



# Office of the City Clerk

City Hall  
121 N. LaSalle St.  
Room 107  
Chicago, IL 60602  
[www.chicityclerk.com](http://www.chicityclerk.com)

## Legislation Text

**File #:** F2018-32, **Version:** 1

BOARD OF COMMISSIONERS Mariyana T Spyropoulos  
President Barbara J McGowan  
Vice President Frank Avila  
*Chairman of Finance*

### Metropolitan Water Reclamation District of Greater Chicago

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June 11,2018

City of Chicago City Clerk 12 I N LaSalle Street Room 107 Chicago, IL 60602

Dear City Clerk Anna Valencia:

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Enclosed is your requested copy to place on file of the Metropolitan Water Reclamatio'n-iDistfi&'s  
Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2017. f2 Sp\*

Vepjniriily you

Jacqueline Torres

# Comprehensive Annual Financial Report of THE metropolitan water reclamation District of Greater Chicago

## Chicago, Illinois

For the Year Ended  
December 31, 2017

Printed by Department  
JACQLYN TORRES, Clerk/Director of Finance

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# I. INTRODUCTORY SECTION

*A nearly complete Stage I of the McCook Reservoir, one of three reservoirs in the MIVRD \ TARP system, is seen in this aerial photo from August 2017. Completed at the end of 2017, McCook Reservoir Stage I has the capacity to contain 3.5 billion gallons.*

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

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

#### Board of Commissioners:

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

Principal Officers:

David St. Pierre, Executive Director Mary Ann Boyle, Treasurer Allison Fore, Public and Intergovernmental Affairs Officer Darlene A. LoCascio, Director of Procurement and Materials Management Eileen M. McElligott, Administrative Services Officer Susan T. Morakalis, General Counsel John P. Murray, Director of Maintenance and Operations Catherine A. O'Connor, Director of Engineering Edward W. Podczcrwinski, Director of Monitoring and Research Beverly K. Sanders, Director of Human Resources John H. Sudduth, Director of Information Technology Jacqueline Torres, Clerk/Director of Finance

Main Office 100 East Erie Street Chicago, Illinois  
60611

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**Metropolitan Water Reclamation District of Greater Chicago**

**Organization Chart**

Cook County  
Taxpayers

Boa r dof  
Commis > sioners : t  
(elec ed)

Civil Service Board

Executive Director

General Administration

Monitoring &  
Research

Procurement &  
Materials  
Management

Human  
Resources

Information  
Technology

Law

Finance

Engineering

Maintenance &  
Operations

2,042

Budgeted

Positions

in

2017

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Metropolitan Water Reclamation District of Greater Chicago

# President's Annual Message 2017

Over the past three years as president of the Metropolitan Water Reclamation District of Greater Chicago (MWRD) Board of Commissioners, I have had the pleasure of watching the MWRD exceed expectations in improving our environment. During that time, we have taken major steps toward fulfilling our vision statement of "Recovering Resources, Transforming Water." Certainly the pinnacle of these 2017 achievements is the opening of the McCook Reservoir Stage. I, the last of three reservoirs constructed to protect the area waterways from pollution and mitigate flooding. When completed, this reservoir will be the largest of its kind in the world, providing 10 billion gallons of storage. Here is the annual review of other significant accomplishments this year.

Mariyana T. Spyropoulos  
*President of the Board of Commissioners*

## We had an award winning year

The Water Environment Federation (WEF) honored our work by bestowing us with three major awards at the world's largest annual water quality event, the Water Environment Federation Technical Exhibition and Conference (WEFTEC). The MWRD received two awards both for the completion of the Calumet System of the Tunnel and Reservoir Plan (TARP), as well as a Project Excellence Award for the completion of the nutrient recovery facility at our Stickney WRR. The nutrient recovery facility transformed the largest water reclamation facility in the world into a resource recovery facility.

The District received three awards for our creative use of 1.8 million cubic yards of overburden materials from McCook Reservoir which created

Centennial Hill After winning a statewide award for mined land reclamation from the Illinois Department of Natural Resources (IDNR), the MWRD received the Interstate Mining Compact Commission's Kenes C Bowling National Mine Reclamation Award. The National Association of State Land Reclamationists recognized Centennial Hill for Best Innovation in Mining In keeping with our efforts to recover and reuse resources, we are proud to be recognized for successfully reclaiming mined land

We were recognized by the Illinois Water Environment Association and WEF as water leaders from across the state. I was honored to receive the Public Official Award, and the Laboratory Analyst Award was given to Assistant Director of Monitoring and Research Donna Coolidge.

We received three more awards for our shared role in implementing UV technology to improve water quality at our O'Brien WRP. The awards include: the American Academy of Environmental Engineers and Scientists 2017 Honor Award for Design, the American Council of Engineering Companies (ACEC) National Recognition Award; and the ACEC of Illinois Honor Award, which recognizes exceptional engineering projects that benefit the public welfare. The O'Brien WRP uses UV technology to disinfect water as a final layer to its treatment process to reduce pathogenic bacteria in the water being released from the plant into the North Shore Channel. It is considered the largest wastewater treatment UV installation in the world.

Our flood solutions plan for Chicago's South Side claimed the Innovation Award from the Illinois Association for Floodplain and Stormwater Management. The award was presented for work on a pilot stormwater management study that focused on urban flooding in a 17-square-mile residential area covering portions of eight city of Chicago wards on the South Side. The study evaluated how best to scale up green infrastructure (GI) within the urban landscape of Chicago to eliminate basement backups and alleviate street flooding.

## **We implemented a new compost and yard waste program**

Our Monitoring & Research Department introduced two new programs this year. This summer, we began offering exceptional quality compost at two locations. Our compost is a product of water treatment that improves soil quality by supplying organic matter, improving soil structure and porosity for a better plant root environment, and retaining nutrients longer which allows plants to more effectively utilize them. This blend is effective, economical and already popular with gardeners, park districts, golf courses and landscapers. In fact, the compost had a dramatic effect on an unused piece of property in Franklin Park, turning it into a garden with 12-foot sunflowers and 18-inch corn husks. We also provided 110 tons of compost in collaboration with the Cook County Sheriff's office, the Ford Heights Park District, the Baseball Tomorrow Fund, Cubs Charities, James McHugh Construction, the U S Army Corps of Engineers and other partners to deliver a state-of-the-art baseball field in Ford Heights. The field provides young baseball players an opportunity to play on a local field instead of having to travel to

neighboring suburbs which previously hampered local involvement. What once was a team of 10 players traveling without a home field expanded to a league of five teams consisting of 55 11- and 12-year-olds playing ball games on their regulation-size youth baseball field.

In September, we delivered 300 tons of compost to the Skokie Park District for the construction of a youth soccer field that will be unveiled next year. We have also partnered with other municipalities and park districts to distribute this sustainable resource that improves soil structure and is beneficial to our environment.

The second program pertains to our acceptance of yard waste and other organic materials to help produce the compost. Municipalities, park districts, landscape maintenance companies, yard waste haulers, tree trimming companies and utilities looking to unload bulk piles of woodchips are invited to participate in the program.

## **We pursued water reuse**

In keeping with our resource recovery model, the MWRD Board of Commissioners agreed to establish an introductory price of \$1 per thousand gallons for the clean water we produce with the flexibility to adjust the price based on market conditions. Water reuse involves recycling treated water for beneficial purposes such as agricultural and landscape irrigation, industrial processes, toilet flushing, and replenishing the ground water basin. In addition to being harnessed, water itself is also reused directly through the MWRD treatment process Every day, 15.1 million gallons are reused in pipeline flushing, blower motor cooling, post-centrifuge centrate flushing and tank cleaning. When used appropriately, recycled water can satisfy many water demands while presenting financial savings and promoting water conservation by decreasing the diversion of water from sensitive water bodies like Lake Michigan. We are exploring partnerships and different opportunities to ensure this water can find new opportunities which will, in turn, strengthen our role as stewards of our water environment



## **We continued restoring the canopy**

We continued our popular program. Restore the Canopy Plant a Tree, designed to help Cook County and its residents manage an increasing load of stormwater and replace the tree canopy that has been devastated by the emerald ash borer and severe weather. Besides greening our communities, the trees assist in stormwater management by absorbing stormwater and lessening the load to our sewer systems. I'm pleased to report that since the program started in mid-2016 we have distributed more

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*A ribbon cutting ceremony to mark the completion of the 3.5 billion gallon McCook Reservoir Stage 1 was held December 4, 2017. Stage I is estimated to provide \$114 million per year in flood reduction benefits to 3.1 million people in Chicago and 36 other communities. When McCook Reservoir Stage II is completed, the reservoir will have a total storage capacity of 10 billion gallons and deliver an estimated total of \$143 million per year in flood reduction benefits.*

than 42,000 saplings. To aid in this effort, the MWRD partners with dozens of municipalities, schools, and community groups to distribute the trees.

## **We continued our partnership with the Space to Grow program**

Our award winning Space to Grow program gained widespread national recognition when the US Water Alliance acknowledged this partnership for its ability to maximize environmental and community benefits through the transformation of local schoolyards. The collaborative program converts Chicago schoolyards into community spaces for physical activity, outdoor learning, environmental literacy and engagement with art, while also addressing neighborhood flooding issues. The projects serve a vital purpose in educating school communities about the value of green infrastructure. Our engineers are sharing their design expertise in planning for the next five schools to be built in 2018. The Space to Grow program was highlighted in the national briefing paper, "An Equitable Water Future," as a case study that exemplified how water infrastructure investments can lead to neighborhood revitalization. The Space to Grow project was named one of the Top Projects for 2017 by Storm Water Solutions magazine.

## **We hosted two diversity outreach vendor fairs**

To expand and maximize business opportunities for local Minority Business Enterprises (MBE), Women Business Enterprises (WBE) and Small Business Enterprises (SBE), we welcomed hundreds of contractors, consultants, subcontractors and potential vendors during two vendor outreach fairs. Participants met with MWRD officials and other firms to learn how to register as a vendor and secure work opportunities with contractors and the MWRD.

## **We began accepting liquid waste for enhanced biological phosphorus removal (KBPR)**

We began removing and recovering phosphorus from our treated water. In May, the MWRD began accepting liquid waste

## **INTRODUCTORY SECTION 11**

from local breweries as well as sugary and starchy liquid wastes. What makes this waste special for the EBPR process is the readily biodegradable carbon that serves as food for the phosphorus accumulating organisms that work under anaerobic and aerobic conditions in the secondary treatment.

## **We helped launch Overflow Action Days**

We joined the Friends of the Chicago River in launching the Overflow Action Days initiative to educate area residents to use less water at home when weather forecasts predict significant rain, thus giving sewers more capacity to handle rain and improving our water environment. Overflow Action alerts remind people to conserve water before and during rain events. Actions such as delaying showers or reducing their duration, flushing less, and waiting to run the dishwasher can help reduce the amount of water in the sewer system. If our residents keep water from entering the water treatment system, there will be more space in the sewers to accommodate rain water and our waterways will be cleaner. We were reminded throughout the year of the importance of conserving water at home after several significant rain events impacted our region.

## **We celebrated**

We believe in paying tribute to significant groups and occasions throughout the year. This year we celebrated African American History Month by

inviting a panel of former aldermen that served under Mayor Harold Washington

During National Engineers week February 19-26, the many contributions of engineers were commemorated by the MWRD Board of Commissioners through a resolution celebrating National Engineers Week. Engineers Week provides an opportunity for engineering professionals to extol their impact on the world and increase public dialogue about the need for future engineers and their work.

In March, the MWRD celebrated Women's History Month to honor the more than 500 women employed by the MWRD. Three employees received specific recognition for contributions in their respective fields as supervising environmental specialist, environmental chemist, and engineering technician.

As part of our annual recognition for Veteran's Day, we honored the military service of Secretary of State Jesse White and Assistant Director of Illinois Department of Veteran's Affairs Harry F. Sawyer. As with all of our men and women who serve, we are thankful to Secretary White, Assistant Director Sawyer, and our own district employees who served, for their sacrifice on behalf of this country.

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## **We educated**

We participate in more than 100 community events every year to discuss our work. In addition to providing tours of the McCook Reservoir and our facilities, commissioners and staff give hundreds of presentations throughout the county. This year, the MWRD facilitated WaterPalooza and an outdoor garden construction event at Manierre Elementary School to kick off WEFTEC 2017 in September. WaterPalooza is a fun day of hands-on environmental activities for students and teachers. The following day, volunteers and water experts transformed a paved, flood-prone area into an outdoor classroom that will also capture stormwater. MWRD coordinates this effort every other year with other government agencies, elected officials and water companies. Manierre School is also our Working in the Schools (WITS) partner where MWRD staff visit once a week to read to students.

We held our fifth annual Sustainability Summit at the Stickney Water Reclamation Plant (WRP) in October. This event offers local government leaders, park districts, landscapers and others to learn about our initiatives, specifically our biosolids and new compost program.

In pursuit of our ongoing goal of providing safer and cleaner waterways, the MWRD set up permanent collection boxes for safe disposal for unused and expired medication at four locations. We also continue to partner with the U.S. Drug Enforcement Agency's National Prescription Drug Take Back Days.

MWRD produced a new brochure entitled "A healthy waterway begins with you: A Guide to Water Wellness." Readers are encouraged to consider how they can make lifestyle modifications that will result in fewer contaminants entering the waterways.

## **Commissioner Timothy Bradford Passes**

Commissioner Timothy Bradford passed away suddenly on December 1. Tim was not only a colleague, but a mentor, a confidant, an entertainer, and most importantly, a dear friend. He was larger than life, and his passing has left our Board shocked and saddened. Tim was a proud man. He was proud of his family, proud of his work in the community, proud of the help he was able to give to so many people throughout his life. And we, the Metropolitan Water Reclamation District, are so very proud to be able to claim him as one of our own. Tim, we love you, we miss you, and we promise to carry on the important work you did for the people of Cook County.

