-	-	-	-	-	12,083	12,123	12,083	12,123
-	-	-	-	102,670	101,220	(102,670)	(101,220)	-	-
-	-	-	-	117,474	118,680	(6,292)	297	111,182	118,977
77,712	62,498	47,474	55,161	937,028	949,440	(244,027)	(308,079)	693,001	641,361
-	-	(3,629)	(15,567)	(206,033)	(277,965)	216,772	315,715		
-	-	-	-	(399,432)	(82,906)	399,432	82,906	-	-
-	-	-	-	179,224	181,537	(179,224)	(181,537)	-	-
-	-	-	-	185,685	111,964	(185,685)	(111,964)	-	-
-	-	-	-	(185,685)	(111,964)	185,685	111,964	-	-
-	-	-	-	322,260	70,805	(322,260)	(70,805)	-	-
-	-	-	-	104,000	225,000	(104,000)	(225,000)	-	-
-	-	-	-	99,045	48,529	(99,045)	(48,529)	-	-
-	-	(3,273)	(2,124)	-	-	-	-	-	-
-	-	(3,273)	(2,124)	305,097	442,965	(305,097)	(442,965)	-	-
-	-	(6,902)	(17,691)	99,064	165,000	(99,064)	(165,000)	-	-
-	-	-	-	-	-	10,739	37,750	10,739	37,750
-	-	52,832	70,523	784,400	619,400	-	-	4,529,206	4,491,456
$ -	$ -	$ 45,930	$ 52,832	$ 883,464	$ 784,400	$ -	$ -	$ 4,539,945	$ 4,529,206

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, 2016

(in thousands of dollars)

	Budget		Actual	Actual Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes:				
Gross levy	$ 226,109	$ 226,109	$ 226,109	$ -
Allowance for uncollectible taxes	(7,914)	(7,914)	(7,914)	-
Net property tax levy	218,195	218,195	218,195	-
Property tax collections	5,487	5,487	5,567	80
Personal property replacement tax:				
Entitlement	24,676	24,676	24,676	-
Total tax revenue	248,358	248,358	248,438	80
Adjustment for working cash borrowing	(4,672)	(4,672)	(4,672)	-
Adjustment for estimated tax collections	-	-	3,344	3,344
Tax revenue available for current operation	243,686	243,686	247,110	3,424
Interest on investments	1,000	1,000	1,304	304
Land sales	1,250	1,250	1,234	(16)
Tax increment financing distributions	2,245	2,245	8,657	6,412
Miscellaneous	1,289	1,289	2,884	1,595
User charges	49,000	49,000	44,487	(4,513)
Land rentals	17,500	17,500	20,459	2,959
Claims and damage settlements	-	-	192	192
Fees, forfeits, and penalties	2,929	2,929	3,276	347
Total revenues	318,899	318,899	329,603	10,704
Expenditures:				
Board of Commissioners	4,408	4,408	4,158	250
General Administration	16,819	17,019	15,469	1,550
Monitoring and Research	30,523	30,523	27,864	2,659
Procurement and Materials Management	8,777	8,941	8,328	613
Human Resources	60,817	60,817	54,540	6,277
Information Technology	17,448	17,448	14,293	3,155
Law	7,973	7,973	6,704	1,269
Finance	3,696	3,696	3,597	99
Engineering	28,073	28,073	26,039	2,034
Maintenance and Operations	187,726	187,362	174,437	12,925
Claims and judgments	30,176	30,176	4,786	25,390
Total expenditures	396,436	396,436	340,215	56,221
Revenues over (under) expenditures	(77,537)	(77,537)	(10,612)	66,925
Fund balances at beginning of year	177,618	177,618	145,889	(31,729)
Net assets available for future use	(100,081)	(100,081)	-	100,081
Fund balances at beginning of the year	77,537	77,537	145,889	68,352
Fund balances at end of year	$ -	$ -	$ 135,277	$ 135,277

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, 2016

(in thousands of dollars)

Retirement Fund	**Final Budget**	**Actual on Budgetary Basis**	**Actual Variance with Final Budget - Positive (Negative)**
Revenues:			
Property taxes	$ 55,974	$ 62,186	$ 6,212
Personal property replacement tax	14,798	15,525	727
Miscellaneous	-	1	1
Total tax revenue	70,772	77,712	6,940
Operating expenditures:			
Pension costs	70,772	77,712	(6,940)
Total expenditures	70,772	77,712	(6,940)
Revenues over (under) expenditures	-	-	-
Fund balances at beginning of the year	-	-	-
Fund balances at end of the year	$ -	$ -	$ -

See accompanying notes to the basic financial statements.

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

December 31, 2016
(with comparative amounts for prior year)

	(in thousands of dollars)	
	2016	**2015**
Assets		
Cash	$ 3,670	$ 104
Receivables		
Employer contributions-taxes (net of allowance for uncollectibles of $3,753 in 2016; $5,252 in 2015)	79,505	70,772
Securities sold	7,563	10,565
Forward foreign exchange contracts	116,576	83,320
Accrued interest and dividends	3,237	4,463
Accounts receivable	45	53
Total receivables	206,926	169,173
Investments at fair value		
Corporate and governmental bonds and notes	234,275	312,644
Money market funds	5,590	550
Pooled funds - fixed income	256,464	179,025
Pooled funds - equities	81,809	66,652
Balanced funds	16,013	14,649
Common and preferred stocks	524,405	557,783
Mutual and Commingled Equity Funds	285,515	199,900
Short-term investments	32,493	39,867
Total investments	1,436,564	1,371,070
Securities lending capital	42,118	36,893
Total assets	1,689,278	1,577,240
Liabilities		
Accounts payable	1,274	1,387
Securities lending collateral	42,118	36,893
Forward foreign exchange contracts	116,937	83,320
Securities purchased	11,507	19,658
Total liabilities	171,836	141,258
Net position restricted for pension and OPEB benefits	$ 1,517,442	$ 1,435,982

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, 2016
(with comparative amounts for prior year)

(in thousands of dollars)

	2016	2015
Additions:		
Contributions:		
Employer contributions	$ 100,177	$ 89,359
Employee contributions	20,831	21,385
Retiree contributions	7,917	7,406
Total contributions	128,925	118,150
Investment income:		
Net appreciation (depreciation) in fair value of investments	99,340	(26,196)
Interest and dividend income	29,016	27,778
Total investment income	128,356	1,582
Less investment expenses	(4,656)	(5,585)
Investment income (loss) net of expenses	123,700	(4,003)
Securities lending activities:		
Securities lending income	265	98
Borrower rebates	295	645
Bank fees	(126)	(178)
Net income from securities lending activities	434	565
Other	107	29
Total additions	253,166	114,741
Deductions:		
Annuities and benefits:		
Employee annuitants	121,730	116,885
Retiree health care benefits	22,835	20,723
Surviving spouse annuitants	22,919	21,279
Child annuitants	153	116
Ordinary disability benefits	413	722
Duty disability benefits	110	159
Total annuities and benefits	168,160	159,884
Refunds of employee contributions	2,011	1,349
Administrative expenses	1,535	1,696
Total deductions	171,706	162,929
Net increase (decrease)	81,460	(48,188)
Net position restricted for pension and OPEB benefits		
Beginning of year	1,435,982	1,484,170
End of year	$ 1,517,442	$ 1,435,982

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Index to Notes

1. Summary of Significant Accounting Policies

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

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

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

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

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

The fund was established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Corporate Fund. These accounts were established under Chapter 70, ILCS 2605/9b of the Illinois Compiled Statutes, which refers to these accounts as a "Working Cash Fund." Amounts borrowed from the Working Cash Fund in one year are generally repaid by the Corporate Fund from tax collections received during the subsequent year. Also included in this fund are accounts of the "Reserve Claim Fund," established under Chapter 70, ILCS 2605/12 of the Illinois Compiled Statutes, which is restricted for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, deferred inflows of resources and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2016 are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Assets				
Cash	$ 19,388	$ 17,990	$ 1,107	$ 291
Certificates of deposit	65,675	34,140	22,015	9,520
Investments	146,736	64,482	66,268	15,986
Prepaid insurance	2,117	2,117	-	-
Receivables:				
Property taxes receivable	237,833	231,888	-	5,945
Allowance for uncollectible taxes	(14,040)	(13,692)	-	(348)
Taxes receivable, net	223,793	218,196	-	5,597
User charges	4,931	4,931	-	-
Miscellaneous	9,363	9,083	-	280
Due from Stormwater Management Fund	101	101	-	-
Restricted deposits	285	285	-	-
Inventories	35,502	35,502	-	-
Total assets	$ 507,891	$ 386,827	$ 89,390	$ 31,674
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable and other liabilities	$ 28,126	$ 27,952	$ -	$ 174
Unearned Revenue	4,855	4,855	-	-
Due to corporate fund from corporate working cash	-	190,000	(190,000)	-
Total liabilities	32,981	222,807	(190,000)	174
Deferred inflows of resources:				
Unavailable tax revenue	174,919	170,544	-	4,375
Total deferred inflows of resources	174,919	170,544	-	4,375
Fund balances:				
Nonspendable:				
Prepaid insurance	2,117	2,117	-	-
Inventories	35,502	35,502	-	-
Restricted for:				
Deposits	285	285	-	-
Working cash	279,390	-	279,390	-
Reserve claims	27,125	-	-	27,125
Unassigned (Deficit)	(44,428)	(44,428)	-	-
Total fund balances	299,991	(6,524)	279,390	27,125
Total liabilities, deferred inflows and fund balances	$ 507,891	$ 386,827	$ 89,390	$ 31,674

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, 2016, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Revenues:				
Property taxes	$ 243,847	$ 237,862	$ -	$ 5,985
Personal property replacement tax	23,436	23,436	-	-
Total tax revenue	267,283	261,298	-	5,985
Interest on investments	1,872	1,052	538	282
Land sales	1,233	1,233	-	-
Tax increment financing distributions	9,228	9,228	-	-
Claims and damage settlements	187	182	-	5
Miscellaneous	3,275	3,158	-	117
User charges	48,621	48,621	-	-
Land rentals	20,166	20,166	-	-
Fees, forfeits and penalties	3,418	3,418	-	-
Total revenues	355,283	348,356	538	6,389
Operations:				
Board of Commissioners	4,158	4,158	-	-
General Administration	15,490	15,490	-	-
Monitoring and Research	28,490	28,490	-	-
Procurement and Materials Management	6,611	6,611	-	-
Human Resources	54,606	54,606	-	-
Information Technology	14,213	14,213	-	-
Law	6,707	6,707	-	-
Finance	3,597	3,597	-	-
Engineering	26,051	26,051	-	-
Maintenance and Operations	177,695	177,695	-	-
Claims and judgments	4,786	-	-	4,786
Total expenditures	342,404	337,618	-	4,786
Revenues over expenditures	12,879	10,738	538	1,603
Net Change in Fund balance	12,879	10,738	538	1,603
Fund balance at the beginning of year	287,112	(17,262)	278,852	25,522
Fund balance at the end of year	$ 299,991	$ (6,524)	$ 279,390	$ 27,125

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, which are all restricted to be used in connection with improvements, replacements, and additions to designated environmental improvement projects.

Retirement Fund

A special revenue fund established in accordance with statutory requirements to account for the annual property taxes and personal property replacement tax (PPRT), which are specifically levied to finance pension costs. These taxes are collected and paid to the Pension Trust Fund (see Note 7).

The District reports the following non-major governmental funds:

Construction Fund

A capital projects fund established to finance smaller construction projects on a pay-as-you-go basis. The Fund is primarily financed with an annual property tax levy and certain other revenues to be used to finance modernization and rehabilitation projects. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9(c) of the Illinois Compiled Statutes, which refers to these accounts as a "Construction Working Cash Fund." Amounts borrowed in one year are generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, deferred inflows of resources and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2016 are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Construction Working Cash Division
Assets			
Cash	$ 2,927	$ 1,461	$ 1,466
Certificates of deposit	5,003	-	5,003
Investments	12,524	8,922	3,602
Receivables:			
Property taxes receivable	13,664	13,664	-
Allowance for uncollectible taxes	(850)	(850)	-
Taxes receivable, net	12,814	12,814	-
Total assets	$ 33,268	$ 23,197	$ 10,071
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 3,368	$ 3,368	$ -
Due to Construction Fund from Construction Working Cash	-	12,000	(12,000)
Total liabilities	3,368	15,368	(12,000)
Deferred inflows of resources:			
Unavailable tax revenue	10,015	10,015	-
Total deferred inflows of resources	10,015	10,015	-
Fund balances:			
Restricted for:			
Working cash	22,071	-	22,071
Unassigned	(2,186)	(2,186)	-
Total fund balances	19,885	(2,186)	22,071
Total liabilities, deferred inflows, and fund balances	$ 33,268	$ 23,197	$ 10,071

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, 2016, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Working Cash Division
Revenues:			
Property taxes	$ 15,193	$ 15,193	$ -
Total tax revenue	15,193	15,193	-
Interest on investments	285	161	124
Miscellaneous	43	43	-
Fees, forfeits and penalties	746	746	-
Total revenues	16,267	16,143	124
Construction Costs:			
Contractual services	1,679	1,679	-
Machinery and equipment	2,335	2,335	-
Capital projects	17,074	17,074	-
Total expenditures	21,088	21,088	-
Revenues over (under) expenditures	(4,821)	(4,945)	124
Net Change in Fund balance	(4,821)	(4,945)	124
Fund balance at the beginning of year	24,706	2,759	21,947
Fund balance at the end of year	$ 19,885	$ (2,186)	$ 22,071

Stormwater Management Fund

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

The assets, liabilities, deferred inflows of resources and fund balances of the Stormwater Management Fund, detailed as to the Working Cash and Stormwater Management account divisions at December 31, 2016 are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Assets			
Cash	$ 2,154	$ 1,842	$ 312
Investments	18,836	8,264	10,572
Prepaid Insurance	1	1	-
Receivables:			
Property taxes receivable	34,860	34,860	-
Allowance for uncollectible taxes	(1,809)	(1,809)	-
Taxes receivable, net	33,051	33,051	-
Total assets	$ 54,042	$ 43,158	$ 10,884
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 2,062	$ 2,062	$ -
Due to Stormwater Management Fund from Stormwater Working Cash	101	26,601	(26,500)
Total liabilities	2,163	28,663	(26,500)
Deferred inflows of resources:			
Unavailable tax revenue	25,834	25,834	-
Total deferred inflows of resources	25,834	25,834	-
Fund balances:			
Nonspendable:			
Prepaid Insurance	1	1	-
Restricted for:			
Working Cash	37,383	-	37,383
Unassigned	(11,339)	(11,339)	-
Total fund balances	26,045	(11,338)	37,383
Total liabilities, deferred inflows, and fund balances	$ 54,042	$ 43,159	$ 10,883

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, 2016, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Revenues:			
Property taxes	$ 27,308	$ 27,308	$ -
Total tax revenue	27,308	27,308	-
Interest on investments	270	102	168
Total revenues	27,578	27,410	168
Construction Costs:			
Personal services	6,107	6,107	-
Contractual services	4,085	4,085	-
Materials and supplies	4,462	4,462	-
Capital projects	11,561	11,561	-
Fixed and other charges	171	171	-
Total expenditures	26,386	26,386	-
Revenues over expenditures	1,192	1,024	168
Other financing (uses):			
Transfer out to Pension Fund	(3,273)	(3,273)	-
Net Change in Fund balance	(2,081)	(2,249)	168
Fund balance at the beginning of year	28,126	(9,090)	37,216
Fund balance at end of year	$ 26,045	$ (11,339)	$ 37,384

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 to the plan pursuant to legal requirements.

OPEB Trust Fund

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

c. Basis of Accounting and Measurement Focus

Government-wide and Fiduciary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

Property taxes, user charge revenue, interest, land rentals, and personal property replacement tax revenue are susceptible to accrual. In general, the revenue recognition period is limited to amounts collected during the period or within sixty days following year-end. Revenues that are unavailable are reported as deferred inflows of resources.

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

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

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

(1) After the first half of the fiscal year, the Budget Office holds a meeting with departmental budget representatives to discuss policy and procedures for budget preparation that begins in July. Instructions are distributed to departments, together with guidelines from the Executive Director, which indicate the direction the Budget should follow for the coming fiscal year. The basic forms are returned to the Budget Office and a general summary is prepared for the Executive Director, who conducts departmental hearings in September.

(2) A revenue meeting is conducted by the Executive Director, Administrative Services Officer, and Budget Officer, along with those departments responsible for revenue items. Available resources used to finance the Budget are analyzed at this meeting.

(3) It is usual to have two rounds of departmental hearings. When departmental estimates are approved and final decisions are made, a Budget Message is prepared and the proposals of the Executive Director become the initial budget document. After departmental requests are finalized, the Executive Director's Budget Recommendations are published within 15 days. The Executive Director's Budget Recommendations are published and presented to the Board in October. At all times, the Budget figures are balanced between revenues and expenditures.

(4) The Board holds a public hearing on the Capital Improvement Program in October.

(5) The Board's Committee on Budget and Employment holds public meetings with the Executive Director and department heads regarding the Executive Director's proposals.

(6) At the conclusion of these hearings, the Committee on Budget and Employment recommends the preparation of a second document, a supplement to the Executive Director's Budget Recommendations called the "Tentative Budget," which incorporates changes approved at the hearings. Once printed, this is placed on public display, along with the Executive Director's Budget Recommendations, for a minimum of 10 days. An advertisement is published in a general circulation newspaper announcing the availability of the Tentative Budget for inspection at the main office of the District, and specifying the time and date of the public hearing.

(7) At least one public hearing is held between 10 and 20 days after the Budget has been made available for public inspection. All interested individuals and groups are invited to participate.

(8) After the public hearing, the Committee on Budget and Employment presents the Tentative Budget, which includes revisions and the approved Appropriation and Tax Levy Ordinances, to the Board for adoption. This action must take place before January 1.

(9) The Budget, as adopted by the Board, can be amended once at the next Regular Meeting of the Board. No amendment, however, can be requested before a minimum of five days after the Budget has been adopted. Amendments for contracts and/or services not received before December 31 must be reappropriated in the new Budget and are included through this amendment process.

(10) The final budget document "As Adopted and Amended" is produced, and an abbreviated version, known as the "short form" is published in a newspaper of general circulation before January 20 of the fiscal year.

(11) Budget implementation begins on January 1. The Finance Department and Budget Office provide control of appropriations and ensure that all expenditures are made in accordance with budget specifications. The manual entitled "Budget Code Book" is published in conformance with the Adopted Budget and is used to administer, control, and account for the Budget.

(12) Supplemental appropriations can be made for the appropriation of revenues from federal or state grants, loans, bond issues, and emergencies. The Executive Director is authorized to transfer appropriations between line items within an object class of expenditure within a department. After March 1 of each fiscal year, transfers of appropriations between objects of expenditures or between departments must be presented for approval to the Board in accordance with applicable statutes.

(13) The Board can authorize, by a two-thirds majority, the transfer of accumulated investment income between funds and the transfer of assets among the Working Cash Funds.

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 reported at fair value plus accrued interest. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Changes in the carrying value of investments, resulting in realized and unrealized gains or losses, are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term that could materially affect the amounts reported in the statement of net position and in the statement of revenues, expenses and changes in net position.

The investment with the State Treasurer's Illinois Funds is measured at the net asset value per share provided by the pool. The Illinois Funds are not registered with the SEC. State statute requires the State Treasurer's Illinois Funds to comply with the Illinois Public Funds Investment Act (30 ILCS 235). Oversight is provided by the State Treasurer. Investments of the Pension and OPEB Trust Funds, other than short-term investments, are also stated at fair value.

h. **Inventory**, consisting mainly of materials, supplies, and repair parts which maintain and extend the life of the District's Treatment facilities, is reported on the Balance Sheet of the General Corporate Fund and the government-wide Statements of Net Position. The District maintains a perpetual record-keeping system and uses a moving-average method, based on cost, for pricing its storeroom inventories. Materials, supplies, and repair parts are recorded as expenditures/expenses when consumed.

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

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

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

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

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

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

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

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

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

In compliance with Governmental Accounting Standards Board (GASB) Statement 34, existing infrastructure assets accounted for with the modified approach are not reported in the government-wide financial statements until an initial condition assessment is completed for the assets' network. Currently, all the District's WRPs infrastructure assets are reported as infrastructure under the modified approach in the government-wide financial statements. Condition assessments of eligible infrastructure assets must be completed at least every three years following the initial assessments. The Kirie, Central (Stickney), Hanover, O'Brien, Egan, Calumet, Lemont WRPs, and Waterways had their initial condition assessments completed between 2002 and 2006. The Egan and O'Brien networks each had its most recent condition assessment completed in 2016. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2015. The Kirie, Central (Stickney) and Waterways each had its most recent condition assessment completed in 2014. (See further discussion of the modified approach in the Required Supplementary Information Section).

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, 2016, are liabilities for compensated absences of $1,971,000, due within one year, and $22,515,000, due in more than one year.

