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Date	Ver.	Action By	Action	Result
7/24/2019	1	City Council	Placed on File	

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

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

June 11, 2019

City of Chicago City
Clerk 121 N LaSalle
Street Room 107
Chicago, IL 60602

Dear City Clerk Anna Valencia:

Enclosed is your requested copy of the Metropolitan Water Reclamation District's Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2018 be placed on file with the City Clerk's office.

Very^ruly yours,

Jacqueline" Torres Clerk/Director of Finance

»

Comprehensive Annual Financial Report of THE Metropolitan Water Reclamation District of Greater Chicago

Chicago, Illinois

As of and for the year ended
December 31, 2018

Prepared by the Finance Department JACQUELINE TORRES, Clerk/Director of Finance

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TABLE OF CONTENTS

I. INTRODUCTORY SKCTION

II. FINANCIAL SECTION

I. INTRODUCTORY SECTION

Ducks seem to enjoy the newly improved Cherry Creek East Branch in October after the completion of a flood-control project, which includes a new meandering creek alignment as well as pools, riffles, and in-streant structures near Governors Highway. Representatives from the MWRD, Village of Flossmoor, Homewood-Flost intoor (H-F) High School District #233 and Calvary Assembly of God Church held a ribbon-cutting ceremony to celebrate the completion of the S3.3 million Cherry Creek Fast Branch flood control project which will reduce flood elevations and remove homes from Federal Emergency Management Agency (FEMA) flood plain maps.

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Metropolitan Water Reclamation District of Greater Chicago

Board of Commissioners and Principal Officers

Main Office 100 East Erie Street Chicago, Illinois 60611

Metropolitan Water Reclamation District of Greater Chicago

Organization Chart

Cook County
Taxpayers

Boa rd of
Commis ssioners ;te
(elec d)

Civil Service Board

Executive Director

General Administration

I

Monitoring & Research

Procurement & Materials Management

Human Resources

Information Technology

Maintenance & Operations

1,966 Budgeted Positions in 2018

Metropolitan Water Reclamation District of Greater Chicago

President's Annual Message 2018

Now entering our 130th year, it gives me tremendous pride to serve as President of this critical agency that has demonstrated historic influence on shaping the region and is working to protect our water environment through our innovative work. The Metropolitan Water Reclamation District of Greater Chicago (MWRD) works each day to improve the environmental health of Cook County and promote sustainable and resilient endeavors that protect our planet. Our list of accomplishments for 2018 have impacts that stretch beyond the boundaries we serve, while also bolstering the local communities and directly impacting more than five million people who live in Cook County. In 2018, we continued to strengthen our finances, expanded resource

recovery efforts, increased stormwater management protection, and upgraded infrastructure at our plants and in the communities that we call home.

Here are a few of the highlights from 2018 that made this year as memorable as it was impressive.

Mariyana T. Spyropoulos
President of the Board of Commissioners

McCook Reservoir

The highly anticipated Stage I of the McCook Reservoir was placed into service in December 2017, and it has made an incredible impact in its first year alone, protecting our waterways from pollution and our streets and basements from flooding. The reservoir has captured more than 20 billion gallons of water, and that number is climbing with each passing storm. Part of the MWRD s famed Tunnel and Reservoir Plan (TARP). the reservoir

protects a huge swath of Cook County from the north suburbs along the lakefront south through Chicago into the southwest suburbs Unpredictable weather patterns tested the reservoir 12 days into January and again in February when an unprecedented 2 77 inches of rain fell over two days, combining with snowmelt and frozen ground to wreak havoc on the region The reservoir took on an estimated 12 billion gallons of water.

not including several billion gallons of snowmelt that came as a result of 60-degree weather. Because of the reservoir's holding capacity, water was not released into Lake Michigan.

In addition to completing Stage I of McCook, engineering and mining work continued on Stage II this year, and we made significant strides in constructing the Des Plaines Inflow Tunnel to reduce combined sewer overflows.

McCook received instant worldwide recognition On October 2, the Water Environment Federation (WEF) named the McCook Reservoir as a 2018 recipient of the WEF Project Excellence Award. Two weeks later, the Illinois Section of the American Society of Civil Engineers honored the MWRD and project partner, the U.S. Army Corps of Engineers (USACE), with the Outstanding Civil Engineering Achievement, Mega Project Award for our roles on the Chicago Underflow Plan and McCook Reservoir project.

Producing Clean Water

Treating 1.4 billion gallons per day is no small feat for our hardworking staff and water reclamation plants (WRPs). In order to maintain that quality, we have to brace for uncontrollable and unpredictable quantities of water, meet stringent regulations, and treat that wastewater and urban runoff before returning it to our environment. The National Association for Clean Water Agencies lauded MWRD in 2018 for complete and consistent compliance of National Pollutant Discharge Elimination System permits. Reaching these standards requires close attention to detail by our operations staff and Industrial Waste Division, and it also requires continued investment.

We replaced 36 Imhoff tanks at the Stickney WRP with a $224 million project consisting of nine 160-foot diameter primary settling tanks and six 132-foot long aerated grit tanks, associated support facilities, service tunnels, and conduits. The new tanks will also increase and improve grit removal and protect downstream piping and equipment.

We also made key investments in maintaining TARP pumps and other WRP infrastructure, and committed to rehabilitating the Lockport Powerhouse and Controlling Works. We completed intercepting sewer construction projects that improve conveyance from local municipal sewers to our WRPs. The Salt Creek 2 Intercepting Sewer project will benefit 173,000 people living in Lyons, Brookfield, Riverside, and North Riverside, while the Calumet 19F Intercepting Sewer project will benefit another 60,000 people living in the Tinley Park area.

Financially Sound

We cannot complete these wide-ranging projects and invest in new technologies without being on sound financial footing. This year Fitch Ratings reaffirmed our financial stability with a AAA credit rating The Fitch report confirmed our steady financial performance, our sufficient reserves to cover unexpected expenditures and overfunding of pension contributions. This is accomplished by continuing to reduce energy costs, strengthening our long-term retirement reserves, promoting a favorable labor environment, discovering new revenue streams through resource recovery, and leasing of MWRD property.

As further evidence of excellence in fiscal management, the Government Finance Officers Association of the United States and Canada also awarded the MWRD with the Distinguished Budget Presentation Award for the 34th consecutive year. More significant to the taxpayers is tax reduction and low rates. As in the past three years, the Board of Commissioners passed a pair of ordinances to abate property taxes. This year, it was by more than a combined S44 million. MWRD rates continue to be substantially lower than the average sewer service charge across the country.

Stormwater Management Projects

Delivering flood relief to communities across Cook County in 2018, we kicked off and completed several important projects that will promote local and regional resilience. Here are some stormwater projects we celebrated.

- The Tinley Creek widening and reshaping project was completed in May to relieve Crestwood homeowners from flooding. The streambank stabilization project provides protection from the 100-year flood event for approximately 173 homes and businesses and improves an existing pedestrian path.
- We partnered with the City of Chicago to complete the Albany Park Stormwater Diversion Tunnel to relieve the North Side neighborhood of major flooding. The tunnel diverts a flow of 2300 cubic feet of water per second and conveys the overflowing water at the North Branch of the Chicago River more than a mile east to the North Shore Channel.
- A S3 3 million Cherry Creek East Branch Flood Control project in Flossmoor was completed and will provide a new-

flood relief channel and improved conveyance for water. This project resulted in 16 homes and six parcels being removed from the regulatory flood plain.

We joined the City of Northlake to complete the Addison Creek Wetlands Restoration Project to restore natural stream function, improve water quality of Addison Creek and provide a flood control benefit to the area. As a result, the 100-year base flood elevation will be reduced by up to three feet at several locations within the project area. The Melvina Ditch Reservoir expansion project broke ground in April. The project more than doubles the existing Melvina Ditch Reservoir storage capacity and will alleviate flooding for residents of Burbank and Oak Lawn.

The Buffalo Creek Reservoir expansion project construction began in May and will alleviate flooding while improving public recreation for Buffalo Grove and other downstream communities. The project will include public access improvements and expand the reservoir's capacity by an additional 58.6 million gallons.

We pledged our support for 14 projects that will assist municipalities and other government agencies throughout Cook County in projects to prevent flooding as part of MWRD's Phase II Stormwater Management Program. The projects represent approximately $66.8 million in estimated construction costs, benefiting more than 2,000 affected structures impacted by flood waters. Diverse approaches such as new storm sewers, culverts and outfalls are being built to address flooding throughout the region.

We requested green infrastructure (Gl) project applications and received 100 project applications. This gave us dozens of important projects to select that will reduce the amount of water flowing through the gray infrastructure of pipes and lessening the amount of urban flooding that impacts our communities. At our Sustainability Summit in October, we honored exemplary Gl projects in the Village of Skokie and City of Berwyn.

Our stormwater management projects also claimed honors. A Niles flood relief project was awarded the Public Works Project of the Year in the Environment category by the American Public Works Association. Besides reducing surface water flooding, the project with its 12,500 feetof new sewers will also protect the Chicago River from combined sewer overflows that drain into the waterway. The Westchester Reservoir expansion project was also recognized with a Merit Award from the American Council of Engineering Companies' Illinois Chapter. The Mayfair Reservoir Expansion Project provides an additional 34-acre-feet of stormwater storage

Resource Recovery

We continued to make strides in meeting phosphorus discharge limits at our WRPs. while recovering large quantities of phosphorus and nitrogen at our nutrient recovery facility at Stickney WRP and other WRPs. Recovering nutrients before they are sent downstream will make them available for reuse and protect our waterways from contamination.

At the Stickney WRP, we continue to take these recovered nutrients and create a high value fertilizer known as Crystal Green. The Egan WRP is building upon a successful deammonification process, O'Brien WRP is growing algae for potential use in plastic products and Stickney and Calumet WRPs are working with companies to attract high strength organic materials.

We received a grant with our partners at the University of Illinois-Urbana to address nutrient loss reduction strategies and protect regional and national waterways downstream. In June, we joined central Illinois farmers at our Fulton County site to host a Field Day, where we highlighted best practices to reduce nutrients from running off into waterways.

Exceptional Quality Compost

The MWRD received commendation from the National Biosolids Partnership for establishing an elite biosolids program that has met and exceeded national standards for the last 10 years. In 2018, we continued to develop an Exceptional Quality compost operation that blends woodchips with part of the 145,000 tons of biosolids we produce each year to provide a premium quality product that supplies organic matter and improves the structure and porosity of soils. This fall, the Board authorized plans to make this product free to the public.

Open House, Tours and Outreach

This spring we hosted tours at six WRPs in conjunction with national Infrastructure Week to educate hundreds of visitors on our work and distribute free 40-pound bags of compost and free saplings. In October, our O'Brien WRP again welcomed the public as part of the Chicago Architecture Center's Open House Chicago. Nearly 900 visitors came for free guided facility tours, family friendly activities and the opportunity to meet and learn from MWRD staff

We participated in 145 outreach events at farmers markets, community fairs and parades to promote our values in protecting our water environment The District led more than 150 group

tours of. our plants and facilities, including numerous international visits, like prestigious engineering delegations from China. In addition, District speakers presented at more than 60 locations, such as schools and libraries. Our goal in these endeavors is to share our water wellness values and educate citizens on how they can help us protect and improve the quality of our water.
partnered to attract more visitors. We worked with Friends of the Chicago River to promote Overflow Action Days and with the Lathrop Riverfront Group to highlight improved access to the waterways. We also worked with the USACE to remove the North Branch Dam to allow upstream fish migration and improve navigation and surroundings for boaters.

Restore the Canopy

Now in its third year, our "Restore the Canopy" initiative sparked the MWRD's distribution of approximately 16,500 oak tree saplings in 2018 at various fairs, farmers markets, schools and our WRPs to green our communities. Trees are a significant tool in managing stormwater by absorbing rain and lessening the load to our sewer systems. This program has distributed 58,000 saplings; since one medium-sized oak tree can absorb up to 2,800 gallons of rainwater per year, these trees will be able to capture 162,400,000 gallons of stormwater annually.

Space to Grow

Working with our partners at the Chicago Department of Water Management, Chicago Public Schools, Healthy Schools Campaign and Openlands, we completed six more schools this year through the award-winning Space to Grow program. The schoolyards at Fernwood Elementary, Cook Academy, Field Elementary, Morton School of Excellence, Nathaniel Davis and Farnsworth Elementary were transformed into beautiful, vibrant and functional community spaces for physical activities, outdoor learning, environmental literacy and community engagement that addressed neighborhood flooding.

Unwanted Medicine Collection and Chlorides

More than 334 pounds of unused or expired medications were collected at three water reclamation plants and properly destroyed. Although our drug collection boxes are open year round, U.S. Drug Enforcement Administration National Prescription Drug Take Back Days highlight efforts to educate the public about the potential for abuse of drugs and harm to the environment. The MWRD held a chlorides workshop to discuss best salting strategies that will keep roads safe but reduce the amount of chlorides entering tho waterways.

Waterways

In keeping with our mission, we worked to not only clean our waterways by removing 2.500 cubic yards of debris, but we also

New Veterans Policy

To salute our veterans, we formally adopted a policy to increase contracting opportunities for veteran-owned and operated small business enterprises. Under the terms of the new policy, a successful bidder must meet a three-percent veteran-owned business enterprise goal on contracts in which two or more eligible veteran-owned and operated small business enterprises are available to bid on a contract or subcontract. A nominal goal of three percent for veteran-owned businesses will allow the MWRD to say more than a simple 'thank you for your service' to our veterans.

Calumet WRP Roof Collapse

I would be remiss not to mention an event that impacted our MWRD family the morning of August 30. An explosion triggered the collapse of the sludge concentration building roof at the Calumet WRP, injuring 10 workers. This event turned into a shining example of the hard working MWRD staff who came to each other's aid and kept operations running smoothly. We are also thankful for the tremendous effort put forth by the Chicago Fire Department and other responders.

While we triumphed through so many achievements this year, the Calumet event also brought us closer together in difficult circumstances and reminded us of the hard work so many of our staff exhibit each day. Our staff work in challenging conditions. We are deployed in the tanks, in the labs, in the pipes, in the tunnels, in the reservoirs, and in the intercepting sewers. We are operating the heavy machinery, filtering debris, processing solids, removing contaminants, engineering the trains, driving the trucks, cleaning our water and completing all facets of work that make our jobs so diverse and unique. We realize that many of these tasks and exercises, while often forgotten or overlooked by the public, are intrinsic in protecting our water environment and our planet I am grateful to tell their stones and inform residents of our service area about the great lengths our staff go to in order to protect the water environment

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12 INTRODUCTORY SECTION

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Metropolitan Water Reclamation District of Greater Chicago

Multi-Year Awards 1975-2017

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

1993-2017

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

1985-2018

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

2007-2017

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

National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewerage Agencies NACWA Award far Compliance with National Pollutant Discharge Elimination Svstcm Platinum Award for 26 consecutive years of full compliance for Calumet

Water Reclamation Plant Platinum Award for 21 consecutive years of full compliance for Leinont Water Reclamation Plant Platinum Award for 13 consecutive years of full compliance for James C. Kiric Water Reclamation Plant Platinum Award for 12 consecutive years of full compliance far Terrence J. O 'Brien Water Reclamation Plant Platinum Award for 10 consecutive years of full compliance for Hanover Park Water Reclamation Plant.

Individual Year Awards (partial listing) 2015

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

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

2016

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

American Society of Civil Engineers - Illinois Section Outstanding Civil Engineering Achievement Award. Under S10 Million Category, for the Basse Reservoir South Dam Modification Project

Federation of Women Contractors Advocate of the Year Award

Friends of the Chicago River Chicago River Blue Awards Green Ribbon Awaid jor Disinfection al the Calumet Water Reclamation Plant and O Brien Water Reclamation Plant and Thoi nton Reservoir

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

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

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

14 INTRODUCTORY SECTION

Metropolitan Water Reclamation District of Greater Chicago

Risk and Insurance Magazine Honorable Mention m the national Theodore Roosevelt Workers 'Compensation and Disability Management (TEDDY) Award competition for excellence in safely and workers 'compensation risk management

Stormwater Solutions Magazine Top 10 Stormwater Project for ihe Blue Island Green Infrastructure Project

2017

American Council of Engineering Companies of Illinois Special Achievement Water Resources Award for the Weseott Park Stormwater Storage Facility Project in the I'll/age of Northbrook

Friends of the Chicago River Chicago River Blue Awards Green Ribbon Award for Ihe Weseott Park Stormwater Storage Facility Project in the Village of Northbrook

Illinois Association for Floodplain and Stormwater Management Flood Reduction Project Award Jor Floodway Buyouts in the Village oj Glenview

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

Illinois Water Environment Association Mariyana Spyropoulos, President, is the recipient of the annual Public Official of the Year award. The Public Official of the Year award is presented to an elected or appointed public official who has made a documented significant contribution in the areas of clean water legislation, public policy, government service, or another area of public prominence that resulted in improvements to the water environment.

Interstate Mining Compact Commission Kenes C. Bowling National Mine Reclamation Award Jor Ihe McCook Reservoir

Water Environment Federation Project Excellence Award for the Nutrient Recovery Facility at the Stickney Water Reclamation Plant Water Quality Improvement Award for the Calumet Tunnel and Reservoir Plan Schroepfer Innovative. Facility Design Medal for the Calumet Tunnel and Reservoir Plan

2018

American Council of Engineering Companies of Illinois Engineering Excellence Merit Award for the May fair Reservoir Expansion

American Public Works Association Chicago Metro Chapter Suburban Branch:Public Works Protect of the Year Award Jor the Niles Flood Relief Pro/ect

American Society of Civil Engineers Outstanding Civil Engineering Award, Over $100 Million Category, for the McCook Reservoir

American Society of Landscape Architects - Illinois Chapter Merit Award for Planning and Analysis for the Robbms Park Pro/ect

Friends of the Chicago River Chicago River Blue Awards Green Ribbon Award /or ihe Weseott Park Stormwater Storage Facility Project in the Village of Northbrook

Illinois Association for Floodplain and Stormwater Management Flood Reduction Project Award for Floodway Buyouts in the Village of Glenview

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

Metropolitan Planning Council Biirnham Award Jor Excellence in Planning for the Space lo Grow Partnership

National Biosolids Partnership
Ten-year Platinum . /» aid for the Dedication to Environmentally Sound Biosolids Management Practn.es <http://Practn.es>

National Institute of Governmental Purchasing 20IS-2003 Outstanding Agency Accreditation Achievement Award

Water Environment Federation Project Excellence Awaul for the McCook Rcscrvou

INTRODUCTORY SECTION 15

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Water Reclamation District of Greater Chicago, Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2017

Executive Director/CEO

312.751.5600
Metropolitan Water Reclamation District of Greater Chicago Josina Monta
Manyana T Spyropoulos
Debra Shore
100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154

Jacqueline Torres
Clerk/Director of Finance

312.751.6500 f: 312.894.1104
jacqueline.torres@mwrd.org
<mailto:jacqueline.torres@mwrd.org>

May 10, 2019

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

The Comprehensive Annual Financial Report (CAFR), of which this transmittal letter is a component, has been prepared in accordance with Chapter 70, Illinois Compiled Statutes, Act 2605/5.13, for the fiscal year ended December 3 I, 2018. This statute requires that the Clerk/Director of Finance prepare and publish the financial statements and any other data necessary to reflect the true financial condition and operations of the Metropolitan Water Reclamation District of Greater Chicago (the District) within six months of the close of each fiscal year.

The CAFR's basic financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) in the United Slates of America, promulgated by the Governmental Accounting Standards Board (GASB). In accordance with Chapter 70, Illinois Compiled Statutes, Act 2605/5.12, the District's basic financial statements for the period ended December 31, 2018, have been subject lo an audit by independent accountants. The unmodified opinion of RSM US LLP has been included in the Financial Section of this report.

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

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

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

MISSION STATEMENT

The District will protect the health and safety of the public in its service area, protect the quality of the water supply source (Lake Michigan), improve the quality of water in watercourses in its service area, protect businesses and homes from flood damages and manage water as a vital resource for its service area. The District's service area is S82.1 square miles of Cook County, Illinois. The District is committed to achieving the highest standards of excellence in fulfilling its mission.

BACKGROUND

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

The District operates primarily within the boundaries of Cook County. Although the District exercises no direct control over wastewater collection and transmission systems maintained by cities, towns, and villages in Cook County, it docs control municipal sewer construction by permits in suburban Cook County. Furthermore, the District provides the main sewer lines for the collection of wastewater from local sewer systems together with the treatment and disposal thereof. Combined sewage and stormwater runoff is stored, treated, and released using District facilities. The District owns and operates 7 water reclamation plants (WRP) and 23 pumping stations that treat an average of 1.3 billion gallons of wastewater each day. The Central (Stickney) WRP is the largest plant in the world. The District controls approximately 76.1 miles of navigable waterways that serve as headwaters of the Illinois Waterway system. Stringent federal and state standards require that the District's wastewater treatment processes keep the waterways free of pollution. The District monitors industries in Cook County to assure that hazardous substances not suitable for a sewer are disposed of in an environmentally responsible way that complies with applicable laws.

The multi-award w inning Metropolitan Water Reclamation District of Greater Chicago is headed bv the Board of ('ommissioners who determine its policies. (Front row. L to R) Marcelino Garcia , President Marivana T. Spvropoitlos. Vice President Barbara ,/. McGowan. Debra Shore and Chairman of Finance Frank /Unlit (Back row. L lo R) Josina Monta. Cameron Davis. Kan K. Steele and Kimherly Du Bttclet

18 INTRODUCTORY SECTION

REPORTING ENTITY

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

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

Improve Water Quality
The District cost effectively collected and treated approximately 493.6 billion gallons of wastewater from businesses and homes and captured stormwater runoff from its service area. Our performance for treating this wastewater approaches 100 percent compliance with all applicable effluent standards at all water reclamation plants. Disinfection technology has been implemented and placed into service at two plants using multiple cost-effective strategies. Chlorination/dc-chlorination has been implemented at the Calumet Water Reclamation Plant and ultraviolet technology at the O'Brien Water Reclamation Plant.

Provide Stormwater Management
Flooding continues to be the number one issue facing the District. The Stormwater Management Program is aggressively working to minimize flooding damage by helping communities with local flooding issues, acquiring flood-prone properties, and partnering with municipalities or other local governments on large capital green infrastructure projects. Since 2004 the District has distributed more than 140,500 low-cost rain barrels, and since 2016, the District distributed more than 55,000 tree saplings as a part of the "Restore the Canopy, Plant a Tree" initiative.

The District undertakes stormwater management projects under two phases of its Stormwater Management Program. Phase I consists of projects identified under Detailed Watershed Plans (DWPs), which were completed in 2010. Phase I projects address regional waterway ovcrbank flooding and strcambank stabilization concerns. The District performed construction work on four Phase T projects in 2018, one of which was substantially completed. It is anticipated that an additional four Phase I projects will begin construction in 2019.

The District initiated Phase II of its Stormwater Management Program in 2013 to address local flooding problems not necessarily involving ovcrbank flooding. Since then, the District solicited information from Cook County communities and other governmental organizations for local stormwater project partnership opportunities. Between 2014 and 2018, a total of 19 shovel ready pro jects were completed with partial District funding. Construction on one Phase II conceptual design project continued in 2018 while another conccpnial design project began construction later that year. In 2018, the District again solicited local communities and other governmental organizations for partnership opportunities, and as a result the District intends to partner on an additional 14 shovel ready projects to be constructed in 2019 and beyond, and to assist with preliminary designs for 6 future conceptual projects.

For circumstances where a flood control pro ject is not feasible, the District initiated a Flood-Prone Property Acquisition Program in 2015 and through 2018 has partnered with seven local municipalities in order to remove a total of 157 structures from the floodplain. As each property is acquired, deed restrictions are imposed and recorded, requiring the properties to remain as open space into perpetuity. The municipalities will own the acquired properties and perform all required maintenance The District initiated another call for Flood-Prone Property projects and will soon partner with additional municipalities to remove more properties from the floodplain.

On October 3, 2013, the District's Board of Commissioners adopted the Watershed Management Ordinance (WMO). which replaced the Sewer Permit Ordinance and established uniform, minimum, county-wide stonnwater management regulations for new development and redevelopment in Cook County. Components regulated under the WMO include drainage and detention, volume control, floodplain management, isolated wetland protection, riparian environment protection, and soil erosion and sediment control The WMO became effective on May I, 2014. The stormwater management regulations of the WMO serve to prevent the flooding situation in Cook County from worsening through

development or redevelopment. Over 1,900 WMO permits have been issued to date. Since the development of the WMO, the District has conducted numerous training events in addition to presenting at various seminars and conferences hosted by professional organizations.

Provide flood protection with Tunnel and Reservoir Plan and Green Infrastructure

The primary goals of TARP are as follows: protect Lake Michigan, the area's primary source of drinking water from polluted backllows; clean up the area's waterways; and provide an outlet for floodwater and rainfall runoff by capturing wastewater before it enters streams and rivers from within the District's service area. TARP consists of 109.4 miles of deep rock tunnels designed to capture 2.3 billion gallons of the first flush of sewage contaminated stormwater from combined sewers which had previously flowed into the area waterways.

Work continues on construction oj the Des Plaincs Connecting Tunnel near the MWRD's Mainstream Pumping Station ami McCook Reservoir in March

The flood control segment of TARP consists of three storage reservoirs to serve as outlets for combined sewer overflows (CSO's). The three reservoirs - Gloria Alitto Majewski, Thornton, and McCook - will provide 15.2 billion combined gallons of storage for CSO's that otherwise would spill into local waterways, degrading the water quality and causing flooding. The Gloria Alitto Majewski Reservoir, the smallest of the three, was completed in 1998 at a cost of $45 million and has prevented over 5.7 billion gallons of combined sewer overflow from entering the waterways and mitigated over $400 million in flood damage. The Thornton Composite Reservoir became operational in 2015 and, through the end of 2018, more than 20.6 billion gallons have been captured during 44 fill events. The first stage of the McCook Reservoir was completed in 2017 and the second stage will be completed in 2029. Through the end of 2018, more than 27.2 billion gallons have been captured by the first stage reservoir during 34 fill events. The McCook Reservoir is projected to bring $ 143 million per year in flood reduction benefits to its residents when fully completed. The combined engineering, construction and land rights cost for all three reservoirs is estimated at $1.48 billion, with the Corps and the District providing approximately $540 million and $940 million, respectively.

(O'HARE) UPPER DF.S PLAINES
SYSTEM

GLOR.A ALITTO MAJEWSKI RESERVOiR

V///

DES PLAINES SYSTEM $469M, 25.6 Mi

$64M, 6 6 Mi.

SUMMARY

TUNNELS & RELATED FACILITIES

COSTS

CONSTRUCTION MILES

SYSTEM

40.5 36.7 6.6 25 6

40 5 36.7 6.6 25 6

TOTAL COMPL

MAINSTREAMSI ,142

CALUMET 658

O'HARE 64

1094 1094

S2.333

DES PLAINES 469

TOTAL

STORAGE CAPACITY (BILLION GALLONS) TOTAL COMPL-

TOTAL COSTS

RESERVOIRS

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DESIGNATION

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TOTAL
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iAl I COSTS IN .Mil I IONf.)

LEGEND:

TUNNEL - COMPLETED

STORAGE RESERVOIR PHASE II/CUP COMPLETED

STORAGE RESERVOIR PHASE II.'CUP UNDER CONSTRUCTION

| | WATER RECLAMATION PLANT

A PUMPING STATION (ON-LINE)

TUNNEL and RESERVOIR PLAN PROJECT STATUS

A consent decree between MWRDGC and the U.S. Department of Justice was entered into in 2014. One section of the consent decree is designed to foster the use of green infrastructure controls to reduce the amount of stormwater that flows into the sewer systems during a storm and required MWRDGC to develop a Green Infrastructure Program Plan, which was approved by the Environmental Protection Agency in 2015. In 2014, MWRDGC partnered with Chicago Public Schools System (CPSS) and the Chicago Department of Water Management (CDWM) to incorporate stormwater retention at four elementary schools while reconstructing substandard playgrounds under a program known as Space to Grow. The projects serve to educate the public on the importance of stormwater management and the value of green infrastructure to reduce basement backup flooding. The success of this project led to MWRDGC, CPSS, and CDWM to agree to partner on 30 more schools from 2015 through 2020. Since 2015, eleven more CPSS school playgrounds were completed, and design is underway for five additional schools to be improved in 2019. The District completed construction of a green infrastructure project in the City of Blue Island, where permeable pavement and rain gardens were installed to combat local flooding. In 2015, the District partnered with the City of Evanslon to install permeable pavement, swales, and rain gardens at the City's Civic Center, and also partnered with the Village of Wilmette to install four green alleys. In 2016, the District partnered with the Village of Northbrook in its installation of a green stormwater detention system at Weseott Park, and also partnered with the Village of Kcnilworth on rain garden installations. In 2017, the District completed the construction of a permeable parking lot at its John E. Egan Water Reclamation Plant.

The District also partnered with the City of Berwyn on a green alley project, and the Village of Niles on a bioswale and permeable parking lot. Also in 2017 and again in 2018, the District solicited information from Cook County communities and other governmental organizations for additional green infrastructure partnership opportunities. Based on the project submittals received, the District intends to partner on an additional 39 green infrastructure projects to be constructed within its service area throughout 2018 and 2019. The consent decree provides an enforceable schedule for implementing MWRDG's funnel and Reservoir Plan, which will result in a significant decrease in the volume of water discharged to the waterways from combined sewer overflows in Cook County, along with dramatically reducing the potential for Hooding.

Maintenance of Facilities and Infrastructure

The District owns and operates 7 water reclamation plants, 560 miles of intercepting sewers and force mains, 109.4 miles of TARP tunnels, 23 pumping stations, 35 Hood control reservoirs, and 3 TARP reservoirs. Through preventative maintenance management, modernization, rehabilitation, and planned replacement, the District will ensure the long-term reliability and cost-effectiveness of operations. To aid planning and prioritize projects for both near term and long term, the District implemented procedures for project vetting and Long-Term Capital Plan evaluation.

Many of Ihe District's plants and interceptor sewers were placed in service over 50 years ago. In order lo maintain continuous operations, the District has initiated a Capital Improvements Plan to replace physically deteriorating facilities

EO Compost bagging operation at Harlem Avenue Solids Management Area in December. The pilot bagging project will put the MWRD's compost into the hands of area gardeners.

through rehabilitation, alteration or expansion. The expected construction cost over the next five years for the replacement and maintenance of facilities is S226 million. As discussed in the MD&A, condition assessments required under the modi lied approach alert management to the need for maintenance and preservation projects" for its infrastructure assets.

RESOURCE RECOVERY

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

Phosphorus

The District had voluntarily sought a phosphorus discharge limitation in our National Pollutant Discharge Elimination System (NPDES) permits and had decided we would pursue achieving this through our biological process. With one of the District's objectives of sustainability. at the Stickney WRP. the District is pursuing the recovery of phosphorus. In partnership with Ostara Nutrient Recovery Technologies, startup of the world's largest nutrient recovery facility occurred in May 2016 and is currently in operation utilizing District forces. Phosphorus is recovered from the plant's liquid waste stream and turned into a fertilizer pellet, which is marketed and distributed. Construction of the Waste Activated Sludge Stripping to Remove Internal Phosphorous (WASSTRIP) process was completed in 2018. Operation of this process has been postponed until further modifications can be made to improve the fermenter operation related to this process. Once operational, this process will further increase the recoverable phosphorous by repurposing existing tanks in combination with the Ostara process to remove magnesium ammonium phosphate from wasted active sludge. Phosphorus and nitrogen recovery will provide significant environmental benefits to the Chicago Area Waterway System and downstream through the Mississippi to the Gulf of Mexico. By taking this approach, the District is recovering a non-renewable resource and placing it back into the food cycle, rather than letting it be diluted and lost to the water environment.

In fulfillment of the special provisions of the O'Brien Water Reclamation Plant's (OWRP) NPDES permit, the District has created an Algae Research Facility al the OWRP. This facility carries out research on treatment technologies using algae to recover phosphorus from the wastewater. Algae treatment technology has several advantages over the traditional chemical precipitation approach including the ability to recover and reuse the phosphorus, the ability to generate revenue through sale of the harvested algae as a raw material for sustainable commodity products, sequestration of atmospheric carbon dioxide, and use of natural energy from sunlight. The District's research group completed a one-year study of a technology, called the revolving alga biolilm reactor (RAB), that cultivates algae to recover nutrients. The study showed promiMiig results, so the District proceeded to install a larger RAB unit that would be considered a "full-scale module." with the goal of testing the nutrient uptake performance of the unit on plant effluent: The unit was installed

in 2018, but suffered several breakdowns, as it was a protoypc design. The manufacturer has revised the RAB design and, when the modified RAB is installed in mid-2019, the District's research group will perform a one-year study to determine the performance of the unit on nutrient uptake, algae biomass production, performance with and without artificial augmentation, and the effects of seasonal variations on performance. Results from these pilot studies will be used to inform the projected performance, life-cycle costs, and design criteria for a full-scale installation at OWRP.