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

### **Multi-Year Awards 1975-2016**

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

### **1993-2016**

*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*

### **1985-2017**

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

### **2007-2016**

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

**Individual Year Awards (partial listing) 2014**

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

*Center for Active Design*

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

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

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

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

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

**2015**

*Chatham Business Association Partner Award*

*Construction Industry Service Corporation (CISCO) Public Body of the Year*

*Project of the Year - Infrastructure category for constructing the Wet Weather Treatment Facility and Reservoir at the Lemont Water Reclamation Plant*

*Government Finance Officers Association of the United States and Canada Budget dot item received outstanding in the overall category of Capital Projects*

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

**2016**

*American Infrastructure Magazine; American Public Works Association: American Public Works Association, Chicago Metro Chapter, American Society of Civil Engineers - Illinois Section, Water and Wastes Digest PUBBY Award for Water Project of the Year- Thornton Composite Reservoir Project of the Year for the Thornton Composite Reservoir Outstanding Civil Engineering Achievement Award, Over \$5 Million Category, for the Thornton Composite Reservoir Top Projects for 2016 Award*

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## Metropolitan Water Reclamation District of Greater Chicago

*American Society of Civil Engineers - Illinois Section Outstanding Civil Engineering Achievement Award, Under \$10 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 Award for Disinfection at the Calumet Water Reclamation Plant and O'Brien Water Reclamation Plant and Thornton Reservoir*

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

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

*National Association of Clean Water Agencies, formerly known as Association of Metropolitan Sewerage Agencies Utility of the Future Today Recognition NACWA Award for Compliance with National Pollutant Discharge Elimination System Platinum Award for 25 consecutive years of full compliance for Calumet Water Reclamation Plant Platinum Award for 20 consecutive years of*

*full compliance for Lemont Water Reclamation Plant Platinum Award for 12 consecutive years of full compliance for James C. Kiric  
Water Reclamation Plant Platinum Award for 11 consecutive years of full compliance for Terrence J. O'Brien Water Reclamation Plant  
Platinum Award for 9 consecutive years of full compliance for Hanover Park Water Reclamation Plant*

*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*

*Risk and Insurance Magazine  
Honorable Mention. Theodore Roosevelt Workers' Compensation and Disability Management (TEDDY) Award competition for excellence in safety  
and workers' compensation risk management*

*Stormwater Solutions Magazine Top 10 Stormwater Project for the Blue Island Green  
Infrastructure Project*

*2017  
American Council of Engineering Companies of Illinois Special Achievement Water Resources Award for the  
Wescott Park Stormwater Storage Facility Project in the Village of Northbrook*

*Friends of the Chicago River Chicago River Blue Awards Green Ribbon Award for the Wescott 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*

*Illinois Water Environment Association Mariyana Spvropoitlos, President, is the recipient of the annual Public Official of the  
Year award, for 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 Kues C Bowling National Mine Reclamation Award for the  
McCook Reservoir*

*National Institute of Governmental Purchasing 2017-2003 Outstanding Agency  
Accreditation Achievement Award*

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

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, 2016**

Executive Director/CEO

**Jacqueline Torres**

Clerk/Director of Finance

312.751.6500

jacqueline.torres@mwr.org

<mailto:jacqueline.torres@mwr.org>

f:

312.894.1104

May 11, 2018

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

The Comprehensive Annual Financial Report (CAFR), of which this transmittal letter is a component, has been prepared in accordance with Chapter 70, Illinois Compiled Statutes, Act 2605/5.13, for the fiscal year ended December 31, 2017. This statute requires that the Clerk/Director of Finance prepare and publish the financial statements and any other data necessary to reflect the true financial condition and operations of the Metropolitan Water Reclamation District of Greater Chicago (the District) within six months of the close of each fiscal year.

The CAFR's basic financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) in the United States of America, promulgated by the Governmental Accounting Standards Board (GASB). In accordance with Chapter 70, Illinois Compiled Statutes, Act 2605/5.12, the District's basic financial statements for the period ended December 31, 2017, have been subject to an audit by independent accountants. The unmodified opinion of RSM US LLP has been included in the Financial Section of this report.

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

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

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

## INTRODUCTORY SECTION 17

### MISSION STATEMENT

The District will protect the health and safety of the public in its service area, protect the quality of the water supply source (Lake Michigan), improve the quality of water in watercourses in its service area, protect businesses and homes from flood damages and manage water as a vital resource for its service area. The District's service area is 882.1 square miles of Cook County, Illinois. The District is committed to achieving the highest standards of excellence in fulfilling its mission.

### BACKGROUND

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

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

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

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### REPORTING ENTITY

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

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

#### ***Improve Water Quality***

The District cost effectively collected and treated approximately 453.7 billion gallons of wastewater from businesses and homes and captured stormwater runoff from its service area. Our performance for treating this wastewater approaches 100 percent compliance with all applicable effluent standards at all water reclamation plants. Disinfection technology has been implemented and placed into service at two plants using multiple cost-effective strategies. Chlorination/de-chlorination has been implemented at the Calumet Water Reclamation Plant and ultraviolet technology at the O'Brien Water Reclamation Plant.

#### ***Provide Stormwater Management***

Flooding continues to be the number one issue facing the District. The Stormwater Management Program is aggressively working to minimize

flooding damage by helping communities with local flooding issues, acquiring flood-prone properties, and partnering with municipalities or other local governments on large capital green infrastructure projects. Since 2004 the District has distributed more than 139,800 low-cost rain barrels, and in 2017, the District distributed more than 42,000 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 overbank flooding and streambank stabilization concerns. The District performed construction work on three Phase I projects in 2017, two of which were substantially completed. It is anticipated that an additional eight Phase I projects will begin construction in 2018. The design of two Phase I projects were completed in 2017 and are scheduled to begin construction in 2019. '

The District initiated Phase II of its Stormwater Management Program in 2013 to address local flooding problems not necessarily involving overbank flooding. Since then, the District accepted 40 Phase II projects into its program in order to assist communities and agencies across Cook County in addressing flooding issues. Since 2014, a total of 17 shovel ready projects were completed with partial District funding. Construction on one Phase II conceptual design project will begin in 2018 while another conceptual design project may start construction later that year. The remaining 21 projects (12 conceptual and 9 shovel ready) are currently in either preliminary, final design, or construction. It is anticipated these projects will complete construction or start construction in 2018 and beyond.

For circumstances where a flood control project is not feasible, the District initiated a Flood-Prone Property Acquisition Program in 2015 and has partnered with nine local municipalities in order to remove nearly a total of 200 structures from the floodplain. Once all 200 properties have been removed, deed restrictions will be 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. In late 2017, 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, countywide stormwater 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 1, 2014. The stormwater management regulations of the WMO serve to prevent the flooding situation in Cook County from worsening through

## **INTRODUCTORY SECTION 19**

development or redevelopment. Over 1,200 WMO permits have been issued to date. Since the development of the WMO, the District has conducted numerous training events in addition to presenting at various seminars and conferences hosted by professional organizations.

### *Provide flood protection with Tunnel and Reservoir Plan and Green Infrastructure*

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

The flood control segment of TARP consists of three storage reservoirs to serve as outlets for combined sewer overflows (CSO's). The three reservoirs - Gloria Alitto Majewski, Thornton, and McCook - will provide 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 2017, more than 14.4 billion gallons have been captured during 32 fill events. The first stage of the McCook Reservoir was completed in 2017 and the second stage will be completed in 2029. 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.

*MWRD Commissioners display a commemorative plaque that was installed on a large fragment of -11)0 million year old dolomite limestone that was mined from the newly completed McCook Reservoir Stage I. (L-R) Commissioner Kan K Steele, President Mariyana T. Spvr<>poulos, David.I. Walsh, Martin J. Durkiin, Chairman of Finance I-rank Avila, Debra Shore and Vice President Barbara .I. McGowan*

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TOTAL  
\$1,142 658 64 469  
40.5  
36.7  
aC  
25.6  
SYSTEM  
\$2,333  
109.4  
MAINSTREAM CALUMET OHARE DESPLAINES  
RESERVOIRS

STORAGE CAPACITY (BILLION GALLONS) TOTAL COMPL

TOTAL COSTS  
\$1,030 418 46  
10.00 4.80 6.35  
TOTAL  
McCOOK  
THORNTON  
15.15  
\$1,493  
MAJEWSKI  
TOTAL  
(ALL COSTS N MILLIONS)

### LEGEND:

nam tunnel r completed

^} STORAGE RESERVOIR PHASE IIA2UP COMPLETED

STORAGE RESERVOIR PHASE II/CUP PARTLY COMPLETED

| | WATER RECLAMATION PLANT

0 PUMPING STATION (ON-LINE)

cook coumr y

## 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 requires MWRDGC to develop a Green Infrastructure Program Plan, which was approved by the Environmental Protection Agency in 2015. In 2014, MWRDGC partnered with Chicago Public Schools System (CPSS) and the Chicago Department of Water Management (CDWM) to incorporate stormwater retention at four elementary schools while reconstructing substandard playgrounds under a program known as Space to Grow. The projects serve to educate the public on the importance of stormwater management and the value of green infrastructure to reduce basement backup flooding. The success of this project led to MWRDGC, CPSS, and CDWM to agree to partner on 30 more schools from 2015 through 2020. In 2015 and 2016, five more CPSS school playgrounds were completed, and design is underway for six additional schools to be improved in 2018. The District completed construction of a green infrastructure project in the City of Blue Island, where permeable pavement and rain gardens were installed to combat local flooding. The District partnered with the City of Evanston to install permeable pavement, swales, and rain gardens at the City's Civic Center, 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 Wescott Park, and also partnered with the Village of Kenilworth on rain garden installations. In 2017, the

The Water Environment Federation's Young Professionals Committee worked with community members, teachers and students at Manierre Elementary School in Chicago to convert a portion of the school's asphalt playground into a multipurpose green space and outdoor classroom, featuring native plants and pervious surfaces that will enhance the property and capture stormwater. The annual WEFTEC event includes a community service project every year it is in Chicago, with past projects constructed at Haines Elementary School, Pulaski Park I \* and Pershing Magnet School in ^" \_ .

Chicago "

## 22 INTRODUCTORY SECTION

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. In 2017, the District also 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 20 green infrastructure projects throughout its service area beginning in 2018. The consent decree provides an enforceable schedule for implementing MWRDG's Tunnel and Reservoir Plan, which will result in a significant decrease in the volume of water discharged to the waterways from combined sewer overflows in Cook County, along with dramatically reducing the potential for flooding.

#### *Maintenance of Facilities and Infrastructure*

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

Many of the District's plants and interceptor sewers were placed in service over 50 years ago. In order to maintain continuous operations, the District has initiated a Capital Improvements Plan to replace physically deteriorating facilities through rehabilitation, alteration or expansion. The expected construction cost over the next five years for the replacement and maintenance of facilities is \$126.4 million. As discussed in the MD&A, condition assessments required under the modified approach alert management to the need for maintenance and preservation projects for its infrastructure assets.

### **RESOURCE RECOVERY**

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

#### *Phosphorus*

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

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 at 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. Currently, the District has promising results from a one-year study from a technology that cultivates algae using a revolving biofilm reactor, and will continue with a larger pilot-scale research project in 2018. In addition, in 2018 the District will be evaluating the results of another year-long bench-scale algae treatment technology that uses submerged artificial light in a flow-through configuration. 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 the OWRP.

### **INTRODUCTORY SECTION 23**

*Staff from the Metropolitan Water Reclamation District of Greater Chicago's Monitoring and Research Department watch as a tanker truck delivers the first load of brewery waste from Goose Island as part of an ambitious plan to recover phosphorus and promote cleaner waterways.*

#### *Biosolids*

Due to changes in Illinois law, the District can sell Exceptional Quality (EQ) biosolids and EQ biosolids blend that is composted with wood chips to the general public. By taking this approach, the District is recovering a non-renewable resource and placing it back into the food cycle, rather than letting it be diluted and lost to the water environment. Biosolids can be used almost anywhere that chemical fertilizers are used. The

District can also reduce its carbon footprint by reducing significant vehicle traffic as organics will no longer need to be hauled to landfills.

#### *Water*

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

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

#### *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 existing Imhoff tanks are replaced with Primary Settling tanks, the Stickney WRP is projected to double digester gas production. A plan is in place to fully utilize all of this additional gas production. The digester gas utilization at the Calumet WRP is being reviewed and a utilization plan will be in place in April 2015. In order to boost biogas production, the District will accept liquid organic wastes, such as restaurant grease and industrial food waste, into the anaerobic digesters under the Resource Recovery Ordinance, which was approved by the Board.

## 24 INTRODUCTORY SECTION

of Commissioners in 2016. To handle the incoming feedstock, a new Liquid Organic Waste Receiving Station will be constructed at the Calumet WRR. Design of the receiving station is complete. Similar work will occur at the Stickney WRR. Existing initiatives are also being examined for further reduction of energy consumption. The District is looking to maximize use of digester capacity at the Stickney WRP. market electrical capacity at Lockport to maximize return on investment and optimize the aeration processes to further reduce energy consumption by 25%.

## BUDGET PROCESS

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

The District utilizes an 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 available appropriation before any obligations resulting from purchase requisitions, purchase orders, or contracts are formally recognized, or payments resulting from payroll or other expenditures are released.

## ECONOMIC BASE OUTLOOK

The District's service area is sizeable, encompassing 98% of the assessed valuation of Cook County. The Equalized Assessed Valuation (EAV) of the District has experienced a .24% average growth rate over the last ten years and the current equalized assessed valuation of \$140,752,201,171 is 8.0% higher than the previous year. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels. The District operates a fiscally sound organization, maintaining a AAA bond rating with Fitch Ratings and AA+ with Standard and Poor's. Our finances are 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 are 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 tax levies, the Board of Commissioners adopted the following policies on December 21, 2006 to enhance and maintain budgetary fund balances. The General Corporate Fund policy was amended on December 10, 2009. The Bond Redemption & Interest Funds Investment Income policy was amended on November 3, 2011. The Stormwater Management Fund policy was adopted on December 10, 2009 and amended on November 3, 2011 and December 17, 2015.

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

#### *General Corporate Fund*

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

Corporate Working Cash Fund must be sufficient to finance 95 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, tax levy financed debt (Working Cash Bonds) and transfers of accumulated interest

#### INTRODUCTORY SECTION 25

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 Equalized Assessed Valuation, whenever economically feasible. This will be financed through tax levies at the maximum 0.5 cents per \$100 of Equalized Assessed Valuation when economically feasible and financially prudent. This level of funding will protect the District in the event that environmental remediation costs cannot be recovered from former industrial tenants of District properties, catastrophic failure of District operational infrastructure or other claims. As the District is partially self-insured, adequate reserves are critical.

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

#### *Stormwater Management Fund*

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

#### *Capital Improvements Bond Fund Investment Income*

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

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

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

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

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

*Capital Improvements Bond Fund Accumulated Income*

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

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*Accounting Policies of Fund Balance*

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

*Committed Fund Balance*

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

*Assigned Fund Balances*

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

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

***OPEB Trust***

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

## AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Water Reclamation District of Greater Chicago for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016. This was the 42nd consecutive year that the Metropolitan Water Reclamation District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The District has been presented with the award for Distinguished Budget Presentation by the GFOA for the annual budget for the year beginning January 1, 2017. 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 33 consecutive years.

## **INTRODUCTORY SECTION 27**

### **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 2017 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

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May 11,2018

**STATEMENT OF RESPONSIBILITY**

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

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

The statements fairly present the financial position and changes in financial position of the Metropolitan Water Reclamation District of Greater Chicago, and its component units, for the fiscal year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America;

The statements contain no untrue statement of material facts; and

There are no omissions of material fact(s).