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

o. **Long-Term Obligations –** Long-term debt and other long-term obligations are reported in the government-wide Statements of Net Position. Bond premiums are reported with bonds payable and amortized over the life of the bonds, which approximates the effective interest method, in the government-wide financial statements. In addition, the refunding transaction cost, representing the excess of the amount required to refund debt over the book value of the old debt, is reported as a deferred outflow of resources and amortized over the shorter of the life of the old debt or new debt in the government-wide financial statements.

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

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

- Nonspendable Fund Balance – This consists of amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.

- Restricted Fund Balance – Reported when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balance – This consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a board motion. The District's commissioners shall establish, modify, or rescind a fund balance commitment by vote of a motion presented to the Board.

- Assigned Fund Balances – This consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District's Board of Commissioners approved a motion authorizing the Executive Director to assign amounts of fund balances to a specific purpose. The District has an assigned fund balance of $145,341,000 in the Capital Improvement Bond Fund, for future capital projects.

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

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

q. Net Position – The government-wide Statements of Net Position display three components of net position, as follows:

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

- Restricted Net Position - This consists of net position that is legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. Net position restricted for working cash and reserve claims is based on legal restrictions, while net position restricted for debt service and capital projects is based on legal restrictions and/or outside parties. The government-wide statement of net position reports $735,309,000 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, but not at the level of detail required for presentation in accordance with accounting principles generally accepted in the United States of America.

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

u. **New Accounting Pronouncement -** Implemented in 2016, GASB Statement No. 72, Fair Value Measurement and Application, enhances comparability of financial statements among governments by clarifying the definition of fair value. This statement provides guidance for applying fair value to certain investments and enhances disclosures for financial reporting.

The District also implemented GASB Statement No. 77, Tax Abatement Disclosures, in 2016. This statement requires disclosure of tax abatement information about 1) a reporting government's own tax abatement agreements and 2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

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, 2016 (in thousands of dollars):

Total fund balances of governmental funds	$ 883,464
Amounts reported for governmental activities in the Statements of Net Position are different because:	
Capital assets are not current financial resources and therefore are not reported as assets in governmental funds. However, capital assets are reported in the Statements of Net Position. The cost of capital assets and accumulated depreciation is as follows:	
Capital assets	7,709,728
Accumulated depreciation/amortization	(282,794)
Capital assets, net	7,426,934
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	(24,486)
Claims and judgments	(40,236)
Capital lease	(41,047)
Bond anticipation notes	(157,390)
General obligation debt	(2,769,608)
Net OPEB obligation	(17,993)
Net Pension liability	(1,073,113)
Due to Pension Trust Fund	(60,208)
Total long-term liabilities	(4,184,081)
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	(195,674)
Bond refunding transactions	5,426
Total bond premium and refunding transactions	(190,248)
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 2016 amount is:	
Accrued interest	(16,145)
Some assets reported in governmental funds do not increase fund balance because the assets are not “available” to pay for current-period expenditures. These assets are offset by deferred inflow of resources in the governmental funds. However, these assets increase net position in the Statements of Net Position. They consist of:	
Deferred property taxes and personal property replacement tax	431,121
Grants and rents	941
Adjustment to deferred inflow of resources	432,062
Deferred outflows of resources represent items related to pension, which will be recognized as a pension expense in future reporting periods. Deferred outflows consist of employer contributions and “other” which includes differences between expected and actual experience, changes of assumptions, and net differences between projected and actual earnings on pension plan investments. However, these items are reported in the Statement of Net Position. They consist of:	
Deferred outflows for employer contributions subsequent to measurement date	80,259
Deferred outflows other pension related amounts	107,700
Adjustment to deferred outflows of resources	187,959
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	101
Due to other funds	(101)
Total interfund	-
Total net position of governmental activities	$ 4,539,945

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, 2016 (in thousands of dollars):

Net change in fund balances of governmental funds	$ 99,064
Amounts reported for governmental activities in the Statements of Activities are different because:	
Construction costs for capital outlays are reported as expenditures in governmental funds. However, in the Statements of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense except for those assets under the modified approach. In the current period, these amounts are:	
Construction costs and other capital outlays	160,565
Depreciation expense-allocated to various departments	(3,519)
Depreciation/amortization expense-unallocated	(12,083)
Excess of construction and capital outlay costs over depreciation expense	144,963
Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statements of Net Position. In the current period, debt proceeds and related items were:	
General obligation bond proceeds	(426,260)
Bond issuance premium	(99,045)
Bond anticipation notes proceeds	(179,224)
Debt proceeds total	(704,529)
Repayment of long-term debt is reported as an expenditure in the governmental funds, or as an other financing use in the case of refunding, but the repayment reduces the long-term liabilities in the Statements of Net Position. In the current year, the repayments consist of:	
Payment to escrow agent for refunded bonds	399,432
Debt service principal retirement	102,670
Debt service principal retirement total	502,102
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	667
Change in claims and judgments	13,334
Change in bond interest	(1,221)
Change in bond anticipation notes interest	(2,154)
Amortization of bond issuance/refunding costs	(835)
Amortization of bond premium	10,502
Change in net pension liability	(30,894)
Change in OPEB costs	7,008
Total additional expenses	(3,593)
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	(49)
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	(27,227)
Grant and rent adjustment	8
Total adjustments	(27,219)
Change in net position of governmental activities	$ 10,739

3. Reconciliation of Budgetary Basis Accounting to GAAP Basis Accounting

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

		General Corporate Fund
Revenues and other sources (uses) over (under) expenditures on a budgetary basis	$	(10,612)
Adjustment from Budget to GAAP for:		
Tax revenues		20,173
Cash basis other revenues		5,507
GAAP versus budgetary expenditure differences		(2,189)
Revenues and other sources (uses) over (under) expenditures on GAAP basis	$	12,879

4. Deposits and Investments

Deposits

As of December 31, 2016, the District, the Pension Trust Fund and OPEB Trust Fund deposits were fully insured and collateralized.

Investments (excluding Trust Funds)

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

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District's investments at December 31, 2016 (in thousands of dollars):

		Investment Maturities	
Investment Type	Fair Value	Less Than 1 Year	1- 5 Years
U.S. Agencies	$ 218,534	$ 138,784	$ 79,750
Municipal Bonds	134,443	70,278	64,165
Commercial Paper	149,878	149,878	-
State Treasurer's Illinois Funds	1	1	-
Total Investments	$ 502,856	$ 358,941	$ 143,915

The Illinois Funds invests 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 $982,000.

Interest Rate Risk

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

Credit Risk

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

Credit ratings for the District's investments in debt securities as described by Standard & Poor's, Moody's and Fitch at December 31, 2016 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

Investment Type	Credit Ratings at 12/31/16 S&P/Moody's/Fitch	% of Investment Type	% of Total Investments in Debt Securities
U.S. Agencies			
Federal Home Loan Mortgage Corporation (FHLMC)	AA+/Aaa/AAA	47.9%	
Federal Home Loan Banks (FHLB)	AA+/Aaa/NR	24.6%	
Federal National Mortgage Association (FNMA)	AA+/Aaa/AAA	22.9%	
Federal Farm Credit Banks (FFCB)	AA+/Aaa/AAA	4.6%	
Total U.S. Agencies		100.0%	43.5%
Commercial Paper	A-1/P-1/F1	100.0%	29.8%
State Treasurer's Illinois Funds	AAAm/NR/NR	100.0%	0.0%
State of Illinois *	BBB/Baa2/BBB+	18.6%	4.9%
Illinois Regional Transportation Authority *	AA/NR/AA	18.5%	4.8%
Illinois Sales Tax *	AAA/NR/AA+	12.6%	3.4%
New York City Transitional Finance Authority *	AAA/Aa1/AAA	10.0%	2.7%
Colorado Housing & Finance Authority *	NR/Aa2/AA	7.5%	2.0%
Dallas Waterworks and Sewer System *	AAA/NR/AA+	3.8%	1.0%
Mississippi Development Bank, Jackson Public School District *	A/NR/NR	3.1%	0.8%
New York State Dormitory Authority*	AAA/Aa1/AA+	2.9%	0.8%
Cook County Illinois *	AA-/A2/A+	2.9%	0.8%
State of Connecticut *	AA-/Aa3/AA-	2.2%	0.6%
Marin California Community College District 1 *	AA+/Aa1/NR	1.9%	0.5%
Long Beach California Bond Finance Authority *	AA-/NR/AA-	1.9%	0.5%
Waukegan, Illinois *	NR/A2/NR	1.7%	0.5%
Peoria County Illinois School District *	NR/Aa2/NR	1.6%	0.4%
Rosemont, Illinois *	AA/Baa1/NR	1.5%	0.4%
Honolulu Hawaii City and County *	NR/Aa1/AA+	1.4%	0.4%
New York State Urban Development Corporate *	AAA/Aa1/AA+	1.2%	0.3%
Maryland State Housing and Community Development *	NR/Aa2/AA	1.1%	0.3%
University of Illinois *	A+/Aa3/NR	1.0%	0.3%
Houston Texas Utility System *	AA/Aa2/AA	0.9%	0.3%
Chicago Illinois Wastewater Transmission *	A/NR/AA	0.8%	0.2%
Baltimore County, Maryland *	AAA/Aaa/AAA	0.7%	0.2%
Holland, Michigan *	AA/NR/NR	0.7%	0.2%
Indiana University *	AAA/Aaa/NR	0.7%	0.2%
Tampa-Hillsborough County Florida Expressway Authority *	A/A2/NR	0.4%	0.1%
State of Texas *	AAA/Aaa/AAA	0.4%	0.1%
			100.0%

* Municipal Bond
NR - Not Rated

Concentration of Credit Risk

The District's goal is to limit the amount that can be invested in commercial paper to one-third of the District's total investments, and no more than 20% of the amount invested in commercial paper can be invested in any one entity. In 2016, the fair value of commercial paper represented 29.8% 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, 2016, the following investments were greater than 5% of total investments (in thousands of dollars):

Investment	Fair Value
Federal Home Loan Mortgage Corporation (FHLMC)	$ 104,717
Federal Home Loan Bank (FHLB)	53,868
Federal National Mortgage Association (FNMA)	49,961
State of Illinois Municipal Bonds	42,079
	$ 250,625

Custodial Credit Risk

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

Trust Fund Investments

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

The OPEB Trust Fund is authorized under State Statute 70 ILCS 2605/9.6(d). In accordance with the Statute, the Trust Fund shall be managed by the District Treasurer in any manner deemed appropriate subject only to the prudent person standard. The Trust adopted its investment policy on November 19, 2009, and revised it on December 19, 2013. Investments shall be limited to publicly traded securities and mutual funds, adequately diversified among various market segments and sectors as well as other developed countries and emerging markets.

At December 31, 2016, the OPEB Trust's assets were invested in open-ended mutual funds traded on national securities exchanges. Investments are stated at fair value. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates.

Interest Rate Risk

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

The following table categorizes the Pension Trust Fund's interest bearing investments and presents the fair value and segmented time distribution of debt securities held by the Pension Trust Fund as of December 31, 2016 (in thousands of dollars):

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**10+ Years**
Fixed Income:					
Pooled Funds - Long Term investments	$ 195,104	$ -	$ -	$ 195,104	$ -
Pooled Funds - Short Term investments	32,493	32,493	-	-	-
Corporate bonds and notes	64,268	2,649	26,302	24,089	11,228
Common collective trust	13,261	324	4,665	7,344	928
U.S. Governmental and government agency obligations	89,998	584	17,466	12,444	59,504
Non-U.S. Government obligations	43,589	69	15,839	19,334	8,347
Mortage backed	4,573	-	-	-	4,573
Asset backed	18,586	88	8,305	1,505	8,688
Total Fixed Income	461,872				
Equities:					
Common Stock	524,405				
Mutual and Comingled Equity	285,515				
Total Equities	809,920				
Total Investments	$ 1,271,792				

The Fund's benefit liabilities extend many years into the future; therefore, the Pension Trust Fund's policy is to maintain a long-term focus on its investment decision-making process. The Fund's fixed income performance objective is the Barclays Capital Aggregate Bond Index.

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

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities for the OPEB Trust Fund's investments at December 31, 2016 (in thousands of dollars):

Investment Type	Fair Value	Percentage	Average Maturities (years)
Fixed Income Mutual Funds:			
Dodge & Cox Income	$ 27,323	44.5%	8.1
Payden Core Bond Fund	7,460	12.2%	8.3
Western Asset Core Plus	26,577	43.3%	11.4
Total Fixed Income	61,360		
Equity Funds:			
Fidelity Contrafund	14,207		
Vanguard Small Cap Index Instl.	7,048		
LSV Value Equity Institutional	15,927		
Fidelity 500 Index Institutional Class	14,890		
Fidelity Mid Cap Index Institutional	6,651		
Artisan International Fund Instl.	11,812		
Harbor International Instl.	11,274		
Total Equity Funds	81,809		
Global Balanced Funds:			
PIMCO All Asset Institutional	16,013		
Money Market Funds	5,590		
Total Investments	$ 164,772		

Credit Risk

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

The following table presents a summarization of the Pension Trust Fund's credit quality ratings of the holdings within the investments at December 31, 2016 (in thousands of dollars):

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

Credit Rating	Investment Type	Fair Value		%
Aaa	U.S. Governmental and Government Agency	$ 89,889		19.4%
Baa1-Baa3	U.S. Governmental and Government Agency	109		0.0
		89,998		19.4
A1-A3	Non-U.S. Governmental	865		0.2
Aa1-Aa3	Non-U.S. Governmental	3,678		0.8
Aaa	Non-U.S. Governmental	1,646		0.4
Baa1-Baa3	Non-U.S. Governmental	568		0.1
Not Rated	Non-U.S. Governmental	36,832		8.0
		43,589	(2)	9.5
A1-A3	Mortgage backed	70		0.0
Aa1-Aa3	Mortgage backed	778		0.2
Aaa	Mortgage backed	3,230		0.7
Baa1-Baa3	Mortgage backed	152		0.0
Not Rated	Mortgage backed	343		0.1
		4,573		1.0
A1-A3	Asset backed	1,199		0.3
Aa1-Aa3	Asset backed	1,862		0.4
Aaa	Asset backed	2,831		0.6
B1-B3	Asset backed	475		0.1
Ba1-Ba3	Asset backed	2,188		0.5
Baa1-Baa3	Asset backed	3,694		0.8
Caa1-Caa3	Asset backed	656		0.1
Not Rated	Asset backed	5,681		1.2
		18,586		4.0
A1-A3	Corporate Bonds and Notes	6,710		1.5
Aa1-Aa3	Corporate Bonds and Notes	2,737		0.6
Aaa	Corporate Bonds and Notes	6,185		1.3
B1-B3	Corporate Bonds and Notes	7,529		1.6
Ba1-Ba3	Corporate Bonds and Notes	2,105		0.5
Baa1-Baa3	Corporate Bonds and Notes	12,143		2.6
Caa1-Caa3	Corporate Bonds and Notes	245		0.1
Not Rated	Corporate Bonds and Notes	26,614		5.8
		64,268		14.0
BB-	Common collective trust-fixed income (3)	13,261		2.9
A	Pooled funds - long term investments	20,896		4.5
Aa	Pooled funds - long term investments	9,111		2.0
Aaa	Pooled funds - long term investments	138,543		30.0
Baa	Pooled funds - long term investments	26,554		5.7
		195,104		42.2
Not Rated	Pooled funds - short term investments	32,493		7.0
		$ 461,872		100.0%

(1) Report details the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Moody's credit rating agency.
(2) Includes foreign currency-denominated investments.
(3) Average credit quality rating is provided by Bank of America Merrill Lynch.

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

The following are the percentages of fixed income investment portfolio securities within each credit-quality rating as of December 31, 2016:

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

Credit Rating	Dodge & Cox Income Fund	Payden Core Bond Fund	Western Asset Core Plus Fund
AAA	51.1 %	7.0 %	48.8 %
AA	3.9	36.0	4.5
A	3.5	11.0	16.3
BBB	32.2	30.0	11.0
BB	5.5	9.0	7.0
B	1.9	4.0	3.9
Below B	1.9	1.0	3.8
Not Rated	0.0	2.0	4.7
	100.0 %	100.0 %	100.0 %

Morningstar Inc. provided the percentage of fixed-income securities that fall within each credit-quality rating as assigned by Standard & Poor's or Moody's credit rating agencies.

The Trust's investment in a money market fund was not individually rated by a nationally recognized statistical rating organization.

Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments are in equities, fixed income and foreign cash. The Pension Trust Fund's exposure to foreign currency risk at December 31, 2016 was as follows:

Common Stock	Fair Value	%
Australian Dollar	$ 7,668,432	5.8
Canadian Dollar	3,893,215	3.0
Swiss Franc	7,597,584	5.8
Danish Krone	2,149,165	1.6
Euro	34,174,033	26.0
British Pound Sterling	19,807,415	15.0
Hong Kong Dollar	4,281,128	3.2
Israeli Shekel	642,762	0.5
Japanese Yen	40,717,765	30.9

Common Stock (cont)	Fair Value	%
Norwegian Krone	2,209,451	1.7
New Zealand Dollar	1,346,081	1.0
Swedish Krona	4,854,784	3.7
Singapore Dollar	2,434,034	1.8
Total	$ 131,775,849	100.0%

Corporate Bonds and Notes	Fair Value	%
Argentina Peso	$ 440,668	0.9
Australian Dollar	361,525	0.8
Canadian Dollar	4,417,145	9.5
Euro	17,350,408	37.3
British Pound Sterling	3,678,366	7.9
Hungarian Forint	1,041,241	2.2
Japanese Yen	13,324,498	28.6
Mexican New Peso	1,150,990	2.5
New Zealand Dollar	2,843,679	6.1
Russian Ruble	479,314	1.0
Swedish Krona	1,060,747	2.3
Turkish Lira	406,379	0.9
Total	$ 46,554,960	100.0%

Foreign Cash	Fair Value	%
Australian Dollar	$ 156,082	12.6
Canadian Dollar	55,432	4.5
Swiss Franc	90,469	7.3
Chinese Yuan	13,809	1.1
Danish Krone	3,040	0.2
Euro	(136,293)	(11.0)
British Pound Sterling	285,856	22.9
Hong Kong Dollar	107,646	8.7
Hungarian Forint	37,991	3.1
Israeli Shekel	2,063	0.2
Japanese Yen	190,804	15.4
Mexican New Peso	123,343	9.9
Norwegian Krone	171,830	13.9
New Zealand Dollar	14,362	1.2
Russian Ruble	39	0.0
Swedish Krona	63,007	5.1
Singapore Dollar	60,748	4.9
Total	$ 1,240,228	100.0%

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

As of December 31, 2016, the OPEB Trust investments in international equity mutual funds stated at fair market value are as follows (in thousands of dollars):

Fund Name	Fair Value
Artisan International Fund	$ 11,812
Harbor International Inst.	11,274
	$ 23,086

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 3 days.

The relationship between the maturities of the investment pool and the Pension Trust Fund's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot determine. The Pension Trust Fund cannot pledge or sell collateral securities without borrower default; as such, the collateral security or non-cash collateral is not reported in the financial statements.

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

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

A summary of securities loaned at fair value as of December 31, 2016 is as follows:

Fair value of securities loaned for cash collateral	$ 40,958,808
Fair value of securities loaned for non-cash collateral	14,898,156
Total fair value of securities loaned	$ 55,856,964
Fair value of cash collateral from borrowers	$ 42,117,674
Fair value of non-cash collateral from borrowers	15,270,691
Total fair value of collateral	$ 57,388,365

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.

Fair Market Value Measurements

The District, the Pension Trust Fund and OPEB Trust Fund adopted GASB Statement No. 72, Fair Value Measurement and Application, in fiscal year 2016. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The District and its fiduciary funds categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of the asset.

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets. Includes common stock, mutual and commingled equity funds, and U.S. Government and government agency obligations and Non-U.S. Government obligations that are traded in active markets and are valued at closing prices on the measurement date.

Level 2 Quoted prices for similar assets or liabilities in active markets, inactive markets, or using other significant inputs which are observable either directly or indirectly. Includes U.S. Government and government agency obligations, non-U.S. Government obligations, mortgage backed securities, asset backed securities, and corporate bonds and notes that are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities and credit spreads, or market corroborated inputs.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable. Includes corporate bonds and notes that are valued using a discounted cash flow technique or consensus pricing.

The carrying amount of investments and fair value hierarchy at December 31, 2016 is shown in the following schedule (in thousands of dollars):

The District		**Fair Value Measurements Using**		
Investments Measured at Fair Value	**12/31/2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Debt Securities				
U.S. Agencies	$ 218,534	$ -	$ 218,534	$ -
Municipal Bonds	134,443	-	134,443	-
Commercial Paper	149,878	-	149,878	-
Total Investments at Fair Value	$ 502,855	$ -	$ 502,855	$ -
Investments Not Measured at Fair Value				
State Treasurer's Illinois Funds	1			
Total Investments	$ 502,856			

The District does not have Level 1 investments. Debt securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The District does not have Level 3 investments.

