NEW ISSUE – BOOK ENTRY ONLY

Moody's: Aaa
Standard & Poor's: AAA
Fitch: AAA
(See "RATINGS" herein.)

Interest on the 2011A Bonds is includible in gross income of the owners thereof for federal income tax purposes. Subject to compliance by the District with certain covenants, in the opinion of Co-Bond Counsel, under present law, interest on the 2011B Bonds and the 2011C Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Interest on the Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion.

$400,000,000
METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

CONSISTING OF

$30,000,000
TAXABLE GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, LIMITED TAX SERIES A OF JULY, 2011

$270,000,000
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, LIMITED TAX SERIES B OF JULY, 2011

$100,000,000
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, UNLIMITED TAX SERIES C OF JULY, 2011

Dated: Date of Delivery **Due: December 1, as shown on the inside cover**

The Taxable General Obligation Capital Improvement Bonds, Limited Tax Series A of July, 2011 (the "*2011A Bonds*"), the General Obligation Capital Improvement Bonds, Limited Tax Series B of July, 2011 (the "*2011B Bonds*" and, together with the 2011A Bonds, the "*Limited Tax Bonds*"), and the General Obligation Capital Improvement Bonds, Unlimited Tax Series C of July, 2011 (the "*2011C Bonds*" or, the "*Unlimited Tax Bonds*" and, together with the Limited Tax Bonds, the "*Bonds*") will be issued only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). See "APPENDIX F – BOOK-ENTRY SYSTEM" herein. Individual purchases will be made in book-entry form only through the facilities of DTC. The Bonds are issuable in denominations of $5,000 or any integral multiple of $5,000. Purchasers will not receive physical delivery of bond certificates. Principal and interest are payable by The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as the initial Bond Registrar and Paying Agent, to DTC, which will remit such principal and interest to DTC's Participants for payment to the Beneficial Owners of the Bonds, as described herein. Interest on the Bonds will be payable on June 1, 2012 and semiannually thereafter on each June 1 and December 1. **The 2011B and the 2011C Bonds are subject to optional redemption prior to maturity as described herein.** The 2011A Bonds are not subject to redemption prior to maturity.

Maturities, Principal Amounts, Interest Rates, Yields and CUSIP Numbers are set forth on the inside cover page.

The Bonds are direct and general obligations of the Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois (the "*District*") for the payment of which the full faith and credit of the District have been pledged. The Limited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate, but the amount of said taxes that may be extended to pay the Limited Tax Bonds is, however, limited as provided by law. The Unlimited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate or amount. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. See "SECURITY FOR THE BONDS" herein.

The Bonds are offered when, as and if issued by the District, and accepted by the Underwriters and subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Chapman and Cutler LLP, Chicago, Illinois and Gonzalez, Saggio and Harlan, L.L.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the District by its Acting General Counsel. Certain legal matters will be passed upon for the Underwriters by their Co-Underwriters' Counsel, Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois, and Greene and Letts, Chicago, Illinois. It is anticipated that the Bonds will be available for delivery to DTC on or about July 27, 2011.

J.P. Morgan **Citi**

BofA Merrill Lynch **Barclays Capital** **Duncan-Williams, Inc.**

Loop Capital Markets **Ramirez & Co., Inc.**

Siebert Brandford Shank & Co., L.L.C. **William Blair & Company**

Dated: July 21, 2011

MATURITY SCHEDULE

$30,000,000
TAXABLE GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS,
LIMITED TAX SERIES A OF JULY, 2011

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP[1]
2013	$ 4,520,000	0.891%	0.891%	167560PN5
2014	15,975,000	1.222	1.222	167560PP0
2015	4,175,000	1.729	1.729	167560PQ8
2016	5,330,000	2.229	2.229	167560PR6

$270,000,000
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS,
LIMITED TAX SERIES B OF JULY, 2011

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP[1]
2017	$ 6,115,000	5.000%	1.88%	167560PS4
2018	26,855,000	5.000	2.30	167560PT2
2019	16,140,000	5.000	2.64	167560PU9
2020	7,335,000	5.000	2.89	167560PV7
2021	4,050,000	3.000	3.06	167560PW5
2021	5,500,000	5.000	3.06	167560QE4
2022	595,000	3.125	3.25	167560PX3
2022	6,985,000	5.000	3.25	167560QF1
2023	18,300,000	5.000	3.43	167560QG9
2024	18,000,000	5.000	3.58	167560PY1
2025	14,500,000	5.000	3.71	167560PZ8
2026	4,775,000	5.000	3.80	167560QA2
2029	10,000,000	5.000	4.07	167560QB0
2030	45,000,000	5.000	4.16	167560QC8
2031	45,850,000	5.000	4.26	167560QD6
2032	40,000,000	5.000	4.36	167560QH7

$100,000,000
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS,
UNLIMITED TAX SERIES C OF JULY, 2011

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP[1]
2013	$16,720,000	3.000%	0.60%	167560QM6
2014	6,200,000	4.000	0.90	167560QN4
2015	16,900,000	5.000	1.20	167560QP9
2016	9,850,000	5.000	1.51	167560QQ7
2017	4,955,000	4.000	1.88	167560QR5
2018	1,640,000	3.000	2.30	167560QS3
2019	1,885,000	4.000	2.64	167560QT1
2020	350,000	3.000	2.89	167560QU8
2029	10,000,000	5.000	4.07	167560QJ3
2030	10,000,000	5.000	4.16	167560QK0
2031	865,000	4.125	4.26	167560QL8
2031	20,635,000	5.000	4.26	167560QV6

[1] Copyright 2011, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the District does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

BOARD OF COMMISSIONERS AND PRINCIPAL OFFICERS

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

PRINCIPAL OFFICERS
David St. Pierre, Executive Director
Mary Ann Boyle, Treasurer
Ronald M. Hill, Acting General Counsel
Denice E. Korcal, Director of Human Resources
Manju Prakash Sharma, Director of Maintenance and Operations
Thomas Granato, Ph. D., Acting Director of Monitoring and Research
Darlene A. LoCascio, Director of Procurement and Materials Management
Keith D. Smith, Director of Information Technology
Kenneth A. Kits, Director of Engineering
Jacqueline Torres, Clerk/Director of Finance

CO-BOND COUNSEL
Chapman and Cutler LLP
Chicago, Illinois

Gonzalez, Saggio and Harlan, L.L.C.
Chicago, Illinois

CO-FINANCIAL ADVISORS
Public Financial Management, Inc.
Chicago, Illinois

Public Finance Advisors LLC
Chicago, Illinois

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as statements of the District or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Unless otherwise indicated, the District is the source of all tables and statistical and financial information contained in this Official Statement. The information set forth herein relating to governmental bodies other than the District has been obtained from such governmental bodies or from other sources believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and opinions expressed herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the financial condition or operations of the District since the date hereof.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement should be considered in its entirety and no one factor should be considered less important than any other by reason of its position in this Official Statement. Where statutes, ordinances, reports or other documents are referred to herein, reference should be made to such statutes, ordinances, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the District's beliefs as well as assumptions made by and information currently available to the District. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity (other than the District) shall have passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

The tax advice contained in this Official Statement is not intended or written by the District, its Co-Bond Counsel, or any other tax practitioner to be used, and it cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax advice contained in this Official Statement was written to support the promotion or marketing of the Bonds. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level which might not otherwise prevail in the open market. Such stabilizing, if begun, may be discontinued, and also may be recommenced at any time, in each case without notice.

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OFFICIAL STATEMENT

$400,000,000
METROPOLITAN WATER RECLAMATION DISTRICT
OF GREATER CHICAGO

CONSISTING OF
$30,000,000
TAXABLE GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS,
LIMITED TAX SERIES A OF JULY, 2011

$270,000,000
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS,
LIMITED TAX SERIES B OF JULY, 2011

$100,000,000
GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS,
UNLIMITED TAX SERIES C OF JULY, 2011

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices, is to set forth certain information in conjunction with the sale by the Metropolitan Water Reclamation District of Greater Chicago (the *"District"*) of $30,000,000 principal amount of its Taxable General Obligation Capital Improvement Bonds, Limited Tax Series A of July, 2011 (the *"2011A Bonds"*), $270,000,000 principal amount of its General Obligation Capital Improvement Bonds, Limited Tax Series B of July, 2011 (the *"2011B Bonds"* and, together with the 2011A Bonds, the *"Limited Tax Bonds"*), and $100,000,000 principal amount of its General Obligation Capital Improvement Bonds, Unlimited Tax Series C of July, 2011 (the *"2011C Bonds"* or, the *"Unlimited Tax Bonds"* and, together with the Limited Tax Bonds, the *"Bonds"*). Factors that may affect an investment decision concerning the Bonds are described throughout this Official Statement. Persons considering a purchase of any of the Bonds should read the Official Statement in its entirety.

The Bonds are authorized and issued under and pursuant to the Metropolitan Water Reclamation District Act, as amended (70 ILCS 2605) (the *"Act"*), the Local Government Debt Reform Act of the State of Illinois, as amended (30 ILCS 350) (the *"Debt Reform Act"*), and two bond ordinances each adopted by the Board of Commissioners (the *"Board"*) of the District on June 2, 2011, as supplemented by a Bond Order (together, the *"Bond Ordinances"*).

The Bonds are direct and general obligations of the District, whose full faith and credit have been pledged for the punctual payment of the principal of and interest on the Bonds. The Limited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the District, without limitation as to rate, but limited as to amount by the provisions of the Property Tax Extension Limitation Law, as amended (35 ILCS 200/18-185 to 200/18-245) (the

"Limitation Law"). The Unlimited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate or amount.

The Limited Tax Bonds are issued to finance construction projects identified in the District's Capital Improvements Program and to pay the costs of issuance of the Limited Tax Bonds. The Unlimited Tax Bonds are issued to finance construction projects initiated before October 1, 1991, including projects included in the District's Tunnel and Reservoir Plan (*"TARP"*) and to pay costs of issuance of the Unlimited Tax Bonds. For additional information concerning the District's construction plan, see "THE PROJECT" and "APPENDIX B—CAPITAL IMPROVEMENTS PROGRAM."

This Official Statement contains summaries of the terms of the Bonds, together with descriptions of the District and other pertinent information. All references to agreements and documents are qualified in their entirety by references to the agreements and documents. Any statements or information indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith, but no assurance can be given that the facts will materialize as so opined or estimated.

THE PROJECT

The project financed by the Bonds involves the replacing, remodeling, completing, altering, constructing and enlarging of sewage treatment works, water quality improvement projects or flood control facilities, and additions therefor, including, but not limited to, the construction of pumping stations, tunnels, conduits, intercepting sewers and outlet sewers, together with the equipment, including air pollution equipment, and appurtenances thereto, to acquire property, real, personal or mixed, necessary for said purposes, and for costs and expenses for the acquisition of the sites and rights-of-way necessary thereto, and for engineering expenses for designing and supervising the construction of such works and other related and incidental expenses (collectively, the *"Project"*). For additional information concerning the District's construction plan, see "APPENDIX B—CAPITAL IMPROVEMENTS PROGRAM."

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SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are summarized as follows:

	2011A BONDS	2011B BONDS	2011C BONDS	TOTAL
SOURCES OF FUNDS				
Principal Amount of Bonds	$30,000,000.00	$270,000,000.00	$100,000,000.00	$400,000,000.00
Net original issue premium	-0-	27,686,555.60	9,657,071.10	37,343,626.70
Total Sources of Funds	$30,000,000.00	$297,686,555.60	$109,657,071.10	$437,343,626.70
USES OF FUNDS				
Project Costs	$29,845,000.00	$296,175,000.00	$109,118,000.00	$435,138,000.00
Costs of Issuance[1]	155,000.00	1,511,555.60	539,071.10	2,205,626.70
Total Uses of Funds	$30,000,000.00	$297,686,555.60	$109,657,071.10	$437,343,626.70

(1) Includes Underwriters' discount.

THE BONDS

General Description

The Bonds will be dated the date of issuance thereof and will mature on December 1 of the years and in the amounts shown on the inside cover page of this Official Statement. The Bonds bear interest from their dated date, at the rates set forth on the inside cover page of this Official Statement, computed upon the basis of a 360-day year of twelve 30-day months and payable on June 1, 2012 and semiannually thereafter on each June 1 and December 1. The Bonds are issuable only as fully registered bonds in denominations of $5,000 or any integral multiple of $5,000 under a global book-entry only system operated by The Depository Trust Company, New York, New York (*"DTC"*). Individual purchases of the Bonds may be made only in book-entry form through the facilities of DTC. Purchasers will not receive certificates representing their interest in the Bonds purchased. See "APPENDIX F–BOOK-ENTRY SYSTEM." Principal of and interest on the Bonds are payable by The Bank of New York Mellon Trust Company, N.A., Chicago, Illinois, as the initial Bond Registrar and Paying Agent (the *"Bond Registrar"*).

Registration and Transfer

The Bond Registrar will maintain books for the registration of ownership and transfer of the Bonds. Subject to the provisions of the Bonds as they relate to book-entry form, any Bond may be transferred upon the surrender thereof at the office designated for such purpose of the Bond Registrar, together with an assignment duly executed by the registered owner or his or her attorney in such form as will be satisfactory to the Bond Registrar. No service charge shall be made for any transfer or exchange of Bonds, but the District or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

The Bond Registrar shall not be required to transfer or exchange any Bond during the period of fifteen (15) days preceding the giving of notice of redemption of any Bonds or to transfer and exchange any Bond all or a portion of which has been called for redemption.

Optional Redemption

2011A Bonds. The 2011A Bonds are not subject to optional redemption prior to maturity.

2011B Bonds. The Series 2011B Bonds maturing on or after December 1, 2022 are subject to optional redemption on or after December 1, 2021 at the option of the District, in whole or in part on any date, and if in part, the maturities to be redeemed to be selected by the District, at the redemption price equal to the principal amount of each 2011B Bond or portion thereof to be so redeemed, plus accrued interest to the redemption date.

2011C Bonds. The Series 2011C Bonds maturing on or after December 1, 2029 are subject to optional redemption on or after December 1, 2021 at the option of the District, in whole or in part on any date, and if in part, the maturities to be redeemed to be selected by the District, at the redemption price equal to the principal amount of each 2011C Bond or portion thereof to be so redeemed, plus accrued interest to the redemption date.

Mandatory Redemption

The Bonds are not subject to mandatory sinking fund redemption prior to maturity.

Selection of Bonds within a Maturity

The particular maturities of the 2011B Bonds and the 2011C Bonds to be redeemed at the option of the District will be determined by the District in its sole discretion.

If less than all of the 2011B Bonds or the 2011C Bonds of a given maturity are to be redeemed prior to maturity, the particular 2011B Bonds or 2011C Bonds or portions thereof to be redeemed will be selected by lot by the Bond Registrar of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate; *provided*, that such lottery shall provide for the selection for redemption of 2011B Bonds or 2011C Bonds or portions thereof so that any $5,000 2011B Bond or 2011C Bond or $5,000 portion thereof shall be as likely to be called for redemption as any other such $5,000 portion.

Redemption Procedure and Notice of Redemption

The District shall, at least 45 days prior to an optional redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the maturities and principal amounts of 2011B Bonds or 2011C Bonds to be redeemed.

Unless waived by the registered owner of 2011B Bonds or 2011C Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the District by mailing the redemption notice by first class mail not less than 30 days and not more than 60 days prior to the date fixed for redemption to each registered owner of the 2011B Bonds or the 2011C Bond to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

All official notices of redemption shall identify the 2011B Bonds or the 2011C Bonds or portions thereof to be redeemed and will state (a) the redemption date, (b) the redemption price, (c) if less than all of the outstanding 2011B Bonds or 2011C Bonds of a particular maturity are to be redeemed, the identification (and, in the case of partial redemption of 2011B Bonds or 2011C Bonds within such maturity, the respective principal amounts) of the 2011B Bonds or 2011C Bonds to be redeemed, (d) a statement that on the redemption date the redemption price will become due and payable upon each such 2011B Bond or 2011C Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the date fixed for redemption, and (e) the place where such 2011B Bonds or 2011C Bonds are to be surrendered for payment of the redemption price, which place of payment will be the office designated for such purpose by the Bond Registrar.

Unless moneys sufficient to pay the optional redemption price of the 2011B Bonds or the 2011C Bonds to be redeemed shall have been received by the Bond Registrar prior to the giving of such notice of redemption, such notice of optional redemption may, at the option of the District, state that the redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, the redemption notice shall be of no force and effect, the District shall not redeem such 2011B Bonds or 2011C Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not received and that such 2011B Bonds or 2011C Bonds will not be redeemed.

Official notice of redemption having been given, the 2011B Bonds or the 2011C Bonds or portions thereof so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price), such 2011B Bonds or 2011C Bonds or portions thereof shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner of a 2011B Bond or 2011C Bond, shall affect the sufficiency of such notice with respect to other registered owners. Notice having been properly given, failure of a registered owner of a 2011B Bond or 2011C Bond to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by a registered owner of a 2011B Bond or 2011C Bond entitled to receive such notice either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Upon surrender of such 2011B

Bonds or 2011C Bonds for redemption in accordance with said notice, such 2011B Bonds or 2011C Bonds shall be paid by the Bond Registrar at the redemption price. The procedure for the payment of interest due as part of the redemption price shall be as herein provided for payment of interest otherwise due. Upon surrender for any partial redemption of any 2011B Bond or the 2011C Bond, there shall be prepared for the registered owner a new 2011B Bond or 2011C Bond of like tenor, of authorized denominations, of the same maturity, bearing the same rate of interest and in the amount of the unpaid principal amount.

Such additional notice and information as may be agreed upon with DTC shall also be given so long as the 2011B Bonds and the 2011C Bonds are held by DTC. See "APPENDIX F–BOOK-ENTRY SYSTEM."

SECURITY FOR THE BONDS

The Bonds are direct and general obligations of the District for the payment of which the full faith and credit of the District have been pledged. The Bond Ordinances provide for the levy of a tax on all taxable property within the District adequate to pay principal of and interest on the Bonds when due beginning June 1, 2012.

The Limited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the boundaries of the District without limitation as to rate, but the amount of said taxes that will be extended to pay the Limited Tax Bonds is, however, limited pursuant to the Limitation Law. The rights of the owners of the Limited Tax Bonds and the enforceability of the Limited Tax Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

The Unlimited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the boundaries of the District without limitation as to rate or amount. The rights of the owners of the Unlimited Tax Bonds and the enforceability of the Unlimited Tax Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

The Bond Ordinances will be filed with the County Clerk of Cook County, Illinois (the "*County Clerk*"), and will serve as authorization to the County Clerk to extend and collect the property taxes as set forth in the Bond Ordinances to pay the Bonds.

The Debt Reform Act provides that the Limited Tax Bonds are payable from the "debt service extension base" of the District. The District's debt service extension base for the 2011 levy year is $147,610,159 (the "*Debt Service Extension Base*"), which is increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index (as defined in the Limitation Law). The District has covenanted in the Bond Ordinance for the Limited Tax Bonds that the sum of the annual amount of taxes to be extended to pay the Limited Tax Bonds and all other "limited bonds" (as defined in the Debt Reform Act) issued by the District will not exceed the Debt Service Extension Base, less the amount extended to pay certain other non-referendum bonds previously or hereafter issued by the District. See "DEBT INFORMATION—District's Debt Service Extension Base Capacity." The debt service on general obligation bonds of the District, such as the 2011C Bonds, issued to finance construction projects initiated prior to October 1, 1991, including the District's TARP, is excluded from the tax extension limitation and does not reduce the District's capacity to issue limited tax bonds. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES—Property Tax Extension Limitation Law and Debt Reform Act."

Upon the issuance of the Limited Tax Bonds, the District will have remaining capacity to levy ad valorem taxes for the repayment of additional limited bonds. See the table entitled "District's Debt Service Extension Base Capacity" under the caption "DEBT INFORMATION."

ADDITIONAL FINANCING

Long-Term Capital Needs

The District has traditionally financed a substantial portion of its capital projects through the issuance of general obligation indebtedness. The District expects that future capital expenditures will continue to be financed in large part through the issuance of its general obligation indebtedness. There are currently no legislative proposals pending to eliminate or curtail the District's power to issue its general obligation bonds without voter approval. Legislation has been adopted which extends the existing nonreferendum bonding authority of the District through 2024. For a description of certain of the District's present and potential future capital projects, see APPENDIX B—"CAPITAL IMPROVEMENTS PROGRAM," "ENVIRONMENTAL MATTERS—Effluent Disinfection" and "—National Pollutant Discharge Elimination System." The District evaluates on an ongoing basis whether market conditions will enable it to refinance outstanding indebtedness at favorable rates.

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IEPA Projects

The District is involved in an ongoing program of sewer and treatment plant rehabilitation and expansion projects for which the Illinois Environmental Protection Agency (the *"IEPA"*) has approved partial funding through the State of Illinois Water Pollution Control Revolving Loan Fund (the *"Revolving Loan Fund"*). Under the terms of the Revolving Loan Fund, the District issues preliminary bonds in the amount of interim project loan advances to pay project costs (the *"IEPA Preliminary Bonds"*). The IEPA Preliminary Bonds are funded at project completion by the issuance to the IEPA of long term general obligation bonds of twenty-year maturities. Once repayment begins, the bonds amortize over the repayment period with level semiannual payments of principal and interest to maturity. In connection with these fundings, the District has authorized the issuance of the following Capital Improvement Bonds:

SERIES AND AUTHORIZATION	PRINCIPAL OUTSTANDING
1990 IEPA Series, $45,000,000	$ 3,724,276
1991 IEPA Series, $59,000,000	1,833,986
1992 IEPA Series, $204,000,000	31,656,944
1994 IEPA Series, $210,000,000	24,808,734
1997 IEPA Series, $190,000,000	63,912,697
2001 IEPA Series, $180,000,000	129,275,607
2004 IEPA Series, $150,000,000	108,468,477
2007 IEPA Series, $160,000,000	135,027,595
2009 IEPA Series, $258,000,000	132,866,810
TOTAL	$631,575,129

See also, "DEBT INFORMATION—Combined Schedule of Bonds Issued and Outstanding."

METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

The District

The District is a sanitary district and a body corporate and politic of the State of Illinois (the *"State"*), organized and existing under the Act. The District is an independent government and taxing body encompassing approximately 91% of the land area and 98% of the assessed valuation of Cook County, Illinois. The District was originally organized as the Sanitary District of Chicago in 1889 under an act of the Illinois General Assembly which has been modified from time to time to increase the District's powers and jurisdiction. From 1955 through 1988 the District was called The Metropolitan Sanitary District of Greater Chicago. In order to provide a more accurate description of the District's current functions and responsibilities, the name was changed, effective January 1, 1989, to the Metropolitan Water Reclamation District of Greater Chicago.

The mission of the District is to 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 is responsible for preventing pollution of Lake Michigan, the source of Chicago's water supply, and treating wastewater to improve the water quality in the Chicago, Des Plaines, Calumet and Illinois Rivers and all other waterways within its jurisdiction. While it exercises no direct control over wastewater collection and transmission systems maintained by cities, towns and villages in Cook County, the District does control municipal sewer construction by permits. It also provides the main trunk lines for the collection of wastewater from the local systems, and provides facilities for the treatment and disposal of the wastewater products. The District also provides facilities to store, treat and release combined sewage overflow and storm water runoff within its jurisdiction. Beginning in 2005, the District was assigned responsibility pursuant to Section 7h of the Act for stormwater management for all of Cook County, including areas outside of the District's corporate boundaries.

The District is currently undertaking a number of capital projects designed to fulfill its statutory responsibilities. A description of the District's Capital Improvements Program is set forth in APPENDIX B attached hereto.

Services

The District collects wastewater from municipalities in its service area, conveys it to wastewater reclamation plants, provides full secondary treatment and discharges clean water to local waterways. The District is also responsible for stormwater management for all of Cook County, including areas outside of the District's corporate boundaries for wastewater services.

As of December 31, 2010, the District served an equivalent population of 10.35 million people; this included domestic wastewater from approximately 5.25 million people, a commercial and industrial equivalent of 4.5 million people, and a combined sewer overflow of 0.6 million people. The District serves an area of 884 square miles which includes the City of Chicago and 125 suburban communities. The District's 559 miles of intercepting sewers and force mains range in size from 12 inches to 27 feet in diameter, and are fed by approximately 10,000 local sewer system connections.

The District's TARP is one of the country's largest public works projects for pollution and flood control. One hundred nine (109) miles of tunnels, 9 to 33 feet in diameter and 150 to 300 feet underground, have been constructed and are in operation.

The District owns and operates one of the world's largest water reclamation plants, in addition to six other plants and 22 pumping stations. The District treats an average of 1.2 billion gallons of wastewater each day. The District's total wastewater treatment capacity is over 2.0 billion gallons per day.

The District controls approximately 76 miles of navigable waterways, which are part of a national system connecting the Atlantic Ocean and the Great Lakes with the Gulf of Mexico.

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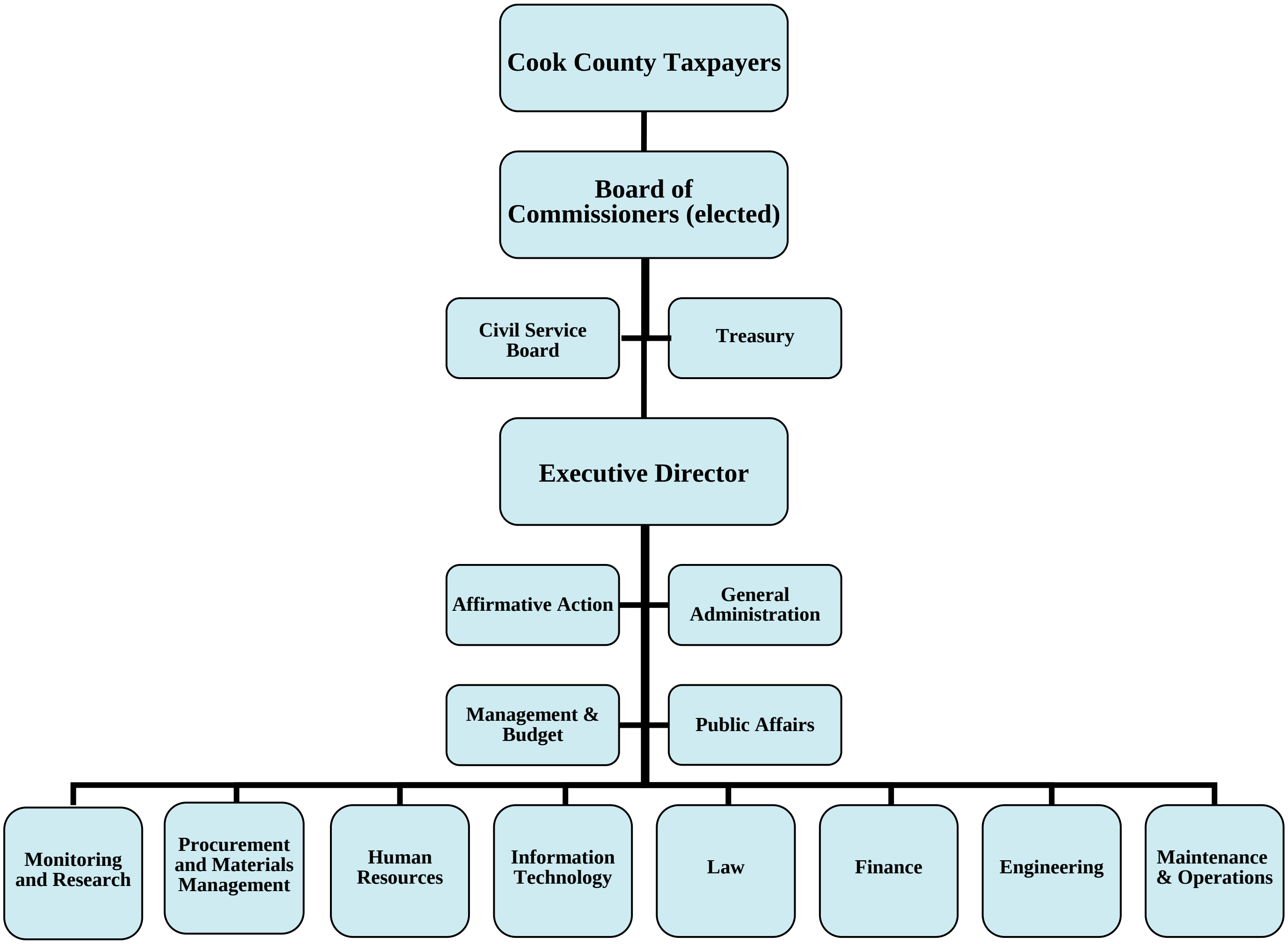
Organization



Administration

The District is governed by a nine member Board of Commissioners. Commissioners are elected at large and serve on a salaried part-time basis. Three Commissioners are elected every two years for six-year terms. The Board elects a President, Vice President, and Chairman of the Committee on Finance biannually from its membership.

THE CURRENT COMMISSIONERS ARE:

BOARD OF COMMISSIONERS	YEAR FIRST ELECTED	TERM EXPIRES
Terrence J. O'Brien, President	1988	2012
Barbara J. McGowan, Vice President	1998	2016
Cynthia M. Santos, Chairman, Committee on Finance	1996	2014
Michael A. Alvarez	2010	2016
Frank Avila	2002	2014
Patricia Horton	2006	2012
Kathleen Therese Meany	1990	2014
Debra Shore	2006	2012
Mariyana Spyropoulos	2009*	2016

* Appointed by the Governor of the State of Illinois on August 5, 2009 to fill a vacancy; subsequently, Ms. Spyropoulos was elected by the voters at the November 2, 2010 election to a full six-year term.

The District's day-to-day operations are managed by the Executive Director, who is appointed by and reports directly to the Board. With the consent of the Board, the Executive Director appoints eight department heads who report directly to him. The Executive Director is responsible for administering board policies, as well as preparing and implementing the District's annual budget and long-range plan. The Treasurer of the District, its chief financial officer, is also appointed by and reports directly to the Board. The Treasurer is responsible for the District's financial planning and investment management. The Board appoints a Civil Service Board that has statutory responsibilities for the District's classified service employees.

Mr. David St. Pierre was appointed Executive Director of the District by the Board on June 16, 2011. Mr. St. Pierre has more than 25 years of experience working in the water and wastewater industries in various cities throughout the United States, and is a registered Professional Engineer and holds a Bachelor of Science degree in Electrical Engineering from Southern Illinois University.

Ms. Mary Ann Boyle was appointed the Treasurer of the District by the Board on March 3, 2011. Ms. Boyle served as the District's Assistant Treasurer for 6.5 years prior to assuming her current position. Ms. Boyle has over 25 years experience in various finance and accounting roles, holds a B.S. in Accountancy from the University of Illinois at Urbana-Champaign, and is a Certified Public Accountant by the State of Illinois.

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The District's other principal officers serve as heads of the following departments under the Executive Director.