Clerk/Director of Finance Comptroller

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# II. FINANCIAL

# SECTION

*MWRD skimmer boat "Skim Pickens " arrives to assist with the "Big Jump " event, during which elected officials and representatives from various agencies jumped into the Chicago River at Ping Tom Memorial Park in Chinatown.*

## VI

### Independent Auditor's Report

RSM US LLP

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago (the District), as of and for the year ended December 31, 2017, 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 District's basic financial statements as listed in the table of contents.

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

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Water Reclamation District Pension Trust Fund (Pension Fund), which represents 83 percent and 76 percent, respectively, of the assets and revenues/additions of the aggregate remaining fund information. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

THE POWER OF BEING UNDERSTOOD  
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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 the Metropolitan Water Reclamation District of Greater Chicago, as of December 31, 2017, the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Retirement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Prior-Year Comparative Information***

The basic financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's basic financial statements for the year ended December 31, 2016, from which such partial information was derived. Our audit report on the financial statements for the year ended December 31, 2016, dated May 12, 2017, expressed an unmodified opinion.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, modified approach information, and pension and other postemployment benefit plans schedules on pages 35-51 and 116-123 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit for the year ended December 31, 2017, 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, 2017, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Combining and Individual Fund Statements and Schedules have been subjected to the auditing procedures applied in the audits of the financial statements for the year ended December 31, 2017, 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, 2017.



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Our audit report on the financial statements for the year ended December 31, 2016, dated May 12, 2017, expressed an unmodified opinion. The report stated that the Combining and Individual Fund Statements and Schedules for the year ended December 31, 2016, were subjected to the auditing procedures applied in the audit of the 2016 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, 2016.

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 11, 2018 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 11, 2018

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

Year ended December 31, 2017

Metropolitan Water Reclamation District of Greater Chicago

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

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

### 2017 FINANCIAL HIGHLIGHTS

- The District's government-wide net position is \$4,616,429,000. This can be attributed to the District's positive balance of 54,710,123,000 in net investment in capital assets.
- The District's government-wide net position increased by \$76,484,000 and is mostly attributable to the net effect of the increased investment in capital, adding approximately \$18 million in capital assets offset by the spending of available bond proceeds. In addition, the District had increased tax revenues, interest on investments, grant revenue and a decrease in construction costs. These variances are explained further in the key financial comparisons section.
- The District's combined fund balances for its governmental funds at December 31, 2017 totaled \$820,495,001, a decrease of \$62,968,999 from the prior year. The decrease is primarily attributable to not issuing general obligation bonds in 2017 and a decrease in construction costs.
- The District's government-wide liabilities increased by \$55,532,999 in 2017 which is largely attributable to an increase in converted bond anticipation notes of approximately \$30 million, an increase in the net pension liability of approximately \$16 million, and a smaller increase in accounts payable and deferred revenue combined of approximately \$6.2 million.

### DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

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

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

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

### FINANCIAL SECTION 35

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

Year ended December 31, 2017

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

The Statements of Activities report the operating results of the District as a whole, presenting all revenues and expenses of the District as well as the change in net position. The Statements of Activities include revenues earned in the current fiscal year that will be received in future years, and expenses incurred for the current year that will be paid in future years (i.e. revenue for uncollected taxes and expenses for accumulated, but unused, compensated absences). Revenues are segregated 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 giants. Depreciation for depreciable capital assets is recorded as an expense in this statement.

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

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

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

Reconciliation of governmental fund financial statements to government-wide financial statements. Because the short-term focus of governmental fund financial statements is narrower than the long-term government-wide financial statement focus, reconciliations are required to explain the differences between the fund and government-wide financial statements. As a special purpose government, the District has elected to present the reconciliation by combining the presentation of the governmental fund statements with the government-wide statements. The Governmental Funds Balance Sheets are reconciled to the Statements of Net Position in a combined financial statement presentation (Exhibit A-O). 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 2017, total tax revenues increased by \$1,349,000 in the District's Statement of Activities, as shown on page 39. The property tax levies for the Corporate Fund was the only levy that decreased from prior year; however, the majority of the increase in property taxes recorded is due to the change in deferral of tax revenue affecting the timing of collections.

Program revenue. The other notable changes were in user charge revenue and land rentals. The user charge revenue increase of \$2,477,000, as shown on page 39, was primarily due to a new significant industrial user paying both 2016

## **36 FINANCIAL SECTION**

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

and 2017 user charges in 2017. User charge rates and remaining customers have not varied significantly from the prior year. The decrease of \$2,814,000 in land rental revenue is due to a change in the rental revenue recognition policy in the current year where the District will defer all rental revenue based on current year payments if they cover the rental period for any time period subsequent to year end. The prior policy was to defer payments only for payments in the last 60 days of the year.

Construction costs. The decrease in construction costs of \$50,668,000, shown on page 39, was due to fewer projects being classified as substantially complete in 2017. To be compliant with GASB 34 reporting, the expense is reduced and the asset is increased when construction projects are capitalized. Thornton Reservoir was substantially complete in 2016. Although large construction projects continued throughout 2017,

fewer were completed, thereby decreasing the construction costs for the current year.

Pension costs. The 2017 pension cost decreased \$1,792,000 from 2016, as seen on page 39. The decrease can be attributed to changes in the pension expense due to GASB 68 additions and reductions to pension expense. Pension expense is made up of a variety of items including employee service cost, interest, benefit payments, administrative expenses and differences between expected and actual experiences. Employee contributions and net investment income of the fund offset some of these annual expenses.

Claims and judgments. The \$5,886,000 increase on the Statement of Activities claims and judgments expense on page 39 is partly due to an increase in claims paid from the governmental funds of \$2,119,000. The remainder of the expense is a result of the change in the claims liability.

Employee costs. The District's employee-related expenditures are the largest single cost of the General Corporate Fund, comprising 67.1% of the total outlays for 2017. Employee costs comprise regular pay, overtime, and health care benefits. The increase in employee costs of \$2,166,845, shown on page 41, was attributable to an increase in salary and wages for existing employees and several budgeted positions being filled in 2017.

Energy costs. In 2017, energy costs in the General Corporate Fund showed an increase of \$1,037,000 as seen on page 41. Energy costs are made up of electricity and natural gas. Both expenses increased in 2017. Natural gas increased approximately \$533,000 as a result of a higher unit cost related to weather fluctuation, and an overall decrease in digester gas production at the Calumet Water Reclamation Plant. The remainder of the increase in energy cost was due to an increase in electricity use from increased aeration blower run time, which is part of the sewage treatment process, and resulting expenses.

## FINANCIAL SECTION 37

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

*Year ended December 31, 2017*

#### ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed comparison of the Statements of Net Position for December 31, 2017 and 2016, 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    Total deferred inflows of resources    Net Position:

Net investment in capital assets    Restricted

Unrestricted (Deficit) Total net position

2016

S 1,419,531 7,426,934 8,846,465

5,426 187,959

2017

S 1,405.592 7,594,442 9,000,034~

4.899 182.036 186.935

363.413 4,192,025 4,555,438  
193,385

320,758 4,179,147 4,499,905

15,102 - \_

15,102~ -"

i

4,710.123 4.591,899  
700.839 735,309  
(794.533) (787,263)

\$ 4,616,429 S 4,539,945

Increase (Decrease)

S (13,939) 167,508 153,569

(527) (5,923) (6,450)

42,655 12.878  
55.533

15,102  
15,102

118.224 (34,470) (7,270)

76.484

Percent Increase (Decrease)

(1.0)% 2.3 1.7

(9.7) (3.2) (3.3)

13.3 0.3 1.2

100.0

2.6 (4.7) 0.9 1.7 %

The above schedule reports that the District's net position totaled \$4,616,429,000 at December 31, 2017, which represents the amount the District's assets and deferred outflows exceeded its liabilities. The largest portion of the net position, \$4,710,123,000, 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 \$700,839,000 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 \$794,533,000.

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#### *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, 2017 and 2016 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

Total net position, beginning of year Total net position, end of year

**2016**

595,609 6,181 16,174

48,621 20,166 4,164 12,825

2017

S 606,958 S 8,784 15,752  
16,163

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 (6,681) (2,662) 85,535  
202 12,063 109,550  
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

643,419 76,484  
65,745

12,083 111,182 693,001  
10,739

10,739

4.529.206

4,539,945

S 4,616,429 S 4,539,945 S 76,484

#### Percent Increase (Decrease)

1.9% 42.1 (2.6)

5.1 (14.0) 29.7 13.5 2.3

(1.7) 0.6 2.9 (9.9) (0.3) (13.4) (13.1) (1.4) (0.6) 0.7 (1.7) (4.7) (68.9) (37.2) 1,453.8 (0.2) (1.5) (7.2) 612.2

7%

Total revenues increased by \$16,163,000 in 2017, or 2.3% from the prior year, and total expenses decreased by \$49,582,000 in 2017 or 7.2%. The major reasons for the variances are detailed under "Key Financial Comparisons" on pages 36-37.

#### FINANCIAL SECTION 39

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

Year ended December 31, 2017

The following charts show the major sources of revenue and expenses for the year ended December 31, 2017:

### Revenue by Source

Monitoring and Research 4.6% ~j

Interest 1.2%

User Charges 7.1% Other 2.9% ■-

Human Resources 8.4%

Interest 17.0%

Pension costs 16.6%

r Engineering 4.4%

Other 7.9%

Maintenance and  
Operations 27.8%

- Construction costs 13.3%

## 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 2017, the District reports four major funds and two non-major funds. The four major governmental funds are the General Corporate Fund, the Retirement Fund, the Capital Improvements Bond Fund, and the Debt Service Fund. The non-major governmental funds are the Construction Fund and the Stormwater Management Fund.

The District ended the current fiscal year with combined governmental fund balances of \$820,495,001, a decrease of \$62,968,999 or 7.1% from 2016. A total of \$38,967,000 of the fund balances represents non-spendable fund balances. Restricted fund balances totaled \$687,933,000. assigned fund balances totaled \$147,473,000, and the remaining deficit of \$53,877,999 was unassigned.

### General Corporate Fund

The General Corporate Fund is the principal operating fund of the District. It includes annual property taxes and other revenues, which are used for the payment of general operating expenditures not chargeable to other funds. The General Corporate Fund's fund balance at the end of the current fiscal year totaled \$291,943,001. The fund balance represented 84.9% 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 \$.8,048,000 from 2016. The District's General Corporate Fund consists of the Corporate, Corporate Working Cash, and Reserve Claim Divisions, which are presented and explained in Note 1 b on pages 64-70.

The General Corporate Fund ended the year with an unassigned fund balance deficit of \$53,798,999 due to the required reserve claims restriction, non-spendable inventories and restricted working cash.

*Metropolitan Water Reclamation District of Greater Chicago*

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2017 and 2016 is shown in the following schedule (in thousands of dollars):



## General Corporate Fund Comparative Revenue Schedule

## Revenues:

Property taxes

Personal property replacement tax

Total tax revenue Interest on investments Land sales

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

Fees, forfeits, and penalties Total revenues

2017

Amount

\$ 212,679 28,715 241,394 3,006 50 9,100 199 3,888 51,098 17,352 3,915 \$ 330,002

% of Total

64.4% 8.7

73.1 0.9

2.7 0.1 1.2 15.5 5.3 1.2

100.0%;

2016

Amount

\$ 243,847 23,436 267,283 1,872 1,233 9,228 187 3,275 48,621 20,166 3,418 \$ 355,283

% of Total

68.6% 6.6

(31,168) 5,279 (25,889) 1,134 (1,183) (128) 12 613 2,477 (2,814) 497

Percent Increase Increase (Decrease) (Decrease)

(12.8)%

75.2 0.5 0.3 2.6 0.1 0.9

13.7 5.7 1.0

22.5

(9.7)

60.6 (95.9)

(1.4) 6.4

18.7 5.1 (14.0)

14.5 (15.6)%

100.0% S (25,281)

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 2017, General Corporate Fund revenues totaled \$330,002,000, a decrease of \$25,281,000, or 15.6%, from 2016. 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, 2017 and 2016, 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, pans. & supplies Insurance

Professional services Claims and judgments All other expenditures Total expenditures

2017

Amount

S 230.646 39.173 0,137 13,885 13.164 I 1,152 3,080 4.150 63)05 12.758 S 344.050

% of Total

67.1% 11 4

2.7

4.0

3 8

3 2

0 9

1 2

2 0

3 7 100.0%

2016

Amount

S 228,479 38,136 9.756 13.007 15.962 11,372 3.100 5.140 4.786 12.666 S 342,404

% of total

66 7% I 1.1

2.9

3 8

4.7

3.3

0.9

1.5

1.4

3.7

100.0%

Increase (Decrease)

\$ 2,167 1.037 (619) 878 (2.798) (220) (20) (990) 2.1 19 92

\$ 1.646

Percent Increase (Decrease)

0.9%

2.7 (6.3)

0.7

0.5%

6.8 (17.5) (. 1.91 (0.6) (19.3) 44.3

FINANCIAL SECTION 41

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

*Year ended December 31, 2017*

In 2017, General Corporate Fund expenditures totaled \$344,050,000, an increase of \$1,646,000, or 0.5%, from 2016. Employee costs, energy costs, and solids and waste disposal were the three largest expenditure components of the General Corporate Fund in 2017, accounting for 82.5% of total expenditures versus 81.6% in 2016. 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 at the end of the current fiscal year totaled \$147,000,000. The fund balance represented 64.2% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund decreased by \$ 16,508,000 in the current year, as a result of the decrease in property tax revenue and a slight 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 \$311,997,000. This amount will provide resources for the 2018 capital construction program. The fund balance represented 127.3% of the fund's expenditures. The fund balance decrease of \$62,038,000 in the current year was primarily due to continued construction of capital projects and no issuance of general obligation bonds in 2017.

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 2017 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 2017 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-1).

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*Metropolitan Water Reclamation District of Greater Chicago*

A condensed summary of the 2017 General Corporate Fund budget and actual amounts is presented in the following schedule (in thousands of dollars):

Actual Positive Amounts (Negative)

Actual Variance with Final  
Budget Original Final

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 Other  
Equity transfer Total revenues

\$ 239,899 \$ 239,899 (4,272) (4,272)

235,627 235,627  
47,000 47,000

800 800

11,025 11,025  
19,000 19,000

8,467 8,467  
6,000 6,000  
327,919 327,919

\$ 239,885 S (14)  
(4,272) -  
11,653 11,653

247,266 11,639

53,252 6,252

1,823 1,023

12,036 1,011  
20,628 1,628

50 50  
223 223

8,328 (139)  
6,000 --

349,606 21,687

Operating expenditures:

Board of Commissioners 4.4964,4964.073423  
General Administration 17,38717,387 15,7291,658  
Monitoring and Research 31,27031,270 29,0902,180  
Procurement and Materials Management 9,5679,5678,726841  
Human Resources 60.905'60,905 54,1716,733  
Information Technology 17.35917,359 14,5572,802  
Law 8,3868,3865,9212,465  
Finance 3,6843,6843.528155  
Engineering 28,83528,835 ,26.0612,774

**FINANCIAL SECTION 43**

## Year ended December 31, 2017

The 2017 General Corporate Fund final appropriation of 5399,541,000 remained equal to the original amount. Actual budgetary expenditures totaled \$345,329,000, or 85.8% of the total appropriation. The \$54,212,000 excess of appropriations over actual expenditures was primarily due to claims and judgments costs being \$23,712,000 less than appropriations, and positive variances in expenditures from all departments, most noticeably a 510,469,000 positive variance for Maintenance and Operations. Expenditures for the Maintenance and Operations Department were below appropriations, for reasons that include position vacancies throughout the year, lower than estimated use of chemicals due to refining the processes in phosphorous removal at Stickney, disinfection at Calumet, as well as lower than estimated distribution of biosolids to privately owned agricultural land.