The Retirement fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table sets forth, by level, within the fair value hierarchy, the investments at fair value as of December 31, 2016:

Retirement Fund		Fair Value Measurements Using		
Investments Measured at Fair Value	**12/31/2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Debt Securities				
U.S. govt and govt agency obligations	$ 89,998	$ 37,451	$ 52,547	$ -
Non-U.S. government obligations	43,589	(112)	43,701	-
Mortgage-backed	4,573	-	4,573	-
Asset-backed	18,586	-	18,586	-
Corporate bonds and notes	64,268	-	64,234	34
Total debt securities	221,014	37,339	183,641	34
Equity Securities				
Common stock	524,405	524,405	-	-
Mutual/commingled equity funds	221,738	221,738	-	-
Total equity securities	746,143	746,143	-	-
Fixed Income - Pooled Funds				
Short term	32,493	-	32,493	-
Long term	195,104	-	195,104	-
Total fixed income - pooled funds	227,597	-	227,597	-
Total investments at fair value	$ 1,194,754	$ 783,482	$ 411,238	$ 34
Investments measured at NAV	77,038			
Total investments at fair value	$ 1,271,792			
Investment derivative instruments				
Foreign currency options (liabilities)	(23)	-	(23)	-
Futures contracts (liabilities)	(112)	(112)	-	-
Total investment derivative instruments	$ (135)	$ (112)	$ (23)	$ -

Investments measured at NAV	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (If Currently Eligible)**	**Redemption Notice Period**
Fixed income				
Common Collective Trust (1)	$ 13,261	-	Monthly	N/A
Mutual & commingled equity funds				
Commingled funds non-US equity (2)	63,777	-	2 times monthly	N/A
Total investments measured at NAV	$ 77,038			

(1) Common Collective Trust - The fund's investment objective is to achieve an attractive total return of income and capital appreciation by investing primarily in high yield fixed income securities and bank loan interests, including secured and unsecured bank loans. The fair value of the investment in the fund has been determined using the NAV per share of the investment.

(2) Commingled Funds non-U.S. Equity - The fund's investment objective is to approximate as closely as practicable the performance of the MSCI ACWI ex USA Index over the long term by investing in other collective investment funds which have characteristics consistent with the fund's overall investment objective. The fair value of the investment in the fund has been determined using the NAV per share of the investment.

The carrying amount of investments and fair value hierarchy of the OPEB Trust is shown in the following schedule as of December 31, 2016:

OPEB Trust		Fair Value Measurements Using		
Investments Measured at Fair Value	**12/31/2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Domestic equity funds	$ 58,724	$ 58,724	$ -	$ -
International equity funds	23,086	23,086	-	-
Domestic fixed-income funds	61,360	61,360	-	-
Global balanced funds	16,013	16,013	-	-
Money market funds	5,589	5,589	-	-
Total Investments at Fair Value	$ 164,772	$ 164,772	$ -	$ -

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Trust does not have Level 2 or Level 3 investments.

5. Receivables, Deferred Inflows of Resources and Payables

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

Receivables

Receivables as of December 31, 2016 in the District's governmental funds and government-wide financial statements, net of uncollectible accounts, are detailed as follows (in thousands of dollars):

	General Corporate	**Debt Service**	**Capital Improvements Bond**	**Retirement**	**Other Governmental**	**Total Governmental**	**Statement of Net Position**
Receivables at December 31, 2016:							
Property taxes:	$ 237,833	$ 231,699	$ -	$ 66,634	$ 48,524	$ 584,690	$ 584,690
Allowance for uncollectible taxes	(14,040)	(12,659)	-	(3,753)	(2,659)	(33,111)	(33,111)
Net property taxes	223,793	219,040	-	62,881	45,865	551,579	551,579
Personal property replacement tax	-	-	-	6,319	-	6,319	6,319
Total taxes receivable, net	223,793	219,040	-	69,200	45,865	557,898	557,898
Other receivables:							
User charges	4,931	-	-	-	-	4,931	4,931
State revolving fund loans	-	-	96,736	-	-	96,736	96,736
Miscellaneous	9,363	-	525	-	-	9,888	9,888
Total other receivables, net	14,294	-	97,261	-	-	111,555	111,555
Total net receivables, December 31, 2016	$ 238,087	$ 219,040	$ 97,261	$ 69,200	$ 45,865	$ 669,453	$ 669,453

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

Deferred Inflows of Resources

Unavailable tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered to be available to liquidate liabilities of the current period. Other unavailable revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Position for rental resources that have been received, but not earned. Other unavailable revenue is reported in the Governmental Funds Balance Sheets for the federal subsidy accrual relating to the direct reimbursement for the District's Build America Bonds. A summary of unavailable revenue as of December 31, 2016 is as follows (in thousands of dollars).

	General Corporate	Debt Service	Capital Improvements Bond	Retirement	Other Govern-mental	Total Govern-mental	Adjust-ments	Statement of Net Position
Deferred inflows of resources at December 31, 2016:								
Property tax revenue	$ 174,919	$ 171,204	$ -	$ 49,149	$ 35,849	$ 431,121	$ (431,121)	$ -
Other amounts:								
Grant revenue	-	-	941	-	-	941	(941)	-
Total deferred revenue at December 31, 2016	$ 174,919	$ 171,204	$ 941	$ 49,149	$ 35,849	$ 432,062	$ (432,062)	$ -

Payables

Payables reported as "Accounts payable and other liabilities" at December 31, 2016 in the District's governmental funds and government-wide financial statements are detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improve-ments Bond	Retirement	Other Govern-mental	Total Govern-mental	Statement of Net Position
Accounts payable and other liabilities at December 31, 2016:							
Vouchers payable and other liabilities	$ 23,212	$ -	$ 45,543	$ -	$ 5,430	$ 74,185	$ 74,185
Accrued payroll and withholdings	3,933	-	-	-	-	3,933	3,933
Bid deposits	981	-	-	-	-	981	981
Unearned revenue	4,855	-	-	-	-	4,855	4,855
Total accounts payable and other liabilities as of December 31, 2016	$ 32,981	$ -	$ 45,543	$ -	$ 5,430	$ 83,954	$ 83,954

6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2016, are as follows (in thousands of dollars):

	Balances January 1, 2016	Additions	Retirements	Balances December 31, 2016
Governmental activities:				
Capital assets not depreciated/amortized:				
Land	$ 130,573	$ 12,330	$ 23	$ 142,880
Permanent easements	1,330	133	-	1,463
Construction in progress	776,948	284,052	519,801	541,199
Infrastructure under modified approach	4,662,520	519,003	136,163	5,045,360
Total capital assets not depreciated/amortized	5,571,371	815,518	655,987	5,730,902
Capital assets depreciated/amortized:				
Buildings	13,226	-	-	13,226
Equipment	60,253	1,011	378	60,886
Computer software	6,141	-	-	6,141
Infrastructure and easements	1,898,573	-	-	1,898,573
Total capital assets being depreciated/amortized	1,978,193	1,011	378	1,978,826
Less accumulated depreciation/amortization:				
Buildings	5,872	185	-	6,057
Equipment	32,665	3,334	352	35,647
Computer software	4,592	692	-	5,284
Infrastructure and easements	224,415	11,391	-	235,806
Total accumulated depreciation/amortization	267,544	15,602	352	282,794
Total capital assets depreciated/amortized, net	1,710,649	(14,591)	26	1,696,032
Governmental activities capital assets, net	$ 7,282,020	$ 800,927	$ 656,013	$ 7,426,934

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 31, 2016, was charged to the District's governmental functions as follows (in thousands of dollars):

Department	Amount
Board of Commissioners	$ 12
General Administration	124
Monitoring and Research	260
Procurement and Materials Management	13
Human Resources	21
Information Technology	517
Law	12
Finance	9
Engineering	1,764
Maintenance and Operations	787
Total allocated depreciation	3,519
Unallocated infrastructure depreciation	12,083
Total depreciation	$ 15,602

7. Pension Plan

Plan Description

The Metropolitan Water Reclamation District Retirement Fund (Pension Trust Fund) is the administrator of a single employer defined benefit pension plan (Plan) in accordance with 40 ILCS 5 of the Illinois Compiled Statutes. Article 13 of the Illinois Pension code grants the authority to establish the defined benefits of the Plan, as well as the employer and employee contribution levels of the Plan and may be amended only by the Illinois Legislature. The District contribution is currently calculated in accordance with state statute as to the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior. For the year ended December 31, 2016, the District's average contribution rate was 40% of annual payroll. The District's actual contribution to the Retirement Fund was $80,259,713.

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

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

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

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

Retirement Eligibility and Benefits

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

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

Tier 2 employees must have at least 10 years of service at age 67 to be eligible to receive an undiscounted retirement benefit. Employees in this tier who reach age 62 with at least ten years of service are entitled to receive a minimum retirement benefit; however, if the employee is less than age 67, the normal retirement benefit is reduced by .5% for each full month the member is less than age 67. A Tier 2 employee is eligible for a refund of accumulated employee contributions without interest if under age 62 regardless of service, or if less than 10 years of service regardless of age on withdrawal. The retirement benefit is calculated as 2.2% of the final average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20 years. The benefit shall not exceed 80% of final average salary. Pensionable salary is limited to $111,572 in 2016 for Tier 2 employees. Tier 2 employees receive a cost of living adjustment as the lesser of 3% and half of the CPI-u for the 12 months ending the September 30th prior to the increase date.

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

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

Employees covered

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive Employees	
Employees or beneficiaries currently receiving benefits	2,394
Entitled but not yet receiving benefits	135
Active Employees	1,843
Total Members	4,372

Basis of Accounting

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

Net Pension Liability and the Changes in the Net Pension Liability

The District's measurement date for GASB 68 is December 31, 2015. The Pension Plan has a measurement date of December 31, 2016. A copy of the Pension Plan CAFR for 2016 may be obtained by accessing the Metropolitan Water Reclamation District Retirement Fund's website at www.mwrdrf.org. The net pension liability at December 31, 2016 is $1,073,113,000, which is an increase from the December 31, 2015 balance of $947,300,000.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at beginning of year	$ (2,285,095)	$ 1,337,795	$ (947,300)
Service Cost	(32,228)	-	(32,228)
Interest	(168,530)	-	(168,530)
Difference between expected and actual experiences	(14,422)	-	(14,422)
Benefit payments	140,509	(140,509)	-
Contributions-employer 2015	-	71,041	71,041
Contributions-employer 2016	-	-	-
Contributions-employee	-	21,385	21,385
Net investment income	-	(1,428)	(1,428)
Difference between projected and actual earnings	-	-	-
Current year amortization	-	-	-
Administrative expenses	-	(1,660)	(1,660)
Other	-	29	29
Balances at end of year	$ (2,359,766)	$ 1,286,653	$ (1,073,113)

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

At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands of dollars):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance as of 12/31/2015	$ 20,415	$ -
Differences between expected and actual experience	10,208	-
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	77,077	-
	$ 107,700	$ -

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

Year ended December 31:	
2017	$ 27,034
2018	27,034
2019	27,034
2020	24,194
2021	2,404
	$ 107,700

The District's contributions to the Retirement Fund subsequent to the measurement date of the net pension liability (December 31, 2014) amounted to $80,259,000 and are reported as deferred outflows of resources.

Actuarial Methods and Assumptions

The District's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District chose to use a measurement date one year in arrears. The total pension liability in the December 31, 2015 actuarial valuation was determined using the Entry Age Normal actuarial cost method and using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for a five year period ending December 31, 2013.

Investment Allocation and Rate of Return

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

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity	42%	5.3%
International Equity	23%	5.1%
Bonds	35%	(0.1)%

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

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

	1% Decrease 6.5%	Current Discount Rate of 7.5%	1% Increase 8.5%
Net Pension Liability	$ 1,361,929	$ 1,073,113	$ 841,925

Payable to the Pension Plan and Pension Expense

At December 31, 2016, the District reported a payable of $80,259,000 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2016. The pension expense for the year ended December 31, 2016 was $109,569,000.

8. OPEB - Other Post-Employment Benefits

Plan Description

The Metropolitan Water Reclamation District Retiree Health Care Trust (OPEB Trust) administers the financing and payment of other post employment benefits for the Metropolitan Water Reclamation District of Greater Chicago. Pursuant to Illinois Statute 70 ILCS 2605/9.6(d), the District adopted the Metropolitan Water Reclamation District Retiree Health Care Plan (Plan) effective December 6, 2007. The purpose of the Plan is to provide postretirement medical and prescription drug coverage benefits to retirees as well as spouses and dependents of retirees that fulfill certain eligibility requirements. Retirees and annuitants receiving a pension through the Pension Trust Fund are eligible for District sponsored health insurance. As of December 31, 2016 there are 2,775 retirees and beneficiaries currently receiving health care coverage.

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

Basis of Accounting

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

Contributions

The District has not entered into any long-term contracts for contributions to the plan as of the date of this report. State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners discretionary authority to determine contribution amounts to be paid by the District. The OPEB Funding Policy includes a target funded ratio of 100% with an expected funding period of 12 years (beginning in 2015). In 2016, $5,000,000 was contributed by the District to the OPEB Trust Fund bringing the total contributed through December 31, 2016 to $122,400,000. 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 37.5% of the premium and the District pays the remaining 62.5%. Each year for the next five 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 2016 by the District was $19,917,000, all claims paid (net of participant contributions).

Annual OPEB Cost and Net OPEB Obligation

The following OPEB cost and net OPEB obligation was determined for the year ended December 31, 2016 (in thousands of dollars).

Annual required contribution (ARC)	$ 12,472
Interest on net OPEB obligation	2,053
Adjustment to annual required contribution	(1,616)
Annual OPEB cost	12,909
Contributions made	(19,917)
Increase (decrease) in net OPEB obligation	(7,008)
Net OPEB obligation beginning of year	25,001
Net OPEB obligation end of year	$ 17,993

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)
12/31/2016	12/31/2015	$ 149,329	$ 286,646	$ 137,317	52.1%	$ 176,757	77.7%

Actuarial Methods and Assumptions

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

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

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

The annual required contribution for the current year actuarial valuation uses the entry age normal actuarial cost method and the level percentage of payroll amortization method. Additional assumptions are summarized in the following table:

Valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Amortization method and period	30 years, open, level percentage of payroll
Asset valuation method	Fair market value
Discount rate	6.75%
Inflation Rate	3.00%
Health care cost trend rates	8.0% Initial rate, 4.5% Ultimate rate, 2021 Ultimate Year
Annual projected payroll growth rate	3.60%

Trend Information

The OPEB annual required contribution, percentage of annual required contributions contributed and net OPEB obligation for the year ending December 31, 2016, are presented below (in thousands of dollars):

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Annual Contributions to Trust	Percentage Contributed
2016	$ 12,472	$ 19,917	159.7%
2015	12,472	18,317	146.9
2014	13,212	33,717	255.2

9. Commitments and Rebatable Arbitrage Earnings

The General Corporate Fund has existing purchase order encumbrances of $1,064,343 at December 31, 2016. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were $486,339,638 at December 31, 2016. State Revolving Fund Loan commitments of $152,090,821 at December 31, 2016, 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, 2016, the District has no arbitrage rebate liability.

National Pollutant Discharge Elimination System

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

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

Several non-governmental organizations ("NGOs") filed a third party appeal of the NPDES permits for all three plants arguing that the 1.0 mg/L phosphorous limit was insufficient to meet water quality standards. The Illinois Pollution Control Board (IPCB) disposed of the case via summary judgment, but this ruling was recently overturned by the Illinois Court of Appeals. The Court of Appeals has remanded the case back to the IPCB. After the remand, the District and NGOs reached a settlement. In that settlement, the District and the NGOs agreed to recommend that IEPA add three additional special conditions into the NPDES permits. Under these additional conditions, the District will fund a super-gauge to monitor nutrients in the lower Des Plaines River (estimated to be approximately $300,000 over the next four years), hire a consultant to prepare an implementation plan to address phosphorous in area waterways, and potentially implement that plan. The District will also have to conduct a feasibility study to determine the cost of reducing phosphorous in the WRPs' effluent to certain levels. If required to reduce the phosphorous in the District's effluent to very low levels, the costs could be substantial.

The settlement is contingent upon the NPDES permits being reissued and becoming final.

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

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

NPDES Citizen Suit. In May 2011, the Natural Resources Defense Council, Sierra Club, and Prairie Rivers Network (the "NGOS") filed a Clean Water Act ("CWA") citizen suit against the District in the District Court alleging violations of CWA-based water quality standards. The District vigorously defended against this lawsuit, and ultimately reached a settlement at the same time as it reached a settlement in the NPDES permit appeal pending before the IPCB. As part of this settlement, in addition to agreeing to recommend that IEPA add three more special conditions into its NPDES permits for Calumet, Stickney, and O'Brien WRPs, the District agreed to pay approximately $1.8 million to plaintiffs' attorneys in fees and costs.

The settlement, including the $1.8 million payment, is contingent upon the NPDES permits being reissued and becoming final.

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

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 also be 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, 2016, is between $27.5 million and $42.4 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site clean-up costs. Negotiations are ongoing between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. The current estimated cost was determined to be $33,575,000 with an estimated cost recoverable amount of $22,150,000 resulting in $11,425,000 being recognized at December 31, 2016 in the liabilities of the government-wide financial statements. Of this amount, $2,000,000 is classified as a short-term liability and the remaining $9,425,000 is considered a long-term liability. These estimates are subject to changes as a result of price increases, changes in technology and new laws and regulations. These estimates were generated using the expected cash flows technique. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset.

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

Additional insurance policies in effect at December 31, 2016, are listed below. The Excess Workers' Compensation policy 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:

Marine Liability	
Aggregate	$10,000,000
Deductible	$10,000
Excess Liability	
Aggregate	$50,000,000
Deductible	$1,000,000
Deductible - Flood Class Action	$5,000,000
Deductible - Employers Liability	$2,000,000
Government Crime	
Forgery or Alteration	
Per Occurrence	$750,000
Deductible	$50,000
Employee Theft (including Faithful Performance)	
Per Occurrence	$6,000,000
Deductible	$100,000
Computer Fraud	
Per Occurrence	$6,000,000
Deductible	$100,000
Funds Transfer Fraud	
Per Occurrence	$6,000,000
Deductible	$100,000
Property Insurance	
Per Occurrence	$1,500,000,000
Deductible	$1,000,000
Earth Movement	
Per Occurrence	$250,000,000
Deductible	$1,000,000
Flood and Water Damage	
Per Occurrence	$250,000,000
Deductible	$1,000,000
Flood and Water Damage - Lockport Powerhouse	
Per Occurrence	$200,000,000
Deductible	$1,000,000

Group Travel Accident
Aggregate Limit $10,000,000
Accidental Death
Per Employee (5 times salary up to this maximum) $500,000
Accidental Dismemberment, Paralysis and other Coverages
Per Loss...% per Schedule
Pension & Welfare Fiduciary Liability
Aggregate $5,000,000
Self-Insured Retention..$10,000
Group Term Life (basic)
Per Employee $20,000

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

	2016	2015
Claims Payable at January 1	$ 53,570	$ 35,668
Claims incurred	4,786	5,903
Changes in prior years' claims estimate	(13,334)	17,902
Claim payments	(4,786)	(5,903)
Claims Payable at December 31	$ 40,236	$ 53,570

11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2016 (in thousands of dollars):

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Governmental long-term liabilities:					
Bonds and notes payable:					
General obligation debt	$ 1,983,806	$ 426,260	$ (447,021)	$ 1,963,045	$ 52,690
Converted bond anticipation notes	671,559	185,685	(50,681)	806,563	58,532
Bond anticipation notes	161,697	181,378	(185,685)	157,390	-
Total bonds & notes payable	2,817,062	793,323	(683,387)	2,926,998	111,222
Other Bond Cost:					
Premium	115,423	99,045	(18,794)	195,674	13,426
Net bonds and notes payable	2,932,485	892,368	(702,181)	3,122,672	124,648
Other liabilities:					
Claims and judgments	53,570	-	(13,334)	40,236	11,308
Compensated absences	25,153	266	(933)	24,486	1,971
Capital lease (note 14)	43,405	-	(2,358)	41,047	2,473
OPEB obligation (note 8)	25,001	-	(7,008)	17,993	-
Net pension liability, (note 7)	947,300	457,247	(331,434)	1,073,113	-
Total governmental long-term liabilities	$ 4,026,914	$ 1,349,881	$ (1,057,248)	$ 4,319,547	$ 140,400

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

As of December 31, 2016, the annual debt service requirements for general obligation bonds are shown below (in thousands of dollars):

Bonds Payable Maturity Table

Maturing	Capital Improvement & Alternate Revenue Bond Series (2.000-5.720%) (Issued 08/09 to 7/16)	Refunding (2.00-5.00%) (Issued 03/07 to 7/16)	State Revolving Funds Series (0.0-2.905%) (Issued 06/96 to 07/16)	Total Principal	Total Interest
2017	$ 23,310	$ 29,380	$ 58,532	$ 111,222	$ 117,604
2018	29,450	26,000	55,867	111,317	114,041
2019	22,410	33,070	54,833	110,313	110,197
2020	13,740	35,530	52,657	101,927	106,374
2021	15,065	35,500	53,049	103,614	102,891
2022-2026	100,265	171,895	249,803	521,963	460,496
2027-2031	202,430	196,180	192,662	591,272	365,691
2032-2036	423,695	188,240	89,160	701,095	225,133
2037-2041	311,480	-	-	311,480	60,467
2042-2045	105,405	-	-	105,405	13,727
	$ 1,247,250	$ 715,795	$ 806,563	$ 2,769,608	$ 1,676,621

Expenditures for principal and interest made on January 1, 2017 approximated $29,495,000 and $7,598,000, respectively.