Biosolids

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

Water

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

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

Officials from the MWRD. Burbank and Oak Lawn celebrated the beginning of work on a reservoir expansion pro/eel designed lo provide much-needed flood relief with a groundbreaking ceremony al the Melvina Ditch Reservoir in Burbank on April 2 A fter a comprehensive public process thai relied on input from Burbank and Oak Lawn neiglibors and various stakeholders lo address flooding concerns, the MWRD agreed to design an improved ami expanded reservoir lo help mitigate local flooding The project will increase the reservoir's holding capacity bv nearly 64 million gallons. The $2tl-nullion project, funded primarily by the MWRD. also received a grant from the slate of Illinois through its Build Illinois Bond Fund

24 INTRODUCTORY SECTION

Energy

The District's goal is to achieve energy neutrality by 2023. The anaerobic digesters at the Calumet and Stickney Water Reclamation Plants produce biogas as a natural byproduct of the digestion process. The biogas contains methane gas, which is currently used as fuel for the plants' boilers. A significant step towards the District's goal of becoming energy neutral will be the utilization of the biogas to produce renewable energy. The Stickney WRP currently utilizes all of their digester gas. Once the new Primary Settling tanks arc fully on-line, the Stickney WRP is projected to double digester gas production. A task force has been created to study the biogas utilization options at both the Stickney and Calumet WRPs. A final report of their recommendations to the Board of Commissioners will be prepared in 2019. Upon direction from the Board, the District may initiate projects related to the utilization of our excess biogas. Options may include boosting biogas production, by accepting liquid organic wastes, such as restaurant grease and industrial food waste, into the anaerobic digesters under the Resource Recovery Ordinance, which was approved by the Board of Commissioners in 2016. Existing initiatives are also being examined for further reduction of energy consumption. The District is looking to maximize use of digester capacity, market electrical capacity at Lockport to maximize return on investment and optimize the aeration processes to further reduce energy consumption by 25%.

BUDGET PROCESS

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

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

ECONOMIC BASE OUTLOOK

The District's service area is sizeable, encompassing 98 percent of the assessed valuation of Cook County. The Equalized Assessed Valuation (EAV) of the District has experienced a .27 percent average reduction rate over Ihe last ten years and the current equalized assessed valuation of 5147,945,823,261 is 5.1% higher than the previous year. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels. I he District operates a fiscally sound organization, maintaining a AAA bond rating with Fitch Ratings and AA+ with Standard and Poor's. Our finances arc managed in a prudent manner, as evidenced by our excellent bond ratings, healthy fund balance, and continuing efforts to manage costs. To ensure that the District's finances remain healthy, projects are prioritized to ensure best use of current funding, project base budget targets assure funding above the base arc tied to strategic initiatives, and resources are managed to ensure financial stability targets are met.

FINANCIAL POLICIES

In order to protect the strong financial position of the District, ensure uninterrupted services, and stabilize annual lax levies, the Board of Commissioners adopted the following policies on December 21, 2006 to enhance and maintain budgetary fund balances. The General Corporate Fund policy was amended on December 10, 2009. The Bond Redemption & Interest Funds Investment Income policy was amended on November 3, 2011. The Stormwater Management Fund policy was adopted on December 10, 2009 and amended on November 3. 2011 and December 17, 2015^

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

General Corporate Fund

Corporate Fund undesignated fund balance as of January 1 of each budget year is to be kept between 12 percent and 15 percent of appropriations. The fund balance may be maintained by not fully appropriating prior year fund balances. This level of fund balance wilLensttre the District's ability to maintain all operations even in the event of unanticipated revenue shortfalls and provide time to adjust budget and operations.

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

• Reserve Claim Fund balance will be targeted toward the maximum level permitted by statute, 0.05 percent of the EAV, whenever economically feasible. This will be financed through tax levies at the maximum 0.5 cents per S100 of Equalized Assessed Valuation when economically feasible and financially prudent. This level of funding will protect the District in the event that environmental remediation costs cannot be recovered from former industrial tenants of District properties, catastrophic failure of District operational infrastructure or other claims. As the District is partially self-insured, adequate reserves are critical.

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

Stormwater Management Fund
The maximum property tax levy of five cents per S100 of EAV for the Stormwater Management Fund shall be allocated at a maximum two cents per S100 of EAV lo fund operations and maintenance expenditures and the remainder of the levy shall fund direct cash outflows for capital and capital-related expenditures and the interest and redemption of general obligation bond issues for capital projects.

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

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

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

Capital Improvements Bond Fund Accumulated Income

Revenues that[1] have accumulated in the Capital Improvements Bond Fund from investment income, grants, or State Revolving Fund revenues will primarily be used for capital projects. Capital projects are generally in the Capital Improvements Bond Fund; however, capital projects in the Construction or Corporate Funds of critical importance may be financed by transfers from this revenue source. These funds may be transferred to the Bond Redemption & Interest Funds to be used to abate property taxes or may be used for other corporate needs as necessary.

Accounting Policies of Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balances

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

The District's Board of Commissioners adopted a Funding Policy recommended by the Retirement Fund Board of Trustees to ensure the long-term financial health of the pension program while balancing the interests of the employees, retirees, taxpayers, and the District. Progress toward the funding goal is determined in part by an actuarial projection to be performed by the Fund's actuary eveiy three years. This triennial projection will calculate a consistent multiple through the year 2050 that (1) satisfies the statutory requirements every year and (2) achieves a funded ratio of 100 percent by 2050. The projection multiple will serve as a guide for determining employer contributions until the next projection is performed and the funded ratio calculated each year by the Fund actuary will serve as a benchmark to determine the progress toward the funding goal.

OPEB Trust

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

AWARDS

The Government Finance Officers Association of the United Stales and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Water Reclamation District of Greater Chicago for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2017. This was the 43rd consecutive year that the Metropolitan Water Reclamation District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The District has been presented with the award for Distinguished Budget Presentation by the GFOA for the annual budget for the year beginning January 1, 2018. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, financial plan, communications medium, and operations guide. The award, which is valid for a one year period only, has been received for 34 consecutive years.

ACKNOWLEDGMENTS

Preparation of this report reflects the combined efforts of the dedicated professional personnel of the operating and support departments. Their expertise, enthusiasm, and unswerving focus on excellence are gratefully acknowledged. The general citizenry, in our opinion, may fully rely on the 2018 Comprehensive Annual Financial Report as a fair and accurate presentation, in all material aspects, of the financial position and operational results of the Metropolitan Water Reclamation District of Greater Chicago.

Respectively submitted,

Clerk/Director of Finance

Metropolitan Water Reclamation District of Greater Chicago

100 EAST ERIE STREET CHICAGO, ILLINOIS 60611-3154 312.751.5600

May 10, 2019

STATEMENT OF RESPONSIBILITY

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

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

The statements fairly present the financial position and changes in financial position of the Metropolitan Water Reclamation District of Greater Chicago, and its component units, for the fiscal year ended December 31,2018, in accordance with accounting principles generally accepted in the United States of America; and

The statements contain no untrue statement of material facts; and

There arc no omissions of material fact(s).

Kari K. Steele
President

Brian Perkovich
Executive Director

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/z'7Jacqueline Torres
Clcrk/Dircclor of Finance

Matthew Glavas
Comptroller

INTRODUCTORY SECTION 29

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II. FINANCIAL SECTION

MWRD Commissioners are joined by Chicago Mayor Rahm Emanueland'39th Ward Alderman Margaret Laurino in July to unveil the Albany Park Stormwater Diversion Tunnel which will work to mitigate flooding along the bunks of the North Branch of the Chicago River. In addition to the diversion tunnel, the project will also add improvements to Eugene Field Park at the western end of *the tunnel, including landscaping, new trees, a new walkway, benches and a water fountain, and improvements to River Park at the eastern end of the project with landscaping, new trees, a new soccer field, a new regulation-sized baseball field and batting cage.*

RSM US LLP

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Metropolitan Water Reclamation District of Greater Chicago (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Retirement Fund for the year then ended, which collectively comprise the entity's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Water Reclamation District Pension Trust Fund (Pension Fund), which represents 81 percent and 7 percent, respectively, of the assets and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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32 FINANCIAL SECTION

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Opinions
In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Metropolitan Water Reclamation District of Greater Chicago, as of December 31, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Retirement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 16 to the financial statements, during the year ended December 31, 2018, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which required a restatement to opening net position. Our opinions are not modified with respect to this matter.

Other Matters
Prior-Year Comparative Information
The basic financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's basic financial statements for the year ended December 31, 2017, from which such partial information was derived. Our audit report on the financial statements for the year ended December 31, 2017, dated May 11, 2018, expressed an unmodified opinion.

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

Other Information
Our audit for the year ended December 31, 2018, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining and Individual Fund Statements and Schedules and the Introductory and Statistical and Demographic Section for the year ended December 31, 2018, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Combining and Individual Fund Statements and Schedules have been subjected to the auditing procedures applied in the audit of the financial statements for the year ended December 31, 2018, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and that of the other auditors, the procedures performed as described above, and the report of the other auditors, the Combining and Individual Fund Statements and Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2018.

Our audit report on the financial statements for the year ended December 31, 2017, dated May 11, 2018, expressed an unmodified opinion. The report stated that the Combining and Individual Fund Statements and Schedules for the year ended December 31, 2017, were subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2017.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 2019 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 solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Chicago, Illinois May 10, 2019

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

Year ended December 31, 2018 *Mclropolitaii Water Reclamation District of Greater Chicago*

The Metropolitan Water Reclamation District ot"Greater Chicago ("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 to the prior year. A budgetary analysis of the District's General Coiporate 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 lo 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.

2018 FINANCIAL HIGHLIGHTS

- The District's government-wide net position is $4,620,380,000. This can be attributed to the District's positive balance of S4,822,532,000 in net investment in capital assets.
- The District's government-wide net position increased by $107,184,000. This is mainly attributable to the $112 million increase in net investment in capital assets.
- The District's combined fund balances for its governmental funds at December 31,2018 totaled $778,167,000, a decrease of $42,328,000 from the prior year. The decrease is primarily attributable to not issuing general obligation bonds in 2018 and a decrease in bond

anticipation notes issued.

- The District's government-wide liabilities decreased by $231,432,000 in 2018 which is largely attributable to a decrease in long-term debt due to timing of conversion of bond anticipation notes to bonds. Over SI30 million in bond anticipation notes were converted to bonds in 2018. There was also a decrease in the net pension liability largely due to a $95 million increase in returns on pension plan investments.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are provided to give readers a long-term overview of the District's finances, similar to a private-sector business. Government-wide statements consist of the Statements of Net Position and Statements of Activities, and are prepared using the accrual basis of accounting and the economic resources (long-term) measurement focus. They include all the District's governmental activities; there arc no business-type activities. The fiduciary funds' resources are restricted for employee pensions and other post-employment benefits and are not available to support the operations of the District. The fiduciary funds are not reported in the government-wide financial statements. Due to the implementation of GASB 68 Accounting and Financial Reporting For Pensions and GASB 75 Accounting and Financial Reporting For Postemployment Benefits other than pensions (OPEB) the District recognizes the assets and liabilities for Pension and OPEB.

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

in net position over time can serve as a useful indicator of whether the financial position of the District is improving or declining.

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

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

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

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

Reconciliation of governmental fund financial statements to government-wide financial statements. Because the short-term focus of governmental fund financial statements is narrower than the long-term government-wide financial statement focus, reconciliations arc 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 Ihe governmental fund statements with the government-wide statements. The Governmental Funds Balance Sheets are reconciled to the Statements of Net Position in a combined financial statement presentation (Exhibit A-1). Likewise, the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances are reconciled to the Statements of Activities in a combined financial statement presentation (Exhibit A-2).

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

KEY FINANCIAL COMPARISONS

Property taxes. The primary source of revenue for the District is ad valorem property taxes. All District funds, with the exception of the District's Capital Improvements Bond Fund, derive their revenues primarily from property taxes. In 201 S, total tax revenues increased by $20.2X4,000 m the District's Statement of Activities, as shown on page .i9. The property tax levies for the Corporate Fund. Debt Service Fund and Stormwater Management Fund all increased from the prior year; however, the majority of the increase in property taxes recorded is due to the change in the deferral of tax revenue affecting tho timing of collections.

Program revenue. The other notable changes were in user charge revenue and land rentals. The user charge revenue decrease of $7,098,000, as shown on page 39, was expected due to a significant industrial user who paid two years of user charge revenue in the prior year, and a gradual decrease in user charge rates. The increase of S5,326,()00 in land rental revenue is due to new and renewal agreements at higher rental amounts, additional acreage used by Ford Motor Company, and an increase in the Consumer Price Index.

Construction costs. The increase in construction costs of $278,000, shown on page 39, is attributable to a shift in construction projects from fund expenditures to substantially completed projects reclassified as infrastructure under the GASB 34 Modified Approach. These projects include: the Stickney Water Reclamation Plant (SWRP) West Side Settling Tanks, SWRP conversion of old Gravity Concentration Tanks to the Waste Activated Sludge Stripping to Remove Internal Phosphorus Process, SWRP Aeration air valve automation in batteries A, B,C and D, Calumet Water Reclamation Plant (CWRP) Tarp Pumping Station, CWRP Tarp Screens and the McCook Reservoir expanded stage two projects.

Pension costs. The 2018 pension cost decreased $3,821,000 from 2017, as seen on page 39. The decrease can be attributed to changes in GASB 68 additions, and reductions lo pension expense. Pension expense is calculated from a variety of items including employee service cost, interest, benefit payments, administrative expenses, and differences between expected and actual experiences. There was an increase in both employee contributions and projected net investment income, which contributed to the decrease in pension costs.

Claims and judgments. The S1,397,000 decrease in the Statement of Activities claims and judgments expense on page 39 is due to fewer claims paid out of the Reserve Claim Fund in 2018.

Employee costs. The District's employee-related expenditures are comprised of employee base salaries and overtime pay, employee benefits, including social securily, Medicare, health, dental and life insurances, as well as, tuition, training, mileage and other travel expenses. The District's employee-related expenditures are the largest single cost of the General Corporate Fund, comprising 66.0% of the total outlays for 2018. The 1.8% increase in employee costs of $3,256,000, is largely attributable to' the current mandatory annual salary adjustments as agreed upon in the District's various collective bargaining agreements for approximately 775 represented employees effective through June 30, 2020, as well as, promotions and step increases for employees.

Energy costs. In 2018, energy costs in the General Corporate Fund showed an increase of $3,073,000 as seen on page 41. Energy costs are made up of electricity and natural gas. The majority of the increase is for electricity and was due to operational factors at the water reclamation plants, including an increase of gallons of water treated due to heavier rainfall, an increase in biological oxygen demand, and the operation of phase I of the McCook Reservoir.

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

Year ended December 31. 2018

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed comparison of the Statements of Net Position for December 31,2018 and 2017, is presented in the following schedule (in thousands of dollars):

Assets:
Current and other assets Capital assets Total assets Deferred Outflows of Resources: Loss on prior debt refunding Deferred amounts related to pension Total deferred outflows of resources Liabilities:
Current liabilities Long-term liabilities Total liabilities Deferred Inflows of Resources:
Deferred inflows for other pension and OPF.H amounts
Total deferred inflows of resources Net Position:
Net investment in capital assets
Restricted
Unrestricted (Deficit) Total net position
2018
2017
$ 1,405,592 7,594,442 9,000,034

Increase (Decrease)
4,372 167,580 171,952
4,899 200,467 205,366

S (62,861) 57,593 (5,268)
327,814 4,117,855 4,445,669

(527) (32,887) (33,414)
100,669 100,669

4.822,532 . 706.425 (908,577)
85,567 85,567

112.409 5,586 (10,811)

363,413 4.313.689 4,677,101

15.102 15.102

4,710,123 700,839 (897,766)
S 4,620,380 $ 4,513,196 S 107,184

Percent Increase (Decrease)

(4.5)% 0.8 (0.1)

(10.8) (16.4) (16.3)

(9.8.) (4.5) (4.9)

566.6

2.4
0.8 1.2
2.4 %

The above schedule reports that the District's net position totaled 54,620,380,000 at December 31, 2018, which represents the amount the District's assets and deferred outflows exceeded its liabilities. The largest portion of the net position, 54,822,532,000. represents the District's capital assets used to provide services to taxpayers, net of the related debt. These assets include land, buildings, equipment, and infrastructure, and they are not available for the District's future spending needs. Restricted net assets totaled 5706,425,000 and represent resources that are subject to external or legal restrictions as to how they may be spent, such as federal grants or state loans, capital bond proceeds, tax levies for working cash, and debt service. The remaining portion of the unrestricted net position is a deficit of 5908,577.000.

38 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

A comparison of the changes in net position resulting from the District's operations for the years ended December 31, 2018 and 2017 is presented in the following schedule (in thousands of dollars):

Revenues
General Revenues:
Taxes
Interest
Other Program Revenues:
User charges
Land rentals
Fees, forfeits, and penalties Capital grants Total revenues Expenses
Board of Commissioners
General Administration
Monitoring and Research

Procurement and Materials Management
Human Resources
Information Technology
Law
Finance
Engineering
Maintenance and Operations
Pension costs
OPEB Trust Fund costs
Claims and judgments
Construction costs
Loss on disposal of capital assets
Unallocated depreciation
Interest
Total expenses Increase in net position

2018

636,242 15,531 15,263

44,000 22,678 5,116 17,086

755,916

4,167 16,063 30,262 7,102 53,182 15,173 6,023 3,460 27,800 187,660 102,993 (6,955) (4,059) 85,813

92 11,849 108,107

648,732 107,184

Increase (Decrease)

606,958 S 8.784 15,752

51,098 17,352 5,401 14.558

719,903

4,094 15,791 29,591 5,947 54.267 12.734 5,830 3.520 27,830 178,994 106,814 1,486 (2.662)

85,535 202 12,063 109,550 651,586 68.317

Percent Increase (Decrease)

4.8% 76.8 (3.1)

(13.9) 30.7 (5.3) 17.4 5.0

1.8
1.7
2.3 19.4 (2.0) 19.2
3.3 (1.7) (0.1)
4.8 (3.6) (568.0) 52.5
0.3 (54.5) (1.8) (1.3) (0.4) 56.9

Total net position, beginning ol year, as restated
Total net position, end of year

1.5 2.4%

Total revenues increased by S36.01 3,000 in 2018. or 5 0% from the prior year, and total expenses decreased by $2,854,000 in 2018 or 0.4% The major reasons for the variances are detailed under Key Financial Comparisons on pages 36-37.

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

Year ended December 31, 2018

The following charts show the major sources of revenue and expenses for the year ended December 31, 2018:

Expenses by Type

User Charges 5.8% Other 2.7% Interest 2.1°/-

Revenue by Source

Land Rentals 3.0%

.-■ Capital Grants 2.3% Human Resources 8.2%

Pension costs y 15.9%

Taxes 84.1%

Interest 16.7%

Construction costs 13.2%

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 2018, the District reports four major funds and two non-major funds. The four major governmental funds are General Corporate Fund, Retirement Fund, Capital Improvements Bond Fund, and Debt Service Fund. The non-major governmental funds are the Construction Fund and the Stormwater Management Fund.

The District ended the current fiscal year with combined governmental fund balances of S778,167,000, a decrease of $42,328,000 or 5.2% from 2017. A total ofS38,7l3,000 of the fund balances represents non-spendable fund balances. Restricted fund balances totaled S645.983.000. assigned fund balances totaled $158,319,000, and the remaining deficit of $64,848,000 was unassigncd.

General Corporate Fund

The General Corporate Fund is the principal operating fund of the District. It includes annual property taxes and other revenues, which are used for the payment of general operating expenditures not chargeable lo other funds. The General Corporate Fund's fund balance at the end of the current fiscal year totaled $284,542,000. The fund balance represented 80.3% of the General Corporate Fund expenditures, a good indication of the fund's liquidity. The total fund balance for the General Corporate Fund had a decrease of $7,401,000 from 2017. 'flic District's General Corporate Fund consists of the Corporate, Corporate Working Cash, and Reserve Claim Divisions, which are presented and explained in Note lb on pages 64-70.

flic General Corporate Fund ended the year with an unassigncd fund balance deficit of $64,772,000 due lo the required reserve claims restriction, non-spendable inventories and restricted working cash.

A detailed comparison of the General Corporate Fund revenues for the years ended December 31. 2018 and 2017 is shown in the following schedule (in thousands of dollars):

General Corporate Fund Comparative Revenue Schedule

Revenues:

Properly taxes

Personal property replacement tax

Total tax revenue Interest on investments Land sales

Tax increment financing distributions Claims and damage settlements User charges Land rentals

Fees, forfeits, and penalties Miscellaneous Total revenues
2018

Amount

S 235,471 17,970 253,441 5,256

6,153 1.470 44,000 22,678 5,1 13 4.724 $ 342,835

% of Total
2017
Amount

68.5% 5.2

73.7 1.5

1.8 0.4 12.X 6.6 1.5 1.7

$ 212,679 28,715 241,394 3.006 50 9,100 199 51,098 17,352 3,915

3,888

100.0% S 330,002

% of Total

64 4% 8.7

73.1 0.9

2.8 0.1 15.5 5 3 1.2 1.2

100.0%

Percent

22,792 (10,745) 12,047 2,250 (50) (2.947) 1.271 (7,098) 5,326 1,198 836 12,833

Increase Increase (Decrease) (Decrease)

10.7% (37.4) 5.0 74.9 (100.0) (32.4) 638.7 (13.9) 30.7 30 6 21.5 3.9%

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, rental income and tax increment financing distributions. In 2018, General Corporate Fund revenues totaled S342.835.000, an increase of $12,833,000. or 3.9%, from 2017. The major variances in revenues are explained under Key Financial Comparisons on pages 36-37.

A comparative analysis of the General Corporate Fund expenditures by object class for the years ended December 31, 2018 and 2017, is shown in the following schedule (in thousands of dollars):

General Corporate Fund Comparative Expenditures Schedule

Expenditures-Employee Cost Energy Cost Chemicals

Solids & waste disposal Repairs to structures/equipment Materials, parts. & supplies Insurance

Professional services Claims and judgments Other

Total expenditures
21118

Amount

S 233.902 42.246 9.564 13.451 15.800 13.746 2.143 4.1)63 5.497 14.024 S 354.43d

2017

% of Total

Amount

66.0"/ 11 9

2 6

3 8

4 5 3.9

0 6 1.1

1 6 4 0

S 230,646 39,173 9,137 13,885 13,164 I 1.152 3.080 4.150 6,905 12,758 1(10.0% S 344.050

% of lota]

67.0% 11.4

2 7 4 1

3 8

0.9 1.2

2 0

3 7

10(1.0%

Increase (Decrease)

S 3,256 3,073 427 (434) 2.636 2.594 (937) (87) (1.408) 1.266 S 10.386

Percent Increase (Decrease)

1 4% 7.8 4.7 (3.1) " 20.0 23.3 (30 4) (2 I.) (204) 9 9 3 ()%

FINANCIAL SECTION 41

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

Year ended December 31. 2018

In 201S, General Corporate Fund expenditures totaled $354,436,000. an increase of S 10,386,000, or 3.0%, from 2017. Employee costs, energy costs, and solids and waste disposal were the three largest expenditure components of the General Corporate Fund in 2018, accounting for 81.7% of total expenditures versus 82.5% in 2017. The major variances in expenses are explained under Key Financial Comparisons on pages 36-37.

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 al the end of the current fiscal year totaled $134,450,000. The fund balance represented 52.5% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund decreased by $12,550,000 in the current year, as a result of an increase in bond principal and interest payments.

The Capital Improvements Bond Fund is a capital projects fund used by the District for the construction and preservation of capital facilities. The Capital Improvements Bond Fund's resources are bond proceeds, government grants, and state revolving fund loans. The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled $270,128,000. This amount will provide resources for the 2019 capital construction program. The fund balance represented 212.0% of the fund's expenditures. The fund balance decrease of $41,869,000 in the current year was primarily due to continued construction of capital projects and no issuance of general obligation bonds in 2018.

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

GENERAL CORPORATE FUND BUDGET ANALYSIS

The General Corporate Fund budget includes the budgetary accounts of the Corporate Fund and Reserve Claim divisions. A comparison of the 2018 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 2018 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-l).

42 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

A condensed summary of the 20 IS General Corporate Fund budget and actual amounts is presented in the following schedule (in thousands of dollars):

Revenues:

Property and personal property replacement taxes

Adjustment for working cash borrowing

Adjustment for estimated tax collections

Tax revenue available for current operations

User charges

Interest on investments

Tax increment financing distributions

Land rentals

Land sales

Claims and damage settlements

Equity transfer

Other

Total revenues

Operating expenditures: Board of Commissioners General Administration Monitoring and Research Procurement and Materials Management Human Resources
Information Technology Law Finance Engineering
Maintenance and Operations
Claims and judgments Total expenditures Revenues over (under) expenditures Fund balance at beginning of year Net assets available for future use Fund balance at beginning of year Fund balance at end of the year

Budget
Original

S 257,031 (4,599)

253.032 46.000 1,600 9,725 21,500

4,200 6.069 342.126

5,145 16.725 31.889 9,467 59,226 17,053 7,503 3.744 28.322 191,136 30,290 400.500 (58.374) 161,635 (103.261) 58.374

Actual Amounts

257.575 (4,599) (17,734) 235,242 41,302 3,500 10,937 23,036

179 4,200 8,981
327.377

4,147 15,919 29.576
8,733 53,676 15,432
6,137
3,448 26,024 185,399
5,497 353.990
(26.611) 167.366

167.366 S 140,755

Actual Variance with Final Budget -
Positive (Negative)

(55)

(17,734) (17.789) (4,698) 1,900 1,212 1,536

179

2,912 (14,749)

998 831 2.313 734 5.550 1,550 1,366 296 2,298 5,783 24.793 46,512 31,763 5,731 103.261 108.992 140,755

Actual revenues on a budgetary basis for 20IS m the General Corporate Fund totaled $327,377,000, or S 14,749,000 less than' budgeted revenues, a (4 3)% variance. Property taxes and personal property replacement taxes were $ 17,789,3 10 less than the budget, mostly due to the change in the levy and the delay in collections;

although the 201 8 property tax levy was higher than prior year, actual collections arc based on the 2017 levy. User charge receipts were S4.69S.000 less than budgeted due to a decrease in the user charge rales. Interest on investments was S1,900.000 over budget as of result of the steady rise in interest rates from the previous few years. The Federal funds rate has risen

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

Year ended December 31. 2018

from .12% in November 2015 to the current level of 2.2%. Land rentals were $1,536,000 more than the budget due to a continued effort to maximize the District's real estate portfolio.

The 2018 General Corporate Fund final appropriation of S400,500,000 remained equal to the original amount. Achial budgetary expenditures totaled $353,990,000, or 85.8%, of the total appropriation. The $46,512,000 excess of appropriations over actual expenditures was primarily due to claims and judgments costs being $24,793,000 less than appropriations, and positive variances in expenditures from all departments, most noticeably a $5,783,000 positive variance for Maintenance and Operations. Expenditures for the Maintenance and Operations department were below appropriations, for reasons that include salary savings resulting from position vacancies throughout the year, fewer than anticipated expenditures for the biosolids operation, which is highly weather dependent, and fewer than anticipated expenditures for chemicals, especially those related to nutrient recovery at the Stickney Water Reclamation Plant.

The District's Reserve Claim fund actual payments were significantly lower than budgeted, resulting in a large variance between budget and actual, as it is the policy of the District to appropriate the entire Reserve Claim fund balance. This is consistent with the Board of Commissioners' policy to accumulate sufficient reserves for payment of future claims without exposing the District to financial risk that could curtail normal operations.

CAPIT AL ASSETS AND MODIFIED APPROACH

Capital Assets. The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2018, amounted to $7,652,035,000. Reportable capital assets, net of accumulated depreciation, for 2018 as compared to 2017 are as follows (in thousands of dollars):

	2018	2017	Increase (Decrease)	Percent Increase (Decrease)
Land	145.533	$ 144.204	1,329	0.9%
Permanent easements	2,076	1,463	613	41.9
Buildings	6,799	6,984	(1S5)	(2.6)
Machinery and equipment	24,679	24,180	499	2.1
Computer software	1,059	1,449	(390)	(26.9)
Depreciable infrastructure	1,640,144	1,651,454	(11,310)	(0.7)
Modi lied infrastructure	5.410.700	5.085,766	324,934	6.4
Construction in progress	421.045	678,942	(257,897)	(38.0)
Total	S 7.652.035	S 7,594.442	S 57.593	0.8%

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

- Total capital asset additions exceeded retirements and depreciation by $57,593,000 in 2018.
- Construction in progress decreased by $257,897,000 from 2017 to 2018 because several large projects were completed in 2018 and moved to infrastructure. Major projects which remained in progress during 2018 include: the Melvina ditch reservoircxpansion, BuffaloCreck reservoir expansion, and Phase II of the McCook reservoir.
- The increase m the Modified Infrastructure is primarily due to the substantial completion of the West side primary settling tanks and aerated grit facility. Calumet TARP pumping station improvements, Calumet TARP screens, and Hood contii.il/streanibank <http://contii.il/streanibank> stabilization on Tinley Creek. The remainder of the increase is due to the residual costs of construction

pro jects completed in the prior year being added directly to infrastructure.

In addition to the above, commitments totaling $199,541,000 remain outstanding foi 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; e) readily highlight infrastructure assets that need significant rcpair/rehabilitation/replacement under a construction project; and d) provide additional evaluative information to bond rating agencies to insure that the District's bond rating is maintained at the highest level.

The Kirie, Hanover, Egan, Central (Stickney), O'Brien, Calumet, Lemont, and Waterways network assets had their initial condition assessments completed between 2002 and 2006. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2018. Kirie, Central (Stickney) and Waterways each had its most recent condition assessment completed in 2017. I he Egan and O'Brien networks each had its most recent condition assessment completed in 2016. (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 1.1. 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 3 1,2018, totaled $4,266,057,000. The breakdown of this debt and changes from 2017 to 2018 are as follows (in thousands of dollars):

Net bonds payable Bond anticipation notes Claims payable Compensated absences Capital lease Net Pension liability Net OPEB liability Total

2018

2017

S 2,879.915 296,529 30,669 22.811 38.574 1,079.566 132.976

Increase (Decrease)

~S 99,084

(186,663)

(9,556)

(.1.333)

(2,595)

(94,492)

(19,428)

8 4.266.057 Is 4,481,040 S (214.983)

Percent Increase (Decrease)

3.4 %

(62.9)

(31.2)

(5.8)

(6.7)

(8.8)

(14.6)

(4.8)%

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

- Net bonds payable increased by $99,084,000 in 2018 due to the conversion of bond anticipation notes to bonds.
- Bond anticipation notes decreased by $186,663,000 m 2018 also due to the conversion of bond anticipation notes to bonds.
- Claims payable decreased by $9,556,000 due to determining the District is not liable for prior claims and any settlements will be resolved within the budgeted contingency amount.
- A number of items factor into the Net Pension Liability: however, the $94,492,000 decrease is mostly attributable to a $95 million adjustment from actual earnings greater than projected. Other factors that affect

the net pension liability include the net change of increases in interest, service cost, administrative costs, and expected versus actual experience and contributions. See Note 7 for additional details.

The District's general obligation bonds have the following long-term credit ratings: Standard & Poor's Financial Services. LLC AA+ Fitch, Inc. AAA Moody's Investors Service Aa2

Additional disclosure on debt can be found in Note 11 to the basic financial statements.

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

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

The amount of the District's debt may not exceed 5.75% of the last published equalized assessed valuation of taxable real estate within the District, which was S147,945,824,000 for the 2017 property tax levy. At December 31, 2018, the District's statutory debt limit of 58,506,884,823 exceeded the applicable net debt amount of $2,925,702,000 by $5,581,182,823; therefore, the District is in compliance.

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 5150 million plus the amount of any bonds authorized and unissued during the three preceding budget years. The District has issued various series of bonds since the authorization. This limitation is not applicable to refunding bonds, money received from the Water Pollution Control Revolving Fund, and obligations issued as part of the American Recovery and Reinvestment Act of 2009. issued prior to January I, 2011, commonly known as "Build America Bonds". Bonds authorized, unissued and carried forward were $450,000,000 for the budget year ended December 31, 2018.

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 levy year 2018 is $166,066,000 (the "Debt Service Extension Base"), which can be increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index (as defined in the Limitation Law). The Property Tax Extension Limitation Law has been amended so that the issuance of bonds by the District to construct TARP will not reduce the District's ability to issue limited bonds for other major capital projects. The amount of outstanding non-referendum Capital Improvement Bonds may not exceed 3.35% of the last known equalized assessed valuation of taxable property within the District. At December 31, 2018, the District's outstanding capital improvement and refunding bonds (excluding Slate Revolving Fund bonds and alternate bonds) of SI.757.715.000 did not exceed the limitation of $4,956,185,000.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2018, are indicated in the following schedule (in millions of dollars):

Capital Improvement and Refunding Bonds Outstanding and Remaining Authorization

Year of Issue	Total	Capital Improvement	Refunding
2007	S 285S	-	$ 285
2009	600	600	-
2011	281	281	-
2014	216	163	53
2016	376	54	322
Total bonds outstanding at December 31,2018	1,758S	1,098"	$ 660
Remaining bond authorization at December 31. 2018	3.198		
Total'bond authorization at December 31, 2018	S 4.956		

The amount of non-referendum Coiporate 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 Coi porate 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 lax 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 Properly Replacement Tax.