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.

## CAPITAL ASSETS AND MODIFIED APPROACH

Capital Assets. The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2017, amounted to \$7,594,442,000. Reportable capital assets, net of accumulated depreciation, for 2017 as compared to 2016 are as follows (in thousands of dollars):

				Increase 2017	Increase 2016	Percent (Decrease)	(Decrease)
Land	S 144,204S	142,880S	1,3240.9%				
Permanent easements	1,4631.463-	- -					
Buildings	6,9847,169(185)(2.6)						
Machinery and equipment	24,18025,239(1,059)(4.2)						
Computer software	1,44985759269.1						
Depreciable infrastructure	1,651,454'	1,662,767(11,313)(0.7)					
Modified infrastructure	5,085,7665.045,36040,4060.8						
Construction in progress	67S.942541,199137,743	25.5					
Total		\$ 7,594,442	\$ 7,426,934	1	167,508	2.3%	

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

- Total capital asset additions exceeded retirements and depreciation by 5167,508,000 in 2017.
- Construction in progress increased by \$137,743,000 from 2016 to 2017 because several large projects continued through 2017 but were not completed, and therefore not moved to infrastructure. Major projects which remained in progress during 2017 include: additional construction related to Phase II of the McCook reservoir and surrounding tunnels, construction of primary settling tanks with an aerated grit facility, construction of the Addison Creek reservoir, continued construction of Stickney's Phosphorous Recovery system, and construction of Calumet TARP screens.
- Increase in the Modified Infrastructure is primarily due to the substantial completion of the distributed control system for solids processing at Stickney WRP, Mainstream Pumping Station and other remote stations. Completion of this project accounted for approximately \$35 million of the increase to Infrastructure. The remainder of the increase is due to the residual costs of construction projects completed in the prior year being added directly to infrastructure.

#### 44 FINANCIAL SECTION

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

In addition to the above, commitments totaling 5290,252,000 remain outstanding for ongoing construction projects. Additional disclosure on construction commitments can be found in Note 9 to the basic financial statements.

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

The Kirie, Hanover, Egan, Central (Stickney), O'Brien, Calumet, Lemont, and Waterways network assets had their initial condition assessments completed between 2002 and 2006. Kirie, Central (Stickney) and Waterways each had its most recent condition assessment completed in 2017. The Egan and O'Brien networks each had its most recent condition assessment completed in 2016. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2015. (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 31, 2017, totaled 54,359,376,000. The breakdown of this debt and changes from 2016 to 2017 are as follows (in thousands of dollars):

		Percent	
		Increase 2017	Increase 2016 (Decrease) (Decrease)
Bonds payable	\$ 2,879,915	\$ 2,965,282	(85,367) (2.9)%
Bond anticipation notes	\$ 296,529	\$ 157,390	\$ 139,884
Claims payable	\$ 30,669	\$ 40,236	(9,567) (23.8)
Compensated absences	\$ 22,811	\$ 124,486	(1,675) (6.8)
Capital lease	\$ 38,574	\$ 441,047	(2,473) (6.0)
Net Pension liability	\$ 1,079,566	\$ 1,073,113	\$ 6,453 0.6
Net OPEB obligation	\$ 11,312	\$ 17,993	(6,681) (37.1)
<b>Total</b>	<b>\$ 4,359,376</b>	<b>\$ 4,319,547</b>	<b>\$ 39,829 0.9 %</b>

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

- Bonds payable, net. decreased by 585,367,000 in 2017 as a result of payments on existing bonds with no additional issuances in the current year.
- Bond anticipation notes increased by 5139,139,000 in 2017 as a result of the issuance of 5228,781,000 in notes and the conversion of \$39,281,000 from bond anticipation notes to bonds plus an approximate \$50 million change in interest accrued. .

## **FINANCIAL SECTION 45**

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

*Year ended December 31, 2017*

- Claims payable decreased by \$9,567,000 due to reductions in workers' compensation, general, health and dental, and environmental remediation claims.
- A number of items factor into the Net Pension Liability. The \$6,453,000 increase is the net change of increases in interest, service cost, administrative costs, and expected v. actual experience with decreases in contributions and net investment income. See Note 7 for additional details.

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

In July 2015, Moody's Investor Service downgraded the District's bond rating from Aa1 to Aa2. In May 2016, Standard & Poor's Financial Services downgraded the District's bond rating from AAA to AA+. The primary reason for the downgrades is the pressure on the District's tax base due to the significant debt burden and pension liabilities for major governmental agencies in Cook County, reflecting the opinion on the affordability of possible tax increases by other agencies and how this could impact Cook County residents. Additional disclosure on debt can be found in Note 11 to the basic financial statements.

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

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

The amount of the District's debt may not exceed 5.75% of the last published equalized assessed valuation of taxable real estate within the District, which was \$140,752,201,000 for the 2016 property tax levy. At December 31, 2017, the District's statutory debt limit of \$8,093,251,000 exceeded the applicable net debt amount of \$2,963,366,188 by \$5,129,884,812.

The Illinois Compiled Statutes provide authorization for the funding of the District Capital Improvement Program by the issuance of non-referendum capital improvement bonds. Starting in 2003, bonds may be issued during any budget year in an amount not to exceed \$150 million plus the amount of any bonds authorized and unissued during the three preceding budget years. The District has issued various series of bonds since the authorization. This limitation is not applicable to refunding bonds, money received from the Water Pollution Control Revolving Fund, and obligations issued as part of the American Recovery and Reinvestment Act of 2009, issued prior to January 1, 2011, commonly known as "Build America Bonds". Bonds authorized, unissued and carried forward were \$450,000,000 for the budget year ended December 31, 2017.

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 2017 is \$166,066,470 (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 .335% of the last known equalized assessed valuation of taxable property within the District. A1

**46 FINANCIAL SECTION***Metropolitan Water Reclamation District of Greater Chicago*

December 31, 2017, the District's outstanding capital improvement and refunding bonds (excluding State Revolving Fund bonds and alternate bonds) of \$1,812,210,000 did not exceed the limitation of \$4,751,198,739.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2017, are indicated in the following schedule (in millions of dollars):

	Capital Remaining	Improvement Authorization	and	Refunding	Bonds	Outstanding	and
Year of Issue			Capital Total	Improvement	Refunding		
2007		\$ 323		-S 323			
2009		600600 -					
2011		320320 -					
2014		245174 71					
2016		37654322_					
<u>Total bonds outstanding at December 31, 2017</u>	<u>1.864</u>	<u>\$1,148</u>			<u>S 716</u>		
Remaining bond authorization at December 31, 2017		2,501					
Total bond authorization at December 31, 2017		\$ 4,365					

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

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

**ECONOMY AND OTHER CONDITIONS IMPACTING THE DISTRICT**

The equalized assessed valuation of the District has experienced a 0.24% average growth rate over the last ten years although the 2016 equalized assessed valuation of \$140,752,201 is 8% higher than the previous year. As in 2016, home sales seem slow, but area home prices continued to climb because there is insufficient inventory to meet the current demand. The median price of homes in the Chicago area was up 5.6% compared to the prior year. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels. The boundaries of the District encompass 91% of the land area of Cook County. The District is located in one of the strongest and most economically diverse geographical areas of Illinois. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division decreased to a seasonally adjusted rate of 4.8% for 2017, down from 5.8% a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets have all been steadily improving in the past few years.

Corporate Fund. The Corporate Fund is the District's general operating fund and includes appropriation requests for all the day-to-day operational costs anticipated for 2018. The total appropriation for the Corporate Fund in 2018 is \$370.2 million, an increase of \$ 1.3 million, or .3% from the 2017 Adjusted Budget. The 2018 tax levy for the Corporate Fund is \$223.9 million, an increase of \$16.5 million or 7.4% compared to the 2017 Adjusted Budget.

FINANCIAL SECTION 47

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



Year ended December 31, 2017

Property taxes and user charges are the primary funding sources for the District's Corporate fund. Illinois law limits the tax rate of this fund to 41 cents per \$100 of equalized assessed valuation. The estimated tax rate for the Corporate Fund in 2018 is 16.11 cents, an increase of 0.66 cents from 2017 as adjusted. User charges are collected from industrial, commercial, and non-profit organizations to recover operations, maintenance, and replacement costs proportional to their sewage discharges, in excess of properly 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 2018 totals \$65.6 million, an increase of \$19.8 million or 43.2% from the 2017 Adj listed 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 2018 is 3.2 cents, which is an increase of 0.4 cents from 2017 as adjusted.

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

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

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

Through the management of the SSMP, the M&O Department works to reduce flooding in urbanized areas. The streams that flow through the neighborhoods of Cook County are more than just a scenic part of the landscape but 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.

## **48 FINANCIAL SECTION**

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

The District's statutory authority for Stormwater Management in Cook County (70 ILCS 2605/7h) was amended in 2014 to allow for the acquisition of flood-prone properties. Subsequent to amending the Cook County Stormwater Management Plan to be consistent with Public Act 98

-0652, the District's Board of Commissioners adopted a policy on selection and prioritization of projects for acquiring flood-prone property, which is comprised of three distinct components, as follows:

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

Capital Improvement Program: Construction Fund and Capital Improvements Bond Fund. The District's overall Capital Program includes 2018 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately \$1.2 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 Budgets and are recognized in the Annual Budget as both outstanding liabilities in the Capital Improvements Bond Fund, and as re-appropriations in the Construction Fund. Future projects, not yet appropriated, are included in the Annual Budget to present a comprehensive picture of the District's Capital program. These future projects will be requested for appropriation subject to their priority, design, and available funding.

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

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

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

## **FINANCIAL SECTION 49**

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

*Year ended December 31, 2017*

The USEPA implemented the State Revolving Fund (SRF) to ensure that each state's program is designed and operated to continue to provide capital funding assistance for water pollution control activities in perpetuity, but preserves a high degree of flexibility for operating revolving funds in accordance with each state's unique needs and circumstances. Funds in the SRF are not used to provide grants, but must be available to provide loans for the construction of publicly owned wastewater treatment works. Low interest SRF loans are an integral part of the District's capital improvements financing. SRF revenues are based on the award and construction schedule of specific projects. In 2017, the District received \$228,781,500 in cash receipts for SRF projects.

Construction Fund. The Construction fund appropriation for 2018 totals \$26,080,600, a decrease of \$8,369,800 or 24.3% from the 2017 Adjusted Budget.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to the Tax Cap. The 2018 tax levy planned for the Construction Fund is \$11.700,000, a decrease of \$4.6 million or 28.1% from the 2017 Adjusted Levy.

Capital Improvements Bond Fund. The 2018 appropriation for the Capital Improvements Bond Fund is \$312,982,900, a decrease of \$41,642,700 or 11.7% from the 2017 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 \$275,206,000 in projects. Capital Improvements Bond Fund projects scheduled for award in 2018 with estimated award values include one TARP modification project of \$2.5 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 \$41,642,700 reflects the pattern in the award of major projects. An appropriation for the open value of existing contracts is also carried forward from the prior year.

The remaining \$37,776,900 million appropriation fortius fund will provide for studies, services, and supplies to support District design and administration of proposed and ongoing construction activity, including the TARP reservoirs. A comprehensive narrative, and exhibits detailing our entire Capital program, is provided in the Capital Budget (Section V) of the 2018 budget document.

A listing and description of proposed projects, and projects under construction, scheduled for 2018, can be found in the Capital Budget.(Section V) of the 2018 Budget document.

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

In 2006, the District proposed state legislation to give authority to establish an OPEB trust. Public Act 95-394 became effective on August 23, 2007. Since inception, the District has budgeted and transferred a total of \$ 127,400,000 million into the OPEB Trust Fund. The District has continued to contribute \$5.0 million per year until the T rust is fully funded. Total net position was \$195,200,000 as of December 31, 2017. The accumulated unfunded OPEB obligation was estimated at approximately \$113,547,457 at December 3 1.201 7. On December 19. 2013, the Board of Commissioners adopted a revised investment policy statement for the Metropolitan Water Reclamation District Retiree Health Care Trust.

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

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

Target Funding Level: 100% maximum

Funding Period: 12 years

Funding Amount: \$5 million funding in each of the twelve years 2015 through 2026, with no further advance funding contribution required after 2026

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

The policy adopted by the District is cautious by design, and will provide ample opportunity for adjustment as experience is gained. Future

direction may also be changed significantly by national health care policies and programs.

**Pension and OPEB Reporting Changes.** The District implemented GASB 68, Accounting and Financial Reporting for Pensions, beginning with the year ended December 31, 2015. The implementation of this standard resulted in a net pension liability recognized by the District of \$947,300,000; however, net position remained positive. The OPEB Trust Fund implemented GASB 74 (for post-retirement plan) in 2017 and the District will be implementing GASB 75 (for employer) in 2018.

**Organized Labor.** The District has seven collective bargaining agreements that cover sixteen unions and include approximately 770 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 I employees (those hired before January 1, 2011) increased 1% each year for 3 years beginning January 1, 2013, increasing the contribution rate from 9% to 12%. The employee contributions will remain at 12% until the funded ratio reaches 90% then the contribution rate will be reduced to 9%.