Alternate Revenue Bonds

Bond proceeds of $50.0 million 2016 Tax Series E bonds and $50.0 million 2014 Tax Series B bonds will be used to fund a portion of the Stormwater Management Program projects. The pledge of the Stormwater Management Fund tax levy will remain until their final maturities in December 2045. The District has covenanted in the Series 2016E and 2014B Bond Ordinances to provide for, collect, and apply such Stormwater Management Tax Receipts to the payment of the 2016E and 2014B Bonds, and the provision of not less than an additional .25 times the annual debt service on the 2016E and 2014B bonds. The amount of pledges remaining at December 31, 2016 is $191,034,000 as shown below (in thousands of dollars).

Issue	Pledged Revenue Collected	Debt Service Principal	Expenditures Interest	Total
2016 Tax Series E	$ 0	$ 50,000	$ 49,462	$ 99,462
2014 Tax Series B	5,397	49,080	42,492	91,572
Total	$ 5,397	$ 99,080	$ 91,954	$ 191,034

2016 Bond Issues

In June 2016, the District issued $280,930,000 in General Obligation Refunding Bonds, Unlimited Tax Series A, with maturity dates from 2023 to 2031. The bonds were issued at a premium of $68,206,452. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1. The bonds were issued to refund $346,600,000 of outstanding principal amount, plus accrued interest, of the May 2006 Unlimited Tax Series.

In June 2016, the District issued $41,330,000 in General Obligation Refunding Bonds, Limited Tax Series B, with maturity dates from 2023 to 2031. The bonds were issued at a premium of $9,835,301. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1. The bonds were issued to refund $50,790,000 of outstanding principal amount, plus accrued interest, of the May 2006 Limited Tax Series.

In June 2016, the District issued $30,000,000 of Taxable General Obligation Capital Improvement Bonds, Unlimited Tax Series C (Green Bonds), with maturity dates from 2044 to 2045. The bonds were issued at a premium of $5,739,300. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

In June 2016, the District issued $20,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series D (Green Bonds), with maturity dates from 2022 to 2030. The bonds were issued at a premium of $4,718,891. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

In June 2016, the District issued $50,000,000 of Taxable General Obligation Bonds, (Alternate Revenue Source), Unlimited Tax Series E (Green Bonds), with maturity dates from 2022 to 2045. The bonds were issued at a premium of $10,545,322. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

In June 2016, the District issued $4,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series F (Qualified Energy Conservation Green Bonds), with a maturity date of December 1, 2036. Interest accrues on the bonds at a rate of 4.0%, payable on December 1 and June 1.

2015 Bond Issues

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

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

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

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

2011 Bond Issues

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

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

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

2009 Bond Issues

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

2007 Bond Issues

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

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

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

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

2006 Bond Issues

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

The Unlimited Tax Series Bonds were issued to refund the $363,000,000 outstanding principal amount of Variable Rate General Obligation Refunding Bonds, Unlimited Tax Series A, issued June 2002. The Limited Tax Series Bonds were issued to refund the $53,000,000 outstanding principal amount of Variable Rate General Obligation Refunding Bonds, Limited Tax Series B, issued June 2002. The May 2006 Unlimited and Limited Tax Series Bonds were fully refunded in June 2016.

In July 2006, the District issued $250,000,000 of General Obligation Capital Improvement Bonds, Limited Tax Series, with maturity dates from 2010 to 2033. The bonds were issued at a premium of $9,323,100. Interest accrues on the bonds at a rate of 5.0%, payable December 1 and June 1. An amount of $110,435,000 of these bonds was due to mature in the years 2027 to 2033, which was refunded in March 2007. An amount of $76,050,000 of these bonds was due to mature in the years 2017 to 2022, which was refunded in January 2015.

Capital Improvement Bonds, IEPA Series

The District has adopted bond ordinances authorizing issuance of its general obligation bonds to the Illinois Environmental Protection Agency (IEPA). The most recent such authorization was pursuant to a bond ordinance adopted in calendar year 2016 in the amount of $500,000,000 for Capital Improvement Bonds, 2016 IEPA Series. The IEPA approves various capital improvements related to sewage treatment works and flood control facilities for funding from the State Water Pollution Control Revolving Loan Fund (SRF). Once a project has been approved, the State offers the District a loan from the State's Revolving Loan Fund, 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:

2016	$ 155,900,000

In 2014, the District authorized the issuance of $425,000,000 of Capital Improvement Bonds, 2014 IEPA Series, for capital improvements related to sewage treatment works and flood control facilities. The terms and conditions are similar to the 2016 IEPA Series. Under this authority, the IEPA has subsequently approved the following loan amounts:

2016	$ 151,200,000
2015	$ 54,600,000
2014	$ 83,600,000
2012	$ 17,400,000

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

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

State Revolving Fund (SRF) Loan proceeds of $179,224,000 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 $179,224,000 and interest of $2,154,000 through the balance sheet date on bond anticipation notes resulting in the total increase to long-term debt of $181,378,000.

The converted bond anticipation notes, a reduction of long-term debt, for $185,685,000 in 2016 represented the sum of converted bond anticipation note principal of $183,325,000 and interest in the amount of $2,360,000.

2016 Bond Issues and adjustments to existing issues under the IEPA 2009, 2012, and 2014 authority, included:

- July 2016 – The District issued $2,329,000 of Capital Improvement Bonds - IEPA Series 09D, through the conversion of the sum of bond anticipation note principal of $2,286,000 and interest of $43,000 with maturity dates from January 1, 2017 to July 1, 2033. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

- July 2016 – The District issued $165,000 of Capital Improvement Bonds - IEPA Series 12B, through the conversion of the sum of bond anticipation note principal of $161,000 and interest of $4,000 with maturity dates from January 1, 2017 to January 1, 2034. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

- July 2016 – The District issued $10,720,000 of Capital Improvement Bonds - IEPA Series 12C, through the conversion of the sum of bond anticipation note principal of $10,559,000 and interest of $161,000 with maturity dates from January 1, 2017 to January 1, 2036. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

- July 2016 – The District issued $5,980,000 of Capital Improvement Bonds - IEPA Series 12D, through the conversion of the sum of bond anticipation note principal of $5,897,000 and interest of $83,000 with maturity dates from January 1, 2017 to July 1, 2035. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

- July 2016 – The District issued $310,000 of Capital Improvement Bonds - IEPA Series 12E, through the conversion of the sum of bond anticipation note principal of $308,000 and interest of $2,000 with maturity dates from January 1, 2017 to January 1, 2035. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

- July 2016 – The District issued $22,729,000 of Capital Improvement Bonds - IEPA Series 12F, through the conversion of the sum of bond anticipation note principal of $22,481,000 and interest of $248,000 with maturity dates from January 1, 2017 to July 1, 2035. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

- July 2016 – The District issued $9,384,000 of Capital Improvement Bonds - IEPA Series 12H, through the conversion of the sum of bond anticipation note principal of $9,249,000 and interest of $135,000 with maturity dates from January 1, 2017 to July 1, 2035. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

- July 2016 – The District issued $3,434,000 of Capital Improvement Bonds - IEPA Series 12I, through the conversion of the sum of bond anticipation note principal of $3,388,000 and interest of $46,000 with maturity dates from January 1, 2017 to July 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

- July 2016 – The District issued $491,000 of Capital Improvement Bonds - IEPA Series 12J, through the conversion of the sum of bond anticipation note principal of $484,000 and interest of $7,000 with maturity dates from January 1, 2017 to January 1, 2035. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

- July 2016 – The District issued $2,137,000 of Capital Improvement Bonds - IEPA Series 12K, through the conversion of the sum of bond anticipation note principal of $2,105,000 and interest of $32,000 with maturity dates from January 1, 2017 to July 1, 2035. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

- July 2016 – The District issued $30,082,000 of Capital Improvement Bonds - IEPA Series 12L, through the conversion of the sum of bond anticipation note principal of $29,520,000 and interest of $562,000 with maturity dates from January 1, 2017 to July 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

- July 2016 – The District issued $2,460,000 of Capital Improvement Bonds - IEPA Series 12N, through the conversion of the sum of bond anticipation note principal of $2,431,000 and interest of $29,000 with maturity dates from January 1, 2017 to January 1, 2036. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

- July 2016 – The District issued $2,748,000 of Capital Improvement Bonds - IEPA Series 12O, through the conversion of the sum of bond anticipation note principal of $2,713,000 and interest of $35,000 with maturity dates from January 1, 2017 to July 1, 2035. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

- July 2016 – The District issued $72,515,000 of Capital Improvement Bonds - IEPA Series 14A, through the conversion of the sum of bond anticipation note principal of $71,679,000 and interest of $836,000 with maturity dates from January 1, 2017 to July 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

- July 2016 – The District issued $2,310,000 of Capital Improvement Bonds - IEPA Series 14B, through the conversion of the sum of bond anticipation note principal of $2,295,000 and interest of $15,000 with maturity dates from January 1, 2017 to January 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

- December 2016 – The District issued $16,663,000 of Capital Improvement Bonds - IEPA Series 14C, through the conversion of the sum of bond anticipation note principal of $16,545,000 and interest of $118,000 with maturity dates from January 1, 2017 to January 1, 2036. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

- July 2016 – The District issued $1,228,000 of Capital Improvement Bonds - IEPA Series 14J, through the conversion of the sum of bond anticipation note principal of $1,224,000 and interest of $4,000 with maturity dates from January 1, 2017 to January 1, 2036. Interest on the bonds accrues at a rate of 2.21%, 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 $157,390,000 at December 31, 2016. Of the bond anticipation notes outstanding at December 31, 2016, $47,741,000 will be financed through IEPA Series 2012 bonds, $55,954,000 will be financed through IEPA Series 2014 bonds, and the remaining $53,695,000 will be financed through IEPA series 2016 bonds. None of these outstanding bond anticipation notes are expected to be repaid within the next calendar year; therefore, the notes are reported as part of long-term debt.

Refunding Transactions

The District had no outstanding defeased obligations at December 31, 2016. In 2016 all defeased bonds outstanding were called and fully paid by assets held in trust. In 2016, a deposit of $399,432,000 was made to an escrow agent to fully refund 2006 general obligation capital improvement bonds, with a net carrying value of $405,682,000, for a gain on refunding of $6,250,000. The new debt has a par value of $322,260,000 and a premium of $78,041,000. The District completed the refunding to reduce its total debt service payments over the next sixteen years by $120,848,000 resulting in an economic gain of $97,336,000.

12. Interfund Transactions

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

Individual interfund receivable and payable balances at December 31, 2016 are as follows (in thousands of dollars):

	Interfund	
	Receivables	**Payables**
General Corporate Fund	$ 101	$ -
Capital Projects Funds:		
Stormwater Management Fund (Nonmajor Fund)	-	101
	$ 101	$ 101

In addition to the previous table, amounts were due from the Primary Government to the Pension Trust Fund of $20,051,000 at December 31, 2016 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. In 2016, the Treasurer of the District transferred $3,272,650 for principal and interest payments on the 2014 Alternate Bond Debt service from the Stormwater Management Fund. There was also a transfer of $2,378,525 made from the Debt Service fund to the Capital Improvement Bond fund for accumulated Build America Bond interest credit. Transfers are eliminated in the government-wide Statements of Activities.

13. Property Tax Extension Limitation Law

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

As part of the District's Property Tax Levy subject to the Illinois Property Tax Extension Limitation Law, the Construction Fund Property Tax Levy is adjusted downward if the estimated increase in the aggregate is more than the allowable extension under the Law.

In Section 18-195 of the Law, the County Clerk is instructed to proportionally reduce all the levies subject to the limitation unless the taxing district requests otherwise. Through the Levy ordinances, MWRD requests the County Clerk to reduce the entire reduction to the aggregate levy by reducing the Construction Fund as required by 18-195 of the law. In Ordinance O15-005, the 2016 Construction Fund Property Tax Levy, Section 3 specifically states that "entire reduction in the aggregate of all tax levies for said District for the year 2016 required by said Law shall be taken against the Construction Fund levy as set forth in this Ordinance."

In addition, the individual tax levies of the Corporate, Construction, Reserve Claim, Stormwater Management, 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. The Debt Service Fund is limited through debt service extension limitations under the Property Tax Extension Limitation Law.

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 2016, the District incurred expenses of approximately $2,358,000 for principal and $2,032,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

As of December 31, 2016, 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
2017	2,473	1,916	4,389
2018	2,595	1,795	4,390
2019	2,722	1,668	4,390
2020	2,856	1,534	4,390
2021	2,996	1,394	4,390
2022-2026	17,334	4,615	21,949
2027-2029	10,071	620	10,691
Total Minimum Lease Payments	$ 41,047	$ 13,542	$ 54,589

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, 2016 (in thousands of dollars):

2017	$ 15,020
2018	14,763
2019	14,311
2020	14,311
2021	14,303
Later Years	360,289
Total Minimum Future Rental Income	$ 432,997

The cost of the land associated with the commercial leases is $5,836,600. The District does not lease any depreciable assets.

15. Tax Abatements

The District has one tax abatement agreement with the Boeing Company with regard to the Corporate Headquarters Relocation Act in which property taxes are being abated. The agreement was entered into at the authority of the Metropolitan Water Reclamation District (as a taxing district) and the District's Board authorization. Eligibility began with the Boeing Project whereby Boeing moved its corporate headquarters to the City of Chicago and qualified as an eligible business under the Relocation Act. This includes $25,000,000 annual world-wide revenues, satisfaction of the MBE/WBE requirements, compliance with the resident hiring and prevailing wage requirements, and employing at least 500 full time employees within the City of Chicago, and lease and occupy not less than 150,000 rentable square feet in the 100 North Riverside building.

The District's taxes are reduced by way of a reimbursement to Boeing in an amount equal to the allocable share of the real estate taxes, or 6.203%. The District is entitled to terminate the agreement or recover all payments if Boeing defaults on their commitments. The 2016 taxes abated totaled $115,784.

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

Modified Approach for Eligible Infrastructure Assets

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

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

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

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

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

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

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

Condition assessments of each network will continue at least every three years following the initial assessment. The Kirie, Central (Stickney), and Waterways networks were re-assessed in 2014, the Hanover, Calumet, and Lemont networks were re-assessed in 2015 and the Egan and O'Brien networks were re-assessed in 2016..

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

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Condition Assessment Ratings					
Kirie WRP Network					
Subsequent assessment - 2008	3	3	3	NA	NA
Subsequent assessment - 2011	3	3	3	NA	NA
Subsequent assessment - 2014	3	3	3	NA	NA
Hanover WRP Network					
Subsequent assessment - 2009	3	2	2	NA	2
Subsequent assessment - 2012	3	2	3	NA	2
Subsequent assessment - 2015	2	3	3	NA	3
Egan WRP Network					
Subsequent assessment - 2010	3	3	3	NA	NA
Subsequent assessment - 2013	3	3	3	NA	NA
Subsequent assessment - 2016	3	3	2	NA	NA
O'Brien WRP Network					
Subsequent assessment - 2010	3	3	3	NA	NA
Subsequent assessment - 2013	3	2	2	NA	NA
Subsequent assessment - 2016	3	3	3	NA	NA
Central (Stickney) WRP Network					
Subsequent assessment - 2008	3	3	3	NA	2
Subsequent assessment - 2011	3	3	3	NA	2
Subsequent assessment - 2014	3	3	3	NA	3
Waterways WRP Network					
Subsequent assessment - 2008	NA	NA	NA	2	NA
Subsequent assessment - 2011	NA	NA	NA	3	NA
Subsequent assessment - 2014	NA	NA	NA	3	NA
Calumet WRP Network					
Subsequent assessment - 2009	3	3	3	NA	2
Subsequent assessment - 2012	3	2	2	NA	2
Subsequent assessment - 2015	3	2	3	NA	2
Lemont WRP Network					
Subsequent assessment - 2009	3	3	3	NA	NA
Subsequent assessment - 2012	3	3	3	NA	NA
Subsequent assessment - 2015	3	3	3	NA	NA
Maintenance/Preservation Costs					
Kirie WRP Network					
Estimated 2016	$ 5,176,151	$ 4,410,046	$ 465	$ 786,000	$ -
Actual 2016	2,015,494	4,454,223	12,067	267,794	-
Estimated 2015	1,073,222	670,865	533,408	-	528,008
Actual 2015	2,405,430	3,475,534	763,968	223,105	-
Estimated 2014	6,929,813	3,360,179	40,621	-	402,000
Actual 2014	8,799,253	3,344,290	35,258	-	142,921
Estimated 2013	1,535,713	4,244,436	108,696	-	1,167,000
Actual 2013	680,616	2,800,304	82,684	-	866,076
Estimated 2012	584,663	7,960,196	210,624	-	5,728,926
Actual 2012	795,534	6,799,659	28,110	-	5,440,496

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Hanover WRP Network					
Estimated 2016	$ 484,028	$ 3,119,591	$ 676,096	$ 200,000	$ 214,300
Actual 2016	646,796	2,424,545	720,040	-	377,701
Estimated 2015	1,054,822	696,765	519,408	-	517,408
Actual 2015	1,703,347	2,534,283	1,213,150	-	33,479
Estimated 2014	142,317	732,151	674,596	-	65,800
Actual 2014	243,960	855,994	543,204	-	-
Estimated 2013	155,517	778,851	1,808,221	-	72,400
Actual 2013	231,153	1,014,670	1,581,782	-	29,223
Estimated 2012	191,617	797,168	3,345,043	-	28,200
Actual 2012	199,915	959,531	567,985	-	28,416
Egan WRP Network					
Estimated 2016	$ 1,831,349	$ 6,066,015	$ 5,202,317	$ 77,905	$ 14,400
Actual 2016	1,889,009	8,092,469	7,057,944	87,156	253,655
Estimated 2015	1,513,197	4,403,940	3,821,483	610,475	-
Actual 2015	2,261,452	3,590,430	4,257,420	14,735	-
Estimated 2014	626,241	2,885,084	8,833,464	-	-
Actual 2014	862,655	3,026,570	5,957,431	-	-
Estimated 2013	653,741	4,350,679	2,045,064	-	-
Actual 2013	865,065	3,744,215	1,758,866	-	-
Estimated 2012	785,152	4,419,441	1,206,657	-	-
Actual 2012	903,678	4,488,430	1,511,647	-	-
O'Brien WRP Network					
Estimated 2016	$ 9,572,949	$ 13,372,590	$ 690,100	$ 1,383,300	$ 41,100
Actual 2016	10,162,949	14,791,414	891,486	792,719	42,768
Estimated 2015	2,771,072	6,201,615	1,501,758	2,740,624	-
Actual 2015	6,890,505	8,135,664	1,260,479	3,840,355	-
Estimated 2014	5,355,115	7,256,184	537,919	3,061,000	-
Actual 2014	5,618,267	8,380,776	432,517	2,732,851	-
Estimated 2013	10,460,115	7,787,840	1,267,919	2,097,000	-
Actual 2013	12,046,926	9,530,828	475,148	3,038,583	-
Estimated 2012	3,301,450	4,565,194	383,608	7,236,000	-
Actual 2012	4,232,213	5,122,387	541,287	11,924,519	-
Central (Stickney) WRP Network					
Estimated 2016	$ 22,316,620	$ 48,806,200	$ 24,028,680	$ 412,700	$ 7,274,800
Actual 2016	72,698,955	32,685,410	33,364,380	6,012,677	21,228,946
Estimated 2015	51,338,722	19,534,565	8,059,908	4,725,000	4,528,808
Actual 2015	14,497,119	11,535,580	3,029,722	781,105	964,557
Estimated 2014	15,875,228	17,334,819	10,565,977	-	1,377,507
Actual 2014	10,557,770	20,427,807	10,398,973	121,615	2,444,671
Estimated 2013	16,102,533	16,765,601	9,453,922	-	2,027,507
Actual 2013	9,431,129	16,923,785	10,563,927	-	1,555,668
Estimated 2012	10,760,149	11,999,337	8,664,888	-	3,566,472
Actual 2012	10,777,690	18,585,996	10,922,993	-	3,135,077

(continued)

	Collection Processes System	Treatment Processes System	Solids Processing System	Flood and Pollution Control System	Solids Drying/ Utilization System
Waterways WRP Network					
Estimated 2016	$ 115,525	$ -	$ -	$ 27,544,100	$ -
Actual 2016	1,149,455	-	-	3,178,612	-
Estimated 2015	-	-	-	9,534,574	-
Actual 2015	-	-	-	6,365,775	-
Estimated 2014	-	-	-	1,314,200	-
Actual 2014	1,437	-	-	831,265	-
Estimated 2013	-	-	-	1,319,000	-
Actual 2013	11,323	-	-	1,047,698	-
Estimated 2012	-	-	-	1,324,200	-
Actual 2012	-	-	-	1,552,914	-
Calumet WRP Network					
Estimated 2016	$ 24,346,293	$ 16,082,140	$ 5,211,367	$ 1,392,200	$ 744,800
Actual 2016	12,644,323	18,205,026	5,457,023	294,111	675,730
Estimated 2015	15,532,197	3,612,840	1,904,283	21,221,249	14,000
Actual 2015	5,004,441	7,014,378	3,798,937	5,119,450	780,400
Estimated 2014	5,891,856	6,156,523	2,241,157	1,949,900	-
Actual 2014	4,295,832	6,741,305	2,366,667	590,908	-
Estimated 2013	6,229,856	6,288,023	2,330,057	915,100	-
Actual 2013	3,505,024	5,932,302	2,416,419	734,104	-
Estimated 2012	5,325,141	8,260,407	2,095,308	709,453	-
Actual 2012	5,255,239	6,140,875	2,157,252	1,042,053	-
Lemont WRP Network					
Estimated 2016	$ 70,200	$ 126,100	$ -	$ -	$ -
Actual 2016	115,903	348,026	262,007	-	-
Estimated 2015	837,722	443,665	-	-	-
Actual 2015	1,415,229	1,321,857	23,898	-	-
Estimated 2014	47,000	34,200	-	-	-
Actual 2014	17,475	417	-	-	-
Estimated 2013	47,000	34,200	-	-	-
Actual 2013	(4,607)	8,294	-	-	-
Estimated 2012	48,004	12,404	-	-	-
Actual 2012	25,000	31,200	-	-	-

Schedule of Changes in the District's Net Pension Liability and Related Ratios
Last Two Fiscal Years (1)
(in thousands of dollars)

	2016	2015
Total pension liability:		
Service cost	$ 32,228	$ 31,602
Interest	168,530	163,338
Changes of benefit terms	-	-
Differences between expected and actual experience	14,422	10,861
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(140,509)	(133,898)
Net change in total pension liability	74,671	71,903
Total pension liability - beginning	2,285,095	2,213,192
Total pension liability - ending	2,359,766	2,285,095
Plan fiduciary net position:		
Contributions - employer	71,041	73,906
Contributions - employee	21,385	18,975
Net investment income	(1,428)	81,601
Benefit payments, including refunds of employee contributions	(140,509)	(133,898)
Administrative expense	(1,660)	(1,407)
Other	29	4
Net change in plan fiduciary net position	(51,142)	39,181
Plan fiduciary net position - beginning	1,337,795	1,298,614
Plan fiduciary net position - ending	1,286,653	1,337,795
Net pension liability - ending	$ 1,073,113	$ 947,300
Plan fiduciary net position as a percentage of the total pension liability	54.52%	58.54%
Covered-employee payroll	$ 177,792	$ 176,184
Net pension liability as a percentage of covered-employee payroll	603.58%	537.68%

(1) The District implemented the provisions of GASB 68 in Fiscal Year 2015. The District has presented as many years as are available and will show information for ten years as the additional years' infomation become available.