OTHER PRINCIPAL OFFICERS	TITLE	DEPARTMENT
Kenneth A. Kits	Director of Engineering	Engineering
Manju Prakash Sharma	Director of Maintenance and Operations	Maintenance and Operations
Thomas Granato, Ph. D.	Acting Director of Monitoring and Research	Monitoring and Research
Ronald M. Hill	Acting General Counsel	Law
Denice E. Korcal	Director of Human Resources	Human Resources
Darlene A. LoCascio	Director of Procurement and Materials Management	Procurement and Materials Management
Keith D. Smith	Director of Information Technology	Information Technology
Jacqueline Torres	Clerk/Director of Finance	Finance

The departments have responsibility for the following activities:

Engineering Department – This department conducts and/or supervises: facilities planning, design and construction inspection for the District, including new water reclamation plants; remodeling, alteration and expansion of existing plants; the District's TARP; flood control reservoirs; construction of new and upgrading of existing sewer lines and pumping stations; solids management and disposal; and stormwater management activities within Cook County. The department provides liaison with the United States Environmental Protection Agency (the *"USEPA"*), the IEPA and the U.S. Army Corps of Engineers; evaluates compliance with directives; applies for construction project state revolving fund loans; and provides coordination with other local governmental agencies, including county, township, and municipal agencies.

Maintenance and Operations Department – The responsibilities of this department include: protecting the water quality of Lake Michigan, which is the major water supply of the Chicago area; intercepting and treating domestic and industrial wastewater to minimize pollution of the waterways; and operating and maintaining all the facilities of the District. In performing the above responsibilities, a high quality treatment plant effluent is produced in compliance with the National Pollutant Discharge Elimination System (NPDES) Permits, provides for the proper utilization of the solids that are recovered from the various treatment processes, and controls collection facilities and the District's TARP system to minimize combined sewer overflows and treatment plant bypasses. The department has the added responsibilities of operating and maintaining flood control reservoirs to handle storm water run-off, operating and maintaining waterway aeration stations and Sidestream Elevated Pool Aeration (SEPA) Stations for the maintenance of water quality dissolved oxygen standards, maintaining a program of debris clearance from the waterways, controlling the state-allocated Lake Michigan diversion and operating and maintaining the hydroelectric Lockport powerhouse, which generates revenue estimated at $1.2 million per year for the District.

Monitoring and Research Department – This department conducts ongoing research in wastewater treatment, stormwater management, solids utilization and related fields; monitors water reclamation plant operations, effluent quality and solids utilization for compliance with federal and state permits; monitors water quality of the Chicago area waterways, Illinois waterways and Lake Michigan for compliance with federal and state water quality standards; and administers the Sewage and Waste Control Ordinance and User Charge Ordinance for compliance with the requirements of the Clean Water Act Amendments of 1977 and regulations of the USEPA.

Law Department – This department is responsible for all legal matters relating to the District. The department also reviews necessary legislation for presentation to the Illinois General Assembly and provides legal interpretation of governing statutes.

Human Resources Department – This department is responsible for providing effective human resources management programs including: recruitment and selection, employee training and development, compensation and benefits, labor and employee relations and safety. Approximately 830 of the District's 2,066 employees are represented by 15 different unions. These unions comprise six different bargaining units. The District and the unions representing its employees have enjoyed a long tradition of amicable and professional relations. Multi-year collective bargaining agreements were negotiated with all unions in 2008 and were scheduled to expire on June 30, 2011. Historically, the parties have agreed to extend the agreements on a month to month basis until successor agreements were reached. The District has taken this approach during these negotiations.

Procurement and Materials Management Department – This department is responsible for procuring all materials and services in compliance with the Purchasing Act of the Metropolitan Water Reclamation District of Greater Chicago. The department operates four major storerooms at the District facilities providing planning, receiving, storing and issuing of materials. The department is also responsible for the sale of obsolete, used and surplus materials.

Information Technology Department – The mission of the Information Technology Department (ITD) is to align information technology with the stated goals and objectives of the District and to maintain the technology infrastructures and architectures at levels that promote productivity and efficiency throughout the District. In pursuit of this mission, the ITD coordinates the planning and implementation of information technology throughout the District. In addition, ITD establishes District-wide computer standards, monitors and oversees computer security, and provides support for numerous District-wide applications. The ITD provides information technology services in the following key areas: Planning and Program Management, Design and Implementation, Applications Development and Support, Infrastructure Operations and Maintenance, User Support and Customer Satisfaction, and Security and Disaster Recovery.

Finance Department – This department is responsible for reporting financial transactions and preparing the District's Comprehensive Annual Financial Report (CAFR). Additionally, the department maintains all official records of District Proceedings, pursues revenue collections and pays obligations of the District in compliance with relevant statutes, professional standards, and District policy.

General Administration – This organizational unit includes the Office of the Executive Director, Affirmative Action, Management & Budget, Public Affairs and the General Administration Division. The Office of the Executive Director has overall administrative responsibility for the entire District. Affirmative Action administers the Affirmative Action ordinance to provide opportunities for protected class enterprises in the District purchasing process. Management & Budget is responsible for central budget preparation and administration, fiscal planning, and organizational studies. Public Affairs provides public and employee understanding of District functions and activities through media, publications, responses to public inquiries, tours, events and employee newsletters. The General Administration Division provides centralized support services such as Security, Public Information, and Building Administration across departmental lines.

Civil Service Board – The Civil Service Board is an administrative body appointed by the Board whose purpose is to hear charges that are brought against employees, hear employee appeals of actions taken by the Director of Human Resources, and to approve to the Personnel Rules and the job classification plan of the District. Decisions of the Civil Service Board are subject to administrative review, as described in the Code of Civil Procedure of the State.

RECENT FINANCIAL INFORMATION

The Board adopted the 2011 Budget on December 9, 2010 and made amendments on December 16, 2010. The operation, maintenance, and investment in the District's infrastructure, and other essential services continue to receive primary focus, while some discretionary activities and non-essential services are being reduced. The District's 2011 tax levy of $467,637,525 represents a 1.2% increase from the 2010 levy as adjusted. The 2011 Budget includes $401.1 million in appropriations for the General Corporate Fund, a decrease of $16.4 million or 4.1% from the 2010 budget. The District's budget for fiscal year 2011 is available online at the District's website at www.mwrd.org, but the content of such website is not incorporated into this Official Statement by reference.

Local property taxes account for 78.1% of the 2011 estimated revenues for the General Corporate Fund, which is a slight decrease in percentage from the 2010 actual levels at 78.4%. The next largest revenue category, User Charges, account for 13.0% of the 2011 estimated revenues for the General Corporate Fund, which is an estimated decrease of 1.6% from the 2010 actual levels at 14.6%. The current General Corporate Fund 2011 estimated revenues of $336.4 million exceed the final budget estimates of $323.5 million, primarily due to increased tax increment financing district surplus distributions. The current General Corporate Fund 2011 estimated expenditures of $328.3 million are lower than the final budget estimates of $341.1 million, primarily due to not filling some vacant positions. The General Corporate Fund does not receive any regular funding from the State of Illinois.

General Corporate Fund Statement of Revenues, Expenditures and Changes

(amounts in thousands)

	2007 Actual Amounts	2008 Actual Amounts	2009 Actual Amounts	2010 Actual Amounts	2011 Estimated Amounts	2011 Percent of Total
Revenues:						
Property taxes	$ 230,181	$ 237,641	$ 240,271	$ 234,741	241,788	71.9%
Personal property replacement tax	28,297	30,621	29,378	20,896	25,788	7.7%
Total tax revenue	258,478	268,262	269,649	255,637	267,576	
Tax Adjustments	(3,058)	264	(13,732)	5,052	(4,851)	
Tax revenue available for current operation	255,420	268,526	255,917	260,689	262,725	78.1%
Interest on investments	11,983	6,654	2,774	1,816	1,600	0.5%
Land sales	19	-	-	3,039	2	0.0%
Tax increment financing distributions	699	858	1,031	2,650	15,250	4.5%
Miscellaneous	3,866	8,552	8,098	4,033	1,700	0.5%
User charges	51,950	54,142	47,943	48,367	43,700	13.0%
Land rentals	9,488	9,457	9,775	9,842	10,300	3.1%
Claims and damage settlements	-	606	291	690	0	0.0%
Fees, forfeits and penalties	2,974	901	1,319	1,192	1,170	0.3%
Total revenues	$ 336,399	$ 349,696	$ 327,148	$ 332,318	$ 336,447	100.0%
Expenditures by Department:						
Board of Commissioners	$ 3,489	$ 3,724	$ 3,648	$ 3,627	$ 3,599	1.1%
General Administration	25,707	21,594	18,497	15,393	14,861	4.5%
Monitoring and Research	25,335	26,535	28,263	27,891	24,385	7.4%
Procurement and Materials Management	8,146	8,719	8,932	8,416	8,376	2.6%
Human Resources	61,833	61,379	43,577	46,915	52,033	15.8%
Information Technology	15,857	19,250	20,105	15,821	16,571	5.0%
Law	6,114	7,207	7,456	8,153	6,849	2.1%
Finance	3,089	3,201	3,205	3,201	3,105	0.9%
Engineering	4,324	6,697	7,943	5,389	6,668	2.0%
Maintenance and Operations	177,801	194,457	206,696	189,376	183,593	55.9%
Claims and judgments	9,353	7,627	9,464	6,728	8,293	2.5%
Total expenditures	$ 341,048	$ 360,390	$ 357,786	$ 330,910	$ 328,331	100.0%
Revenues over (under) expenditures	(4,649)	(10,694)	(30,638)	1,408	8,116	
Revenues and other financing sources (uses) Transfers	8,000	7,000			8,000	
Fund balances at beginning of the year as adjusted	146,062	158,777	145,752	103,756	105,164	
Fund balances at end of year	$ 149,413	$ 155,083	$ 115,114	$ 105,164	$ 121,280	
Expenditures by Type						
Total all departments:						
Personal services	$ 204,688	$ 214,477	$ 204,153	$ 206,056	$ 205,198	62.50%
Contractual services	91,315	101,807	113,715	95,655	94,300	28.7%
Materials and supplies	21,301	23,482	23,268	19,405	18,900	5.8%
Machinery and equipment	4,193	8,747	6,685	2,554	1,100	0.3%
Land	9,731	4,179	0	0	200	0.1%
Fixed and other charges	467	71	501	512	340	0.1%
Total Corporate Division	331,695	352,763	348,322	324,182	320,038	97.5%
Total Reserve Claim Division	9,353	7,627	9,464	6,728	8,293	2.5%
Total Expenditures General Corporate Fund	$ 341,048	$ 360,390	$ 357,786	$ 330,910	$ 328,331	100.0%

Source: Amounts are presented on a budgetary basis. The actual results were obtained from Exhibit A-3 of the District's Basic Financial Statements attached hereto as APPENDIX A. The 2011 estimated amounts are based on both the 2011 budget as well as actual results for the first half of the current fiscal year.

GENERAL CORPORATE FUND BALANCE

The year end 2010 balance was $204.8 million or 61.8% of corporate expenditures. This level of fund balance should 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.

General Corporate Fund Balance[1]	**2006**	**2007**	**2008**	**2009**	**2010**
Year End Balance (on GAAP Basis)	$245.0	$234.5	$229.4	$210.7	$204.8

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(1) The General Corporate Fund Balance is made up of the Corporate, Reserve Claim, and Working Cash Funds and is presented on a GAAP basis of accounting. See Exhibit A-1 of the District's Basic Financial Statements attached hereto as APPENDIX A.

DEBT INFORMATION
(UNAUDITED)

The following tables set forth direct and overlapping debt applicable to the District as of June 30, 2011, adjusted to include the Bonds.

Direct Debt

	AMOUNT
IEPA Preliminary Bonds	$ 260,732,210
General Obligation Bonds Outstanding (includes IEPA Final Bonds)	1,945,660,000
Plus: The Bonds	400,000,000
Total Direct Debt	$2,606,392,210

Estimated Overlapping Bonded Debt[1]

	BONDED DEBT[2]	PERCENT APPLICABLE[3]	AMOUNT APPLICABLE
City of Chicago	$7,319,692,000	100%	$ 7,319,692,000
Chicago Board of Education[4]	5,579,522,000	100%	5,579,522,000
Chicago Park District[4]	899,420,000	100%	899,420,000
Cook County	3,499,615,000	97.96%	3,428,223,000
Cook County Forest Preserve District	101,935,000	97.96%	99,856,000
Total Overlapping Debt			$ 17,326,713,000
Total Direct and Overlapping Debt			$ 19,933,105,210
Population (2010 Estimate)[5]			5,194,675
Equalized Assessed Valuation (2009)[3]			$174,467,642,684
Estimated Fair Market Value (2008)[6]			$616,163,594,142

Source of data: Office of County Clerk, Tax Extension Division and as otherwise noted in footnotes (2), (5) and (6).

(1) Excludes outstanding tax anticipation notes and warrants. Except as stated, does not include debt issued by other taxing authorities located in Cook County.

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

(3) Based on 2009 Equalized Assessed Valuations, which are the most recent available. For 2009, the Equalized Assessed Valuation from the portion of the District within the City of Chicago was $461,195,000.

(4) Includes approximately $5 billion and $449 million of general obligation bonds of the Chicago Board of Education and the Chicago Park District, respectively, issued as “alternate revenue” bonds secured by alternate revenue sources. An ad valorem property tax levy is filed in an amount sufficient to pay debt service on the alternate revenue bonds. When sufficient revenues have accumulated to pay annual debt service on the alternate revenue bonds, the property tax levy is abated. To date, alternate revenues have been available in amounts sufficient to pay principal and interest coming due on the alternate revenue bonds issued by the Chicago Board of Education and the Chicago Park District.

(5) Source of data: U.S. Census Estimate.

(6) Source of data: The Civic Federation, Chicago, Illinois (based upon information from the Illinois Department of Revenue).

Selected Debt Ratios

	PER CAPITA[1]	% OF EQUALIZED ASSESSED VALUE[2]	% OF ESTIMATED FULL VALUE[3]
Direct Debt	$ 501.74	1.49%	0.42%
Total Direct and Overlapping Debt[4]	$3,837.21	11.43%	3.24%

(1) 2010 Estimated Cook County Population: 5,194,675 (source of data: U.S. Census Estimate).

(2) 2009 Equalized Assessed Value: $174,467,642,684.

(3) 2008 Estimated Full Value: $616,163,594,142.

(4) Does not include debt issued by other taxing authorities located in Cook County which are not included under table entitled “Estimated Overlapping Bonded Debt” above.

Combined Schedule of Bonds Issued and Outstanding

(As of June 30, 2011) (unaudited)

(amounts in thousands)

Series	Interest Rate (%)	Final Maturity[1]	Annual Payments ($)						Initial Principal ($)	Amount Retired ($)	Principal Outstanding ($)
Capital Improvement											
December 2002 Unltd C	5.375	2013	2013	6,100					64,000	57,900	6,100
December 2002 Ltd D	4.00-5.375	2013	2011	15,800	2012	16,500	2013	11,300	100,000	56,400	43,600
July, 2006 Ltd	5.00	2022	2011	12,995	2017	11,150	2020	13,280	250,000	125,065	124,935
			2012	12,380	2018	11,770	2021	12,105			
			2015	11,995	2019	11,945	2022	15,800			
			2016	11,515							
August 2009 Ltd	5.72	2038	2033	45,000	2035	105,000	2037	115,000	600,000	-	600,000
			2034	100,000	2036	110,000	2038	125,000			
IEPA Revolving Loan *(4)* **Fund Bonds**	2.50-3.745	2030	2011	16,529	2018	25,434	2025	13,927	648,329	256,714	391,615
			2012	32,639	2019	23,910	2026	10,628			
			2013	31,807	2020	21,235	2027	8,874			
			2014	30,454	2021	21,117	2028	5,842			
			2015	29,331	2022	20,464	2029	3,958			
			2016	28,784	2023	19,780	2030	1,126			
			2017	28,435	2024	17,340					
	Total Capital Improvement and IEPA Revolving Loan Fund								1,662,329	496,079	1,166,250
Refunding											
May, 2006 Unltd *(2)*	5.00	2031	2023	31,860	2026	36,535	2029	41,935	346,600	-	346,600
			2024	33,335	2027	38,255	2030	43,795			
			2025	34,895	2028	40,055	2031	45,935			
May, 2006 Ltd *(2)*	5.00	2031	2023	5,035	2026	5,480	2029	5,985	50,790	-	50,790
			2024	5,165	2027	5,645	2030	6,050			
			2025	5,315	2028	5,820	2031	6,295			
March, 2007 Unltd A *(3)*	4.00-5.00	2022	2014	18,760	2017	17,955	2020	22,250	188,315	-	188,315
			2015	19,675	2018	20,015	2021	23,395			
			2016	20,585	2019	21,125	2022	24,555			
March, 2007 Unltd B *(3)*	5.25	2035	2034	45,965	2035	45,880			91,845	-	91,845
March, 2007 Ltd C *(3)*	5.25	2033	2025	2,595	2027	405	2033	48,210	101,860	-	101,860
			2026	2,465	2032	48,185					
	Total Refunding								779,410	-	779,410
								Total - All Series	2,441,739	496,079	1,945,660

(Footnotes appear on the following page.)

Notes to Combined Schedule of Bonds Issued and Outstanding

(1) Bonds issued on or after August 1992 mature on December 1 of the years indicated, except IEPA Revolving Loan Fund Bonds which mature semiannually on January 1 and July 1.

(2) Two refunding bond issues were refunded by May 2006 Refunding Bond Issue Unlimited and Limited as provided below:

\$363,000,000	Variable Rate General Obligation Refunding Bonds, Unlimited Tax Series A of June 2002 (5)
\$53,000,000	Variable Rate General Obligation Refunding Bonds, Limited Tax Series B of June 2002 (5)

(3) Four bond issues were fully or partially refunded by the March, 2007 Refunding Bond Issues, Unlimited Tax Series A and B, and Limited Tax Series C, as provided below:

\$57,900,000	Capital Improvement, Unlimited Tax Series of December 2002, maturing 2014 to 2016.
\$146,000,000	Capital Improvement, Unlimited Tax Series E of December 2002, maturing 2022.
\$100,000,000	Capital Improvement, Unlimited Tax Series of July 2006, maturing 2035.
\$110,435,000	Capital Improvement, Limited Tax Series of July 2006, maturing 2027 and 2033.

(4) Excludes \$260,732,210 of Preliminary Bond Principal and Interest outstanding under the IEPA Revolving Loan Fund Program.

(5) Five bond issues were partially refunded by June 2002 Refunding Bond Issue Unlimited Series A and Limited Series B as provided below:

\$39,950,000	Capital Improvement, June 1991, maturing 2008 and 2011.
\$145,500,000	Capital Improvement, March 1993, maturing 2008-2010 and 2012.
\$68,415,000	Capital Improvement, January 1995, maturing 2007 and 2010-2012.
\$100,000,000	Capital Improvement, Unlimited Series June 2001 A, maturing 2008-2014 at 100%, callable December 1, 2012, at 101%.
\$20,510,000	Capital Improvement, Limited Series June 2001 B, maturing 2007-2008.

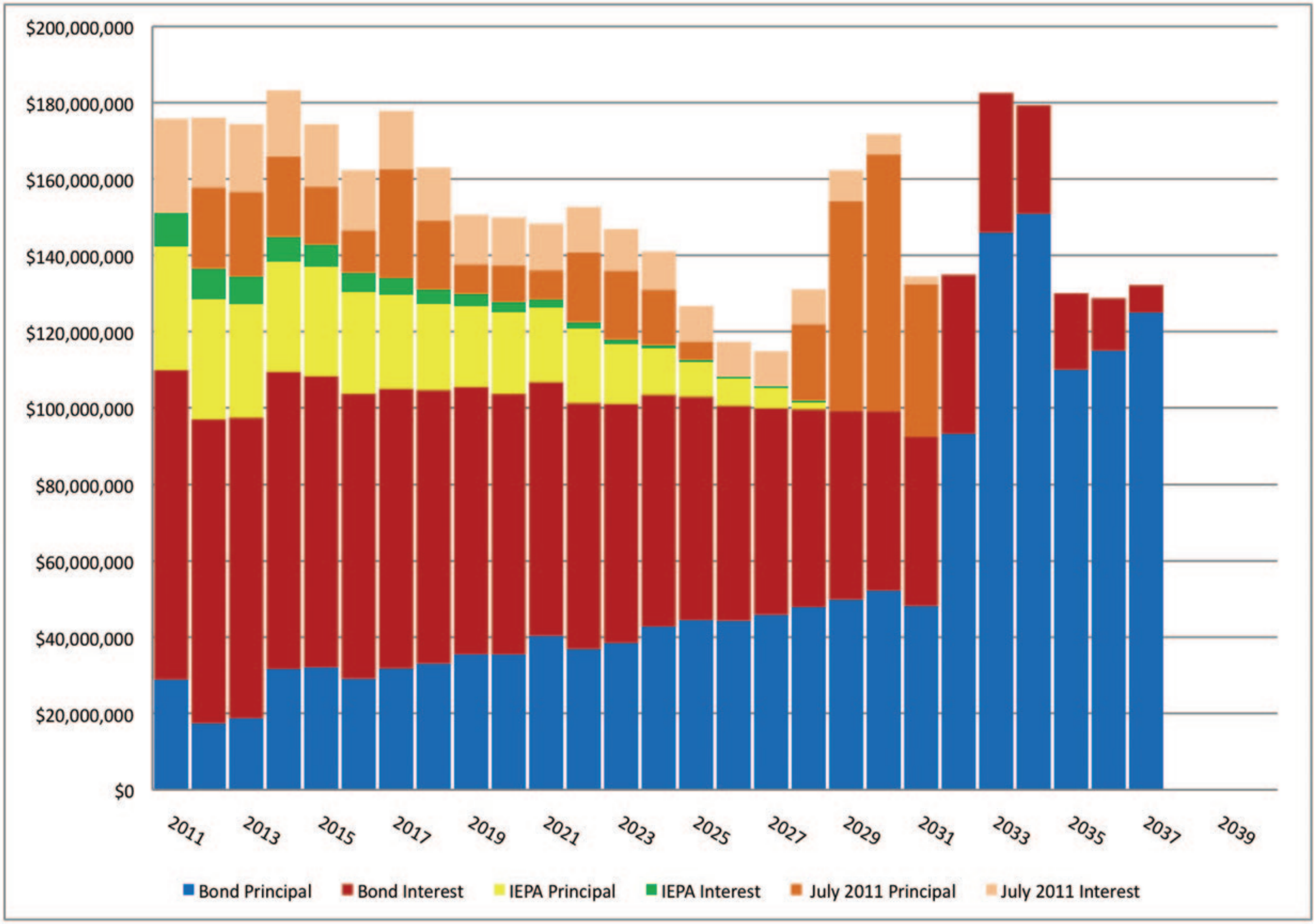
General Obligation Bonded Debt Service Schedule[1]

(As of June 30, 2011 and including the Bonds)

YEAR	BONDS OUTSTANDING [2]			THE BONDS			TOTAL			% PRINCIPAL RETIRED	
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	ANNUAL	CUMULATIVE
2011	$ 45,324,505	$ 46,182,454	$ 91,506,959	$ -	$ -	$ -	$ 45,324,505	$ 46,182,454	$ 91,506,959	2.16%	2.16%
2012	61,518,608	90,304,459	151,823,067	-	24,633,118	24,633,118	61,518,608	114,937,577	176,456,185	4.17%	6.33%
2013	49,207,618	88,016,204	137,223,822	21,240,000	18,322,154	39,562,154	70,447,618	106,338,358	176,785,976	4.17%	10.50%
2014	49,213,632	86,275,950	135,489,582	22,175,000	17,780,281	39,955,281	71,388,632	104,056,231	175,444,863	4.14%	14.65%
2015	61,001,000	84,618,761	145,619,762	21,075,000	17,337,066	38,412,066	82,076,000	101,955,827	184,031,827	4.35%	18.99%
2016	60,883,753	82,341,153	143,224,906	15,180,000	16,419,881	31,599,881	76,063,753	98,761,034	174,824,787	4.13%	23.12%
2017	57,539,754	80,021,111	137,560,865	11,070,000	15,808,575	26,878,575	68,609,754	95,829,686	164,439,440	3.88%	27.00%
2018	57,218,934	77,895,605	135,114,539	28,495,000	15,304,625	43,799,625	85,713,934	93,200,230	178,914,164	4.23%	31.23%
2019	56,980,141	75,672,943	132,653,083	18,025,000	13,912,675	31,937,675	75,005,141	89,585,618	164,590,759	3.89%	35.12%
2020	56,764,671	73,431,133	130,195,804	7,685,000	13,030,275	20,715,275	64,449,671	86,461,408	150,911,079	3.56%	38.68%
2021	56,616,752	71,117,333	127,734,085	9,550,000	12,653,025	22,203,025	66,166,752	83,770,358	149,937,110	3.54%	42.22%
2022	60,819,356	68,803,880	129,623,235	7,580,000	12,256,525	19,836,525	68,399,356	81,060,405	149,459,761	3.53%	45.75%
2023	56,675,231	66,279,404	122,954,636	18,300,000	11,888,681	30,188,681	74,975,231	78,168,085	153,143,316	3.62%	49.37%
2024	55,839,679	63,937,823	119,777,502	18,000,000	10,973,681	28,973,681	73,839,679	74,911,504	148,751,183	3.51%	52.88%
2025	56,731,905	61,599,687	118,331,592	14,500,000	10,073,681	24,573,681	71,231,905	71,673,368	142,905,273	3.37%	56.26%
2026	55,108,441	59,126,696	114,235,137	4,775,000	9,348,681	14,123,681	59,883,441	68,475,377	128,358,818	3.03%	59.29%
2027	53,178,862	56,650,375	109,829,237	-	9,109,931	9,109,931	53,178,862	65,760,306	118,939,168	2.81%	62.10%
2028	51,716,958	54,231,378	105,948,335	-	9,109,931	9,109,931	51,716,958	63,341,309	115,058,267	2.72%	64.81%
2029	51,878,325	51,793,899	103,672,224	20,000,000	9,109,931	29,109,931	71,878,325	60,903,830	132,782,155	3.14%	67.95%
2030	50,971,495	49,320,431	100,291,926	55,000,000	8,109,931	63,109,931	105,971,495	57,430,362	163,401,857	3.86%	71.81%
2031	52,230,000	46,814,100	99,044,100	67,350,000	5,359,931	72,709,931	119,580,000	52,174,031	171,754,031	4.06%	75.86%
2032	48,185,000	44,202,600	92,387,600	40,000,000	2,000,000	42,000,000	88,185,000	46,202,600	134,387,600	3.17%	79.04%
2033	93,210,000	41,672,888	134,882,888	-	-	-	93,210,000	41,672,888	134,882,888	3.19%	82.22%
2034	145,965,000	36,567,863	182,532,863	-	-	-	145,965,000	36,567,863	182,532,863	4.31%	86.53%
2035	150,880,000	28,434,700	179,314,700	-	-	-	150,880,000	28,434,700	179,314,700	4.23%	90.77%
2036	110,000,000	20,020,000	130,020,000	-	-	-	110,000,000	20,020,000	130,020,000	3.07%	93.84%
2037	115,000,000	13,728,000	128,728,000	-	-	-	115,000,000	13,728,000	128,728,000	3.04%	96.88%
2038	125,000,000	7,150,000	132,150,000	-	-	-	125,000,000	7,150,000	132,150,000	3.12%	100.00%
	$1,945,659,620	$1,626,210,829	$3,571,870,449	$400,000,000	$262,542,582	$662,542,582	$2,345,659,620	$1,888,753,412	$4,234,413,032	100.00%	

(1) Unaudited.
(2) Excludes $260,732,210 of Preliminary Bond Principal and Interest outstanding under the IEPA Revolving Loan Fund Program.

District General Obligation Bonded Debt Service
(Includes IEPA Debt)
As of June 30, 2011 and including the Bonds



District's Debt Service Extension Base Capacity
(As of June 30, 2011 and including the 2011A Bonds and the 2011B Bonds) (Unaudited)

The following table sets forth the capacity of the Debt Service Extension Base of the District to cover debt service on future limited bonds.

Tax Levy Year	Levy for Outstanding Limited Tax Bonds (1) (2)	Aggregate Levy for the 2011A Bonds and the 2011B Bonds	Total Applicable Debt Service Levy	Debt Service Extension Base(3)	Remaining Capacity(3)
2011	$ 87,731,992	$18,599,479	$106,331,471	$147,610,159	$ 41,278,688
2012	68,707,992	18,354,323	87,062,315	147,610,159	60,547,844
2013	56,800,617	29,769,050	86,569,667	147,610,159	61,040,492
2014	68,795,617	17,773,835	86,569,453	147,610,159	61,040,706
2015	67,715,867	18,856,649	86,572,517	147,610,159	61,037,642
2016	66,775,117	19,522,844	86,297,961	147,610,159	61,312,198
2017	66,837,617	39,957,094	106,794,711	147,610,159	40,815,448
2018	66,424,117	27,899,344	94,323,461	147,610,159	53,286,698
2019	67,161,867	18,287,344	85,449,211	147,610,159	62,160,948
2020	65,322,867	20,135,594	85,458,461	147,610,159	62,151,698
2021	68,412,617	17,769,094	86,181,711	147,610,159	61,428,448
2022	56,857,617	28,121,250	84,978,867	147,610,159	62,631,292
2023	56,735,867	26,906,250	83,642,117	147,610,159	63,968,042
2024	59,222,617	22,506,250	81,728,867	147,610,159	65,881,292
2025	58,855,630	12,056,250	70,911,880	147,610,159	76,698,279
2026	54,613,829	7,042,500	61,656,329	147,610,159	85,953,830
2027	52,226,832	7,042,500	59,269,332	147,610,159	88,340,827
2028	48,563,390	17,042,500	65,605,890	147,610,159	82,004,269
2029	46,047,988	51,542,500	97,590,488	147,610,159	50,019,672
2030	45,990,488	50,142,500	96,132,988	147,610,159	51,477,172
2031	87,565,738	42,000,000	129,565,738	147,610,159	18,044,422
2032	130,061,025	-0-	130,061,025	147,610,159	17,549,134
2033	131,746,000	-0-	131,746,000	147,610,159	15,864,159
2034	131,026,000	-0-	131,026,000	147,610,159	16,584,159
2035	130,020,000	-0-	130,020,000	147,610,159	17,590,159
2036	128,728,000	-0-	128,728,000	147,610,159	18,882,159
2037	132,150,000	-0-	132,150,000	147,610,159	15,460,159
2038	-0-	-0-	-0-	147,610,159	147,610,159
2039	-0-	-0-	-0-	147,610,159	147,610,159

(1) Includes Capital Improvement Bonds Series D of December 2002, the Series of July 2006 and Series of August 2009; Refunding Bonds Series of May 2006 and Series of March 2007; IEPA Series 04A, 04B, 04C, 04D, 04E, 04G, 04H, 07A and 07D.

(2) Excludes $260,732,210 of Preliminary Bond Principal and Interest outstanding under the IEPA Revolving Loan Fund Program.

(3) Debt Service Extension Base and Remaining Capacity are for 2011 levy year; as described in "SECURITY FOR THE BONDS," the Debt Service Extension Base is increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index.

Capital Lease

In December 2000, the Board authorized the District to enter into a long-term contract with a contractor to design, build, finance, own, operate, and maintain a 150 dry ton per day biosolids processing facility at the District's Stickney Water Reclamation Plant and beneficially use the final product for a period of 20 years. The contractor obtained its own financing to design, build, and own the facility.

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 million for the full term of the contract, which will be paid from the Capital Improvements Bond Fund. As of December 31, 2010, the future minimum lease payments are approximately $4.1 million for each of the years 2011-2030. The contract expires 20 years from the date of commercial operation, which was declared in July 2010. Under Illinois law the capital lease constitutes indebtedness includible within the District's 5.75% general debt limit, but is not includible in the District's 3.35% non-referendum bonded debt limit.