### **REQUESTS FOR ADDITIONAL INFORMATION**

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

### **FINANCIAL SECTION 51**

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## **BASIC FINANCIAL STATEMENTS**

### **Exhibit A-1**

### **Governmental Funds Balance Sheets/Statements of Net Position**

*December 31, 2017*

*(with comparative amounts for prior year)*

*(in thousands of dollars)*

#### **Assets and deferred outflows of resources**

##### **Assets**

Certificates of deposit Investments (note 4) Prepaid insurance Taxes receivable, net (note 5) Other receivables, net (note 5) Due from other funds (note 12)

Restricted deposits Inventories

Capital assets not being depreciated/amortized (note 6)

Capital assets being depreciated/amortized, net (note 6) Total assets

Loss on prior debt refunding

Deferred outflows for pension related amounts

Total deferred outflows of resources

Total assets and deferred outflows of resources

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

##### **Liabilities:**

Accounts payable and other liabilities (note 5)

Due to Pension Trust Fund (note 12)



941  
174.919  
187,542  
171.204

171.204  
2,1 17 35.502

185,236

285 279,390 27.125

4,101 34,787  
163.508

527 280.437 25,890

164.524  
147.000  
- 147.473  
28,694  
145.341  
163.508  
311.997  
374.035

153.799) (44.428) -  
291.943 299.991 147.000  
S 507.242 S 507.891 S 334.542 S 334.712 S 368.297 S 420.519

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Metropolitan Water Reclamation District of Greater Chicago

	<u>Fund</u>	Retirement	<u>Nonmajor Funds</u>	Other Governmental /	<u>Funds</u>	Total Governmental	(Note 2a)	Adjustments	Net Position	Statements of
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
								2,590	29,069	32,958 79 55,128 746
120.570										
45.865									5.081 5.003 31.360 1	
87.310										
49,010	\$	35,461	S					172.874 503,838 2,118 557,898 111,555 101 285 35,502		
1,419.632								212.220 476.476 4.180 576.550 51.842 101 527 34,787		
(101)										
5,910.375	1,684,067	7,594.341								

(101)

5,730,902 1,696,032 7,426,833  
 49,010 %212,220 ' ' 476,476 4,180 576,550  
 51.842

9,000,034  
 35.461 172.874 503,838 2.118 557.898 111.555

8,846,465

4,899 182,036 186.935  
 5.426 187.959  
 193.385  
 4,899 182.036 186,935  
 5,426 187,959 193,385  
 75,042 \$ 69,200 \$ 120,570 S 87.310 \$ 1,405.693 S 1.419,632 S 7,781.276 \$ 7,620.218  
 S 9,186.969 S 9,039,850

4,886 101  
 5,430 \$ 82,166 S 79,099  
 - 15.868 20.051  
 101 101 101  
 4.S55

S.139  
 - \$ -S 82.166S 79,099  
 73.990 60,208 89.85880,259  
 15,899 16,145 15,89916,145  
 (101) (101) - -  
 - - S.1394,855

167,351 4.192.025 4,449.164  
 140.400 4.179,147 4.395,799  
 167.351 4,192,025 4,555,438  
 140,400 4,179,147 4,499,905

477.980 944

478.924  
 431.121 941

432.062  
 (431.121) (941)  
 (432.062)

4,180 34.787  
 2.118 35.502  
 (4.180) (34.787)  
 (2,118) (35,502)

59.454  
 59.713  
 527 340.150 25,890 147,000 168,670 5,696 147,473 (53,878)  
 4.146 5,696

527 34.787 5,910.375 1,684.067  
 285 35.502 5,730,902 1,696,032  
 (477.980) (944) 15.102 (463.822)





Sec accompanying notes to the basic financial statements  
General Corporate Fund

Debt Service Fund

2016  
2016  
2017  
2017  
2017

Capital Improvement Bond Funds

212,679 28,715 3,006 50 9,100 199 3.888

2016

243.847 S 207,606 \$ 235,34] S  
3,659  
2,6X9  
1.433  
1.065  
574 1,958  
22 2,217  
23,436 1.872 1,233 9,228 187 3,275  
51,098 17,352 3,915  
10  
12,817

48,621 20.166 3.418

17,745  
330.002  
355,283  
14,555  
4.075 15,766 29,696  
5,954 54.225 12.728  
5.922  
3,530 26.068 179.181  
209.049 236.410 20.746

4,158 15.490 28.490  
6,611 54,606 14,213  
6,707  
6.905  
249,294  
3.597 26,051 177,695

4.7X6

100.3 12 115,159 215.471 20,939

240,640

2,473 1,916 245,029  
2,358 2,315 253,967

344.050  
342.404  
(14,048)  
12.879  
(224.283) (236.222)  
I 75.245 39,281 (39.281)

179.224 185.685 (185.685)

104.000 21.004 2.37')  
306.607 70.385

11 1.222 I 17.604 228.826 (19.777)  
(399.432)

322.260

6.1) 110  
(13.000)

269  
6.0110  
162,245  
i.269  
(62.038)  
12.879  
(8,048)  
(16.508)  
574.035  
299.991  
163.5118  
287.112

78.041 894 1.763 22.702

140.806  
303.650  
S 291.943 S 299.991 S 147 000 S 163.508 S 311.997 8 374.035

## 56 FINANCIAL SECTION

*Metropolitan Water Reclamation District of Greater Chicago*

<u>Fund</u>	<u>Retirement</u>	<u>Other Governmental /</u>	<u>Total Governmental</u>	<u>Adjustments</u>	<u>Statements of</u>
<u>2017</u>	<u>2016</u>	<u>Nonmajor Funds</u>	<u>Funds</u>	<u>(Note 2h)</u>	<u>Net Position</u>
<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
61,097	14,479				
					43.194 8.784 50 9,100 783 5.878
38,961	6,181	1,233	9,228	209	5,540
38,961	6,181				
					9,228 209 5,527 1,210
\$ 62.186	\$ 45.550	S 42.501	S 526,932	\$ 583,875	S 36,832 S (27,227) S 563,764 S 556,648
15,525					
686					
555					
		43,194	8,784		
(50)					
(1,233)					
10 19					
43					
(59) 50					
(13) 1,210					
					9,100 783 5,819 50
51,098	17,352	5,401			
					48,621 20,166 4,164
51.098	17,352	5.401			
					48,621 20,166 4,164
12,825					
(27,255)					
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				
4,158	15,490	28,490			
6,61	I 54,606	14,213			
6,707					
3.597	26,051	177,695	77,712		
4,786	296,768				

19 25 (105) (7) 42 6	(92) (10) 1,762 (IS7) 31.235 (6,681) (9.567) (182.962) 202 12,063
	8
200 263 (9) (159) 489 2	(27) 1,951 134 30.894 (7,008) (13,334) (160,565) 13
	12,083
4,094 15,791 29.591	
5,947 54,267. 12,734	
5,830	
	3,520 27,830 178.994 106.814 (6,681) (2,662) 85,535 202 12.063
	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	
27,857 19.894	
102.670 117.474	
	(I 13.695) (9.970)
113,695 119,520 921,341	
	(102,670) (6,292)
314.698	
216.772	
937.02X (277.922) (244.027)	
(3,629) (238.214) (206.033)	
109.550 643.419	
111,182 693,001	
- (399,432)	
175,245 39,281 (39.281)	
179.224 185,6X5 (185.685) 322.260 104.000 99.045	
305.097	
- 399.432	
(175.245) (179.224)	
(39.2X1) (185,685)	
	.30.2X1 1X5.685
(175.245)	
175.245	
• (322.260)	
• (104.000)	
• (99.045)	
(305.097)	
(62.969) 99.064 62.969 (99.064)	
	- - 76.484 10.739
4.524.206	
69.555 S 45.930 S 820.495 S 883.464 S	

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, 2017

Revenues:

Property taxes: Gross levy

Allowance for uncollectible taxes Net property 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 Land sales

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 year

(in thousands of dollars)

Original

Budget

Final

					\$ 223,946	(7.838)	216,108	5.627
18,164								
							239,899	(4,272)
							235,627	800
					18,164	239,899	(4,272)	
						11,025	8,116	47,000 19,000
							6,000	351
	235,627	800						
							11,025	8,116 47,000 19,000
								6,000
<u>327,919</u>								
4,496	17,387	31,270						
9,567	60,905	17,359						
8,386								
3,684	28.835	187.035	30.617					
	<u>351</u>							
								<u>327,919</u>
399.541	(71.622)							
160,721	(89.099)							
71.622								

4,496 17,387 31,270 9,567 60,905 17,359 8,386 3,684 28,835 187,035 30,617 399,541 (71,622) 160,721 (89,099)

71.6:

**Actual Amounts**  
(14)

S 223,946 (7,838) 216,108 5,613  
(14)  
11,653

11,639 1,023 50 1,011 (1,802) 6,252 1,628 223

1.663  
21,687

18,164 239,885 (4,272) 11,653 247,266 1,823 50 12,036 6,314 53,252 20,628 223 6,000 2,014 349,606"

423 1,658 2,180  
841 6,733 2,802 2,465  
155 2,774 10,469 23,712  
54,212  
75.899  
5.627 89.099  
94.726

4,073 15,729 29,090 8,726 54,172 14,557 5,921 3,529 26.061 1 76,566 • 6,905 345,329" 4.277 1 66.348

166.348  
S 170,625 S 170.625

See accompanying notes to 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 31, 2017

(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 the year

Actual

Variance  
with Final

Actual on Budget -

Final Budgetary Positive Basis (Negative)

\$ 62,880 \$ 61,097 \$ (1,783)  
16,625 14,479 (2,146)  
(3,926)

- 3 3\_  
79,505 75,579

79,505 75,579 3,926  
79,505 75,579 3,926

See accompanying notes to the basic financial statements

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

Year ended December 31, 2017  
(with comparative amounts for prior year)

Assets Cash  
Receivables

Employer contributions-taxes (net of allowance for uncollectible \$3,883 in 2017; \$3,753 in 2016)  
Securities sold  
Forward foreign exchange contracts Accrued interest and dividends Accounts receivable Total receivables

(in thousands of dollars) 2017 2016

89,604 42,172 123,333 3,733 43  
,990 \$ 3,670  
258,885  
79,505 7,563 116,576 3,237 45  
206.926

Investments at fair value

Corporate and governmental bonds and notes Money market funds Pooled funds - fixed income Pooled funds - equities Balanced funds Common and preferred  
stocks Mutual and commingled Equity funds Short-term investments Total'in vestments

249,812 16,994  
247,005 97,893 17,449  
576,588  
342,484 30,689  
1,578,914  
234,275 5,590  
256,464 81,809 16,013  
524,405  
285,515 32,493  
,436,564

Securities lending capital Total assets

Liabilities

Accounts payable Securities lending collateral Forward foreign exchange contracts Securities purchased Total liabilities

170,243 1,374 27,448 124,384 17,037

171,836 1,274 42.118 1 16.937 1 1.507

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, 2017*

*(with comparative amounts for prior year)*

**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) net of expenses Security lending activities: Security lending income Borrower rebates Bank fees

( Net income from securities lending activities 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

Net increase (decrease)

Net position held in trust for pension and OPEB benefits Beginning of year End of year

108,289 20,840

**(in thousands of dollars) 2017 2016**

129,129

100.177 20,831 7.917

198,551 25,979  
128.925

224,530 (4,663)

99,340 29,016  
219,867  
128.356 (4,656)448  
(13)  
(89)  
123,700**346**265 295 (126)  
**434**  
349,345  
**107**

127,099 13,431 24.203 142 631 77

253.166  
168.160 2.011 1.535

121,730 22,835 22,919 153 413 110

171.706  
165,583 2.560 1,651  
81.460  
169.794  
1.517,442  
1 79,5511.435.982  
\$ 1.696.994 S 1,517,442

See accompanying notes to the basic financial statements

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### Notes to the Basic Financial Statements

*Metropolitan Water Reclamation District of Greater Chicago*

#### Index to Notes

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## FINANCIAL SECTION 63

## Notes to the Basic Financial Statements

Year ended December 31, 2017

### 1. Summary of Significant Accounting Policies

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

- a. Financial Reporting Entity - The District is a municipal corporation governed by an elected nine-member Board of Commissioners. As required by GAAP, these financial statements present the District (the primary government) and its component units, the Metropolitan Water Reclamation District Retirement Fund (Pension Trust Fund - Note 7) and the Metropolitan Water Reclamation District Retiree Health Care Trust Fund (OPEB Trust Fund - Note 8). The Board of Trustees for the Pension Trust Fund is composed of seven

members. Two of these Trustees are Commissioners appointed by the Board of Commissioners of the District, four are District employees elected by members of the fund and one is a retired employee of the District. Although the Pension Trust Fund and OPEB Trust Fund are legally separate entities, for which the primary government is not financially accountable, they are included in the District's basic financial statements as fiduciary funds. The nature and significance of the Pension Trust Fund and OPEB Trust Fund's relationship with the primary government is such that exclusion would render the District's financial statements incomplete or misleading. Complete financial statements of the Pension Trust Fund can be obtained from their administrative office at 111 East Erie Street, Chicago, Illinois, 60611-2898 or on their website: [mwrdrf.org](http://mwrdrf.org) <<http://mwrdrf.org>>. Complete financial statements of the OPEB Trust Fund can be obtained from the Treasurer of the Metropolitan Water Reclamation District at 100 East Erie Street, Chicago, Illinois 60611-5498 or on the District's website: [mwrdrf.org](http://mwrdrf.org) <<http://mwrdrf.org>>.

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

The government-wide financial statements include the Statements of Net Position and the Statements of Activities, and contain information for all the District's governmental activities but exclude the Pension Trust Fund and the OPEB Trust Fund, fiduciary funds whose resources are not available to finance the District's operations. The effect of interfund transactions has been removed from the government-wide statements. The Statements of Net Position report the financial condition of the District. This statement includes all existing resources and obligations, both current and 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 are segregated for the purpose of carrying on specific activities or attaining certain objectives, in accordance with special regulations, restrictions or limitations. Separate fund financial statements are included in the basic financial statements for the major governmental funds. The emphasis of the governmental fund financial statements is on major funds, with each major fund displayed as a separate column. The governmental fund financial statements include a budgetary statement for the General Corporate Fund and the Retirement Fund.

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

## 64 FINANCIAL SECTION

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

#### **The District reports the following major governmental funds: General Corporate Fund**

The fund was established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Corporate Fund. These accounts were established under Chapter 70, ILCS 2605/9b of the Illinois Compiled Statutes, which refers to these accounts as a "Working Cash Fund." Amounts borrowed from the Working Cash Fund in one year are generally repaid by the Corporate Fund from tax collections received during the subsequent year. Also included in this fund are accounts of the "Reserve Claim Fund," established under Chapter 70, ILCS 2605/12 of the Illinois Compiled Statutes, which is restricted for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, deferred inflows of resources and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2017 are as follows (in thousands of dollars):

#### Total General Corporate Fund

Corporate Division  
Corporate Working  
Cash Division

Reserve Claim Division  
Assets

Cash  
Certificates of deposit Investments Prepaid insurance Receivables.



30.919

274

274

4.755

4.755

25.890

25.800

30.010

**FINANCIAL SECTION 65****Notes to the Basic Financial Statements**

Year ended December 31, 2017

The revenues, expenditures, and changes in fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions for the year ended December 31, 2017, are as follows (in thousands of dollars):

Total General Corporate ' Corporate Fund Division

Corporate

Working

Reserve

Division

Division

Cash

Claim

Revenues:

Property taxes

Personal property replacement tax

Total tax revenue Interest on investments Land sales

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

Total expenditures

212,679 28,715 241,394 3,006 50 9,100 199 3,888 51,098 17,352 3,915 330,002

4,075 15,766 29,696

5,954 54,225 12,728

5,922

3,530 26,068 179,181  
6.905 344,050

207,350 28,715 236,065 1,628 50 9,100 189 3,888 51,098 17,352 3,915 323,285

4,075 15,766 29,696  
5,954 54,225 12,728  
5,922  
3,530 26,068 179,181

337,145

5,329

5,329 332

10

5.671

6.905  
6.905

Revenues over (under) expenditures

Other financing sources/(uses): Equity transfer in/(out)

Net Change in Fund balance

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

**Debt Service Fund**

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

**Capital Improvements Bond Fund**

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

**66 FINANCIAL SECTION**

*Metropolitan Water Reclamation District of Greater Chicago*

**Retirement Fund**

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

Note 7).