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

Year	Actuarially Determined Contributions	Actual Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2016	$ 62,603	$ 71,041	$ (8,438)	$ 177,792	39.96%
2015	64,478	73,906	(9,428)	176,184	41.95%
2014	68,414	92,944	(24,530)	169,376	54.87%
2013	74,829	65,098	9,731	163,817	39.74%
2012	69,393	37,379	32,014	164,275	22.75%
2011	61,873	29,918	31,955	174,486	17.15%
2010	54,790	32,154	22,636	176,915	18.17%
2009	49,758	33,407	16,351	167,865	19.90%
2008	47,090	27,947	19,143	158,831	17.60%
2007	47,369	34,476	12,893	152,767	22.57%

Notes to the Schedule of District Contributions

Valuation Date: The District's actuarially determined contribution (ADC) is calculated as of December 31, 2015.

Methods and Assumptions used to determine the ADC:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay. Prior to 2013, 30 year open amortization. From the 2013 ADC calculation, closed to 2050.
Remaining amortization period	35 years remaining as of 1/1/16
Asset valuation method	5 years smoothed value
Investment rate of return	7.50%
Inflation	2.50%
Salary increases	Vary by service.
Payroll growth	3.70%
Termination rates	Termination rates vary by age and gender.
Mortality rates	Healthy Members: RP-2000 Combined Healthy Mortality Table with Generational Mortality Improvements (Scale AA). Disabled Members: RP-2000 Disabled Retiree Mortality Table.
Retirement rates	Retirement rates are based on the most recent experience analysis and vary by age and service of member. Rates were reduced by 20% as of the 2011 ADC calculation to reflect actual experience.
Disability rates	Disability rates vary by age.

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. The Pension Plan has a measurement date of December 31, 2016.

Progress in Funding Other Post Employment Trust Fund

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

(in thousands of dollars)

Period Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL/ (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2015	12/31/2015	$ 149,329	$ 286,646	$ 137,317	52.10%	$ 176,757	77.69%
12/31/2013	12/31/2013	120,883	260,364	139,481	46.43%	164,005	85.05%
12/31/2011	12/31/2011	54,996	394,676	339,680	13.93%	162,853	208.58%

Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was completed as of December 31, 2015.

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

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OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

CONSTRUCTION FUND

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

STORMWATER MANAGEMENT FUND

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

Exhibit B-1
Combining Balance Sheets - Nonmajor Governmental Funds

December 31, 2016

(in thousands of dollars)

	Construction Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2016	2015	2016	2015	2016	2015
Assets						
Cash	$ 2,927	$ 4,561	$ 2,154	$ 2,781	$ 5,081	$ 7,342
Certificates of deposit	5,003	-	-	502	5,003	502
Investments	12,524	21,843	18,836	28,462	31,360	50,305
Prepaid insurance	-	-	1	-	1	-
Taxes receivable, net	12,814	15,923	33,051	23,208	45,865	39,131
Other receivable	-	745	-	-	-	745
Total assets	$ 33,268	$ 43,072	$ 54,042	$ 54,953	$ 87,310	$ 98,025
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable and other liabilities	$ 3,368	$ 4,812	$ 2,062	$ 6,973	$ 5,430	$ 11,785
Due to other funds	-	-	101	77	101	77
Total liabilities	3,368	4,812	2,163	7,050	5,531	11,862
Deferred inflows of resources:						
Unavailable tax revenue	10,015	13,554	25,834	19,777	35,849	33,331
Total deferred inflows of resources	10,015	13,554	25,834	19,777	35,849	33,331
Fund balances:						
Restricted for:						
Working Cash	22,071	21,947	-	37,216	22,071	59,163
Capital projects	-	2,759	37,384	-	37,384	2,759
Unassigned	(2,186)	-	(11,339)	(9,090)	(13,525)	(9,090)
Total fund balances	19,885	24,706	26,045	28,126	45,930	52,832
Total liabilities, deferred inflows, and fund balances	$ 33,268	$ 43,072	$ 54,042	$ 54,953	$ 87,310	$ 98,025

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

Year ended December 31, 2016
(with comparative amounts for prior year)

(in thousands of dollars)

	Construction Fund		Stormwater Management Fund		Total Nonmajor Governmental Funds	
	2016	2015	2016	2015	2016	2015
Revenues						
Revenues:						
Property taxes	$ 15,193	$ 16,617	$ 27,308	$ 20,745	$ 42,501	$ 37,362
Interest on investments	285	332	270	349	555	681
Fees, forfeits and penalties	746	1,218	-	-	746	1,218
User charge	-	300	-	-	-	300
Claims and damage settlements	-	32	-	-	-	32
Miscellaneous	43	-	-	1	43	1
Total revenues	16,267	18,499	27,578	21,095	43,845	39,594
Expenditures						
Current Operations:						
Construction costs	21,088	21,942	26,386	33,219	47,474	55,161
Total expenditures	21,088	21,942	26,386	33,219	47,474	55,161
Revenues over (under) expenditures	(4,821)	(3,443)	1,192	(12,124)	(3,629)	(15,567)
Other financing sources (uses):						
Transfer out to Debt Service Fund	-	-	(3,273)	(2,124)	(3,273)	(2,124)
Total other financing sources (uses)	-	-	(3,273)	(2,124)	(3,273)	(2,124)
Revenues over (under) expenditures and other financing uses	(4,821)	(3,443)	(2,081)	(14,248)	(6,902)	(17,691)
Fund balances						
Beginning of the year	24,706	28,149	28,126	42,374	52,832	70,523
End of the year	$ 19,885	$ 24,706	$ 26,045	$ 28,126	$ 45,930	$ 52,832

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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, 2016

(in thousands of dollars)

Corporate Division	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Board of Commissioners:					
Personal services					
Salaries of regular employees	$ 3,634	$ (33)	$ 3,601	$ 3,519	$ 82
Compensation plan adjustments	29	19	48	46	2
Social security and medicare contributions	69	4	73	71	2
Tuition and training payments	10	10	20	12	8
Personal services not otherwise classified	288	-	288	261	27
Total personal services	4,030	-	4,030	3,909	121
Contractual services					
Travel	10	-	10	8	2
Meals and lodging	15	12	27	16	11
Subscriptions and membership dues	35	-	35	32	3
Payment for professional services	310	(12)	298	188	110
Total contractual services	370	-	370	244	126
Materials and supplies					
Office, printing, and photographic supplies	8	-	8	5	3
Total materials and supplies	8	-	8	5	3
Board of Commissioners total	4,408	-	4,408	4,158	250
General Administration:					
Personal services					
Salaries of regular employees	10,394	(24)	10,370	9,850	520
Compensation plan adjustments	1,006	-	1,006	819	187
Social security and medicare contributions	148	4	152	149	3
Salaries of non-budgeted employees	-	20	20	19	1
Tuition and training payments	125	-	125	42	83
Total personal services	11,673	-	11,673	10,879	794
Contractual services					
Travel	15	-	15	7	8
Meals and lodging	18	-	18	11	7
Postage, freight, and delivery charges	115	-	115	95	20
Compensation for personally owned autos	6	-	6	3	3
Motor vehicle operating services	77	(14)	63	56	7
Reprographic services	118	(4)	114	47	67
Electrical energy	365	-	365	357	8
Natural gas	38	-	38	27	11
Water and water services	6	-	6	5	1
Communication services	3	-	3	3	-
Subscriptions and membership dues	537	209	746	737	9
Rental charges	22	-	22	9	13
Advertising	10	-	10	7	3
Administration building operation	1,120	(57)	1,063	1,027	36

(continued)

(in thousands of dollars)

Corporate Division (continued)	**Budget Amounts** Original	**Budget Amounts** Net Transfers	**Budget Amounts** Final	**Actual Amounts**	**Actual Variance with Final Budget - Positive (Negative)**
General Administration (continued):					
Administration building operation annex	$ 750	$ 70	$ 820	$ 663	$ 157
Payment for professional services	623	(22)	601	514	87
Contractual services not otherwise classified	356	-	356	198	158
Repairs to buildings	100	(5)	95	57	38
Repairs to office furniture and equipment	100	7	107	73	34
Communication equipment maintenance	18	-	18	18	-
Repairs to vehicle equipment	440	14	454	427	27
Total contractual services	4,837	198	5,035	4,341	694
Materials and supplies					
Electrical parts and supplies	15	-	15	7	8
Plumbing accessories and supplies	13	(3)	10	5	5
Hardware	16	-	16	15	1
Office, printing, and photographic supplies	165	(12)	153	120	33
Cleaning supplies	2	-	2	1	1
Wearing apparel	37	-	37	35	2
Books, maps, and charts	4	(2)	2	1	1
Computer software	-	9	9	9	-
Computer supplies	-	3	3	3	-
Materials and supplies not otherwise classified	47	17	64	53	11
Total materials and supplies	299	12	311	249	62
Machinery and equipment					
Machinery and equipment not otherwise classified	10	(10)	-	-	-
Total machinery and equipment	10	(10)	-	-	-
General Administration total	16,819	200	17,019	15,469	1,550
Monitoring and Research:					
Personal services					
Salaries of regular employees	26,702	(16)	26,686	25,360	1,326
Compensation plan adjustments	971	(2)	969	635	334
Social security and medicare contributions	341	16	357	350	7
Salaries of non-budgeted employees	-	2	2	2	-
Tuition and training payments	50	-	50	44	6
Total personal services	28,064	-	28,064	26,391	1,673
Contractual services					
Travel	15	-	15	11	4
Meals and lodging	30	10	40	34	6
Postage, freight, and delivery charges	6	-	6	5	1
Compensation for personally owned autos	30	-	30	27	3
Motor vehicle operating services	1	-	1	1	-
Reprographic services	1	-	1	-	1
Water and water services	1	-	1	-	1

(continued)

Exhibit C-1 (continued)
General Corporate Fund - Corporate and Reserve Claim Divisions
Schedule of Appropriations and Expenditures on a Budgetary Basis

Year ended December 31, 2016

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Monitoring and Research (continued):					
Rental charges	$ 5	$ -	$ 5	$ 2	$ 3
Governmental services charges	17	-	17	17	-
Payment for professional services	164	-	164	81	83
Contractual services not otherwise classified	827	(47)	780	177	603
Repairs to marine equipment	65	-	65	24	41
Repairs to testing and laboratory equipment	444	-	444	355	89
Total contractual services	1,606	(37)	1,569	734	835
Materials and supplies					
Office, printing, and photographic supplies	38	-	38	30	8
Farming supplies	25	13	38	27	11
Laboratory testing supplies and small equipment	350	24	374	308	66
Wearing apparel	23	-	23	13	10
Books, maps, and charts	2	-	2	2	-
Computer supplies	3	3	6	5	1
Fuel	22	-	22	9	13
Materials and supplies not otherwise classified	50	(3)	47	33	14
Total materials and supplies	513	37	550	427	123
Machinery and equipment					
Testing and laboratory equipment	340	-	340	312	28
Total machinery and equipment	340	-	340	312	28
Monitoring and Research total	30,523	-	30,523	27,864	2,659
Procurement and Materials Management:					
Personal services					
Salaries of regular employees	5,393	(3)	5,390	5,065	325
Compensation plan adjustments	70	-	70	46	24
Social security and medicare contributions	70	3	73	71	2
Tuition and training payments	4	-	4	1	3
Total personal services	5,537	-	5,537	5,183	354
Contractual services					
Travel	1	-	1	-	1
Meals and lodging	3	-	3	-	3
Compensation for personally owned autos	2	-	2	2	-
Advertising	127	-	127	111	16
Repairs to buildings	5	-	5	1	4
Repairs to office furniture and equipment	2	-	2	1	1
Computer software maintenance	3	-	3	2	1
Repairs to vehicle equipment	10	-	10	5	5
Repairs to not otherwise classified	40	-	40	-	40
Total contractual services	193	-	193	122	71

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Procurement and Materials Management (continued):					
Materials and supplies					
Metals	$ 125	$ (29)	$ 96	$ 96	$ -
Electrical parts and supplies	311	3	314	313	1
Plumbing accessories and supplies	309	40	349	344	5
Hardware	43	37	80	80	-
Buildings, grounds, paving materials, and supplies	125	140	265	179	86
Fiber, paper and insulation materials	39	3	42	42	-
Paints, solvents, and related materials	42	10	52	51	1
Vehicle parts and supplies	10	5	15	12	3
Mechanical and repair parts	126	39	165	159	6
Office, printing, and photographic supplies	17	-	17	11	6
Laboratory testing supplies and small equipment	584	26	610	608	2
Cleaning supplies	244	29	273	263	10
Tools and supplies	72	1	73	73	-
Wearing apparel	128	36	164	164	-
Safety and medical supplies	85	-	85	66	19
Computer supplies	85	(35)	50	48	2
Fuel	351	(165)	186	186	-
Gas (in containers)	45	25	70	55	15
Communications supplies	10	-	10	7	3
Lubricants	240	(1)	239	214	25
Materials and supplies not otherwise classified	56	-	56	52	4
Total materials and supplies	3,047	164	3,211	3,023	188
Procurement and Materials Management total	8,777	164	8,941	8,328	613
Human Resources:					
Personal services					
Salaries of regular employees	6,115	(15)	6,100	5,770	330
Compensation plan adjustments	314	-	314	261	53
Social security and medicare contributions	88	15	103	100	3
Employee claims	48	-	48	39	9
Tuition and training payments	441	-	441	358	83
Health and life insurance premiums	48,227	-	48,227	43,224	5,003
Personal services not otherwise classified	231	-	231	210	21
Total personal services	55,464	-	55,464	49,962	5,502
Contractual services					
Travel	7	-	7	3	4
Meals and lodging	12	-	12	10	2
Postage, freight, and delivery charges	1	-	1	-	1
Compensation for personally owned autos	5	-	5	2	3
Court reporting services	15	-	15	11	4
Medical services	180	-	180	122	58

(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, 2016

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Human Resources (continued):					
Insurance premiums	$ 3,500	$ -	$ 3,500	$ 3,079	$ 421
Rental charges	30	-	30	24	6
Payment for professional services	1,206	-	1,206	1,073	133
Contractual services not otherwise classified	51	-	51	44	7
Safety repairs services	165	-	165	85	80
Computer software maintenance	20	-	20	14	6
Total contractual services	5,192	-	5,192	4,467	725
Materials and supplies					
Office, printing, and photographic supplies	20	-	20	15	5
Books, maps, and charts	5	-	5	2	3
Safety medical supplies	132	-	132	91	41
Materials and supplies not otherwise classified	4	-	4	3	1
Total materials and supplies	161	-	161	111	50
Human Resources total	60,817	-	60,817	54,540	6,277
Information Technology:					
Personal services					
Salaries of regular employees	8,686	-	8,686	6,928	1,758
Compensation plan adjustments	186	-	186	87	99
Social security and medicare contributions	106	-	106	96	10
Tuition and training payments	90	-	90	13	77
Total personal services	9,068	-	9,068	7,124	1,944
Contractual services					
Travel	2	-	2	1	1
Meals and lodging	2	-	2	1	1
Postage, freight, and delivery charges	-	1	1	-	1
Compensation for personally owned autos	5	-	5	2	3
Communication services	1,304	-	1,304	1,078	226
Rental charges	310	27	337	331	6
Payment for professional services	640	(1)	639	182	457
Contractual services not otherwise classified	3	-	3	3	-
Computer equipment maintenance	651	(41)	610	487	123
Computer software maintenance	3,650	-	3,650	3,472	178
Communication equipment maintenance	788	-	788	745	43
Total contractual services	7,355	(14)	7,341	6,302	1,039
Materials and supplies					
Office, printing, and photographic supplies	19	-	19	6	13
Computer software	251	(25)	226	194	32
Computer supplies	486	5	491	467	24
Communication supplies	122	34	156	136	20
Total materials and supplies	878	14	892	803	89

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Information Technology (continued):					
Machinery and equipment					
Computer equipment	$ 20	$ -	$ 20	$ 19	$ 1
Computer software	15	-	15	-	15
Communication equipment	112	-	112	45	67
Total machinery and equipment	147	-	147	64	83
Information Technology total	17,448	-	17,448	14,293	3,155
Law:					
Personal services					
Salaries of regular employees	5,025	(2)	5,023	4,711	312
Compensation plan adjustments	48	-	48	28	20
Social security and medicare contributions	65	2	67	65	2
Tuition and training payments	14	-	14	11	3
Total personal services	5,152	-	5,152	4,815	337
Contractual services					
Travel	6	-	6	2	4
Meals and lodging	8	-	8	3	5
Postage, freight, and delivery charges	1	-	1	1	-
Compensation for personally owned autos	1	-	1	1	-
Reprographic services	40	-	40	3	37
Court reporting services	40	-	40	5	35
Payment for professional services	1,800	-	1,800	990	810
Contractual services not otherwise classified	80	-	80	78	2
Total contractual services	1,976	-	1,976	1,083	893
Materials and supplies					
Office, printing, and photographic supplies	7	-	7	5	2
Books, maps, and charts	17	-	17	10	7
Materials and supplies not otherwise classified	1	-	1	1	-
Total materials and supplies	25	-	25	16	9
Fixed and other charges					
Taxes on real estate	820	-	820	790	30
Total fixed and other charges	820	-	820	790	30
Law total	7,973	-	7,973	6,704	1,269
Finance:					
Personal services					
Salaries of regular employees	3,147	(23)	3,124	3,092	32
Compensation plan adjustments	61	22	83	82	1
Social security and medicare contributions	44	1	45	44	1
Tuition and training payments	23	-	23	22	1
Total personal services	3,275	-	3,275	3,240	35