Debt Limits and Borrowing Authority

The Illinois General Assembly establishes the statutory debt limitations and borrowing authority of the District. Currently, such limits and authority are as follows:

Corporate Fund: To defray current operating expenses, 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 Corporate Fund portion of the Personal Property Replacement Tax allocation certified for distribution during the budget year through borrowing from the Corporate Working Cash Fund and issuance of tax anticipation notes or warrants.

Corporate Working Cash Fund: The fund may be used solely for the financing of Corporate Fund operations. The amount of non-referendum Corporate Working Cash Fund Bonds, which when added to (a) proceeds from the sale of Working Cash Fund bonds previously issued, (b) any amounts collected from the Corporate Working Cash Fund levy, and (c) amounts transferred from the Construction Working Cash Fund, may not exceed 90% of the amount produced by multiplying the maximum general corporate tax rate permitted by the last known equalized assessed valuation of all property in the District at the time the bonds are issued, plus 90% of the District's last known entitlement of the Personal Property Replacement Tax. At December 31, 2010, the District's remaining Corporate Working Cash Fund bond authorization is $396,556,000.

Construction Fund: The Illinois General Assembly has adopted legislation allowing the District to levy property taxes to fund construction of District facilities. In anticipation of the collection of such taxes, the District may issue tax anticipation notes or warrants in a total amount not to exceed 85% of its Construction Fund levy. In any tax year, the Construction Fund may borrow through the issuance of its tax anticipation notes or warrants plus loans from the

Construction Working Cash Fund up to the aggregate total of 100% of its estimated or actual extended tax levy plus 100% of the Construction Fund allocation of the estimated Personal Property Replacement Tax distribution to be received in that tax year.

Construction Working Cash Fund: The fund may be used solely for the financing of Construction Fund operations. The maximum permitted balance, and the maximum amount of bonds which are authorized to be issued to provide such balance, is the total of 90% of the maximum permissible Construction Fund Tax Levy plus 90% of the last known Construction Fund entitlement to the Personal Property Replacement Tax.

Capital Improvement Bonds: The maximum amount of non-referendum Capital Improvement Bonds which may be outstanding at any one time is 3.35% of the last known equalized assessed valuation of taxable property within the District. The Act authorizes the District to issue Capital Improvement Bonds through December 31, 2024. At June 30, 2011, the District's outstanding capital improvement and refunding bonds of $2,206,391,830 did not exceed the limitation of $5,844,666,000.

Stormwater Management Fund: To meet ordinary disbursements for salaries and other storm water purposes, the District may fund up to 100% of the total estimated amount of taxes to be levied for storm water purposes through borrowings from the Storm Water Working Cash Fund. The District may issue bonds under Section 9.6a of the Act for purposes of funding storm water management projects.

Stormwater Working Cash Fund: The fund may be used solely for the financing of storm water management fund operations. The District may transfer funds into the storm water working cash fund, in an amount not to exceed 100% of the amount produced by multiplying the maximum tax rate permitted for storm water purposes by the last known assessed valuation of all taxable property within the territorial boundaries of the District, as equalized and determined for state and local taxes.

Personal Property Replacement Tax Anticipation Notes: Pursuant to 50 ILCS 420/4.1(e) General Obligation Personal Property Replacement Tax Anticipation Notes may be issued in anticipation of receipt of such taxes, in an amount not to exceed 75% of the last known certified Personal Property Replacement Tax entitlement less the aggregate amount of such entitlement which the governing body estimates will be required to be set aside for the payment of the proportional amount of debt service and pension or retirement obligations as required by Section 12 of "An Act in relation to State revenue sharing with local government entities", approved July 31, 1969, as amended.

District Debt Limitation: The maximum amount of debt which the District may have outstanding at any time is 5.75% of the last known equalized assessed valuation of taxable property within the District. See "Calculation of Statutory Debt Margin" below.

The foregoing are impacted by the Limitation Law. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES – Property Tax Extension Limitation Law and Debt Reform Act."

Calculation of Statutory Debt Margin
(amounts in thousands)

	December 31				
	2010[1]	2009	2008	2007	2006
Equalized Assessed Valuation	$174,467,643	$174,467,643	$170,097,382	$155,972,794	$141,468,643
Statutory Debt Limit[2]	10,031,889	10,031,889	9,780,599	8,968,436	8,134,447
Calculation of Debt Applicable to Debt Limit:					
Principal Amount of Bonds Outstanding	1,961,974	1,979,203	1,392,699	1,465,854	1,579,401
Bond Anticipation Notes[3]	196,225	86,286	64,894	63,131	25,261
Capital lease	53,688	-	-	-	-
Liabilities of Tax Financed Funds	50,019	50,924	47,735	43,783	31,934
Total Debt	2,261,906	2,116,413	1,505,328	1,572,768	1,636,596
Less: Applicable Assets:					
Debt Service Funds Cash and Investments	$88,710	$88,849	$89,397	$77,599	$108,814
Interest Payable in the Next 12 Months	(92,619)	(59,873)	(73,103)	(68,877)	(69,111)
Total Applicable Assets	(3,909)	$28,976	$16,294	$8,722	$39,703
Net Debt Applicable to Debt Limit	2,265,815	2,087,437	1,489,034	1,564,046	1,596,893
Statutory Debt Margin	$ 7,766,074	$ 7,944,452	$ 8,291,565	$ 7,404,390	$ 6,537,554

(1) Debt limit calculation based on 2009 equalized assessed valuation, 2010 value is not yet available.
(2) 5.75% of equalized assessed valuation.
(3) Consists of IEPA Preliminary Bonds.

CASH MANAGEMENT

Corporate Working Cash Fund

The delay of more than a year between appropriations and tax collections requires the District to provide interim financing for its corporate operations. A 1983 statutory change in the working cash fund's maximum limitation permitted expansion of the fund thereby allowing the District to use it as the sole outside source for funding corporate operating needs and making the future issuance of tax anticipation notes unnecessary. As of the date of this Official Statement, the District has no corporate notes outstanding.

By law, working cash funds are non-appropriable and all loans to the Corporate Fund must be repaid with tax receipts from the year against which such funds were borrowed, and any other available property tax and Personal Property Replacement Tax revenues received in the year. Illinois law provides that working cash fund loans not repaid within the second budget year following the year in which the loans were made shall be general obligations of the Corporate Fund which must be repaid.

Debt Service Funds

For accounting and legal purposes, the District has created and maintains a debt service fund with sub-funds for each issue of its bonds. At the time of the sale of each issue, the applicable fund is credited with accrued interest plus any premium received by the District. Amounts credited to the District's various debt service funds are invested on a consolidated basis; but such investments and earnings thereon are recorded in the appropriate investment inventory of the applicable fund. Payment of principal of and interest on each issue of the District's bonds is made directly from the applicable debt service fund.

Property taxes collected are allocated among the debt service funds to achieve total distribution to each in the proportion of its levy to the total levy in that year for debt service. Distributions of Personal Property Replacement Tax revenue are credited to the District's Retirement Fund (as hereafter defined) as required by statute, the Corporate Fund, and certain other funds proportionately as specified by the annual budget.

Investment of District Funds

The District is committed to a policy of maximizing the return on all funds available for investment within the constraints of its Investment Policy. Tax levies necessary for the operation of the District are in effect reduced in direct relation to the income earned on investments.

The investments which the District may purchase are limited by Illinois law to the following: (1) securities which are fully guaranteed by the U.S. Government as to principal and interest; (2) certain U.S. Government Agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by a Federal corporation; (4) short-term discount obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds; (8) money market mutual funds and certain other instruments; and (9) municipal bonds of the State, or of any other state, or of any political subdivisions thereof, whether interest is taxable or tax-exempt under federal law, rated within the four highest classifications by a major rating service. 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 District may invest funds in any of these categories over time, depending on their competitive interest rate structures. All certificates of deposit or time deposits are required to be collateralized with securities of the U.S. Government or letters of credit issued by the Federal Home Loan Bank in an amount equal to 105% or 102%, respectively, of the funds on deposit. All investment collateral is held in safekeeping in the District's name by financial institutions acting as the District's agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

The District attempts to match its investment maturities with anticipated cash flow requirements. All funds are invested for periods of one day to five years from date of purchase based upon cash flow requirements and interest rate projections. Investments are placed on the basis of bids received on a daily basis from banks and brokers.

Investments and Interest Income
(amounts in millions)

FUND	2011[1]	2010	2009	2008	2007	2006
Interest Income:						
Corporate and Working Cash	$ 2.1	$ 1.9	$ 1.2	$ 4.4	$ 8.9	$ 8.1
Capital Improvement	7.1	5.7	4.0	15.9	29.5	23.2
Debt Service	0.2	0.3	1.0	3.1	5.3	8.8
Other	1.4	1.2	1.4	3.7	5.0	3.6
Total	$ 10.8	$ 9.1	$ 7.6	$ 27.1	$ 48.7	$ 43.7
Aggregate Investments Purchased (at Par)	$2,900.0	$3,076.0	$4,375.0	$3,933.0	$5,681.0	$6,029.0
Average Annual Return	0.4%	0.6%	0.6%	2.6%	4.9%	5.0%

(1) Estimated and unaudited, cash basis only.

FINANCIAL OPERATIONS - ACCOUNTING POLICIES

The accounting system of the District is operated and maintained on a fund accounting basis. A "fund" is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities, and residual equities or balances and change therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District's General Corporate Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund, and Stormwater Management Fund are maintained using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when measurable and available to finance operations. Expenditures, other than interest on long-term debt, are recorded at the time liabilities are incurred. District expenditures for the payment of principal and interest on long-term debt are recognized when such debt is due and payable.

The fiduciary funds of the District are the Retirement Fund and OPEB Trust Fund (as hereafter defined). The Funds' financial statements are prepared using the accrual basis of accounting with assets recorded at market value.

Property taxes, user charge revenues and personal property replacement taxes are accrued to the extent that they are available to satisfy liabilities relating to the reporting period.

The District uses the modified approach to report its infrastructure assets, with the exception of the District's TARP deep tunnels, drop shafts, main office buildings and certain intangible assets (as defined in GASB 51) which are depreciated. The District has implemented all applicable Governmental Accounting Standards Board (GASB) Statements through Statement No. 54.

RETIREMENT FUND

General

The District provides funding for the Metropolitan Water Reclamation District Retirement Fund (the *"Retirement Fund"*), which is established by and administered under Article 13 of the Illinois Pension Code (the *"Pension Code"*). The Retirement Fund's goal is to provide retirement annuities, death and disability benefits for certain employees of the District and employees of the Retirement Fund.

The Retirement Fund is governed by a seven-member Board of Trustees (the *"Retirement Fund Board"*). The Retirement Fund Board is composed of four member-elected trustees and three appointed trustees, one of whom is a retiree. The Retirement Fund Board is authorized by the Pension Code to make investments, pay benefits, hire staff and consultants and perform all functions necessary for operation of the Retirement Fund. The Retirement Fund operates pursuant to the authority granted by the Illinois State Legislature, including the defined benefits and the employer and employee contribution levels that are set forth in the Pension Code and that may be amended or terminated only by the Illinois State Legislature.

As of December 31, 2010, the end of the Retirement Fund's fiscal year, the Retirement Fund had a total membership of 4,404, consisting of 2,024 active employees, 2,248 retirees and beneficiaries currently receiving benefits, and 132 inactive employees entitled to benefits or a refund of contributions.

The Retirement Fund is a single-employer, defined benefit public employee retirement system. "Single-employer" refers to the fact that there is a single plan sponsor, in this case, the District. "Defined benefit" refers to the fact that the Retirement Fund pays a periodic benefit to retired employees and survivors in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined pursuant to a statutory formula on the basis of the employee's service credits and salary. Eligible employees receive the defined benefit on a periodic basis for life, along with certain benefits to spouses and children that survive the death of the employee.

To fund the benefits to be paid by the Retirement Fund, both employees and the District make contributions. Generally, employees contribute a fixed percentage of their annual salary and the District contributes an amount levied annually in accordance with a formula set forth in the Pension Code that, when combined with the projected investment earnings on plan assets, is sufficient to pay the benefits under the pension plan. See "Determination of Employer Contributions" below. District employees are required to contribute 9.0% of their salary to the Retirement Fund.

Section 5 of Article XIII of the Illinois Constitution provides that "[m]embership in any pension retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired." The benefits available under the Retirement Fund accrue throughout the time a member is employed by the District or by the Retirement Fund. Although benefits accrue during employment, certain age and service requirements must be achieved for an employee to receive a retirement or survivor's periodic defined benefit payment upon retirement or termination from the District.

The Retirement Fund Board manages the investments of the Retirement Fund. The Retirement Fund's investment authority is established by and subject to the provisions of State law. The Retirement Fund Board invests the Retirement Fund's assets in accordance with the "prudent person" rule and the Retirement Fund's formal investment policy, which requires members of the Retirement Fund Board, who are fiduciaries of the Retirement Fund, to discharge their duties with the care, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in a similar situation. In carrying out this duty, the Retirement Fund Board, acting upon the advice of an investment consultant who has acknowledged a fiduciary status, appoints and monitors investment managers, acting as fiduciaries, to manage the investment assets of the Retirement Fund. Such investment managers are granted discretionary authority to manage the Retirement Fund's assets in accordance with the prudent person rule. Additional information regarding the Retirement Fund's investments and investment management may be found on the Retirement Fund's website at www.mwrdrf.org, but the content of such website is not incorporated into this Official Statement by reference. See also "APPENDIX C—Report of the Consulting Actuary on the District Retirement Fund" (the *"Actuary's Report"*). Table 1 provides information on the investment returns experienced by the Retirement Fund for the period 2001 through 2010.

Table 1 - Investment Rates of Return, 2001-2010(1)

	INVESTMENT RETURN(2)
2001	-1.4%
2002	-6.9%
2003	18.9%
2004	9.4%
2005	4.9%
2006	9.6%
2007	5.4%
2008	-25.5%
2009	23.1%
2010	15.9%
5-YR. RETURN(3)	4.2%
10-YR RETURN(3)	4.4%

Source: The Retirement Fund.
(1) For all fiscal years after fiscal year 2001, the Retirement Fund has assumed, for actuarial purposes, an investment rate of return of 7.75%. Prior to fiscal year 2002, the Retirement Fund's assumed investment rate of return was 8.00%. See "Actuarial Assumptions" herein.
(2) Investment returns are reported net of investment fees, except for 2008.
(3) Annualized.

Determination of Employer Contributions

Actuaries and the Actuarial Process

Under the Pension Code, the District's contributions to fund the Retirement Fund are determined pursuant to a statutory formula on an annual basis. Actuaries use demographic data (such as employee age, salary and service credits), economic assumptions (such as estimated salary and interest rates), and decrement assumptions (such as employee turnover, mortality and retirement rates) to determine the amount that an employer is required to contribute in a given year to provide sufficient funds to a pension plan to pay benefits when due. The actuary then produces a report, called the *"Actuarial Valuation,"* in which the actuary reports on such pension plan's assets, liabilities and the following fiscal year's Actuarially Required Contribution (as defined below). The Retirement Fund's Actuarial Valuations are publicly available and may be obtained from the Retirement Fund and certain of these Actuarial Valuations are available on the Retirement Fund's website, www.mwrdrf.org; *provided, however,* that the content of these reports and such website is not incorporated by reference herein.

The Actuarial Valuation

The primary purpose of the Actuarial Valuation is to determine the recommended amount the District should contribute to the Retirement Fund in a given fiscal year (the *"Actuarially Required Contribution"*)[†] to satisfy its current and future obligations to pay benefits to eligible members of the Retirement Fund. The Actuarially Required Contribution consists of two components: (1) the portion of the present value of retirement benefits that are allocable to active members' current year of service, termed the *"Normal Cost"* and (2) an amortized portion of any UAAL (as hereinafter defined) sufficient to eliminate the UAAL over a period of time.

To determine the Actuarially Required Contribution, the actuary calculates both the *"Actuarial Accrued Liability"* and the *"Actuarial Value of Assets."* The Actuarial Accrued Liability is an estimate of the present value of the benefits the Retirement Fund must pay to current and retired employees as a result of their employment with the District and participation in the Retirement Fund. See "Calculation of Employer Contributions to the Retirement Fund Under the Pension Code" below. The Actuarial Accrued Liability is calculated by use of a variety of demographic and other data (such as employee age, salary and service credits) and various assumptions (such as estimated salary increases, interest rates, employee turnover, mortality and disability rates). The Actuarial Value of Assets reflects the value of the investments and other assets held by the Retirement Fund. Various methods exist for calculating the Actuarial Value of Assets and the Actuarial Accrued Liability. For a discussion of the

[†] GASB (as hereinafter defined) pronouncements refer to this concept as the Annual Required Contribution. For the convenience of the reader, this disclosure refers to the concept as the Actuarially Required Contribution to denote the fact that the Actuarially Required Contribution is the amount an actuary would require the District to contribute in a given year, to differentiate it from the amount the District will be permitted to contribute under applicable law.

methods and assumptions used to calculate the Retirement Fund's Actuarial Accrued Liability and Actuarial Value of Assets, see "Actuarial Methods" and "Actuarial Assumptions" below.

Any shortfall between the Actuarial Value of Assets and the Actuarial Accrued Liability is referred to as the *"Unfunded Actuarial Accrued Liability"* or *"UAAL."* The UAAL represents the present value of benefits earned to date that are not covered by plan assets. In addition, the actuary will compute the *"Funded Ratio,"* which is equal to the ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability, expressed as a percentage. The Funded Ratio and the UAAL are used to measure the financial health of a pension plan. An increasing UAAL or a decreasing Funded Ratio from year to year signals a deterioration in the financial health of a pension plan because it indicates the incurrence of additional liability without a corresponding increase in assets necessary to pay those additional liabilities. Conversely, a decreasing UAAL or an increasing Funded Ratio indicates an improvement in the financial health of a pension plan because such a change reflects the closing of the gap between the liabilities accrued by the pension plan and the assets necessary to pay those liabilities when they become due.

Calculation of Employer Contributions to the Retirement Fund Under the Pension Code

The actuary uses the Actuarial Accrued Liability, the Actuarial Value of Assets, the UAAL and the Normal Cost to compute the Actuarially Required Contribution. However, with respect to the Retirement Fund, the District's ability to contribute the Actuarially Required Contribution in any given fiscal year is limited by the Pension Code. The Pension Code provides that District contributions to the Retirement Fund are to be made from the proceeds of an annual levy of taxes (the *"Pension Levy"*) by the District for such purpose. The Pension Levy is levied solely for the purpose of contributing to the Retirement Fund, and such levy is separate and distinct from all other taxes levied by the District. The amount of the Pension Levy may not exceed 2.19 times (the *"Multiplier"*)[†] the amount contributed by the District's employees two years prior to the year in which the tax is levied (the *"Contribution Limitation"*). In the event that the Actuarially Required Contribution is lower than the Contribution Limitation, the District will levy a tax equal to the Actuarially Required Contribution.

The Retirement Fund's Actuarially Required Contribution is equal to its Normal Cost plus a 30-year level percent of payroll amortization of any UAAL. This method of calculating the Actuarially Required Contribution is acceptable under the standards promulgated by the Governmental Accounting Standards Board (*"GASB"*). However, the amount of contribution generated through application of the Contribution Limitation may not conform to GASB standards in certain situations because it may operate to prevent the District from contributing normal cost plus an amount necessary to amortize the UAAL. See "History of Contributions to the Retirement Fund" below.

† Beginning in 2003 through 2007, the Multiplier did not apply to employee contributions made to the optional plan provided for under the Pension Code for which the tax levy is made on a dollar for dollar basis.

Actuarial Methods

The Retirement Fund's actuaries employ a variety of actuarial methods to arrive at the Actuarial Value of Assets and the Actuarial Accrued Liability.

Actuarial Value of Assets

The Actuarial Value of Assets measures the value of the assets available in the pension plan to pay benefits. In calculating the Actuarial Value of Assets, the Retirement Fund recognizes investment gains and losses on such assets equally over a five-year period. This method of valuation is called the *"Asset Smoothing Method."* Under the Asset Smoothing Method, the Retirement Fund will recognize in the current year 20% of the investment gain or loss realized in each of the previous four years. The Asset Smoothing Method, which is a method for determining the Actuarial Value of Assets approved by GASB, prevents extreme fluctuations in the Actuarial Value of Assets, the UAAL and the Funded Ratio that may otherwise occur as a result of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the true value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually. Table 2 provides a comparison of the Retirement Fund's assets on a fair value basis and after application of the Asset Smoothing Method.

Table 2 - Asset Smoothed Value of Assets vs. Fair Value of Net Assets[(1)]

Fiscal Year	Actuarial Value of Assets[(2)]	Fair Value of Net Assets	Actuarial Value as a Percentage of Fair Value
2001	$1,155,825	$1,044,144	110.70%
2002	1,136,907	949,796	119.70%
2003	1,146,521	1,088,406	105.34%
2004	1,161,779	1,150,768	100.96%
2005	1,171,845	1,159,313	101.08%
2006	1,209,602	1,223,297	98.88%
2007	1,256,890	1,232,068	102.01%
2008	1,211,838	878,797	137.90%
2009	1,177,810	1,014,819	116.06%
2010	1,151,595	1,092,648	105.39%

Source: The Retirement Fund.
(1) In thousands of dollars.
(2) The Actuarial Value of Assets is calculated through use of the Asset Smoothing Method.

Actuarial Accrued Liability

As the final step in the Actuarial Valuation, the actuary applies a cost method assigning portions of the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by the development of normal cost and the Actuarial Accrued Liability. The Retirement Fund uses the entry age normal actuarial cost method (the *"Entry Age Normal Method"*) with costs allocated on the basis of earnings. The Entry Age Normal Method is a GASB-approved actuarial cost method.

Under the Entry Age Normal Method, the present value of the projected pension of each member is assumed to be funded by annual installments, equal to a level percent of the member's earnings for each year between entry age and assumed exit age. The Normal Cost for the member for the current year is equal to the portion of the value so determined, assigned to the current year. Therefore, the "Normal Cost" for the plan for the year is the sum of the normal costs of all active members.

The Actuarial Accrued Liability is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation date or, in other words, for past service. This value changes as the member's salary and years of service change, and as some members leave and are replaced by new members. Future normal cost is the portion of the present value of benefits assigned to future years of service and is assumed to be funded annually.

Actuarial Assumptions

The Retirement Fund's actuaries use a variety of assumptions to calculate the Actuarial Accrued Liability and the Actuarial Value of Assets. These assumptions generally fall into two categories: (i) economic assumptions, such as estimated salary increases and interest rates; and (ii) decrement assumptions, such as employee turnover, mortality and retirement rates. The assumptions used by the Retirement Fund are based on the experience of the Retirement Fund and are formally adopted by the Retirement Fund Board upon recommendation by the Retirement Fund's actuary. No assurance can be given that any of the assumptions underlying the Actuarial Valuations will reflect the actual results experienced by the Retirement Fund. Variances between the assumptions and actual results may cause an increase or decrease in the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL, the Funded Ratio or the Actuarially Required Contribution.

Additional information on the Retirement Fund's actuarial assumptions is available in the Retirement Fund's Actuarial Valuation. Certain of the Retirement Fund's actuarial assumptions in the current year's Actuarial Valuation are as follows:

- Mortality rate assumptions: for male participants, were made using the UP-1994 Mortality Table for Males, rated down two years; and for female participants, were made using the UP-1994 Mortality Table for Females, rated down one year;

- Salary increases were assumed to be 5.0% per year, compounded annually;
- The investment rate of return was assumed to be 7.75% per year compounded annually;
- 76% of participants were assumed to be married; and
- Spouses of male employees were assumed to be four years younger than the employee and spouses of female employees were assumed to be four years older than the employee.

Funded Status of the Retirement Fund

The Pension Code requires that the District fund the Retirement Fund through the levy, collection and contribution of the Pension Levy. The District contributes to the Retirement Fund a percentage of the Pension Levy equal to the percentage actually collected by the District from its separate total annual levy. For fiscal years prior to 2005, the District reduced its contribution to the Retirement Fund by an assumed 13% loss in collecting the Pension Levy. For fiscal years 2005 and after, the District reduced its contribution to the Retirement Fund by an assumed 3.5% loss in collecting the Pension Levy. These reductions in contribution to the Retirement Fund had the effect of increasing the Retirement Fund's UAAL and decreasing its Funded Ratio.

In each year, the District has contributed to the Retirement Fund as required by the Pension Code in any year. Despite the District making the maximum contribution allowed by the Pension Code, the Retirement Fund's UAAL has continued to rise and the Retirement Fund's Funded Ratio has continued to decline. The District has experienced these changes in the UAAL and the Funded Ratio in large part due to the Contribution Limitation, which limits the Pension Levy to an amount insufficient to fully fund the Retirement Fund to the amount of the Actuarially Required Contribution.

Table 3 provides information on the Actuarially Required Contribution, the District's actual contributions in accordance with the Pension Code, the percentage of the Actuarially Required Contribution made in each year and the Multiplier that would have been necessary in each year to allow the District to contribute the Actuarially Required Contribution for each year 2001 through 2010.

Table 3 - History of Contributions[(1)]

Fiscal Year	Actuarially Required Contribution	Actual Employer Contribution	Percentage of Actuarially Required Contribution Contributed	Estimated Multiplier Necessary to Match Actuarially Required Contribution
2001	$28,553	$28,027	98.16%	2.30
2002	33,415	30,067	89.98%	2.68
2003	38,039	28,779	75.66%	2.92
2004	40,146	30,982	77.17%	2.83
2005	43,165	26,174	60.64%	3.64
2006	47,369	34,476	72.78%	3.76
2007	47,090	27,947	59.35%	3.40
2008	49,758	33,407	67.14%	3.48
2009	54,790	32,154	58.69%	3.68
2010	61,873	29,918	48.35%	4.19

Sources: The Retirement Fund.
(1) In thousands of dollars.
(2) The District has levied a tax, which is in the process of collection. The actual employer contribution, which will come from that levy, cannot be determined until the levy has been collected.

As of the end of fiscal year 2010, the Retirement Fund had an aggregate UAAL of approximately $885.085 million on an actuarial basis (using the Asset Smoothing Method) and $944.032 million on a fair value basis. The respective Funded Ratios for these UAALs are 56.5% and 53.6%. The dramatic increase in the Retirement Fund's UAAL and the decrease in its Funded Ratio beginning in fiscal year 2008 correlates directly to the severe global economic downturn. The downturn had a significant impact on the value of the Retirement Fund's investments and, as such, the value of the assets available to the Retirement Fund. The impact of the economic downturn on the District and the Retirement Fund was similar to the experience of other governmental entities during the same period of time.

The following tables summarize the current financial condition and the funding progress of the Retirement Fund.

TABLE 4
FINANCIAL CONDITION OF THE RETIREMENT FUND
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

FISCAL YEAR	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Beginning Net Assets (Fair Value)	$1,080,619	$1,044,144	$949,796	$1,088,406	$1,150,768	$1,159,313	$1,223,297	$1,232,068	$878,797	$1,014,819
Income										
- Employee Contributions	14,987	16,308	14,230	15,151	14,468	14,955	15,628	14,778	15,690	15,873
- Employer Contributions	28,027	30,067	28,779	30,982	26,174	34,476	27,947	33,407	32,154	29,918
- Investment Income(1)	(15,217)	(69,628)	171,012	96,902	53,777	106,512	62,463	(299,744)	194,068	142,662
- Miscellaneous Income(2)	114	(1,403)	11	4	5	3	209	602	8	253
Total	$27,910	$(24,656)	$214,032	$143,039	$94,424	$155,946	$106,246	$(250,957)	$241,920	$188,705
Expenditures										
- Benefits	62,542	67,574	73,231	78,113	83,293	89,079	94,846	100,069	103,405	108,219
- Refunds	702	952	1,042	1,321	1,288	1,411	1,164	965	1,175	1,380
- Administration	1,141	1,166	1,149	1,243	1,299	1,472	1,465	1,280	1,319	1,277
Total	$64,385	$69,692	$75,422	$80,677	$85,879	$91,962	$97,475	$102,314	$105,898	$110,876
Ending Net Assets (Fair Value)	$1,044,144	$949,796	$1,088,406	$1,150,768	$1,159,313	$1,223,297	$1,232,068	$878,797	$1,014,819	$1,092,648
Actuarial Value of Assets(3)	$1,155,825	$1,136,907	$1,146,521	$1,161,779	$1,171,845	$1,209,602	$1,256,890	$1,211,838	$1,177,810	$1,151,595
Actuarial Accrued Liabilities	$1,346,223	$1,470,939	$1,517,869	$1,578,367	$1,654,188	$1,724,705	$1,795,177	$1,852,280	$1,939,172	$2,036,680
UAAL (Fair Value)(4)	$302,079	$521,143	$429,462	$427,598	$494,875	$501,408	$563,108	$973,482	$924,353	$944,032
UAAL (Actuarial Value)(3)	$190,398	$334,032	$371,348	$416,588	$482,344	$515,103	$538,287	$640,441	$761,362	$885,085
Funded Ratio (Fair Value)(4)	77.6%	64.6%	71.7%	72.9%	70.1%	70.9%	68.6%	47.4%	52.3%	53.6%
Funded Ratio (Actuarial Value)(3)	85.9%	77.3%	75.5%	73.6%	70.8%	70.1%	70.0%	65.4%	60.7%	56.5%

Source: The Retirement Fund (Comprehensive Annual Financial Reports of the Retirement Fund). Table may not add due to rounding. For additional information, see the Actuary's Report.

(1) Investment income is shown net of fees and expenses.

(2) Beginning in fiscal year 2007, includes income from the Retirement Fund's securities lending program. For more information, see Note 6 to the Financial Statements in the Comprehensive Annual Financial Report of the Retirement Fund for the fiscal year ended December 31, 2010.

(3) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "Actuarial Methods—*Actuarial Value of Assets*" above.

(4) Calculated using net assets.

TABLE 5
SCHEDULE OF FUNDING PROGRESS
FISCAL YEARS 2001-2010
($ IN THOUSANDS)

FISCAL YEAR	ACTUARIAL ACCRUED LIABILITY	ACTUARIAL VALUE OF ASSETS(1)	FAIR VALUE OF NET ASSETS	UAAL (ACTUARIAL)(2)	UAAL (FAIR VALUE)(3)	FUNDED RATIO (ACTUARIAL)(2)	FUNDED RATIO (FAIR VALUE)(3)	PAYROLL	UAAL TO PAYROLL (ACTUARIAL)(2)	UAAL TO PAYROLL (FAIR VALUE)(3)
2001	$1,346,223	$1,155,825	$1,044,144	$190,398	$302,079	85.9%	77.6%	$136,382	139.6%	221.5%
2002	1,470,939	1,136,907	949,796	334,032	521,143	77.3%	64.6%	137,680	242.6%	378.5%
2003	1,517,869	1,146,521	1,088,406	371,348	429,462	75.5%	71.7%	142,594	260.4%	301.2%
2004	1,578,367	1,161,779	1,150,768	416,588	427,598	73.6%	72.9%	146,360	284.6%	292.2%
2005	1,654,188	1,171,845	1,159,313	482,344	494,875	70.8%	70.1%	149,246	323.2%	331.6%
2006	1,724,705	1,209,602	1,223,297	515,103	501,408	70.1%	70.9%	152,767	337.2%	328.2%
2007	1,795,177	1,256,890	1,232,068	538,287	563,108	70.0%	68.6%	158,832	338.9%	354.5%
2008	1,852,280	1,211,838	878,797	640,441	973,482	65.4%	47.4%	167,865	381.5%	579.9%
2009	1,939,172	1,177,810	1,014,819	761,362	924,353	60.7%	52.3%	176,915	430.4%	522.5%
2010	2,036,680	1,151,595	1,092,648	885,085	944,032	56.5%	53.6%	174,486	507.3%	541.0%

Source: The Comprehensive Annual Financial Reports of the Retirement Fund for the fiscal years ending December 31, 2002, through December 31, 2010. For additional information, see the Actuary's Report.