The District reports the following non-major governmental funds:

#### Construction Fund

A capital projects fund established to finance smaller construction projects on a pay-as-you-go basis. The Fund is primarily financed with an annual property tax levy and certain other revenues to be used to finance modernization and rehabilitation projects. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9(c) of the Illinois Compiled Statutes, which refers to these accounts as a "Construction Working Cash Fund." Amounts borrowed in one year are generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, deferred inflows of resources and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2017 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 Inflows of Resources, and Fund Balances	
Liabilities:	
Accounts payable and other liabilities	
Due to Construction Fund from Construction Working Cash	
Total liabilities	
Deferred inflows of resources:	
Unavailable tax revenue	
	Total deferred inflows of resources
Fund balances:	
Restricted for:	
Working cash	
Unassigned	
Total fund balances	
Total liabilities, deferred inflows, and fund balances	
	Construction Working Cash
152 8,050 2,002	
Division	
1,023 \$ 4,005 12,501	
16.549 (847)	
15,702	
10.204	
746	
33.977 S	
3,171 \$ -	
12,000 (12,000) (12,000)	
15.171	

13.110  
13.110

22,204  
5.696  
5,696  
: .204  
10.204

## FINANCIAL SECTION 67

### Notes to the Basic Financial Statements

*Year ended December 31, 2017*

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, 2017, are as follows (in thousands of dollars):

	Total Construction Fund	
	Construction Division	
	Construction Working Cash Division	
Revenues:		
Property taxes		
Total tax revenue Interest on investments Miscellaneous Fees, forfeits and penalties		
Total revenues Construction Costs: Contractual services Machinery and equipment Capital projects		
Total expenditures		
12,995 \$		12,995 326
1,486		
14,807		
1,680 3,000 9,112		
13,792		
12,995 \$		12,995 193
1,486		
14,674		
1,680 3,000 9,112		
13,792		
Revenues over (under) expenditures		
Other financing sources (uses): Equity transfer in/(out)		Net Change in Fund balance
Fund balance at the beginning of year Fund balance at the end of year		

68 FINANCIAL SECTION

*Metropolitan Water Reclamation District of Greater Chicago*

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, 2017 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 Total assets

Stormwater Management Division

■ 1,413 \$ 6,007 18,455 79

41,546 (2,120)

39,426

65,380 \$

Stormwater Working  
Cash Division

11,007



,009

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 tax revenue

Total deferred inflows of resources Fund balances: Nonspendable:

Prepaid Insurance Restricted for: Working Cash Capital projects Unassigned

Total fund balances

Total liabilities, deferred inflows, and fund balances

, 715 \$ 101

, 816

32, 918

32, 918

79

37.509 4.146 (79)

41.655

7 (., 389 S

1, 715 \$ -

26, 601 (26, 500) (26, 500)

28.316

32, 918

32.918

79

37.509

4.146

4, 146 (79)

65.380

37.509

1 1, 009

**FINANCIAL SECTION 69**

## Notes to the Basic Financial Statements

Year ended December 31, 2017

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, 2017, are as follows (in thousands of dollars):

Total Stormwater Management	Fund
Stormwater Working Cash Division	Stormwater Management Division
Revenues:	
Property taxes	
Total tax revenue	Interest on investments
Claim and damage settlements	Miscellaneous revenue
Total revenues	Construction Costs: Personal services
Contractual services	Material and supplies
Capital projects	
Total expenditures	
32,555 \$	32,555 360 10 19
32,944	
	6,087 1,604 462 5,912
14,065	
32,555 \$	32,555 235 10 19
32,819	
	6,087 1,604 462 5,912
14,065	
Revenues over expenditures	
Other financing (uses): Equity transfer in/(out)	Net Change in Fund balance
Fund balance at the beginning of year	Fund balance at end of year

In addition, the District reports the following fiduciary funds: Pension Trust Fund

A fiduciary fund established to account for employer/employee contributions, investment earnings, and expenses for employee pensions. The balance reflected as employer contributions receivable represents amounts due to the plan pursuant to legal requirements.

OPEB Trust Fund

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

**70 FINANCIAL SECTION***Metropolitan Water Reclamation District of Greater Chicago***c. Basis of Accounting and Measurement Focus Government-wide and Fiduciary Fund****Financial Statements**

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

**Governmental Fund Financial Statements**

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

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

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

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

Property taxes attach as an enforceable lien on property as of January 1 of the levy year. They are levied and recorded as a receivable as of January 1 and are due in two installments in the following year. 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 1 and ends on December 31. The District's procedure for adopting the annual budget consists of the following stages:
- 1) After the first half of the fiscal year, the Budget Office holds a meeting with departmental budget representatives to discuss policy and procedures for budget preparation that begins in July. Instructions are distributed to departments, together with guidelines from the Executive Director, which indicate the direction the Budget should follow for the coming fiscal year. The basic forms are returned to the Budget Office and a general summary is prepared for the Executive Director, who conducts departmental hearings in August.
  - 2) The public budget process begins with Board of Commissioners Study Sessions providing a budget overview in June.

**FINANCIAL SECTION 71****Notes to the Basic Financial Statements**

*"Year ended December 31, 2017"*

- 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 are approved and final decisions are made, a Budget Message is prepared and the proposals of the Executive Director become the initial budget document. After departmental requests are finalized, the Executive Director's Budget

Recommendations are published within 15 days. The Executive Director's Budget Recommendations are published and presented to the Board in October. At all times, the Budget figures are balanced between revenues and expenditures.

- 5) The Board's Committee on Budget and Employment holds public meetings with the Executive Director and department heads regarding the Executive Director's proposals.
- 6) At the conclusion of these hearings, the Committee on Budget and Employment recommends the preparation of a second document, a supplement to the Executive Director's Budget Recommendations called the "Tentative Budget," which incorporates changes approved at the hearings. Once printed, this is placed on public display, along with the Executive Director's Budget Recommendations, for a minimum of 10 days. An advertisement is published in a general circulation newspaper announcing the availability of the Tentative Budget for inspection at the main office of the District, and specifying the time and date of the public hearing.
- 7) At least one public hearing is held between 10 and 20 days after the Budget has been made available for public inspection. All interested individuals and groups are invited to participate.
- 8) After the public hearing, the Committee on Budget and Employment presents the Tentative Budget, which includes revisions and the approved Appropriation and Tax Levy Ordinances, to the Board for adoption. This action must take place before January 1.
- 9) The Budget, as adopted by the Board, can be amended once at the next Regular Meeting of the Board. No amendment, however, can be requested before a minimum of five days after the Budget has been adopted. Amendments for contracts and/or services not received before December 31 must be 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 1. The Finance Department and Budget Office provide control of appropriations and ensure that all expenditures are made in accordance with budget specifications. The manual entitled "Budget Code Book" is published in conformance with the Adopted Budget and is used to administer, control, and account for the Budget.
- 12) Supplemental appropriations can be made for the appropriation of revenues from federal or state grants, loans, bond issues, and emergencies. The Executive Director is authorized to transfer appropriations between line items within an object class of expenditure within a department. After March 1 of each fiscal year, transfers of appropriations between objects of expenditures or between departments must be presented for approval to the Board in accordance with applicable statutes.
- (1.3) The Board can authorize, by a two-thirds majority, the transfer of accumulated investment income between funds and the transfer of assets among the Working Cash Funds.

## **72 FINANCIAL SECTION**

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

- e. Deposits with escrow agent in the amount of 5280,000 are 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 at fair value plus accrued interest. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Changes in the carrying value of investments, resulting in realized and unrealized gains or losses, are reported as a component of investment income in the statement of revenues, expenses and changes in 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 IECS 235). Oversight is provided by the State Treasurer. Investments of the Pension and OPEB Trust Funds, other than short-term investments, are also stated at fair value.

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

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

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

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

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

## FINANCIAL SECTION 73

### Notes to the Basic Financial Statements

*Year ended December 31, 2017*

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

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

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

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

The District is using the modified approach as an alternative to depreciation to report its eligible infrastructure assets, with the

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

In compliance with Governmental Accounting Standards Board (GASB) Statement 34, existing infrastructure assets accounted for with the modified approach are not reported in the government-wide financial statements until an initial condition assessment is completed for the assets' network. Currently, all the District's WRPs infrastructure assets are reported as infrastructure under the modified approach in the government-wide financial statements. Condition assessments of eligible infrastructure assets must be completed at least every three years following the initial assessments. The Kirie, Central (Stickney), Hanover, O'Brien, Egan, Calumet, Lemont WRPs, and Waterways had their initial condition assessments completed between 2002 and 2006. The Kirie, Central (Stickney) and Waterways each had its most recent condition assessment completed in 2017. The Egan and O'Brien networks each had its most recent condition assessment completed in 2016. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2015. (See further discussion of the modified approach in the Required Supplementary Information Section).

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

- m. Compensated Absences for accumulated unpaid vacation, holiday, overtime, severance and sick leave are paid to employees upon retirement or termination. An employee is eligible to receive 100 percent of earned

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

vacation, holiday and overtime pay. Depending upon the date of hire and/or collective bargaining agreements, employees may also be eligible to receive severance pay and 50% of accumulated sick pay up to a maximum of sixty days. Compensated absences are accrued as they are earned in the government-wide financial statements. Expenditures and liabilities for compensated absences are recorded in the fund financial statements when due and payable. Included in the long-term liabilities of the Statements of Net Position at December 31, 2017, are liabilities for compensated absences of \$2,516,000, due within one year, and \$22,811,000, due in more than one year.

- n. Deferred Outflows/Inflows of Resources - Deferred inflow of resources is an acquisition of net position by the government that is applicable to a future period. Deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.
- o. Long-Term Obligations - Long-term debt and other long-term obligations are reported in the government-wide Statements of Net Position. Bond premiums are reported with bonds payable and amortized over the life of the bonds, which approximates the effective interest method, in the government-wide financial statements. In addition, the refunding transaction cost, representing the excess of the amount required to refund debt over the book value of the old debt, is reported as a deferred outflow of resources and amortized over the shorter of the life of the old debt or new debt in the government-wide financial statements.

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

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

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

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

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

Assigned Fund Balances - This consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District's Board of Commissioners approved a motion authorizing the Executive Director to assign amounts of fund balances to a specific purpose. The District has an assigned fund balance of \$147,473,000 in the Capital Improvement Bond Fund, for future capital projects.

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

In the General Corporate Fund, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which restricted fund balance is available, followed by committed

## FINANCIAL SECTION 75

### Notes to the Basic Financial Statements

*Year ended December 31, 2017*

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

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

Net investment in capital assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any debt attributable to capital assets (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 \$700,839,000 of restricted net position.

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

- r. User Charge - The Environmental Protection Agency requires grant recipients to charge certain users of waste water treatment services a proportionate share of the cost of operations and maintenance. The District has utilized a User Charge System since January 1, 1980. The system was developed in accordance with 70 ILCS 2305/7.1.
- s. Comparative Data and Reclassifications - The basic financial statements present comparative data for the prior year to provide an understanding of the changes in financial position and results of operations, but not at the level of detail required for presentation in accordance with accounting principles generally accepted in the United States of America.
- t. Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/ expenses during the reported period. Actual results could differ from those estimates.
- u. New Accounting Pronouncement - The OPEB Trust implemented GASB 74, Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans. The District will be implementing statement GASB 75, Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions, in 2018.

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Metropolitan Water Reclamation District of Greater Chicago

## Reconciliation of Fund and Government-wide Financial Statements

- a. Reconciliation of Total Fund Balances to Total Net Position - The following explanations are provided for the reconciling adjustments shown in the Governmental Funds Balance Sheets/Statements of Net Position at December 31, 2017 (in thousands of dollars):

Total fund balances of governmental funds

S 820.495

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

Capital assets 7,891,314 Accumulated depreciation/amortization (296,872) Capital assets, net 7,594,442 Long-term liabilities are not due and payable in the current period and accordingly are not reported as liabilities in governmental funds. However, long-term liabilities are reported in the Statements of Net Position. The long-term liabilities consist of:

Compensated absences	(22,811)
Claims and judgments	(30,669)
Capital lease	(38,574)
Rebond anticipation notes	(296,529)
General obligation debt	(2,697,667)
Net OPEB obligation	(1,131,312)
Net Pension liability	(1,079,566)
<u>Due to Pension Trust Fund</u>	<u>(73,990)</u>

Total long-term liabilities (4,251,118)

Bond refunding transactions are recorded as deferred outflows of resources in the governmental funds while bond premiums and discounts are recorded as other financing sources and uses, respectively. Bond premiums are amortized over the life of the bonds for the Statements of Net Position. They consist of:

Bond premium	(182,248)
--------------	-----------

Bond refunding transactions

4,899

Total bond premium and refunding transactions (177,349)

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 2017 amount is:

Accrued interest (15,899) Some assets reported in governmental funds do not increase fund balance because the assets are not "available" to pay for current-period expenditures. These assets are offset by deferred inflow of resources in the governmental funds. However, these assets increase net position in the Statements of Net Position. They consist of:

Deferred property taxes and personal property replacement tax 477,980

Grants and rents 944

Deferred inflows for other pension amounts (15,102)

Adjustment to deferred inflow of resources 463,822 Deferred outflows of resources represent items related to pension, which will be recognized as a pension expense in future reporting periods. Deferred outflows consist of employer contributions and "other" which includes differences between expected and actual experience, changes of assumptions, and net differences between projected and actual earnings on pension plan investments. However, these items are reported in the Statement of Net Position. They consist of:

Deferred outflows for employer contributions subsequent to measurement date 89,858

Deferred outflows other pension related amounts

92,178

Adjustment to deferred outflows of resources 182,036



Interfund transactions are eliminated for Government-wide reporting	These transactions consist of
Due from other funds	101
<u>Due to other funds</u>	(101)
<u>Total Interfund</u>	-
<u>Total net position of governmental activities</u>	<u>\$ 4,616,429</u>

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## Notes to the Basic Financial Statements

Year ended December 31, 2017

- h. Reconciliation of the Change in Fund Balances to the Change in Net Position - The following explanations are provided for the adjustments shown in the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities for the year ended December 31, 2017 (in thousands of dollars):