(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, 2016

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Finance:					
Contractual services					
Travel	$ 3	$ -	$ 3	$ 3	$ -
Meals and lodging	4	-	4	4	-
Postage, freight, and delivery charges	3	-	3	-	3
Compensation for personally owned autos	1	-	1	-	1
Reprographic services	2	-	2	2	-
Court reporting services	48	-	48	47	1
Payments for professional services	321	-	321	281	40
Contractual services not otherwise classified	26	(8)	18	1	17
Repairs to office furniture and equipment	5	-	5	5	-
Total contractual services	413	(8)	405	343	62
Materials and supplies					
Office, printing, and photographic supplies	7	6	13	12	1
Books, maps, and charts	1	-	1	-	1
Computer software	-	2	2	2	-
Total materials and supplies	8	8	16	14	2
Finance total	3,696	-	3,696	3,597	99
Engineering:					
Personal services					
Salaries of regular employees	26,421	-	26,421	24,805	1,616
Compensation plan adjustments	409	-	409	239	170
Social security and medicare contributions	370	-	370	347	23
Tuition and training payments	100	-	100	100	-
Total personal services	27,300	-	27,300	25,491	1,809
Contractual services					
Travel	15	-	15	13	2
Meals and lodging	20	16	36	32	4
Postage, freight, and delivery charges	2	1	3	3	-
Compensation for personally owned autos	30	(1)	29	17	12
Motor vehicle operating services	1	-	1	-	1
Reprographic services	6	(1)	5	4	1
Water and water services	3	-	3	3	-
Rental charges	4	-	4	-	4
Payments for professional services	443	(45)	398	256	142
Preliminary engineering reports and studies	40	25	65	51	14
Contractual services not otherwise classified	100	(16)	84	79	5
Repairs to waterway facilities	10	20	30	10	20
Repairs to testing and laboratory equipment	4	-	4	2	2
Repairs not otherwise classified	11	-	11	9	2
Total contractual services	689	(1)	688	479	209

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Net Transfers	Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Engineering (continued):					
Materials and supplies					
Office, printing, and photographic supplies	$ 59	$ (6)	$ 53	$ 41	$ 12
Tools and supplies	-	5	5	3	2
Wearing apparel	7	-	7	7	-
Books, maps, and charts	8	1	9	9	-
Materials and supplies not otherwise classified	10	1	11	9	2
Total materials and supplies	84	1	85	69	16
Engineering total	28,073	-	28,073	26,039	2,034
Maintenance and Operations:					
Personal services					
Salaries of regular employees	87,772	(435)	87,337	84,915	2,422
Compensation plan adjustments	4,310	435	4,745	4,640	105
Social security and medicare contributions	1,308	-	1,308	1,234	74
Salaries of non-budgeted employees	23	-	23	2	21
Tuition and training payments	324	-	324	126	198
Total personal services	93,737	-	93,737	90,917	2,820
Contractual services					
Travel	50	-	50	19	31
Meals and lodging	100	-	100	54	46
Compensation for personally owned autos	187	-	187	158	29
Motor vehicle operating services	2	-	2	1	1
Electrical energy	36,238	-	36,238	35,356	882
Natural gas	2,825	(210)	2,615	2,395	220
Water and water services	1,729	186	1,915	1,895	20
Communications services	648	171	819	691	128
Testing and inspection services	181	-	181	73	108
Rental charges	197	(5)	192	144	48
Governmental service charges	3,223	-	3,223	3,223	-
Maintenance of grounds and pavements	1,050	(136)	914	809	105
Payments for professional services	811	-	811	457	354
Contractual services not otherwise classified	601	-	601	487	114
Waste material disposal charges	10,660	-	10,660	9,260	1,400
Farming services	30	-	30	30	-
Sludge disposal	5,000	-	5,000	3,748	1,252
Repairs to collection facilities	3,796	(206)	3,590	3,028	562
Repairs to waterway facilities	89	(9)	80	32	48
Repairs to process facilities	5,644	(4)	5,640	5,255	385
Repairs to railroads	479	4	483	445	38
Repairs to buildings	1,231	-	1,231	874	357
Repairs to material handling and farm equipment	315	-	315	247	68
Safety repairs and services	200	-	200	121	79

(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, 2016

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Maintenance and Operations (continued):					
Repairs to marine equipment	$ 53	$ 9	$ 62	$ 60	$ 2
Computer software maintenance	5	-	5	5	-
Communication equipment maintenance	15	-	15	6	9
Repairs to vehicle equipment	110	-	110	89	21
Repairs not otherwise classified	21	-	21	9	12
Total contractual services	75,490	(200)	75,290	68,971	6,319
Materials and supplies					
Metals	40	-	40	29	11
Electrical parts and supplies	1,423	157	1,580	1,491	89
Plumbing accessories and supplies	732	(32)	700	653	47
Hardware	25	(2)	23	10	13
Buildings, grounds, paving materials, and supplies	192	(1)	191	119	72
Fiber, paper and insulation materials	15	-	15	10	5
Paints, solvents, and related materials	10	-	10	7	3
Vehicle parts and supplies	176	-	176	148	28
Mechanical repair parts	2,138	(200)	1,938	1,506	432
Manhole materials	11	-	11	-	11
Office, printing, and photographic supplies	59	-	59	51	8
Farming supplies	5	-	5	4	1
Processing chemicals	12,449	(11)	12,438	9,761	2,677
Laboratory testing supplies and small equipment	23	10	33	32	1
Cleaning supplies	5	-	5	4	1
Tools and supplies	231	(1)	230	190	40
Wearing apparel	2	-	2	1	1
Safety and medical supplies	149	-	149	88	61
Computer software	6	-	6	2	4
Computer supplies	18	-	18	15	3
Fuel	436	(84)	352	184	168
Gas (in containers)	8	-	8	1	7
Communication supplies	3	-	3	1	2
Lubricants	25	-	25	5	20
Materials and supplies not otherwise classified	94	-	94	50	44
Total materials and supplies	18,275	(164)	18,111	14,362	3,749
Machinery and equipment					
Equipment for collection facilities	50	-	50	44	6
Equipment for process facilities	161	-	161	137	24
Vehicle equipment	7	-	7	6	1
Testing and laboratory equipment	6	-	6	-	6
Total machinery and equipment	224	-	224	187	37
Maintenance and Operations total	187,726	(364)	187,362	174,437	12,925

(continued)

(in thousands of dollars)

Corporate Division (continued)	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Corporate Division Total					
Total all departments:					
Personal services	$ 243,300	$ -	$ 243,300	$ 227,911	$ 15,389
Contractual services	98,121	(62)	98,059	87,086	10,973
Materials and supplies	23,298	72	23,370	19,079	4,291
Machinery and equipment	721	(10)	711	563	148
Fixed and other charges	820	-	820	790	30
Total Corporate Division	366,260	-	366,260	335,429	30,831
Reserve Claim Division					
Employee claims	8,000	-	8,000	4,674	3,326
General claims and emergency repair and replacement cost over $10,000	22,176	-	22,176	112	22,064
Total Reserve Claim Division	30,176	-	30,176	4,786	25,390
Total General Corporate Fund	$ 396,436	$ -	$ 396,436	$ 340,215	$ 56,221

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

Year ended December 31, 2016
(with comparative amounts for prior year)

	(in thousands of dollars) 2016	2015	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2016
Personal services:					
Salaries and wages	$ 181,391	$ 178,323	$ 3,068	2 %	53 %
Employee health and life insurance premiums	43,224	44,187	(963)	(2)	13
Payment for professional services	-	4,211	(4,211)	(100)	0
Social security and medicare contributions	2,528	2,631	(103)	(4)	1
Tuition and training payments	730	998	(268)	(27)	0
Other	39	138	(99)	(72)	0
Total personal services	227,912	230,488	(2,576)	(1)	67
Contractual services:					
Electrical energy	35,715	35,219	496	1	10
Natural gas	2,421	1,988	433	22	1
Postage, freight, and delivery charges	104	93	11	12	0
Waste material disposal charges	9,260	10,356	(1,096)	(11)	3
Administration building operation	1,691	1,588	103	6	0
Communication services	1,772	1,553	219	14	1
Farming services	30	30	0	0	0
Court reporting services	63	56	7	13	0
Water and water services	1,904	1,668	236	14	1
Motor vehicle operating services	58	65	(7)	(11)	0
Employee travel and transportation	445	433	12	3	0
Medical services	122	124	(2)	(2)	0
Rental charges	510	463	47	10	0
Maintenance of grounds and pavements	809	1,540	(731)	(47)	0
Governmental service charges	3,241	3,223	18	1	1
Repairs to process facilities	5,255	5,985	(730)	(12)	2
Other repairs	10,727	10,529	198	2	3
Other contractual services	12,983	8,835	4,148	47	4
Total contractual services	87,110	83,748	3,362	4	26
Materials and supplies:					
Processing chemicals	9,756	7,473	2,283	31	3
Laboratory testing supplies	970	959	11	1	0
Mechanical repair parts	2,208	2,557	(349)	(14)	1
Fuels and lubricants	669	762	(93)	(12)	0
Electrical parts and supplies	2,037	1,805	232	13	1
Plumbing accessories and supplies	1,293	841	452	54	0
Office, printing, and photographic supplies	295	294	1	0	0
Buildings, grounds, paving materials, and supplies	276	280	(4)	(1)	0
Cleaning supplies	260	251	9	4	0
Metals	153	140	13	9	0
Computer supplies	456	726	(270)	(37)	0
Other materials and supplies	2,755	2,871	(116)	(4)	1
Total materials and supplies	21,128	18,959	2,169	11	6

(continued)

	(in thousands of dollars) 2016	2015	Increase (Decrease)	Percent Increase (Decrease)	Percent of Total 2016
Machinery and equipment:					
Vehicle equipment	$ 5	$ -	$ 5	0 %	0
Testing and laboratory equipment	312	272	40	15	0
Equipment for collection facilities	36	81	(45)	(56)	0
Computer software	-	34	(34)	(100)	0
Communication equipment	45	80	(35)	(44)	0
Other machinery and equipment	280	223	57	26	0
Total machinery and equipment	678	690	(12)	(2)	0
Land	-	326	(326)	(100)	0
Fixed other charges:					
Taxes on real estate	790	743	47	6	0
Total fixed other charges	790	743	47	6	0
Claims and judgments	4,786	5,658	(872)	(15)	1
Total expenditures	$ 342,404	$ 340,612	$ 1,792		100 %

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DEBT SERVICE FUND

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

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

Year ended December 31, 2016

(in thousands of dollars)

	Final Budget	Actual on Budgetary Basis	Actual Variance with Final Budget - Positive (Negative)
Revenues:			
Property taxes	$ 222,059	$ 219,640	$ (2,419)
Total tax revenue	222,059	219,640	(2,419)
Interest on investments	700	1,067	367
Miscellaneous	-	4	4
Total revenues	222,759	220,711	(2,048)
Expenditures:			
Debt service	216,048	214,622	1,426
Revenues over (under) expenditures	6,711	6,089	(622)
Other financing sources (uses):			
Premium on bonds	-	78,041	78,041
Refunding transaction costs	-	(849)	(849)
Sale of refunding bonds	-	322,260	322,260
Transfer to escrow agent	-	(339,432)	(339,432)
Transfers from Stormwater Fund	3,269	3,273	4
Total other financing sources (uses)	3,269	63,293	60,024
Revenues and Other financing (use) over (under) expenditures	9,980	69,382	59,402
Fund balances at beginning of year	108,127	108,930	803
Fund balances at end of the year	$ 118,107	$ 178,312	$ 60,205

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, 2016

(in thousands of dollars)

	Budget Amounts				Actual Variance with Final Budget -
	Original	Net Transfers	Final	Actual Amounts	Positive (Negative)
Construction Fund:					
Contractual services					
Payments for professional services	$ 3,832	$ (955)	$ 2,877	$ 1,438	$ 1,439
Preliminary engineering reports and studies	55	60	115	15	100
Professional engineering services for construction projects	1,253	470	1,723	226	1,497
Contractual services not otherwise classified	208	-	208	21	187
Repairs to collection facilities	773	1	774	770	4
Repairs to buildings	100	-	100	-	100
Total contractual services	6,221	(424)	5,797	2,470	3,327
Materials and supplies					
Mechanical repair parts	300	(300)	-	-	-
Lab testing supplies, small equipment, and chemicals	31	-	31	31	-
Total materials and supplies	331	(300)	31	31	-
Machinery and equipment					
Equipment for colocation facilities	-	90	90	81	9
Equipment for waterway facilities	408	-	408	183	225
Equipment for process facilities	3,523	(590)	2,933	990	1,943
Safety medical equipment	50	-	50	29	21
Computer equipment	642	-	642	420	222
Computer software	150	63	213	102	111
Vehicle equipment	900	(63)	837	192	645
Machinery and equipment not otherwise classified	1,088	(240)	848	362	486
Total machinery and equipment	6,761	(740)	6,021	2,359	3,662
Capital Projects					
Collection facilities structures	3,190	(327)	2,863	1,449	1,414
Waterway facilities structures	523	500	1,023	922	101
Process facility structures	4,727	213	4,940	3,606	1,334
Buildings	2,580	210	2,790	1,866	924
Capital projects not otherwise classified	3,174	1,035	4,209	2,272	1,937
Preservation of collection facility structures	1,054	253	1,307	1,173	134
Preservation of waterway facility structures	539	(213)	326	87	239
Preservation of process facility structures	4,637	(244)	4,393	3,322	1,071
Preservation of buildings	1,407	(28)	1,379	130	1,249
Preservation capital projects not otherwise classified	1,470	65	1,535	1,457	78
Total capital projects	23,301	1,464	24,765	16,284	8,481

(continued)

(in thousands of dollars)

	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Construction Fund Summary:					
Contractual services	$ 6,221	$ (424)	$ 5,797	$ 2,470	$ 3,327
Materials and supplies	331	(300)	31	31	-
Machinery and equipment	6,761	(740)	6,021	2,359	3,662
Capital projects	23,301	1,464	24,765	16,284	8,481
Construction Fund total	36,614	-	36,614	21,144	15,470
Stormwater Management Fund:					
Personal services					
Salaries of regular employees	5,768	(14)	5,754	5,379	375
Compensation plan adjustments	180	-	180	154	26
Social security and medicare contributions	66	14	80	78	2
Salaries of nonbudgeted employees	20	-	20	-	20
Tuition and training payments	10	-	10	8	2
Health and life insurance premiums	550	-	550	471	79
Total personal services	6,594	-	6,594	6,090	504
Contractual services					
Travel	2	-	2	2	-
Meals and lodging	6	-	6	4	2
Postage, freight and delivery charges	2	-	2	2	-
Compensation for personally owned autos	24	-	24	11	13
Motor vehicle operating services	1	-	1	-	1
Testing and inspection services	20	-	20	-	20
Court reporting services	10	-	10	8	2
Rental charges	3	-	3	1	2
Soil and rock mechanics investigation	20	-	20	-	20
Intragovernmental agreements	4,231	1,931	6,162	2,355	3,807
Payments for professional services	900	(725)	175	67	108
Preliminary engineering reports and studies	7,599	(1,100)	6,499	3,567	2,932
Professional engineering services for construction projects	1,702	(460)	1,242	447	795
Personal services for post-award eng for construction proj	76	-	76	5	71
Contractual services not otherwise classified	356	(100)	256	201	55
Waste material disposal charges	55	-	55	34	21
Repairs to waterways facilities	2,500	(190)	2,310	2,180	130
Repairs not otherwise classified	6	-	6	1	5
Total contractual services	17,513	(644)	16,869	8,885	7,984

(continued)

Exhibit E-1 (continued)
Capital Projects Funds
Schedule of Appropriations and Expenditures on Budgetary Basis

Year ended December 31, 2016

(in thousands of dollars)

	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Stormwater Management Fund (continued):					
Materials and supplies					
Building and grounds materials and supplies	$ 5	$ -	$ 5	$ 4	$ 1
Office, printing, and photo supplies	12	-	12	7	5
Processing chemicals	5	-	5	5	-
Tools and supplies	11	-	11	6	5
Wearing apparel	2	-	2	1	1
Materials and supplies not otherwise classified	1,240	3,490	4,730	4,431	299
Total materials and supplies	1,275	3,490	4,765	4,454	311
Machinery and equipment					
Marine equipment	100	-	100	-	100
Total machinery and equipment	100	-	100	-	100
Capital Projects					
Waterways facilities structure	8,056	-	8,056	6,811	1,245
Capital projects not otherwise classified	750	(377)	373	-	373
Preservation of waterway facility structures	941	(625)	316	136	180
Total capital projects	9,747	(1,002)	8,745	6,947	1,798
Land					
Land	1,000	(922)	78	-	78
Total land	1,000	(922)	78	-	78
Fixed and other charges					
Equity transfer	3,272	-	3,272	3,272	-
Payments for easements	1,000	(922)	78	2	76
Total fixed and other charges	4,272	(922)	3,350	3,274	76
Stormwater Management Fund Summary:					
Personal services	6,594	-	6,594	6,090	504
Contractual services	17,513	(644)	16,869	8,885	7,984
Materials and supplies	1,275	3,490	4,765	4,454	311
Machinery and equipment	100	-	100	-	100
Capital projects	9,747	(1,002)	8,745	6,947	1,798
Land	1,000	(922)	78	-	78
Fixed and other charges	4,272	(922)	3,350	3,274	76
Stormwater Management Fund total	40,501	-	40,501	29,650	10,851

(continued)

(in thousands of dollars)

	Budget Amounts Original	Budget Amounts Net Transfers	Budget Amounts Final	Actual Amounts	Actual Variance with Final Budget - Positive (Negative)
Capital Improvements Bond Fund Summary:					
Contractual services	$ 95,883	$ (28,379)	$ 67,504	$ 20,904	$ 46,600
Capital projects	376,479	24,670	401,149	215,674	185,475
Land	10,300	3,700	14,000	12,440	1,560
Fixed and other charges	1,103	4,415	5,518	4,948	570
Capital Improvements Bond Fund total *	483,765	4,406	488,171	253,966	234,205
Capital Projects Funds total	$ 560,880	$ 4,406	$ 565,286	$ 304,760	$ 260,526

* 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, 2016
(with comparative amounts for prior year)

(in thousands of dollars)

	Pension Trust Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2016	2015	2016	2015	2016	2015
Assets						
Cash	$ 3,670	$ 104	$ -	$ -	$ 3,670	$ 104
Receivables						
Employer contributions-taxes (net of allowance for uncollectible $3,753 in 2016; $5,252 in 2015)	79,505	70,772	-	-	79,505	70,772
Securities sold	7,563	10,565	-	-	7,563	10,565
Forward foreign exchange contracts	116,576	83,320	-	-	116,576	83,320
Accrued interest and dividends	3,161	4,368	76	95	3,237	4,463
Accounts receivable	45	53	-	-	45	53
Total receivables	206,850	169,078	76	95	206,926	169,173
Investments at fair value						
Corporate and governmental bonds and notes	234,275	312,644	-	-	234,275	312,644
Money market funds	-	-	5,590	550	5,590	550
Pooled funds - fixed income	195,104	111,638	61,360	67,387	256,464	179,025
Pooled funds - equities	-	-	81,809	66,652	81,809	66,652
Balanced funds	-	-	16,013	14,649	16,013	14,649
Common and preferred stocks	524,405	557,783	-	-	524,405	557,783
Mutual and commingled Equity funds	285,515	199,900			285,515	199,900
Short-term investments	32,493	39,867	-	-	32,493	39,867
Total investments	1,271,792	1,221,832	164,772	149,238	1,436,564	1,371,070
Securities lending capital	42,118	36,893	-	-	42,118	36,893
Total assets	1,524,430	1,427,907	164,848	149,333	1,689,278	1,577,240
Liabilities						
Accounts payable	1,270	1,383	4	4	1,274	1,387
Securities lending collateral	42,118	36,893	-	-	42,118	36,893
Forward foreign exchange contracts	116,937	83,320	-	-	116,937	83,320
Securities purchased	11,507	19,658	-	-	11,507	19,658
Total liabilities	171,832	141,254	4	4	171,836	141,258
Net position restricted for pension and OPEB benefits	$ 1,352,598	$ 1,286,653	$ 164,844	$ 149,329	$ 1,517,442	$ 1,435,982

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

Year ended December 31, 2016
(with comparative amounts for prior year)

(in thousands of dollars)

	Pension Trust Fund		OPEB Trust Fund		Total Fiduciary Funds	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Additions:						
Contributions:						
Employer contributions	$ 80,260	$ 71,042	$ 19,917	$ 18,317	$ 100,177	$ 89,359
Employee contributions	20,831	21,385	-	-	20,831	21,385
Retiree contributions	-	-	7,917	7,406	7,917	7,406
Total contributions	101,091	92,427	27,834	25,723	128,925	118,150
Investment income:						
Net appreciation (depreciation) in fair value of investments	92,763	(20,895)	6,577	(5,301)	99,340	(26,196)
Interest and dividend income	25,003	24,444	4,013	3,334	29,016	27,778
Total investment income (loss)	117,766	3,549	10,590	(1,967)	128,356	1,582
Less investment expenses	(4,614)	(5,543)	(42)	(42)	(4,656)	(5,585)
Investment income (loss) net of expenses	113,152	(1,994)	10,548	(2,009)	123,700	(4,003)
Security lending activities:						
Security lending income	265	98	-	-	265	98
Borrower rebates	295	645	-	-	295	645
Bank fees	(126)	(178)	-	-	(126)	(178)
Net income from securities lending activities	434	565	-	-	434	565
Other	107	29	-	-	107	29
Total additions	214,784	91,027	38,382	23,714	253,166	114,741
Deductions:						
Annuities and benefits						
Employee annuitants	121,730	116,885	-	-	121,730	116,885
Retiree health care benefits	-	-	22,835	20,723	22,835	20,723
Surviving spouse annuitants	22,919	21,279	-	-	22,919	21,279
Child annuitants	153	116	-	-	153	116
Ordinary disability benefits	413	722	-	-	413	722
Duty disability benefits	110	159	-	-	110	159
Total annuities and benefits	145,325	139,161	22,835	20,723	168,160	159,884
Refunds of employee contributions	2,011	1,349	-	-	2,011	1,349
Administrative expenses	1,503	1,660	32	36	1,535	1,696
Total deductions	148,839	142,170	22,867	20,759	171,706	162,929
Net increase (decrease)	65,945	(51,143)	15,515	2,955	81,460	(48,188)
Net position held in trust for pension and OPEB benefits						
Beginning of year	1,286,653	1,337,796	149,329	146,374	1,435,982	1,484,170
End of year	$ 1,352,598	$ 1,286,653	$ 164,844	$ 149,329	$ 1,517,442	$ 1,435,982

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III.
STATISTICAL AND DEMOGRAPHICS SECTION

The completed Space to Grow schoolyard at Wadsworth Elementary was opened in November and features a multi-use field and track, two playgrounds, a basketball court, native plants, a rain garden and educational gardens. The playground has the capacity to capture and hold up to 130,000 gallons of stormwater by incorporating permeable surfaces and underground storage.