Additional information on the District's debt can be found in Note 11 lo the Basic Financial Statements and Exhibits I-10 through 1-12 of the Statistical Section.

ECONOMY AND OTHER CONDITIONS IMPACTING THE DISTRICT

The equalized assessed valuation of the District has experienced a 0.84% average growth rate over the last ten years although the 2017 equalized assessed valuation of $147,945,824 is 5%> higher than the previous year. The pace of home sales is increasing and home prices continued to climb because there is insufficient inventory to meet ihe current demand. The median price of homes in the Chicago metro area was up 4.3%> compared to the prior year. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at ihe federal and stale levels. The boundaries of the District encompass 91 % of the land area of Cook County. The District is located in one of the strongest and most economically diverse geographical areas of Illinois. Unemployment for the Chicago-Naperville-.Ioliet Metropolitan Division decreased to a seasonally adjusted rate of 4.1% for 2018, down from 4.8%> from 2017. Employment, tourism, manufacturing, and the commercial and residential real estate markets have all been steadily improving in the past few years.

Corporate Fund. The Corporate Fund is the District's general operating fund and includes appropriation requests for all the day-to-day operational costs anticipated for 2019. The total appropriation for the Corporate Fund in 2019 is $377.6 million, an increase of S7.4 million, or 2.0% from the 201 8 Adjusted Budget. The 2019 tax levy for the Corporate Fund is $223.9 million, an increase of S! 6.5 million or 7.4% compared to the 201 8 Adjusted Budget.

Property taxes and user charges are the primary funding sources for the District's Corporate Fund. Illinois law limits the tax rate of this fund to 41 cents per S100 of equalized assessed valuation The estimated lax rate for the Corporate Fund in 2019 is 16.22 cents, an increase of 0.1 cent from 2018 as adjusted. User charges are collected from industrial, commercial, and non-profit organizations to recover operations, maintenance, and replacement costs proportional to

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

Year ended December 31, 2018

their sewage discharges, in excess of property taxes collected.. The major categories of payers: chemical manufacturers, food processors, and government services, are generally expected to maintain their recent level of discharges.

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

The Stormwater Management Fund appropriation for 2019 totals $91.4 million, an increase of $25.8 million or 39.4% from the 2018 Adjusted Budget. Property taxes are the primary funding source for the District's Stormwater Management Fund. Illinois law limits the tax rate of this fund to 5 cents per $100 of equalized assessed valuation. The estimated tax rate for the Stormwater Management Fund in 2019 is 3.37 cents, which is an increase of 0.2 cents from 2018 as adjusted.

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

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

Two categories have been established for DWP projects. The first category is strcambank stabilization, which involves addressing critical active strcambank erosion threatening public safety, structures, and/or infrastructure. The second category of projects addresses regional ovcrbank Hooding. The selected projects constitute the Stormwater Capital Improvement Program, and will be scheduled according to funding availability.

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

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

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

Capital Improvement Program: Construction Fund and Capital Improvements Bond Fund. The District's overall Capital Program includes 2019 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately SI.2 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 District Budgets and arc 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, arc included in the Annual Budget to present a comprehensive picture of the District's Capital program. These future projects will be requested for appropriation subject to their priority, design, and available funding.

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

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

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

I he Uniied Stales Environmental Protection Agency (USEPA) implemented the State Revolving Fund (SRF) to ensure that each state's program is designed and operated to continue to provide capital funding assistance for water pollution control activities in perpetuity, but preserves a high degree of flexibility for operating revolving funds in accordance with each state's unique needs and circumstances. Funds in the SRF are not used to provide grants, but must be available to provide loans for the construction of publicly owned w astewater treatment works. Low interest SRF loans are an integral part of the District's capital improvements financing SRF revenues are based on the award and construction schedule of specific projects. In 201 8. the District received SOS,741.900 in cash receipts for SRF projects.

Construction Fund. The Construction fund appropriation for 2019 totals SIS.340.300, a decrease of $7,740,300 or 29.7% from the 20IS Adjusted Budget.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to the Tax Cap. The 2019 tax levy planned for the Construction Fund is $7,000,000. a decrease of $4 1 million or .35.0% from the 20 IS Adjusted Levy.

FINANCIAL SECTION 49

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

Year ended December 31. 2018

Capital Improvements Bond Fund. The 2019 appropriation for the Capital Improvements Bond Fund is S3 78,173,800, an increase of $65,190,900 or 20.8% from the 2018 Adjusted Budget. Capital projects pursued by the District are: mission critical, improve environmental quality, preservation/rehabilitation of existing infrastructure or commitment to the community through process optimization. The appropriation is based on the scheduled award of 5275,206,000 in projects. Capital Improvements Bond Fund projects scheduled for award in 2019 with estimated award values include one TARP modification project of S2.5 million; eleven plant expansion and improvement projects at $38.6 million; and fourteen facilities replacement projects at $89.1 million.

The decrease in appropriation for the Capital Improvements Bond Fund of $65,190,900 reflects the pattern in the award of major projects. An appropriation for the open value of existing contracts is also earned forward from the prior year.

The remaining $102,967,800 million appropriation for this fund will provide for studies, services, and supplies to support District design and administration of proposed and ongoing construction activity, including the TARP reservoirs. A comprehensive narrative, and exhibits detailing our entire Capital program, are provided in the Capital Budget (Section V) of the 2019 budget document.

A listing and description of proposed projects, and projects under construction scheduled for 2019, can be found in the Capital Budget (Section V) of the 2019 Budget document.

Other Post-Employment Benefits (OPEB) Trust. The District provides subsidized health care benefits for its retirees. The Governmental Accounting Standards Board (GASB) Pronouncement 75 was implemented in 2018 and replaces the requirements of GASB pronouncement 45, which initially required reporting of the future liability for maintaining these benefits in the Comprehensive Annual Financial Report (CAFR), GASB 75 further addresses accounting and reporting for OPEB including establishing standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

In 2006, the District proposed stale legislation to give authority to establish an OPEB trust. Public Act 95-394 became effective on August 23, 2007. Since inception, the District has budgeted and transferred a total of $127,400,000 million into the OPEB Trust Fund. The District has continued to contribute S5.0 million per year until the Trust is fully funded. Total net position was SI 88.3 million as of December 31, 2018. The accumulated unfunded OPEB obligation was estimated at approximately $113.5 million at December 3 I, 2017.

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

Target Funding Level'	100% maximum
Funding Period	12 years
Funding Amount	S5 million funding in each of the Iwelve years 2015 through 2026. with no further advance funding contribution required after 2026

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

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

50 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

Pension and OPEB Reporting Changes. The District implemented GASB 68, Accounting and Financial Reporting for Pensions, beginning with the year ended December 31, 2015. The OPEB Trust Fund implemented GASB 74 (for post-retirement plan) in 2017 and the District implemented GASB 75 (for employer) in 2018.

Organized Labor. The District has seven collective bargaining agreements that cover sixteen unions and include approximately 782 of the District's employees for the purposes of establishing wages and benefits. Three-year successor agreements were negotiated with all bargaining units in 2017 and will expire in 2020.

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

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is intended to provide a general summary of the District's finances to interested parties, and to demonstrate the District's accountability over the resources it receives. Please 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.

FINANCIAL SECTION 51

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BASIC FINANCIAL STATEMENTS

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

December .U. 20IS

General Corporate Fund

Debt Service Kund

(with comparative amounts for prior year) (m thousands of dollars)

21118

2017

2(118

5.256 19.037 61.5S7

7.624 S 63.6<>5 149.404 5.201 237.839 8.588 132 35(1 33.436
21,162 116,8X1 99.282 4.101 221,802 8,599 101 527 34,787

Assets and deferred nutllows of resources

Assets Cash

230.351

Corn Hemes of deposit Investments (nolo 4) Prepaid insurance Taxes receivable, nel (nolc 5) Other receivables, nel (nole 5) Due from other funds (note 12) Restricted deposits Inventories

507.242
506.269
3 16.231

Capital assets not bonis depreciated/amortized (note 6) Capital assets being depreciated/amortized, net (note 6) Total assets Deferred outflows of resources Loss on prior debt refunding

Deferred outflows for pension and OPEB related amounts

S 506.269 S 507,242 $ 316,231 S 334,542 $ 300,232 S 368,297

Total deferred outflows of resources

Total assets and deferred outflows of resources

Liabilities, deferred inflows of resources, and fund balances/net position

Liabilities.

S 25,626 S 21,924 S

8,427 8,139

34.053

30.063

Accounts payable and other liabilities (nole 5) Due to Pension Trust Fund (note 12) Due to other funds (note 12) Accrued interest payable Unearned Kcvenue (note 5) Long-term liabilities: (note 11) Due within one year Due in more lhan one year

Total liabilities Deferred inflows of resources.

187.674

185,236 181,781

187.674

185,236

181.781 • 187,542

Unavailable tax revenue (note 5) Oihcr unavailable revenue (note 51 Deferred inflows for pension and OPEB related amounts

Total deferred inflows of resources

5.201 33.436

350 282.055 28.272

4.101 34.787

527 280.437 25.890

fund balances Nonspeiulable:

Prepaid insurance

Invenloiics Restricted for

Deposits

Working cash

134.450

Reserve claims

Debt service

Capital proiecls

Construction Assigned

(04.772) (53.799)

284.5-12 291.943

134.450

Unassigncd (Defieil) Toial fund balances

S 506.260 S 507.242 S 316,231 S 334.542 S 300.232 $ 368,297

Total liabilities, deferred inflows, and fund balances Nel position

Nel investment m capital assets

Restricted for corporate working cash

Restricted for reserve claim

Restricted for debt service

Rc.stncled loi capital pio|ccts

Resiricied for consliuction woikiug cash

Restricted for slormwaicr working cash

Umcstnclcd (Deficit)

Total net position See acconipaiiving notes to the basic fnuiKial statements

54 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

Retirement Fund

Other Governmental / Nonmajor Funds

Total Governmental Funds

Adjustments (Note 2a)

Statements of Net Position

2018

1,695 45.523 40,926 76 57,442 954

146.616

237.769 421.655 5.277 599.147 I 8,805 132 350 33,436

2.590 S 26.292 S 49,010 $

1,342,863

212,220 476.476 4,180 576.550 5 1.842 101 527 34.787

1.405,693
(132)
5.910,375 1.684.067
(101)

5,979.354 1,672,681
7,651,903 7,594,341
26,292 237.769 421.655 5.277 599,147
350 33.436 5.979.354 .,672.6X1

18.805

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8,994,766
49,010 212,220 476,476 4.180 576,550
51,842

527 34,7X7 5.910,375 1.684,067 9,000,034

- 4,372
- 167,580
- 171.952

4,899 200.467 205,366
4,372 167,580 171,952
4,899 200,467 205,366
73,515 S 75,042 $ 146,616 S 120,570 S 1,342,863 S 1,405,693 S 7.823,855 $ 7,799,707 5 9,166,7IX S 9,205,400

12,107 132

4,886 $ 66,889 S
- 19,034 101 132

- 8,427

82,166 15,868 101

8.139

68,133 (132) 17,129

73,990 (101) 15,899

66,889 87.167

17,129 8,427

82,166 89,858

15,899 8,139

148,202 4,117.855 4,351,187
167,351 4.313,689 4.57(1,828
148.202 4,117,855 4,445.669
167,351 4,313,689 4.677,102

469.266 948

470.214

477,980 944

478.924
(469,266) (477,980) (9481 (944)
100,669 15,102
(369.545) (463,822)

100,669 100,669

5.277 33.436
4,1X0 34,787
(5.277) (33,436)
(4,180) (34,787)

60,093

21,71 I 7.243

(76)
89.047

59.71 3

4.146 5.696

(79)
69.555
35(1 342.148 28,272 134,450 133.520 7.243 158.319 (64.848)
778.167
527 340.150 25.890 147.000 168.670 5.696 147.473 (53.878)
820.495
(350) (342.148) (28.272) (134.450) (133.520) (7.243) (158,3 19) 64.848 (778.167)
(527) I 3-10.1 50) (25,890) (147.000) 1168,670) (5,696) (147.473) 53.S78 (820.495)
146,616 $ 120.570 $ 1,342,863 S 1.405.693

Net position

Net investment in capita! assets Kestnelcd for coi-poraic wm king cash Restricted for icsci've claim Restricted lor dcbi somcc Restncted foi capital pioiccls Restricted lor consliuction woikine cash Resliiclcd for siornmatcr woiking cash Unrcsli leled (Deficit 1

lol.il <http://lol.il> nel position

4.710,123 2X0,437 9.976 318.646 32.067 22.204 37.509 1897.766)
4.822.532 282.055 I 1.728 299.1(16 53.443 22.395 37.698 (008.577)
4,822.532 282.055 I 1.728 299.106 53.443 22.395 57.698 (9118.577)

4.710,123 280,437 9.976 3 18.646 32.067 22.204 37.509 1897.766)
S 4.620.3X0 S 4.513.196 $ 4.620.380 S 4.513.196

FINANCIAL SECTION 55

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

Year ended December 31, 2018
(with comparative amounts for prior year)

(m thousands of dollars)

Revenues

General revenues' Property taxes

Personal property replacement tax Interest on investments Land sales

Tax increment financing distubutions Claims and damage settlements Miscellaneous

Gain on sale of capital assets Program revenues

Charges for services.

User charges

Land rentals

Fees, forfeits, and penalties Capital grams and contributions:

Federal and state grants Total revenues Expenditures/Expenses Board of Commissioners General Administration Monitoring and Research Procurement and Materials Management Human Resources Information Technology Law Finance F.ngineering

Maintenance and Operations

Pension costs

OPF.13 costs
Claims and ludgmenls Const ruction costs Loss on disposal of capital assets Depreciation and amortization (unallocated) Debt service
Redemption of bonds and capital lease
Interest and bond issuance eosls
Total expenditures/expenses Revenues over (under) expenditures Other financing sources (uses)
Bond anticipation notes issued
Bund anticipation notes converted
Bond anlicipalion noies refunded
Transfers
Total othei financing sources (uses)
Revenues and other financing sources (uses) over (under) expenditures
Change in net position I'lind balances'nel position
Beginning of the yen. as restated (nole 16)
laid of the vear
Debt Service Fund
Capital Improvement
Bond Funds
2018
2017
2018
2018
2017
General Corporate Fund

- $ 6,188 3,659
17.970 5,256

6.153 1.470 4,724
2017
S 235.471

212,679 $ 235.489 S 207.606

28,715 - -
2,458
1.433
574 1.958
10 2.646
10
3,006 50 9,100 199 3.888
51,098 17,352 3,915
36
16.736
14,555
330,002
237,983
25,580
20,746

44.000 22.678 5.113
209,049
4,075 15,766 29.696
5.954 54,225 12.728
5.922
3,530 26.068 179,181
342,835

4,148 15,816 30.204
7.236 53,227 15,125
6.139
6.905
3.450 26.03 I 187.563
240,640
123.029
2.595 1.795 127.419
141,701 I 14,603 256.304 (18.321)
5.497
2,473 1.916
354.436
344.051)
245,029
(1 1.6111)
(14,048)

111.222 I I 7.604 228.826
(19,777) (101.839) (224,283)
175.245 39.281 139.281) (13.000)
4 200
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162.245
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64.170 254.2 I 1 (254.21 1) (4.200) 59.970 (41.869)
299.991
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291 "43
s 284.542 S 291.943 S 134.450 S 147.00(1 S 270.128 S 311.997

Sec .iccompanvuii! notes lo ihe basic financial statemcnis

56 FINANCIAL SECTION

Metropolitan Water Reclamation District oj Greater Chicago

Retirement Other Governmental / Total Governmental Adjustments Statements of
Fund Nonma jor Funds Funds (Note 2li) Activities
2018 2017 2018 2017 2018 2017 2018 2017 2018 2017

73,009 S 61,097 S 58,675 $ 45.550 $ 603,244 $ 526.932 S (4,020) S 36.832 S 599.224 S 563.764
19,048 14,479 ---37,018 43,194 --37.01843.194
- -1,62968615,5318.784--15,5318,784
- ----50-(50)--
- ---6.1539.10(1--6.1539,100
- -2101,4X2783--1,4X2783
- II3249197,6665.878(38)(59)7.6285,819
- ------50-50
- --■•-44,00051,098--44.00051,098
- ---22,67817,352--22.67X17,352
- -31,4X65.1 165,401--5,1165,401
- -346-17,08214.5554317.08614,558

92,668 75,579 60,904 47,751 759,970 6X3.127 (4.054) 36,776 755,916 719,903

- ---4,1484,07519194,1674.094
- ---15,81615,7662472516,06315,791
- ---30,20429.69658(105)30.26229.591
- ---7,2365.954(134)(7)7,1025,947
- ---53,22754,225(45)4253,18254,267
- -- .--15,12512.72848615,17312,734
- ---6.1395,922(116)(92)6,0235.830
- ---3,4503,55010(10)3.4603,520
- ---26.03126,0681,7691.76227.80027.830
- ---187,563179.18197(187)187.660178.994
- 92.66875.579--92,66875.57910.32531.235102.993106,814
- -----(6,955)1.4X6(6.955)1,486
- ---5,4976.905(9,556)(9.567)(4.059)(2,662)

- ■- 35,641 27.857158.670 268,497 (.72.857)(182.962)85.81385.535
- .... i)2202 92 202
• ----11.84912.063 11.84912,063

- _ ... 144,296113,695 (144.296) (113,695)--

- - - -116,398119,520 (8.291) (9,970) 108,107 109,550
92.668 75,579 35,641 27.857 866.468 921,341 (217.736) (269.755) 648.732
651.586
- 25,263 19.894 (106.498) (238,214) 213.6X2 306.531

• -64.17(1175.245164.170)(175.245) ■■ - -
• -254,21159.2X1(254,211)(59.2X1) -
• (254.211)(39.2X1)254.21139.2X1- -
(5.771) 3.731 - -_ - - -
(5,771) 3.73164.170175.245(64.170) [175.2451 - - _

19.49223.625 (42.328)(62.969)42.32862.969 - ■■ -

• -, -1117.1X468.5171(17.1X4 68,317

• 69,55545.930 820.495883.46-1-- 4.513.196 4.444.879
S 89,047 S 69.555 S 778,167 S 820.495 S - S ■- S 4,620.380
S 4.515.196

FINANCIAL SECTION 57

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

Year ended December 31. 2018

Revenues:

Property taxes: Gross levy

Allowance for uncollectible taxes Net properly tax levy Property tax collections Personal property replacement tax: Entitlement

Total tax revenue Adjustment for working cash borrowing Adjustment for estimated tax collections

Tax revenue available for current operation Interest on investments Tax increment financing distributions Miscellaneous User charges Land rentals

Claims and damage settlements Equity transfer from capital improvement bond fund Fees, forfeits, and penalties Total revenues Expenditures.

Board of Commissioners

General Administration

Monitoring and Research

Procurement and Materials Management

Human Resources

Information Technology

Law

Finance

Engineering

Maintenance and Operations Claims and judgments

Total expenditures Revenues over (under) expenditures Fund balances at beginning of year Net assets available for future use Fund balances at beginning of the year Fund balances at end of vear

(m thousands oj dollars)

Final

Budget
Original

240,466 (8,416) 232,050 5,731

19,850 257,631 (4,599)

253,032 1,600 9.725 5,277 46,000 21.500

4,200 792 342.126

5,145 16,725 31.889 9.467 59.226 17,053 7,503 3,744 28,322 191.136 30.290 400.5(10 (58.374)
161.635 (103,261) 58.374

Actual Amounts

240,466 (8,416) 232,050 5,676

19.850 257,575 (4.599) (17,734) 235,242 3,500 10,937 7,619 41,302 23,036 179 4.200 1.362
327,377

998 831 2.313 734 5.550 1,550 1,366 . 296 2.298 5,783 24.793
46.512
,763
5.731 103.261

4,147 15.919 29,576 8.733 53,676 15,432 6,137 3,448 26.024 185.599 5.497 555.988 (26,61 I)
167,366

167,366
108,992
140.755 S 140.755

See accompanying notes lo the basic financial statements

58 FINANCIAL SECTION

Exhibit A-4 Retirement Fund

Statements of Revenues, Expenditures and Changes in Fund Balance Budget and Actual on Budgetary Basis

Year ended December 3I. 2018

(in thousands of dollars)

Retirement Fund

Revenues:

Property taxes

Personal property replacement tax Miscellaneous

Total tax revenue Operating expenditures: Pension costs

Total expenditures Revenues over (under) expenditures Fund balances at beginning of the year Fund balances at end of ihe year
Actual nn Budgetary Basis

Final Budget

Actual Variance with Final Budget -

Positive (Negative)

$ 70,868 S 73,609 $ 2,741

18,736 19,048 312

3,064
92,668

- II II

92,668 92,668
89,604

89,604 89,604

Sec accompanying notes to the basic financial statements

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

December 31, 20 IS
(with comparative amounts for prior year)

(in thousands of dollars) 2018 2017

1.990

Assets

Cash S 2,131

Receivables

89,604 42,172 123.333 3,733 43

Employer contributions - taxes (net of allowance for uncollectible amounts of $4,203 in 2018 & $3,883 in 2017) 87,281	
Securities sold	-
Forward foreign exchange contracts	111.905
Accrued interest and dividends	3,939

258,885

Accounts receivable	53
Total receivables	203.178

568,135 96,641 143.848 62.S05 215,611 251,104 193.075

47.695

Investments at fair value

Equities	470,320
U.S. Government and government agency obligations	91,161
Corporate and foreign government obligations	145.707
Fixed Income Mutual Funds	69.189
Mutual and exchange traded funds	203,989
Pooled funds - equities	215,174
Pooled funds - fixed income	152.257
Limited partnerships - real estate	63,898

1.578.914

Short-term investment funds	19,214

27.448

Total investments	1,430,909

1,867,237
1,650.384

1.224

102.6X1 14,166 I IX.07I

Securities lending capital 14.166

Total assets

1,374 17.037

124,384 27.448

170.243

Liabilities

Accounts payable Securities purchased Due lo broker

Securities lending collateral Total liabilities

Net position restricted for pension and OPEB benefits

See accompanying notes to the basic financial statements

60 FINANCIAL SECTION

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

Year ended December 31, 2018
(with comparative amounts Jor prior year)

(in thousands ol dollars)

Additions:

Contributions:

Employer contributions Employee contributions Total contributions Investment income:

Net appreciation (depreciation) in lair value of investments Interest and dividend income

Total investment income (loss) Less investment expenses

Investment income (loss) net of expenses Security lending activities: Security lending income Borrower rebates Bank fees

Net income from securities lending activities

Other

Total additions

2018

104,738 21,033

125,771

(138,954) 28,879

(110.074) (5,079)

(115,153)

556 (164) (85) 307

1_5_

10,939

2017

108,289 20,840
129.129

198,551 25.979

224,530 (4,663)

219,867

448
(13)
(89)
346

349,345

Deductions:

Annuities and benefits Employee annuitants Retiree health care benefits Surviving spouse annuitants Child annuitants Ordinary disability benefits Duty disability benefits

Total annuities and benefits Refunds of employee contributions Administrative expenses Total deductions

133.184 12,571 25,264 143 S56 113

172,131 1.762 1.727
175.620

127,099 13,431 24,203 142 631 77

165.583 2,560 1,651
169.794

Net increase (decrease)

Net position held in trust for pension and OI'EB bene Beginning of year End ofvear

accompanying notes to the basic financial statements

NOTES TO THE BASIC FINANCIAL STATEMENTS

Notes to the Basic Financial Statements

Metropolitan Water Reclamation District of Greater Chicago

Index to Notes

Notes to the Basic Financial Statements

Year ended December 31. 2018

1. Summary of Significant Accounting Policies

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

a. Financial Reporting Entity - The District is a municipal corporation governed by an elected nine-member Board of Commissioners. As required by GAAP, these financial statements present the District (the primary government) and its component units, the Metropolitan Water Reclamation District Retirement Fund (Pension Trust Fund - Note 7) and the Metropolitan Water Reclamation District Retiree Health Care Trust Fund (OPEB Trust Fund - Note 8). The Board of Trustees for the Pension Trust Fund is composed of seven members. Two of these Trustees are Commissioners appointed by the Board of Commissioners of the District, four are District employees elected by members of the fund and one is a retired employee of the District. Although the Pension Trust Fund and OPEB Trust Fund are legally separate entities, for which the primary government is not financially accountable, they are included in the District's basic financial statements as fiduciary funds. The nature and significance of the Pension Trust Fund and OPEB Trust Fund's relationship with the primary government is such that exclusion would render the District's financial statements incomplete or misleading. Complete financial statements of the Pension Trust Fund can be obtained from their administrative office at 111 East Erie Street, Chicago, Illinois, 60611-2898 or on their website: mwrdrf.org <http://mwrdrf.org>. Complete financial statements of the OPEB Trust Fund can be obtained from the 'Treasurer of the Metropolitan Water Reclamation District at 100 Fast Erie Street, Chicago, Illinois 60611-2829 or on the District's website: mwrd.org <http://mwrd.org>.

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

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

In government, the basic accounting and reporting entity is a "fund." A fund is defined as an independent fiscal and accounting entity, with a self-balancing set of accounts which record financial resources, together with all related liabilities, obligations, reserves, and equities, which arc 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 arc included in the basic financial statements for the major governmental funds. The emphasis of the governmental fund financial statements is on major funds, with each major fund displayed as a separate column. The governmental fund financial statements include a budgetary statement for the General Corporate Fund and Ihe Retirement Fund.

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

The District reports the following major governmental funds:

General Corporate Fund

The fund was established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Corporate Fund. These accounts were established under Chapter 70, II.CS 2605/% 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 arc generally repaid by the Coiporate Fund from tax collections received during the subsequent year. Also included in this fund are accounts of the "Reserve Claim Fund," established under Chapter 70, ILCS 2605/12 of the Illinois Compiled Statutes, which is restricted for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, deferred inflows of resources and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2018 are as follows (in thousands of dollars):

Total Central Corporate Fund

Corporate Division
Corporate Working
Cash Division

Reserve Claim Division

Assets

Cash
Certificates of deposit Investments I'rcpaid insurance Receivables:
Property taxes receivable
Allowance for uncollectible taxes 'faxes receivable, net
User charges
Miscellaneous Due from Stormwater Management Fund Restricted deposits Inventories
Total assets

Liabilities. Deferred I allows and Fund Balances

Liabilities:
Accounts payable and other liabilities Unearned revenue Due to corporate fund from corporate working cash
Tolal liabilities Deferred inllows of resources Unavailable tax revenue
Total deferred inllows ol resources Fund balances Nnnspcndahlc
Prepaid insiuance Inventories Restricted for Deposits Working cash Reserve claims Unassigncd (Delicti)
Tol.il <http://Tol.il> fund balances
Tolal liabilities dcl'cired mllous and fund balances

6.988 7.624 88.074 5.201

245,668 (13,619)

S 7.624 $ 63.695 149,404 5.201

237.839 5.482 3,106 132 350 33.436

251.805 (13.966)

232.049 5.482 1.393 132 35(1 33,436
24.983 8.427 190.0(10

S 506.269 S 380.729
223,410

S 25.626 8.427

183.HI5
34.053
I83.IU5
1S7.674
5.201 33.436
187.674

5.201 55.436
350

350 282.055 28.272 ((.4.772)

284.542
(61
(25 786)
S 506.269 S 580 729 S

127 36,499 55,430

92,056 $

(190,000) (190,000)

282.055

282.056
92.(156 S

509 19,572 5,900

6,137 (347)

5,790 1,713

33.484

643

64.3

4.569
4.569

28.272

28.272
33 484

Notes to the Basic Financial Statements

Year ended December 31. 2018

The revenues, expenditures, and changes in fund balances of the General Coiporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions for the year ended December 31, 2018, are as follows (in thousands of dollars):

Revenues:
Property taxes
Personal properly replacement tax
Total tax revenue Interest on investments Tax increment financing distributions Claims and damage settlements Miscellaneous User charges Land rentals
Fees, forfeits and penalties Total revenues Operations:
Board of Commissioners
General Administration
Monitoring and Research
Procurement and Materials Management
Human Resources
Information Technology
Law
Finance
Engineering
Maintenance and Operations Claims and judgments
Tolal expenditures

Revenues over (under) expenditures

Total General Corporate Fund

Corporate Division

Corporate Working
Cash Division

17,970

S 235,471 $ 229,513 S

247,483 3,150 6,153 37 4.723 44,000 22,678 5,113 333,337

4,148 15,816 30.204
7,236 53,227 15,125
6,139
3,450 26,031 187.563

348,939
17,970

253,441 5,256 6,153 1.470 4,724 44,000 22,678 5,1 13 342,835

4,148 15,816 30,204
7,236 53,227 15.125
6,139
3,450 26,031 187,563
(15,602)
5,497 354.436

(11,601)

Reserve Claim Division

5,958

5,958 487

1,433 1

7,879

5,497
5.497

2,382

Other financing sources/fuses): Equity transfer in/(oul)

Net Change in Fund balance

Fund balance al the beginning of year Fund balance at the end of year

Debt Service Fund
A sinking fund established to account for annual properly tax levies and certain other revenues, principally interest on investments, which are restricted to be used for the pavincnt 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 giants, and certain other revenues, which are till restricted to be used in connection with improvements, replacements, and additions to designated environmental improvement projects

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

The District reports the following non-major governmental funds:

Construction Fund
A capital projects fund established to finance smaller construction projects on a pay-as-you-go basis. The Fund is primarily financed with an annual property tax levy and certain other revenues to be used to finance modernization and rehabilitation projects. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9(c) of the Illinois Compiled Statutes, which refers to these accounts as a "Construction Working Cash Fund." Amounts borrowed in one year arc generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, deferred inflows of resources and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2018, are as follows (in thousands of dollars):

Assets

Cash
Certificates of deposit
Investments
Receivables:
Property taxes receivable
Allowance for uncollectible taxes Taxes receivable, net Miscellaneous
Total assets

Liabilities, Deferred Inllows of Resources, and Fund Balances
Liabilities:
Accounts payable and other liabilities
Due lo Construction fund from Construction Working Cash
Total liabilities
Deferred inllows of resources.
Unavailable tax revenue

Total deferred inflows of resources

Fuiul balances:

Restricted for:

Working cash

Construction

Tolal fund balances

Tolal liabilities, deferred inllows, and fund balances

Total

8

6,408 4.879

144 S 16,045 4,008

12.093 (803)

Construction Construction Fund Division

152 S 22.453 8,887

,290

12,093 (803)

792

,290

32.279 S

I 1.295

792

43.574 $

$ 5,017 S 5.017 $ -

5.017

16.117

11.100 (11,100)

8.919

8.919

8.919

8,919

2,395 7.245

(11,100)

7.243

29.638

7.245

22,395

32.27V S

43,574 S

22.395

I 1.295

Notes to the Basic Financial Statements

Year ended December 31. 201H

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, 2018, are as follows (in thousands of dollars):

Revenues:

Property taxes

Total tax revenue Interest on investments Claims and damage settlements Miscellaneous Fees, forfeits and penalties

Total revenues Construction Costs: Contractual services Machinery and equipment Capital projects

Tolal expenditures
Total Construction Fund

16,049 S

16,049 632 2 80 3

16,766

2,432 5,772 6,824
15,028

Construction Division

16,049

16,049 441 2 SO 3

16,575

2,432 5,772 6.S24
15,028

Construction Working Cash Division

191

191

Revenues over (under) expenditures	1,738	1,547 191	
Other financing sources (uses):			
Equity transfer in/(out)		-	- -
Net Change in Fund balance	1,738	1,547	191
Fund balance at the beginning of year 27,900 5,696 22,204			
Fund balance at the end of year J	29,638 S	7.243 S	22,395

Stormwater Management Fund

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

The assets, liabilities, deferred inflows of resources and fund balances of the Stormwater Management Fund, detailed as to the Working Cash and Stormwater Management account divisions at December 31, 2018, are as follows (in thousands of dollars):

Assets

Cash

Certificates of deposit Investments Prepaid Insurance Receivables:

Property taxes receivable Allowance for uncollectible taxes Taxes receivable, net Other receivables Total assets

Stormwater Management Division

1,392 S 22,070 21.992 76

48,771 (2,619)

46.152 162

91,844 S

Stormwater Working Cash Division

151 1,000 10,047

11,198

Liabilities, Deferred Inflows, and Fund Balances

Liabilities:

Accounts payable and other liabilities

Due to Stormwater .Management fund from Stormwater Working Cash Total liabilities Deferred inflows of resources Unavailable lax revenue

Total deferred inllows of resources Fund balances: Nonspendable:

Prepaid Insurance Restricted foi Working Cash Capital projects Unassigncd

Total fund balances

Tolal liabilities, deferred inllows. and fund balances

S 7.090 S

132
7,222

36,411
36.41 I

76

37.698 21.71 I (76)
59.409

103.042 S
33.722

7,090 S 26,632 (26,500)
36,41 I
36.41 I
76
(26.500)
.71 1 (76)
!I.7I I

37.698
I 1. 198
37.69S
91.S44 S

FINANCIAL SECTION 69

Notes to the Basic Financial Statements

Year ended December 31. 2018

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, 2018, are as follows (in thousands of dollars):

Revenues:
Property taxes
Total tax revenue Interest on investments Grant Revenue Miscellaneous
Total revenues Construction Costs: Personal services Contractual services Material and supplies Capital projects
Total expenditures
Total Stormwater Management

Fond

42,626 $
42,626 997 346 169
44,138

6.437 2,348 39 11,789

20,613
Stormwater Working
Cash Division

190

190

Revenues over expenditures	23,525	23,335	190
Other financing (uses):			
Equity transfer in/(out)	(5,771)	(5,771)	-
Net Change in f und balance	17,754	17.564	190
Fund balance at the beginning of year	41,655	4,147	37,508
Fund balance al end of year	S 59,409	S 21.711	S 37,698

In addition, the District reports the following fiduciary funds: Pension Trust Fund
A fiduciary fund established to account for employer/employee contributions, investment earnings, and expenses for employee pensions. The balance reflected as employer contributions receivable represents amounts due to the plan pursuant to legal requirements.