Net change in fund balances of governmental funds	\$ (62,969)
<i>Amounts reported for governmental activities in the Statements of Activities are different because.</i>	
Construction costs for capital outlays are reported as expenditures in governmental funds. However, in the Statements of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense except for those assets under the modified approach. In the current period, these amounts are:	
Construction costs and other capital outlays	182,962
Depreciation expense-allocated to various departments	(3,128)
<u>Depreciation/amortization expense-unallocated</u>	<u>(12,063)</u>
<u>Excess of construction and capital outlay costs over depreciation expense</u>	<u>167,771</u>
Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the Statements of Net Position. In the current period, debt proceeds and related items were:	
Bond anticipation notes proceeds	(175,245)
Repayment of long-term debt is reported as an expenditure in the governmental funds, or as an other financing use in the case of refunding, but the repayment reduces the long-term liabilities in the Statements of Net Position. In the current year, the repayments consist of:	
Debt service principal retirement	113,695
Some expenses reported in the Statements of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Change in compensated absences-allocated to various departments	1,675
Change in claims and judgments	9,567
Change in bond interest	246
Change in bond anticipation notes interest	(3,175)
Amortization of bond issuance/refunding costs	(527)
Amortization of bond premium	13,426
Change in net pension liability	(31,235)
<u>Change in OPEB costs</u>	<u>6,681</u>
<u>Total additional expenses</u>	<u>(3,342)</u>
The proceeds from the sale of land and equipment are reported as revenue in the governmental funds. However, the cost of the land and equipment is removed from the capital assets account in the Statements of Net Position and offset against sale proceeds resulting in gain or (loss) in the Statements of Activities. The net effect of miscellaneous transactions involving capital asset sales:	
<u>Total land and equipment sales</u>	<u>(261)</u>
Unavailable tax revenues and certain other revenues that are earned but "unavailable" for the current period are not recognized, in governmental funds. These revenues consist of	
Property tax - net	36,832
Grant and rent adjustment	3
<u>Total adjustments</u>	<u>36,835</u>
<u>Change in net position of governmental activities</u>	<u>\$ 76,484</u>

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## Metropolitan Water Reclamation District of Greater Chicago

## 3. Reconciliation of Budgetary Basis Accounting to GAAP Basis Accounting

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

General Corporate Fund	
Revenues and other sources (uses) over (under) expenditures on a budgetary basis	\$ 4,277
Adjustment from Budget to GAAP for:	
Tax revenues	(5,872)
Cash basis other revenues	(7,732)
GAAP versus budgetary expenditure differences	1,279
<u>Revenues and other sources (uses) over (under) expenditures on GAAP basis</u>	<u>\$ (8,048)</u>

## 4. Deposits and Investments

## Deposits

As of December 31, 2017, the District, the Pension Trust fund and OPEB Trust Fund deposits were fully insured and collateralized.

## Investments (excluding Trust Funds)

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

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District's investments as of December 31, 2017 (in thousands of dollars):

Investment Type	Fair Value	Investment Maturities	
		Less Than 1 Year	1-5 Years
US Agencies	\$ 192,689	\$ 123,098	\$ 69,591
Municipal Bonds	93,407,777,699	15,708	
Commercial Paper	189,623	189,623	-
State Treasurer's Illinois Funds	1010-		
Total Investments--	\$ 475,729	\$ 390,430	\$ 85,299

The Illinois Funds invests a minimum of 75% of its assets in authorized investments of less than one year and no investment shall exceed two years maturity. The above fair value amount excludes accrued interest receivable of \$747,000

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## Notes to the Basic Financial Statements

**Year ended December 31, 2017 Interest Rate Risk**

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

**Credit Risk**

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

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*Metropolitan Water Reclamation District of Greater Chicago*

Credit ratings for the District's investments in debt securities as described by Standard & Poor's, Moody's and Fitch at December 31, 2017 (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 (FHLB) Federal Home Loan Mortgage Corporation (FHLMC) Federal National Mortgage Association (FNMA) Total U.S. Agencies

Commercial Paper

State Treasurer's Illinois Funds

Illinois State Regional Transportation Authority \*

Illinois State Sales Tax \*

New York State Environmental Facilities Corporation \* State of Illinois \* State of Ohio \*

Maryland State Housing and Community Development \* California State Taxable High Speed Passenger Trains \* Mississippi Development Bank, Jackson Public School District' Cook County, Illinois \*

Atlanta Urban Residential Finance Authority \*

Marin California Community College District 1 \*

Waukegan, Illinois \*

Honolulu Hawaii City and County \*

New York State Urban Development Corporate \*

Chicago Illinois Wastewater Transmission \*

Rosemont, Illinois \*

University of Illinois \*

Houston Texas Utility System \*

Holland, Michigan \*

Credit Ratings at 12/31/2017 S&P/Moody's/Fitch

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

A-/P-/I/FI AAAm/NR/NR AA/NR/AA AA-/NR/AA+ AAA/Aaa/AAA BBB-/Baa3/BBB AA+/Aal/AA+ NR/Aa2/AA AA-/Au3/AA-A/NR/NR AA-/A2/A+

NR/Aal/AA+ AAA/Aaa/NR

NR/A2/NR NR/Aal/AA+ AAA/Aal/AA+ A/NR/AA-AA/Baal/NR A-/A1/NR AA/Aa2/AA AA/NR/NR

% of investment Type

48.4% 46.4% 5.2% 100.0%

100.0% 100.0% 26.8% 12.8% 9.5% 7.5% 6.9% 5.8% 5.3% 4.5% 4.3% 3.8% 2.7% 2.5% 2.0% 1.6% 1.2% 1.1% 0.7% 0.6% 0.4%

% of Total Investments in Debt Securities

40.5%

40.0% 0.0% 5 2% 2.5% 1.9% 1.5% 1 4% 1.1% 1 1% 0.9% 0.8% 0.7% 0.5% 0.5% 0.4% 0.3% 0.2% 0.2% 0.1% 0.1% 0.1 % 100.0%

\* Municipal Bond NR - Not Rated

## Notes to the Basic Financial Statements

Year ended December 31, 2017

**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 2017, the fair value of commercial paper represented 27.6% 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, 2017, the following investments were greater than 5% of total investments (in thousands of dollars):

Investment	Fair Value
Federal Home Loan Bank (FHLB) \	\$ 93,230
Federal Home Loan Mortgage Corporation (FHLMC)	89,473
Illinois State Regional Transportation Authority	24,968
	1,207,671

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

As of December 31, 2017, 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 U.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 (SIPC). As of December 31, 2017, the Trust had no exposure to custodial credit risk since all investments were registered or held in the Trust's name.

**Trust Fund Investments**

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

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

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At December 31, 2017, 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 to changes in market interest rates becomes. One strategy to

manage exposure to interest rate risk is to purchase a combination of short-term and long-term investments, while considering cash flow needs of the Pension Trust Fund. The Pension Trust Fund does not maintain an investment policy relative to interest rate risk; however, the Board of Trustees recognizes that its investments are subject to short-term volatility and their goal is to maximize total return within prudent risk parameters.

The following table categorizes the Pension Trust Fund's interest bearing investments and presents the fair value and segmented time distribution of debt securities held by the Pension Trust Fund as of December 31, 2017 (in thousands of dollars):

Investment Type	Fair Value	Investment Maturities (In Years) Less than				
		1 Year	1-5 Years	6-10 Years	10+Years	
Fixed Income:						
Pooled Funds - Long Term investments	\$ 184,200	\$ -	\$-SI 84,200	S-		
Pooled Funds - Short Term investments	30,689	30,689	---			
Corporate bonds and notes	66,134	47433,518	18,511	13,631		
Municipal bonds	3,494	3,494	-			
Common collective trust	8,875	2262,888	5,048	713		
U.S. Governmental and government agency obligations	"		93,190	9,710	14,524	7,484
						61,472
Non-U.S. Government obligations	50,015	1,071	21,514	12,022	15,408	
Mortgage backed	6,506	75--	6,431			
Asset backed	21,598	6311,139	1,397	8,999		
Total Fixed Income	464,701					
Equities:						
Common Stock	576,588	Mutual and Co-mingled Equity	342,484			
Total Equities	919,072					
Total Investments	\$ 1,383,773					

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

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

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### Notes to the Basic Financial Statements

Year ended-December 31, 2017

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, 2017 (in thousands of , dollars):

Investment Type
Domestic Fixed Income Funds Dodge & Cox Income Fund Payden Core Bond Fund Western Asset Core Plus Institutional Total Domestic Fixed Income Funds
Domestic Equity Funds
Fidelity 500 Index Institutional Class Fidelity Contrafund Fidelity Mid Cap Index Institutional LSV Value Equity Institutional Vanguard Small Cap Index Institutional
Total Domestic Equity Funds International Equity Funds
Fidelity International Index Institutional Total International Equity Funds Global Balanced Funds
PIMCO All Asset Institutional Class Money Market Funds

## Total Fair Value

44.0% 12.1% 43.9%

## Fair Value Percentage

		27,665	7,609	27,531
62,805				
17,760	17,671			
7,680	17,639			
8,076				
68,826				
29,067				
29,067				
17,449				
16,994				
195,141				
Weighted Average Maturities (Years)				
		7.5	8.3	12.7

**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.

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The following table presents a summarization of the Pension Trust Fund's credit quality ratings of the holdings within the investments at December 31, 2017 (in thousands of dollars):

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

Credit Rating

Aaa Not Rated AI-A3 Aal-Aa3  
Aaa Bal-Ba3 Baal-Baa3 Not Rated

AI-A3 Aal-Aa3  
Aaa Not Rated

A1-A3 Aal-Aa3 Aaa BI-B3 Bal-Ba3 Baal-Baa3 Caal-Caa3 Not Rated

AI-A3 Aal-Aa3 Aaa 131-B3 Bal-Ba3 Baal-Baa3 Caal-Caa3 Not Rated

BB-A Aa Aaa Baa Not Rated

Not Rated

Investment Type

U.S. Governmental and Government Agency Municipal

Non-U.S. Governmental Non-U.S. Governmental Non-U.S. Governmental Non-U.S. Governmental Non-U.S. Governmental Non-U.S. Governmental Non-U.S. Governmental

Mortgage backed Mortgage backed Mortgage backed Mortgage backed

Asset backed Asset backed Asset backed Asset backed Asset backed Asset backed Asset backed Asset backed

Bonds and Notes Bonds and Notes Bonds and Notes Bonds and Notes Bonds and Notes Bonds and Notes Bonds and Notes Bonds and Notes

Common collective trust-fixed income (3) Pooled funds - long term investments Pooled funds - long term investments Pooled funds - long term investments Pooled funds - long term investments Pooled funds - long term investments

Pooled funds - short term investments

Fair Value

t 93,190 3,494 1,538 2,836 2,053 239 671 42,678 50,015 (2)  
58 337 4,212 1,899

6,506

2,391 2,931 2,906

429 1,026 1,784

528 9,603

21,598

12,539 2,919 6,054 7,568 2,288 9,310 922

24,534

66,134

8,875

20,870 6,926 131,298 25,069

37\_

184,200 30,689 S 464,701

/«

20.1%

0.8

0.3 0.6 0.4 0.1 0.1 9.2

10.7

0.0 0.1 0.9 0.4

1.4

0.5 0.6 0.6 0.1 0.2 0.4 0.1 2.1

4.6

2.7 0.6 1.3 1.6 0.5 2.0 0.2 5.3

14.2

1.9

4.5 1.5 28.3 5 4 0.0

39.7

6.6



100.0%

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

## FINANCIAL SECTION 85

**Notes to the Basic Financial Statements***Year ended December 31, 2017*

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

The following are the percentages of fixed income investment portfolio securities within each credit-quality rating as of December 31, 2017:

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

	Dodge & Cox Income Fund	Payden Core Bond Fund	Core Plus Fund	Western Asset
AAA	57.4%	52.0%	54.9%	
AA	3.7	1.0	2.9	
A	3.98	0.14	5	
BBB	28.1	35.0	11.8	
BB	5.5	0.0	7.9	
B	0.00	0.03	4	
Below B	1.4	1.0	3.6	
Not Rated	OX)	3.0	1.0	
Total	100.0%	100.0%	100.0%	

Morningslar 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.

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## Metropolitan Water Reclamation District of Greater Chicago

## 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, 2017 was as follows:

## Common Stock

Australian Dollar Canadian Dollar Swiss Franc Danish Krone Euro

Pound Sterling Hong Kong Dollar Israeli Shekel Japanese Yen Norwegian Krone New Zealand Dollar Swedish Krona Singapore Dollar Total

## Fair Value

1 9,791,274 5,020,142 8,574,716 2,701,260 35,713,200 25,152,695 3,435,414 613,478 38,118,324 2,055,159 1,707,061 5,490,183 3,424,500 S 141,797,406

%

6.9 3.5 6.0 1.9 25.3 17.7 2.4 0.4 27.0 1.4 1.2 3.9 2.4

100.0

## Corporate Bonds and Notes

Argentina Peso Australian Dollar Canadian Dollar Chilean Peso Euro

Pound Sterling Israeli Shekel Indian Rupee Japanese Yen Mexican Peso Norwegian Krone New Zealand Dollar Russian Ruble Swedish Krona Thailand Baht

Turkish Lira Uruguayan Peso South African Rand Tola I

## Fair Value

1 1,936,511 1.342.096 2.635.529 490.187 9,243,317 2.847,927 . 127,978 159.325 19,403,995 1,287,871

4.259 3,881,744 1.014.336 1.115,479 240,052 875,180 512,334 2.468,892 S 49,587,012

% 3.9 2.7 5.3 . 1.0 18.6 5.7 0.3 0.3 39.2 2.7

7.8 2.0 2.2 0.5 1.8 1.0 5.0 100.0 %

## FINANCIAL SECTION 87

## Notes to the Basic Financial Statements

Year ended December 31, 2017

## Foreign Cash

Argentina Peso Australian Dollar Canadian Dollar Swiss Franc Danish Krone Euro

Pound Sterling Hong Kong Dollar Israeli Shekel Japanese Yen Mexican New Peso Norwegian Krone New Zealand Dollar Polish Zloty Russian Ruble Swedish Krona Singapore Dollar Thailand Baht Turkish Lira South African Rand Total

## Fair Value

32,768 185,970 149.912 77,457 84,421 270,584 91,844 188,059 129,921 263,174 50,908 57,450 28,875

29,930 37,797 37,317 27,180 2,602 9,764 64,017 1,819,950

%

1.8

10.2 8.2 4.3 4.6  
15.0 5.0  
10.3 7.1  
14.5 2.8 3.2 1.6 1.6 2.1 2.1 1.5 0.1 0.5 3.5  
100.0 %

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

As of December 31, 2017, the OPEB Trust investments in international equity mutual funds stated at fair market value are as follows (in thousands of dollars):

Fund Name

Fidelity International Index Institutional \$ 29.067

#### **Securities Lending**

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

All securities loans can be terminated on demand by either the Pension Trust Fund or the borrower, although the average term of the loans is one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 3 days.

The relationship between the maturities of the investment pool and the Pension Trust Fund's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Fund cannot

## **88 FINANCIAL SECTION**

*Metropolitan Water Reclamation District of Greater Chicago*

determine. The Pension Trust Fund cannot pledge or sell collateral securities without borrower default; as such, the collateral security or non-cash collateral is not reported in the financial statements.