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Statistical and Demographics Section (Unaudited)

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

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

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

Exhibit I-1
Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands of dollars)

	2016	2015	2014	2013
Net investment in capital assets (1)	$ 4,591,899	$ 4,630,463	$ 4,548,793	$ 4,506,950
Restricted				
Restricted for corporate working cash	279,390	278,852	278,148	276,894
Restricted for reserve claim	2,128	6,499	7,764	9,861
Restricted for debt service	318,575	310,383	305,375	278,970
Restricted for capital projects	75,762	-	15,457	28,886
Restricted for construction working cash	22,070	21,947	21,833	21,644
Restricted for stormwater working cash	37,384	37,216	37,035	37,690
Unrestricted (Deficit)	(787,263)	(756,154)	(722,949)	4,037
Total net position	$ 4,539,945	$ 4,529,206	$ 4,491,456	$ 5,164,932

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

2012	2011	2010	2009	2008	2007
$ 4,514,633	$ 4,506,544	$ 4,492,811	$ 4,559,884	$ 4,575,974	$ 4,580,604
277,006	277,270	277,249	275,459	272,120	267,848
4,524	6,211	22,521	25,073	35,817	31,295
268,760	257,418	227,320	232,815	212,353	203,656
18,828	29,908	38,018	-	13,412	18,656
21,649	21,611	27,377	27,286	27,005	26,313
37,737	39,573	39,554	38,953	37,902	35,275
(1,006)	(53,477)	(96,934)	(49,191)	47,316	70,431
$ 5,142,131	$ 5,085,058	$ 5,027,916	$ 5,110,279	$ 5,221,899	$ 5,234,078

Exhibit I-2
Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands of dollars)

	2016	2015	2014	2013
Revenues				
General Revenues:				
Property taxes	$ 556,648	$ 533,240	$ 526,851	$ 470,855
Personal property replacement tax	38,961	37,863	39,571	40,737
Interest on investments	6,181	5,381	9,486	3,051
Tax increment financing distributions	9,228	13,069	4,925	3,361
Claims and damage settlements	209	350	630	2,271
Miscellaneous	5,527	5,804	5,290	4,765
Gain on sale of capital assets	1,210	2,922	8	923
Total general revenues	617,964	598,629	586,761	525,963
Program Revenues:				
Charges for services				
User charges	48,621	46,238	50,696	49,182
Land rentals	20,166	18,189	16,357	14,851
Fees, forfeits and penalties	4,164	4,885	5,456	3,396
Capital grants and contributions				
Federal grants	12,825	11,170	11,089	11,110
Total program revenues	85,776	80,482	83,598	78,539
Total revenues	703,740	679,111	670,359	604,502
Expenses				
Board of Commissioners	4,166	3,671	3,721	3,520
General Administration	15,690	14,835	15,096	14,426
Monitoring and Research	28,753	27,259	26,922	25,294
Procurement and Materials Management	6,602	6,801	6,331	5,660
Human Resources	54,447	58,512	72,896	67,841
Information Technology	14,702	14,602	14,708	14,331
Law	6,709	6,008	6,812	6,975
Finance	3,570	3,401	3,433	3,394
Engineering	28,002	27,232	26,561	25,051
Maintenance and Operations	177,829	173,177	169,234	162,372
Pension costs	108,606	87,145	92,944	52,065
OPEB Trust Fund costs (1)	(7,008)	(5,408)	(19,449)	(19,567)
Claims and judgments	(8,548)	23,560	2,660	3,369
Construction costs	136,203	69,434	77,191	88,528
Loss on sale of capital assets	13	32	127	173
Depreciation (unallocated)	12,083	12,123	12,229	12,020
Interest on bonds	111,182	118,977	114,328	116,249
Total expenses	693,001	641,361	625,744	581,701
Change in Net Position	$ 10,739	$ 37,750	$ 44,615	$ 22,801

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

2012	2011	2010	2009	2008	2007
$ 486,316	$ 506,888	$ 409,550	$ 429,968	$ 432,412	$ 370,777
35,605	36,849	39,352	37,477	42,527	45,935
11,123	13,156	9,119	7,632	27,112	48,750
6,239	12,715	6,818	1,359	797	644
1,472	1,298	285	695	606	64
5,822	4,859	5,181	6,642	5,450	3,434
-	676	2,736	-	-	21
546,577	576,441	473,041	483,773	508,904	469,625
69,322	57,469	49,433	47,886	49,439	54,612
12,081	12,161	10,040	9,660	9,572	9,243
3,353	3,279	2,731	4,305	4,357	3,383
22,164	17,218	17,156	5,518	896	253
106,920	90,127	79,360	67,369	64,264	67,491
653,497	666,568	552,401	551,142	573,168	537,116
3,471	3,348	3,627	3,680	3,748	3,513
14,296	14,844	15,767	19,046	18,438	16,875
24,689	25,221	28,450	29,252	27,612	26,178
5,694	6,928	6,447	6,196	5,398	6,631
63,103	47,683	46,882	43,670	61,465	61,878
13,714	14,423	16,127	20,611	20,767	16,475
5,942	7,151	8,132	7,491	7,274	6,147
3,175	2,962	3,189	3,233	3,238	3,109
4,332	4,028	6,245	9,284	8,144	4,483
161,919	178,438	191,090	209,488	196,612	179,938
78,360	70,331	62,996	54,804	45,343	49,891
(7,155)	10,251	24,540	25,464	8,920	7,405
25,738	25,488	9,134	17,536	9,174	17,606
75,496	84,240	104,947	131,095	93,421	56,914
147	95	381	436	750	273
12,459	12,235	11,428	9,227	9,224	9,216
111,044	101,760	95,382	72,249	65,819	64,584
596,424	609,426	634,764	662,762	585,347	531,116
$ 57,073	$ 57,142	$ (82,363)	$ (111,620)	$ (12,179)	$ 6,000

Exhibit I-3
Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2016	2015	2014	2013	2012
General Corporate Fund					
Nonspendable:					
Prepaid insurance	$ 2,117	$ 2,137	$ 2,143	$ 2,391	$ -
Inventories	35,502	37,623	39,586	40,136	39,467
Restricted	306,800	305,779	307,147	344,558	344,186
Unassigned (Deficit)	(44,428)	(58,427)	(61,850)	(51,960)	(19,151)
Total General Corporate Fund	299,991	287,112	287,026	335,125	364,502
All Other Governmental Funds					
Restricted	451,657	378,458	219,606	328,953	575,796
Assigned	145,341	127,920	112,768	112,478	-
Unassigned	(13,525)	(9,090)	-	-	-
Total Governmental Funds	$ 883,464	$ 784,400	$ 619,400	$ 776,556	$ 940,298

2011	2010	2009	2008	2007
$ -	$ -	$ -	$ -	$ -
38,922	38,924	38,761	38,067	35,787
342,398	341,381	338,602	333,650	323,238
(96,225)	(175,521)	(166,687)	(142,300)	(124,515)
285,095	204,784	210,676	229,417	234,510
763,064	519,456	773,035	464,633	631,736
-	-	-	-	-
-	-	-	-	-
$ 1,048,159	$ 724,240	$ 983,711	$ 694,050	$ 866,246

Exhibit I-4
Changes in Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

	2016	2015	2014	2013	2012
Revenues					
General Revenues:					
Property taxes	$ 583,875	$ 525,302	$ 516,316	$ 454,966	$ 489,168
Personal property replacement tax	38,961	37,863	39,571	40,737	35,605
Interest on investments	6,181	5,381	9,486	3,051	11,123
Land sales	1,233	3,164	8	2,575	-
Tax increment financing distributions	9,228	13,069	4,925	3,361	6,239
Claims and damage settlements	209	350	630	2,271	1,472
Miscellaneous	5,540	5,869	5,445	4,765	5,822
Program Revenues:					
Charges for services					
User charges	48,621	46,238	50,696	49,182	69,322
Land rentals	20,166	18,189	16,357	14,851	12,081
Fees, forfeits and penalties	4,164	4,885	5,456	3,396	3,353
Capital grants and contributions					
Government grants	12,817	11,165	11,162	11,110	22,164
Total revenues	730,995	671,475	660,052	590,265	656,349
Expenditures					
Operations:					
Board of Commissioners	4,158	3,662	3,710	3,514	3,463
General Administration	15,490	14,833	14,829	14,111	13,877
Monitoring and Research	28,490	27,486	26,687	25,128	24,495
Procurement and Materials Management	6,611	6,885	6,325	5,671	5,698
Human Resources	54,606	58,441	72,879	67,856	63,105
Information Technology	14,213	14,697	14,582	14,024	13,167
Law	6,707	6,018	6,802	6,984	5,942
Finance	3,597	3,427	3,425	3,393	3,172
Engineering	26,051	25,971	25,278	23,987	3,229
Maintenance and Operations	177,695	173,534	168,376	161,787	161,188
Pension costs	77,712	62,498	75,556	67,523	66,191
Claims and judgments	4,786	5,658	44,988	4,970	5,998
Construction costs	296,768	326,430	236,259	199,231	259,315
Debt service:					
Redemption of bonds	102,670	101,220	89,118	85,709	71,400
Interest on bonds	117,474	118,680	110,115	111,665	118,854
Total expenditures	937,028	949,440	898,929	795,553	819,094
Revenues over (under) expenditures	(206,033)	(277,965)	(238,877)	(205,288)	(162,745)
Other Financing Sources (Uses)					
Payment to escrow agent	(399,432)	(82,906)	-	-	-
State revolving fund loan proceeds	179,224	181,537	81,721	41,546	54,884
Sale of refunding bonds	322,260	70,805	-	-	-
Proceeds from sale of bonds	104,000	225,000	-	-	-
Premium on sale of bonds	99,045	48,529	-	-	-
Proceeds from capital lease	-	-	-	-	-
Total other financing sources (uses)	305,097	442,965	81,721	41,546	54,884
Net change in fund balance	$ 99,064	$ 165,000	$ (157,156)	$ (163,742)	$ (107,861)
Debt service as a percentage of non-capital expenditures	28.4%	31.7%	26.9%	28.8%	29.9%

2011	2010	2009	2008	2007
$ 492,751	$ 410,663	$ 418,077	$ 399,917	$ 376,757
36,849	39,352	37,477	42,527	45,935
13,156	9,119	7,632	27,112	48,750
2,326	3,045	6	6	28
12,715	6,818	1,359	797	644
1,298	285	695	606	64
4,859	5,181	6,642	5,450	3,495
57,469	49,433	47,886	49,439	54,117
12,161	10,040	9,660	9,572	9,243
2,534	2,731	4,305	4,357	3,383
17,218	20,233	1,440	896	253
653,336	556,900	535,179	540,679	542,669
3,344	3,628	3,659	3,721	3,496
14,332	15,411	18,555	17,958	16,491
25,084	28,445	28,891	27,146	25,892
6,949	6,493	6,156	5,341	6,556
47,710	46,944	43,603	61,385	61,841
13,820	15,823	20,200	19,328	16,125
7,166	8,164	7,446	7,211	6,121
2,965	3,203	3,208	3,205	3,093
2,975	5,367	7,951	6,703	4,331
177,908	191,165	208,123	194,916	179,012
36,635	30,099	31,744	28,937	31,115
6,923	6,728	9,464	7,626	9,353
337,051	496,885	397,265	191,415	194,151
64,112	60,602	73,105	112,577	90,466
98,015	104,414	67,148	66,591	68,148
844,989	1,023,371	926,518	754,060	716,191
(191,653)	(466,471)	(391,339)	(213,381)	(173,522)
(253)	-	-	-	(437,621)
78,481	152,465	81,000	41,185	47,104
-	-	-	-	382,020
400,000	-	600,000	-	-
37,344	-	-	-	53,098
-	54,535	-	-	-
515,572	207,000	681,000	41,185	44,601
$ 323,919	$ (259,471)	$ 289,661	$ (172,196)	$ (128,921)
27.4%	26.1%	21.2%	27.3%	27.4%

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

Last Ten Fiscal Years

(in thousands of dollars, except tax rates)

Fiscal Year Ended December 31,	Chicago Equalized Assessed Value	Suburbs Equalized Assessed Value	Total Equalized Assessed Value	Total Direct Tax Rate (1)	Estimated Full Taxable Value	Equalized Assessed Value as a Percentage of Full Value
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	459,860,597	26.8
2014	64,908,057	60,828,131	125,736,188	0.430	499,136,554	25.2
2015	70,963,289	59,341,515	130,304,804	0.426 (3)	499,136,554 (2)	26.1

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

(1) Tax rates per $100 equalized assessed valuation.

(2) Current data not available from Civic Federation.

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

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

Last Ten Fiscal Years

(rates per $100 of assessed value)

	2016 (1)	2015	2014	2013	2012	2011	2010	2009	2008	2007
District direct rates										
Corporate	$ 0.169	$ 0.175	$ 0.183	$ 0.182	$ 0.179	$ 0.168	$ 0.144	$ 0.135	$ 0.141	$ 0.150
Reserve Claim	0.004	0.004	0.002	0.005	0.005	0.002	0.001	0.002	0.004	0.004
Retirement	0.049	0.044	0.040	0.042	0.021	0.019	0.016	0.016	0.015	0.016
Debt Service	0.167	0.175	0.174	0.163	0.135	0.114	0.094	0.097	0.083	0.087
Construction	0.012	0.013	0.014	0.009	0.015	0.001	0.005	0.006	-	0.003
Stormwater Management	0.026	0.019	0.017	0.016	0.015	0.016	0.014	0.005	0.009	0.003
Total direct rate	$ 0.427	$ 0.430	$ 0.430	$ 0.417	$ 0.370	$ 0.320	$ 0.274	$ 0.261	$ 0.252	$ 0.263
Major local governments' tax rates (2)										
City of Chicago	$ -	$ 1.549	$ 1.193	$ 1.209	$ 1.151	$ 0.999	$ 0.914	$ 0.887	$ 0.928	$ 1.004
Chicago Board of Education	-	3.455	3.660	3.671	3.422	2.875	2.581	2.366	2.472	2.583
Chicago Park District	-	0.372	0.401	0.402	0.395	0.346	0.319	0.309	0.323	0.355
Cook County	-	0.552	0.568	0.560	0.531	0.462	0.423	0.394	0.415	0.446
Cook County Forest Preserve Dist.	-	0.069	0.069	0.069	0.063	0.058	0.051	0.049	0.051	0.053
Community College #508 (City Coll)	-	0.177	0.193	0.198	0.190	0.165	0.151	0.150	0.156	0.159
Chicago School Finance Authority	-	-	-	-	-	-	-	-	-	0.091
City of Chicago Library Fund	-	0.123	0.134	0.135	0.128	0.111	0.102	0.099	0.102	0.040
City of Chicago School Bldg/Imprvmt	-	0.134	0.146	0.152	0.146	0.119	0.116	0.112	0.117	-
District's tax levies by fund *(in thousands)*										
Corporate	$226,109	$227,196	$230,000	$224,400	$237,193	$249,828	$240,059	$237,116	$240,082	$233,982
Stormwater Management	34,250	24,050	21,000	20,000	20,000	24,100	24,029	8,849	15,212	3,942
Reserve Claim	5,800	5,700	3,000	6,500	6,670	3,400	1,951	3,182	7,073	6,530
Retirement	65,161	58,004	50,531	51,621	28,490	28,163	26,478	26,751	25,664	24,843
Debt Service	229,913	228,728	218,319	202,290	180,748	169,645	156,090	169,051	140,614	135,730
Construction	16,600	16,500	17,400	11,079	20,418	1,819	8,749	10,411	-	5,181
Total tax levies	$577,833	$560,178	$540,250	$515,890	$493,519	$476,955	$457,356	$455,360	$428,645	$410,208

Source: Cook County Clerk

(1) District's tax rates are estimated based on 2015 equalized assessed valuation of $130 billion.

(2) Major local governments' rates for 2016 are not yet available.

Exhibit I-7
Principal Property Taxpayers

2015 and Nine Years Ago

(in thousands of dollars)

Taxpayer	Type of Business	2015 (1) Equalized Assessed Value (3)	Rank	Percentage of Total Equalized Assessed Value	2006 Equalized Assessed Value	Rank	Percentage of Total Equalized Assessed Value
Willis Tower	Retail & Office	$ 386,933	1	0.30%	$ 493,804	1	0.35%
CME Center (2)	Office	260,158	2	0.20	340,473	3	0.24
Merchandise Mart	Retail & Office	258,178	3	0.20	-	-	-
One North Wacker Drive	Office	248,331	4	0.19	-	-	-
Citadel Center	Office	241,645	5	0.19	-	-	-
Hyatt Center	Office	239,134	6	0.18	-	-	-
Aon Center	Insurance	239,092	7	0.18	356,510	2	0.25
Blue Cross Blue Shield Tower	Office	238,631	8	0.18	-	-	-
Water Tower Place	Retail & Office	215,481	9	0.17	219,995	7	0.16
900 N Michigan Ave	Retail & Office	207,139	10	0.16	-	-	-
AT & T Corporate Center	Communications	-	-	-	283,386	4	0.20
One Prudential Plaza	Financial Services	-	-	-	279,533	5	0.20
Chase Tower	Banking	-	-	-	238,266	6	0.17
Citigroup Center	Banking	-	-	-	205,853	8	0.15
Leo Burnett Building	Advertising	-	-	-	201,662	9	0.14
70 West Madison	Banking	-	-	-	196,044	10	0.14
		$ 2,534,722		1.95%	$ 2,815,526		2.00%

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

(1) 2016 information is unavailable.

(2) Formerly referred to as Equity Office.

(3) The Equalized Assessed Valuation for 2015 is $130,304,803,798

Exhibit I-8
Property Tax Levies and Collections

Last Ten Fiscal Years

(in thousands of dollars)

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected within the First Year		
		Amount	Percentage of Levy	Final Due Date
2007	$ 410,208	$ 390,440	95.2%	11/03/08
2008	428,645	400,048	93.3	12/01/09
2009	455,360	383,612	84.2	12/13/10
2010	457,356	435,009	95.1	11/01/11
2011	476,955	460,618	96.6	08/01/12
2012	493,573	476,881	96.6	08/01/13
2013	514,659	497,452	96.7	08/01/14
2014	540,666	523,203	96.8	08/01/15
2015	555,098	541,008	97.5	08/01/16
2016	571,583	-	-	08/01/17

Exhibit I-9
User Charge Rates

Last Ten Fiscal Years

	2016 (1)	2015	2014	2013	2012
Large Commercial/Industrial User Rates (2)					
Flow per million gallons	$ 255.02	$ 250.51	$ 246.08	$ 241.73	$ 256.48
5-day BOD per 1,000 lbs. (5)	234.95	240.49	245.75	250.76	259.22
SS per 1,000 lbs. (6)	148.33	154.08	159.72	165.24	195.95
Tax-Exempt User Rates (3)					
Flow per million gallons	$ 255.02	$ 250.51	$ 246.08	$ 245.18	$ 263.48
5-day BOD per 1,000 lbs. (5)	234.95	240.49	245.75	254.34	266.27
SS per 1,000 lbs. (6)	148.33	154.08	159.72	167.60	201.24
OM&R Rate (4)	0.3440	0.3910	0.4350	0.4240	0.4860

(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

2011	2010	2009	2008	2007
$ 243.99	$ 262.44	$ 229.37	$ 223.72	$ 224.87
247.48	270.68	231.90	229.23	228.39
194.18	200.33	174.25	178.11	173.01
$ 250.31	$ 269.25	$ 235.96	$ 230.29	$ 231.07
253.89	277.70	238.56	235.98	234.69
199.21	205.53	179.25	183.35	177.77
0.4730	0.5570	0.5040	0.4990	0.5040

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)
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	0.53	466.14
2014	2,500,785	90,460	45,653	2,636,898	140,162	2,496,736	1.83	495.84	0.50	469.49
2015	2,770,788	161,697	43,405	2,975,890	140,806	2,835,084	1.91	565.76	0.57	538.99
2016	2,965,282	157,390	41,047	3,163,719	163,508	3,000,211	1.86	603.88	0.60	572.67

(1) Represents long-term debt for general bonded debt, and bond anticipation notes, including interest, which are eventually converted to general bonded debt. Details of the District's long-term debt can be found in the notes to the basic financial statements.
(2) Represents the restricted fund balance in the Debt Service Fund.
(3) See Exhibit I-13 for personal income and population information, and Exhibit I-5 for estimated full taxable value information.
(4) The District entered into a capital lease agreement in 2010.