OPEB T rust Fund
A fund established (pursuant to 70 ILCS 2605/9.6(d)) to administer the defined benefit, post-employment health care plan. T he intention of the District is that the Fund satisfies the requirements of Section I I 5 of the Internal Revenue Code of 1986, as amended. A private letter ruling regarding the exclusion of the T rust's income from gross income under Section 115 has been received from the IRS.

c. **Basis of Accounting and Measurement Focus Government-wide and Fiduciary Fund Financial**

Statements
The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues arc recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the period of related cash flows. Property taxes arc 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 arc reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available to finance operations. Expenditures are recognized in the period in which the fund liability is incurred except for principal and interest on long-term debt, compensated absences, claims, judgments, and arbitrage, which are recognized when due and payable.

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with a fund are determined by its measurement focus. Since governmental funds are accounted for on the current financial resources measurement focus, only current assets and current liabilities arc 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 arc susceptible to accrual. In general, the revenue recognition period is limited to amounts collected during the period or within sixty days following year-end. Revenues that are unavailable are reported as deferred inflows ' of resources.

Grants from Federal and State agencies arc recorded as revenues in the fund financial statements when reimbursable expenditures are incurred, or other eligibility requirements imposed by the provider arc 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. The annual ordinance for the levy of taxes contains a reserve for loss in collection of taxes. The District reviews the reserve annually.

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

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

2) T he public budget process begins with Board of Commissioners Study Sessions providing a budget overview in June.

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

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

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

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

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

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

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

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

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

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

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

e. Deposits with Escrow Agent in the amount of S280.000 arc currently held with the District's workman's compensation third party provider, all others (if any) represent cash with the escrow agent for the subsequent payment of interest on debt.

f. Certificates of Deposit are stated at cost plus accrued interest.

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

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

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

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

i. Prepaid Assets represent services the District has paid for but has not received the full benefit. Prepaids are

recorded as expenditures/expenses when consumed.

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

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

k. Inlerfund Transactions represent governmental fund transactions for the following: a) loans between funds reported as due to /due from other funds; b) reimbursements between funds reported in the fund linancials as expenditures in the reimbursing fund and a corresponding reduction in expenditures in the reimbursed fund: and c) transfers between funds. All inlerfund transactions arc eliminated in the government-wide financial statements. Sec Note 12 for further disclosure of inlerfund transactions

Notes to the Basic Financial Statements

Year ended December 31. 2018

I. 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 arc 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 Infrastructure Equipment Computer software
SI00.000 and over 5500,000 and over S20,000 and over $ 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
Infrastructure (TARP deep tunnels and drop shafts only)
Equipment
Computer software
80 years 200 years 6-50 years 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 arc depreciated. The modified infrastructure assets are categorized into networks, systems, and subsystems, liach of the District's seven WRPs represents a separate network and the waterway assets are an eighth network. The systems within the networks are categorized by the process flow through the network (i.e., collection system, treatment processes system, solids processing system, flood & pollution control system, or drying solids/utilization system). The subsystems represent the major processes of each system (e.g., line screens and grit chambers are subsystems of the treatment processes system). Condition assessments at each network are performed al the subsystem level and these assessments arc compiled into a single assessment for each system. The rating scales used in the condition assessments arc 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 arc being preserved at a level of acceptable or better, as evidenced by a condition assessment.

In compliance with Governmental Accounting Standards Board (GASB) Statement 34. existing infrastructure assets accounted for with the modified approach are not reported in the government-wide financial statements until an initial condition assessment is completed for the assets' network. Currently, all the District's WRPs infrastructure assets are reported as infrastructure under the modified approach in the government-wide financial statements. Condition assessments ofeligible infrastructure assets must be completed at least every three years following the initial assessments. The Kirie, Central (Stickney). Hanover. O'Brien. Egan. Calumet, Lemont WRPs, and Waterways had their initial condition assessments completed between 2002 and 2006 The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2018. The Kmc, Central (Stickney) and Waterways networks each had its most recent condition assessment completed in 201 7. T he Egan and O'Brien networks each had its most recent condition assessment completed in 2016. (See furtherdiscussion of the modified approach in the Required Supplementary Information Section).

Modified infrastructure assets under construction arc reported in the governmenl-wide financial >talcments as construction in progress and are reclassified to infrastructure assets when construction is substantially complete.

m. Compensated Absences for accumulated unpaid vacation, holiday, overtime, severance and sick leave are paid lo employees upon retirement or termination An employee is eligible to receive 100 percent of earned vacation, holiday and overtime pay. Depending upon the date of hire and/or collective bargaining agreements.

employees may also bo eligible to receive severance pay and 50% of accumulated sick pay up to a maximum of sixty days. Compensated absences are accrued as they arc earned in the government-wide financial statements. Expenditures and liabilities for compensated absences are recorded in the fund financial statements when due and payable. Included in the long-term liabilities of the Statements of Net Position at December 3 1, 2018, are liabilities for compensated absences of 52,335.000, due within one year, and $19,143,000 due in more than one year.

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

o. Unearned Revenue - Unearned revenue arises when resources are received by the District before it has legal claim to them. In subsequent periods, when revenue recognition criteria are met or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

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

The face amounts of the debt and bond premiums arc 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 issuance costs arc recognized as debt service expenditures in the fund financial statements.

q. Pensions - For purposes of measuring the net pension liability, deferred outflows of'resources and deferred inllows of resources related to pensions, and pension expense, information about the fiduciary nel position of the Pension Trust Fund and additions to/deductions from the Pension Trust Fund's fiduciary net position have been determined on the same basis as they are reported by the Pension Trust Fund. For this purpose, benefit payments (including refunds of employee contributions) arc recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

r. Postemployment Benefits Other Than Pensions (OPEB) - For purposes ofmeasuring the net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Health Care Plan (Plan) and additions to/ deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

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

Notes to the Basic Financial Statements

Year ended December 31, 2018

Restricted Fund Balance - Reported when constraints placed on the use of resources arc cither 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 speci fie purposes pursuant to constraints imposed by a board motion. The District's commissioners shall establish, modify, or rescind a fund balance commitment by vote of a motion presented to the Board.

Assigned Fund Balances - This consists of amounts that are constrained by the District's intent to be used for specific purposes, but arc neither restricted nor committed. The District's Board of Commissioners approved a motion authorizing the Executive Director to assign amounts of fund balances to a specific purpose. The District has an assigned fund balance of $158,319,000 in the Capital Improvement Bond Fund, for future capital projects.

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

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

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

Net investment in capital assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any debt attributable lo capital assets (net of unspent bond proceeds).

Restricted Net Position - This consists of net position that is legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. Net position restricted for working cash and reserve claims is based on legal restrictions, while net position restricted for debt service and capital projects is based on legal restrictions and/or outside parties. The government-wide statement of net position reports $706,425,000 of restricted net position.

Unrestricted Net Position - This consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

u. 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, I9S0. The system was developed in accordance with 70 ILCS 2305/7 I.

v. Comparative Data - The basic financial statements present comparative data for the prior year lo provide an understanding of the changes in financial position and results of operations, but not at the level of detail required for presentation in accordance with accounting principles generally accepted in the United States of America.

w. Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions thai affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows.

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/ expenses during the reported period. Actual results could differ from those estimates.

x. New Accounting Pronounceinent-The District implemented GASB 75, Aceouniingand Financial Reporting Jor Postemployment Benefits Other than Pensions. See Note 16 for further details.

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Notes to the Basic Financial Statements

Year ended December 31, 2018

2. Reconciliation of Fund and Government-wide Financial Statements

Reconciliation of Total Fund Balances to Total Net Position - The following explanations arc provided for the reconciling adjustments shown in the Governmental Funds Balance Sheets/Statements of Net Position at December 3 1, 2018 (in thousands of dollars):

Total fund balances of governmental funds

Amounts reported for governmental activities in the Statements of Net Position are different because: Capital assets are not current financial resources and therefore are not reported as assets in governmental funds. However, capital assets are reported in the Statements of Net Position. The cost of capital assets and accumulated depreciation is as follows:

Capital assets

Accumulated depreciation/amortization Capital assets, net

Long-term liabilities are not due and payable in the current period and accordingly arc not reported as liabilities in governmental funds. However, long-term liabilities are reported in the Statements of Net Position. The long-term liabilities consist of:

Compensated absences Claims and judgments Capital lease Bond anticipation notes
General obligation debt Net OPEB liability Net Pension liability Due to Pension Trust
Fund

Total long-term liabilities

Bond re funding transact ions are recorded as deferred outflows of resources in the governmental funds while bond premiums and discounts are recorded as olher financing sources and uses, respectively. Bond premiums are amortized over the life of the bonds for Ihe Statements of Net Position. They consist of

Bond premium

Bond refunding transactions

Tolal bond premium and refunding transactions Interest on debt is not accrued in governmental funds, but rather is recognized as a liability and an expenditure when due. Interest is recorded as a liability as it is incurred in the Statements of Net Position. The 20IS amount is:

Accrued interest

Some assets reported in governmental funds do not increase fund balance because the assets are not "available" to pay for current-period expenditures. These assets are offset by deferred inflow of resources in the governmental funds. However, these assets increase net position in the Statements of Net Position. They consist of:

Deferred properly taxes and personal properly replacement tax Grants and rents

Deferred inllows for pension and OPEB related amounts Adjustment to deferred inllows of resources Deferred outflows ol resources represent items related to pension, which will be recognized as a pension expense in future reporting pei lods Deferred outflows consist of employer contributions and "other" which includes differences between expected and actual experience, changes of assumptions, and net differences between projected and actual earnings on pension plan investments I low-ever, these items are reported in the Statement of Nel Position They consist of

Deferred outflows for employer contributions subsequent to measurement dale Deferred oultluws for pension and OPEB related amounts Adjustment in deferred outflows of resources Inlerfund transactions are eliminated for Government-wide reporting. These transactions consist of: Due from oilier funds Due to other funds

Tolal inlerfund Total net position of governmental activities

778,167

7,963,446 (311.41 I) 7,652.035

(21,478) (21.113) (35,979) (109.866) (2,810,177) (1 13.548) (985,074) (68,133) (4.165,368)

(168,822) 4.372 (164.450)

(17.129)

469,266 948 (100.669) 369,545

87.167 80.413

I 67.580

S 4.620,380

Reconciliation of Ihe Change in Fund Balances to Ihe Change in Net Position - The following explanations are provided for the adjustments shown in the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities for the year ended December 31, 2018 (in thousands of dollars):

Net change in fund balances of governmental funds

Amounts reported for governmental activities m Ihe Statements of Activities are different because:

Construction costs for capital outlays are reported as expenditures in governmental funds. However, m 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

Depreciation expense-allocated to various departments

Depreciation/amortization expense-unallocated

Excess of construction and capital outlay costs over depreciation expense

Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statements of Net Position. In the current period, debt proceeds and related items were:

Bond anticipation notes proceeds Debt proceeds total

Repayment of long-term debt is reported as an expendintre in the governmental funds, or as an other financing use in the ease of refunding, but the repayment reduces the long-term liabilities in the Statements of Net Position. In the current year, the repayments consist of:

Debt service principal retirement

Debt service principal retirement total

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

Change in claims and judgments

Change in bond interest

Change in bond anticipation notes interest

Amortization of bond issuance/refunding costs

Amortization of bond premium

Change in net pension liability

Change in net OPEB liability

Total additional expenses

The proceeds from the sale of land and equipment are reported as revenue in the governmental funds. However, the cost of the land and equipment is removed from the capital assets account in the Statements of Net Position and offset against sale proceeds resulting in gain or (loss) in the Statements of Activities The net effect of miscellaneous transactions involving capital asset sales

Total land and equipment sales

Unavailable tax revenues and certain other revenues that arc earned but "unavailable" for the current period are not recognized in governmental funds. These revenues consist of.

Property lax - nel

Grant and rent adjustment

Tolal adjustments

Change in net position of governmental activities

S (42,328)

72,857 (3,286) (11.84'))

57,722

(64.170)

(64.170)

144,296

144.296

1.333 9,556 (1,230) (3,378) (527) 13.426 (10.325) 6,955

15.810

(130)

(4.020) 4

(4.016)
S 107.IS4

Notes to the Basic Financial Statements

Year ended December 31. 2018

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 basisS		(26,611)
Adjustment from Budget to GAAP for:		
Tax revenues	18,199	
Cash basis oilier revenues	1,459	
GAAP versus budgetary expenditure differences '	(448)	
Revenues and other sources (uses) over (under) expenditures on GAAP basisS		(7,401)

4. Deposits and Investments Deposits

As of December 31, 2018, the District, the Pension Trust Fund and OPEB Trust Fund deposits were fully insured and collateralized.

Investments (excluding Trust Funds)

The investments which the District may purchase are limited by Illinois law to the following: (T) securities which arc fully guaranteed by the U.S. Government as to principal and interest; (2) certain U.S. Government Agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by a Federal corporation; (4) short-term discount obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois funds; (8) money market mutual funds and certain other instruments; and (9) municipal bonds of the State of Illinois, or of any other slate, or of any political subdivisions thereof, whether interest is taxable or lax-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 al a value of at least 102% of the investment amount (at market).

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District's investments at December .3 1. 2018 (in thousands of dollars'):

		Investment Maturities	
Investment Type	Fair Value	Less T han 1 Year	1- 5 Years
U.S Agencies	S 267.818S	I56,87SS 110,940	
Municipal Bonds	40,67515,57025,105		
Commercial Paper	112.255112.255-		
Slate Treasurer's Illinois FundsI1			
Total Investments	S 420.749	S 284.704	S 136.045

T he Illinois Funds invests a minimum of 75% of its assets in authorized investments of less than one year and no investment shall exceed two years maturity. The above fair value amount excludes accrued interest receivable of S906,0()0.

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

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

Credit ratings for the District's investments in debt securities as described by Standard & Poor's, Moody's and Fitch at December 31, 2018 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

Investment Type

U.S. Agencies
Federal Home Loan Banks (F1TLB) Federal Home Loan Mortgage Corporation (FHLMC) Total U.S Agencies

Commercial Paper
State Treasurer's Illinois Funds
Illinois Slate Regional Transportation Authority *
New York State Dormitory Authority*
Cook County, Illinois*
Illinois Stale Sales fax*
Mississippi Development Bank, Jackson Public School District*
Mann California Community College District I*
New York Stale Urban Development Corporate*
Maryland State Housing and Community Development*
Milwaukee County, Wisconsin*
Chicago Illinois Wastewater Transmission*
Chicago Park District, Illinois*
Denver City and County. Colorado*

Credit Ratings at 12/31/20 IS S&P/Muudy's/Fitch

AA+/Aaa/NR AA+/Aaa/AAA

A-l/P-l/Fl AAAm/NR/NR
AA/NR/AA NR/Aal/AA+
AA-/A2/A-:-
BBB/NR/A-
A-tVNR/NR AAA/Aaa/NR AA -/Aal/AA-i-
NR/Aa2/AA AA/Aa2/AA+
A/NR/AA-AA-^/NR/AA-AA-/Aa3/AA

% of Investment Type

60.5% 39.5% 100.0%

100.0% 100.0% 36.8% 19 1% 9.8% S.6% 7.1% 3 8% 3 8% 3.7% 3.1% 2.0% I 6% 0.6%

% of Total Investments in Debt Securities

63 6%

26.6% 0.0% 3.5% 1.9% 0 9% 0 8% 0.7% 0.4% 0.4% (1 4% 0.3% 0 2% 0 2% 0 I % 100 0%

Notes to the Basic Financial Statements

Year ended December 31, 2018

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 2018. the fair value of commercial paper represented 17.1% of the District's total investments, including certificates of deposit. None of the District's commercial paper in any one entity exceeded the 20% goal.

As of December 31, 2018, the following investments were greater than 5% of total investments (in thousands of dollars):

Investment	Fair Value
Federal Home Loan Rank (FHLB)	1 161,953
Federal Home Loan Mortgage Corporation (FHLMC)	105,865
	~S 267.818

There are no investments that represent 5%> or more of the Pension Trust Fund's net position restricted for pension benefits identified.

There are no individual investments held by the OPEB Trust that represent 5% or more of the Trust's fiduciary net position or the investment portfolio at year-end.

Custodial Credit Risk

The District's investments arc 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.

As of December 31,2018, the Pension Trust Fund had minimal exposure to custodial credit risk since all investments were insured, registered, and/or held in the Fund's name.

The OPEB Trust's Investment Policy requires that all investments and investment collateral be held in safekeeping by a third party custodial institution, as designated by the Treasurer, in the Trust's name. All cash balances maintained at banks are required to be collateralized with permitted LJ.S. Government Securities in an amount equal to 105% (at market) of the monies on deposit. Cash awaiting reinvestment in the Trust's investment account is protected up to $250,000 under coverage by the Securities Investor Protection Corporation (SIP('). As of December 31. 2018. the Trust had no exposure to custodial credit risk since all investments were registered or held in the Trust's name.

Trust Fund Investments
T he Pension Trust Fund uses the "prudent person rule" as the Fund's investment authority as set forth in the Illinois Compiled Statutes. The Fund's asset allocation policy allows investments in domestic equities, international equities and fixed income securities.

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

At December 31, 2018, the OPEB Trust's assets were invested in mutual funds traded on national securities exchanges. Investments are stated at fair value. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates.

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

The following table categorizes the Pension Trust Fund's interest bearing investments and presents the fair value and segmented time distribution of debt securities held by the Pension Trust Fund as of December 31, 2018 (in thousands of dollars):

Maturity

<1 year I -5 years 5-10 years Over 10 years

3.2% 15.1 16.9 64 8

Fair Value Percentage

2,895 13,820 15,386 59,060

100.0°/

<1 year 1-5 years 5-10 years Over 10 years

7,611 54.962 46,319 36.815

5.2 37.7 31.8 25 3

145.707

5-10 years S 152,257 100.0% <1 year £ 14,814 100.0%

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

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

Notes to the Basic Financial Statements

Year ended December 31, 2018

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, 2018 (in thousands of dollars):

Investment Type

Fixed Income Funds:

Dodge & Cox Income Fund Payden Core Bond Fund Western Asset Core Plus Institutional Total Fixed Income Funds Domestic Equity funds' Fidelity Contrafund Fidelity 500 Index Institutional Class Fidelity Mid Cap Index Institutional I.SV Value Equity Institutional Vanguard Global Minimum Volatility Vanguard Small Cap Index Institutional Tolal Domestic Equity Funds International Equity Funds:

Fidelity International Index Institutional Tolal International Equity Funds Money Market Funds

Tolal Fair Value

42.5% 14.2% 43.3%

Fair Value Percentage

29,425 9,837 29,927

69,189

12,728 17,874 17,780 12,275 8,S54 17,892

87,403

27,245

27,245

4,400

S 188.237

Average Maturities (years)

8.3 9.0 10.S

Credit Risk

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

84 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

The following table presents a summarization of the Pension Trust Fund's credit quality ratings of the holdings within the investments at December 31. 2018 (in thousands of dollars):

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

Credit Rating

A A Not Rated

AAA AA A BBB BB B

CC Not Rated

AAA BB

Not Rated

Investment T ype

U.S. Government and Government Agency U.S. Government and Government Agency

Corporate and Foreign Government Corporate and Foreign Government Corporate and Foreign Government Corporate and Foreign Government Corporate and Foreign Government Corporate and Foreign Government Corporate and Foreign Government Corporate and Foreign Government

Pooled Funds - Fixed Income (2) Pooled Funds - Fixed Income

Short-Term Investment Fund

Fair Value

~S 84,037 7,124 S 91.161" 12,451 13,326 33.933 35.272 3.373 3.020 53 44,279 $ 145.707" 141,441 10,816 $ 152,257" S 14,814

%

92.2%

7.8 100.0% 8~5 9.1 23.3 24.2 2.3 2.1 0.1 30.4 100.0% 92.9 7.1 100.0% 100.0%

1) Quality ratings ate provided by Standard & Poor's.
2) For pooled funds, an average credit quality rating is provided by Bank of America Merrill Lynch and Bloomheni Barclays.

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

Notes to the Basic Financial Statements

Year ended December 31. 2018

The following are the percentages of fixed income investment portfolio securities within each credit-quality rating asofDecember.31,2018:

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

Credit Rating	Dodge & Cox Income Fund	Payden Core Bond Fund	Western Asset Core Plus Fund
AAA	48.9%	5.0%	57.1%
AA	6.7	43.0	3.7
A	6.0	8.0	15.6
BBB	31.9	27.0	12.9
BB	6.5	7.0	5.7
B	0 0	4.0	2.3
Below B	0.0	0.0	2.7
Not Rated	00	6JJ	0.0
Total	100.0%	100.0%	100.0%

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

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

Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency denominated investments are in equities, fixed income and foreign cash. The Pension Trust Fund's exposure to foreign currency risk at December 31, 2018 was as follows:

Equities	Fair Value	%
Australian Dollar	$ 8,214,710	1.7
British Pound Sterling	18,314,935	3 9
Canadian Dollar	3,998,872	0.9
Danish Krone	2,059,631	0.4
European Euro	32,455,113	6.9
Hong Kong Dollar	2,878.732	0.6
Israeli Shekel	780.186	0 2
Japanese Yen	30,068,048	6.4
New Zealand Dollar	1,483,603	0.3
Norwegian Krone	1,869,080	0.4
Singapore Dollar	1.551,176	0 3
Swedish Krona	4,492,769	I 0
Swiss Franc	8,554,910	1.8
U S Dollar	353,597.907	75 2
Total	S 470,319,672	100 0 %

Metropolitan Water Reclamation District of Greater Chicago

Corporate and Foreign Government Obligations	Fair Value%		
Argentina Peso	S483.3470.3		
Australian Dollar	734.4430.5		
British Pound Sterling	1,977,3281.4		
Canadian Dollar	3,280,4462.3		
Chilean Peso	432,8690.3		
European Euro	14,780,93010.1		
Indian Rupee	364,8130.3		
Israeli Shekel	114,6680 1		
Japanese Yen	16,882,12211.6		
New Zealand Dollar	3,736,8032.6		
Thailand Baht	238,8630.2		
U.S. Dollar	102,680,45170.5		
	Total	1 145,707,083	100.0 %

Short-Term Investment Funds	Fair Value%		
Argentina Peso	$54,5400.4		
Australian Dollar	91,2020.6		
British Pound Sterling	324,1522.2		
Canadian Dollar	61,1690 4		
Danish Krone	13,0630.1		
European Euro	420,1432.8		
Hong Kong Dollar	99,0140.7		
Israeli Shekel	12,8430.1		
Japanese Yen	244,299I 6		
New Zealand Dollar	75,5520.5		
Norwegian Krone	21,7420.1		
Russian Ruble	15,6840 1		
Singapore Dollar	96,9310.7		
South African Rand	8,0670.1		
Swedish Krona	63,0620 4		
Swiss franc	132,7050.9		
U.S. Dollar	13.080,1 1888.3		
	Total	S 14,814,286	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.

Notes to the Basic Financial Statements

Year aided December 31, 201S

As of December 31, 2018, the OPHB Trust's investments in international equity mutual funds stated at fair market value are as follows (in thousands of dollars):

fund Name	Fair Value
Fidelity International Index Institutional	S 27.245
Vanguard Global Minimum Volatility	8,854
	$ 36,099~

Securities Lending

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

The relationship between the maturities of the investment pool and the Pension Trust Fund's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot determine. The Pension Trust Fund cannot pledge or sell collateral securities without borrower default; as such, the collateral security or non-cash collateral is not reported in the financial statements. The average term of securities loaned was 88 days for 2018; however, all securities loans can be terminated on demand by either the Pension Trust Fund or the borrower. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 1 day.

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

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

During 2018, there were no losses due to default of a borrower of the lending agent

A summary of securities loaned at fair value as of December 31, 2018 is as follows:

Securities loaned - backed by cash collateral

U S. and international equities Exchange traded funds

U.S. Government and government agency obligations Corporate bonds

Total securities loaned - backed by cash collateral

Securities loaned - backed by non-cash collateral

U.S. and international equities Exchange traded funds Corporate bonds

Total securities loaned - backed by non-cash collateral

8.742,607 3,227,329 1,326.229 326.278 13,622,443

56,840,301 1,182,262 55,321 58,077,884

$ 71,700,327

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

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

Fair Market Value Measurements

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

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

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

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

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

FINANCIAL SECTION 89

Notes to the Basic Financial Statements

Year ended December 31. 20 IS

The carrying amount of investments and fair value hierarchy at December 31. 2018 is shown in the following schedule (in thousands of dollars):

Fair Value Measurements Using

Investments Measured at Fair Value-Debt Securities

U.S. Agencies Municipal Bonds Commercial Paper

Total Investments at Fair Value

Inputs (Level 2)
12/31/2018
Quoted Prices Significant in Active Markets Other Observable
for Identical Assets (Level 1)
- S

$ 267,818 S 40,675 112,255
S 420.74S S

Investments Not Measured at Fair Value
State Treasurer's Illinois Funds 1
Total Investments S 420.749

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

The Pension Trust fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table sets forth, by level, within the fair value hierarchy, the investments at fair value as of December 31, 2018 (in thousands of dollars):

Fair Value Measurements Using

Investments by Fair Value Level
Equities
U.S. Govt and Govt Agency Obligations Corporate and Foreign Govt Obligations Mutual and Exchange Traded Funds Total investments bv Fair Value Level

12/31/2018

$ 470.320 91,161 145.707 89.341 796.529
Significant Other Observable Inputs (Level 2)

54,445 145,707
200,152 S

Investments Measured at N.-W

Total Investments at Fair Value

Pension Trust Fund

Investments Measured at NAV Pooled funds - equity (1)

SSGA S&P 500 Flagship Fund SSGA S&P Midcap Index Fund SSGA MSG! ACWI Fund

Pooled funds - fixed income (2)

SSGA U.S. Aggregate Bond Index Neuberger Bcrman High Income Fund

Limited partnership - real estate (3)

Trumbull Property Fund

Real estate investment trust (4)

PREEF America REIT II

Short-term investment fund (5)

BNY Melon EB Temporary Investment Fund

Total investments measured al NAV

Unfunded Fair Value Commitments

S 101,4% 47,389 66,289

141,441 10,817
8,750

37,119

26,778

14.814 S 446,143
N/A N/A N/A

N/A N/A

60 days

45 days

N/A

Redemption Frequency (If Currently Redemption Eligible) Notice Period

Daily Daily 2 times monthly

Daily Monthly

Quarterly

Quarterly

Daily

1) Pooled funds - equity - The investment objective of these investments is to track the performance of the S&P 500. S&P MidCap 500 and MSC1 ACWI ex USA indexes over the long term. The fair value of the investments in these funds has been determined using the NAV per share of the investments.
2) Pooled funds - fixed income - The investment objective of the U S. Aggregate Bond Index is to track the performance of the Barclays U.S. Aggregate Bond Index over the long term. The investment objective of the High Income Fund is to achieve an attractive total return of income and capital appreciation by investing primarily in high yield fixed income securities and bank loan interests, including secured and unsecured bank loans. The fair value of the investments in these funds has been determined using the NAV per share of the investments.
3) Limited partnership - real estate - The partnership's investment objective is to actively manage a core portfolio of primarily equity real estate investments located in the United States. The fair value of the investments in these funds has been determined using the NAV per share of the investments.
4) Real estate investment trust - The Fund's investment objective is to generate attractive, predictable investment returns from a target portfolio of low-risk equity investments in income-producing real estate while maximizing the total return The fair value of the investments in these funds has been determined using the NAV per share of the investments.
5) Short-term investment - This investment's objective is to invest m short-term investments of high quality and low risk to protect capital while achieving investment returns. The fair value of the investments in these funds has been determined using the NAV per share of the investments.

The carrying amount of investments and fair value hierarchy of the OPEB Trust is shown in the following schedule asofDecember31,2018:

Fair Value Measurements Using

Fair Value of Investments

Domestic Equity Funds International Equity Funds Domestic Fixed Income Funds Money Market Funds

Total Fair Value of Investments

$

Quoted Prices in Active Markets for Identical Assets (Level 1)

~S 78,548

36,100

69,189

4,400

188.237 S

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

5. Receivables, Deferred Inflows of Resources and Payables

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

Receivables

Receivables as of December 31, 2018 in the District's governmental funds and government-wide financial statements, net of

uncollectible accounts, are detailed as follows (in thousands of dollars):

Receivables al Dcccmbei 3 1, 2018 Properly taxes

Allowance for uncolleciible laxes Net property taxes Personal property replacement lax Total taxes receivable, net ■■" f.lther receivables-User charges

Slate revolving fund loans

Miscellaneous

Total oiher icccivables. nel

Total net receivables al December 31. 20IS

Debt Service
General Corporate

S 251.805 (13,966) 237.839

237.839

5.482

3,106 8.588

S 246.427 S 230.351

Capital Improvements Bond

8.483 78(1

9.263
Total Governmental

Statement of Net Position

Other Govcrn-Kctircmcnt mental

69.030 4,485

S 73,233 $ 60.864 S 629,995 S 629.995 (4,203) (3,422) (35,333) (35,333)

57.442
57.442
73,515

594.662 594,662 4.485 4,485

599.147

599.147

5.482 8,48.3 4.840

954 954

5.482 8.483 4,840 18.805

I 8.805

73,515 $ 58.596 S 617.952 S 617.952

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

Metropolitan Water Reclamation District of Greater Chicago

Deterred Inllows of Resources

Unavailable tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered lo be available to liquidate liabilities of the current period. Other unavailable revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Position for rental resources that have been received, but not earned. Other unavailable revenue is reported in the Governmental Funds Balance Sheets for the federal subsidy accrual relating to the direct reimbursement for the District's Build America Bonds. A summary of unavailable revenue as of December 31, 2018 is as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improve-ments Bond	Retirement	mental	Other Govern-mental	Total Govern-ments	Statement Adjust-	of Net Position
Deferred inllows of resources al December 31, 20IS:									
Properly tax revenue	S 187.674	$181,781	$ -	$ 54.481	S 45,330	S 469,266	5(469,266)	$ - Other amounts	
Grant revenue	-	-	948	-	-	948	(948) -		
Total deferred revenue at December 31,2018	$ 187,674	S 181,781	S 948	$ 54,481	S 45,330	$ 470,214	$(470.214)	$ -	

Payables

Payables reported as "Accounts payable and other liabilities" at December 31, 2018 in the District's governmental funds and government-wide financial statements arc detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improve ments Bond	Retirement	Olher Govern mental	Total Govern mental	Statement of Net Position
Accounts payable and other liabilities al December 31, 2018:							
Vouchers payable and other liabilities	S 20.192	$ -	$ 29.156	$ -	S 12,107	$ 61.455	% 61,455
Accrued payroll and withholdings	4,870	-	-	-	-	4.870	4,870
Bid deposits	564	-	-	-	-	564	564
Total accounts payable and other liabilities as of December 31,2018	S 25,626	$	$ 29.156	S -	S 12.107	S 66.889	S 66.889

Notes to the Basic Financial Statements

Year ended December 31, 201S '

6. Capital Assets

A summary ofthc changes in capital assets for the year ended December 31, 2018, are as follows (in thousands of dollars):

Governmental activities:

Capital assets not depreciated/amortized: Land

Permanent easements

Construction in progress

Infrastructure under modified approach Total capital assets not depreciated/amortized Capital assets depreciated/amortized"

Buildings

Lquipnicnt

Computer software

Infrastructuic and casements Total capital assets being depreciated/amortized Less accumulated depreciation/amortization:

Buildings

F.Cjuipmcnt

Computer software

Infrastructure and easements Total accumulated depreciation/amortization Tolal capital assets depreciated/amortized, net Governmental activities capital assets, net
Jialanees January I, 2(118

144,204 1,463

678,942 5.085.766 5.910.375

13,226 61,657 7,483 1,898.573 1,980,939

6.242 37,477 6.034 247,1 19 296,872 1,684,067

7,594,442 $

Additions

1,329 $ 613 88,281 343,081

433,304

3,729 146 3

3,878

1S5 3,101 536 11,313

15,135

(11,257)

422,047 S

Balances December 31, 2018

346,178 18,147

364,325

145,533 2.076 421,045 5,410.700

5,979.354

725

725

13.226 64,661 7.629 1,898,576

1.984,092

596

596

6.427 39,982 6,570 258,4.32

1,672.681

311.41 I

7.652,035

129

.364.454 $

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 3 1, 2018, was charged to the District's governmental functions as follows (in thousands of dollars):

Department	Amount
Board of Commissioners	S 15
General Administration	I 17
Monitoring and Research	266
Procurement and Materials Management	12
Human Resources	I S
Information Technology	79
Law	10
Finance	8
Engineering	2,039
Maintenance and Operations	722
Tolal allocated depreciation	3,286
Unallocated infrastructure depreciation	I 1.849
Total depreciation	S 15.155

During the year ended December 31, 2018, the governmental activities recorded a S7.7 million impairment loss for the portion of the Calumet Concentration Building that was destroyed in an explosion and no longer used in operations as originally intended.