(1) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "Actuarial Methods—*Actuarial Value of Assets*" above.

(2) For purposes of this column, "Actuarial" refers to the fact that the calculation was made using the Actuarial Value of Assets.

(3) For purposes of this column, "Fair Value" refers to the fact that the calculation was made using the Fair Value of Net Assets.

The cumulative value of the annual differences between the District's contribution to the Retirement Fund and the Actuarially Required Contribution is referred to as its *"Net Pension Obligation"* or its *"Net Pension Asset."* If the cumulative difference between the District's Retirement Fund contribution and the Actuarially Required Contribution is positive, the District would have a Net Pension Asset. Conversely, if the cumulative difference is negative, the District would have a Net Pension Obligation.

In any year that the District fulfills its obligation to contribute to the Retirement Fund under the Pension Code, the District will have a Net Pension Obligation for such year equal to the shortfall resulting from the difference between the amount contributed pursuant to the Pension Levy and the Actuarially Required Contribution. The Pension Levy and the Actuarially Required Contribution differ in any given year as a result of the Contribution Limitation, as discussed in "Calculation of Employer Contributions to the Retirement Fund Under the Pension Code" above. Table 6 provides a schedule of the total Net Pension Obligation or Net Pension Asset at the end of each of the last ten fiscal years.

Table 6 - Net Pension Obligation[1]

FISCAL YEAR	NET PENSION ASSET/ (OBLIGATION)
2001	$ 65,564
2002	60,473
2003	52,572
2004	44,589
2005	28,602
2006	16,353
2007	(2,423)
2008	(18,829)
2009	(41,889)
2010	(74,786)

Sources: The District (Comprehensive Annual Financial Reports of the District).
(1) In thousands of dollars.

A variety of factors impact the Retirement Fund's UAAL and Funded Ratio. Increases in member salary and benefits, a lower return on investment than that assumed by the Retirement Fund, and insufficient contributions when compared to the Normal Cost plus interest will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, decreases in member salary and benefits, a higher return on investment than assumed, and employer contributions in excess of Normal Cost plus interest will decrease the UAAL and increase the funded ratio. In addition, changes in actuarial assumptions and certain other factors will have an impact on the UAAL and the Funded Ratio. The UAAL increased between the end of fiscal year 2009 and the end of fiscal year 2010 primarily as a result of investment returns below the assumed rate of return and insufficient District contributions as compared to the Actuarially Required Contribution, as set forth in Table 7 below.

Table 7 - Components of Change in Unfunded Liability[(1)]

Fiscal Year	Salary Increases/ (Decreases)	Investment Returns (Higher)/Lower Than Assumed	Employer Contributions Higher/(Lower) than Normal Cost Plus Interest[(2)]	Legislative Amendments	Changes In Actuarial Assumptions	Other Factors[(3)]	Total Change in Unfunded Liability
2001	$ 7,893	$ 21,245	$ (983)	$ 3,792	$ -	$ 1,609	$ 33,556
2002	2,081	85,695	1,786	10,976	41,663	1,433	143,634
2003	(134)	44,863	15,812	-	(38,915)	15,691	37,316
2004	(5,428)	37,744	16,460	-	-	(3,535)	45,240
2005	(4,928)	33,020	25,174	-	-	12,490	65,756
2006	(2,688)	8,916	22,369	-	(4,786)	8,949	32,760
2007	4,365	(9,437)	29,263	-	-	(1,008)	23,183
2008	1,117	86,292	26,927	-	(22,900)	10,718	147,954
2009	2,554	67,693	35,218	-	-	15,455	120,921
2010	(20,417)	49,970	46,823	-	39,769	7,577	123,723
Total	$(15,587)	$426,000	$218,849	$14,768	$14,831	$69,381	$728,242

Source: The Retirement Fund. Totals may not add due to rounding.
(1) In millions.
(2) To determine whether employer contributions represented an increase or decrease in UAAL, such contributions are measured against contributions based on the Normal Cost plus interest. If employer contributions exceed Normal Cost plus interest, the UAAL will decrease. If employer contributions are less than Normal Cost plus interest, the UAAL will increase.
(3) "Other Factors" consists of the following miscellaneous experience of the Retirement Fund: changes in liabilities related to optional retirement, retirement in general, mortality, reciprocal annuities, death and employee withdrawal from service.

Recent Legislative Changes

The Retirement Fund has not experienced significant legislative benefit increases since 2002.

On April 14, 2010, the Governor of the State signed Public Act 96-0889 (the *"Pension Reform Act"*) into law. The Pension Reform Act establishes a "two-tier" benefit system with less generous benefits for employees who become members of the Retirement Fund on or after January 1, 2011, as compared to those provided to employees prior to such date. Among other changes, the Pension Reform Act:

- Increases the time required for pension benefits to vest to ten years from five years;
- Increases the minimum age at which an active employee may retire with unreduced benefits to age 67 from age 60 or younger based on a formula combining the age of the employee and the number of years of service;
- Increases the minimum age at which an active employee may retire with reduced benefits to age 62 from age 50;
- Reduces the cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, and eliminates

compounding for employees hired after January 1, 2011, from a cost of living adjustment of 3%, compounded; and

- Caps the salary on which a pension may be calculated at $106,800 (subject to certain adjustments for inflation).

The Pension Reform Act does not impact persons that first became members or participants prior to its effective date of January 1, 2011.

Taken independently of any other legislative or market effects, the reduced benefits afforded new hires by the Pension Reform Act is expected to reduce the growth in the Actuarial Accrued Liability, the UAAL and the Actuarially Required Contribution. In calculating the Actuarial Accrued Liability, the actuaries make assumptions about future benefit levels. As the value of future benefits decreases, as will occur when a greater percentage of the District's workforce is covered by the Pension Reform Act, the Actuarial Accrued Liability is expected to decrease. Consequently, the UAAL is expected to decrease and the Funded Ratio to improve. As the growth in the UAAL slows, the Actuarially Required Contribution is expected to be reduced as the amount of UAAL to be amortized decreases. However, no assurance can be given that these expectations will be the actual experience of the Retirement Fund going forward.

Projection of Funded Status

The funding level for the Retirement Fund has decreased most notably in recent years due to a combination of factors, including the following: adverse market conditions and investment returns as a result of the financial downturn experienced in 2008; and District contributions that are lower than the Actuarially Required Contribution due to the Contribution Limitation. The declining Funded Ratios that the Retirement Fund has experienced in recent years are similar to the funding challenges faced by other large governmental pension funds in the United States. The District recognizes its responsibility to the employees' retirement program and is currently working with the Retirement Fund Board to propose solutions that would improve the funded ratio of the Retirement Fund. The Retirement Fund's consulting actuary has been engaged to provide projections that estimate the increase in funding required to return the Retirement Fund to a funding status of at least 80%.

Table 8 provides a projection of the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL and the Funded Ratio until 2020.

Table 8 - Projection of Future Funding Status[(1)]

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Assets[(2)] (b)	Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (b/a)
2011	$2,109.2	$1,118.3	$ 990.9	53.0%
2012	2,180.9	1,084.6	1,096.3	49.7%
2013	2,252.7	1,122.1	1,130.6	49.8%
2014	2,324.6	1,138.2	1,186.4	49.0%
2015	2,395.8	1,140.5	1,255.3	47.6%
2016	2,466.4	1,139.1	1,327.3	46.2%
2017	2,536.0	1,133.0	1,403.0	44.7%
2018	2,604.4	1,122.2	1,482.2	43.1%
2019	2,670.5	1,105.2	1,565.3	41.4%
2020	2,734.8	1,082.4	1,652.4	39.6%

Source: Goldstein & Associates, Chicago, Illinois. Goldstein & Associates serves as consulting actuary to the Retirement Fund.

(1) In millions of dollars. These projections are based on the legislative structure in place as of the date of this Official Statement and assume *no* changes to such legislative structure.

(2) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "Actuarial Methods—*Actuarial Value of Assets*" above.

The projections in Table 8 are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events based on the Retirement Fund's actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented. As shown in Table 8, based on the current legislative structure, including the Pension Reform Act, the Retirement Fund's actuary projects that the Retirement Fund will experience a 39.6% Funded Ratio by the end of fiscal year 2020. The actuary is projecting a continual decrease in the funding level of the Retirement Fund beyond 2020 based upon the 2010 Actuarial Valuation. The lack of any corrective action by the District jeopardizes the solvency of the Retirement Fund.

The District recognizes that legislative changes are necessary to properly fund the Retirement Fund and is exploring the options available for rectifying this funding problem. These solutions include increases to both the employee and employer contributions to the Retirement Fund. Some of the solutions may require legislative changes to the Act and the Pension Code to allow for increased contributions to the Retirement Fund. As such, the District plans to present possible solutions to the Illinois General Assembly for consideration during the fall 2011 veto session. In the event that such a proposal is brought before the Illinois General Assembly, no assurance can be given that such a proposal will be enacted.

Source of Information

The information contained herein relies on information produced by the Retirement Fund, their independent accountants and its independent actuaries (the *"Source Information"*). The information presented herein is presented on the basis of the Source Information. The District has not independently verified the Source Information and makes no representations nor expresses any opinion as to the accuracy of the Source Information.

The comprehensive annual financial report of the Retirement Fund for the fiscal years ending December 31, 2001 through December 31, 2010, and the Actuarial Valuations of the Retirement Fund for the fiscal years ending December 31, 2001 through December 31, 2010, may be obtained by contacting the Retirement Fund. The majority of these reports are also available on the Retirement Fund's website at www.mwrdrf.org; *provided, however,* that the content of these reports and such website is not incorporated by reference herein.

Additional information on the Retirement Fund is available in the Actuary's Report, attached as Appendix C to this Official Statement.

OTHER POST EMPLOYMENT BENEFITS

The Metropolitan Water Reclamation District's Retiree Health Care Plan (the *"OPEB Plan"*) is a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the District. The OPEB Plan, which is administered by the District, allows employees who retire and meet certain eligibility requirements to continue medical and prescription drug coverage as a participant in the OPEB Plan. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the District are eligible to receive post-employment health care benefits. Lifetime coverage for retirees and their spouses and dependents is provided. As of December 31, 2010, there were 2,116 active employees and 2,776 retirees and beneficiaries receiving health care coverage.

The funding of the OPEB Plan is accomplished in two parts. The District (i) pays the current year's retiree health care claim payments and insurance premiums from operating funds of the District on a pay-as-you-go basis, and (ii) contributes an advance funding amount to the OPEB Trust Fund (as defined below). The OPEB Trust Fund was established to advance fund benefits provided under the OPEB Plan. Currently, benefit payments and premiums are not paid from the OPEB Trust Fund, as described below.

In 2007, the District established the Metropolitan Water Reclamation District Retiree Health Care Trust (the *"OPEB Trust Fund"*) and adopted a funding policy (the *"OPEB Funding Policy"*) that is meant to (i) improve the District's financial position by reducing the amount of future employer 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. The OPEB Trust Fund is considered a component unit of the District and, as such, is included in the District's financial statements as a retiree health care trust fund.

Pursuant to Section 9.6d of the Act, the Board has discretionary authority to determine contribution amounts to be paid by the District into the OPEB Trust Fund. The OPEB Funding Policy includes a target funded ratio (as described below) of 50% with an expected funding period of 50 years (beginning in 2007), with $50,000,000 to be contributed by the end of 2011. Through June 30, 2011, $50,000,000 has been contributed by the District to the OPEB Trust Fund and the OPEB Funding Policy goal of funding $10,000,000 in each of the first five years (beginning in 2007) for an aggregate of $50,000,000 by the end of 2011 has been met. Contributions were not made ratably by the District over the five year period due to the availability of funds: in 2007, $25,000,000 was contributed; in 2008, $22,000,000 was contributed; in 2009 and 2010, no contributions were made; and in 2011, $3,000,000 was contributed. There is currently no requirement for the District to partially or fully fund the OPEB Trust Fund and any funding is on a voluntary basis.

It is projected that the OPEB Trust Fund will begin to pay claims in 2037 using the investment redemptions of the funding contributions made by the District. While there are no legal restrictions on utilizing the assets in the OPEB Trust Fund to pay benefits claims by the District until 2037, all benefit claim payments prior to that date are anticipated be paid directly by the District on a pay-as-you-go basis from operating funds of the District.

As of December 31, 2009 (the most recent actuarial valuation date), the funded ratio for the OPEB Plan was 9.1% and the unfunded actuarial accrued liability was $478,585,000. The funded ratio is the ratio of actuarial value of assets to the actuarial liability and is a measure of the ability of the OPEB Plan to pay all future benefits from the assets held in the OPEB Trust Fund. Additional information pertaining to the other post-employment benefits is contained in Note 8 to the Basic Financial Statements attached hereto as APPENDIX A.

The comprehensive annual financial report of the OPEB Trust Fund for the fiscal years ending December 31, 2007 through December 31, 2010 may be obtained by contacting the District and are also available on the District's website at www.mwrd.org; *provided, however,* that the content of such reports and website is not incorporated by reference herein.

BUDGETARY PROCEDURES

Budgetary Process

The District prepares its budget in conformity with practices prescribed or permitted by the applicable statutes of the State. The Board is required to adopt an annual budget by no later than the close of the previous fiscal year. The annual budget serves as the foundation for the District's financial planning and control. A summary of the District's budgeting process is contained in Note 1(d) to the Basic Financial Statements attached hereto as APPENDIX A. The District's budget for fiscal year 2011 is on display at the District's offices and available online at the District's website at www.mwrd.org, but the content of such website is not incorporated into this Official Statement by reference.

Comparative Budget Information

The following table summarizes the appropriations set forth in the annual budgets of the District for fiscal year 2011, as amended through December 16, 2010, and for 2010 as adjusted (in millions of dollars):

APPROPRIATIONS (IN MILLIONS)	2011	2010	INCREASE/ (DECREASE)	PERCENT CHANGE
Corporate Fund	$ 341.1	$ 354.5	$ (13.4)	(3.8)%
Stormwater Management	39.9	39.9	0.0	0.0
Construction Fund	17.7	27.1	(9.4)	(34.6)
Retirement Fund	32.4	32.8	(0.4)	(1.2)
Reserve Claim Fund	60.0	63.0	(3.0)	(4.8)
Capital Improvements Bond Fund	385.1	975.2	(590.1)	(60.5)
Bond Redemption and Interest Fund	154.2	162.9	(8.7)	(5.3)
Total	$1,030.4	$1,655.4	$(625.0)	(37.8)%

The total appropriation request for 2011 is $1,030.4 million, a decrease of $625 million. Major changes are presented below.

- The Corporate Fund appropriation, the District's operating fund, is $341.1 million, a decrease of $13.4 million or 3.8% from 2010. Approximately $7 million of the reduction is due to reducing the appropriation for the OPEB Trust Fund, in accordance with the OPEB Funding Policy. The Corporate Fund appropriation also reflects a decrease from the 2010 appropriation in salaries, including a reduction of 33 positions and the reduction of non-essential services.

- The Stormwater Management Fund appropriation of $39.9 million represents no change from 2010. The Detailed Watershed Plans (DWPs) for the North Branch of the Chicago River and the Lower Des Plaines River were finalized earlier this year, completing the six DWPs. In 2011, the District will continue preliminary engineering for projects approved by the Board, and commence final design of projects for which preliminary engineering has been completed. The appropriation for 2011 will provide resources to continue work, studies, and investigations to implement Public Act 093-1049. The District will also be able to provide funding for projects approved by other regional, state, and federal agencies. The appropriation for 2011 includes $2.5 million for the Small Streams Maintenance Program (SSMP). The SSMP provides debris and blockage removal of all small streams within the District, improving small stream flow, and reducing the chance of flooding.

- The Capital Improvements Bond Fund appropriation of $385.1 million is a decrease of $590.1 million and reflects the award pattern of major projects. Scheduled for award in 2011 are plant expansion and improvement projects ($29.5 million), collection projects ($56.3 million), and replacement facilities projects ($112.4 million). The remaining $186.9 million appropriation is required for salaries, project support, and land and easements.

- The Construction Fund appropriation of $17.7 million, a decrease of $9.4 million, is due to an adjusted project award schedule and the anticipated expenditures for existing projects. Two projects are budgeted for award in 2011, at a total contract cost of $2.9 million and requiring an appropriation of $0.5 million. The remaining $17.2 million appropriation is required for salaries, support, and projects under construction.

- The decrease of $8.7 million in the Bond Redemption and Interest Fund is primarily due to a decrease in debt service of $9.1 million related to the amortization schedule for the $600 million General Obligation Capital Improvement Bonds, Limited Tax Series of August, 2009 (the *"Series 2009 Bonds"*). The 2010 appropriation included $9.1 million of additional interest expense due on the Series 2009 Bonds compared to the 2011 appropriation.

- The decrease of $3.0 million in the Reserve Claim Fund, the District's self insurance fund, to $60.0 million is primarily due to 2010 estimated revenues and 2009 final statements for year-end cash and investments carried forward for fund balance. The Reserve Claim Fund is statutorily authorized to accumulate fund balance to meet claims against the District.

OTHER LOCAL GOVERNMENTAL UNITS

Principal Units

There are numerous governmental units located within the boundaries of the District, each of which (i) is separately incorporated under the laws of the State, (ii) has an independent tax levy, (iii) derives its power and authority under the laws of the State, and (iv) maintains its own financial records and accounts. Each of these units may levy taxes upon property within its particular boundaries, and each is authorized to issue debt obligations. The principal municipality within the District is the City of Chicago. Other municipalities in Cook County with populations in excess of 50,000 include Arlington Heights, Berwyn, Cicero, Des Plaines, Evanston, Mount Prospect, Oak Lawn, Oak Park, Orland Park, Palatine, Schaumburg, Skokie and Tinley Park. Approximately 47% of the Equalized Assessed Valuation of taxable property in Cook County is located within the City of Chicago with the balance located in other municipalities and unincorporated areas.

Other Major Governmental Units

Cook County (the *"County"*) is governed by a board of seventeen Commissioners, each elected for four-year terms from one of seventeen districts. All taxable property situated in the District is located within the boundaries of the County. The County is a home rule unit under the Illinois Constitution of 1970 (the *"Illinois Constitution"*).

The Forest Preserve District of Cook County (the *"Forest Preserve District"*) is coterminous with the County. The Forest Preserve District creates, maintains and operates forest preserves within the County. The Forest Preserve District is governed by a seventeen-member board composed of the members of the County Board.

The City of Chicago (the *"City"*) was incorporated in 1837 and exercises broad governmental powers as a home rule unit under the Illinois Constitution. The City is governed by a Mayor elected at large for a four-year term, and the City Council. The City Council consists of 50 members (*"Aldermen"*), each representing one of the City's 50 wards. Aldermen are elected for four-year terms.

The Board of Education of the City of Chicago (the *"Board of Education"*) exercises general supervision and jurisdiction over the public school system in the City. The Board of Education consists of seven members appointed by the Mayor of the City without consent or approval of the City Council. The Board of Education adopts the budget, approves contracts (including collective bargaining agreements), levies real property taxes and establishes general policies of the public schools.

The Chicago Park District (the *"Park District"*) is responsible for the maintenance and operation of parks, boulevards, marinas, and certain other public property within the City. The Park District is governed by a seven-member board, appointed by the Mayor of the City, with the approval of the City Council.

Community College District No. 508 (the *"Community College District"*) maintains a system of community colleges within the City. The Community College District is governed by a seven-member board, appointed by the Mayor of the City, with the approval of the City Council.

Certain Other Public Bodies

The Public Building Commission of Chicago (the *"PBC"*) is a municipal corporation authorized to acquire, construct and improve public buildings and facilities for use by one or more local governmental units. The PBC issues bonds to finance its projects and leases its facilities to respective units of local government. At the present time the City, the Park District, the Board of Education and the Community College District lease facilities from the PBC.

The Regional Transportation Authority (the *"RTA"*) is a municipal corporation authorized to provide planning, funding, coordination and fiscal oversight of three separately governed operating entities which provide public mass transportation services in a six county area of northeastern Illinois, including the County. The RTA is governed by a 16-member board, consisting of City and suburban members appointed by elected officials in the six county RTA region. The RTA is primarily funded from sales taxes imposed by the RTA on sales in the six county area and a portion of sales taxes imposed by the State. The RTA is also authorized to impose, but does not currently impose, taxes on automobile rentals, motor fuel and offstreet parking facilities. By law, motor fuel and off-street parking taxes may not be imposed concurrently with sales taxes. The RTA may not levy real property taxes.

The Chicago Transit Authority (the *"CTA"*) is a municipal corporation empowered to acquire, construct, own, operate and maintain a transportation system in the metropolitan area of the County. The CTA is governed by a seven-member board. The CTA may not levy real property or other taxes.

The Metropolitan Pier and Exposition Authority (the *"MPEA"*), formerly known as the Metropolitan Fair and Exposition Authority, is a municipal corporation which owns and operates the McCormick Place convention and exposition facilities and the Navy Pier recreational facilities. MPEA periodically issues revenue bonds to finance the construction of certain facilities and is authorized to impose certain taxes to provide security for such bonds. The MPEA may not levy real property taxes.

Interrelationships

The governmental units and other public bodies described above share, in varying degrees, a common property tax base with the District. See "DEBT INFORMATION." However, they are all separate legal and financial units, and the financial condition or circumstances of any one unit does not necessarily imply similar financial conditions or circumstances for the District.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

All of the "equalized assessed valuation" or "EAV" (described below) of taxable real property in the District is located in the County. Information under this caption describes the current procedures for real property assessment, tax levy and tax collection in the County. There is no assurance that the procedures described under this caption will not be changed. Illinois laws relating to the real property taxation are contained in the Illinois Property Tax Code (the *"Property Tax Code"*).

Real Property Assessment

The Cook County Assessor (the *"County Assessor"*) is responsible for the assessment of all taxable real property within the County, including that in the District, except for certain railroad property and pollution control facilities, which are assessed directly by the Illinois Department of Revenue (the *"Department of Revenue"*). For triennial reassessment purposes, the County is divided into three districts: west and south suburbs (the *"South Tri"*), north and northwest suburbs (the *"North Tri"*), and the City of Chicago (the *"City Tri"*). The South Tri is to be reassessed for the 2011 tax levy year, the City Tri was last reassessed for the 2009 tax levy year, and the North Tri was last reassessed for the 2010 tax levy year.

In response to the downturn of the real estate market, the County Assessor reduced the 2009 assessed value on suburban residential properties (specifically, those properties located in the South Tri and the North Tri) not originally scheduled for reassessment in 2009. For tax year 2009, each suburban township received an adjustment percentage for tax year 2009, lowering the existing assessed values of all residential properties in such township within a range of 4% to 15%, beginning with the second-installment tax bills payable in the fall of 2010.

Real property in the County is separated into classes for assessment purposes. After the County Assessor establishes the fair market value of a parcel of property, that value is multiplied by the appropriate classification percentage to arrive at the assessed valuation (the *"Assessed Valuation"*) for the parcel. Such classification percentages range from 10% for certain residential, commercial and industrial property to 25% for other industrial and commercial property.

Property is classified for assessment into six basic categories, each of which is assessed (beginning with the 2009 tax levy year) at various percentages of fair market value as follows: Class 1 - unimproved real estate (10%); Class 2 - residential (10%); Class 3 - rental-residential (16% in tax year 2009, 13% in tax year 2010, and 10% in tax year 2011 and subsequent years); Class 4 - not-for-profit (25%); Class 5a - commercial (25%); and Class 5b - industrial (25%).

In addition, property may be temporarily classified into one of eight additional assessment classification categories. Upon expiration of such classification, property so classified will revert to one of the basic six assessment classifications described above. The additional assessment classifications are as follows:

CLASS	DESCRIPTION OF QUALIFYING PROPERTY	ASSESSMENT PERCENTAGE	REVERTS TO CLASS
6b	Newly constructed industrial properties or substantially rehabilitated sections of existing industrial properties	10% for first 10 years and any 10 year renewal; if not renewed, 15% in year 11, 20% in year 12	5b
C	Industrial property that has undergone environmental testing and remediation	10% for first 10 years, 15% in year 11, 20% in year 12	5b
	Commercial property that has undergone environmental testing and remediation	10% for first 10 years, 15% in year 11, 20% in year 12	5a
7a/7b	Newly constructed or substantially rehabilitated commercial properties in an area in need of commercial development	10% for first 10 years, 15% in year 11, 20% in year 12	5a
8	Industrial properties in enterprise communities or zones in need of substantial revitalization	10% for first 10 years and any 10-year renewal; if not renewed, 15% in year 11, 20% in year 12	5b
	Commercial properties in enterprise communities or zones in need of substantial revitalization	10% for first 10 years, 15% in year 11, 20% in year 12	5a
9	New or substantially rehabilitated multi-family residential properties in target areas, empowerment or enterprise zones	10% for first 10 years and any 10 year renewal	As Applicable
S	Class 3 properties subject to Section 8 contracts renewed under the "Mark up to Market" option	10% for term of Section 8 contract renewal and any subsequent renewal	3
L	Substantially rehabilitated Class 3, 4 or 5b properties qualifying as "Landmark" or "Contributing" buildings	10% for first 10 years and any 10-year renewal; if not renewed, 15% in year 11, 20% in year 12	3, 4, or 5b
	Substantially rehabilitated Class 5a properties qualifying as "Landmark" or "Contributing" buildings	10% for first 10 years, 15% in year 11, 20% in year 12	5a

The County Assessor has established procedures enabling taxpayers to contest their proposed Assessed Valuations. Once the County Assessor certifies its final Assessed Valuations, a taxpayer can seek review of its assessment by appealing to the Cook County Board of Review (the *"Board of Review"*), which consists of three commissioners elected by the voters of the County. The Board of Review has the power to adjust the Assessed Valuations set by the County Assessor.

Owners of residential property having six or fewer units are able to appeal decisions of the Board of Review to the Illinois Property Tax Appeal Board (the *"PTAB"*), a statewide administrative body. The PTAB has the power to determine the Assessed Valuation of real property based on equity and the weight of the evidence. Taxpayers may appeal the decision of PTAB to either the Circuit Court of Cook County (the *"Circuit Court"*) or the Illinois Appellate Court under the Illinois Administrative Review Law.

As an alternative to seeking review of Assessed Valuations by PTAB, taxpayers who have first exhausted their remedies before the Board of Review may file an objection in the Circuit Court. The procedure under this alternative is similar to the judicial review procedure described in the immediately preceding paragraph, however, the standard of proof differs. In addition, in cases where the County Assessor agrees that an assessment error has been made after tax bills have been issued, the County Assessor can correct any factual error, and thus reduce the amount of taxes due, by issuing a Certificate of Error. Certificates of Error are not issued in cases where the only issue is the opinion of the valuation of the property.

Equalization

After the Assessor has established the Assessed Valuation for each parcel for a given year, and following any revisions by the Board of Review or PTAB, the Illinois Department of Revenue is required by statute to review the Assessed Valuations. The Illinois Department of Revenue establishes an equalization factor (the *"Equalization Factor"*), commonly called the "multiplier," for each county to make all valuations uniform among the 102 counties in the State of Illinois (the *"State"*). Under State law, the aggregate of the assessments within each county is equalized at 33-1/3% of the estimated fair cash value of real property located within the county prior to any applicable exemptions. One multiplier is applied to all property in the County, regardless of its assessment category, except for certain farmland property and wind energy assessable property, which are not subject to equalization. The following table sets forth the Equalization Factor for the County for the last ten tax levy years, and the tentative Equalization Factor for 2010.

Tax Levy Year	Equalization Factor
2000	2.2235
2001	2.3098
2002	2.4689
2003	2.4598
2004	2.5757
2005	2.7320
2006	2.7076
2007	2.8439
2008	2.9786
2009	3.3701
2010	3.1773*

Once the Equalization Factor is established, the Assessed Valuation, as revised by the Board of Review or PTAB, is multiplied by the Equalization Factor to determine the equalized assessed valuation (the "*EAV*") of that parcel. The EAV for each parcel is the final property valuation used for determination of tax liability. The aggregate EAV for all parcels in any taxing body's jurisdiction, plus the valuation of property assessed directly by the Department of Revenue, constitute the total real estate tax base for the taxing body, which is used to calculate tax rates (the "*Assessment Base*").

Exemptions

The Property Tax Code exempts certain property from taxation. Certain property is exempt from taxation on the basis of ownership and/or use, including, but not limited to, public parks, not-for-profit schools, public schools, churches, not-for-profit hospitals and public hospitals. In addition, the Property Tax Code provides a variety of homestead exemptions, which are discussed below.

An annual General Homestead Exemption provides that the EAV of certain property owned and used for residential purposes may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of $6,000 for assessment year 2009 and thereafter.

The Alternative General Homestead Exemption limits EAV increases for homeowners (who also reside on the property as their principal place of residence) to 7% a year, up to a certain maximum dollar amount each year as defined by statute. Any amount of increase that exceeds the maximum exemption as defined is added to the 7% increase and is part of that property's taxable EAV. Homes that do not increase by at least 7% a year are entitled, in the alternative, to the General Homestead Exemption as discussed above.

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* Preliminary: the final Equalization Factor will not be calculated until the Board of Review has finished hearing appeals and has certified the final assessments for 2010.

For properties in the City Tri, the Alternative General Homestead Exemption cannot exceed $20,000 for assessment year 2009, $16,000 for assessment year 2010 and $12,000 for assessment year 2011. For properties in the North Tri, the Alternative General Homestead Exemption cannot exceed $20,000 for assessment years 2009 and 2010, $16,000 for assessment year 2011 and $12,000 for assessment year 2012. For properties in the South Tri, the Alternative General Homestead Exemption cannot exceed $26,000 for assessment year 2009, $20,000 for assessment year 2010 and 2011 and $12,000 for assessment year 2012.

The Long-Time Occupant Homestead Exemption limits the increase in EAV of a taxpayer's homestead property to 10% per year if such taxpayer has owned the property for at least 10 years as of January 1 of the assessment year (or 5 years if purchased with certain government assistance) and has a household income of $100,000 or less ("*Qualified Homestead Property*"). If the taxpayer's annual income is $75,000 or less, the EAV of the Qualified Homestead Property may increase by no more than 7% per year. There is no exemption limit for Qualified Homestead Properties.

The Homestead Improvement Exemption applies to residential properties that have been improved and to properties that have been rebuilt in the two years following a catastrophic event, as defined in the Property Tax Code. The exemption is limited to $75,000 per year, to the extent the Assessed Valuation is attributable solely to such improvements or rebuilding.

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption annually reduces the EAV on residences owned and occupied by senior citizens. The maximum exemption is $4,000. Beginning in tax year 2010, County taxpayers seeking to claim this exemption must reapply for the exemption on an annual basis.