Exhibit I-11
Estimate of Direct and Overlapping Debt

As of December 31, 2015

(In thousands of dollars)

Direct debt				
Bonds and notes payable				$ 2,769,608
Capital lease				41,047
Overlapping bonded debt of major local governments (1)	Net Debt (2)	% Applicable (3)	Applicable Amount	
City of Chicago	$ 9,065,990	100.00%	$ 9,065,990	
Chicago Board of Education (4)(5)	6,801,409	100.00	6,801,409	
Chicago Park District (4)	863,580	100.00	863,580	
City Colleges (District 508) (4)	241,830	100.00	241,830	
Cook County	3,231,412	97.96	3,165,491	
Cook County Forest Preserve District	162,285	97.96	158,974	
Total overlapping debt (6)				20,297,274
Total direct and overlapping debt				$ 23,107,929

(1) Excludes outstanding tax anticipation notes and warrants. Except as stated, does not include debt issued by other taxing authorities in Cook County.
(2) Source: Each of the respective taxing districts, current as of 12/31/2016.
(3) Based on 2014 Equalized Assessed Valuations, which are the most recent available.
(4) Includes approximately $242 million, $5.18 billion and $303 million of general obligation bonds of the City Colleges (District 508), Chicago Board of Education and the Chicago Park District, respectively, issued as “alternate revenue” bonds secured by alternate revenue sources.
(5) Includes approximately $140 million of Public Building Commission Bonds debt.
(6) Source of data: U.S. Census Estimate.
(7) Source of data: The Civic Federation, Chicago, Illinois (based upon information from the Illinois Department of Revenue).

Exhibit I-12
Computation of Statutory Debt Margin

Last Ten Fiscal Years

(in thousands of dollars)

	2016 (1)	2015	2014	2013	2012
Equalized assessed valuation	$ 130,304,803	$ 130,304,803	$ 125,736,188	$ 123,419,544	$ 133,397,995
Statutory debt limit (5.75% of equalized assessed valuation)	7,492,526	7,492,526	7,229,831	7,096,624	7,670,385
Total debt applicable to debt limit:					
General obligation bonds outstanding	2,769,608	2,655,365	2,422,620	2,481,973	2,515,375
Less: alternate bonds (2)	(99,080)	(50,000)	-	-	-
Adjusted general obligation bonds outstanding	2,670,528	2,605,365	2,422,620	2,481,973	2,515,375
Bond anticipation notes outstanding	157,390	161,697	90,460	35,809	44,527
Capital lease outstanding	41,047	43,405	45,653	47,795	49,837
Liabilities of tax financed funds:					
Corporate	27,952	23,647	37,136	30,150	30,076
Stormwater	2,062	6,973	5,689	3,515	2,496
Debt service	-	-	-	-	-
Reserve claim	174	205	681	380	1,110
Construction	3,368	4,812	6,648	2,816	4,062
Total applicable debt	2,902,521	2,846,104	2,608,887	2,602,438	2,647,483
Less applicable assets:					
Debt service funds unrestricted cash and investments	115,673	108,671	108,392	98,006	105,285
Interest payable in the next twelve months	(117,604)	(115,735)	(106,175)	(107,868)	(109,300)
Total applicable assets	(1,931)	(7,064)	2,217	(9,862)	(4,015)
Total net debt applicable to debt limit	2,904,452	2,853,168	2,606,670	2,612,300	2,651,498
Statutory debt margin	$ 4,588,074	$ 4,639,358	$ 4,623,161	$ 4,484,324	$ 5,018,887
Total applicable net debt as a percentage of statutory debt limit	38.8%	38.1%	36.1%	36.8%	34.6%

(1) Debt limit calculation based on 2015 equalized assessed valuation since 2016 value is not yet available.
(2) Alternate bonds do not count against the debt limit.

2011	2010	2009	2008	2007
$ 149,048,493	$ 166,918,066	$ 174,467,643	$ 170,097,382	$ 155,972,794
8,570,288	9,597,789	10,031,889	9,780,599	8,968,436
2,466,464	1,961,974	1,979,203	1,392,699	1,465,854
-	-	-	-	-
2,466,464	1,961,974	1,979,203	1,392,699	1,465,854
108,008	196,225	86,286	64,894	63,131
51,784	53,688	-	-	-
35,347	45,381	45,260	42,374	38,699
1,956	2,496	1,101	1,470	1,179
-	-	-	-	-
1,381	410	327	1,036	1,243
1,542	1,732	4,236	2,855	2,662
2,666,482	2,261,906	2,116,413	1,505,328	1,572,768
114,344	88,710	88,849	89,397	77,599
(116,410)	(92,619)	(59,873)	(73,103)	(68,877)
(2,066)	(3,909)	28,976	16,294	8,722
2,668,548	2,265,815	2,087,437	1,489,034	1,564,046
$ 5,901,740	$ 7,331,974	$ 7,944,452	$ 8,291,565	$ 7,404,390
31.1%	23.6%	20.8%	15.2%	17.4%

Exhibit I-13
Demographic and Economic Statistics

Last Ten Fiscal Years

(population and dollars in thousands)

Year	Population	Personal Income	Per Capita Personal Income	Median Household Income	Unemployment Rate
2016	5,239	$ 170,081,127	$ 32,464	$ 58,708	5.8 %
2015	5,260	155,734,043	29,607	54,461	5.8
2014	5,318	144,394,219	27,152	53,653	7.0
2013	5,241	148,352,487	28,304	51,391	9.1
2012	5,150	145,456,281	28,246	53,852	8.8
2011	5,216	140,483,393	26,933	54,036	9.8
2010	5,240	153,959,010	29,381	59,201	10.4
2009	5,269	141,675,329	26,888	53,709	10.1
2008	5,262	139,190,968	26,452	52,664	6.2
2007	5,278	138,936,974	26,324	52,477	4.9

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

Exhibit I-14
Principal Employers

2016 and Nine Years Ago

Employer	2016 Employees	2016 Rank	2016 Percentage of Total Employment (5)	2007 (a) Employees	2007 (a) Rank	2007 (a) Percentage of Total Employment
U.S. Government (1)	42,887	1	0.82%	51,700	1	0.97%
Chicago Public Schools (2)	37,406	2	0.71	43,783	2	0.82
City of Chicago	30,276	3	0.58	39,675	3	0.75
Cook County (3)	21,795	4	0.41	25,482	5	0.48
Advocate Health Care	18,308	5	0.35	25,279	6	0.48
University of Chicago (2)	16,197	6	0.31	-	-	-
Northwestern Memorial Healthcare (4)	15,317	7	0.29	-	-	-
State of Illinois (2)	15,136	8	0.29	17,056	8	0.32
J.P. Morgan Chase & Co.	14,158	9	0.27	-	-	-
United Continental Holdings Inc.	14,000	10	0.27	-	-	-
Jewel-Osco	-	-	-	34,037	4	0.64
United Parcel Service of America, Inc.	-	-	-	19,000	7	0.36
SBC Communications, Inc.	-	-	-	16,500	9	0.31
Wal-Mart Stores Inc.	-	-	-	16,350	10	0.31
Total	225,480		4.30%	288,862		5.44%

(1) Fiscal year ends in September
(2) Fiscal year ends in June
(3) Fiscal year ends in November
(4) Fiscal year ends in August
(5) Total employment for 2016 based on a population of 5,239,253; total employment for 2007 based on a population of 5,306,935 employees.

(a) 2007 data was unavailable at the time of CAFR publication resulting in the use of 2006 data.

Source: Reprinted with permission, *Crain's Chicago Business* [December 19, 2016] © Crain Communications, Inc.

Exhibit I-15
Budgeted Positions by Fund/Department

Last Ten Fiscal Years

	Budgeted Positions									
Fund/Department	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
General Corporate Fund										
Board of Commissioners	38	37	37	37	37	40	45	45	45	45
General Administration	122	119	112	109	114	125	124	146	138	144
Monitoring and Research	308	297	288	286	280	303	308	308	309	311
Procurement and Materials Management	63	63	62	62	62	69	70	70	70	70
Human Resources	73	74	72	58	57	59	60	54	54	53
Information Technology	76	70	70	70	69	71	71	72	72	66
Law	38	37	36	38	37	38	40	40	40	40
Finance	28	29	29	29	29	31	31	31	33	34
Engineering (Corporate Fund) (1)	244	242	241	242	29	32	34	34	34	33
Maintenance & Operations	927	955	951	947	943	1,029	1,047	1,046	1,045	1,044
Total General Corporate Fund	1,917	1,923	1,898	1,878	1,657	1,797	1,830	1,846	1,840	1,840
Engineering (Construction Fund) (2)	0	0	0	0	21	28	45	45	45	49
Engineering (Stormwater Management)	59	59	63	49	48	44	50	49	47	48
Engineering (Capital Improvements Bond Fund) (2)	0	0	0	0	196	202	191	191	177	157
Grand Total	1,976	1,982	1,961	1,927	1,922	2,071	2,116	2,131	2,109	2,094

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

Exhibit I-16
Operating Indicators
Last Ten Fiscal Years

	Area Served (1)	Communities Served (2)	Number of People Served (3)	Commercial and Industrial Population Equivalent Served	Number of Local Sewer Connections to Intercepting Sewers	Gallons of Pumping Station Maximum Capacity (4)	Gallons of Sewage Processed per Day (4)	Daily Sewage Treatment Capacity (4)
2016	883	129	5,239,253	4,500,000	10,000	4,000,000	1,300,000	2,000,000
2015	883	129	5,260,069	4,500,000	10,000	4,000,000	1,244,200	2,000,000
2014	883	129	5,318,365	4,500,000	10,000	4,000,000	1,288,600	2,000,000
2013	884	126	5,241,489	4,500,000	10,000	4,000,000	1,218,200	2,000,000
2012	884	126	5,149,578	4,500,000	10,000	4,000,000	1,070,200	2,000,000
2011	884	126	5,215,968	4,500,000	10,000	4,000,000	1,342,800	2,000,000
2010	884	126	5,239,879	4,500,000	10,000	4,000,000	1,245,200	2,000,000
2009	884	126	5,269,000	4,500,000	10,000	4,000,000	1,366,700	2,000,000
2008	884	126	5,262,000	4,500,000	10,000	4,000,000	1,284,600	2,000,000
2007	876	126	5,278,157	4,500,000	10,000	4,000,000	1,310,000	2,000,000

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

Exhibit I-17
Capital Asset Statistics

Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Miles of intercepting sewers and force mains operated	560	560	560	560	559	559	559	559	559	559
Miles of waterway water levels controlled	76	76	76	76	76	76	76	76	76	76
Acres of strip-mined land utilized for solids processing	13,796+	13,796+	13,796+	13,796+	13,796+	13,796+	13,796+	13,796+	13,796+	13,000+
Number of water reclamation plants	7	7	7	7	7	7	7	7	7	7
Number of pumping stations	23	23	23	23	23	23	23	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	109.4
Number of TARP reservoirs constructed	2	2	1	1	1	1	1	1	1	1
Number of TARP reservoirs under construction	1	1	2	2	2	2	2	2	2	2
Number of flood control reservoirs	34	34	33	31	31	31	31	31	31	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

Laboratory Technician II Maricela Sabido prepares samples in the greenhouse research facility at the O'Brien WRP where the MWRD is doing research on using algae to uptake nutrients from wastewater using revolving algae biofilm reactors.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Metropolitan Water Reclamation District of Greater Chicago (the District) , as of and for the year ended December 31, 2016, and the related notes to the financial statements, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Retirement Fund for the year then ended, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 12, 2017. Our report includes a reference to other auditors who audited the financial statements of the District's Pension Trust Fund as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

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

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

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

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

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

RSM US LLP

Chicago, Illinois
May 12, 2017

PRADO & RENTERIA
Certified Public Accountants
1837 S. Michigan Ave., Chicago, Illinois 60616
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www.pradorenteria.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of Federal Awards (the "Schedule") of the Metropolitan Water Reclamation District of Greater Chicago (the "District"), for the year ended December 31, 2016 and the related notes to the Schedule.

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

Auditor's Responsibility
Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained *in Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the District for the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we have also issued a report dated May 12, 2017 on our consideration of the District's compliance with requirements that could have a direct and material effect on the major program and on internal control over compliance in accordance with the Uniform Guidance. That report is an integral part of an audit performed in accordance with the Uniform Guidance and should be read in conjunction with this report.

Prado & Renteria

Chicago, Illinois
May 12, 2017

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

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

Report on Compliance for the Major Federal Program

We have audited the Metropolitan Water Reclamation District of Greater Chicago's (the "District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2016. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program
In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Prado & Renteria

Chicago, Illinois
May 12, 2017

Schedule of Expenditures of Federal Awards

Year ended December 31, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Date	Passed-Through to Subrecipients	Total Federal Expenditures
U.S. Environmental Protection Agency					
Passed through Illinois Environmental Protection Agency					
Capitalization Grants for Clean Water State Revolving Funds					
Project Descriptions					
Salt Creek Intercepting Sewer 2 Rehabilitation, SSA	66.458	L173062	December 2015	-	$ 1,900,729
Westside Primary Settling Tanks & Aerated Grit Tanks, Stickney WRP	66.458	L173076	December 2014	-	7,767,500
Sludge Thickening Facilities at Stickney Water Reclamation Plant	66.458	L174559	October 2012	-	906,700
Des Plaines River Intercepting Sewer Rehabilitation, SSA	66.458	L174621	May 2014	-	1,026,300
Calumet TARP Pumping Station Improvements, Calumet WRP	66.458	L174923	May 2013	-	1,481,900
Wet Weather Treatment Facility and Reservoir, Lemont WRP	66.458	L174924	September 2013	-	3,300
TARP Control Structure Rehabilitation, NSA, SSA, CSA	66.458	L174925	December 2013	-	480,500
Disinfection Facilities at the Calumet WRP	66.458	L174988	August 2013	-	11,700
Disinfection Facilities at the Terrence J. O'Brien WRP	66.458	L174989	August 2013	-	4,301,100
A/B and C/D Service Tunnel Rehabilitation - Phase Two, SWRP	66.458	L175152	March 2016	-	1,800,000
Phosphorus Recovery Facility at Stickney WRP	66.458	L175161	December 2014	-	1,181,000
Coarse Screens and RSP Slide Gates Replacements at Egan WRP	66.458	L175164	September 2014	-	391,100
Calumet TARP Screens, CWRP	66.458	L175168	March 2015	-	1,976,100
Nitrogen Removal in Centrate, Egan WRP	66.458	L175171	May 2015	-	947,700
TARP Pump No 8 Rehabilitation, Mainstream Pumping Station	66.458	L175219	April 2015	-	915,270
Battery C Airlift & Air Main Rehab and Aeration Tanks No 6, 7, 8, SWRP	66.458	L175222	November 2014	-	367,000
D799 Switchgear Replacement, SWRP	66.458	L175223	December 2015	-	725,700
Glenbrook Sanitary Sewer Rehabilitation, NSA	66.458	L175355	February 2016	-	388,500
		Total U.S. Environmental Protection Agency Funding of Capitalization Grants for Clean Water State Revolving Funds			$ 26,572,099
		Total Federal Expenditures			**$ 26,572,099**

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2016

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Metropolitan Water Reclamation District of Greater Chicago (the "District") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and the respective change in financial positon of the District.

Note 2 – Summary of Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Program Description

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

The Capitalization Grants for Clean Water State Revolving Funds create State Revolving Funds (SRFs) through a program of capitalization grants to states, which will provide a long-term source of state financing for construction of wastewater treatment facilities and implementation of other water quality management activities. The capitalization grant is deposited in the SRF, which is used to provide loans and other types of financial assistance, but no grants, to local communities and inter-municipal and interstate agencies. The States must agree to enter into binding commitments with recipients to provide financial assistance from the SRF in an amount equal to 16.67% of the total SRF loan, with the federal share being 83.33%. Those loans awarded under the American Recovery and Reinvestment Act of 2009 (ARRA) are funded 50% from ARRA funds and 50% from SRFs. There were no loans awarded under ARRA for the year ended December 31, 2016.

Note 5 – Project Descriptions

Descriptions of projects, funded wholly or partially by federal sources, for which the District received funds during the year ended December 31, 2016:

State Revolving Fund Loans

Loan #L173062 was awarded to the District on December 17, 2015, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the Salt Creek Intercepting Sewer 2 Rehabilitation, SSA, Project 06-155-3S. The maximum SRF loan amount is $45,056,403. The maximum pass through federal funding is $37,545,501. A total of $1,900,729 in federal funds was disbursed by the Illinois Environmental Protection Agency (IEPA) during fiscal year 2016. As of December 31, 2016, $18,346,006 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L173076 was awarded to the District on December 18, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the Westside Primary Settling Tanks 1-9 and Aerated Grit Facility, SWRP, Project 04-128-3P. The maximum SRF loan amount is $80,000,000. The maximum pass through federal funding is $66,664,000. A total of $7,767,500 in federal funds was disbursed by the (IEPA) during fiscal year 2016. As of December 31, 2016, $8,385,192 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Note 5 – Project Descriptions – Continued

Loan #L174559 was awarded to the District on October 5, 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 $16,544,994. The maximum pass through federal funding is $13,786,944. A total of $906,700 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $3,805,800 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 $1,026,300 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $2,199,596 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 $1,481,900 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $25,150,216 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174924 was awarded to the District on September 27, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Wet Weather Treatment Facility and Reservoir at the Lemont WRP, Project 10-716-3P. The maximum SRF loan amount is $29,787,157. The maximum pass through federal funding is $24,821,638. A total of $3,300 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $1,592,441 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 $480,500 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $942,845 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 $11,700 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $964,024 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 $4,301,100 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $5,559,776 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175152 was awarded to the District on March 25, 2016, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for A/B and C/D Service Tunnel Rehabilitation – Phase Two, SWRP, Project 04-132-3D. The maximum SRF loan amount is $21,111,910. The maximum pass through federal funding is $17,592,555. A total of $1,800,000 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $3,779,540 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Note 5 – Project Descriptions – Continued

Loan #L175161 was awarded to the District on December 18, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Phosphorus Recovery Facility, SWRP, Project 11-195-3P. The maximum SRF loan amount is $32,802,513. The maximum pass through federal funding is $27,334,334. A total of $1,181,000 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $441,814 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements

Loan #L175164 was awarded to the District on September 16, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Coarse Screens and RSP Slide Gates Replacement, EWRP, Project 11-405-3M. The maximum SRF loan amount is $2,795,420. The maximum pass through federal funding is $2,329,423. A total of $391,100 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $251,062 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175168 was awarded to the District on March 20, 2015, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Calumet TARP Screens, CWRP, Project 13-246-3M. The maximum SRF loan amount is $13,105,926. The maximum pass through federal funding is $10,921,168. A total of $1,976,100 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $9,264,854 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175171 was awarded to the District on May 29, 2015, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Nitrogen Removal in Centrate, EWRP, Project 13-409-3P. The maximum SRF loan amount is $2,751,954. The maximum pass through federal funding is $2,293,203. A total of $947,700 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $442,647 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175219 was awarded to the District on May 1, 2015, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for TARP Pump No. 8 Rehabilitation, Mainstream Pumping Station, Project 02-111-3M. The maximum SRF loan amount is $4,664,355. The maximum pass through federal funding is $3,886,807. A total of $915,270 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $1,255,745 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175222 was awarded to the District on November 19, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Battery C Airlift and Air Main Rehabilitation and Aeration Tanks 6, 7 and 8 Diffuser Plate Replacement, SWRP, Project 09-181-3P. The maximum SRF loan amount is $5,021,765. The maximum pass through federal funding is $4,184,637. A total of $367,000 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $1,242,269 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175223 was awarded to the District on December 15, 2015, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for D799 Switchgear Replacement, SWRP, Project 09-182-3E. The maximum SRF loan amount is $9,800,000. The maximum pass through federal funding is $8,166,340. A total of $725,700 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $946,410 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175355 was awarded to the District on February 16, 2016, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Glenbrook Sanitary Sewer Rehabilitation, NSA, Project 14-061-3S. The maximum SRF loan amount is $1,262,478. The maximum pass through federal funding is $1,052,023. A total of $388,500 in federal funds was disbursed by the IEPA during fiscal year 2016. As of December 31, 2016, $1,154,091 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Schedule of Findings and Questioned Costs

Year ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? ______Yes __X__ No

Significant deficiency(ies) identified? ______Yes __X__ None reported

Noncompliance material to financial statements noted? ______Yes __X__ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ______Yes __X__ No

Significant deficiency(ies) identified? ______Yes __X__ None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ______Yes __X__ No

Identification of major federal programs:

U.S. Environmental Protection Agency

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

Dollar threshold used to distinguish between Type A and Type B programs: $797,163

Auditee qualified as low-risk auditee? __X__ Yes ______ No

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

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None

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