7. Pension Plan **Plan Description**

The Metropolitan Water Reclamation District Retirement Fund (Pension Trust Fund) is the administrator of a single employer defined benefit pension plan (Plan) in accordance with 40 ILCS 5 of the Illinois Compiled Statutes. Article 13 of the Illinois Pension code grants the authority to establish the defined benefits of the Plan, as well as the employer and employee contribution levels of the Plan and may be amended only by the Illinois Legislature. The District contribution is currently calculated in accordance with state statute as to the amount sufficient to meet the Fund's actuarially determined contribution requirement, but not to exceed an amount equal to 4.19 times the employee contributions two years prior. For the year ended December 31, 2018, the District's average contribution rate was 40% of annual payroll. The District's actual contribution to the Retirement Fund was S87,167,000.

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, HIE. Erie, Chicago, IL, 60611-2898 or electronically on their website: www. mwrdrf.org <http://mwrdrf.org>.

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

Tier 1 - Employees hired before January I. 2011 are required to contribute 12% of their salary to the Fund. Tier 2 - Employees hired on or after January 1.2011 are required to contribute 9%> of their salary to the Fund.

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

Retirement Eligibility and Benefits
All full time employees of the District are eligible to participate in the retirement plan.

Tier 1 employees must have at least five years of service at age 60 and include service of 120 days or more per year to receive an undiscounted retirement benefit. Employees in this tier who reach age 55 (or 50 if hired on or before June 13, 1997) with at least ten years of service are entitled to receive a minimum retirement benefit; however, if the employee is less than age 60 or service less than 30 years, the normal retirement benefit is reduced by .5% for each full month the member is less than age 60 or service is less than 30 years, whichever is less.

Upon withdrawal from service a Tier 1 employee age 55 or under (50 if hired on or before June 13. 1997) and less than age 60 with less than 20 years of service, or age 60 or over with less than 5 years of service, is eligible for a refund of accumulated employee contributions, without interest, upon request. The retirement benefit is calculated as 2.2% of the final average salary for each of the first 20 years of service and 2 4% for each year of service in excess of 20 years. The benefit shall nol exceed 80% of final average salary. Tier 1 employees receive a 3% cost of living adjustment annually.

Tier 2 employees must have at least 10 years of service at age 67 lo be eligible lo receive an undiscounted retirement benefit Employees in this tier who reach age 62 with at least ten years of service arc entitled to receive a minimum retirement benefit: however, if the employee is less than age 67, the normal retirement benefit is reduced by .5% for each full month the member is less than age 67. A T ier 2 employee is eligible for a refund of accumulated employee contributions without interest if under age 62 regardless of service, or if less than 10 years of service

regardless of age on withdrawal. The retirement benefit is calculated as 2.2% of the final average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20 years. The benefit shall not exceed 80% of final average salary. Pensionable salary is limited to $113,645 in 2018 for Tier 2 employees. Tier 2 employees receive a cost of living adjustment as the lesser of 3% or half of the C'PI-u for the 12 months ending the September 30th prior to the increase date.

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

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

Employees covered

At December 31, 2018, the following employees were covered by Ihe benefit terms:

Inactive Employees	
Employees or beneficiaries currently receiving benefits	2.443
Entitled but not yet receiving benefits	127
Active Employees	1,832
Total Members	4,402

Basis of Accounting

The Pension Plan's financial statements arc prepared using the accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inllows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan and additions to/ deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the pension plan's fiduciary net position is available in the separately issued Retirement Fund financial report. Page 94 has the information for obtaining those statements.

Net Pension Liability and the Changes in the Net Pension Liability

The District's measurement date tor GASB 68 is December 31, 2017. The Pension Plan has a measurement date of December 31,2018. A copy of the Pension Plan CAFR for 2018 may be obtained by accessing the Metropolitan Water Reclamation District Retirement Fund's website at www.mwrdrf.org <http://www.mwrdrf.org>. The net pension liability at December 31, 2018 is $985,074,000, which is a decrease from the December 31, 2017 balance of $1,079,566,000.

	total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31,2017	S (2,432,163)	$1,352,597	S (1,079,566)
Service Cost	(32,370)		-(32.370)
Interest	(179,038)		-(179,038)
Difference between expected and actual experiences	1,991-1,991		
Benefit payments	154,713	(154,713)	-
Contributions-employer	-89,858	89,858	
Contributions-employee	-20,840	20,840	
Net investment income	-194,822	194,822	
Administrative expenses	-(1,614)	(1,614)	
Other	-33		
Balances at December 31,2018	S (2,486,867)	S 1,501,793	$ (985,074)

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

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions. Employer contributions made subsequent to the measurement date in the amount of 587,167,000. will be recognized as a reduction of the net pension liability in the year ended December 31. 2018. Differences between expected and actual experience, changes in assumptions and net differences between projected and actual experience amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands of dollars):

	Deferred Outflows.of Resources	Deferred Inflows of Resources
Balance as of December 31,2017	$ 182,035	$ 15,102
Changes in Employer contribution subsequent to measurement date	(2,691)	-
Differences between expected and actual experience	(6,516)	(22,793)
Changes in assumptions	-1.659	
Net difference between projected and actual earnings on pension plan investments	(22,820)	95,088
Balance as of December 31, 2018	S 150,008	$ 89.056

Notes to the Basic Financial Statements

Year ended December 31. 2018

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

Year ended December 31:	
2019	$ 93,379
2020	3.371
2021	(18,419.)
2022	(17,047)
2023 '(332)	
	$ 60,952

Actuarial Methods and Assumptions

The District's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31,2017. The District chose to use a measurement date one year in arrears. The total pension liability in the December 31, 2017 actuarial valuation was determined using the Entry Age Normal actuarial cost method and using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.5%	
Salary increases	" Varies by service
Investment rale of return 7.50%	
Cost of living adjustment	Tier 1: 3%
	Tier 2: 1.25%-

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for a five year period ending December 31, 2013.

Annual Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -7.44% for the year ended December 31, 2018. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Allocation and Rate of Return

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

Asset Class	Target Allocation	Expected Real Kate of Return
Domestic equity	42%5 8%	
International equity	23%6 7%	
fixed income	30%1.3%	
Private real estate	5%S 3%	

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

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

	1% Decrease 6.5%	Current Discount Rate of 7.5%	1% Increase 8.5%)
Net Pension Liability	% 1,269,994	S 985,074	S 745,012

Payable to the Pension Plan and Pension Expense
Al December 31, 2018, the District reported a payable of $87,167,000 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018. The pension expense for the year ended December 31,2018 was $98,656,000.

8. OPEB - Other Post-Employment Benefits **Plan Description**

The Metropolitan Water Reclamation District of Chicago Retiree Health Care Benefit Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under the District's retirement plan to continue health coverage as a participant in the District's plan.

Employees Covered by Benefit Terms
December 3 1, 201 7, the following employees were covered by the benefit terms:

Inactive Employees	
Inactive plan members currently receiving benefits	1,505
Beneficiaries of deceased plan members currently receiving benefits	438
Inactive plan members entitled to but not yet receiving benefits	41
Active Plan Members	1,835
Total Members	3,819

Benefits Provided
The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees arc also eligible for medical coverage All full-time employees of ihe District arc eligible to receive postemployment benefits Coverage for retirees and their spouses and dependents is provided for life. The Trust was established to advance fund benefits provided under the Plan.

Eligibility for Insurance Coverage
Employees must have at least ten years of service with the District, and coverage docs not commence until ihe member starts receiving payments from the District's Retirement Fund. Eligibility is based on the employee's hire dale as follows, age 50 for those hired before June 13, 1997, age 55 for those hired belwcen June 13, 1997 and January 1, 2011 and age 63 for those lured after January 1. 2011.

Year ended December 31. 201 ft Health Care

Insurance
Retirees and their dependents who meet the age and service requirements above are eligible for medical and prescription drug benefits payable for life.

Contributions
Under the terms of the Plan, the Retired plan members and beneficiaries currently receiving benefits arc required to contribute specified amounts monthly toward the cost of health insurance premiums.

The retiree contribution rates arc set based on prior year claims incurred and become effective July 1st each year. The retiree contribution rate utilized is based on the contribution rate policy established by the Board of Commissioners. This policy calls for a 2.5% increase in the contribution rate on January 1 st of each year until the contribution rate reaches 50.0%>, projected to be in 2021. The contribution rate for 2018 will be 42.5%.

In future years, contributions are assumed to increase at the same rate as premiums.

Investment Policy
The Long-Term Expected Rate of Return on OPEB Plan investments is determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges arc combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 201 7 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Broad Fixed Income22.5%1.10%		
Core Plus Fixed Income17.51.50		
Large-Cap Core Equity9.05.30		
Large-Cap Value Equity9.05.30		
Large-Cap Growth Equity9.05.20		
Mid-Cap Core Equity4.05.70		
Small-Cap Core Equity4.06.20		
Non-US Large-Cap Core Equity15.05 40		
Global Tactical Asset Allocation10.02.50		
Total 100.0%		

The Long-Term Expected Rate of Return calculated using the method described above was 6.5% (assuming 3%> inflation).

Concentrations
The Plan did not hold investments in any one organization that represent 5 percent or more of the Fund's Fiduciary Net Position.

Rate of Return
For the year ended December 3 1, 201 7 the annual money-weighted rale of return on investments, net of investment expense, was 15.06 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested

Net OPEB Liability
- The measurement date is December 31. 2017.
- The measurement period for Ihe OPEB expense is January 1 , 2017 to December 31, 2017.
- The reporting period is January 1. 2018 through December 31, 2018.

- The Sponsor's Net OPEJi Liability was measured as ol" December 31. 2017.

Actuarial Assumptions
The Net OPEB Liability was determined by an actuarial valuation as of December 31, 2017 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	4.25% - 7%
Discount rate	6.50%
Investment Kate of Return	6.50%
Initial Healthcare trend rate	8.00%
Ultimate Healthcare trend rate	4.50%
Years to ultimate Healthcare rate	6

For all employees, mortality rales were based on the RP-200 combined health mortality tables with fully generational mortality improvements using scale AA.

Discount Rate
The projection of cash Hows used to determine the Discount Rate assumed that current Plan Member and Sponsor contributions will be made at the current contribution rate (i.e. funding policy). The expected rate of return on trust investments is 6.50%. The Sponsor has adopted a funding policy as of October 2, 2014 with the intention of fully funding the plan by 2026 and maintaining 100% funding thereafter. The sponsor has shown that they are following the funding policy completely and will continue to do so. Therefore, the expected return on investments was used to discount projected benefit payments for all future benefit payments, and the single equivalent rate was 6.50%.

Change in OPEB Liability

(in thousands oj dollars)
Total OPEB Liability (a)
Net OPEB Liability (a)-(b)

Plan Fiduciary Net Position (6)

Reporting Period Ending December 31.2017	$ 297.820	$ 164.844	$
Changes for the Year:			
Service cost	5,098	-	

Interest	19,260	-
Differences between expected and actual	--	
Changes of assumptions	--	
Changes of benefit terms	--	
Contributions - Employer Trust	-5,000	
Contributions - Pay-as-you-go	-13,431	
Net Investment Income	-25.392	
Benefit payments	(13.431)	(13.431)
Administrative expense	-(37)	
Other changes	--	
Net Changes	10,927	30,355 ~
Reporting Period Ending December 31, 2018 S	308,747 ~$	195.199 $

Sensitivity of the Net OPEB Liability to changes in the Discount Rate

The following presents the Net OPEB Liability of the Sponsor, as well as what the Sponsor's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (in thousands of dollars):

		I % Decrease 5.5%	Current Discount Rate 6.5%	1% Increase 7.5%
Net OPEB Liability	S	156,327 1	113,548	S 79,182

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents the Net OPEB Liability of the Sponsor, as well as what the Sponsor's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rales (in thousands of dollars):

		1% Decrease 3.0(1% - 7.50%	Healthcare Cost Trend Rates 4.00% - 8.50%	1% Increase 5.00%-9.50%
Net OPEB Liability	S	74.829 S	113,548	S 161,870

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31. 2018. the Sponsor recognized OPEB Expense of $10,615.3 12. On December 31, 2018, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources (in thousands of dollars):

Differences between expected and actual experience Changes of assumptions
-Net difference between projected and actual earnings on OPEB Plan investments
Employer contributions subsequent to the measurement date Total

Deferred Outflows of Resources

17,571 17,571
Deferred Inflows of Resource

11,613

11.613

Note- Employer Contributions Subsequent to the Measurement Date is an estimation of the total contributions for the fiscal year ending December 3 1, 2018.

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows (in thousands of dollars):

Year Ended December 31:

2019	S (2.903)
2020	(2.903)
2021	(2.903)
2022	(2.903) 2023
Therea Iter-	

9. Commitments and Rebatable Arbitrage Earnings

The General Corporate Fund has existing purchase order encumbrances of SI, 160,841 at December 31, 2018. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were $199,541,000 at December 31, 2018. State Revolving Fund Loan commitments of $50,343,000 at December 31, 2018. are also collectible as contract expenditures are incurred.

The Internal Revenue Code requires that an issuer of tax-exempt bonds rebate to the United Suites 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 lo the yield on the issue. T he Internal Revenue Code offers certain "sale 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, 2018. the District has no arbitrage rebate liability.

National Pollutant Discharge Elimination System

NPDES Permits. The District operates its water reclamation plants (the "WRPs") in accordance with National Pollutant Discharge Elimination System ("NPDES") permits issued by the Illinos Environmental Protection Agency (IEPA). Alter several years and substantial litigation, the NPDES Permits for the District's Stickney, Calumet and O'Brien WRPs contain three new special conditions. Under these additional conditions, the District will fund a super-gauge to monitor nutrients in the lower Des Plaines River, hire a consultant to prepare an implementation plan to address phosphorus in area waterways, and potentially implement that plan. The District was also required to conduct a feasibility study to determine the cost of reducing phosphorus in the WRPs' effluent to certain levels. If required to reduce the phosphorus in the District's effluent to very low levels, the costs could be substantial.

The District recently received draft NPDES permits for the Kirie and Lemont WRPs. These draft permits also require the District to prepare or assist in preparing an implementation plan to address phosphorus in the receiving waters of these plants, implement that plan, and to conduct a feasibility study to determine the cost of reducing phosphorus in the WRP's effluent to certain levels. The District anticipates that its permits for the Hanover Park and Egan WRPs will contain similar provisions.

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 United States Environmental Protection Agency (USEPA) alleged that discharges from the District's CSOs have and continue to violate certain permit requirements, including the prohibition on discharging pollutants into waters that cause or contribute to violations of applicable water quality standards for dissolved oxygen, solids, and floatablcs. The lEPAjoined the USEPA in alleging the stated water quality violations. Entities with combined sewer systems that allegedly are in violation of applicable water quality standards are subject to an enforceable schedule for the implementation of a long-term control plan, with "enforceable" requiring a judgment or a consent decree entered in a federal district court.

In December 2011, the USEPA and IEPA tiled a lawsuit against the District for the alleged violations, and lodged a consent decree negotiated between the USEPA, IEPA and the District. The case is captioned United States of America and Statcoflllinoisv. Metropolitan Water Reclamation District ofGrcaterChicago, 11 CV0885[1]). Without an admission of liability, the consent decree resolved the federal and state chums associated with the District's CSOs. The consent decree, among other things: (a) establishes a construction schedule with interim milestones for completion and operation of portions of the District's TARP plan; (b) obligates the District lo advance funds to the U.S. Army Corps of Engineers (the "Corps") for portions of the District's TARP for which the Corps is responsible should federal funds be unavailable to the Corps by the stated deadlines; (c) establishes performance criteria and develops post-construction monitoring for portions of the TARP system; (d) requires the District to continue seasonal operation ofdebris boats and pontoon boats to control floatables in the CAWS; (e) requires the District to submit annual reports on its compliance with the terms of the consent decree; (f) imposes stipulated penalties for violations of the decree; (g) imposes a total civil penalty of $675,000, which the District has already paid; (h) requires the District to implement one or more green infrastructure projects within one year for a minimum of $325,000, which the District has done; and (i) to implement additional green infrastructure projects staggered over the next 15 years ihal provide a minimum of 10 million gallons of design retention capacity in an individual storm, which the District continues to do.

Class Action Flooding Claims. The District has previously been and is presently a party to several proposed class action lawsuits pending in the Circuit Court of Cook County arising out of local sewer back-ups and overland flooding resulting in basement flooding. The District is also in receipt of Hooding claims in which lawsuits have not yet been filed. T hese lawsuits and claims are generally brought in ton, or for constitutional or statutory violations. As of the date of this CAFR, the Circuit Court of Cook County and the Illinois Appellate Court for the First District have ruled in the District's favor in every fully-adjudicated matter. A constitutional question was

appealed to the Illinois Supreme Court, was answered, and remanded back to the Circuit Court for further proceedings. Other cases are currently on appeal to the Illinois Appellate Court for the First District.

10. Risk Management and Claims

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

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

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

The District may also be involved in various litigation for claims relating to environmental regulations. Under current environmental protection laws, the District maybe 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 3 1, 2018. is between $26.0 million and $37.4 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable lo perform) would ultimately be liable for the bulk, if not all. of these site cleanup costs. Negotiations are ongoing between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. The current estimated cost was determined to be S30,700,000 with an estimated cost recoverable amount of $22,150,000, resulting in S8,550.000 being recognized _ at December 31, 2018 in the liabilities of the government-wide financial statements. Of this amount, none of the current liability is classified as short-term and $8,550,000 is considered a long-term liability These estimates arc 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 arc 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 arc 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 indemnily/PPO plan. The District provides dental insurance benefits through a fully insured dental maintenance organization and a self-insured dental indemnity plan. T he District docs not purchase stop-loss insurance for its self-insured comprehensive indemnily/PPO plan. The District provides life insurance benefits for active employees through an insured life insurance program.

Notes to the Basic Financial Statements

Year ended December 31. 2018

Additional insurance policies in effect at December 31, 2018, 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:

Marine Liability	
Aggregate ..	$10,000,000
Deductible	$10,000
Excess Liability	
Aggregate	$50,000,000
Deductible	$1,250,000
Deductible - Flood Class Action	S.5,000,000
Deductible - Employers Liability	51,250,000
Government Crime.	
Forgery or Alteration	
Per Occurrence	$750,000
Deductible	$50,000
Employee Theft (including Faithful Performance)	
Per Occurrence	$6,000,000
Deductible	$100,000
Computer Fraud	
Per Occurrence	$6,000,000
Deductible	$100,000
Funds Transfer Fraud	
Per Occurrence	' $6,000,000
Deductible	<\. $100,000
Properly Insurance	
Per Occurrence	SI,000.000,000
Deductible	$10,000,000

Earth Movement	
Per Occurrence	. $250,000,000
Deductible	$10,000,000
Flood and Water Damage [i]	
Per Occurrence	$250,000,000
Deductible	$10,000,000
Flood and Water Damage - Lockport Powerhouse	
Per Occurrence	$200,000,000
' Deductible	$10,000,000
Group Travel Accident	
Aggregate Limit	$10,000,000
Accidental Death	
Per Employee (5 times salary up to this maximum).. . .	$500,000
Accidental Dismemberment, Paralysis and other Coverages	
Per Loss	% per Schedule
Pension & Welfare Fiduciary Liability	
Aggregate	.... $5,000,000
Self-Insured Retention	$10,000
Group Term Life (basic)	
Per Employee	... $20,000

106 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

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):

Claims Payable al January I Claims incurred
Changes in prior years' claims estimate
Claim payments
Claims Payable at December 31
2018
30,669 5,497 (9,556) (5.497)
21,113 S
2017
40,236 6,905 (9,567) (6,905)
30,669

11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2018 (in thousands of dollars):

Balance Due
December 31, Within
2018 One Year
Additions Reductions

Balance January 1, 2018

Governmental long-term liabilities:
(55,450) %
(86,251)
(254.211)
(395,912)

(13,426)
(409,338)

(9,556) (1.468) (2.595) (19,428) (462.227)

Ronds and notes payable:
,854,905 S 55,480 955,272 67,827 109.866 -
S - S
254.211

67,548

321,759
123,307
2,920.043
321.759
13,426 136,733

6,412 2,335 2,722
168.822 3.088.865

21.113 21,478 35,979 1 13,548 985.074

General obligation debl	S 1,910,355				
Converted bond anticipation notes	787,3 12				
Bond anticipation notes	296,529				
Total bonds & notes payable	2,994,196				
Other Bond Cost-					
Premium	182,248				
Net bonds and notes payable	3,176,444				
Other liabilities:					
Claims and judgments	30.669 -				
Compensated absences	22,811 135				
Capital lease (note 14)	38,574 -				
OPEB liability (note 8)	132,976 -				
Net pension liability, (note 7)	1.079,566 367.735				
Total governmental long-term liabilities	S 4.481,040	$ 689.629	$ (904.612)	S 4.266.057	S 148,202

Liabilities for the Bonds and Bond Anticipation Notes arc paid from the Debt Service Fund. Liabilities for Compensated Absences are primarily paid from the General Corporate and Stormwater Management Funds. Most claims resulting from construction projects are paid from cither 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.

FINANCIAL SECTION 107

Notes to the Basic Financial Statements

Year ended December 31. 2018

As ot"December 31. 2018. the annual debt service requirements for general obligation bonds are shown below (in thousands of dollars):

Hands Payable Maturity Table

Maturing
2019
2020
2021
2022
2023 2024-2027 2028-2032 2033-2037 2038-2042 2043-2046
Capital Improvement & Alternate Revenue Bond Scries (2.000-5.720%) (Issued 08/09 to 7/16)
S
S
22,410 13,740 15,065 11,605 22.515 111.285 249,595 580,715 108,945 58.615
1.194,490 S
S

Refunding (2.00-5.00%) (Issued 03/07 to 7/16)
33,070
35,530
35,500
40,350
29,670
176,055
218,395
91.845

660,415 S

Alternate Revenue Bonds

Bond proceeds of $50.0 million 2016 Tax Series F bonds and $50.0 million 2014 Tax Series B bonds arc used to fund a portion of the Stormwater Management Program projects. The pledge of the Stormwater Management Fund tax levy will remain until their final maturities in December 2045. T he District has covenanted in the Scries 2016F and 2014B Bond Ordinances to provide for. collect, and apply such Stormwater Management Tax Receipts to the payment of the 2016E and 2014B Bonds, and the provision of not less than an additional .25 times the annual debt service on the 2016E and 2014B bonds. The amount of pledges remaining at December 31, 2018 is S179,494,000 as shown below (in thousands of dollars).

Issue
2016 Tax Series E 2014 Tax Series B Total
Pledged Revenue Collected
S 2.500
1 1.930
S 14.436
Debt Service Principal
S
$ 50.000 47,190
97,190 S

2016 Bond Issues

In June 2016, the District issued $280,930,000 in General Obligation Refunding Bonds, Unlimited Tax Series A, with maturity dates from 2023 to 203 I. The bonds were issued at a premium of S68.206.452. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June I. T he bonds were issued to refund S546,600.000 of outstanding principal amount, plus accrued interest, of May 2006 Unlimited Tax Series.

In June 2016, the District issued S41,330.000 in General Obligation Refunding Bonds. Limited Tax Scries B, with maturity dates from 2023 to 2031. The bonds were issued at a premium of $9,835,301. lnierest accrues on the bonds at a rate of 5.0%, payable on December 1 and June I. The bonds were issued to refund S50.790.000 of outstanding principal amount, plus accrued interest, of May 2006 Limited Tax Scries.

In June 2016, the District issued $30.0(10.000 ofTaxable General Obligation Capital Improvement Bonds. Unlimited fax Scries C (Green Bonds), with maturity dates from 2044 to 2045. The bonds were issued at a premium of $5,739,300. Interest accrues on the bonds al a rate of 5.0%. payable on December I and June I.

In June 2016, the District issued $20,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series D (Green Bonds), with maturity dates from 2022 to 2030. The bonds were issued at a premium of 54,718,891. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

In June 2016, the District issued $50,000,000 of Taxable General Obligation Bonds, (Alternate Revenue Source), Unlimited Tax Scries E (Green Bonds), with maturity dates from 2022 to 2045. The bonds were issued at a premium of SI 0,545,322. Interest accrues on Ihe bonds at a rate of 5.0%, payable on December 1 and June 1.

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

2015 Bond Issues

In January 2015, the District issued $100,000,000 of Taxable General Obligation Capital Improvement Bonds, Unlimited Tax Series A(Grccn Bonds), with maturity dates from 2039 to 2044. The bonds were issued at a premium of S14,440,000. Interest accrues on Ihe bonds al a rate of 5.0%), payable on December 1 and June 1.

In January 2015, the District issued $50,000,000 ofTaxable General Obligation Bonds, (Alternate Revenue Source),

Unlimited Tax Scries B (Green Bonds), with maturity dates from 2016 to 2044. The bonds were issued at a premium

of 57,720,129. Interest accrues on the bonds at rates ranging from 2.0% to 5.0%, payable on December 1 and June

1. . " ■

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

In January 2015. the District issued 570,805,000 in General Obligation Refunding Bonds, Limited fax Scries D, with maturity dates from 2016 to 2022. The bonds were issued at a premium of 512,346.220. Interest accrues on the bonds at rates ranging from 2.0%) to 5.0%, payable on December I and June 1. The bonds were issued to refund S76,()50,000 of outstanding principal amount, plus accrued interest, of July 2006 Limited Tax Series.

2011 Bond Issues

In July 2011, the District issued $270,000,000 of General Obligation Capital Improvement Bonds, Limited fax Series B, with maturity dates from 201 7 to 2032. The bonds were issued at a premium of 527,686,556. Interest accrues on the bonds at rates ranging from 3.0% to 5.0%, payable December 1 and June 1.

In July 2011, the District issued 5100,000,000 of General Obligation Capital Improvement Bonds, Unlimited Tax Scries C, with maturity dates from 2013 to 2031. T he bonds were issued at a premium of 59,657,071. Interest accrues on the bonds al rates ranging from 3.0% to 5.0%. payable December I and June 1

2009 Bond Issues

In August 2009, the District issued 5600,000,000 in taxable General Obligation Capital Improvement Bonds, Limited Tax Scries of August 2009 (Build America Bonds - Direct Payment) The bonds have an interest rate of 5.72%, payable on December 1 and June I, and mature on December 1. 2038. The bonds arc subject to mandatory sinking fund redemption on December 1 in years 2033 through 2038. T he Build America Bonds (BAB) program was authorized as part of the American Recovery and Reinvestment Act of 2009 and includes a subsidy of 35% of interest cost to be paid to the District by the U.S Treasury for the life of the bonds. The federal subsidy reduces the effective interest rate on the bonds to 3.72%. Sequestration may reduce the subsidy received from the U.S. Treasury in future years.

Year ended December 31, 2018 2007 Bond Issues

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

In March 2007, the District issued $91,845,000 in General Obligation Refunding Bonds, Unlimited Tax Scries B, at a premium of $17,462,417. The bonds have an interest rate of 5.25%), payable on December I and June Land maturity dates from 2034 to 2035. The bonds were issued to refund $100,000,000 of outstanding principal, plus accrued interest, of 2006 Unlimited Tax Series.

In March 2007, the District issued SI01,860,000 in General Obligation Refunding Bonds, Limited Tax Series C, at a premium of SI 8,859,718. The bonds have an interest rate of 5.25%., payable on December 1 and June 1, and maturity dates from 2025 to 2033. The bonds were issued to refund $110,435,000 of outstanding principal, plus accrued interest, of 2006 Unlimited Tax Series.

Capital Improvement Bonds, IEPA Series

The District has adopted bond ordinances authorizing issuance of its general obligation bonds lo the Illinois Environmental Protection Agency (IEPA). The most recent such authorization was pursuant to a bond ordinance adopted in calendar year 2016 in the amount of S500,000,000 for Capital Improvement Bonds, 2016 IEPA Series. The IEPA approves various capital improvements related to sewage treatment works and,flood control facilities for funding from the State Water Pollution Control Revolving Loan Fund (SRF). Once a project has been approved, the State offers the District a loan from the State's Revolving Loan Fund, which the District incorporates into the form of the bond which is issued to the IEPA (the Loan/Bond). When work on the project begins, the District pays the contractor. The District receives a corresponding amount of advance on the Loan/Bond from the IEPA. This form of loan is commonly referred to as a drawdown loan'. The advances continue on the Loan/Bond until the project is completed or the amount of the loan fully advances, whichever occurs first. In general, within two years of the first advance on a Loan/Bond, the IEPA promulgates a repayment schedule on such Loan/Bond. The repayment schedules call for level payments of principal and interest, collectively, over a 20 year period beginning within six months of the date the repayment schedule is promulgated. Under this authority, the IEPA has approved the following loan amounts:

S	4,400,000
S	34.600,000
S	7.900,000
$	155,900.000

110 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

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

2019		S67,500,000
2018	.'.	$4,900,000
2017		$4,200,000

2016	$151,200,000
2015	S54,600,000 ■•
2014	S83,600,000
2012	$17,400,000

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

2015	$13,700,000
2014	$66,100,000
2013	S194,900,000
2012	$15,000,000

State Revolving Fund (SRF) Loan proceeds of $64,170,000 arc recognized as "other financing sources" in the Capital Improvements Bond Fund. The amount recognized is based upon reimbursable expenditures incurred during the fiscal year. The amount recognized as SRF proceeds is also recognized as a long-term liability in the government-wide Statements of Net Position.

The District refinances bond anticipation notes through the issuance of its Capital Improvement Bonds in the amount of the bond anticipation notes, plus accrued interest. As a result, there is no debt service required until these notes are converted into bonds. The District has accrued principal of $64,170,000 and interest of $3,378,000 through the balance sheet date on bond anticipation notes resulting in the total increase to long-term debt of S67,548,000.

The converted bond anticipation notes, a reduction of long-term debt, of $254,211.000 in 2018 represented the sum of converted bond anticipation note principal of $249,322,000 and interest in the amount of $4,889,000.

2018 Bond Issues and adjustments to existing issues under the IEPA 2012. 2014 and 2016 authority included:

July 2018 - The District issued $550,000 of Capital Improvement Bonds - IEPA Scries I 2C, through the conversion of the sum of bond anticipation note principal of $544,000 and interest of $6,000 with maturity dates from January 1, 2019 to January 1. 2036. Interest on the bonds accrues at a rate of 1 995%. payable January 1 and July 1.

July 2018 - The District issued $122,000 of Capital Improvement Bonds - IEPA Scries 12F, through the conversion of the sum of bond anticipation note principal of $ I 20,000 and interest of $2,000 with maturity dates from January 1. 2019 to July I, 2032. Interest on the bonds accrues at a rate of 1.93%,. payable January 1 and July 1.

- July 2018 - The District issued $32,840,000 of Capital Improvement Bonds - IEPA Series 12G, through the conversion of the sum of bond anticipation note principal of S31.580,000 and interest of $1,260,000 with maturity dates from January I, 2019 to January 1, 2038. Interest on the bonds accrues at a rate of 1.93%, payable January I and July 1.
- July 2018 - The District issued $287,000 of Capital Improvement Bonds - IEPA Series 121, through the conversion of the sum of bond anticipation note principal of $284,000 and interest of $3,000 with maturity dates from January 1. 2019 to July I, 2036. Interest on the bonds accrues at a rate of 2.21 %>, payable January 1 and July 1.
- July 2018 -The District issued $401,000 of Capital Improvement Bonds - IEPA Series 12K, through the conversion of the sum of bond anticipation note principal of $395,000 and interest of $6,000 with maturity dates from January 1, 2019 to July 1, 2035. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.
- July 2018 - The District issued $2,882,000 of Capital Improvement Bonds - IEPA Scries 12L, through the conversion of the sum of bond anticipation note principal of $2,845,000 and interest of $.37,000 with maturity dates from January 1, 2019 to July 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

- July 2018-The District issued SI,818,000 of Capital Improvement Bonds - IEPA Series I2M, through the conversion of the sum of bond anticipation note principal of SI, 795,000 and interest of $23,000 with maturity dates from January 1, 2019 to July 1, 2037. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

- July 2018-The District issued $116,000 of Capital Improvement Bonds - IEPA Scries 12N, through the conversion of the sum of bond anticipation nole principal of S114,000 and interest of $2,000 with maturity dates from January 1, 2019 to January 1, 20.36. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

- July 2018 - The District issued $16,000 of Capital Improvement Bonds - IEPA Series 14B, through the conversion of the sum of bond anticipation nole principal of $16,000 with maturity dales from January 1, 2019 to January I, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

- July 2018-The District issued SI 1,224,000 ofCapital Improvement Bonds - IEPA Series I4D, through the conversion of the sum of bond anticipation note principal of $11,124.000 and interest of $100,000 with maturity dates from January I, 2019 to January 1, 2038. Interest on the bonds accrues at a rate of 1.86%, payable January I and July 1.