The Senior Citizens Assessment Freeze Homestead Exemption freezes property tax assessments for homeowners who are 65 and older, reside in their property as their principal place of residence and receive a household income not in excess of $55,000. This exemption grants to qualifying senior citizens an exemption equal to the difference between (i) the current EAV of the residence and (ii) the EAV of a senior citizen's residence for the year prior to the year in which he or she first qualifies and applies for the exemption, plus the EAV of improvements since such year.

Three exemptions are available to veterans of the United States armed forces. The Disabled Veterans' Exemption exempts up to $70,000 of the Assessed Valuation of property owned and used exclusively by veterans, their spouses or unmarried surviving spouses. Qualification for this exemption requires the veteran's disability to be of such a nature that the federal government has authorized payment for purchase of specially adapted housing under the U.S. Code as certified to annually by the Illinois Department of Veterans Affairs.

The Disabled Veterans' Standard Homestead Exemption provides an annual homestead exemption of (i) $5,000 to those veterans with a service-connected disability of 70% (75% for exemptions granted from 2007 to 2009) and (ii) $2,500 to those veterans with a service-connected disability of less than 70% (75% for exemptions granted from 2007 to 2009), but at least 50%.

The Returning Veterans' Homestead Exemption is available for property owned and occupied as the principal residence of a veteran in the assessment year, or the year following the assessment year, in which the veteran returns from an armed conflict while on active duty in the United States armed forces. This provision grants a one-time homestead exemption of $5,000.

Finally, the Disabled Persons' Homestead Exemption provides an annual homestead exemption in the amount of $2,000 for property that is owned and occupied by certain disabled persons who meet State-mandated guidelines.

Tax Levy

As part of the annual budgetary process of governmental units (the *"Units"*) with power to levy taxes in the County, the designated body for each Unit annually adopts proceedings to levy real estate taxes. The administration and collection of real estate taxes is statutorily assigned to the Cook County Clerk (the *"County Clerk"*) and the Cook County Treasurer (the *"County Treasurer"*). After the Units file their annual tax levies, the County Clerk computes the annual tax rate for each Unit. The County Clerk computes the Unit's maximum allowable levy by multiplying the maximum tax rate for that Unit by the prior year's EAV for all property currently in the taxing district. The prior year's EAV includes the EAV of any new property, the current year value of any annexed property and any recovered tax increment value, minus any disconnected property for the current year under the Property Tax Extension Limitation Law (the *"Limitation Law"*). The tax rate for a Unit is computed by dividing the lesser of the maximum allowable levy or the actual levy by the current year's EAV.

Property Tax Extension Limitation Law and Debt Reform Act

The Limitation Law is applied after the prior year EAV limitation. The Limitation Law limits the annual growth in the amount of property taxes to be extended for certain Illinois non-home rule units, including the District. The effect of the Limitation Law is to limit the amount of property taxes that can be extended for a taxing body. In addition, general obligation bonds, notes and installment contracts payable from ad valorem taxes, unlimited as to rate and amount, cannot be issued by the affected taxing bodies unless they are approved by referendum, are alternate bonds or are for certain refunding purposes; these limitations on the extensions of property taxes contained in the Limitation Law do not apply to the taxes levied by the District (i) to pay the principal of and interest on its outstanding general obligation bonds issued prior to March 1, 1995; (ii) to pay the principal of and interest on bonds issued to refund or continue to refund those bonds issued before March 1, 1995; (iii) to pay the principal of and interest on bonds to finance construction projects initiated prior to October 1, 1991 (consisting primarily of the TARP projects as described in APPENDIX B); or (iv) to pay interest or principal on bonds issued to refund or continue to refund bonds issued after March 1, 1995 that are approved by referendum.

The Debt Reform Act permits units of local government, including the District, to issue limited tax bonds that have otherwise been authorized by applicable law. The base for such bond issues is the debt service extension for the levy year 1994. The District could also increase its debt service extension base by referendum. The Limitation Law provides that the debt service extension base of a taxing district must be increased by the lesser of 5% or the percentage increase in the Consumer Price Index during the 12-month calendar year preceding the levy year.

Under legislation enacted in 1997, the Limitation Law was amended so that the issuance of bonds by the District to construct construction projects initiated before October 1, 1991, including the TARP projects, will not reduce the District's ability to issue limited tax bonds for other major capital projects.

The use of prior year EAV's to limit the allowable tax levy may reduce tax rates for funds that are at or near their maximum rates in districts with rising EAVs. These reduced rates and all other rates for those funds subject to the Limitation Law are added together, which results in the aggregate preliminary rate. The aggregate preliminary rate is then compared to the limiting rate. If the limiting rate is more than the aggregate preliminary rate, there is no further reduction in rates due to the Limitation Law. If the limiting rate is less than the aggregate preliminary rate, the aggregate preliminary rate is further reduced to the limiting rate. In all cases, taxes are extended using current year EAV under Section 18-140 of the Property Tax Code.

The District has the authority to levy taxes for many different purposes. See "TAXATION OF PROPERTY WITHIN DISTRICT—STATISTICAL INFORMATION–Metropolitan Water Reclamation District Tax Rates by Fund." The ceiling at any particular time on the rate at which these taxes may be extended for the District is either (i) unlimited (as provided by statute), (ii) initially set by statute but permitted to be increased by referendum, (iii) capped by statute, or (iv) limited to the rate approved by referendum. The only ceiling on a particular tax rate is the ceiling set by statute above, at which the rate is not permitted to be further increased by referendum or otherwise. Therefore, taxing districts (such as the District) have increased flexibility to levy taxes for the purposes for which they most need the money. The total aggregate tax rate for the various purposes subject to the Limitation Law, however, will not be allowed to exceed the District's limiting rate computed in accordance with the provisions of the Limitation Law.

In general, the annual growth permitted under the Limitation Law is the lesser of 5% or the percentage increase in the Consumer Price Index during the calendar year preceding the levy year. Taxes can also be increased due to new construction, referendum approval of tax rate increases, mergers and consolidations. Local governments, including the District, can issue limited tax bonds in lieu of general obligation bonds that have otherwise been authorized by applicable law. See "SECURITY FOR THE BONDS" herein.

Extensions

The County Clerk then computes the total tax rate applicable to each parcel of real property by aggregating the tax rates of all of the Units having jurisdiction over the particular parcel. The County Clerk extends the tax by entering the tax (determined by multiplying the total tax rate by the EAV of that parcel for the current assessment year) in the books prepared for the Cook County Collector (the "*Warrant Books*") along with the tax rates, the Assessed Valuation and the EAV. The Warrant Books are the Cook County Collector's (the "*County*

Collector") authority for the collection of taxes and are used by the County Collector as the basis for issuing tax bills to all property owners.

Collections

Property taxes are collected by the County Collector, who also serves as the County Treasurer, who remits to each Unit its share of the collections. Taxes levied in one year become payable during the following year in two installments, the first due on March 1 and the second on the later of August 1 or 30 days after the mailing of the tax bills. A payment due is deemed to be paid on time if the payment is postmarked on the due date. Beginning with the first installment payable in 2010, the first installment is equal to 55% of the prior year's tax bill. However, if a Certificate of Error is approved by a court or certified on or before November 30 of the preceding year and before the estimated tax bills are prepared, then the first installment is instead based on the certain percentage of the *corrected* prior year's tax bill. The second installment covers the balance of the current year's tax bill, and is based on the then current tax year levy, Assessed Valuation and Equalization Factor, and reflects any changes from the prior year in those factors. The first installment penalty date has been the first business day in March for each of the last ten years. However, for 2010, the first installment penalty date was established as April 1 by statute. The following table sets forth the second installment penalty date for the last ten tax levy years in the County.

TAX LEVY YEAR	SECOND INSTALLMENT PENALTY DATE
2000	November 2, 2001
2001	November 1, 2002
2002	October 1, 2003
2003	November 15, 2004
2004	November 1, 2005
2005	September 1, 2006
2006	December 3, 2007
2007	November 3, 2008
2008	December 1, 2009
2009	December 13, 2010

It is possible that the changes to the assessment appeals process described above will cause delays similar to those experienced in past years in preparation and mailing of the second installment in future years. In the future, the County may provide for tax bills to be payable in four installments instead of two.

During the periods of peak collections, tax receipts are forwarded to each Unit on a weekly basis. Upon receipt of taxes from the County Collector, the District promptly credits the taxes received to the funds for which they were levied.

Within 90 days following the second installment due date, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court orders resulting from the application for judgment provides for an Annual Tax Sale (the *"Annual Tax Sale"*) of unpaid taxes shown on that year's Warrant Books. A public sale is held, at which time successful tax buyers pay the unpaid taxes plus penalties. In each such public sale, the collector can use any "automated means." Unpaid taxes accrue penalties at the rate of 1.5% per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 12% for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and a half years depending on the type and occupancy of the property) and the tax buyer files a petition in the Circuit Court, notifying the necessary parties in accordance with the applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

If there is no sale of the tax lien on a parcel of property at the Annual Tax Sale, the taxes are forfeited and the property becomes eligible to be purchased at any time thereafter at an amount equal to all delinquent taxes and interest accrued to the date of purchase. Redemption periods and procedures are the same as applicable to the Annual Tax Sale.

The Scavenger Sale (the *"Scavenger Sale"*), like the Annual Tax Sale, is a sale of unpaid taxes. The Scavenger Sale is held every two years on all property on which two or more years' taxes are delinquent. The sale price of the unpaid taxes is the amount bid at such sale, which may be less than the amount of delinquent taxes. Redemption periods vary from six months to two and a half years depending upon the type and occupancy of the property.

Truth in Taxation Law

Legislation known as the Truth in Taxation Law (the *"Law"*) limits the aggregate amount of certain taxes which can be levied by, and extended for, a taxing district to 105% of the amount of taxes extended in the preceding year unless specified notice, hearing and certification requirements are met by the taxing body. The express purpose of the Law is to require published disclosure of, and hearing upon, an intention to adopt a levy in excess of the specified levels.

TAXATION OF PROPERTY WITHIN DISTRICT—STATISTICAL INFORMATION

Equalized Assessed Valuation by Major Classification

(amounts in thousands)

Year of Levy	Real Property	Railroad and Environmental Protection Property	Total
2009	$174,255,389	$212,254	$174,467,643
2008	169,911,146	186,235	170,097,382
2007	155,800,132	172,662	155,972,794
2006	141,311,943	156,699	141,468,642
2005	130,438,124	148,797	130,586,921
2004	118,889,944	148,616	119,038,560
2003	110,120,812	145,816	110,266,628
2002	102,405,543	431,822	102,837,365
2001	92,500,093	404,997	92,905,090
2000	85,149,867	367,141	85,517,008

Source of data: Office of County Clerk

Equalized Assessed Valuation – Chicago and Suburbs

(amounts in thousands)

Year of Levy	Chicago	Suburbs	Total
2009	$84,586,808	$89,880,835	$174,467,643
2008	80,977,543	89,119,839	170,097,382
2007	73,645,316	82,327,478	155,972,794
2006	69,511,192	71,957,450	141,468,642
2005	59,304,530	71,282,391	130,586,921
2004	55,277,096	63,761,464	119,038,560
2003	53,168,632	57,097,996	110,266,628
2002	45,330,892	57,506,473	102,837,365
2001	41,981,912	50,923,178	92,905,090
2000	40,480,075	45,036,933	85,517,008

Source of data: Office of County Clerk

Estimated Full Value – Chicago and Suburbs[1]

(amounts in thousands)

Year of Levy	Chicago	Suburbs	Total
2008	$310,888,609	$305,274,985	$616,163,594
2007	320,503,503	335,971,241	656,474,744
2006	329,770,733	336,452,329	666,223,062
2005	283,137,884	298,233,411	581,371,295
2004	262,080,627	279,861,423	541,942,050
2003	223,572,427	248,399,242	471,971,669
2002	201,938,231	226,167,677	428,105,908
2001	185,912,246	206,294,563	392,206,809
2000	162,593,364	186,372,891	348,966,255
1999	135,522,333	173,910,877	309,433,210

Source of data: The Civic Federation, Chicago, Illinois (based upon information from the Illinois Department of Revenue.)
(1) Information for 2009 not yet available.

Comparative Tax Rates of Major Local Governmental Units

(Per $100 Equalized Assessed Valuation)

	Tax Years (1)							
	2009	2008	2007	2006	2005	2004	2003	2002
Metropolitan Water Reclamation District	$0.261	$0.252	$0.263	$0.284	$0.315	$0.347	$0.361	$0.371
City of Chicago	0.887	0.928	1.004	1.012	1.153	1.188	1.262	1.452
Chicago Board of Education................	2.366	2.472	2.583	2.697	3.026	3.104	3.142	3.562
Chicago Park District	0.309	0.323	0.355	0.379	0.443	0.431	0.439	0.515
County of Cook	0.394	0.415	0.446	0.500	0.533	0.593	0.630	0.690
Cook County Forest Preserve District ..	0.049	0.051	0.053	0.057	0.060	0.060	0.059	0.061
Community College District #508........	0.150	0.156	0.159	0.205	0.234	0.242	0.246	0.280
Chicago School Finance Authority.......	–	–	0.091	0.118	0.127	0.177	0.151	0.177
City of Chicago Library Fund	0.099	0.102	0.040	0.050	0.090	0.114	0.118	0.139
City of Chicago School Bldg/Improvement...............................	0.112	0.117	–	–	–	–	–	–
Total..................................	$4.627	$4.816	$4.994	$5.302	$5.981	$6.256	$6.408	$7.247

Source of data: Office of County Clerk
(1) Based upon taxes extended for collection in succeeding years as a percentage of the Equalized Assessed Valuation for the tax year.

Metropolitan Water Reclamation District Tax Rates by Fund

(Per $100 Equalized Assessed Valuation)

	TAX YEARS							
	2010(1)	2009	2008	2007	2006	2005	2004	2003
Corporate Fund	$0.138	$0.135	$0.141	$0.150	$0.151	$0.158	$0.167	$0.163
Retirement Fund	0.015	0.016	0.015	0.016	0.018	0.018	0.024	0.024
Debt Service Fund	0.092	0.097	0.083	0.087	0.087	0.113	0.139	0.143
Reserve Claim Fund	0.001	0.002	0.004	0.004	0.004	0.004	0.004	0.004
Corporate Working Cash Fund	–	–	–	–	–	–	–	0.004
Construction Fund	0.005	0.006	–	0.003	0.013	0.014	0.013	0.023
Construction Working Cash Fund	–	–	–	–	–	–	–	–
Stormwater Management Fund	0.014	0.005	0.009	0.003	0.011	0.008	–	–
TOTAL	0.265	$0.261	$0.252	$0.263	$0.284	$0.315	$0.347	$0.361

Source of data: Office of County Clerk

(1) District's tax rates are estimated based on 2009 equalized assessed valuation, the most recent available.

Statutory Tax Rate Limitation by Fund

(Per $100 Equalized Assessed Valuation)

Corporate Fund	$0.410
Retirement Fund(1)	Unlimited
Debt Service Fund(1)	Unlimited
Reserve Claim Fund(2)	0.005
Corporate Working Cash Fund	0.005
Construction Fund	0.100
Construction Working Cash Fund	0.005
Stormwater Management Fund	0.050

Source of data: Office of County Clerk

(1) Subject to the provisions of the Tax Extension Limitation Law. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES – Property Tax Extension Limitation Law and Debt Reform Act."

(2) Subject to maximum accumulated value of $0.05% of the most recent equalized assessed valuation.

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Tax Levies, Collections, and Receivables[1]

(amounts in thousands) (Unaudited)

	2010[3]			2009			2008			2007			2006		
	Amount	**% of Levy**	**% of APT[2]**	**Amount**	**% of Levy**	**% of APT[2]**	**Amount**	**% of Levy**	**% of APT[2]**	**Amount**	**% of Levy**	**% of APT[2]**	**Amount**	**% of Levy**	**% of APT[2]**
Gross Property Tax Levy:															
Corporate Fund	$240,207	52.0		$237,116	52.1		$240,082	56.0		$233,982	57.0		$213,860	53.2	
Construction Fund	8,749	1.9		10,411	2.3		–	0.0		5,181	1.3		17,766	4.4	
Debt Service Fund	160,782	34.8		169,051	37.1		140,614	32.8		135,730	33.1		123,608	30.8	
Retirement Fund	26,478	5.7		26,752	5.9		25,665	6.0		24,843	6.1		25,072	6.2	
Stormwater Management Fund	24,029	5.2		8,849	1.9		15,212	3.5		3,942	1.0		15,508	3.9	
Corporate Working Cash Fund	–	0.0		–	0.0		–	0.0		–	0.0		–	0.0	
Reserve Claim Fund	1,951	0.4		3,182	0.7		7,073	1.7		6,530	1.6		5,957	1.5	
Total Gross Property Tax Levy	$462,196	100.0		$455,361	100.0		$428,646	100.0		$410,208	100.0		$401,771	100.0	
Less Allowance for Estimated Uncollectible Taxes	16,177	3.5		15,938	3.5		15,003	3.5		14,358	3.5		14,062	3.5	
Anticipated Property Tax Collections	$446,019	96.5	100.0	$439,423	96.5	100.0	$413,643	96.5	100.0	$395,850	96.5	100.0	$387,709	96.5	100.0
Property Tax Collected:															
First Year	$233,966	50.6	52.5	$383,612	84.2	87.3	$400,048	93.3	96.7	$390,440	95.2	98.6	$353,566	88.0	91.2
Second Year				59,818	13.1	13.6	23,091	5.4	5.6	14,689	3.6	3.7	43,145	10.7	11.1
Third Year							(1,431)	(0.3)	(0.3)	(2,766)	(0.7)	(0.7)	(3,096)	(0.8)	(0.8)
Fourth Year										(1,484)	(0.4)	(0.4)	(2,555)	(0.6)	(0.7)
Fifth Year													(1,581)	(0.4)	(0.4)
Total Property Tax Collected	$233,966	50.6	52.5	$443,430	97.4	100.9	$421,708	98.4	101.9	$400,879	97.7	101.3	$389,479	96.9	100.5
Net Property Tax Receivable	$212,053	45.9	47.5	–			–			–			–		
Net Property Tax Receivable by Fund:															
Corporate Fund	$110,206														
Construction Fund	4,013														
Debt Service Fund	73,767														
Retirement Fund	12,148														
Stormwater Management Fund	11,024														
Corporate Working Cash Fund	–														
Reserve Claim Fund	895														
Net Property Tax Receivable	$212,053														

(1) As of June 30, 2011.
(2) Anticipated Property Tax Collections.
(3) Reflects the first installment of property taxes collected. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES—Collections" herein for a description of the property tax collection process in the County.

Financial Statements

The District's Basic Financial Statements for the year ended December 31, 2010, included in this Official Statement as Appendix A, have been audited by Baker Tilly Virchow Krause, LLP, independent public accountants, as stated in their Independent Auditors' Report dated April 25, 2011. The supplementary information referred to in the Independent Auditors' Report is not included in Appendix A. Baker Tilly Virchow Krause, LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Baker Tilly Virchow Krause, LLP also has not performed any procedures relating to this Official Statement. The District's entire Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010 and several prior years are available online at the District's website at www.mwrd.org, but the content of such website is not incorporated into this Official Statement by reference.

Ratings

The Bonds and the District's outstanding general obligation bonds are rated "Aaa" by Moody's Investors Service, "AAA" by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, and "AAA" by Fitch Ratings.

A rating reflects only the views of the rating agency assigning such rating and an explanation of the significance of such rating or the status of any review of such rating may be obtained from such agency. Certain information and materials concerning the Bonds, the District and certain overlapping entities have been furnished to the rating agencies by the District. Generally, rating agencies base their ratings on such information and materials and investigations, studies and assumptions by the respective agency. There is no assurance that each such rating will be maintained for any given period of time or that one or more of such ratings may not be raised, lowered or withdrawn entirely by the respective rating agency, if in its judgment, circumstances so warrant. Any downward change in or withdrawal of any such rating may have an adverse effect on the price at which the Bonds may be resold.

Financial Advisors

The District has engaged Public Financial Management, Inc. and Public Finance Advisors LLC, as financial advisors (the "*Financial Advisors*"), in connection with the authorization, issuance and sale of the Bonds. The Financial Advisors have provided advice on the plan of financing and structure of the Bonds and have reviewed certain legal and disclosure documents, including this Official Statement, with respect to certain financial matters. Under the terms of their engagement, the Financial Advisors are not obligated to undertake any independent verification of or assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

TAX MATTERS

2011A Bonds

Interest on the 2011A Bonds is includible in gross income for federal income purposes. Ownership of the 2011A Bonds may result in other federal income tax consequences to certain taxpayers. 2011A Bondholders should consult their tax advisors with respect to the inclusion of interest on the 2011A Bonds in gross income for federal income tax purposes and any collateral tax consequences.

The District may deposit moneys or securities in escrow in such amount and manner as to cause the 2011A Bonds to be deemed to be no longer outstanding under the Bond Ordinance (a *"defeasance"*). A defeasance of the 2011A Bonds may be treated as an exchange of the 2011A Bonds by the holders thereof and may therefore result in gain or loss to the holders. 2011A Bondholders should consult their own tax advisors about the consequences if any of such a defeasance. The District is required to provide notice of defeasance of the Bonds as a reportable event under its Continuing Disclosure Undertaking. See "THE UNDERTAKING – Reportable Events Disclosure."

2011B Bonds and 2011C Bonds

Federal tax law contains a number of requirements and restrictions which apply to the 2011B Bonds and the 2011C Bonds (collectively, the *"Tax-Exempt Bonds"*), including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Tax-Exempt Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Tax-Exempt Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Tax-Exempt Bonds.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Co-Bond Counsel, interest on the Tax-Exempt Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Tax-Exempt Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Co-Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Co-Bond Counsel's opinions represent their legal judgment based upon their review of the law and the facts that each deems relevant to render such opinions and are not a guarantee of a result.

The Code includes provisions for an alternative minimum tax (*"AMT"*) for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income (*"AMTI"*), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, including interest on the Tax-Exempt Bonds.

Ownership of the Tax-Exempt Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the *"Issue Price"*) for each maturity of the Tax-Exempt Bonds is the price at which a substantial amount of such maturity of the Tax-Exempt Bonds is first sold to the public. The Issue Price of a maturity of the Tax-Exempt Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the Issue Price of a maturity of the Tax-Exempt Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Tax-Exempt Bonds (the *"OID Bonds"*) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the District complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Tax-Exempt Bonds who dispose of Tax-Exempt Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Tax-Exempt Bonds in the initial public offering, but at a price different from the Issue Price or purchase Tax-Exempt Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Tax-Exempt Bond is purchased at any time for a price that is less than the Tax-Exempt Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the *"Revised Issue Price"*), the purchaser will be treated as having purchased a Tax-Exempt Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Tax-Exempt Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Tax-Exempt Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Tax-Exempt Bonds.

An investor may purchase a Tax-Exempt Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Tax-Exempt Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Tax-Exempt Bond. Investors who purchase a Tax-Exempt Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Tax-Exempt Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Tax-Exempt Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Tax-Exempt Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the *"Service"*) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Tax-Exempt Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Tax-Exempt Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Tax-Exempt Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Tax-Exempt Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Tax-Exempt Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

State and Local Considerations

Interest on the Bonds is not exempt from present State of Illinois income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any such consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Bonds from the District. The purchase price for the 2011A Bonds shall be $29,908,246.94 (the par amount of the 2011A Bonds less an underwriting discount of $91,753.06). The purchase price for the 2011B Bonds shall be $296,732,538.04 (the par amount of the 2011B Bonds less an underwriting discount of $954,017.56 and plus original issue premium of $27,686,555.60). The purchase price for the 2011C Bonds shall be $109,325,102.56 (the par amount of the 2011C Bonds less an underwriting discount of $331,968.54 and plus original issue premium of $9,657,071.10). The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The District maintains various banking relationships with certain of the Underwriters. Various officers of the Underwriters hold positions on governing boards of certain overlapping units of government.

The obligation of the Underwriters to accept delivery of the Bonds is subject to various conditions set forth in the Bond Purchase Agreement with respect to the Bonds. The Underwriters are obligated to purchase all of the Bonds if they purchase any of the Bonds.

The Underwriters may offer and sell the Bonds to certain dealers (including those dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover page. After the initial public offering, the public offering prices may be changed from time to time by the Underwriters.

J.P. Morgan Securities LLC (*"JPMS"*), one the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a *"Dealer Agreement"*) with each of UBS Financial Services Inc. (*"UBSFS"*) and Charles Schwab & Co., Inc. (*"CS&Co."*) for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

ENVIRONMENTAL MATTERS

Environmental Remediation

Under current environmental protection laws, the District may be ultimately responsible for the environmental remediation of some of its properties that have been leased to other parties. The District has developed preliminary estimates of environmental remediation costs for major lease sites. The range of estimated remediation costs at December 31, 2010 was between $14.5 million and $44.4 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site clean-up costs. Negotiations are under way between the District's lawyers and the tenants to resolve remedial activity and costs liability issues. As a result of the implementation of GASB Statement No. 49, the District determined a current estimated remediation cost of $29,450,000 with an estimated remediation cost recoverable of $18,650,000 resulting in $10,800,000 being recognized at December 31, 2010, in the long-term liabilities of the government-wide financial statements. These estimates are subject to changes as a result of price increases, changes in technology, and new laws and regulations. These estimates were generated using the expected cash flows technique. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset.

The District has statutory authority for a Reserve Claim Fund to pay judgments or claims against the District, including environmental liabilities. Statutory authority authorizes an accumulation in this Fund of .05% of the equalized assessed property valuation or about $87.2 million, and for a 0.5-cent annual property tax levy.

The District's Reserve Claim Fund collected revenues totaling $7.7 million in 2010 (primarily from property taxes and Personal Property Replacement Taxes) and made payments totaling $6.7 million (primarily employee injury claims). The fund balance at December 31, 2009 was $61.3 million and at December 31, 2010 was $62.3 million.

Effluent Disinfection

In October 2007, the IEPA initiated a rulemaking with the Illinois Pollution Control Board *(*the *"IPCB"*) arising out of its Proposed Use Attainability Analysis (*"UAA"*) seeking to upgrade the recreational and aquatic use designations and standards for the Chicago Area Waterway System (*"CAWS"*) and Lower Des Plaines River. The rulemaking is captioned *"In the Matter of: Water Quality Standard and Effluent Limitations for the Chicago Area Waterway System and the Lower Des Plaines River: Adm. Code Parts 301, 302, 303 and 304"*(R08-09). The IPCB has divided this rulemaking into a general docket and four sub-dockets, which are: (A) recreational uses; (B) disinfection; (C) aquatic life uses; and (D) water quality standards and criteria to meet aquatic life uses. The rulemaking involves a number of issues. The two issues with the greatest potential impact on the District are the disinfection of effluent and the supplemental aeration and flow augmentation of the waterway to meet proposed water quality standards for dissolved oxygen (*"DO"*). For sub-docket A, the IPCB in August 2010 proposed a rule which would upgrade the water quality standards of specific segments of the CAWS to "incidental contact recreation," but did not designate any segments as "primary contact" (swimming and related activities). On May 11, 2011, the USEPA sent a letter to the IEPA and the IPCB which advised that new or revised use designations would be needed for specific segments of the CAWS to provide for recreation on and in the waterway. The USEPA noted that such activity would likely require disinfection of the District's effluent at the North Side and Calumet plants. On June 2, 2011, the IPCB proposed an amended rule that would designate certain segments of the CAWS as primary contact. On June 7, 2011, the District adopted a policy that requires the District to move forward with disinfection at the North Side and Calumet plants. The capital costs for ultraviolet disinfection at these two plants are approximately $241 million, which the District anticipates incurring over the course of the next nine years with the majority of such costs to be incurred towards the end of this timeframe. On July 7, 2011, the IPCB issued a first notice proposed rule in sub-docket B. That proposed rule requires that discharges into the waterways in the CAWS designated as primary contact must meet an effluent limit of 400 fecal coliforms colony forming units per 100 ml from March 1 through November 30. To meet this limit, the District will be required to disinfect the effluent discharged from its North Side and Calumet plants during that period. The IPCB declined to establish an effluent limit for other segments of the CAWS designated as incidental contact waters. As a result, at this time the District is not required to disinfect the effluent discharged from its Stickney plant. Once this proposed ruled is published in the *Illinois Register*, there will be a 45-day comment period at which time all interested parties may file comments with the IPCB regarding the proposed rule. The IPCB has up to a year to issue a second notice proposed rule from the date of publication in the *Illinois Register*.

With respect to the aquatic life uses and water quality standards necessary to meet such aquatic life uses (sub-dockets C and D), compliance with the IEPA proposed standards may require the District to install numerous aeration stations in specific segments of the CAWS. The preliminary estimated capital costs for supplemental aeration are approximately $595 million. In response to the IEPA's proposed aquatic life uses and water quality standards protective of those uses, on June 17, 2011, the District filed its own Proposed Aquatic Uses and Dissolved Oxygen Water Quality Standards. That alternate proposal calls for significantly less aeration stations. The preliminary estimated capital costs for supplemental aeration and aerated flow augmentation under the District's alternate proposal are approximately $55 million.

The projected cost figures as described above are subject to review by the District and are subject to change. The District is discussing various financing alternatives if such capital costs are incurred by the District, including the issuance of additional "limited bonds" by the District pursuant to the Act and the Debt Reform Act and payable from ad valorem taxes levied upon all taxable property within the boundaries of the District without limitation as to rate but limited as to the amount of said taxes that would be extended to pay such bonds pursuant to the Limitation Law. See "SECURITY FOR THE BONDS" herein for a description of "limited bonds".

For sub-docket A, the IPCB is expected to issue a final rule by August 2011. Sometime after closure of each remaining sub-docket, which IPCB has indicated could be by the end of 2011, the IPCB will review the record and issue its decision for notice and comment.

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 North Side WRPs expired in 2007 and the District timely reapplied for renewal. The IEPA issued draft permits in November 2009 and the comment period closed in April 2010. Final NPDES permits have yet to be issued. The District has and will continue to lawfully operate its WRPs under the expired permits until the IEPA issues new permits. While the draft permits did not contain phosphorus and nitrogen limits, in the intervening period from when the draft permits were issued, the USEPA directed the IEPA to evaluate whether phosphorus and nitrogen discharges are causing or contributing to water quality violations. Whether the District's final NPDES permits will contain nutrient limits and the potential cost of complying with any such limits is uncertain at this time. The cost of complying with any such limits depends upon the particular nutrients that are regulated and the numeric limits imposed.

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 has 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 has 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. The District has been in discussions with the USEPA and IEPA for several years and recently has engaged in extended settlement discussions to enter into a consent decree for entry with the U.S. District Court for the Northern District of Illinois (the *"Northern District"*).

If agreed by all parties and entered by the court, the consent decree would resolve the federal and state claims associated with the District's CSOs. The proposed consent decree would, among other things: (a) establish a construction schedule with interim milestones for completion and operation of portions of the District's TARP plan; (b) obligate 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) establish performance criteria and develop post-construction monitoring for portions of the TARP system; (d) require the District to continue seasonal operation of debris boats and pontoon boats to control floatables in the CAWS; (e) require the District to submit annual reports on its compliance with the terms of the consent decree; (f) impose stipulated penalties for violations of the decree; (g) impose a total civil penalty of $675,000; and (h) require the District to expend an additional $325,000 on a supplemental environmental project, which relates to "green infrastructure" and other technologies, in lieu of an additional civil penalty. The consent decree is not finalized and as negotiations continue additional factors may be required, such as requests for the District to add "substantial green infrastructure." The aggregate costs and timeline are not predictable and are uncertain at this time.

NPDES Suit. In May 2011, the National Resources Council, Inc., Sierra Club, Inc., and Prairie Rivers Network (the *"Private Parties"*) filed a Clean Water Act (*"CWA"*) citizen suit against the District in the Northern District alleging violations of CWA-based water quality standards. The complaint alleged that the District's CSO discharges into the CAWS violated certain conditions of the District's NPDES permits which require that effluent not cause a violation of any water quality standard, and also require that all CSO discharges be treated to prevent accumulation of sludge deposits, floating debris and solids, and to prevent depression of oxygen levels, resulting in violations of certain DO standards. Additionally, the complaint alleges that the District's discharge of phosphorous from its WRPs is in violation of the District's NPDES permits. Currently, with respect to the District's three major WRPs, the existing NPDES permits contain no effluent limits for phosphorus nor are water quality standards in place for phosphorus with respect to the bodies of water to which they discharge.

The Private Parties are seeking a permanent injunction preventing the alleged violations of the CWA, an order requiring the District to complete all actions necessary to comply with its permits and CWA, and an award of civil penalties as well as attorney's fees. An adverse ruling could result in significant costs and expenses to the District. Violations of the CWA can result in statutory penalties of up to $37,500 per violation. Furthermore, if the District were required to reduce the phosphorus in its effluent at its three major WRPs, the capital costs are estimated to range from $50 million to meet a standard of 1.0 mg/l up to $1.1 billion to meet a standard of 0.5 mg/l. Of such capital costs, the District anticipates incurring within the next three years approximately $5 million if the standard is 1.0 mg/l and approximately $80 million to $100 million if the standard is 0.5 mg/l. After the facilities are operational, the District anticipates incurring annual operating and chemical costs, which are estimated at $26 million per year if the standard is 1.0 mg/l and $69 million per year if the standard is 0.5 mg/l. The District is vigorously defending this lawsuit and denies that the Private Parties are entitled to the relief sought.

LITIGATION

Upon the delivery of the Bonds, the District will furnish a certificate to the effect that there is no litigation pending or threatened to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting the validity or enforceability of the Bonds or the pledge of the District's full faith, credit and taxing power for their payment.

Litigation involving the District and entitled: *Metropolitan Water Reclamation District of Greater Chicago v. Terra Foundation for American Art, et al.* is pending in the Circuit Court of Cook County, Illinois (the *"Circuit Court"*). On July 12, 2006, the District filed in the Circuit Court a Complaint For Declaratory Judgment, now as amended, naming Terra Foundation for American Art (*"Terra"*), 664 N. Michigan LLC, NM Project Company, LLC (the latter two defendants referred to collectively as the *"Project Company"*) and others, as defendants, seeking a declaration of rights with respect to three easements encumbering a District-owned alley physically located between the District's main office building and certain property (the *"Parcels"*) previously owned by Terra and now owned by the Project Company. Terra and the Project Company have entered into certain agreements to develop the Parcels into a luxury residential, office and retail building. The District alleges that the planned development improperly expands the scope and use of the District's alley in violation of the easements. Terra and the Project Company, in addition to denying the District's claims, each filed a counterclaim. Terra's counterclaim, filed on September 28, 2006, seeks to quiet title and a declaratory judgment. The Project Company's counterclaim, filed on July 2, 2008, seeks injunctive and declaratory relief and damages. The Project Company's damage claims range from approximately $43.1 million to $66.5 million based on the District's purported delay of the development. The District submitted its expert's report refuting the analysis of the Project Company's expert's report. On June 16, 2009, the Project Company filed a motion to amend its pleadings to add a claim for tortuous interference with prospective economic advantage. The District filed its opposition to this motion, and the Project Company's motion was denied on August 17, 2009. The trial on the Project Company's damage claim began on August 24, 2009 and the trial is ongoing. While the District cannot assure any outcome, the District believes that its claims and defenses are well-founded. The District will continue to aggressively assert its claims and defenses.

The District has previously been and is presently a party to several proposed class action lawsuits in the Circuit Court of Cook County arising out of local sewer back-ups and basement flooding. The District is also in receipt of a number of flooding claims in which lawsuits have not yet been filed. The lawsuits and claims are premised, in part, on a provision of the Act intended to address property damage claims arising out of the construction of the Sanitary & Ship Canal and the reversal of the Chicago River. As of the date of this Official Statement, the Circuit Court of Cook County has ruled in the District's favor in every fully-adjudicated matter, finding that the particular provision of the Act does not apply to the flooding complained of and that the District is otherwise immune from liability based upon the common law and/or statutes of Illinois. The estimated potential liability in these matters is $78 million, of which $42 million is attributable to a single lawsuit seeking monetary damages and injunctive relief. In this particular lawsuit, all claims have been dismissed in the District's favor at the trial court level. The plaintiffs' counsel has indicated that his clients will appeal the lower court decisions. The District will continue to vigorously contest liability in each of these matters.

The District is also involved in various other litigation matters relating principally to claims arising from construction contracts, enforcing property rights, personal injury and property damage. The majority of any claims and judgments for personal injury and property damage are recovered by insurance or settled and paid from the District's Reserve Claim Fund. Most claims and judgments involving construction contracts are paid by the Capital Projects Funds.

CONTINUING DISCLOSURE

The District will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the *"MSRB"*) pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the Securities and Exchange Commission (the *"Commission"*) under the Securities Exchange Act of 1934, as amended (the *"Exchange Act"*). The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies, are set forth below under "THE UNDERTAKING."

The District represents that it has not failed to comply in all material respects with each and every continuing disclosure undertaking that it has previously entered into pursuant to the Rule. A failure by the District to comply with the Undertaking will not constitute a default under the Bond Ordinance and beneficial owners of the Bonds are limited to remedies described in the Undertaking. See "THE UNDERTAKING – Consequences of Failure of the District to Provide Information." A failure by the District to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Recent Disclosure

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

On April 29, 2010, the District received notice of an inquiry relating to the 2009 Bonds by the Commission. The Commission requested that the District produce documents, including e-mails, related to the issuance and sale of the 2009 Bonds. The District furnished various documents to the Commission during the summer of 2010. The District will continue to cooperate with the Commission.

By letter dated September 27, 2010, the Tax-Exempt Bond (*"TEB"*) function of the Internal Revenue Service notified the District that it is conducting an examination of the 2009 Bonds. The District believes that all requirements of the Code relating to Build America Bonds were satisfied.

THE UNDERTAKING

The following is a brief summary of certain provisions of the Undertaking of the District and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Undertaking, a copy of which is available upon request from the District.

Annual Financial Information Disclosure

The District covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (as described below) to the MSRB in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. Annual Financial Information, exclusive of the Audited Financial Statements, will be provided to the MSRB within 210 days after the last day of the District's fiscal year (currently December 31). Audited Financial Statements, as described below, should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

"Annual Financial Information" means the financial information and operating data of the type contained in the Official Statement under the following captions: "DEBT INFORMATION" (excluding information in the table "Estimated Overlapping Bonded Debt," and graph and information under the heading "Debt Limits and Borrowing Authority"), "CASH MANAGEMENT – Investment of District Funds" (chart titled "Investments and Interest Income" only), Tables 1 through 7 under "RETIREMENT FUND", "BUDGETARY PROCEDURES – Comparative Budget Information," "TAXATION OF PROPERTY WITHIN THE DISTRICT – STATISTICAL INFORMATION," "APPENDIX B – CAPITAL IMPROVEMENTS PROGRAM" and "APPENDIX C – REPORT OF THE CONSULTING ACTUARY ON THE DISTRICT RETIREMENT FUND."

"Audited Financial Statements" means the audited financial statements of the District prepared using the accounting standards as follows: Generally Accepted Accounting Principles, as applicable to governmental units (*i.e.,* as subject to the pronouncements of the Governmental Accounting Standards Board) and subject to any express requirements of State law.

Audited Financial Statements shall be provided to the MSRB at the time the Annual Financial Information is provided, or within 30 days after availability to the District, if later.

Reportable Events Disclosure

The District covenants that it will disseminate to the MSRB in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event), the disclosure of the occurrence of a Reportable Event (as described below) with respect to the Bonds, in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information. The "Reportable Events" are:

- Principal and interest payment delinquencies
- Non-payment related defaults, if material
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
- Modifications to the rights of security holders, if material
- Bond calls, if material, and tender offers
- Defeasances
- Release, substitution or sale of property securing repayment of the securities, if material
- Rating changes
- Bankruptcy, insolvency, receivership or similar event of the District*
- The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- Appointment of a successor or additional trustee or the change of name of a trustee, if material

Some of the foregoing events may be inapplicable to the Bonds.

Consequences of Failure of the District to Provide Information

The District is required to give notice in a timely manner to the MSRB of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are due under the Undertaking.

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

In the event of a failure of the District to comply with any provision of the Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the District to comply with its obligations under the Undertaking. A default under the Undertaking shall not be deemed a default under the Bond Ordinance, and the sole remedy under the Undertaking in the event of any failure of the District to comply with the Undertaking shall be an action to compel performance.

Amendment; Waiver

Notwithstanding any other provision of the Undertaking, the District by resolution or ordinance authorizing such amendment or waiver, may amend the Undertaking, and any provision of the Undertaking may be waived, if:

(a) (i) The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including, without limitation, pursuant to a "no-action" letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the District, or type of business conducted; or

(ii) The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined by a party unaffiliated with the District (such as bond counsel).

In the event that the Commission or the MSRB or other regulatory authority approves or requires Annual Financial Information or notices of a Reportable Event to be filed with a central post office, governmental agency or similar entity other than the MSRB or in lieu of the MSRB, the District shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending the Undertaking.

Termination of Undertaking

The Undertaking shall be terminated if the District shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Bond Ordinance. The District shall give notice to the MSRB in a timely manner if this paragraph is applicable.

Additional Information

Nothing in the Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Reportable Event, in addition to that which is required by the Undertaking, provided that the District shall have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

Dissemination of Information; Dissemination Agent

When filings are required to be made with the MSRB in accordance with the Undertaking, such filings are required to be made through its Electronic Municipal Market Access (EMMA) system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinions of Chapman and Cutler LLP, Chicago, Illinois, and Gonzalez, Saggio and Harlan, L.L.C., Chicago, Illinois, Co-Bond Counsel who have been retained by, and who act as counsel to, the District. Certain legal matters will be passed upon for the District by its General Counsel. Certain legal matters will be passed on for the Underwriters by Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois, and Greene and Letts, Chicago, Illinois Co-Underwriters' Counsel. Co-Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that Co-Bond Counsel has, at the request of the District, reviewed only those portions of the Official Statement involving the description of the Bonds, the security for the Bonds (excluding forecasts, projections, estimates or any other financial or economic information in connection therewith), and the description of the federal tax status of interest on the Bonds. This review was undertaken solely at the request of the District and did not include any obligation to establish or confirm factual matters set forth herein. Chapman and Cutler LLP, Chicago, Illinois is also acting in a separate capacity as Disclosure Counsel to the District.

ADDITIONAL INFORMATION - APPENDICES

Included in this Official Statement as APPENDIX A are the District's Basic Financial Statements for the year ended December 31, 2010. A description of the District's Capital Improvements Program is included as APPENDIX B. Information regarding the District's Retirement Fund is included as APPENDIX C. Economic and demographic information with respect to Cook County is presented as APPENDIX D. The forms of the opinions of Co-Bond Counsel are included as APPENDIX E. Information concerning DTC and DTC's book-entry is included as APPENDIX F.

AUTHORIZATION

The District has authorized the distribution of this Official Statement.

At the time of delivery of the Bonds, the District will furnish a certificate executed by the Treasurer stating that to the best of his knowledge the Official Statement does not (as of the date thereof and will not at the date of the delivery of the Bonds) contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

/s/ Mary Ann Boyle

Treasurer
Metropolitan Water Reclamation District of
Greater Chicago
100 East Erie Street
Chicago, Illinois 60611
Telephone: (312) 751-5150

APPENDIX A

BASIC FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

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

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

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of December 31, 2010, and the respective changes in financial position and the budgetary comparison for the General Corporate Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

The management's discussion and analysis, modified approach information and pension and other postemployment benefit plans information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

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

Baker Tilly Virchow Krause LLP

Madison, Wisconsin
April 25, 2011

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

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

2010 FINANCIAL HIGHLIGHTS

- The District ended the 2010 fiscal year with assets exceeding liabilities by $5,027,916,000. The primary reason was due to the District's positive balance of $4,492,811,000 in investment in capital assets, net of related debt.

- The District's total net assets decreased by $82,363,000 in 2010. This was a result of expenses exceeding revenues. The District's largest expenses were mostly preservation construction costs of $104,947,000 and maintenance and operations costs of $191,090,000, which mainly relate to projects under the modified approach. In 2010, the District invested in more preservation and maintenance projects, which were not capitalized.

- The District's combined fund balances for its governmental funds at December 31, 2010 totaled $724,240,000, a decrease of $259,471,000 from the prior year, as a result of large expenditures in the Capital Improvements Bond Fund without issuance of any new general obligation debt.

- The District's total long-term liabilities increased by $146,448,000 in 2010, due to the increase in bond anticipation notes of $109,939,000 and a new capital lease of $53,688,000. The District had more projects funded by the State of Illinois for construction of wastewater treatment facilities and the implementation of other water quality management activities. See Note 14 on pages 90-91 for additional information regarding the new capital lease.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

KEY FINANCIAL COMPARISONS

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

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

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

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

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

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

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The previous schedule reports that the District's net assets totaled $5,027,916,000 at December 31, 2010, which represents the amount by which the District's assets exceed its liabilities. The largest portion of the net assets, $4,492,811,000, represents the cost of the District's capital assets used to provide services to taxpayers, net of the related debt. These assets include land, buildings, equipment, and infrastructure, and they are not available for the District's future spending needs. Restricted net assets total $632,039,000 and represent resources that are subject to external or legal restrictions as to how they may be spent, such as federal grants or state loans, capital bond proceeds, or tax levies for working cash, and debt service. The remaining portion of unrestricted net assets, ($96,934,000), represents net assets that have no external restriction as to use or purpose.

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

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

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

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

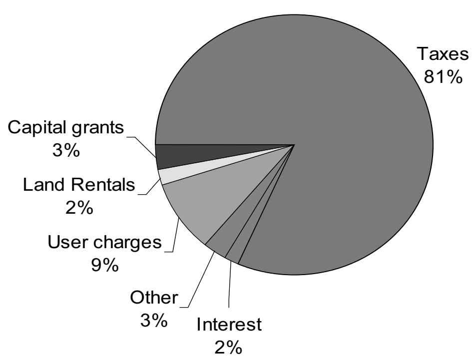
Total expenses in 2010 were $634,764,000. This represents a $27,998,000, or a 4.2%, decrease from the previous year due to the following:

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

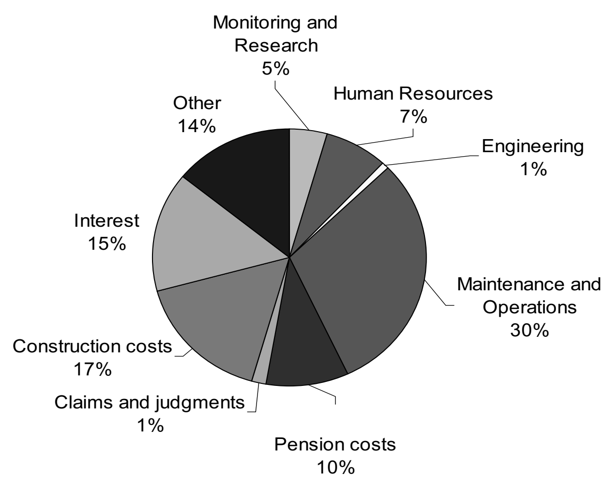
- Interest expense increased mainly as a result of 2010 payments related to the newly issued 2009 “Build America Bonds”.

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

Revenue by Source



Expenses by Type



ANALYSIS OF DISTRICT’S GOVERNMENTAL FUND FINANCIAL STATEMENTS

As previously discussed, the focus of the District’s governmental funds is on short-term inflows, outflows, and currently available resources. The emphasis in the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the governmental fund financial statements. For 2010, the District reports four major funds and two non-major funds. The four major governmental funds are the General Corporate Fund, the Construction Fund, the Capital Improvements Bond Fund, and the Debt Service Fund. The non-major governmental funds are the Special Revenue Retirement Fund and the Capital Projects Stormwater Management Fund.

The District ended the current fiscal year with combined governmental fund balances of $724,240,000, a decrease of $259,471,000 or 26.3%, from 2009. The decrease is a result of expenditures exceeding revenues by $466,471,000 offset by net financing sources of $207,000,000. A total of $38,924,000 of the fund balances represents nonspendable fund balances. Restricted fund balances totaled $860,837,000 and the remaining deficit of $175,521,000 was unassigned.

General Corporate Fund. The General Corporate Fund is the principal operating fund of the District and it includes annual property taxes and other revenues, which are used for the payment of general operating expenditures not chargeable to other funds. The General Corporate Fund’s fund balance at the end of the current fiscal year totaled $204,874,000. The fund balance represented 61.8% of the General Corporate Fund expenditures, a good indication of the fund’s liquidity. The total fund balance for the General Corporate Fund decreased by $5,892,000 in the current year as a result of expenditures exceeding revenues. The District’s General Corporate Fund consists of the Corporate, Corporate Working Cash, and Reserve Claim Divisions, which are presented and explained in Note 1b on pages 56-57.

The General Corporate Fund ended the year with an unassigned fund balance deficit of $175,521,000 due to the required reserve claims restriction, nonspendable inventories, restricted working cash, as well as expenditures exceeding revenues.

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2010 and 2009, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Revenue Schedule

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

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

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

General Corporate Fund
Comparative Expenditures Schedule

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

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

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

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

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

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

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

Other Major Funds. The District's Debt Service Fund accounts for property tax revenues and interest earnings used for the payment of principal and interest on bonded debt. The Debt Service Fund's fund balance at the end of the current fiscal year totaled $111,055,000. The fund balance represented 68.2% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund increased by $4,776,000 in the current year, which represents the amount revenues exceeded debt service costs. The decrease in the interest on bonds was primarily due to early redemption of callable bonds in 2010.

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

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

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

GENERAL CORPORATE FUND BUDGET ANALYSIS

The General Corporate Fund budget includes the budgetary accounts of the Corporate Fund and Reserve Claim divisions. A comparison of the 2010 original budget to the final amended budget and actual results for the General Corporate Fund is presented in the basic financial statements (Exhibit A-3). A comparison of the General Corporate Fund's 2010 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-1).

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

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

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

The 2010 General Corporate Fund final appropriation of $417,501,000 did not change from the original amount. Actual budgetary expenditures totaled $330,910,000, or 79.3%, of the total appropriation. The $86,591,000 excess of appropriations over actual expenditures was primarily due to claims and judgments being $56,272,000 less than appropriations. This is consistent with the Board of Commissioners' policy to accumulate sufficient reserves for payment of future claims without exposing the District to financial risk that could curtail normal operations. Expenditures for the Maintenance & Operations Department were $13,077,000 below appropriations, mainly because of variances for electricity, chemicals, waste disposal costs, repairs, and repair parts. The large variance in the Human Resources budget is attributed to no District contributions to the OPEB Trust Fund in 2010. Management controls placed on staffing and other appropriation accounts also contributed to the total variance.

CAPITAL ASSETS AND MODIFIED APPROACH

Capital Assets. The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2010, amounted to $6,406,300,000. Reportable capital assets, net of accumulated depreciation, for 2010 as compared to 2009 are as follows (in thousands of dollars):

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

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

- Total capital asset additions exceeded retirements and depreciation by $376,693,000 in 2010.
- Construction in progress increased by $318,548,000 from 2009 to 2010 due to the ongoing construction of infrastructure projects. Major projects in 2010 include the Calumet Primary Settling Tanks for $122,400,000, the 39th Street Conduit Rehabilitation Phase 1 Project for $30,600,000, and ongoing work on the McCook Reservoir for $25,600,000. Other notable projects include a new plant computer process for $15,800,000 and hydraulic improvements for $12,900,000.

In addition to the above, commitments totaling $758,177,635 remain outstanding for ongoing construction projects. Additional disclosure on construction commitments can be found in Note 9 to the basic financial statements.

Modified approach. The District's infrastructure assets include interceptor sewers, wastewater treatment basins, waterway assets (such as reservoirs and aeration stations,) and deep tunnels, drop shafts and regulating elements making up a pollution and flood control program called TARP. The District is using the modified approach to report its infrastructure assets, with the exception of the TARP deep tunnels and drop shafts, which are depreciated. The District elected the modified approach to: a) clearly convey to the taxpayers the District's efforts to maintain infrastructure assets at or above an established condition level; b) provide and codify a process to coordinate construction projects between the Engineering and Maintenance and Operations departments; c) readily highlight infrastructure assets that need significant repair/rehabilitation/replacement under a construction project; and d) provide additional evaluative information to bond rating agencies so that the District's bond rating is maintained at the highest level.

The Kirie, Hanover, Egan, Central (Stickney), North Side, Calumet, Lemont, and Waterways network assets had their initial condition assessments completed between 2002 and 2006. The Kirie network had additional condition assessments completed in 2005 and 2008. The Hanover network had additional condition assessments completed in 2006 and 2009. The Central (Stickney) and Waterways network had a second condition assessment completed in 2008. The Calumet and Lemont networks had second conditional assessments completed in 2009. The Egan and Northside networks had additional condition assessments in 2007 and 2010 (see further discussion of the modified approach in the Required Supplementary Information Section).

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

DEBT ACTIVITY

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

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

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

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

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

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

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

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

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

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

The District has non-referendum bonding authority until the year 2024. When the Property Tax Extension Limitation Law was made applicable to Cook County, the legislature recognized that the completion of the Tunnel and Reservoir Plan (TARP) was such a high priority that it exempted TARP bonds from tax cap limits. In 2010, the Local Government Debt Reform Act was amended. The District's debt service extension base for the 2010 levy year is $145,429,000 (the "Debt Service Extension Base"), which is increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index (as defined in the Limitation Law). The Property Tax Extension Limitation Law has been amended so that the issuance of bonds by the District to construct TARP will not reduce the District's ability to issue limited bonds for other major capital projects. The amount of outstanding non-referendum Capital Improvement Bonds may not exceed 3.35% of the last known equalized assessed valuation of taxable property within the District. At December 31, 2010, the District's outstanding capital improvement and refunding bonds (excluding bonds treated as outstanding State Revolving Fund bonds) of $1,583,775,000 did not exceed the limitation of $5,844,666,000.

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

Capital Improvement and Refunding Bonds
Outstanding and Remaining Authorization

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

The amount of non-referendum Corporate Working Cash Fund bonds, when added to (a) proceeds from the sale of Working Cash Fund bonds previously issued, (b) any amounts collected from the Corporate Working Cash Fund levy, and (c) amounts transferred from the Construction Working Cash Fund, may not exceed 90% of the amount produced by multiplying the maximum general corporate tax rate permitted by the last known equalized assessed valuation of all property in the District at the time the bonds are issued, plus 90% of the District's last known entitlement of the Personal Property Replacement Tax. At December 31, 2010, the District's remaining Corporate Working Cash Fund bond authorization is $396,556 ,000.

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

ECONOMY AND OTHER CONDITIONS IMPACTING THE DISTRICT

The equalized assessed valuation of the District has experienced an 8.0% average growth rate over the last ten years and the current equalized assessed valuation of $174,467,642,684 is 2.6% higher than the previous year. The Cook County Assessor's office is in the process of gauging the impact of housing price declines and foreclosures on property values, which may result in decreased valuations in the next reassessment. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels. The boundaries of the District encompass 91% of the land area of Cook County. The District is located in one of the strongest and economically diverse geographical areas of Cook County. While the area's economy held up longer than other areas of the country, the recession is now significantly impacting the area. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division increased to a seasonally adjusted rate of 10.2% for 2010 from 10.0% a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets have rebounded from 2010 and this trend is expected to continue through most, if not all, of 2012.

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

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

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

Property taxes and user charges are the primary funding sources for the District's Corporate Fund. Illinois law limits the tax rate of this fund to 41 cents per $100 of equalized assessed valuation. The estimated tax rate for the Corporate Fund in 2011 is 14.24 cents. User charges are collected from industrial, commercial, and non-profit organizations to recover operations, maintenance, and replacement costs proportional to their sewage discharges, in excess of property taxes collected. The major categories of payers: chemical manufacturers, food processors, and government services are generally expected to maintain their recent level of discharges.

Capital Program, Construction Fund, and Capital Improvements Bond Fund. The District's overall Capital Program includes 2011 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately $3.5 billion. Capital projects involve the acquisition, improvement, replacement, remodeling, completing, altering, constructing, and enlarging of District facilities. Included are all fixtures which are permanently attached to and made a part of such structures and non–structural improvements, and which cannot be removed without in some way impairing the facility or structure.

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

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

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

The 1995 Tax Extension Limitation Law (Tax Cap), and subsequent amendments to the bill, dramatically impacted the methods of financing the Capital Improvements Bond Fund. The original legislation required, in general, that all new debt be approved by referendum. However, an exemption for projects initiated before October 1, 1991 was granted to the District to enable completion of the Tunnel and Reservoir Plan (TARP). The bill was later amended to establish a "debt extension base," which allowed local governments, with nonreferendum authority, to continue to issue nonreferendum debt in terms of "limited bonds," as long as their annual debt service levies did not exceed 1994 levels. This law was further amended in 1997 to exclude TARP project debt from this debt service extension base. In 2009, a further modification to the law allows the debt extension base to increase annually by the Consumer Price Index or 5 percent, whichever is less. These changes allow the District to effectively utilize "limited bonds" as a source of financing.

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

Beginning in 2002, the budgeting of Engineering staff working on Capital projects was split between the Construction Fund and the Capital Improvements Bond Fund. For 2011, 28 positions are budgeted in the Construction Fund and 202 positions are budgeted in the Capital Improvements Bond Fund. Directly budgeting staff and personnel-related costs such as health care in the several funds avoids complicated interfund reimbursement procedures and accounting with no negative financial impact. The distribution of positions between the funds is re-evaluated annually to reflect current projects.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to Tax Cap limitation. The passage of legislation in 1997 allowing for expanded authority to issue "limited bonds" by excluding pre-existing TARP projects provides additional financing flexibility to proceed with our capital program. The 2011 tax levy planned for the Construction Fund is $4.8 million, a decrease of $3.9 million or 45.1 percent from 2010.

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

The decrease in appropriation for the Capital Improvements Bond Fund of $590.1 million reflects the pattern in the award of major projects. An appropriation for the open value of existing contracts is also carried forward from the prior year.

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

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

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

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

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

In 2006, the District proposed state legislation to give authority to establish an OPEB trust. Public Act 95-394 became effective on August 26, 2007. Since inception, the District has budgeted and transferred a total of $47 million into the OPEB trust fund. No advance funding contributions were made in 2009 or 2010 due to revenue constraints. Total net assets were $52,153,000 as of December 31, 2010.

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

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

REQUESTS FOR ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

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

(in thousands of dollars)	General Corporate Fund 2010	General Corporate Fund 2009	Debt Service Fund 2010	Debt Service Fund 2009	Capital Improvements Bond Fund 2010	Capital Improvements Bond Fund 2009
Assets						
Cash	$ 8,020	$ 20,437	$ 12	$ 115	$ 33,497	$ 28,474
Certificates of deposit (note 4)	18,060	31,098	6,382	28,638	63,550	349,504
Investments (note 4)	145,691	136,821	82,316	60,096	230,919	247,891
Taxes receivable, net (note 5)	233,683	230,836	155,155	161,851	-	-
Other receivables, net (note 5)	7,339	2,785	1,001	4,078	70,088	23,808
Due from other funds (note 12)	1,135	845	-	-	-	-
Inventories	38,924	38,761	-	-	-	-
Restricted cash - real estate escrow	1,815	1,812	-	-	-	-
Capital assets not being depreciated/amortized (note 6)	-	-	-	-	-	-
Capital assets being depreciated/amortized, net (note 6)	-	-	-	-	-	-
Total assets	$ 454,667	$ 463,395	$ 244,866	$ 254,778	$ 398,054	$ 649,677
Liabilities, Fund Balances / Net assets						
Liabilities:						
Deferred tax revenue (note 5)	$ 201,879	$ 204,773	$ 132,810	$ 144,421	$ -	$ -
Other deferred/unearned revenue (note 5)	2,213	2,359	1,001	4,078	-	-
Accounts payable and other liabilities (note 5)	45,791	45,587	-	-	65,582	66,767
Due to Pension Trust Fund (note 12)	-	-	-	-	-	-
Due to other funds (note 12)	-	-	-	-	757	570
Accrued interest payable	-	-	-	-	-	-
Net OPEB obligation (note 8)	-	-	-	-	-	-
Net pension liability (note 7)	-	-	-	-	-	-
Long-term liabilities: (note 11)						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total liabilities	249,883	252,719	133,811	148,499	66,339	67,337
Fund balances/net assets						
Fund balances:						
Nonspendable:						
Inventories	38,924	38,761	-	-	-	-
Restricted for:						
Real estate escrow	1,815	1,812	-	-	-	-
Working cash	277,249	275,459	-	-	-	-
Reserve claims	62,317	61,331	-	-	-	-
Debt service	-	-	111,055	106,279	-	-
Capital projects	-	-	-	-	331,715	582,340
Unassigned (Deficit)	(175,521)	(166,687)	-	-	-	-
Total fund balances	204,784	210,676	111,055	106,279	331,715	582,340
Total liabilities and fund balances	$ 454,667	$ 463,395	$ 244,866	$ 254,778	$ 398,054	$ 649,677
Net assets:						
Invested in capital assets, net of related debt						
Restricted for corporate working cash						
Restricted for reserve claim						
Restricted for debt service						
Restricted for capital projects						
Restricted for construction working cash						
Restricted for stormwater working cash						
Unrestricted (Deficit)						
Total net assets						

See accompanying notes to the basic financial statements.

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

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

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

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

See accompanying notes to the basic financial statements.

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

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

Year ended December 31, 2010

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

See accompanying notes to the basic financial statements.

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

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

(in thousands of dollars)

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

See accompanying notes to the basic financial statements.

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

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

(in thousands of dollars)

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

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the Basic Financial Statements

Year ended December 31, 2010

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 accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units and are described below.