- July 2018 -The District issued $34,623,000 of Capital Improvement Bonds - IEPA Series 14E. through the conversion of the sum of bond anticipation note principal of $33,913,000 and interest of $710,000 with maturity dates from January 1, 2019 to July 1. 2038. Interest on the bonds accrues at a rale of 1.86%, payable January 1 and July 1.

July 2018 -The District issued $15,370,000 of Capital Improvement Bonds - IEPA Series 14G. through the conversion of the sum of bond anticipation note principal of $15,140,000 and interest of $230,000 with maturity dates from January 1, 2019 to July 1. 2038 Interest on the bonds accrues at a rate of 1.86%, payable January I and July 1

July 2018 - The District issued $50,000 ot"Capital Improvement Bonds - IEPA Series HIT, through the conversion of the sum of bond anticipation note principal of $50,000 with maturity dates from January 1, 2019 to July 1, 2036. Interest on the bonds accrues at a rate of 1.86%, payable January 1 and July 1.

- July 2018-The District issued $5,918,000 of Capital Improvement Bonds -1 EPA Series 141, through the conversion of the sum of bond anticipation note principal of $5,846,000 and interest of $72,000 with maturity dates from January 1, 2019 to July 1, 2038. Interest on the bonds accrues at a rate of 1.86%, payable January 1 and July 1.

- July 2018 - The District issued $370,000 of Capital Improvement Bonds - IEPA Series 14J, through the conversion of the sum of bond anticipation note principal of $365,000 and interest of $5,000 with maturity dates from January 1, 2019 to January 1, 2036. Interest on the bonds accrues at a rate of 2.21%), payable January 1 and July 1.

- July 2018 - The District issued $4,872,000 of Capital Improvement Bonds - IEPA Scries 14K, through the conversion of the sum of bond anticipation note principal of $4,813,000 and interest of $59,000 with maturity dates from January 1, 2019 to January 1, 2038. Interest on the bonds accrues at a rate of 1.86%, payable January 1 and July 1.

- July 2018 - The District issued $5,452,000 of Capital Improvement Bonds - IEPA Series 14L, through the conversion of the sum of bond anticipation note principal of $5,371,000 and interest of $81,000 with maturity dates from January 1, 2019 to January 1, 2038. Interest on the bonds accrues at a rate of 1.75%), payable January 1 and July 1.

July 2018 - The District issued $1,442,000 of Capital Improvement Bonds - IEPA Series 14M, through the conversion of the sum of bond anticipation note principal of $1,423,000 and interest ol"$19,000 with maturity dates from January 1, 2019 lo January 1, 2038. Interest on the bonds accrues at a rate of 1.75%, payable January 1 and July 1.

- July 2018-The District issued $1,321,000 of Capital Improvement Bonds - IEPA Scries I4N, through the conversion of the sum of bond anticipation note principal of $1,307,000 and interest of $14,000 with maturity dates from January 1, 2019 to January 1, 2038. Interest on the bonds accrues at a rate of 1.75%), payable January 1 and July 1.

- July 2018-The District issued $129,664,000 of Capital Improvement Bonds - IEPA Scries I6A, through the conversion of the sum ol"bond anticipation note principal of $127,439,000 and interest of $2,225,000 with maturity dates from January 1, 2019 to July 1. 2038. Interest on the bonds accrues at a rate of 1.75%), payable January 1 and July 1.

- July 2018 - The District issued $4,873,000 of Capital Improvement Bonds - IEPA Series 16D, through the conversion of the sum of bond anticipation note principal of $4,838,000 and interest of S35.000 with maturity dates from January 1. 2019 to January 1, 2038. Interest on the bonds accrues at a rate of 1.75%, payable January I and July 1

Beginning in 1991, the District's Board of Commissioners adopted ordinances providing for the issuance of bond anticipation notes. The bond anticipation notes are issued exclusively to cover interim project loan advances from the Illinois Environmental Protection Agency. Principal and interest liabilities related to the bond anticipation notes were $ 109,866.000 at December 31,2018. Of the bond anticipation notes outstanding at December 3 1,2018. $2,886,000 will be financed through IEPA Series 2012 bonds. $99,146,000 will be financed through IEPA Series 2014 bonds, and the remaining $7,834,000 will be financed through IEPA scries 2016 bonds. None of these

Notes to the Basic Financial Statements

Year ended December 31. 2018

outstanding bond anticipation notes are expected to be repaid within the next calendar year; therefore, the notes are reported as part of long-term debt.

Refunding Transactions

The District had no outstanding defeased obligations at December 31, 2018.

12. Tnterfund Transactions

The interfund receivable and payable balances at the end of the year are reported as "due from/to other funds" in the Governmental Funds Balance Sheets and are eliminated in the government-wide Statements of Net Position. The balances represent payroll transactions paid from the General Coiporate 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 arc generally repaid within a year of the fiscal year end.

Individual interfund receivable and payable balances at December 31,2018 are as follows (in thousands of dollars):

		Interfund Receivables Payables	
General Corporate Fund	$	132	S -
Capital Projects funds:			
Stormwater Management Fund (Nonmajor Fund)		-	132
	1	*132" 1 Y32*	

In addition to the previous tabic, amounts were due from the Primary Government to the Pension Trust Fund of S19,034,000 at December 31, 2018 that represented earned but uncollected property taxes in the Retirement Fund and the Government-wide Statements of Net Position.

Transfers between funds as authorized in the budget are recorded as "other financing sources (uses)" in the fund operating statements. In 2018, the Treasurer of the District transferred S5,771,000 for principal and interest payments on the 2014 Alternate Bond Debt service from the Stormwater Management Fund to the Debt Service Fund. There was also a transfer of 54,200,000 made from Ihe Capital Improvement Bond fund to the General Corporate Fund. The transfer of funds into the Construction Fund and out of the Stormwater Fund resulted in a net transfer of 55,771,000 as presented on Exhibit A-2 in the Other Govcrnmcntal/Nonmajor funds. Transfers arc eliminated in Ihe Government-wide Statements of Activities.

13. Property Tax Extension Limitation Law

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

As part of the District's Property T ax Levy subject lo the Illinois Property T ax Extension Limitation Law. the Construction Fund Property Tax Levy is adjusted downward if the estimated increase in the aggregate is more than the allowable extension under the law.

In Section 18-195 of the Law, the County Clerk is instructed to proportionally reduce all the levies subject to the limitation unless the taxing district requests otherwise. Through the Levy ordinances. MWRD requests the County

Clerk to reduce the entire reduction to the aggregate levy by reducing the Construction Fund as required by Section 18-195 of the law.

In addition, the individual tax levies of the Corporate, Construction, Reserve Claim, Stormwater Management, Corporate Working Cash, and Construction Working Cash Funds have statutory limitations. The Corporate levy cannot exceed .41% of the equalized assessed valuation, while the Construction levy cannot exceed .10%) of the equalized assessed valuation and the Corporate Working Cash and Construction Working Cash levies individually cannot exceed .005% of the equalized assessed valuation. The Reserve Claim levy cannot exceed .005%) of the equalized assessed valuation and the aggregate amount which may accumulate in the Reserve Claim Fund shall not exceed .05%) of the equalized assessed valuation. The Stormwater Management Fund levy cannot exceed .05%) of the equalized assessed valuation as a result of statutory changes. The Debt Service Fund is limited through debt service extension limitations under the Property Tax Extension Limitation Law.

14. Leases

Capital Lease

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

The cost of the biosolids processing facility is considered a capital lease since it will become the property of the District at the end.of the contract. The District also has an option to purchase the facility at the end of the fifth, tenth, and fifteenth year of operation for the remaining principal portion of the debt. Total payments for the capital lease are estimated at $83,123,000 for the full term of the contract, which will be paid from the Capital Improvements Bond Fund. The gross amount of assets acquired under the capital lease is $54,535,000. During 2018, the District incurred expenses of approximately $2,595,000 for principal and $ 1,795,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

As of December 31, 2018, the future minimum lease payments for the biosolids facility arc shown below (in thousands of dollars):

Capital Lease Payable Maturity Table

Maturing	Total Principal	Total Total Interest Payments
2019	S2,722 S1.667 S4.389	
2020	2.8551.5344,389	
2021	2.9961,3944,390	
2022	3.1431,2474.390	
2023	3,2971,0934.390	
2023	2024-202719,0772,87221.949	
2023	2028-20291.889241.913	
Tolal Minimum Lease Payments	S 35.979	S 9.831 S 45.810

Notes to the Basic Financial Statements

Year ended December 31. 2018 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, 201X (in thousands of dollars):

2019	$ 17,380	
2020	17,380	
2021	' 17.380	
2022	17,261	
2023	17,157	
2023	Later Years	390.792
Total Minimum Future Rental Income	$ 477,350	

The cost of the land associated with the commercial leases is 55,831.090. The District does not lease any depreciable assets.

J5. Tax Abatements

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

The District's taxes are reduced by way of a reimbursement lo Boeing in an amount equal to the allocable share of the real estate taxes, or 5.682%. The District is entitled to terminate the agreement or recover all payments if Boeing defaults on their commitments. The 2018 taxes abated totaled $128,960.

Cook County granted special assessments for the development or redevelopment of commercial and industrial properties. The properties receive a real estate tax incentive as a reduction in the assessment rate. The total estimated impact of these incentives to the District is approximately $10,900,000 in reduced property taxes.

16. Restatement for Implementation of New Accounting Standard

The District's net position has been restated as of December 31. 2017. The restatement is a result of the implementation of GASB Statement No. 75. "Accounting and Financial Reporting for Postemployment Benefits Other T han Pensions" - an amendment of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The restatement is to record the effect of the net OPEB liability and deferred outflows of resources as of the measurement date for the previous year.

The effect of the restatement on fiscal year 2017 and the effect of the restatement on the partial summarized information for fiscal year 2016 included with this report is shown below (in thousands of dollars):

	Governmental Activities 2017	Governmental Activities 2016
Net position end of year, as previously stated	$ 4,616,429	S 4,539,945
Implementation of GASB Statement No. 75:		
Net OPEB liability	(132,976)	(132,976)
Write-off the net OPEB obligation	11,312	17,993
Deferred outflow of resources - OPEB contributions subsequent to the measurement date	18,431	19,917
Net position end of year, as restated	$ 4,513,196	S 4,444.879

The restatement of beginning net position adjusts the beginning deferred outflow of'resources for pension contributions made subsequent to the measurement dale of the beginning net OPEB liability. Restatement of the beginning balances for other deferred outtlows of resources and deferred inflows of resources related to pensions was not done because it was not practical to determine all such amounts.

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REQUIRED SUPPLEMENTARY INFORMATION (RSI) OTHER

THAN MD&A - Unaudited

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

Year Ended December 31. 2018

Modified Approach for Eligible Infrastructure Assets

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

2. O'Brien WRP Basin

3. Calumet WRP Basin

4. Egan WRP Basin

5. Kirie WRP Basin

6. Hanover Park WRP Basin

7. Lemont WRP Basin

8. Waterways

1. Central (Stickney) WRP Basin All systems, subsystems, and components associated with the Central (Stickney) WRP service area (excluding Waterways Network assets).

All systems, subsystems, and components associated with the O'Brien WRP service area (excluding Waterways Network assets).

All systems, subsystems, and components associated with the Calumet WRP service area (excluding Waterways Network assets and Lemont Network).

All systems, subsystems, and components associated with the Egan WRP service area (excluding Waterways Network assets).

All systems, subsystems, and components associated with the Kirie WRP service area (excluding Waterways Network assets).

All systems, subsystems, and components associated with the Hanover Park WRP service area (excluding Waterways Network assets).

All systems, subsystems, and components associated with the Lemont WRP service area (excluding Waterways Network assets).

All waterways under the jurisdiction of the District including the Waterways Control System, Lockport Powerhouse and Controlling Works, Chicago River Controlling Works, Wilmcttc Pumping Station, all District flood control reservoirs and pump stations, sidestrcam elevated pool aeration stations, instream aeration stations, Mclas Park, and Centennial fountain.

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

Ratings are assessed at the subsystem level and are compiled for reporting purposes into one rating tor each system of a network. T he assessment scale used to rate the networks' systems is as follows:

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

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

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

Condition assessments of each network will continue at least every three years following the initial assessment. The Hanover, Calumet and Lemont networks were re-assessed in 20IS. the Kirie, Central (Stickney) and Waterways networks were re-assessed in 2017, and the Egan and O'Brien networks were re-assessed in 2016.

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

Year Ended December 31. 2018

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

Condition Assessment Ratings Kirie WRP Network

Subsequent assessment - 2011 Subsequent assessment - 2014 Subsequent assessment - 2017

Hanover WRP Network

Subsequent assessment - 2012 Subsequent assessment - 2015 Subsequent assessment - 2018

Egan WKP Network

Subsequent assessment - 2010 Subsequent assessment - 2013 Subsequent assessment - 2016

O'Brien WRP Network

Subsequent assessment - 2010 Subsequent assessment - 2013 Subsequent assessment - 2016

Central (Stickney) WRP Network Subsequent assessment - 2011 Subsequent assessment - 2014 Subsequent assessment - 2017

Waterways WRP Network

Subsequent assessment - 2011 Subsequent assessment - 2014 Subsequent assessment - 2017

Calumet WRP Network

Subsequent assessment - 2012 Subsequent assessment - 2015 Subsequent assessment - 2018

l emont WRP Network

Subsequent assessment - 2012 Subsequent assessment - 2015 Subsequent assessment - 20IS

Maintenance/Preservation Costs Kirie WRP Network

estimated 20IX Actual 2018

Estimated 2017 Actual 2017

Estimated 2016 Actual 2016

Estimated 2(115 Actual 2015

Estimated 2014 Actual 2014

Collection Processes Svstein

NA NA NA

3.779.701 807.689

3.304.900 540.658

5.176.151 2.015.49-1

1.1)73,222 2.405.430

6.929.81 3 8.799.253

Treatment Processes System

NA NA NA

400,101 452.10(1

1.065.435 1.014.160

4.410.046 4,454.223

i)7u.S65 3.475,554

3.36(1.179 5.344.29(1

Solids Processing System

NA NA NA

494

1,139 1 1,007

465 12,067

533,41)8 763.96S

411.621 3s "s8
Flood and Pollution Control Svsleni

NA NA NA

NA NA NA

NA NA NA

NA NA NA

NA NA NA

NA NA NA

NA NA

5 17,500 12.066

786.000 267.794

23.105

Solids Drying/ Utilization System

NA NA NA

NA NA NA

NA NA NA

NA NA NA

NA NA NA

102.00(1 142.921

122 FINANCIAL SECTION

Metropolitan Water Reclamation District oj Greater Chicago

Hanover WRP Network

Estimated 2018 Actual 2018

Estimated 2017 Actual 2017

Estimated 2016 Actual 2016

Estimated 2015 Actual 2015

Estimated 2014 Actual 2014

Egan WRP Network
Estimated 2018 Actual 2018
Estimated 2017 Actual 2017
Estimated 2016 Actual 2016
Estimated 2015 Actual 2015
Estimated 2014 Actual 2014

O'Brien WRP Network
Estimated 2018 Actual 2018
Estimated 2017 Actual 2017
Estimated 2016 Actual 2016
Estimated 2015 Actual 2015
Estimated 2014 Actual 2014

Central (Stickney) WRP Network
Estimated 2018 Actual 2018
Estimated 201 7
Actual 2017 '
Estimated 2016 Aelual 2016
Estimated 201 5 ' Aelual 2015
Estimated 2014 Aelual 2014

Treatment Processes Svsteni

Collection Processes Svsteni

$ 94,100 102,473
123,300 162,368
484,028 646,796
1,054,822 1,703,347
142,317 243,960

S 392.053 333,327
568,170 547,567
1.831.349
1,889.009 v 8,092,469
1,513,197 2,261,452
626.241 862,655

1.598.100 1,700,91 I
4.005.365 2.494.728
9.572.949 10,162,949
2.771,072 6.890.505
5.355,1 15 5.618,267

36.068.365 9,850.199
9.704.500 23,677,548
22.316.620 72.698.955
51.33X.722 14.497.1 19
I 5..575.228 10.557.7711

Solids Processing Svsteni

212,500 206,225
221,947 210,660
676,096 720,040

519,408 1,213,150
674,596 543,204

891,01 I 467,280
1,612,479 991.795
5,202,317 7,057,944
3,821,483 4,257,420
8,833,464 5,957,431

15.337,600 298,797
371.200 389,566
690,100 891.486
1.501.758 1,260,479
537,919 452.517

5.006.400 1,272.868
7,004,6(10 6,361.137
24.028.680 33,364,380
8,059,908 3.029.722
10.565.977 IO.39S.973 <http://IO.39S.973>

I'Tood and Pollution Control Svsteni

Solids Drying/ Utilization System

33.700 34,262
33,200 33,476
200.000
214,300 377,701
517,408 33,479
65.X00

37,075 20,227
14,400 253,655
28,150 15,584
77.905 87,156
610,475 14,735

670.037 640,049
41.100 42.768
2.621,400 2.136.685
1,3X3.300 792,719
2.740,624 3,840,355
50X.10O 396.154
1.521.700 1,705.427
7.274.X00 2I.22X.946
4.52X.X0X 964.557
1.377 507 2.444.671
3,061.000 2,732.851

1.775,374 945.043

742.000 1.237,0(18

412.7U0 6.012,677

4.725.000 7X1.105

121.615

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

Year Ended December 31, 2018

	Collection Processes	Treatment Processes	Solids Processing System	Pollution Control System	Flood and Solids Drying/ Utilization System	SvsteniSystem

Waterways WRP Network

Estimated 2018 Actual 2018

Estimated 2017 Actual 2017

Estimated 2016 Actual 2016

Estimated 2015 Aelual 2015

Estimated 2014 Actual 2014

Calumet WRP Network

Estimated 2018 Aelual 20IS

Estimated 2017 Actual 2017

Estimated 2016 Actual 2016

Estimated 2015 Actual 2015

Estimated 2014 Actual 2014

Lemont WRP Network

Estimated 2018 Aelual 2018

Estimated 2017 Aelual 2017

Estimated 2016 Actual 2016

Estimated 2015 Aelual 2015

Estimated 2014 Actual 2014

10,240

246400 10,953,571

115,525 1,149.455

1.437

S 4,834,200 S 4,005,602 3,081.864 3.166.505

3,244.935 3,330,986

24,346,293 12,644,323

15.532,197 5.004.441

5.891.856 4.295,832

540

10,800 3.468

70.200 I 15.903

837,722 1.415,229

47.000 17.475

S.S00 4.739

126.100 348,026

443,665 1.321,857

34,200 417

$ 795,600 1,053,258

1,737,410 1,848,660

5,211,367 5,457,023

1,904,283 '3,798,937

2.241,157 2,366,667

262,007

23,898

17,406.595 2,763,017

11,957,187 1,151,151

27,544,100 3,178,612

9,534.574 6,365.775

1,314,200 831,265

161.200 186,323

172,787 173,529

1,392,200 294,111

21,221,249 5,119,450

1,949.900 590,908

103,600 126.643

55S.800 509,922

744,800 675,730

14,000 780.400

124 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

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

S 32,370 S 32,058 .179.038 173.861

Total pension liability:

Service cost Interest

Changes of benefit terms
13,814
(1,991)

54,704 2,432.163

72,397 2,359,766

Differences between expected and acUtal experience

Changes of assumptions - -

Benefit payments, including refunds of employee contributions (154,713) (147,336) Net change in total pension liability
2,486,867 2,432,163 2,359,766 2,285,095

Total pension liability - beginning Total pension liability - ending

80,259 20.831 113,586

89,858 20,840 194.S22

Plan fiduciary net position:

Contributions - employer Contributions - employee Net investment income

Benefit payments, including refunds of employee contributions (154,713) (147,336)

Administrative expense (1,614) (1,503)
65,944

1,286,653 1,352,597
149,196

1.352.597 1,501,793

Other 3 107

Net change in plan fiduciary net position

Plan fiduciary net position - beginning Plan fiduciary net position - ending

71,041 21.385 (1.428) (140,509) (1,660) 29

(51,142) 1,337.795
1,286,653 1,337,795

$ 985.074 S 1.079.566 S 1,073,113 $ 947.300

Plan fiduciary net position as a percentage of the total pension liability

Covered-employee payroll

60.39% 55.61% 54.52% 58.54%

$ 184,385 $ 182,640 $ 177,792 S 176.184

Net pension liability as a percentage of covered-employee payroll

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

FINANCIAL SECTION 125

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

Year Ended December 31. 2018

Schedule of District Contributions Last 10 Years

(in thousands of dollars)

Year
2018 2017 2016 2015 2014 2013 2012 2011 2010 2009

Actuarially Determined Contributions

S 65,728
64,596
62,603
64.478
68,414
74,829
69,393

61,873
54,790
49.758

Actual Contributions in Relation to the Actuarially Determined Contributions

I 89,858
80,259
71,041
73,906
92,944
65,098
37,379
29,918
32,154
33,407

Contribution Deficiency/ (Excess)

1 (24,130)
(15,664)
(8,438)
(9,428)
(24,530)
9,731
32,014
31,955
22.636
16,351

Covered Payroll

184,385
182,640
177,792
176,1S4
169,376
163,817
164,275
174,486
176,915
167.865

Contribution

as a Percentage of Covered-emplovee Payroll

48.73%
43.94%
39.96%
41.95%
54.87%
39.74%
22.75%
17.15%
18.17%
19.90%

Notes to the Schedule of District Contributions

Valuation Date: The District's actuarially determined contribution (ADC) is calculated as of December 3 1, 2017. Methods and Assumptions used to determine the ADC:

Actuarial cost method Amortization method

Remaining amortization period Asset valuation method Investment rate of return Inllation Salary increases Payroll growth Termination rates Mortality rates

Retirement rales Disability rates

Entry age normal

Level percent of pay. Prior to 2013. 30 year open amortization. From the 2013 ADC calculation, closed to 2050.

34 years remaining as of 1/1/17

5 years smoothed value

7.50%

2 5%

Varies by service 3.70%

Termination rates vary by age and gender.

Healthy Members: RP-2000 Combined Healthy Mortality Table with Generational Mortality Improvements (Scale AA).

Disabled Members: RP-2000 Disabled Retiree Mortality Table.

Retirement rates are based on the most recent experience analysis and vary by age and service of member Rates wete reduced by 20% as of the 2011 ADC calculation to rellect actual experience.

Disability rates vary by aye.

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

Schedule of Changes in the District's Total OPEB Liability and Related Ratios Last Fiscal Year (1)
(in thousands of dollars)

Reporting period ending Measurement date

Total OPEB liability:

Service cost Interest

Changes of benefit terms

Differences between expected and actual

Changes of assumptions

Benefit payments

Net change in total OPEB liability

Tolal OPEB liability - beginning Total OPEB liability - ending

Plan fiduciary net position:

Employer trust contribution

Pay-as-you-go contributions

Net investment income

Benefit payments

Administrative expense

Net change in plan fiduciary net position

Plan fiduciary net position - beginning Plan fiduciary net position - ending

Net OPEB liability - ending

Plan fiduciary net position as a percentage of the total OPEB liability

Covered employee payroll

District's net OPEB liability as a percentage of covered employee payroll

I2/31/20TS 12/31/2017

5,097,776 19,260,038

(13,430,657) 10,927,157

297,820,100 308,747,257

5,000,000 13,430,657 25,392,250 (13.430,657) (36.900) 30.355.350

164,844,450 195.199,800

$ 113.547,457 63.22%

% 184.807 61 44%

(I I The District implemented the provisions of GASB 75 in Fiscal Year 2018. T he District has presented as many years as are available and will show information for ten years as the additional years' information become available

(2) The Sinele Discount Rate used to calculate the District's Nel OPF.B Liability has been 6 50% since implementation of GASB 75

Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was completed as of December 3 1, 2017.

A copy of the OPF.B Trust Fund CAFR may be obtained by accessing the District's website at <http://w> <http://w> w.mwrd.oi <http://w.mwrd.oi> <http://g>

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OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

CONSTRUCTION FUND

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

STORMWATER MANAGEMENT FUND

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

Exhibit B-1
Combining Balance Sheets
December 31, 2018

(in thousands of dollars)

Stormwater Management Fund
Total Nonmajor Governmental Funds

Assets

Cash

Certificates of deposit Investments Prepaid insurance Taxes receivable, net' Other receivable

Total assets

Liabilities, Deferred Inllows of Resources and Fund Balances

Liabilities:

Accounts payable and other liabilities

Due to other funds

Total liabilities

Deferred inflows of resources:

Unavailable tax revenue

Total deferred inflows of resources

Fund balances:

Nonspendable:

Prepaid insurance

Restricted for

Working Cash

Capital projects

Unassigncd

Total fund balances

Total liabilities, deferred inflows, and fund balances

2018
2017
2018
2017
2017

1,415 17,014 18,455 79 39.426

152 22,453 8,887

11.290 792

1,175 12,055 14,503

15,702 746

1,695 45,523 40,926 76 57.442 954
2,590 29.069 32.958 79 55.128 746

2018

1,543 23,070 32,039 76 46,152 162
43,574 $ 44,181 $ 103,042 $ 76,389 $ 146,616 S 120,570

5,017 S 3,171 $ 7,090 S 1,715' S 12,107 S 4,886
- - 132 101 132 101
5,017 3Tm 7,222 K8I6 12,239 4,987
79 76 79

37.509 60,093 59,713
4,146 28,954 9.842
(79) (76) (79)
41,655 89.047 69,555

8,919 13,110 36,411 32,918 45,330 46.028 8,919 13,1 10 36,411 32.918
45,330 46,028

- - 76

22,395 22,204 37,698
7,243 5,696 21,711
_ - (76)
29,638 27,900 59,409
43,574 % 44,181 S 103,042 $ 76,389 $ 146,616 S 120,570

130 FINANCIAL SECTION

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

Year ended December 31. 20 IS
(with comparative amounts for prior year)

(in thousands of dollars)

Stormwater Management Fund
Total .Nonmajor Governmental Funds

Revenues

Revenues:
Property taxes
Interest on investments
Grant revenue
Fees, forfeits and penalties
User charge
Claims and damage settlements Miscellaneous Total revenues

2017

16,049 S 12,995

632 326

3 1,486

2 -
16,766

SO -

14,807
2017

42,626 S 32,555 997 360 346 -
169
44,138

10 19
32,944
2017
2018

58,675 S 45,550

1.629 686

346 -

10 19

3 1,486

47,751

249
60,904

Expenditures

Current Operations: Construction costs Total expenditures

Revenues over (under) expenditures

Other financing sources (uses):

Transfer out to Debt Service Fund

Tolal other financing sources (uses)

Revenues over (under) expenditures and other financing uses

Fund balances

Beginning of the year

End of the year

15,028	13,792	20,613
15,028	13,792	20,613
1.738	1,015	23,525
-	7,000	(5,771)
-	7,000	(5,771)

1,738 8,015 17,754

27,900 19,885 41,655

S 29,638 $ 27,900 $ 59,409

14.065	35.641	27,857
14,065	35,641	27,857
18,879	25,263	19,894
(3.269)	(5,771)	3.731
(3,269)	(5,771)	3.731
15,610	19,492	23,625

26,045 69,555 45,930

$ 41.655 $ 89,047 S 69,555

Page intentionally left blank

GENERAL CORPORATE FUND

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

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

Year ended December 31. 2018

Corporate Division

Board of Commissioners: Personal services

Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Tuition and training payments Personal services not otherwise classified Total personal services

Contractual services Travel

Meals and lodging Subscriptions and membership dues Payment for professional services Contractual services not otherwise classified Total contractual services

Materials and supplies

Office, printing, and photographic supplies Total materials and supplies Board of Commissioners total

General Administration: Personal services

Salaries of regular employees Compensation plan adjustments Social security anil medicare contributions T uition and training payments Total personal services

Contractual services Travel

Meals and lodging

Postage, freight, and delivery charges Compensation for personally owned autos Motor vehicle operating services Reprographic services Electrical energy

Natural gas

Waler and water services Communication services Subscriptions and membership dues Rental charges Advertising

Administration building operation

(m thousands of dollars)

Original

Budget Amounts

.Net Transfer

3,681 39 86 15 428

4,249

20 30 39 800 I

890~

6

5.145

(178) (100)

(276)

10,863 840 154 38

11,895

4

17 1

6

85 3 63 118 340 245

40

778 9
187
,T3 1.015

final

3.681 39
' 86 15 428
4.249

20 30 39 800 I
890

5.145

10,685 740 156 38
11.619

7 15 102 4 69 118 340 30

818 9 13 1.2(12
254 3 7 4
101
Aelual Variance with final Budget -Actual Positive Amounts (Negative)
369

3,427 36 79 I 1 327
9 14 20 582 I
3,880
626

I I 16 19 218
998
264
258 105 I
23
4,147

10,427 635 155 15
387

11,232 5
13 101 4 64

14 3 I

93 326

27 6

817 810 .145

134 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division

General Administration (continued):

Administration building operation annex Payment for professional services Contractual services not otherwise classified Repairs to buildings

Repairs to office furniture and'equipmcnt Communication equipment maintenance Repairs to vehicle equipment Total contractual services

Materials and supplies

Hleclrical parts and supplies Plumbing accessories and supplies Hardware

Office, printing, and photographic supplies Cleaning supplies Wearing apparel Books, maps, and charts Materials and supplies not otherwise classified Total materials and supplies General Administration total

Monitoring and Research: Personal services

Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Salaries of non-budgeted employees T uition and training payments Total personal services

Contractual services Travel

Meals and lodging

Postage, freight, and delivery charges Compensation for personally owned autos Motor vehicle operating services Rental charges

Governmental services charges Payment for professional services Contractual services not otherwise classified Repairs to marine equipment Repairs lo lesling and laboratory equipment Total contractual services

Actual Variance with Final Budget -Positive (Negative)

(in thousands of dollars)

Budget Amounts

Net Actual Original Transfer Final Amounts

S 646	S 110	$ 756	S 692	$ 64
474	(51)	423	37944	
428	(107)	321	28338	
27	-	27	324	
118	-	118	9523	
18	25	43	3112	
437	43	480	38298	
4,622	283	4,905	4.487	4TcT
8-844				
8	12	20	19I	
1-1			I-	
28	6	34	286	
1-1-1				
33	2	35	323	
16,725	**25**	**16;750**	**15,919**	**831**

14	-	14	14	-
115	(2)	113	102	II
208	18	226	200	26

´ ´ ´

29,032 (320) 2X.712 26.765 1,947
644 320964 94519
415 -415375 40
2 2 2
58 - 58 47 11
30,151 - 30.151 28,132 2.019

22 -22166
35 II \4641 5
4 266
27 -27243
I -I-I
o . 9 ^ 9
67 -671750
103 -10363 40
320 (54)266 16997
30 232302
354 (1)3533 IS 35
965 (40) 025 6S4 241

FINANCIAL SECTION 135

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

Year ended December 31, 2018

Corporate Division

Monitoring and Research (continued): Materials and supplies
Office, printing, and photographic supplies Farming supplies
Laboratory testing supplies and small equipment
Wearing apparel
Books, maps, and charts
Computer supplies
Fuel
Materials and supplies not otherwise classified Total materials and supplies

Machinery and equipment
Testing and laboratory equipment Total machinery and equipment Monitoring and Research total

Procurement and Materials Management. Personal services
Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Tuition and training payments Total personal services

Contractual services Travel
Meals and lodging
Compensation for personally owned autos
Advertising
Repairs to buildings
Repairs to office furniture and equipment Repairs to vehicle equipment Total contractual services

Materials and supplies Metals

Electrical parts and supplies Plumbing accessories and supplies 1 lardware

Buildings, grounds, paving materials, and supplies fiber, paper and insulation materials Paints, solvents, and related materials Vehicle parts and supplies

(in thousands oj'dollars)

Original

Budget Amounts

Net Transfer

(2)

30 38 355 10 1 3 o

37_

483

40

40

290 290 31,889

5,590 124 81

(1) (3)

5,797

2 2 . 2 1 I 1 7

(l)

8

132

(7) (30)

(43)

104 313 343 80 457 42 51 1 1

Final

38 350

13 1 3

11

35

483

330

330

31,8X9

5.590 124 81

5,797

108 7 I
10 131

97 283 343 SO 414 42 51 13
Actual Variance with Final Budget -
6 12 29

I 1
(1) 4
Positive (Negative)

26 $ 26 321 13

2 12 31
431
I
2.313

329

314 48 6 I

29,576

5.276 76 75
1_
5,428
369

I

25

(I) I
29
102
12 28 14 4 86

8_i255 320 76 328 42 40 12

Corporate Division

Procurement and Materials Management (continued). Mechanical and repair parts Office, printing, and photographic supplies Laboratory testing supplies and small equipment Cleaning supplies Tools and supplies Wearing apparel Safety and medical supplies Computer supplies fuel

Gas (in containers) Communications supplies Lubricants

Materials and supplies not otherwise classified Total materials and supplies

Machinery and equipment

Equipment for process facilities Fanning equipment

Total machinery and equipment

Procurement and Materials Management total

Human Resources: Personal services

Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Employee claims Tuition and training payments Health and life insurance premiums Personal services not otherwise classified Total personal services

Contractual services Travel

Meals and lodging

Compensation for personally owned autos Court reporting services Medical services Insurance premiums Rental charges

Payment for professional services Contractual services not otherwise classified

(in thousands of dollars)

Budget Amounts

Net Transfer

Original

S 23S

11 607 263

73 145 100

48 266

70 8

226

(1)

52_

(10) 12

3,508

30

30

9,467

14 (14)

6,489 214 134 60 554 46,456 506 54,413

(7)

6 IS 2 12 97 3,080 27 1,107 46

Actual Amounts

221 11

668

255 78

144 71 46

232 64 5

157

41

3.171

20

32
8,733

5,666 139 100 64 450 42.874 251
49,544

12 90 2.777 10 884

Actual Variance with Final Budget -Positive (Negative)

J 15
7
9 8

I
29 2
34 6 3

69
1_1_

336

734

823 75 34 10 104 3.568 255 4.869

14

303 17 216 8

FINANCIAL SECTION 137

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

Year ended December 31. 2018

Corporate Division

Human Resources (continued): Safety repairs services

Total contractual services

Materials and supplies

Office, printing, and photographic supplies Books, maps, and charts Safety medical supplies

Materials and supplies not otherwise classified Total materials and supplies

Machinery and equipment Computer equipment

Total machinery and equipment Human Resources total

Information Technology: Personal services

Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Tuition and training payments Total personal services

Contractual services Travel

Meals and lodging

Postage, freight, and delivery charges Compensation lor personally owned autos Communication services Rental charges

Payment for professional services Contractual services not otherwise classified Computer equipment maintenance Computer software maintenance '..

Communication equipment maintenance Total contractual services

Materials and supplies

Office, printing, and photographic supplies Computer softwaic Computer supplies Communication supplies

Total materials and supplies

(m thousands of dollars)

Budget Amounts Net
Original Transfer

135 S - S

58 3

194

3

4,530

(3) 2

(1) 2

258

25

25

59,226

(261)

(261)

8,514 155 120 66

8,855

(1) I

191

(22) (32) (52) 44

1

2 1

2

_

1.178 326 603 50 364
129
4,216 736
7,479
54

19 lis
13
67
431 121
689

Actual Variance with Final Budget -Actual Positive Amounts (Negative)

36
99 $
Final
607
3,923

135 S
44 5
143
3
11

50 2
4,530

55 5
63
195
193 5
25
11
258
25
14
59,226
5.550
14

8,253 155 120 66

462 47 11 19
53,676
539
8.594

7,791 108 109 47

I 1
2 2
1,369
326 .
581 18
312 4,260
736

I
267 12 351 8
129 136 12

8,055

1,102 314 230 10 183
7,608
917
4,124 724
6 51 18 16
19 172 431 134
6,691
756
Ol

13 121 413 118
•665

138 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division

Information Technology (continued): Machinery and equipment Computer equipment Computer software Communication equipment
Total machinery and equipment Information Technology total

Law:
Personal services
Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Tuition and training payments Total personal services

Contractual services Travel
Meals and lodging
Postage, freight, and delivery charges Compensation for personally owned aulos Reprographic services Court reporting services Payment for professional services Contractual services not otherwise classified Total contractual services

Materials and supplies
Office, printing, and photographic supplies Books, maps, and charts
Total materials and supplies

fixed and other charges faxes on real estate
Total fixed and other charges Law total

Finance.
Personal services
Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Tuition and training payments Total personal .services

Actual Variance with Final Budget -
Positive (Negative)
(m thousands of dollars)

Budget Amounts

Net Actual Original Transfer Final Amounts

$ - $ 7$ 7$ 6$ l

30 (29) 1 - 1

- 16 16 15 1_
30 (6) 24 21 3_

17.053 (71) 16.9X2 15.432 1.550

5,083	-	5.083	4,762 321	
139	-	139	134 5	
73	-	73	68 5	
14	-_	14	10	4
5,309	-	5,309	4,974 335	
5-54				I
13	-	13	9	4
I	-	I	-	I
5-5	1			4
17	-	17	-	17
50	9	59	13-	46
1,091		(9)	1.082	355 727
104	-	104	85	19^
1,286	-	1,286	467	819
6	-	6	3 3	
12	-	12	10 2	
78	-	18	13 5	
890	-	890	683 207	
890	-	890	683 207	
7,503	-	7.503	6,137 1.366	
3,217	(10)3.207	' 3.008	199	
42	-42636			
46	-46424			
30	104040 -			
3.335	*~3.335*	*3.096*	*ry>*	

FINANCIAL SECTION 139

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

Year ended December 31. 2018

Corporate Division

Finance (continued): Contractual services Travel

Meals and lodging Reprographic services Court reporting services Discount Lost

Payments for professional services Contractual services not otherwise classified Repairs to office furniture and equipment Total contractual services

Materials and supplies

Office, printing, and photographic supplies Books, maps, and charts Materials and supplies not otherwise classified Total materials and supplies Finance total

Engineering:

Personal services

Salaries of regular employees Compensation plan adjustments Social security and medicare contributions T uition and training payments Total personal services

Contractual services Travel

Meals and lodging

Postage, freight, and delivery charges Compensation for personally owned autos Reprographic services Water and water services Payments for professional services Contractual services not otherwise classified Repairs to waterway facilities Repairs 10 testing and laboratory equipment Repairs not otherwise classified Tolal contractual services

Materials and supplies

Office, priming, and photographic supplies Tools and supplies

(in thousands oj'dollais)

Original

Budget Amounts

Net Transfer

(1) S

13 13

2 50 2

307'

394

13 1

1

15 3.744

(200) 200

26,988 344 384 124

27.840

12

25 2

1

(9)

17 4 3

201 82 43

4

(4)

401

60 10

Final

12 13

2 50 3

307 2 5

394

15
3,744

26,788 544 3S4 124
27,S40

12 33 2 17 4 4 192 82 43 3 9

401

64 6

Actual Amounts

2
7 2
44 2
280 1
5
343

3,448

24,782 454 349 56
25.641

27 1
8 4 4 127 82 43
J)
8
318

54
Actual Variance
with Final Budget -Positive
(Negative)

10
6

27 1

TT

296

2,006 90 35
68_
2.199

65

83

10 4

140 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division

Engineering (continued): Wearing apparel Books, maps, and charts
Total materials and supplies Engineering total

Maintenance and Operations: Personal services
Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Salaries of non-budgeted employees Tuition and training payments Total personal services

Contractual services Travel
Meals and lodging
Compensation for personally owned autos Motor vehicle operating services Electrical energy Natural gas
Water and water services Communications services Testing and inspection services Rental charges
Governmental service charges
Maintenance of grounds and pavements
Payments for professional services

Contractual services not otherwise classified
Waste material disposal charges
Farming services
Sludge disposal
Repairs to collection facilities
Repairs to waterway facilities
Repairs lo process facilities
Repairs to railroads
Repairs to buildings
Repairs to material handling and farm equipment Safety repairs and services Repairs to marine equipment Computer software maintenance

(m thousands of dollars)

Budget Amounts

Net Transfer

Original

S 7 4 81
28,322

(19) 19 (18)

(18)
(1) 4
(19)

191 336 290 48 (54) (8) 294 (115)

(172) (406) (5) 325 (136)

75 (46) (121)

30 (46)

88,537 5,102 1,271 30 239 95,179

30 71 145 1

38,602 2,796 1,795 882 276 170 3,474 1,014 535 674 10,893 25 3.700 3.249 47 5,529 369 1.059 314 324 65 8

Final

81
28,322

88.518 5,102 1,290 30 221 95,161

29 75 126 I

38.793 3,132 2,085 930 222 162 3,768 899 535 502 10,487 20 4.025 3,113 47 5.604 323 938 344 278 67 10

Actual Amounts

65
26,024

87,035 4,947 1.282

154 93.418

18 69 107

38.789 3,104 2,035 926 189 150 3,763 809 493 367 9.665 20 3.786 2.975 40 5.330 313 729 329 21 1 67 9
Actual Variance with Final Budget-

Positive (Negative)

16
2.298

1.483 155 8 30

67_
1,743

1 1 6
19 I
4 28 50
4 33 12
5 90 42 135 822

239 138 7

274 10
209 15 67

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

Year ended December 31. 2018

Corporate Division

Maintenance and Operations (continued):

Communication equipment maintenance Repairs to vehicle equipment Repairs not otherwise classified Total contractual services

Materials and supplies Metals

Electrical parts and supplies Plumbing accessories and supplies Hardware

Buildings, grounds, paving materials, and supplies

Fiber, paper and insulation materials
Paints, solvents, and related materials
Vehicle parts and supplies
Mechanical repair parts
Manhole materials'
Office, printing, and photographic supplies Farming supplies Processing chemicals
Laboratory testing supplies and small equipment
Cleaning supplies
Tools and supplies
Wearing apparel
Safely and medical supplies
Computer software
Computer supplies
Fuel
Gas (in containers) Communication supplies Lubricants
Materials and supplies not otherwise classified Total materials and supplies

Machinery anil equipment

Equipment for collection facilities Equipment for process facilities Testing and laboratory equipment Materials and equipment not otherwise classified Total machinery and equipment Maintenance and Operations total

(in thousands of dollars)

Budget Amounts

Net Transfer

Original

(9) (4)

$ 5 166
455

25_

(4) 815 (7)

(3)

76,243

35 2,007 786 8

14 1,369

(3)

(2,670) (2) 3 20

(10) (2) (1) 21

173 10 7 151 2,453 7 49 4

12,878 26

210 1

70 25 38 339 I

(10) (10)
(480)

6 21 189 19,496

69 S 12

44 149
89

25
46

118

191.136
Final

ı

154 4

Actual Amounts

5 S 157 21
76,698

31
2,822 779 8
170 10 7 165 3,822 7 46 4
10,208 24 5

230 1

60 23 37 360 1 6 1 1 179 19.016
44 156 30 11

241

44 218 33 12 307 191.1 82
Actual Variance with Final Budget -

Positive (Negative)

3
17_
2,244

2
355 124 I
57 5 1
12 434 1 2 1
635 4

10

5 4 2 47 1 I
4
20_
1.730

62

66 5.783

142 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division

Corporate Division Total

Total all departments: Personal services Contractual services Materials and supplies Machinery and equipment Fixed and other charges

Total Corporate Division

Reserve Claim Division

Employee claims

General claims and emergency repair and replacement cost over SI0.000

Total Reserve Claim Division Total General Corporate Fund

(m thousands of dollars)
Budget Amounts
Actual Amounts
Net Transfer
Final

Actual Variance with Final Budget -

Positive (Negative)
Original

826 (396) 125

6,035 2,328 81 207

91,733 22,038 637 683

96,942 24,762 593 S90 370,210

$ 247,023 $ (555) S 246,468 $ 233,400 $ 13,068
21,719

5,786

19,007 24.793

97,768 24,366 718 890

4,214 1,283

370,210 348,491

- 10,000
- 20,290 30,290

5,497

S 400,500 $ 353,988 $ 46,512

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

Year ended December 31, 2018
(with comparative amounts for prior year)

Personal services: Salaries anil wages

Employee health and life insurance premiums Social security and medicare contributions Tuition and training payments Other

Tolal personal services Contractual services: Electrical energy Natural gas

Postage, freight, and delivery charges Waste material disposal charges Administration building operation Communication services Farming services Court reporting services Water and water services Motor vehicle operating services Employee travel and transportation Medical services Rental charges

Maintenance of grounds and pavements

Governmental service charges

Repairs to process facilities

Other repairs

Other contractual services

Total contractual services Materials and supplies. Processing chemicals Laboratory testing supplies Mechanical repair parts Fuels and lubricants Electrical parts and supplies Plumbing accessories and supplies Office, printing, and photographic supplies Buildings, grounds, paving materials, and supplies Cleaning supplies Mentis

Computer supplies

Other materials and supplies

Total materials and supplies fcontoiifcd)

2017

(m thousands of dollars)

2018

S 186,997 42,874 2,634 830

64

233,399

39,114 3,132 110 9,665 1,837 2,199 20 69 2,046 65 413 90 482 809 3,780 5,330 10,470 I 1,211 90,842

9,564 978
3,510 847

.
2,641
1,090 313 436 306 130 457
3.038
23.310

Percent

3,346 (27) 32 (198) 42

Increase Increase (Decrease) (Decrease)

0 1
3,195

2,895 178 5

(620) 85 693 (5) (8) 177 (4) 61

9

(20) 203 682 1,954 (678)

(19) 191 1

8 6 5

(6) 5 46 (20) (10) 9

(6) 17
0
2
(2.)
5,607
6 15 23 (6)
427 (6)
593 45
755
166 (6) 69 27

(194) 1.145
7

5
(I) 20
6 40 . 18 (2) 19 10

0
.021
(30) 60 15

Percent of Total 2018

53%

0 0
~66~

II I
0 3

3 3 26

3 0 I
0 I
0 I) 0 0 0 0

144 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

(in thousands of dollars)„

■'

			Increase	Percent Increase	Percent of Total
	2018	2017	(Decrease)	(Decrease)	2018
Machinery and equipment:					
Vehicle equipment	$ - S	-S	-	0%	0%
Testing and laboratory equipment	359	424	(65)	(15)	0
Equipment for collection facilities	67	23	44	191	0
Computer software	14	-	14	0	0
Communication equipment	15	-	15	0	0
Other machinery and equipment	250	284	(34)	(12)	0
Total machinery and equipment	705	731	(26)	(4)	0
Fixed other charges:					
'faxes on real estate	683	686	(3)	0	0
Total fixed other charges	683	686	(3)	0	0
Claims and judgments	5,497	6,905	(1,408)	(20)	2
Total expenditures	$ 354,436 S	344,050* $	10,386		100%

Page intentionally left blank

DEBT SERVICE FUND

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

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

Year ended December 31. 2018

Revenues:

Property taxes

Total tax revenue

Interest on investments Miscellaneous

Total revenues

Expenditures:

Debt service Revenues over (under) expenditures

Other financing sources (uses): Transfers from Stormwater Fund

Total other financing sources (uses)

Revenues and Other financing (use) over (under) expenditures

Fund balances at beginning of year Fund balances at end of the year

(in thousands of dollars)

Actual

Variance

with Final

Actual on **Budget -**

Final **Budgetary Positive**

Budget **Basis (Negative)**

% 226,6 IS % 223,954 $ (2,664)
226,618 223,954 (2,664)

1,000 2,472 1,472

36 36_

227,618 226,462 (1,156)

256,304 256,304 -_
(28,686) (29,842) (1.156)

5,771 5,771
5,771 5,771

(22.915) (24,071) (1,156)

118,423 172,516 54,093
$ 95,508 $ 148,445 S 52,937

CAPITAL PROJECTS FUNDS

Construction Fund

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

Stormwater Management Fund

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

Capital Improvements Bond Fund

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

Exhibit E-1
Capital Project Funds
Schedule of Appropriations and Expenditures on Budgetary Basis

Year ended December 31, 2018

Construction Fund:

Contractual services

Testing and Inspection Services

Intergovernmental Agreements

Payments for professional services

Preliminary engineering reports and studies

Professional engineering services for construction projects

Contractual services not otherwise classified Total contractual services

tin thousands of dollars)

Original

Budget Amounts

Net Transfers

1,016 70

163

(163)

3,282 50

1,834

50_

6,302

Final

1,016 70 3,282 213

1,671 50

6,302

Actual Variance
with Final Budget -Positive

354 6

888 187

1,659 50

(Negative)

662 $ 64 2,394 26
3,144

12
3,158

Machinery and equipment								
Equipment for collection facilities	665(93)572	293279						
Equipment for waterway facilities	11053163	56107						
Equipment for process facilities	1,958(15)1,943	1,279664						
Material Handling and Farming Equipment	9751,1652,140	2,08456						
Computer equipment	406-406404	2						
Computer software	85-854441							
Communications equipment	64-644123							
Vehicle equipment	1,134751,209	845364						
Total machinery and equipment				5,397	1,185	6,582	5,046	1,536
Capital Projects								
Collection facilities structures	8764001.276	852424						
Waterway facilities structures	75-75-75							
Process facility structures	2.527-2,527	1,0171,510						
Buildings	3,781(185)	3,5961,9561,640						
Capital projects not otherwise classilied	2,625(2,000)	625139486						
Preservation of collection facility structures	1,140(473)	667-667						
Preservation of waterway facility structures	65024674	446228						
Preservation of process facility structures	8332501,083	294789						
Preservation of buildings	1.7967992.595	2,090505						
Preservation capital projects not otherwise classified	79-792950							
Total capital protect*				14,382	(1,185)	13.197	6,823	6,374

Construction Fund Summary:					
Contractual services	6,302-	6,3023,158	3.144		
Machinery a'nd equipment	5.3971,185	6,5825.046	1.536		
Capital projects	14,382	(1,185)	13,197		6,8236.374
Construction Fund lotal	26.081-~26.08115,02711.054				

{continued) Stormwater, Management Fund:

Personal services

Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Salaries of nonbudgetcd employees Tuition and training payments Health and life insurance premiums Total personal services

(in thousands of dollars)

Budget Amounts

Net Transfers

Original

$ 5,811 192 83 20 10 567 6.683

Final

5.8U 192 83 20 10 567

6,683

Actual Amounts

5,619 188 81

10 5IS 6,416

Actual Variance
with Final Budget -Positive
(Negative)

S 192 4 2 20

49_

267

Contractual services Travel

Meals and lodging

Postage, freight and delivery charges

Compensation for personally owned autos

Motor vehicle operating services

Testing and inspection services

Court reporting services

Rental charges

Inlragovernmenlal agreements

Payments for professional services

Preliminary engineering reports and studies

Professional engineering services for construction projects

Contractual services not otherwise classified Waste material disposal charges Repairs to waterways facilities Computer Soft ware-Repairs not otherwise classified Total contractual services

2 4 3 25 I

10 12 3

26.270 1,059 3,725 '

4,147 415 60

2.585 145

38,468

(3)

(350) 350

2 4 3 25 1

10 15 3

26.270 1,056 3.725

3,797 765 60 2,585 145 2

38.468

1 3 1

16

13

5,422 284 1,099

349 533 29 2,383 145 1

10.281

1 1

2 9 I

10

2

1

20,848 772 2,626

3,448 232 31 202

1_

28,187

Materials and supplies

Building and grounds materials and supplies Office, printing, and photo supplies Processing chemicals Tools and supplies Wearing apparel

Materials and supplies not otherwise classified Total materials and supplies

I 1

2

90

12 5

11

~)

90 125

SI 06

tcontimicdl

Stormwater Management Fund (continued):

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

Year ended December 31, 201S

Capital Projects

Waterways facilities structure Army Corps of Engineers Services Capital projects not otherwise classified Preservation of waterway facility structures Total capital projects

(in thousands ol dollars)

Budget Amounts

Net Transfers

Original

16,176 1,750 400 1,181

19,507

Final

16,176 1,750 400 1.181

19,507

Actual Amounts

293

293

Actual Variance with Final Budget -

Positive (Negative)

15,883 1,750 400 1,181

19,214

Land Land

Total land

Fixed and other charges Payments for easements

Total fixed and other charges

Stormwater Management Fund Summary:
Personal services Contractual services Materials and supplies Capital projects Land
Fixed and other charges

Stormwater Management Fund total

6,683 38,468 125 19,507 400 400 65,583

6,683 38,468 125 19,507 400 400 65,583

6,416 10,281 29 293 342 346
17,707

267 28,187 96 19,214 58 54
47,876

Capital Improvements Bond Fund Summary:
Contractual services Machinery and Equipment Capital projects Land
Fixed and other charges

Capital Improvements Bond Fund total * Capital Projects Funds total

9,472 795 300,666 300 1,750 312.983 S 404.647
26,311

60,010 1,100 3,290
90,711

35,783 795 360.676 1,400 5.040 403.694
90.711 $ 495.35S S 159,839 S 335.519

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

152 FINANCIAL SECTION

TRUST FUNDS

PENSION TRUST FUND

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

OPEB TRUST FUND

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

Exhibit F-1
Pension and Other Post Employment Trust Funds
Combing Statements of Fiduciary Net Position

Year ended December 31. 2018
(with comparative amounts for prior year)

Assets Cash

Receivables

Employer contributions - taxes (net of allowance for uncollectible amounts of $4,203 in 2018 & $3,883 in 2017)

Securities sold

Forward foreign exchange contracts Accrued interest and dividends Accounts receivable Tolal receivables

Investments at fair value Equities

U.S. Government and government
,i agency obligations

Corporate and foreign government obligations

fixed Income Mutual funds Mutual and exchange traded funds Pooled funds - equities Pooled funds - fixed income Limited partnerships - real estate

Short-term investment funds

Total investments if

Securities lending capital Total assets

Liabilities

Accounts payable Due lo broker

Securities lending collateral Total liabilities

Nel position restricted for pension and OPEB benefits

(m thousands oj dollars)

Pension Trust Fund		OPEB 'Trust Fund		Total Fiduciary Funds	
2018	2017	2018	2017	2018	2017
S 2,131	$ 1,990	$ -	$ -	$ 2,131	S 1,990
87,281	89,604	-	-	87,281	89,604
-	42,172	-	-	-	42,172
111,905	123,333	-	-	111,905	123,333
3,844	3,660	95	73	3,939	3,733

53 43 - 53 43_

470,320 91,161 145,707

89.341 215,174 152,257
63,898

14,814 1,242,672
568,135

96,641

143,848 62.805 215,611 251,104 193,075

47,695 1.578.914
470,320

91,161

145,707 69,189 203,989 215,174 152,257 63,898

19,214 1,430,909
203,083 258,81295 73 203,178 258,885
69.189 114,648
62,805 115,342

568,135 96,641 143,848
4,400 188,237
16,994 195,141

100,269 251,104 193,075
14.166 1,462,052

30.701 1,383,773
14,166 27,448
195,214
188,332
1,867,237

27,448 1.672.023
1,650,384

1.210 1.360 14 14 1,224 1.374
102,681 141,421 - -1(12,681 141,421
14.166 27,448 - -14,166 27,448
118.057 170.229 14 14118,071 170,243

S 1.343.995 S 1.501.794 J 188.3 IS S 195,200 S 1,532.313 5 1.696.994

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

Year ended December 31. 2018
(with comparative amounts for prior year)

(in thousands of dollars)

Total Fiduciary Funds

Additions:
Contributions:
Employer contributions
Employee contributions
Retiree contributions
Total contributions
Investment income:
Net appreciation (depreciation) in fair value of investments
Interest and dividend income
Total investment income (loss)
Less investment expenses
Investment income (loss) nel of expenses
Security lending activities:
Security lending income
Borrower rebates
Bank fees
Net income from securities lending activities

2018
2017
2018
2018
2017
2017
18,431 125,771
17,571
129.129

S 87,167 $ 89,858 $ 17.571 S 18,431 $ 104,738 $ 108,289

21,033 20,840 - - 21,033 20,840

177,342 21,754

21,209 4,225

(I22,3b5) 24,076 (98.289) (5,024)

(16,589) 4,803 (11.785) (55)

198,551 25,979

224,530 (4.663)

219.867

108,200 110,698

199.096 (4,621)

25,434 (42)

(138,954) 28,879

(110,074) (5,079)

556 (164) (85)

448

(13)

(89)

448

(13)

(89)

(103,313) 194,475 (11,840) 25,392 (115,153)

307

346

346

556 (164) (85)

307

Other

Total additions

Deductions: Annuities and benefits Employee annuitants Retiree health care benefits Surviving spouse annuitants Child annuitants Ordinary disability benefits Duty disability benefits

Total annuities and benefits Refunds of employee contributions Administrative expenses Total deductions

Nel increase (decrease)

Net position held in trust for pension and OPEB benefits

Beginning of year

End of year

127,099

24,203 142 631

77

152,152 2,560 1.614 156,326

149.196

133.184

12,571

13.431

2,571

13,431

37

42

13.468

12.613

30.356 (164.681)

(6.883)

25.264 143 856 1 13 I 59,560 1.762 1.685 163.007

1,696,994

1.517.442

195,200

164,844

(157.798)

1.501.794 1,352.598

S 1.343,004 S 1.501.794 S 188,317 S 195.200 $1,532,313 S 1.606.994

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III. STATISTICAL AND DEMOGRAPHICS SECTION

MWRD Pollution Control Technician Ann Dangles collects ambient water (/utility data on the North Branch of the Chicago River in July.

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Statistical and Demographics Section (Unaudited)

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

Contents

Financial Trends

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

Revenue Capacity

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

1-10 through 1-12

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

Demographic and Economic Information

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

Operating Information

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

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

Exhibit 1-1
Net Position by Component

Last Ten Fiscal Years (accrual basis oj accounting)

(in thousands of dollars)

2018 2017 2016 2015

Net investment in capital assets *	$ 4,822,532	$ 4,710,123	S 4,591,899	S 4,630,463
Restricted				
Restricted for corporate working cash	282,055280,437	279,390278,852		
Restricted for reserve claim	11,7289,976	2,1286,499		
Restricted for debt service	299,106318,646-	318,575310,383		
Restricted for capital projects	53,44332,067	75,762-		
Restricted for construction working cash	22,39522,204	22,07021,947		
Restricted for stormwater working cash	37,698' 37,509	37,38437,216		
Unrestricted (Deficit)	(908,577)	(897,766)	(787,263)(756,154)	
Total net position	S 4,620,380	$ 4,513,196	S 4,539,945$ 4,529,206	

* Infrastructure under the modified approach is reported in the period the initial condition assessment was completed.

2014

S 4,548,793 S 4,506,950 $ 4,514,633 S 4,506,544 $ 4,492,811 $ 4,559,884

278,148 , 7,764 305,375 15,457 21,833 37,035

276.894 9.861
278,970 28,886 21,644 37.690
277,006 4,524
268,760 18,828 21,649 37,737
277,270 6,211
257,418 29.908 21.611 39,573
277,249 22,521
227,320 38,018 27,377 39,554

275,459 25,073 232,815

27,286 38.953

(722,949)

$ 4,491,456 $ 5,164,932 $ 5,142,131 S 5,085,058 S 5,027,916 S 5,110,279

STATISTICAL SECTION 161

Exhibit 1-2
Changes in Net Position
Last Ten Fiscal Years

(accrual basis of accounting)

(in thousands of dollars)

Revenues

General Revenues: Property taxes
Personal property replacement tax
Interest on investments
Tax increment financing distributions
Claims and damage settlements
Miscellaneous
Gain on sale of capital assets Total general revenues Program Revenues: Charges for services User charges Land rentals
Fees, forfeits and penalties Capital grants and contributions
Federal grants
Total program revenues Total revenues

Expenses -~ Board of Commissioners General Administration Monitoring and Research Procurement and Materials Management
Human Resources Information Technology Law Finance Engineering
Maintenance and Operations
Pension costs
OPEB Trust Fund costs *
Claims and judgments
Construction costs
Loss on sale of capital assets
Depreciation (unallocated)
Interest on bonds

Total expenses Change in Net Position

2018

599,224 37,018 15,531 6,153 1,482 7,628

667,036

44,000 22,678 5,116

17,086
88,880
755,916

4,167 16,063 30,262 7,102 53,182 15.173 6.023 3,460 27,800 187,660 102,993 (6,955)
(4,059) 85,813 92 I 1.849 108.107

648,732
107,184 S

2017

563,764 43,194 8,784 9,100 783 5,819 50
631,494

51,098 17.352 5,401

14,558
88,409
719,903

4,094 15,791 29,591 5,947 54,267 12,734 5.830 3,520 27,830 178,994 106,814 1,486
(2.662) 85,535 202 12.063 109.550

651,586
68.3 I 7 S

2016

556,648 38,961 6,181 9,228 209 5,527 1,210
617,964

48,621 20,166 4,164

12,825

85,776
703,740

4,166 15,690 28,753 6,602 54,447 14,702 ' 6,709 3,570 28,002 177,829 108,606 (7,008) (8,548) 136,203 13

12,083 1 1 1.182
693,001
10.739 S
2015

533,240 37,863 5,381 13,069 350 5,804 2 922 598.629

46,238 18,189 4,885

11,170 80,482 679,111

3,671 14,835 27,259 6,801 58,512 14,602 6,008 3,401 27,232 173,177 87,145 (5,408) 23,560 69,434 32 12,123 1 18,977 641,361 37.750

* T he 2012 decrease resulted from a reduction in the liability estimate for OPEB.

162 STATISTICAL SECTION

Metropolitan Water Reclamation District oj Greater Chicago

2011 2010 2009

S 526,851 S 470,855S 486,316

39,571 40,737 35,605

9,486 3,05111,123
4,925 3,3616,239

630 2,271 1,472

5,290 4.7655.822
8_ 923_ -

586,761 525,963 546,577

S 506,888 S 409,550 S 429,968
36,849 39,35237,477
13,156 9,1197,6.32
12,715 . 6,8181,359
1,298 285695
4,859 5.1816,642
676_ 2,736 -

576,441 473,041 483,773

50,696 16,357 5,456

11,089 83,598 670,359
49,182 14,851 3,396

11,110 78.539 604,502
69,322 12,081 3,353

22,164 106,920 653,497

57,469 12,161 3,279

17,218 90,127 666,568
49,433 10,040 2,731

17,156 79,360 552,401
47,886 9,660 4,305

5,518 67,369 551,142

3,721 15,096 26,922 6,331 72,896 14.708 6,812 3,433 26,561 169,234 92,944 (19,449) 2,660
77,191 127 12,229 114,328 _
625,744
44,615 S
.3,520 14,426 25,294 5.660 67,841 14,331 6,975 3,394 25,051 162.372 52,065 (19,567) 3,369 88.528 173 12,020 116.249
581.701
22,801 S
3,471 14,296 24,689 5,694 63,103 13.714 5,942 3,175 4,332 161,919 78,360 (7,155) 25,738 75,496 147 12,459 111.044
596,424
57.073
3,348 14,844 25,221 6,928 47,683 14,423 7,15 1 2,962 4,028 178,438 70,331 10,251 25,488 84,240 95 12,235 101.760
609.426
57.142
3,680 19,046 29,252 6,196 43,670 20,611 7,491 3,233 9,284 209.488 54,804 25,464 17,536 131,095 436 9,227 72,249
662,762
(82.363) S (111.620)

STATISTICAL SECTION 163

Exhibit 1-3
Fund Balances: Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

(in thousands of dollars)

		2018
General Corporate Fund Nonspendable:		
Prepaid insurance	$	5,201
Inventories		33,436
Restricted		310,677
Unassigncd (Deficit)		(64,772)
Total General Corporate Fund		284,542

All Other Governmental Funds Nonspendable:

Prepaid insurance 76

Restricted 335,306
Assigned 158,319
Unassigned (76)

2017	2016	2015
$ 4,101	$ 2,117,000	$ 2,137
34,787	35,502,000	37,623
306,854	306,800,000	305,779
(53,799)	(44,428,000)	(58,427)
291,943	299,991,000	287,112
79	-	-
381,079	451,657,000	378,458
147,473	145,341,000	127,920
(79)	(13,525,000)	(9,090)
$ 820,495	$ 883,464,000	S 784,400

2012	2013	2012	2011	2010 2009		
$ 2,143	$ 2,391	$ -	S -	$ -	S -	
39,586		40,136	39,467	38,922	38,924	. 38,761
307,147	344,558	344,186	342,398	341,381338,602		
(61,850)	(51,960)	(19,151)	(96,225)	(175,521) (166,687)		
287,026	335,125	364,502	285,095	204,784210,676		
219,606	328,953	575,796	763,064	519,456773,035		
112,768	112,478		---			
S 940,298	S 1,048,159	S 724,240	S 983,711			

Exhibit 1-4
Changes in Fund Balances: Governmental Funds

Last Ten Fiscal Years

(modified accrual basis oj accounting) Revenues

General Revenues: Property taxes

Personal property replacement tax Interest on investments Land sales

Tax-increment financing distributions Claims and damage settlements Miscellaneous Program Revenues' Charges for services User charges Land rentals

Fees, forfeits and penalties Capital grants and contributions Government grants Total revenues

Expenditures

Operations

Board of Commissioners

General Administration

Monitoring ami Research

Procurement and Materials Management

Human Resources

I n format ion Technology

Law

Finance

Engineering

Maintenance and Operations

Pension costs

Claims and judgments

Construction costs Debt service.