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

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

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

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

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

The District reports the following major governmental funds:

General Corporate Fund

Established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Corporate Fund. These accounts were established under Chapter 70, ILCS 2605/9b of the Illinois Compiled Statutes, which refers to these accounts as a "Working Cash Fund." Amounts borrowed from the Working Cash Fund in one year are generally repaid by the Corporate Fund from tax collections received during the subsequent year. Also included in this fund are accounts of the "Reserve Claim Fund," established under Chapter 70, ILCS 2605/12 of the Illinois Compiled Statutes, which is restricted for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2010, are as follows (in thousands of dollars):

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

The revenues, expenditures, and changes in fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions for the year ended December 31, 2010, are as follows (in thousands of dollars):

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

Debt Service Fund

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

Capital Improvements Bond Fund

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

Construction Fund

A capital projects fund established to account for the annual property tax levy and certain other revenues to be used for the acquisition of capital assets used in the principal functions of the District. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9c of the Illinois Compiled Statutes, which refers to these accounts as a "Construction Working Cash Fund." Amounts borrowed in one year are generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2010, are as follows (in thousands of dollars):

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

The revenues, expenditures, and changes in fund balances of the Construction Fund, detailed as to the Construction and Working Cash account divisions for the year ended December 31, 2010, are as follows (in thousands of dollars):

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

The District reports the following non-major governmental funds:

Retirement Fund

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

Stormwater Management Fund

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

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

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

The revenues, expenditures, and changes in fund balances of the Stormwater Management Fund, detailed as to the Stormwater Management and Working Cash account divisions for the year ended December 31, 2010, are as follows (in thousands of dollars):

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

In addition, the District reports the following fiduciary funds:

Pension Trust Fund

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

OPEB Trust Fund

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

c. Basis of Accounting and Measurement Focus

Government-wide and Fiduciary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) All governmental funds have legally adopted budgets.

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

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

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

h. **Inventory**, consisting mainly of materials, supplies, and repair parts which extend the life of the District's treatment facilities, is reported on the Balance Sheet of the General Corporate Fund and the government-wide Statements of Net Assets. The District maintains a perpetual record-keeping system and uses a moving-average method, based on cost, for pricing its storeroom inventories. Materials, supplies, and repair parts are recorded as expenditures/expenses when consumed. Inventory balances held at year-end are reported as nonspendable fund balance in the governmental funds.

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

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

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

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

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

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

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

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

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

l. Compensated Absences for accumulated unpaid vacation, holiday, overtime, severance, and sick leave are paid to employees at retirement or termination. An employee is paid one hundred percent of accumulated vacation, holiday, overtime, and severance pay, and fifty percent of accumulated sick pay up to a maximum of sixty days. Compensated absences are accrued as they are earned in the government-wide financial statements. Expenditures and liabilities for compensated absences are recorded in the fund financial statements when due and payable. Included in the long-term liabilities of the Statements of Net Assets at December 31, 2010, are liabilities for compensated absences of $4,182,000, due within one year, and $25,678,000, due in more than one year.

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

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

n. Fund Balances - Governmental funds have fund balances that are made up of nonspendable, restricted, committed, assigned and unassigned fund balances, as follows:

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

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

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

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

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

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

o. Net Assets – The government-wide Statements of Net Assets displays three components of net assets, as follows:

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

- Restricted Net Assets - This consists of net assets that are legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. Net assets restricted for working cash and reserve claims are based on legal restrictions, while net assets restricted for debt service and capital projects are based on legal restrictions and/or outside parties. The government-wide statement of net assets reports $632,039,000 of restricted net assets, none of which is restricted by enabling legislation.

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

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

q. Comparative data and reclassifications – The basic financial statements present comparative data for the prior year to provide an understanding of the changes in financial position and results of operations. Certain reclassifications have been made to the prior period financial statements in order to conform to the current period presentation.

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

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

2. Reconciliation of Fund and Government-wide Financial Statements

a. Reconciliation of Total Fund Balances to Total Net Assets - The following explanations are provided for the reconciling adjustments shown in the Governmental Funds Balance Sheets/Statements of Net Assets at December 31, 2010 (in thousands of dollars):

Total fund balances of governmental funds	$ 724,240
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets are not current financial resources and therefore are not reported as assets in governmental funds. However, capital assets are reported in the Statements of Net Assets. The cost of capital assets and accumulated depreciation is as follows:	
Capital assets	6,600,091
Accumulated depreciation	(193,791)
Capital assets, net	6,406,300
Long-term liabilities are not due and payable in the current period and accordingly are not reported as liabilities in governmental funds. However, long-term liabilities are reported in the Statements of Net Assets. The long-term liabilities consist of :	
Compensated absences	(29,860)
Claims and judgments	(41,292)
Capital lease	(53,688)
Bond anticipation notes	(196,225)
General obligation debt	(1,961,974)
Total long-term liabilities	(2,283,039)
Bond issuance costs are recorded as expenditures in governmental funds while bond premiums and discounts are recorded as other financing sources and uses, respectively. These items are deferred and amortized over the life of the bonds for the Statements of Net Assets. They consist of:	
Deferral of bond premium	(61,532)
Deferral of bond issuance costs and refunding transactions	31,965
Total deferrals	(29,567)
Interest on debt is not accrued in governmental funds, but rather is recognized as a liability and an expenditure when due. Interest is recorded as a liability as it is incurred in the Statements of Net Assets. The 2010 amount is:	
Accrued interest	(13,468)
Some assets reported in governmental funds do not increase fund balance because the assets are not "available" to pay for current-period expenditures. These assets are offset by deferred revenues (liabilities) in the governmental funds. However, these assets increase net assets in the Statements of Net Assets. They consist of:	
Property taxes and personal property replacement tax deferrals	385,573
Adjustment for pension trust fund	(22,014)
Grants and rents	4,083
Federal subsidy	(3,077)
Adjustment to deferred revenues	364,565
Some liabilities are not due and payable in the current period and accordingly are not reported as liabilities in governmental funds. However, these liabilities are reported in the Statements of Net Assets. They consist of:	
Net pension liability	(74,786)
Net OPEB obligation	(66,329)
Adjustment to liabilities	(141,115)
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	1,135
Due to other funds	(1,135)
Total interfund	-
Total net assets of governmental activities	$ 5,027,916

b. **Reconciliation of the Change in Fund Balances to the Change in Net Assets -** The following explanations are provided for the adjustments shown in the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities for the year ended December 31, 2010 (in thousands of dollars):

Net change in fund balances of governmental funds	$ (259,471)
Amounts reported for governmental activities in the Statements of Activities are different because:	
Construction costs for capital outlays are reported as expenditures in governmental funds. However, in the Statements of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense except for those assets under the modified approach. In the current period, these amounts are:	
Construction costs and other capital outlays	391,938
Depreciation expense-allocated to various departments	(3,133)
Depreciation/amortization expense-unallocated	(11,428)
Excess of construction and capital outlay costs over depreciation expense	377,377
Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statements of Net Assets. In the current period, debt proceeds and related items were:	
Capital lease proceeds	(54,535)
Bond anticipation notes issued	(152,465)
Debt proceeds total	(207,000)
Repayment of long-term debt is reported as an expenditure in the governmental funds, or as an other financing use in the case of refunding, but the repayment reduces the long-term liabilities in the Statements of Net Assets. In the current year, the repayments consist of :	
Debt service principal retirement	60,602
Debt service principal retirement total	60,602
Some expenses reported in the Statements of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Change in compensated absences-allocated to various departments	1,820
Change in claims and judgments	(2,406)
Change in interest expense	9,142
Bond anticipation notes accrued interest	(646)
Change in net pension asset/obligation	(32,897)
Amortization of bond issuance/refunding costs	(3,341)
Amortization of bond premium	3,877
Change in OPEB obligation	(24,540)
Total additional expenses	(48,991)
The proceeds from the sale of land and equipment are reported as revenue in the governmental funds. However, the cost of the land and equipment is removed from the capital assets account in the Statements of Net Assets and offset against sale proceeds resulting in gain or (loss) in the Statements of Activities. The net effect of miscellaneous transactions involving capital asset sales:	
Total land and equipment sales	(690)
Deferred tax revenues and certain other revenues that are earned but “unavailable” for the current period are not recognized in governmental funds. These revenues consist of:	
Property tax - net	(1,113)
Federal subsidy	(3,077)
Total adjustments	(4,190)
Change in net assets of governmental activities	$ (82,363)

3. Reconciliation of Budgetary Basis Accounting to GAAP Basis Accounting

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

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

4. Deposits and Investments

Deposits

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

Investments (excluding Trust Funds)

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

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

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

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

Interest Rate Risk

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

Credit Risk

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

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

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

* Municipal Bond

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

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

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

Concentration of Credit Risk

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

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

Custodial Credit Risk

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

Trust Fund Investments

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

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

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

At December 31, 2009, the Trust's assets were invested in the Illinois Funds. Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price the investment could be sold for.

Interest Rate Risk

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

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

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

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

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

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

Credit Risk

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

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

Disclosure Ratings for Debt Securities (1)

(As a percentage of total fair value for debt securities)

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

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

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

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

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

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

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

Foreign Currency Risk

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

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

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

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

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

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

Securities Lending

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

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

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

A summary of securities loaned at fair value as of December 31, 2010 is as follows:

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

5. Receivables, Deferred Revenues and Payables

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

Receivables

Receivables as of December 31, 2010 in the District's governmental funds and government-wide financial statements, net of uncollectible accounts, are detailed as follows (in thousands of dollars):

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

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

Deferred Revenues

Deferred tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered to be available to liquidate liabilities of the current period. Other deferred revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Assets for rental resources that have been received, but not earned. Other deferred revenue is reported in the Governmental Funds Balance Sheets for the federal subsidy accrual relating to the direct reimbursement for the District's Build America Bonds. A summary of deferred revenue as of December 31, 2010 is as follows (in thousands of dollars).

	General Corporate	Debt Service	Construction	Other Governmental	Total Governmental	Adjustments	Statement of Net Assets
Deferred revenue at December 31, 2010:							
Deferred tax revenue	$ 201,879	$ 132,810	$ 7,089	$ 43,795	$ 385,573	$ (385,573)	$ -
Other deferred revenue:							
Rental income	2,213	-	-	-	2,213	(5)	2,208
Grant revenue	-	1,001	-	-	1,001	(1,001)	-
Total other deferred revenue	2,213	1,001	-	-	3,214	(1,006)	2,208
Total deferred revenue at December 31, 2010	$ 204,092	$ 133,811	$ 7,089	$ 43,795	$ 388,787	$ (386,579)	$ 2,208

Payables

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

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

6. Capital Assets

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

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

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

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

7. Pension Plan

Plan Description

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

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

Basis of Accounting

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

Annual Pension Cost and Net Pension Asset (Obligation)

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

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

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

Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the December 31, 2010 actuarial valuation, using the Entry Age Normal actuarial cost method and the Level Dollar amortization method. The actuarial assumption includes: (a) 7.75% per year rate of return on investments, net of investment expense, compounded annually; (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation as well as seniority and merit increases; (c) post-retirement benefit compound increases of 3.0% per year for employee and surviving spouse annuitants; and (d) 3.00% inflation rate. The actuarial value of assets was determined by using the five-year Smoothed Market method. The unfunded actuarial accrued liability is being amortized as a level percent of payroll on an open basis. The amortization period at December 31, 2010, was 30 years.

Trend Information

The annual pension cost, percentage of annual pension contributed and net pension asset (obligation) for the past three years ending December 31, 2010, are presented below (in thousands of dollars):

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

Funding Status of Plan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2010	$ 1,151,595	$ 2,036,680	$ 885,085	56.54%	$ 174,486	507.25%

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

8. OPEB - Other Post-Employment Benefits

Plan Description

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

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

Basis of Accounting

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

Contributions

The District has not entered into any long-term contracts for contributions to the plan as of the date of this report. State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners discretionary authority to determine contribution amounts to be paid by the District. In accordance with the legislation, the Board of Commissioners has established an initial pre-funding policy for the OPEB liability that includes $15,000,000 funding in each of the first two years and $10,000,000 for the next three years beginning in 2008 from the Corporate Fund. Subsequent funding will be based on a percentage of payroll expenditures. In 2007, an initial contribution of $25,000,000 was placed in the OPEB trust. In 2008 an additional contribution of $22,000,000 was placed in to the OPEB trust. There were no advance funding contributions made by the District to the Plan in 2009 or 2010. Plan participants do not contribute to the plan other than providing premium contributions as discussed below.

The District allows employees who retire and meet certain eligibility requirements to continue medical coverage as participants in the Metropolitan Water Reclamation District Retiree Health Care Plan. The plan allows for subsidized health care benefits for its retirees. Retirees contribute 25% of the premium and the District pays the remaining 75%. Each year, the Board approves an appropriation to fund retiree medical costs as part of the Personnel Department, General Corporate Fund budget. The amount of OPEB expenditure recognized during 2010 by the District was $15,516,965, all claims paid (net of participant contributions).

Annual OPEB Cost and Net OPEB Obligation

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

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

Funding Status and Progress

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

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

Actuarial Methods and Assumptions

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

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

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

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

Valuation date	December 31, 2009
Actuarial cost method	Projected unit credit
Amortization method and period	30 years, open, level percentage of payroll
Asset valuation method	Fair market value
Discount rate	6.30%
Health care cost trend rates	10% Initial rate, 5% Ultimate rate, 2017 Ultimate year
Annual projected payroll growth rate	3.60%

Trend Information

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

Schedule of Employer Contributions

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

9. Commitments and Rebatable Arbitrage Earnings

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

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

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

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

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

10. Risk Management and Claims

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

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

Under current environmental protection laws, the District may be ultimately responsible for the environmental remediation of some of its leased-out properties. The District has developed a preliminary estimate of environmental remediation costs for major lease sites. The range of such estimated costs at December 31, 2010, is between $14.5 million and $44.4 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site clean-up costs. Negotiations are ongoing between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. Per GASB Statement No. 49, the current estimated cost was determined to be $29,450,000 with an estimated cost recoverable amount of $18,650,000 resulting in $10,800,000 being recognized at December 31, 2010 in the liabilities of the government-wide financial statements. Of this amount, $3,100,000 is classified as a short-term liability and the remaining $7,700,000 is considered a long-term liability. These estimates are subject to changes as a result of price increases, changes in technology and new laws and regulations. These estimates were generated using the expected cash flows technique. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset.

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

Additional insurance policies in effect at December 31, 2010, are listed below. There were no reductions in insurance coverage from the prior year. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

Automobiles, Trucks, and Trailers	
Excess liability	$5,000,000
Deductible	$1,000,000
Public Employee Dishonesty	
Aggregate Limit	$6,000,000
Deductible	$30,000
Faithful Performance	
Aggregate Limit	$6,000,000
Deductible	$30,000
Public Employee Forgery or Alteration	
Each occurrence	$500,000
Deductible	$0
Marine Liability	
Excess liability	$10,000,000
Deductible	$10,000
Group Travel Accidental	
Accidental death benefits	$500,000
Dismemberment benefits	sliding scale
Aggregate limits	$5,000,000
Non-owned Aircraft Liability	
Each occurrence	$5,000,000

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

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

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

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

11. Long-Term Debt

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

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

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

As of December 31, 2010, the annual debt service requirements for general obligation bonds are shown below (in thousands of dollars):

Bonds Payable Maturity Table

Maturing	Capital Improvement Bond Series (3.0-5.720%) (Issued 12/02 to 08/09)	Refunding (4.00-5.00%) (Issued 05/06 to 03/07)	State Revolving Funds Series (2.5-3.745%) (Issued 12/91 to 07/09)	Total Principal	Total Interest
2011	$ 28,795	$ -	$ 32,844	$ 61,639	$ 92,619
2012	28,880	-	32,638	61,518	90,305
2013	17,400	-	31,808	49,208	88,016
2014	-	18,760	30,454	49,214	86,276
2015	11,995	19,675	29,331	61,001	84,619
2016-2020	59,660	101,930	127,797	289,387	389,362
2021-2025	27,905	166,150	92,628	286,683	331,738
2026-2030	-	232,425	30,429	262,854	271,123
2031-2035	250,000	240,470	-	490,470	197,692
2036-2038	350,000	-	-	350,000	40,898
	$ 774,635	$ 779,410	$ 407,929	$ 1,961,974	$ 1,672,648

Expenditures for principal and interest made on January 1, 2011 approximated $16,314,000 and $5,223,000 respectively.

2009 Bond Issues

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

2007 Bond Issues

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

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

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

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

2006 Bond Issues

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

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

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

2002 Bond Issues

In December 2002, the District issued $64,000,000 of Fixed Rate General Obligation Capital Improvement Bonds, Unlimited Tax Series C, with maturity dates from 2013 to 2016. The bonds were issued at a premium of $5,896,955. Interest on the bonds accrues at a rate of 5.375%, payable June 1 and December 1. Also in December 2002, the District issued $100,000,000 of Fixed Rate General Obligation Capital Improvement Bonds, Limited Tax Series D, with maturity dates from 2008 to 2013. The bonds were issued at a premium of $8,677,545. Interest on the bonds accrues at rates ranging from 3.00% to 5.375%, payable June 1 and December 1. The outstanding balances of Unlimited Tax Series C and Limited Tax Series D at December 31, 2009 were $6,100,000 and $43,600,000, respectively.

Capital Improvement Bonds, IEPA Series

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

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

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

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

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

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

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

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

The converted amount of $42,526,200 in 2010 represented the sum of bond anticipation note principal of $41,930,700 and interest in the amount of $595,500.

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

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

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

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

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

- July 2010 – The District issued $3,852,500 of Capital Improvement Bonds - IEPA Series 07D, through the conversion of the sum of bond anticipation principal of $3,773,800 and interest of $78,700 with maturity dates from January 1, 2011 to January 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

Beginning in 1991, the District's Board of Commissioners adopted ordinances providing for the issuance of bond anticipation notes. The bond anticipation notes are issued exclusively to cover interim project loan advances from the Illinois Environmental Protection Agency. Principal and interest liabilities related to the bond anticipation notes was $200,423,400 at December 31, 2010. Of the bond anticipation notes outstanding at December 31, 2010, $6,400,300 will be refinanced through IEPA Series 2004 bonds, $100,597,300 will be refinanced through IEPA Series 2007 bonds, and the remaining $93,425,800 will be refinanced through IEPA series 2009 bonds. The conversion of these bond anticipation notes to Capital Improvement Bonds is not expected to occur within the next calendar year; therefore, the notes will be reported as a part of long term-debt.

Refunding Transactions

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

12. Interfund Transaction

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

Individual interfund receivable and payable balances at December 31, 2010 are as follows (in thousands of dollars):

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

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

13. Property Tax Extension Limitation Law

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

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

14. Leases

Capital Lease

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

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

Capital Lease Payable Maturity Table

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

Lease Rentals

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

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

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

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APPENDIX B

CAPITAL IMPROVEMENTS PROGRAM

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APPENDIX B

CAPITAL IMPROVEMENTS PROGRAM

Overview

The District currently serves the City of Chicago and 125 other municipalities encompassing an area of approximately 884 square miles. In carrying out its responsibilities, the District collects and treats wastewater from a population equivalent of about 10.35 million people; this includes domestic wastewater from approximately 5.25 million people, a commercial and industrial equivalent of approximately 4.5 million people, and a combined sewer overflow equivalent of approximately 0.6 million people. Its operating facilities are estimated to have a present day replacement cost of $32.4 billion.

Treated wastewater, along with runoff from rainfall, enters the rivers and streams of the Cook County area, waterways that serve as headwaters of the Illinois waterway system. Stringent water quality standards imposed by the Federal and State governments require that wastewater treatment result in unpolluted streams for the residents of Cook, DuPage and Will Counties, and other downstream communities. Each of the District's Water Reclamation Plants operates under a National Pollutant Discharge Elimination System (NPDES) permit issued by the IEPA. All of the District's Water Reclamation Plants are in compliance with their NPDES permit. In order to maintain compliance, the District's facilities are continuously rehabilitated and upgraded to provide cost effective collection and treatment.

The District's Capital Improvements Program consists of those projects identified as necessary to assure safe and uninterrupted operation of its facilities, meet existing and new statutory and regulatory requirements, and increase efficiency through facility upgrades and modernization. The District anticipates constructing its Capital Improvements Program projects with funding from the Illinois EPA State Revolving Fund, U.S. Army Corps of Engineers, Construction and Storm Water Management Fund tax levy collections, and the District's bonding authority. A description of the major elements in the Capital Improvements Program follows, together with the estimated cost of projects identified to date (based upon current price levels).

Collection System

In order to collect wastewater from local sewer systems for conveyance to its water reclamation plants, the District has constructed or has under construction approximately 22 pump stations and 559 miles of intercepting sewers and force mains ranging in size from 12 inches to 27 feet in diameter.

The District has an ongoing and extensive Interceptor Inspection and Rehabilitation Program with respect to the interceptor sewers and force mains which it owns and operates. The program is designed to identify deterioration and deficiencies and take action to make necessary repairs.

Within the next five years, award of construction projects with a cost of approximately $196 million is currently anticipated for collection system improvements, with approximately $238 million total anticipated under the Capital Improvements Program through 2020.

Water Reclamation Plant Expansions and Improvements

The District has a total secondary treatment capacity of approximately 2 billion gallons per day. The Capital Improvements Program includes projects for enhancements at all of the District's Water Reclamation Plants at a cost of approximately $1.2 billion total anticipated through 2040. Typically studies are conducted to determine future needs when facilities are operating near or at capacity, or when new facilities are anticipated to be required as a result of pending regulations. The Engineering Department has completed its Master Plan studies for the Stickney, Calumet and North Side Water Reclamation Plants and service areas, which identify the capital improvements needed to serve wastewater flows projected through the year 2040. Award of construction projects with a cost of approximately $798 million is currently anticipated for Water Reclamation Plant expansions and upgrades, within the next five years. This figure includes several projects at the Stickney, Calumet and North Side Water Reclamation Plants that have already been identified and added to the program as a result of the ongoing Master Plan studies. Some major projects are highlighted below.

04-128-3P, West Side Circular Primary Settling Tanks 1-9 and Aerated Grit Facility, at the Stickney Water Reclamation Plant, is scheduled to be awarded late 2012, at an estimated value of $250 million. This project will provide conventional primary treatment to flows through the Westside Plant by replacing the existing Imhoff tanks to circular primary tanks. Nine 160 foot diameter tanks will be constructed in existing Battery A of the Imhoff tank area. The new primary settling tanks will improve sludge capture, improve effluent quality to secondary treatment, and significantly reduce maintenance costs over the current facilities. The improved solids capture will increase the amount of digester gas produced at the plant, providing opportunities to utilize this free energy source and thus reduce the District's reliance on natural gas. This project will also provide new aerated grit tanks, replacing the existing skimming tanks, at the Westside Plant, and includes odor control facilities, service tunnels and other modifications to site support services. These improvements will increase the capture of inorganic material, thus reducing wear on downstream equipment.

10-046-3P, Battery D – Aeration Tank No. 8, at the North Side Water Reclamation Plant, is scheduled to be awarded late 2012, at an estimated value of $20 million. This project will provide one additional aeration tank to Battery D to increase the biological treatment capacity of this battery during peak loadings.

The Lemont Water Reclamation Plant is scheduled to be decommissioned and a pumping station and wet weather treatment facility constructed in its place. The new pumping station will convey flow from the drainage basin through two, eleven mile-long force mains to the Stickney Service Area collection system, and is being designed under project 08-714-3P. Project 05-711-3P is under design to construct a 5 million gallon reservoir to store wet weather flows, and buffer the hydraulic loading on the pumping station. To complete the work at the Lemont site, a new wet weather treatment facility will be constructed under 10-716-3P to provide treatment to combined sewer overflows before discharge to the Chicago Sanitary and Ship Canal. The estimated total construction cost for the above three projects is $77 million, and contract awards are planned for the 2013 through 2015 time period.

Biosolids Management

Improved wastewater treatment and greater plant efficiency will result in the District's collection of increased quantities of biosolids. The effective handling of biosolids is a major program of the District. Efficiencies can be gained by improved dewatering facilities. Projected costs of approximately $369 million are currently anticipated for biosolids management within the next five years, with approximately $502 million total anticipated through 2030.

Tunnel and Reservoir Plan (TARP)

The District's Board of Commissioners adopted the Tunnel and Reservoir Plan (TARP) in 1972 as a comprehensive pollution and flood control program for its 375 square mile combined sewer area. This area includes part or all of 52 communities including the City of Chicago. The primary goals of TARP are as follows: protect Lake Michigan – the area's primary source of drinking water – from polluted backflows; clean up the area's waterways; and provide an outlet for floodwaters in order to reduce basement sewage flooding. TARP was adopted after years of studies conducted through the Flood Control Coordinating Committee (FCCC). The members of the FCCC represented the State of Illinois, Cook County, the City of Chicago, and the District.

Prior to the startup of TARP, combined sewer overflow (CSO), a mix of raw sewage and stormwater runoff, discharged to the waterways approximately 100 times a year. During periods of heavy rain, the pollution effect of the CSO was equivalent to a polluted wastewater load from a population of about 4.5 million people. The discharge exceeded the capacity of local sewers and waterways and resulted in basement and street flooding in the area and, during the heaviest rains, backflows to Lake Michigan.

TARP Tunnel System. The TARP Tunnel System is comprised of the Upper Des Plaines, Des Plaines, Mainstream and Calumet tunnel systems and the Mainstream and Calumet TARP pumping stations. The TARP tunnel system eliminates about 85% of the pollution load attributable to CSOs by capturing and storing the most polluted fractions until they can be treated in the District's Water Reclamation Plants.

TARP Reservoirs. Three reservoirs will provide storage for additional sewage and stormwater runoff flows captured by the TARP tunnel system. The three Chicago Underflow Plan reservoirs – Gloria Alitto Majewski, Thornton and McCook – will provide 18.3 billion gallons of flood control storage when completed. Currently the Majewski Reservoir is on-line. Work on the Thornton and McCook reservoirs is underway. The combined total costs for all three reservoirs is estimated at $1.235 billion, with the Corps and the District providing approximately $718 million and $517 million, respectively. Continuing design and construction projects with a cost to the District of approximately $295 million is currently anticipated for TARP reservoir construction, over the next five years and $338 million through 2029.

Stormwater Management

The District began developing Detailed Watershed Plans (DWPs) in 2007. The DWPs provide comprehensive evaluations of existing conditions and stormwater management concerns in each of Cook County's six major watersheds, and include recommendations for potential capital improvement projects to address the identified concerns. DWPs for the Calumet-Sag Channel, Upper Salt Creek, Little Calumet River, and Poplar Creek watersheds were completed in 2009 and 2010. Work on the Lower Des Plaines River and North Branch of the Chicago River DWPs was completed in early 2011. The projects recommended under completed DWPs are prioritized annually by the District's Board for funding under the Stormwater Management Fund. In 2010, the District initiated preliminary engineering for nine flood control and nine streambank stabilization projects. Preliminary engineering for these projects concluded in late spring 2011. Negotiations for final design of projects determined to be feasible through preliminary engineering and subsequently approved by the Board will commence in summer 2011. In 2011, the District's Board granted approval to initiate preliminary engineering for eight flood control projects and design of ten streambank stabilization projects. Negotiations are currently underway to begin feasibility studies for these projects. Prior to completion of the initial DWPs, the District looked to fund flood control projects that were approved for funding by agencies such as the U.S. Army Corps of Engineers (Corps) and the Illinois Department of Natural Resources/Office of Water Resources. Final design for one such project, the Heritage Park Flood Control Facility, began after the District entered into an intergovernmental agreement with the Wheeling Park District and Village of Wheeling. The Heritage Park Flood Control Facility will provide the required compensatory storage to allow for Levee 37, a Corps project proposed in their 1999 Des Plaines River Phase I Study, to become operational. Award of construction projects with a cost of approximately $33 million is currently anticipated for Stormwater Management over the next five years.

Replacement of Facilities

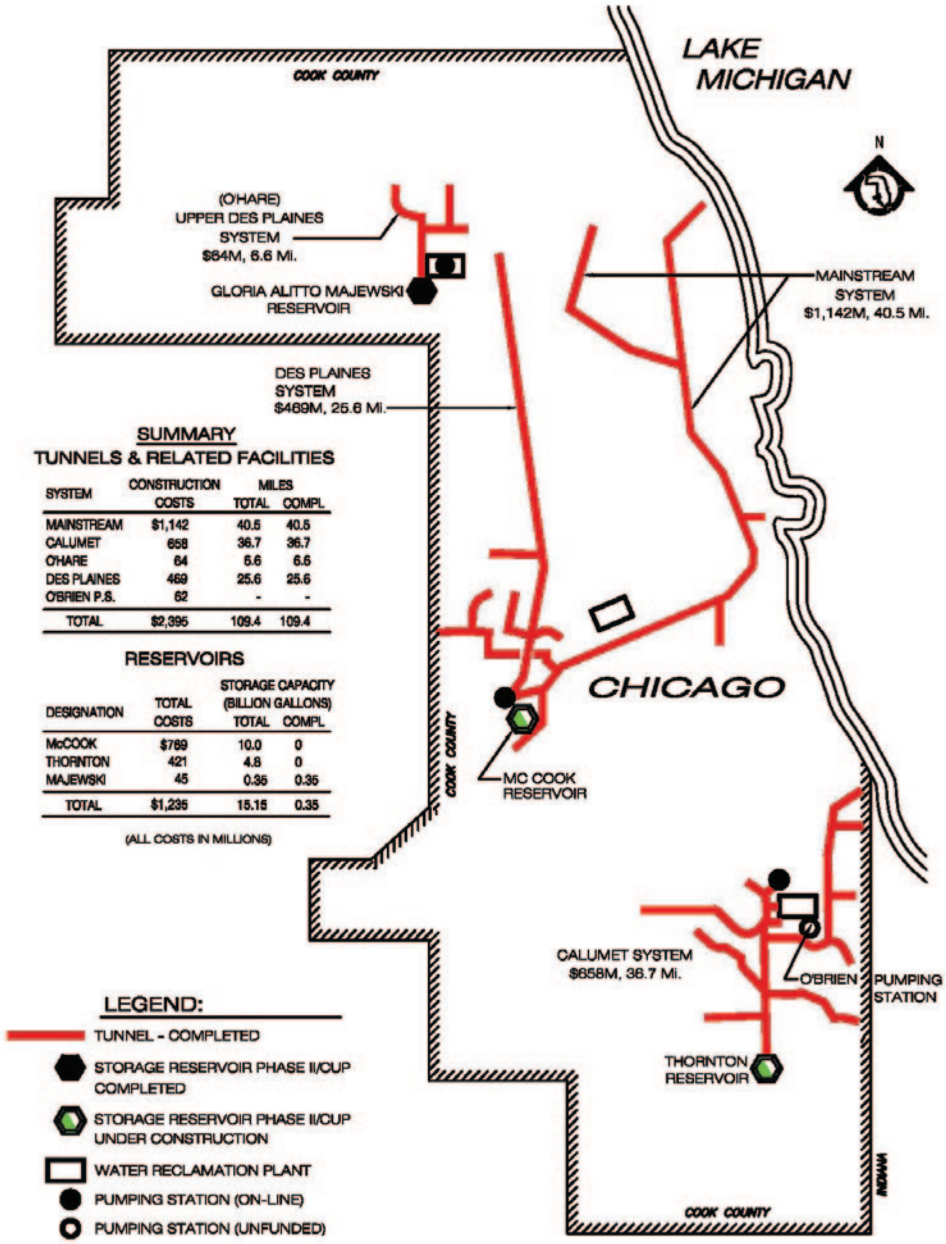
Many of the District's plants and interceptors were placed in service over 50 years ago. In order to maintain continuous operations, the District has initiated a master plan to replace physically deteriorating facilities through major rehabilitation, alteration or expansion. The cost for master plan improvements is estimated to average $49 million per year over the course of the next five years. Costs for all projects identified for replacement facilities are approximately $269 million through 2020.

Means of Financing

The only USEPA grant funding available to the District in recent years has been limited to Congressional earmarks for District TARP projects. Most of the funding of the District's planned improvements of its plants and continued construction of TARP facilities is expected to be accomplished through State Revolving Fund Loans (*"SRF Loans"*) and the issuance of bonds by the District. The District funding needed to complete the components of the Capital Improvements Program being funded over the course of the next five years is approximately $1.94 billion.

CAPITAL IMPROVEMENTS PROGRAM OVER THE NEXT FIVE YEAR PERIOD*	DISTRICT BONDS & CONSTRUCTION FUND, AND STORMWATER MANAGEMENT FUND (MILLIONS)
Intercepting Sewers	$ 196
Water Reclamation Plant Expansions & Improvements	798
Biosolids Management	369
Tunnel & Reservoir Plan CUP (District Portion)	295
Stormwater Management	33
Replacement of Facilities	246
TOTAL	$1,937

*Approximate total costs of Capital Improvements Program (including the next five year period) are $2,580 (millions).



SUMMARY

TUNNELS & RELATED FACILITIES

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

RESERVOIRS

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

(ALL COSTS IN MILLIONS)

TUNNEL and RESERVOIR PLAN PROJECT STATUS

APPENDIX C

REPORT OF THE CONSULTING ACTUARY ON THE DISTRICT RETIREMENT FUND

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APPENDIX C

REPORT OF THE CONSULTING ACTUARY ON THE DISTRICT RETIREMENT FUND

The Metropolitan Water Reclamation District has a contributory pension fund which provides coverage for all Water Reclamation District employees and Commissioners. The total number of covered employees in active service at the end of 2010 was 2,024. The total number of beneficiaries was 2,248.

The pension fund is financed by employee contributions and Water Reclamation District contributions. Both are fixed by State Statute. The employee rate is a fixed percentage of salary. The Water Reclamation District contribution is a multiple of the employee contributions made two years prior. The employee rate of contribution was eight and one-half percent of salary until January 1, 1988. Beginning January 1, 1988, the rate was raised to nine percent of salary. The Water Reclamation District multiple was 2.19 for 1988 and each year thereafter. An exception was made to this 2.19 multiplier for all employee contributions made to the Optional Plan beginning in 2003 through 2007 for which the tax levy was made on dollar-for-dollar basis.

The actuarial funding method used is the Entry Age Normal Method. The Entry Age Normal Method is an immediate gain valuation method. This means that any deviation of plan experience from the actuarial assumptions is reflected immediately in the Unfunded Liability.

This Entry Age Normal Method assigns to each year of employment a constant percentage of an employee's salary, called the Current Service Cost, sufficient to accumulate the necessary funds to provide for the full prospective costs of the employee's projected retirement pension. The amount of pension must be estimated using various assumptions as to future compensation levels, employee turnover, mortality, and pension fund investment earnings, since the actual pension can only be known at the time of retirement. These are called actuarial assumptions and reflect long range expectations of the plan on an ongoing or permanent basis. An annual review of these assumptions is made and appropriate changes are made when required.

The Accrued Liability of the fund at any point in time is the accumulated value of all Current Service Costs which should have been paid to that time for active employees plus full prospective cost of pensions for all retired employees. The extent that the actual Plan Assets are less than the Accrued Liability is called the Unfunded Liability.

An amount of money is required each year to amortize the Unfunded Liability over a span of thirty years. This amount is called the 30-Year Amortization of the Unfunded Liability.

The total required Annual Actuarial Contribution to the fund (financed by the employee and employer) is equal to the Current Service Cost plus 30-Year Amortization of the Unfunded Liability as a level percent of payroll. This conforms to GASB No. 25.

In 2010, employer contributions to the Fund amounted to 48.4% of the actuarially determined contribution requirement.

Financial Position

Year End	Employee Contributions (1)	Employer Contributions (2)	Investment Income (3)	Total Income
2001	$14,986,546	$28,026,964	$ (13,511,382)	$ 29,502,128
2002	16,308,414	30,066,953	(69,495,489)	(23,120,122)
2003	14,230,224	28,778,648	172,759,610	215,768,482
2004	15,150,846	30,982,232	98,899,393	145,032,471
2005	14,468,188	26,174,492	55,864,422	96,507,102
2006	14,955,252	34,476,332	108,689,160	158,120,744
2007	15,627,673	27,947,096	65,234,747	108,809,516
2008	14,778,404	33,406,819	(296,635,043)	(248,449,820)
2009	15,690,322	32,153,874	196,652,890	244,497,086
2010	15,872,560	29,917,793	146,521,908	192,312,261

Year End	Benefits	Administrative and Investment Expenses	Refunds	Total(4)	Income Less Payouts(5)	Return on Invested Assets(6)
2001	$ 62,542,156	$2,733,296	$ 701,766	$ 65,977,218	$ (36,475,090)	(1.4)%
2002	67,574,253	2,701,495	951,614	71,227,362	(94,347,484)	(6.9)
2003	73,231,227	2,885,338	1,041,560	77,158,125	138,610,357	18.9
2004	78,113,259	3,236,471	1,320,740	82,670,470	62,362,001	9.4
2005	83,293,069	3,381,747	1,287,679	87,962,495	8,544,607	4.9
2006	89,079,089	3,646,960	1,410,954	94,137,003	63,983,741	9.6
2007	94,846,021	4,027,657	1,164,218	100,037,896	8,771,620	5.4
2008	100,068,749	3,787,807	964,846	104,821,402	(353,271,222)	(25.5)
2009	103,404,530	3,895,636	1,174,864	108,475,030	136,022,056	23.1
2010	108,219,186	4,883,958	1,380,310	114,483,454	77,828,807	15.9

(1) Includes Deductions in Lieu for Disability, made by the District.
(2) Net Tax Levy and Miscellaneous Income.
(3) Includes realized net gain/loss on sale and exchange of bonds and stocks, securities lending income and other miscellaneous income. Not shown net of fees and expenses.
(4) Includes Pensions, Benefits, Refunds and Administrative Expenses.
(5) Does not include Prior Years Tax Adjustments.
(6) Computed on assets shown, less taxes receivable and cash.

Distribution of Cash and Security Holdings

YEAR	CASH	FEDERAL GOVERNMENT SECURITIES	STATE AND LOCAL GOVERNMENT SECURITIES	CORPORATE STOCKS AND BONDS	SHORT TERM	CONVERTIBLE SECURITIES	OTHER BONDS
2001	0.0%	5.2%	0.1%	93.2%	1.5%	0.0%	0.0%
2002	0.0	6.0	0.1	92.7	1.2	0.0	0.0
2003	0.0	5.3	0.3	93.3	1.0	0.0	0.1
2004	0.0	5.2	0.3	93.2	1.1	0.0	0.2
2005	0.0	5.1	0.1	92.8	1.8	0.0	0.2
2006	0.0	4.9	0.1	93.8	1.0	0.0	0.2
2007	0.0	4.7	0.1	94.0	1.0	0.0	0.2
2008	0.0	1.8	0.0	96.5	1.7	0.0	0.0
2009	0.0	0.0	0.0	98.0	2.0	0.0	0.0
2010	0.0	0.0	0.0	98.1	1.9	0.0	0.0

Schedule of Funding Progress

YEAR	ACCRUED LIABILITY[1]	ASSETS AT ACTUARIAL VALUE[2]	FUNDED RATIO	UNFUNDED ACCRUED LIABILITY	PAYROLL AT YEAR END	UNFUNDED ACCRUED % PAYROLL (SURPLUS)
2001	$1,346,223,065	$1,155,825,153	85.9%	$190,397,912	$136,382,287	140%
2002 (b)	1,470,938,987	1,136,907,158	77.3	334,031,829	137,679,573	243
2003 (a)	1,517,868,687	1,146,520,634	75.5	371,348,053	142,593,596	260
2004	1,578,366,508	1,161,778,511	73.6	416,587,997	146,360,302	285
2005	1,654,188,382	1,171,844,612	70.8	482,343,770	149,246,356	323
2006 (a)	1,724,705,199	1,209,601,736	70.1	515,103,463	152,767,396	337
2007	1,795,176,667	1,256,889,942	70.0	538,286,725	158,831,772	339
2008 (a)	1,852,279,634	1,211,838,320	65.4	640,441,314	167,865,254	382
2009	1,939,172,047	1,177,810,068	60.7	761,361,979	176,915,399	430
2010 (a)	2,036,679,763	1,151,595,245	56.5	885,084,518	174,485,734	507

(a) Change in actuarial assumptions.

(b) Changes in both benefits and actuarial assumptions.

(1) The 2001 results are based on 8% interest and 5.5% salary scale. The 2002-2005 results are based on 7.75% interest and 5.5% salary scale. The 2006 results are based on 7.75% interest and 5.0% salary scale.

(2) All asset values shown here have been restated to the actuarial asset value 5-year smoothed average ratio of market over book) to comply with GASB No. 25. For information on the fair market value of assets for fiscal years 2001 through 2010 and additional information on asset smoothing, see "RETIREMENT FUND—Actuarial Methods" in the Official Statement.

In the Schedule of Funding Progress, analysis of the dollar amount of net assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement system. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the retirement system.

Prioritized Solvency Test

The prioritized solvency test is another means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (cash and investments) are compared with actuarial accrued liabilities classified into the following categories: (1) liability for active member contributions on deposit; (2) liability for future benefits to present retired lives; and (3) liability for the employer financed portion of service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing the obligation for active member contributions on deposit (present value 1) and the present value of future benefits to present retired lives (present value 2) will be fully covered by present assets (except in rare circumstances). In addition, the present value of credited projected benefits for present active members (present value 3) will be partially covered by the remainder of present assets. Generally, if the system has been using a level cost financing, the funded portion of present value 3 will increase over time.

	Aggregate Accrued Liabilities for:				Portion (%) of Accrued Liabilities Covered by Assets		
Valuation Date 12/31	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (ER Financed Portion)	Actuarial Asset Values for GASB[a]	(1)	(2)	(3)
2001	$146,917,082	$ 760,159,510	$439,146,473	$1,155,825,153	100%	100%	57%
2002 (b), (c)	151,994,419	849,986,869	468,975,699	1,136,907,158	100	100	29
2003 (b)	157,910,357	886,174,665	473,783,665	1,146,520,634	100	100	22
2004	163,674,928	929,904,220	484,787,360	1,161,778,511	100	100	14
2005	170,744,447	988,212,377	495,231,558	1,171,844,612	100	100	3
2006 (b)	176,844,639	1,075,659,908	472,200,652	1,209,601,736	100	96	0
2007	181,077,729	1,139,967,612	474,131,326	1,256,889,942	100	94	0
2008 (b)	190,017,921	1,176,701,786	485,559,927	1,211,838,320	100	87	0
2009	202,119,201	1,200,102,267	536,950,579	1,177,810,068	100	81	0
2010 (b)	206,933,701	1,313,366,530	516,379,532	1,151,595,245	100	72	0

(a) Assets at 5-year smoothed market value.
(b) Change in actuarial assumptions.
(c) Change in benefits.

Actuarial Requirements

The total required Annual Actuarial Contribution to the Fund (financed by the employee and the Water Reclamation District) is equal to the Current Service Cost plus an amount to amortize the Unfunded Liability over a period of 30 years as required by GASB No. 25. Prior to the December 31, 1998 valuation, a 40-year amortization period had been used.

For the year 2010 (based on a tax multiple of 2.19) the Water Reclamation District contributed $29,917,793 or 16.91% of payroll. For 2010, employee contributions were $15,872,560 or 8.97% of payroll. The total required annual actuarial contribution, consisting of the Current Service Cost plus the amount to amortize the Unfunded Liability over a 30-year period was 43.97% of payroll.

As the Water Reclamation District tax levy is expressed as a multiple of the total salary deductions made two years prior, the Water Reclamation District is effectively contributing a level annual percentage of payroll.

Year	Total Required Actual Actuarial Contribution Rate	Actual Contribution		Deficiency (Excess) in Annual Contribution
		Employer	Employee	
2001	32.55	22.25	11.81	(1.51)
2002	34.51	21.02	11.96	1.53
2003	37.26	20.91	10.34	6.01
2004	37.89	21.73	10.62	5.54
2005	39.21	17.89	9.89	11.43
2006	41.38	23.10	10.02	8.26
2007 (a)	40.53	18.29	10.22	12.02
2008	40.33	21.03	9.31	9.99
2009 (a)	41.64	19.15	9.35	13.14
2010	43.97	16.91	8.97	18.09
2011 (a)	48.77	19.69 Est	9.00 Est	20.08 Est

(a) Change in actuarial assumptions.
Note: The total required annual contribution rate is calculated as the normal cost plus 30-year amortization of the unfunded liability.

GASB Disclosure

The Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*, is effective for periods beginning after June 15, 1996. The Purpose of the Statement is to make the pension information more understandable and more useful. In the past, the measures of a plan's funded status and the employer's required contributions have been reported consistent with GASB Statement No. 5.

The Actuarial Asset Value, a smoothed market related value of assets technique, is calculated by smoothing unexpected gains or losses over a period of 5 years.

A level-percent amortization of the unfunded actuarial liability (level-dollar prior to 2003) with an open amortization period of 30 years is the method used for computing the amortization requirements.

Schedule of Employer Contributions

Fiscal Year	Annual Required Contributions (ARC) (1)	Required Statutory Basis (2)	Actual	Percent of ARC Contributed by Employer
2001	$28,552,646	$27,128,300	$28,249,866	98.94%
2002	33,414,603	27,307,600	28,663,736	85.78
2003	38,039,355	28,554,300	28,789,850	75.68
2004	40,146,454	31,072,100	30,986,177	77.18
2005	43,164,572	25,958,000	26,179,018	60.65
2006	47,368,878	27,580,000	34,478,941	72.78
2007	47,090,445	30,312,000	27,947,096	59.35
2008	49,758,238	31,314,000	33,406,819	67.14
2009	54,790,175	32,640,000	32,153,874	58.69
2010	61,872,925	32,307,000	29,917,793	48.35

(1) Normal cost plus 30-year level dollar amortization, less expected employee contributions, restated back for all prior years. Level-percent amortization starting 2003.
(2) Tax levy.

Actuarial Assumptions and Cost Method

The actuarial assumptions used for the December 31, 2010 actuarial valuation were based on our experience analysis of the fund for the three-year period 2006 through 2009.

The major actuarial assumptions used for the December 31, 2010 valuation are summarized below:

- *Investment return:* 7.75% per year, compounded annually.
- *Salary increase:* 5.0% per year, compounded annually.
- *Retirement Rates:* Rates of retirement for each age from 50 to 70, based on the recent experience of the fund.
- *Termination Rates:* Termination rates, varying by age and length of service, based on the recent experience of the fund.
- *Mortality Rates:* The UP-1994 Mortality Table for Males, rated down 2 years, for male participants. The UP-1994 Mortality Table for Females, rated down 1 year, for female participants.

In our opinion, the actuarial assumptions used for the valuation are reasonable, in the aggregate, taking into account Fund experience and future expectations and represent our best estimate of anticipated experience.

The entry age actuarial cost method was used for the December 31, 2010 valuation, with costs allocated on the basis of earnings. This is the same actuarial cost method that was used for the December 31, 2009 valuation.

SANDOR GOLDSTEIN, F.S.A.
Consulting Actuary
Goldstein and Associates

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APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

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APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and economic developments are best understood in a comparative framework. This appendix provides material for analyzing and comparing trends in Cook County with those in other major counties in the nation. To maximize the value of the comparisons, the counties utilized in the tables were selected on the basis of several criteria in addition to size. These include:

(1) Governmental functions similar in magnitude and scope to those of Cook County. This requirement resulted in the exclusion of counties that exist in form but perform no, or only minor, government activities. This group includes, among others, the five counties comprising New York City, Middlesex, Massachusetts; and such city-counties as Philadelphia and Baltimore.

(2) A large central city within the county. This requirement led to the exclusion of such populous counties as Orange, California and Nassau and Suffolk in New York State.

Several tables in this appendix compare economic trends in metropolitan areas rather than in counties, since timely data are available only on a metropolitan area basis.

Extensive revisions have been made to the definitions of U.S. metropolitan areas. These changes have not affected all metropolitan areas equally. For example, "Primary Metropolitan Statistical Areas" are now obsolete. Under the 2000 standards, "Metropolitan Statistical Area" (*"MSA"*) is the term used for the basic set of county-based areas defined under this classification. In addition, eleven (11) MSAs were deemed large enough to be subdivided into "Metropolitan Divisions" (*"MD"*). The MDs are the most comparable in concept to the now obsolete Primary Metropolitan Statistical Area.

Population of Ten Major Counties

County	2010	2000	1990	1980	1970
Los Angeles, CA	9,818,605	9,519,338	8,863,164	7,477,657	7,041,980
Cook, IL	5,194,675	5,376,741	5,105,067	5,253,190	5,493,766
Harris, TX	4,092,459	3,400,578	2,818,199	2,409,544	1,741,912
Maricopa, AZ	3,817,117	3,072,149	2,122,101	1,508,030	971,228
San Diego, CA	3,095,313	2,813,833	2,498,016	1,861,946	1,357,854
Miami-Dade, FL	2,496,435	2,253,362	1,937,094	1,625,946	1,267,792
Dallas, TX	2,368,139	2,218,899	1,852,810	1,556,549	1,327,695
Wayne, MI	1,820,584	2,061,162	2,111,687	2,337,240	2,670,368
Cuyahoga, OH	1,280,122	1,393,978	1,412,140	1,498,295	1,720,835
Allegheny, PA	1,223,348	1,281,666	1,336,449	1,450,085	1,605,133

Source: U.S. Department of Commerce, Bureau of the Census.

Per Capita Personal Income[(1)]

County	2009	2008	2007	2006	2005
Los Angeles, CA	$40,867	$42,265	$41,307	$39,519	$36,434
Cook, IL	46,161	46,475	45,908	43,545	40,553
Harris, TX	48,337	47,788	45,987	44,844	41,524
Wayne, MI	31,888	32,094	31,125	30,164	29,440
San Diego, CA	45,706	46,649	45,911	43,969	41,483
Miami-Dade, FL	36,357	35,887	35,368	34,934	32,058
Dallas, TX	45,406	44,829	44,386	43,052	40,679
Cuyahoga, OH	41,391	42,051	41,133	39,799	37,406
Maricopa, AZ	35,319	37,168	37,689	36,829	34,551
Allegheny, PA	46,427	46,559	45,188	43,515	39,809
U.S. Average, Metropolitan Counties	39,635	40,166	39,392	37,698	35,424

(1) Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2004-2007 reflect county population estimates available as of April 2008. In 2010, the U.S. Department of Commerce, Bureau of Economic Analysis conducted a comprehensive reevaluation of historical data, numbers may differ from prior District official statements.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Nonfarm Payroll Employment in Metropolitan Statistical Areas and Metropolitan Divisions[(1)]

	2010	2009	2008	2007	2006	2005
New York, NY	5,274.5	5,108.9	5,273.7	5,231.6	5,139.9	5,069.9
Los Angeles, CA	3,767.7	3,829.4	4070.1	4,122.1	4,092.5	4,016.5
Chicago, IL	3,611.3	3,644.6	3,846.2	3,873.1	3,843.7	3,790.9
Philadelphia, PA	1,861.8	1,859.8	1,922.4	1,919.1	1,906.0	1,890.1
Detroit, MI	691.7	699.2	758.5	784.2	804.2	821.5
Dallas, TX	2,017.0	2,014.2	2,097.0	2,076.1	2,017.3	1,951.5
Houston, TX	2,542.6	2,539.0	2,605.5	2,544.6	2,446.1	2,350.2
San Francisco, CA	935.2	942.3	996.7	989.1	967.7	943.6
Cleveland, OH	1,000.8	1001.1	1,058.5	1,072.3	1,075.0	1,070.8
Pittsburgh, PA	1,129.1	1,120.3	1,148.9	1,146.1	1,137.1	1,136.9

(1) Number of persons, in thousands, not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Unemployment Rates in Metropolitan Statistical Areas and Metropolitan Divisions(1)

	2010	2009	2008	2007	2006	2005
New York, NY (t)	8.9	9.2%	5.4%	4.6%	4.8%	5.3%
Los Angeles, CA (t)	11.9	11.6	7.5	5.1	4.8	5.3
Chicago, IL (m)	10.2	10.0	6.2	4.9	4.5	6.0
Philadelphia, PA (t)	9.0	8.7	5.3	4.4	4.5	4.9
Detroit, MI (m)	13.5	16.2	10.0	8.7	8.4	8.7
San Francisco, CA (t)	10.3	8.7	5.3	4.0	3.9	4.6
Dallas, TX (t)	8.3	7.9	5.1	4.4	4.8	5.3
Houston, TX (t)	8.5	7.6	4.9	4.3	5.0	5.6
Pittsburgh, PA (t)	8.0	7.4	5.1	4.3	4.7	5.2
Cleveland, OH (m)	9.2	9.1	6.5	5.9	5.5	5.7

(1) Not seasonally adjusted.
(t) Reflects revised inputs, reestimation, and new statewide controls through 2010.
(m) Reflects revised population controls and model re-estimation through 2010.
Source: U.S. Department of Labor, Bureau of Labor Statistics.

Unemployment Rates for the Civilian Labor Force

	2010	2009	2008	2007	2006	2005
United States	9.6%	9.3%	5.8%	4.6%	4.6%	5.1%
State of Illinois (m)	10.3	10.0	6.2	5.1	4.6	5.8
Cook County, IL (t)	10.5	10.3	6.5	5.2	4.8	6.4
Chicago—MD (t)	10.1	10.0	6.2	4.9	4.5	6.0

(m) Reflects revised population controls and model re-estimation through 2010.
(t) Reflects revised inputs, reestimation, and new statewide controls through 2010.
Source: U.S. Department of Labor, Bureau of Labor Statistics and Illinois Department of Employment Security.

Housing Units Authorized by Building Permits

Metropolitan Area – MSA/MD	2010	2009	2008	2007	2006	2005
Chicago, IL	7,267	6,097	16,058	33,933	46,772	53,908
Cleveland, OH	1,941	2,069	2,685	4,075	5,194	6,438
Dallas, TX	19,558	20,370	36,321	43,568	56,514	59,895
Detroit, MI	3,210	1,333	2,590	4,325	8,920	16,392
Houston, TX	27,452	27,326	42,728	63,274	71,719	62,125
Los Angeles, CA	10,394	7,281	15,045	26,616	33,505	30,641
Miami, FL	5,877	3,875	7,821	15,145	35,110	45,562
New York, NY	18,668	16,707	51,590	56,405	60,987	67,207
Philadelphia, PA	7,053	7,093	10,570	13,477	17,212	20,242
Phoenix, AZ	8,300	9,272	18,533	37,373	44,280	62,617
San Diego, CA	3,494	2,946	5,357	7,435	9,191	14,306
San Francisco, CA	4,621	3,550	7,555	10,560	14,483	14,883

Source: U.S. Department of Commerce, Bureau of the Census, Building Permits Branch, Construction Statistics Division.

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APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

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APPENDIX E

2011A BONDS

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

TO BE DATED THE CLOSING DATE

[LETTERHEAD OF CO-BOND COUNSEL]

We hereby certify that we have examined certified copy of the proceedings (the *"Proceedings"*) of the Board of Commissioners of the Metropolitan Water Reclamation District of Greater Chicago, County of Cook, State of Illinois (the *"District"*), passed preliminary to the issue by the District of its fully registered Taxable General Obligation Capital Improvement Bonds, Limited Tax Series A of July, 2011 (the *"Bonds"*), to the amount of $30,000,000, dated the date hereof, initially issued in denominations of $5,000 or any integral multiple thereof, due and payable serially on December 1 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT ($)	RATE (%)
2013	4,520,000	0.891
2014	15,975,000	1.222
2015	4,175,000	1.729
2016	5,330,000	2.229

The Bonds have been issued to finance construction projects identified in the District's capital improvements program and to pay the costs of issuance of the Bonds.

Each of the Bonds bears interest from the later of its dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each such Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on June 1 and December 1 of each year, commencing on June 1, 2012.

We are of the opinion that the Proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined the form of Bond prescribed and find the same in due form of law; and in our opinion the Bonds, to the amount named, are valid and legally binding direct and general obligations of the District, the payment for which the full faith and credit of the District has been pledged, and all taxable property in the District is subject to the levy of taxes to pay the same without limitation as to rate, all except that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. The amount of said taxes that may be extended to pay the Bonds is, however, limited as provided by the Property Tax Extension Limitation Law of the State of Illinois, as amended (the *"Law"*). The Law provides that the annual amount of said taxes to be extended to pay the Bonds and all other limited bonds (as defined in the Local Government Debt Reform Act of the State of Illinois, as amended) previously or hereafter issued by the District shall not exceed the debt service extension base (as defined in the Law) of the District less the amount extended to pay certain other non-referendum bonds previously and hereafter issued by the District, as more fully described in the Proceedings.

It is also our opinion that under present law interest on the Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. Bondholders should consult their own tax advisors concerning tax consequences of ownership of the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the District with respect to certain material facts within the District's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

2011B BONDS

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

TO BE DATED THE CLOSING DATE

[LETTERHEAD OF CO-BOND COUNSEL]

We hereby certify that we have examined certified copy of the proceedings (the *"Proceedings"*) of the Board of Commissioners of the Metropolitan Water Reclamation District of Greater Chicago, County of Cook, State of Illinois (the *"District"*), passed preliminary to the issue by the District of its fully registered General Obligation Capital Improvement Bonds, Limited Tax Series B of July, 2011 (the *"Bonds"*), to the amount of $270,000,000, dated the date hereof, initially issued in denominations of $5,000 or any integral multiple thereof, due and payable (subject to right of prior redemption) serially on December 1 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT ($)	RATE (%)
2017	6,115,000	5.000
2018	26,855,000	5.000
2019	16,140,000	5.000
2020	7,335,000	5.000
2021	4,050,000	3.000
2021	5,500,000	5.000
2022	595,000	3.125
2022	6,985,000	5.000
2023	18,300,000	5.000
2024	18,000,000	5.000
2025	14,500,000	5.000
2026	4,775,000	5.000
2029	10,000,000	5.000
2030	45,000,000	5.000
2031	45,850,000	5.000
2032	40,000,000	5.000

The Bonds have been issued to finance construction projects identified in the District's capital improvements program and to pay the costs of issuance of the Bonds.

Each of the Bonds bears interest from the later of its dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each such Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on June 1 and December 1 of each year, commencing on June 1, 2012.

The Bonds maturing on or after December 1, 2022 are subject to optional redemption on or after December 1, 2021 at the option of the District, in whole or in part on any date, and if in part, the maturities to be redeemed to be selected by the District, at the redemption price equal to the principal amount of each Bond or portion thereof to be so redeemed, plus accrued interest to the redemption date.

We are of the opinion that the Proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined the form of Bond prescribed and find the same in due form of law; and in our opinion the Bonds, to the amount named, are valid and legally binding direct and general obligations of the District, the payment for which the full faith and credit of the District has been pledged, and all taxable property in the District is subject to the levy of taxes to pay the same without limitation as to rate, all except that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion. The amount of said taxes that may be extended to pay the Bonds is, however, limited as provided by the Property Tax Extension Limitation Law of the State of Illinois, as amended (the *"Law"*). The Law provides that the annual amount of said taxes to be extended to pay the Bonds and all other limited bonds (as defined in the Local Government Debt Reform Act of the State of Illinois, as amended) previously or hereafter issued by the District shall not exceed the debt service extension base (as defined in the Law) of the District less the amount extended to pay certain other non-referendum bonds previously and hereafter issued by the District, as more fully described in the Proceedings.

It is also our opinion that, subject to the District's compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the District with respect to certain material facts within the District's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

2011C BONDS

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

TO BE DATED THE CLOSING DATE

[LETTERHEAD OF CO-BOND COUNSEL]

We hereby certify that we have examined certified copy of the proceedings (the "*Proceedings*") of the Board of Commissioners of the Metropolitan Water Reclamation District of Greater Chicago, County of Cook, State of Illinois (the "*District*"), passed preliminary to the issue by the District of its fully registered General Obligation Capital Improvement Bonds, Unlimited Tax Series C of July, 2011 (the "*Bonds*"), to the amount of $100,000,000, dated the date hereof, initially issued in denominations of $5,000 or any integral multiple thereof, due and payable (subject to right of prior redemption) serially on December 1 of the years and in the amounts and bearing interest at the rates percent per annum as follows:

YEAR	AMOUNT ($)	RATE (%)
2013	16,720,000	3.000
2014	6,200,000	4.000
2015	16,900,000	5.000
2016	9,850,000	5.000
2017	4,955,000	4.000
2018	1,640,000	3.000
2019	1,885,000	4.000
2020	350,000	3.000
2029	10,000,000	5.000
2030	10,000,000	5.000
2031	865,000	4.125
2031	20,635,000	5.000

The Bonds have been issued to finance construction projects identified in the District's capital improvements program consisting only of those projects initiated before October 1, 1991, and to pay the costs of issuance of the Bonds.

Each of the Bonds bears interest from the later of its dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each such Bond, respectively, is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on June 1 and December 1 of each year, commencing on June 1, 2012.

The Bonds maturing on or after December 1, 2029 are subject to optional redemption on or after December 1, 2021 at the option of the District, in whole or in part on any date, and if in part, the maturities to be redeemed to be selected by the District, at the redemption price equal to the principal amount of each Bond or portion thereof to be so redeemed, plus accrued interest to the redemption date.

We are of the opinion that the Proceedings show lawful authority for the issuance of the Bonds under the laws of the State of Illinois now in force.

We further certify that we have examined the form of Bond prescribed and find the same in due form of law; and in our opinion the Bonds, to the amount named, are valid and legally binding direct and general obligations of the District, the payment for which the full faith and credit of the District has been pledged, and all taxable property in the District is subject to the levy of taxes to pay the same without limitation as to rate or amount, all except that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is also our opinion that, subject to the District's compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

In rendering this opinion, we have relied upon certifications of the District with respect to certain material facts within the District's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

APPENDIX F

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds (b) bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org (such websites are not incorporated herein by such reference).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (*"Beneficial Owner"*) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, Bond Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of the book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that, while the Bonds are in the Book-Entry System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds; however, all rights of ownership must be exercised through DTC and the book-entry system.

The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants of DTC will distribute to the Beneficial Owners of the Bonds (i) payment of principal of or interest on the Bonds (ii) confirmations of their ownership interests in the Bonds or (iii) other notices sent to DTC or Cede & Co., its partnership nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

The District does not have any responsibility or obligation to DTC, the Direct Participants or Indirect Participants of DTC or the Beneficial Owners with respect to (1) the accuracy of any records maintain by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial owner in respect of the principal amount of or interest on Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Resolution; or (4) any consent given or other action taken by DTC as owner of the Bonds.

Metropolitan Water Reclamation District of Greater Chicago

Multi-Year Awards

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

1993-2009
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting Award for Retirement Fund's Comprehensive Annual Financial Report

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

2007-2009
Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting Award for the Retiree Health Care Trust Fund's Comprehensive Annual Financial Report

Individual Year Awards (partial listing)

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

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

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

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

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

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

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

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

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

National Purchasing Institute
Achievement of Excellence in Procurement

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

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

National Institute of Government Purchasing
Outstanding Agency Accreditation Achievement Award

Individual Year Awards (continued)

2006 (Cont.)

National Purchasing Institute
Achievement of Excellence in Procurement

2007

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

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

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

2008

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

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

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

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

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

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

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

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

2009

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

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

2010

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

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

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

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METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO • GENERAL OBLIGATION CAPITAL IMPROVEMENT BONDS, SERIES A, B AND C OF JULY, 2011

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