Redemption of bonds

Interest on bonds Total expenditures Revenues over (under) expenditures Other Financing Sources (Uses)

Payment to esciow agent

Slate revolving fund loan piocecds

Sale of refunding bonds

Proceeds from sale ofbonds

Premium on *ale of bonds

Piocecds from capital lease

Tolal olhei linancing souices (uses)

Net change in fund balance

Debt sen ice as a peicentage of non-capital expendituies

2018

(in thousands of dollars)

(in thousands of dollars)

526.932 43,194 8,784 50 9,100 783 5,878

2017

603,244 37,01 S 15,531
51,098 17,352 5,401

14,555

6,153 1,482 7,666

44,000 22.678 5,1 16

759,970

17,082
4,148 15,816 30.204
7,236 53.227 15,125
6.139
3,450 26,031 187,563 92,668
5.497 158.670

144.296 I 16,308
683,127

4,075 15,766 29,696
5,954 54,225 12,728
5,922
3,530 26.068 179.181 75,579
6,905 268,497
866,468

I 13,695 1 14,520
(106,498)
42 1.341
64.170
(238.214)
64.170
175.245
(42.328)
175.245
(1)2.9o1»)

51 6'!,,

2015

525,302 37,863 5,381 3,164 13,069 350 5,869

2016

46.238 18,189 4,885

11,165

583.875,000 38,961.000 6.181.000 1,233,000 9,228,000 209.000 5,540.000

48,621,000 20.166,000 4.164,000

12,81 7,000
730,995,000 671,475

4,158,000 3,662
15.490.000 14.833

28,490,000 27,486
6,611,000 6,885
54,606.000 58,441
14,213.000 14,697
6,707,000 6.018
3,597,000 3,427
26.051,000 25,971
177.695,000 173,534
77,712,000 62,498
4,786,000 5,658
296,768,000 326,430

102,670.000 101,220
117.474.000 118,680

937.028 949,440

(82,906) 181.537
70,805 225.000
4X.529

(206,033) (277.965)

(399.432,000) 179.224,000 322,260.000 104.000.000 W.045.000

31.7%

305.097.000 442,965 S 99.064.000 S 165.000

28 4%

166 STATISTICAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

2009

516,316 39,571 9,486 8
4,925 630 5,445

454,966 40,737 3,051 2.575 3,361 2.271 4,765
489,168 35,605 I 1,123

6,239 1,472 5,822

492,751 36,849 13,156 2,326 12,715 1,298 4.859

410,663 39,352 9,1 19 3,045 6,818 285 5,181

418,077 37.477 7,632 6
1,359 695 6,642

50,696 16,357 5,456
49,182 14,S51 3,396
69,322 12,081 3,353
57,469 12,161 2,534
49,433 10,040 2,731

47,886 9,660 4,305

1,440 535,179

3,710 14,829 26.687
6,325 72.S79 14,582
6,802

,

3,425 25,278 168.376 75,556 44,988 236,25')

3,514 14,111 25,128 5,671 67.S56 14,024 6,984 3,393 23.987 161,787 67,523 4,970 199,231
3.463 13,877 24,495 5,698 63,105 13,167 5.942 3.172 3,229 161,188 66,191 5.998 259.315
3,344 14,332 25,084 6,949 47.710 13,820 7,166 2,965 2.975 177.408 36.635 6.923 337.051
3,628 15,411 28.445 6,493 46.944 15,823 8,164 3,203 5,367 191,165 30,099 6.728 446,885
3,659 18,555 28,891 6,156 43,603 20,200 7,446 3.208 7.951 208,123 31,744 4.464 397.265

89,1 18 1 10.1 15
898,929
(238.877)
85,709 111.665
795.553
(205,288)
71,400 I 18,854
819.094
(162.745)
64,1 12 98.015
844.989
(191.653)
60,602 104.414
1.023.371
(460.471)

73,105 67.14S 426.518 (341.339)

(253) 7X.48I

400.000 37,344

SI.721 (157.156)

4 1.546 (163,742)

54.884 (107.861)

515.572 323.414
54.535
207.000 (259.471)

68 1.000 289. (.M

28 8%

STATISTICAL SECTION 167

Exhibit 1-5
Equalized Assessed Value, Direct Tax Rate and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in thousands of dollars, except tax rales)

Fiscal Year Ended December 31,

Chicago Equalized Assessed Value

Suburbs Equalized Assessed Value

Total Equalized Assessed

Value

Total Direct Tax Rate (1)

Estimated Full Taxable Value (3)

Equalized Assessed Value as a Percentage of Full Value

2008	$ 80,977,543	S 89,119,839	5 170,097,382	0.252	$ 616,163,594	27.6%
2009	84,586,808	89,880,835	174,467,643	0.261	550,135,370	31.7
2010	82,087,170	84,830.896	166,918,066	0.274	449,811,540	37.1
2011	75,122,914	73,925.579	149,048.493	0.320	442,787.689	33.7
2012	65,250,387	68,147.608	133,397,995	0.370	414,382,389	32.2
2013	62,363,876	61,055,668	123,419,544	0.417	459,860,597	26.8
2014	64,908,057	60.828,131	125,736,188 '	0.430	499,136,554	25.2
2015	70,963,289	59,341,515	130,304,804	0.426	528,843,259	24.6
2016	74,016,506	66,735,695	140,752,201	0.406	559,685,160	25.1
2017	76,765,303	71,180,521	147,945,824	0.402	559,685,160 (2)	26.4

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

1) Tax rates per S100 equalized assessed valuation.
2) Current data not available from Civic Federation
3) Does not include values for Railroad. Pollution Control or the part of OTTare Airport located in DuPage County.

168 STATISTICAL SECTION

Exhibit 1-6
District Direct Property Tax Rates, Overlapping Property Tax Rates of Major Local Governments, and Districted Tax Levies by Fund

Last Ten Fiscal Years

(rates per $100 of assessed value)

District direct rates

Corporate

Reserve Claim

Retirement

Debt Service

Construction

Stormwater Management

Total direct rate

2015
2016
2014
2013
2012
2011
2010
21117

; 0.152 0 004 0.050 0.157 0.011

0 028
20(1!)

0.161 0.004 0.047 0.160 0.010

0.168 0.002 0.019 0.114 0.001

0016

$ 0.175 0.004 0.044 0.175 0.013

0.019

04 83 0 002 0 040 0 174 0.014

0 017

0.182 0 005 0.042 0.163 0.009

0.016

0.144 0.001 0.016 0.094 0.005

0014

0.179 0.005 0.021 0.135 0 015

0.015

0.135 0.002 0.016 0.097 0 006

0 005
2018(1)
0 024

S 0.158 0.004 0.047 0.161 0.008

0.031
S 0.404 S 0 402 S 0.406 S 0 430 S 0.430 S 0.417 S 0 370 S 0.320 S 0.274 $ 0.261

Major local governments' tax ra

City of Chicago $ -

Chicago Board of

Education -

Chicago Park District -

Cook County -

Cook County

Cook County forest
Preserve Dist. -

Community College
#508 (City Coll) -

City of Chicago

Library f und - Cilv of Chicago
School fildg/lmprvnu -

s(2)

$ 1.652 S I 630 S 1.549

3.890 3 726 3.455

0 352 0.362 0.372

0.496 0.533 0.552

0.062 0.063 0 069

0.164 0.1690.177

0 118 0.1220.123

0.124 0.1280 134

S I 193- $ I 209 $ 1.151

3.660 3.6713 422

0 401 0.4020 395

0 568 0.5600.531

0.069 0 0690 063

0 193 0.1980 190

0 134 0.1350 128

0 146 0.1520.146

$ 0.999 $ 0.914 S 0 887

2.875 2.581 2 366

0 346 0.319 0.309

0.462 0 423 0.394

0.058 0.051 0.049

0 165 0.151 0.150

0.111 0.102 0.099

0.119 0.116 0.112

District's tax levies by fund (in thousands)

Corporate

Stormwater Management

Reserve Claim

Retirement

Debt Service

Construction

Tolal tax levies

40,856 5.900 73,438 232.751 I 7.000

21.000 3,000 50.531 218,319 17,400

47,826 6,000 71.534 244.859 11,700

24.050 5.700 58.004 228.728 16.500

24.100 3,400 28.163 169,645 1.819

20.000 6,500 51.621 202.290 I 1.079

20,000 6.670 28.440 180,748 20.418

24,029 1.951 26,478 156,090 8.749

8,849 3,182

26,751 169,051

10,411

5240,466 8224.825 S226.743 $227,196 S23O,00() $224,400 $237,193 $249,828 $240,059

$237,116

34,250 5.800 65.161 225,715 13,785

5622,385 $544,770 $571,454 S560.I78 $540,250 $515.84(1 S443.519 $476,955 S457.356 $455,360

Source: Cook County Clerk

1) District's tax rates are eslimated based on 201 7 equalized assessed valuation of S148 billion

2) Major local governments' rales for 2018 are not yet available

Exhibit 1-7
Principal Property Taxpayers

2017 and Nine Years Ago

Taxpayer

Willis Tower

300 East Randolph Street

HCSC Blue Cross (AON)

One Prudential Plaza

Water Tower Plaee

300 North LaSalle Street

AT&T Corporate Center

Chase Tower

3 First National Plaza

Citadel Center

Citicorp Center

Leo Burnett Building

Equity Office Center

Type of Business

Retail & Office Office Insurance Office

Financial Services

Retail & Office

Retail & Office

Retail & Office

Communications

Banking

Office

Banking

Advertising

Property Management
(in thousands oj dollars)

2017(1)
Rank

I
2 3 4 5 6 7 8 9 10

0.30%

0.18

0.18

0.17

0.16

0.15

0.15

0.15

0.14

0.12

Percentage of Total Equalized Assessed Value (2)

444,405 264,940 263,985 248,867 239,238 217,715 215.948 214.683 202.646 184.853

Equalized Assessed Value

$ 514,662

374,456 307.510 293,604

294,569 297,653

208,906 216.217 211,813 382,061

2008

Rank

2 5 8

4 6

10 9 7 3

Percentage of Total

Equalized Assessed Value

0.33%

0.23 0.18 0.19

0.17 0.19

0.13 0.15 0.14 0.22

S 2,497,280

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

1) 2018 information is unavailable.
2) The Equalized Assessed Valuation for 2017 is $147,945,823,261.

170 STATISTICAL SECTION

Exhibit 1-8
Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended December 31

Taxes Levied for the Fiscal Year

(in thousands of dollars)

Collected within the First Year

Percentage of Lew

2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

455,360 457,356 476,955 493,573 514.659 540,666 555,098 571,454 593,135 616,233

383.612 435,009 460,618 476,881 497,452 523,203 541,008 559,938 581,007

84.2%

95.1

96.6

96.6

96.7

96.8

97.5

98.0

98.0

12/13/10 11/01/11 08/01/12 08/01/13 08/01/14 08/01/15 08/01/16 08/01/17 08/01/18 08/01/18

Exhibit 1-9

User Charge Rates

Last Ten Fiscal Years

2015(1)

Large Commercial/Industrial User Rates (2)

Large Commercial/Industrial User Rates (2)
Flow per million gallons
5-day BOD per 1,000 lbs. (5)
SS per 1,000 lbs. (6)

264.28 223.03 136.48

259.61 229.13 142.47

255.02 234.95 148.33

250.51 240.49 154.08

Tax-Exempt User Rates (3) Flow per million gallons 5-day BOD per 1,000 lbs. (5) SS per 1,000 lbs. (6)

264.28 223.03 136.48

259.61 229.13 142.47

255.02 234.95 148.33

250.51 240.49 154.08

OM&R Rate (4)

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

2009

246.08 245.75 159.72
241.73 250.76 165.24
256.48 259.22 195.95
243.99 $
247.48
194.18
262.44 $
270.68
200.33
229.37 231.90 174.25

246.08 245.75 159.72
245.18 254.34 167.60
263.48 $
266.27
201.24
250.31 253.89 199.21
269.25 277.70 205.53
235.96 238.56 179.25

0.4860

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

Last Ten Fiscal Years

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

General fiscal Obligation Year Bonds

Bond Capital

Anticipation Lease
Notes and Payable
Interest (4)

Total Debt

Resources Available for Repayment of Debt (2)

Net Debt

Total Debt as a % Personal Income (3)

Tolal Debt
per Capita
(3)
Net Debt as » % of Kst Full Taxable Value

(3)

Net Debt Per Capita (3)

2009 2010 2011 2012 2013 2014 2015 2016 2017 201S

S 1,979,203 1,961,974 2,466,464 2,515,376 2,481,973 2,500,785 2,770,788 2,965,282 2,879.915 2.978,999

86.286 196,225 108,008 44,527 35,809 90,460 161,697 157,390 296,529 109,866

53,688 51,784 49.838 47,795 45,653 43,405 41,047 38.574 35,979

S 2,065,489 2,211,887 2,626,256 2,609,740 2,565,577 2,636,898 2,975.890 3,163,719 3,215.018 3,124,844

106.279 111.055 137,217 136,173 122,527 140,162 140,806 163,508 147.000 134,450

S 1,959,210 2,100,832 2.489,039 2,473,567 2,443,050 2,496,736 2,835.084 3.000,211 3.068.018 2.990.394

1 46% 1 44 1 87 1 79 1.73 1.83 1.91 1.86 I 65 I 56

$ 392.01 422.12 503.50 506.75 489.52 495.84 565.76 603.88 619.70 601.28

0 36%

0 47

0.56

0.60

0.53

0.50

0.57

0.60

0.58

0.53

$ 371.84 400.92 477.19 480.30 466 14 469.49 538.99 572.67 591.37 575.41

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

174 STATISTICAL SECTION

Exhibit 1-11
Estimate of Direct and Overlapping Debt

As of December 31. 2018

(in thousands of dollars)

Direct debt

Bonds and notes payable Capital lease

$ 2,810,177 35,979

Overlapping bonded debt of major local governments (1) City of Chicago (4) Chicago Board of Education (41(5) Chicago Park District (4) City Colleges (District 508)

(4) Cook County

Cook County Forest Preserve District

%

100.00% 100.00 100.00 100.00

9S.10

98.10

Net Debt (2) Applicable (3)

S 8,024,797 8,409,348 827,500 311.010 3,372,227 145,190

Applicable Amount

S 8,024,797

8,409,348

827,500

311,010

3,308,039

142,431

Total overlapping debt (6) Total direct and overlapping debt

21,023,125 S 23,869.281

1) Excludes outstanding tax anticipation notes and warrants. Except as staled, does not include debt issued by other taxing authorities in Cook County.
2) Source: Each of the respective taxing districts, current as of 12/31/2018.
3) Based on 2016 Equalized Assessed Valuations, which are the most recent available.
4) Includes approximately S234 million, S233 million, $7.48 billion and S281 million of general obligation bonds of the City of Chicago. City Colleges (District SOS), Chicago Board of Education and the Chicago Park District, respectively, issued as "alternate revenue bonds" secured by alternate revenue sources.
5) Includes approximately S54 million of Public Building Commission Bonds debt, (ft) Does not include debt issued by other taxing authorities located in Cook County.

Exhibit 1-12
Computation of Statutory Debt Margin
Last Ten Fiscal Years

(in thousands of dollars) 2018(1) 2017

Equalized assessed valuation

Statutory debt limit (5.75% of equalized assessed valuation)

Total debt applicable to debt limit:

General obligation bonds outstanding

Less: alternate bonds (2)

Adjusted general obligation bonds outstanding

Bond anticipation notes outstanding

Capital lease outstanding

Liabilities of tax financed funds:

Corporate

Stormwater

Reserve claim

Construction

Total applicable debt

Less applicable assets:

Debt service funds unrestricted cash and investments

Interest payable in the next twelve'monlhs

Total applicable assets

Total net debt applicable to debt limit

Statutory debt margin

Total applicable net debt as a percentage of statutorv debt limit

2,810,177 (97,190)

2,655,365 (50,000)

2,697,667 (98.145)

2.599.522 296,529 38,574

21.650 1.715 274 3.171 2.961.435

S 147.945.S23 $ 147.945.823 S 140,752,201 $ 130,304,804

S,506,885 8,506,885 8,093,252 7,492,526

2,769,608 (99.080)

2,712,987

2,605,365

109.866 35.979

24.983 7.090 643 5.017

161,697 43,405

23,647 6,973 205 4,812

2.670.528 157,390 41,047
2.896.565
2,846,104
85,880 (115,017)
108,671 (115,735)
109.965 (I 14.603) (4.638)

27,952 2,062 174 3,368 2,902,521
(29.137)
(7,064)

115.673 (1 17.604)
2.925,702
2.966.073
2,853,168
(1,931)
2,904,452
34.4%
34.9%
35.9%
5,188,800 S 4,639,358
38.1%

1) Debt limit calculation based on 2016 equalized assessed valuation since 2017 value is not yet available.
2) Alternate bonds do not count against the debt limit.

176 STATISTICAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

2009

S 125,736.18.8 $ 123,419,544 S 133.397.995 $ 149,048.493 S 166.918,066 $ 174,467.643

7,229,831 7,096,624 7,670,385 8,570,288 9,597,789 10.031,889

2,466,464

2,422,620

90,460 45,653
2,481,973

35,809 47,795
:,515,375

44,527 49,837
1,466,464

108,008 51,784
,961,974

196,225 53,688

37,136 5,689

30,150 3,515

30,076 2,496

35,347 1,956

45,381 2,496

45,260 1.101

681 6.64S

380 2,816

1,110 4,062

1.381 1.542

410

1,732

327 4,236

2,666,482

108,392 (106,175)

98,006 (107.868)

105,285 (109.300)

1 14,344 (1 16,410)

88.710 (92,619)

88,849 (59.873)

(3,909)

2,612,300

5,018.887 S 5,901,740

36.8%

Exhibit 1-13
Demographic and Economic Statistics
Last Ten Fiscal Years

(population and dollars in thousands)

2018 2017 2016 2015 2014 2013 2012 2011 2010 2009

Year Population

5,197 5,188 5,239 5,260 5,318 5,241 5,150 5,216 5,240 5,269

Personal Income

191,289,682 186,434,150 170,081,127 155,734,043 144,394,219 148,352,487 145,456,281 140,483,393 153,959,010 141,675.329

Per Capita Personal Income

; 36.806

35,936

32,464

29,607

27,152

28,304

28,246

26,933

29,381

26,888

Median Household Income

65,818

63,794

58.708

54,461

53,653

51,391

53,852

■ 54.036

59.201

53,709

Unemployment Rate

4.1%

4.8

5.8

5.8

7.0

9.1

8.8

9.8 10.4 10.1

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

178 STATISTICAL SECTION

Exhibit 1-14 Principal Employers

2018 and Nine Years Ago

2009

Percentage

of Iota] Employment (5)

Percentage of Total

Employees Rank Employment

U.S. Government (I)	41,500	1	0.80%	77,000	I	1.46%
Chicago Public Schools (2)	36,415	2	0.70	43,740	2	0.83
City of Chicago	31,854	3	0.61	36,242	3	0.69
Cook County (3)	22,438	4	0.43	23,416	5	0.44
Northwestern Memorial Healthcare (4)	19,886	5	0.38	--		
University of Chicago (2)	17,345	6	0.33	--		
United Continental Holdings Inc.	14,582	7	0.28	-- -		
Amazon Com Inc. (5)(6)	14,018	8	0.27	-- -		

Amazon.Com Inc. (5)(6)	14.018	8	0.27	-- -		
.I.P.Morgan Chase & Co.	13,795	9	0.27	13,142	9	0.25
State of Illinois	13,642	10	0.26	26,000	4	0.49
Wal-Mart Stores Inc.	-	-	-	19,990	6	0.38
Advocate Health Care	-	-	-	14,784	7	0.28
Walgreen Co.	-	-	-	13.2S1	8	0.25
Abbott Laboratories	-	-	-	13,000	10	0.25

225,475

1) fiscal year ends in September
2) Fiscal year ends in June
3) Fiscal year ends in November
4) Fiscal year ends in August
5) Includes Whole Foods employees
6) Includes part-time employees.

Source: Reprinted with permission. Grain's Chicago Business |February II, 20191 €> Crain Communications, Inc.

STATISTICAL SECTION 179

Exhibit 1-15
Budgeted Positions by Fund/Department

Last Ten Fiscal Years

	Budgeted Positions									
Fund/Department	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**

General Corporate Fund

Board of"Commissioners

General Administration

Monitoring and Research

Procurement and Materials Management

Human Resources

Information Technology

Law

Finance

Finance

Engineering (Coiporate Fund) (1) Maintenance & Operations

38	38	38	37	37
121	123	122	119	112
312	309	308	297	288
63	63	63	63	62
91	141	73	74	72
73	75	76	70	70
37	38	38	37	36
28	28	28	29	29
242	246	244	242	241
904	922	927	955	951
37	37	40	45	45
109	114	125	124	146
286	280	303	308	308
62	62	69	70	70
58	57	59	60	54
70	69	71	71	72
38	37	38	40	40
29	29	31	31	31
242	29	32	34	34
947	943	1,029	1,047	1,046

Total General Corporate Fund	1,909	1,983	1,917	1,923	1,898	1,878	1,657	1,797	1,830	1,846
Engineering (Construction Fund) (2)	000000 212845 45									
Engineering (Stormwater Management)	57595959634948445049									
Engineerinu (Capital Improvements Bond Fund) (2)	000000196202191191									
Grand Total	1,966	2.042	1,976	1,982	1.961	1.927	1,922	2.071	2,116	2,131

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

180 STATISTICAL SECTION

Exhibit 1-16 Operating Indicators

Last Ten Fiscal Years

Area

Served Communities
(1) Served (2)

Number
of People Served

(3)
and Industrial Population Equivalent Served

Commercial Number of

Local Sewer Connections to

Intercepting Sewers

Gallons of Pumping Station Maximum Capacity (4)

Gallons of
Sewage Processed per Day (4)

Daily Sewage Treatment Capacity (4)

201S 2017 2016 2015 2014 2013 2012 2011 2010 2009

882 882 883 883 883 884 884 884 884 884

129 129 129 129 129 126 126 126 126 126

5.197,297 5,188,486 5,239,253 5,260,069 5.318,365 5.241.489 5.149,578 5,215,968 5,239,879 5,269,000

"4,500,000 4,500,000 4,500,000 4,500,000 4,500,000 4,500,000 4,500,000 4,500,000 4,500,000 4,500,000

10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000

4,000,000 4,000,000 4,000,000 4,000,000 4,000,000 4,000,000 4.000.000 4,000,000 4,000,000 4,000,000

1.300,000 1,251,000 1,300,000 1,244,200 1,288,600 1.218,200 1,070.200 1,342,800 1,245,200 1.366,700

2,000,000 2,000,000 2,000,000 2,000,000 2,000,000 2.000,000 2,000,000 2,000,000 2,000,000 2,000,000

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

Exhibit 1-17
Capital Asset Statistics

Capital Asset Statistics

Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Miles of intercepting sewers anil force mains operated	560	560	560	560	560	560	559	559	559 559	
Miles of waterway water levels controlled	76	76	76	76	76	76	76	76	76 76	
Acres of strip-mined land utilized for solids processing	13.796+	13.796+	13,796+	13,796+	13,796+	13,796+	13,796+	13,796-	13,796+	.13,796+
Number of water reclamation plants 7777777777										
Number of pumping stations	23	23	23	23	23	23	23	23	23 23	
Miles of TARP tunnels constructed for pollution and flood control	109.4	1094	109.4	109.4	109.4	109.4	109.4	109.4	1094	109.4
Number of TARP reservoirs constructed	2	2	2	2	1	1111 1				
Number (if TARP reservoirs under construction	11112					2	2	2	2 2	
Number of flood control reservoirs	34	34	34	34	33	31	31	31	31 31	
Instream aeration stations 2222222222 Sidestream elevated pool aeration stations 5555555555										

Source: District's Engineering Department

182 STATISTICAL SECTION

IV. SINGLE AUDIT SECTION

M WRD President Kuri K. Steele greets visitors to the MWRD \ display at the Chicago Flower and Garden Show at Navy Pier. The MWRD participatedin the annualshowfor thefirsttime to showcase its exceptional quality compost, a soil amendment that is derived from wood chips and nutrient-rich materials. The MWRD also provided visitors with tips on how to manage stormwater and implement green infrastructure tools at their own yards, holding daily drawings for free rain barrels, while also distributing about 500 free buckets of compost.

RSMUSLLP

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Metropolitan Water Reclamation District of Greater Chicago (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Retirement Fund for the year then ended, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 10, 2019. Our report includes a reference to other auditors who audited the financial statements of the District's Pension Trust Fund as described in our report on the District's financial statements. Additionally, our report includes an emphasis of a matter paragraph relative to the adoption of the reporting and disclosure requirements of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which required a restatement to opening net position. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

those charged with governance.

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

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184 SINGLE AUDIT SECTION

Compliance and Other Matters

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

Purpose of this Report

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

Chicago, Illinois May 10, 2019

=ato PRADO &-RENTERIA
flcX|fN- Certified Public Accountants
1837 S. Michigan Ave., Chicago, Illinois 60616 tel (312) 567-1330 tax (312) 567-1360 www.pradorenteria.com <http://www.pradorenteria.com>

INDEPENDENT AUDITORS' REPORT

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

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying Schedule of Expenditures of federal Awards (the "Schedule") of the Metropolitan Water Reclamation District of Greater Chicago (the "District"), for the year ended December 31, 2018 and the related notes to the Schedule.

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

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

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

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

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of federal awards of the District for the year ended December 31,2018. in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

Chicago, Illinois May 10. 2019

In accordance with Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wc have also issued a report dated May 10, 2019 on our consideration of the District's compliance with requirements that could have a direct and material effect on the major program and on internal control over compliance in accordance with the Uniform Guidance. That report is an integral part of an audit performed in accordance with the Uniform Guidance and should be read in conjunction with this report.

PRADO & RENTERIA

fT^IX Certified Public Accountants

1837 S. Michigan Ave., Chicago, Illinois 60616 tel (312) 567-1330 fax (312) 567-1360 www.pradorenteria.com <http://www.pradorenteria.com>

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

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

Report on Compliance for the Major Federal Program

We have audited the Metropolitan Water Reclamation District of Greater Chicago's (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended December 31, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on the Major Federal Program
In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

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

Chicago, Illinois May 10. 2019

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

SINGLE AUDIT SECTION 189

Schedule of Expenditures of Federal Awards

Year ended December 31, 2018

Federal Grantor/Pass-Tlirough Grantor/ Program or Cluster Title

Federal CFDA Number

Pass-Through Entity Identifying Number

Award Date

Pass-Through Total
lo Federal Suhrccipicnts Expenditures

U.S. Environmental Proteetion Agency
Passed through Illinois llnvironmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds

Project Descriptions

Salt Creek Intercepting Sewer; Rehabilitation. SSA

Calumet TARP Pumping Station Improvements. Calumet WRP

A/15 and C/D Service Tunnel Rehabilitation - Phase Two, SWRP

Calumet TARP Screens, CWRP

D799 Switcheear Replacement, SWRP

Calumet Intercepting Sewer 19F Rehabilitation, CSA

Strcambank Stabilization on Oak Lawn Creek. Cal-Sag Ch Watershed

McCook Reservoir Des Plames billow funnel, SSA

Conversion of Two New GCTs lo Primary Sludge 66.458 LI 75369 September 2017 - 77X.800

Harmonization and Installation of Gas Detection System, SWRP

Ternienteis and installation of Gas Detection System. SWRP

McCook Reservoir Expanded Stage 2 Slope Stabilization & Retaining Walls. SWRP	66.458	LI75460	May 2017	- 741.100

Total U S. finvironinentai Protection Agency

Funding of Capitalization Giants for Clean

Water State Revolving Funds S 7.490.200

Total Federal F.xpcnditures

See Accompanying Notes lo Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31. 2018

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Metropolitan Water Reclamation District of Greater Chicago (the "District") under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements. Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and the respective change in financial position of the District.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

The District does not receive funding for indirect costs. Note 4- Program

Description

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

The Capitalization Grants for Clean Water State Revolving Funds create State Revolving Funds (SRFs) through a program of capitalization grants to states, which will provide a long-term source of slate financing for construction of wastewater treatment facilities and implementation of other water quality management activities. The capitalization grant is deposited in the SRF, which is used to provide loans and other types of financial assistance, but no grants, to local communities and inter-municipal and interstate agencies. The States must agree to enter into binding commitments with recipients lo provide financial assistance from the SRF in an amount equal to 16.67% of ihe total SRF loan, with the federal share being 83.33%. Those loans awarded under the A mencan Recovery and Reinvestment Act ot 2009 (ARRA) are funded 50% from ARRA funds and 50% from SRFs. There were no loans awarded under ARRA for the year ended December 3 I, 2018.

Note 5 - Project Descriptions

Descriptions ol" projects, funded wholly or partially by federal sources, for which the District received funds during the year ended December 3 1, 2018:

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31. 20IS

Note 5- Project Descriptions - Continued

State Revolving Fund Loans

Loan #L173062 was awarded to the District on December 17, 2015, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides tor Salt Creek Intercepting Sewer 2 Rehabilitation, SSA, Project 06-155-3S. The maximum SRF loan amount is $45,056,403. The maximum pass through federal funding is $37,545,501. A total of $1,066,900 in federal funds was disbursed by the IEPA during fiscal year 2018. As of December 31, 2018, $7,697,653 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174923 was awarded to the District on May 2, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Calumet TARP Pumping Station Improvements, Calumet WRP, Project 06-212-3M. The maximum SRF loan amount is $32,893,059. The maximum pass through federal funding is $27,409,786. A total of $68,300 in federal funds was disbursed by the IEPA during fiscal year 2018. As of December 31, 2018, $1,033,275 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175152 was awarded to the District on March 25, 2016, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for A/B and C/D Service Tunnel Rehabilitation - Phase Two, SWRP, Project 04-132-3D. The maximum SRF loan amount is $21,111,910. The maximum pass through federal funding is $ 17,592,555. A total of $712,800 in federal funds was disbursed by the IEPA during fiscal year 2018. As of December .31, 2018, $4,093,313 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175168 was awarded to the District on March 20, 2015, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Calumet TARP Screens, CWRP, Project 13-246-3M. The maximum SRF loan amount is S13,105,926. The maximum pass through federal funding is $ 10,921,168. A total of $ 122,300 in federal funds was disbursed by the IEPA during fiscal year 2018. As of December 31, 2018, $210,766 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175223 was awarded to the District on December 15,'2015, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for D799 Switchgcar Replacement, SWRP, Project 09-I82-3E. The maximum SRF loan amount is $9,800,000. The maximum pass through federal funding is $8,166,340. A total of $676,600 in federal funds was disbursed by the IEPA during fiscal year 2018. As of December 31, 20IS, $1,397,781 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31. 2018

Loan #L175263 was awarded to the District on May 27, 2016. under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Calumet Intercepting Sewer 19F Rehabilitation, CSA, Project 11-239-3S. The maximum SRF loan amount is $12,746,856. The maximum pass through federal funding is $ 10,621,955. A total of $187,800 in federal funds was disbursed by the IK PA during fiscal year 2018. As of December 31, 2018, S566,535 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175305 was awarded to the District on September 22, 2016, under Public Law 95-21 7 (Federal Water Pollution Control Act). The loan provides for Streambank Stabilization Project on Oak Lawn Creek, Cal-Sag Ch Watershed Project 10-237-3F. The maximum SRF loan amount is $3,121,415. The maximum pass through federal funding is $2,601,075. A total of SI,499,800 in federal funds was disbursed by the IEPA during fiscal year 2018. As of December 31, 2018, $3,021,905 was outstanding. The outstanding amount is presented as a bond anticipation nole in the District's financial statements.

Loan #L175367 was awarded to the District on June 22, 2018, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for McCook Reservoir Des Plaines Inflow Tunnel, SSA, Project 13-106-4F. The maximum SRF loan amount is $33,382,100. The maximum pass through federal funding is S27,817,304. A total of SI.635,800 in federal funds was disbursed by the IEPA during fiscal year 2018. As of December 31, 2018, $5,113,905 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L 175369 was awarded to the District on September" 8, 2017, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Conversion of Two New GCTs to Primary Sludge Fermcnters and Installation of a Gas Detection System, SWRP, Project 15-124-3P. The maximum SRF loan amount is S4,000.000. The maximum pass through federal funding is $3,333,200. A total oi"$778,800 in federal funds was disbursed by the IEPA during fiscal year 2018. As of December 31, 2018, $2,513,587 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175460 was awarded to the District on May 12, 2017, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for McCook Reservoir Expanded Stage 2 Slope Stabilization and Retaining Walls, SWRP. Project 16-125-4F. The maximum SRF loan amount is $7,546,837. The maximum pass through federal funding is $6,288,780. A total of $741,100 in federal funds was disbursed by the IEPA during fiscal year 2018. As of December 31, 2018, $2,719,912 was outstanding. The outstanding amount is presented as a bond anticipation note in the District's financial statements.

Schedule of Findings and Questioned Costs

Year ended December 31. 20IS

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

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

Internal control over financial reporting:

Material weakness(es) identified?

Significant dcficicncy(ies) identified?

Noncompliance material to financial statements noted?

Yes'

Yes

Yes

Unmodified

X No

X None reported X No

Federal Awards
X No

Yes Yes

Internal control over major programs:

X None reported Unmodified

Material wcakness(es) identified?

Significant deficicncy(ies) identified? Type of auditors' report issued on compliance for major federal programs:

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

, Yes X No

Identification of major federal programs: U.S. Environmental Protection Agency

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

Dollar threshold used lo distinguish between Type A and Type H programs: S75O.O0O

Auditee qualified as low-risk auditcc? X Yes No

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

None.

SECTION 111 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

None

SECTION IV-SU M i\ IA RY OF PRIOR YEAR AUDIT FINDINGS

None.

194 SINGLE AUDIT SECTION

SINGLE AUDIT SECTION 195