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

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

A summary of securities loaned at fair value as of December 31, 2017 is as follows:

Fair value of securities loaned for cash collateral	\$ 26,675,638
<u>Fair value of securities loaned for non-cash collateral</u>	<u>32,031,506</u>
<u>Total fair value of securities loaned</u>	<u>\$ 58,707,144</u>
Fair value of cash collateral from borrowers	\$ 27,447,849
Fair value of non-cash collateral from borrowers	32,788,709
Total fair value of collateral	\$ 60,236,558

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 fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of the asset.

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for

identical assets. Includes common stock, mutual and commingled equity funds, and U.S.

Government and government agency obligations and Non-U.S. Government obligations that are

/ traded in active markets and are valued at closing prices on the measurement date.

Level 2 Quoted prices for similar assets or liabilities in active markets, inactive markets, or using other significant inputs which are observable either directly or indirectly. Includes U.S. Government and government agency obligations, non-U.S. Government obligations, mortgage backed securities, asset backed securities, and corporate bonds and notes that are generally valued by benchmarking model-derived prices to quoted market prices and trade data for identical or

## **FINANCIAL SECTION 89**

### **Notes to the Basic Financial Statements**

*Year ended December 31, 2017*

comparable securities. To the extent that quoted prices are not available, fair value is determined based on a valuation model that includes inputs such as interest rates and yield curves at commonly quoted intervals, implied volatilities and credit spreads, or market corroborated inputs.

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

The carrying amount of investments and fair value hierarchy at December 31, 2017 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

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

Total Investments at Fair Value

12/31/2017

\$ 192,689

93,407

189,623

\$ 475,719

## Significant Other Observable Inputs (Level 2)

475,719 \$

192,689 93,407 189,623

## Investments Not Measured at Fair Value

## State Treasurer's Illinois Funds Total Investments

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

## 90 FINANCIAL SECTION

*Metropolitan Water Reclamation District of Greater Chicago*

The Retirement fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table sets forth, by level, within the fair value hierarchy, the investments at fair value as of December 31, 2017:

**Fair Value Measurements Using****Investments Measured at Fair Value                      12/31/2017****Debt Securities**

U.S. govt and govt agency obligations	\$ 93,190
Municipal bonds	3,494
Non-U S. government obligations	50,015
Mortgage-backed	6,506
Asset-backed	21,598
Corporate bonds and notes	66,134
<b>Total debt securities</b>	<b>240,937</b>

**Equity Securities**

Common stock	576,588
Mutual/commingled equity funds	260,976

<b>Total equity securities</b>	<b>837.564</b>		
<b>Fixed Income - Pooled Funds</b>			
Short term	30.689		
Long term	184.200		
		Total fixed income - pooled funds	214,889
<u>Total investments at fair value</u>	<u>\$ 1,293,390</u>		
Investments measured at NAV	90,383		
Total investments at fair value	\$ 1,383.773		

**Significant Other Observable Inputs (Level 2)**

30,408 \$

62,782 3,494

50,015 6,506

21,598

66,134

210,529

30,689 184,200

214,889

425.418 \$

**Investment derivative instruments**

Foreign currency options (liabilities)

Futures contracts (liabilities)

**Total investment derivative instruments**

(28) \$ (37)

(65) \$

(37) (37)

<b>Investments measured at NAV</b>	<b>Fair Value</b>		
<b>Fixed income</b>			
<b>Common Collective Trust (1)</b>	<b>\$ 8.875</b>		
<b>Mutual &amp; commingled equity funds</b>			
Commingled funds non-US equity (2)	81,508		
		Total investments measured at NAV	\$ 90,383

**Redemption  
Frequency  
(If Currently Redemption  
Eligible)**

**Notice Period**

Monlhly

- 2 times monthly

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

**FINANCIAL SECTION 91**

**Notes to the Basic Financial Statements**

Year ended December 31, 2017

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

The carrying amount of investments and fair value hierarchy of the OPEB Trust is shown in the following schedule as of December 31, 2017:

#### Fair Value Measurements Using

#### Fair Value of Investments

Domestic Equity Funds	International Equity Funds	Domestic Fixed Income Funds	Global Balanced Funds	Money Market Funds	Total Fair Value of Investments
68,826	29,067	62,805	17,449	16,994	
<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>					
\$ 68,826	29,067	62,805	17,449	16,994	
195,141	\$	<u>Significant Unobservable Inputs (Level 3)</u>			

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

## 5. Receivables, Deferred Inflows of Resources and Payables

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

#### Receivables

Receivables as of December 31, 2017 in the District's governmental funds and government-wide financial statements, net of uncollectible accounts, are detailed as follows (in thousands of dollars):

Receivables at December 31, 2017

Property taxes: Allowance for uncollectible taxes Net property taxes Personal property replacement tax

Total taxes receivable, net Other receivables. User charges

Slate revolving fund loans

Miscellaneous

total other receivables, net

Total net receivables at December 31, 2017

**Total Governmental**

**Statement of Net Position**

**Other Governmental**

**Debt Service**

**Retirement**

\$ 74,752 (3,883) 70,869 4,173

**Capital Improvements Fund**

\$ 237,272 (12,694) 224,578

58,095 (2,967) 55,128

604,651 (32.274) 572,377 4,173  
 7d.550  
 224,578  
 75,042  
 55,128

2,7X2 41,619 7.441

S 604,651 (32.274) 572,377 4.173 576,550

41,619 878 42.407

746

2,782 41.619 7.441

7-16  
 .842

5.X 17  
 51.842

S 230.401 S 224,578 S 42.497 S 75.042 S 55,874 \$ 02X.392 \$ 628.392

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### Metropolitan Water Reclamation District of Greater Chicago

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

#### Deferred Inflows of Resources

Unavailable tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered to be available to liquidate liabilities of the current period. Other unavailable revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Position for rental resources that have been received, but not earned. Other unavailable revenue is reported in the Governmental Funds Balance Sheets for the federal subsidy accrual relating to the direct reimbursement for the District's Build America Bonds. A summary of unavailable revenue as of December 31, 2017 is as follows (in thousands of dollars):

	General Corporate	Debt Service	Bond	Capital ments	Retirement	Governmental	Governmental	Improve- Adjust- ments	of Met Position	Other	Total Statement
Deferred inflows of resources at December 31, 2017:											
Property tax revenue	\$ 185,230	\$ 187,542	\$ -	\$ 59,174	\$ 46,028	\$ 477,980	\$ (477,980)	\$			
Other amounts:											
Grant revenue				-	-	944	-	-		944 (944)	
Total deferred revenue at December 31, 2017	<u>\$ 185,236</u>	<u>\$ 187,542</u>	<u>\$ 944</u>	<u>\$ 59,174</u>	<u>\$ 46,028</u>	<u>\$ 478,924</u>	<u>\$ (463,822)</u>	<u>\$ 15,102</u>			

#### Payables

Payables reported as "Accounts payable and other liabilities" at December 31, 2017 in the District's governmental funds and government-wide financial statements are detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Bond	Capital ments	Improve- ments	Oilier Government	Total Governmental	Statement of Net mental	Position
Accounts payable and other liabilities at December 31, 2017-									
Vouchers payable and other liabilities		\$ 17,222	\$ -	\$ 55,356	\$ -	\$ 4,886	\$ 77,464	\$ 77,464	
Accrued payroll and withholdings		3,964	----	3,964	3,964				
Bid deposits		738	----	738	738				
Unearned revenue		X.139	----	8,139	8,139				
Total accounts payable and other liabilities as of December 31, 2017	<u>\$ 30,063</u>	<u>\$ -</u>	<u>\$ 55,356</u>	<u>\$</u>	<u>-</u>	<u>\$ 4,886</u>	<u>\$ 90,305</u>	<u>\$ 90,305</u>	



FINANCIAL SECTION 93

Notes to the Basic Financial Statements

Year ended December 31, 2017

6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2017, are as follows (in thousands of dollars):

Balances January 1, 2017

Balances December 31, 2017

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

Equipment

Computer software

Infrastructure and easements Total capital assets being depreciated/amortized Less accumulated depreciation/amortization:

Buildings

Equipment

Computer software

Infrastructure and easements Total accumulated depreciation/amortization Total capital assets depreciated/amortized, net Governmental activities capital assets, net

142,880 1,463

541,199 5,045,360 5,730,902

13,226 60,886 6,141 1,898.573

1,978,826

6.057 35,647 5,284 235.X06

282.794

1.696,032

7.426,934 S

1,324 S

190,907 41,873

234,104

2,147	1.342		
3,489			
15,191			185 2,943 750 11.313
(11.702)			
222,402	\$		
53,164	1,467		
54,631			
1,376			
1,376			
1.113			
1,113			
263			
54,894	\$		
5,910,375			144,204 1,463 678,942 5,085,766
1,980,939			13,226 61,657 7,483 1,898.573
296,872			6.242 37.477 6,034 247.119
1,684.067			
7,594,442			

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 31, 2017, was charged to the District's governmental functions as follows (in thousands of dollars):

Department
Board of Commissioners
General Administration
Monitoring and Research
Procurement and Materials Management
Human Resources
Information Technology
Law
Finance
Engineering
Maintenance and Operations Total allocated depreciation
Unallocated infrastructure depreciation Total depreciation

Amount

1 iT

119 270 13 21

95 12 9

1,824 753 3,128 12,063 S 15,191

**94 FINANCIAL SECTION***Metropolitan Water Reclamation District of Greater Chicago***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, 2017, the District's average contribution rate was 40% of annual payroll. The District's actual contribution to the Retirement Fund was \$89,858,000.

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, 111 E. Erie, Chicago, IL, 60611-2898 or electronically on their website: [www. mwrdrf.org](http://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 1, 2011 are required to contribute 12% of their salary to the Fund. Tier 2 - Employees hired on or after January 1, 2011 are required to contribute 9% of their salary to the Fund.

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

**Retirement Eligibility and Benefits**

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

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

Tier 2 employees must have at least 10 years of service at age 67 to be eligible to receive an undiscounted retirement benefit. Employees in this tier who reach age 62 with at least ten years of service are entitled to receive a minimum retirement benefit; however, if the employee is less than age 67, the normal retirement benefit is reduced by .5% for each full month the member is less than age 67. A Tier 2 employee is eligible for a refund of accumulated employee contributions without interest if under age 62 regardless of service, or if less than 10 years of service regardless of age on withdrawal. The retirement benefit is calculated as 2.2% of the final average salary for each of the first 20 years of service and 2.4% for each year of service in excess of 20 years. The benefit shall not exceed 80% of final average salary. Pensionable salary is limited to \$12,408 in 2017 for Tier 2 employees. Tier 2 employees

## FINANCIAL SECTION 95

## Notes to the Basic Financial Statements

Year ended December 31, 2017

receive a cost of living adjustment as the lesser of 3% and half of the CPI-U for the 12 months ending the September 30th prior to the increase date.

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

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

**Employees covered**

At December 31, 2017, the following employees were covered by the benefit terms:

## Inactive Employees

Employees or beneficiaries currently receiving benefits

Entitled but not yet receiving benefits Active Employees Total Members

2,408 137 1,835 4,380

**Basis of Accounting**

The Pension Plan's financial statements are prepared using the accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Pension Plan and additions to/ deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the pension plan's fiduciary net position is available in the separately issued Retirement Fund financial report. Page 95 has the information for obtaining those statements.

*Metropolitan Water Reclamation District of Greater Chicago*

**Net Pension Liability and the Changes in the Net Pension Liability**

The District's measurement date for GASB 68 is December 31, 2016. The Pension Plan has a measurement date of December 31, 2017. A copy of the Pension Plan CAFR for 2017 may be obtained by accessing the Metropolitan Water Reclamation District Retirement Fund's website at [www.mwrdrf.org](http://www.mwrdrf.org) <<http://www.mwrdrf.org>>. The net pension liability at December 31, 2017 is \$1,079,566,000, which is an increase from the December 31, 2016 balance of \$1,073,113,000.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at beginning of year	\$ (2,359,766)	\$1,286,653	\$ (1,073,113)
Service Cost	(32,058)		-(32,058)
Interest	(173,861)		-(173,861)
Difference between expected and actual experiences	(13,814)		-(13,814)
Benefit payments	147,336		(147,336)
Contributions-employer	-80,259	80,259	
Contributions-employee	-20,831	20,831	

Net investment income	-113,586	113,586
Administrative expenses	-(1,503)	(1,503)
Other	-107107	
Balances at end of year	\$ (2,432,163)	\$ 1,352,597 \$ (1,079,566)

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

At December 31, 2017, 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 \$89,858,000, 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 difference 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):

Balance as of December 31, 2016

Changes in Employer contribution subsequent to measurement date

Differences between expected and actual experience Changes in assumptions

Net difference between projected and actual earnings on pension plan investments

#### Deferred Outflows of Resources

~\$ 187,959 ~\$~

9,599 7,298

(22,820)

182,036

FINANCIAL SECTION 97

#### Notes to the Basic Financial Statements

Year ended December 31, 2017

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

Year ended December 31:

2018	\$115,419
2019	25,561
2020	22,720
2021	931
2022	<u>2,303</u>
2022	<u>\$166,934</u>

## Actuarial Methods and Assumptions

The District's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The District chose to use a measurement date one year in arrears. The total pension liability in the December 31, 2016 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 Salary Increases Investment Rate of Return Cost of living adjustment

2.5%

Varies by service

7.50% net of investment expense, including inflation Tier 1: 3%

Tier 2: the lesser of 3% and half of the CPI-u for the 12 months ending the September 30th prior to the increase date

Surviving spouse annuitants: 1.25%

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

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

## Investment Allocation and Rate of Return

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

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity	42%	5%
International Equity	23%	5.1%
Bonds	35%	0.4%

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

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*Metropolitan Water Reclamation District of Greater Chicago*

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):

	<u>1 % Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>6.5%</u>	<u>Rate of 7.5%</u>	<u>8.5%</u>
Net Pension Liability ~\$	1,361,929	\$ 1,079,566	\$ 841,925

**Payable to the Pension Plan and Pension Expense**

At December 31, 2017, the District reported a payable of \$89,858,000 for the outstanding amount of contributions to the pension plan

required for the year ended December 31, 2017. The pension expense for the year ended December 31, 2017 was \$117,336,000.

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

The Metropolitan Water Reclamation District Retiree Health Care Trust (OPEB Trust) administers the financing and payment of other post employment benefits for the Metropolitan Water Reclamation District of Greater Chicago. Pursuant to Illinois Statute 70 ILCS 2605/9.6(d), the District adopted the Metropolitan Water Reclamation District Retiree Health Care Plan (Plan) effective December 6, 2007. The purpose of the Plan is to provide postretirement medical and prescription drug coverage benefits to retirees as well as spouses and dependents of retirees that fulfill certain eligibility requirements. Retirees and annuitants receiving a pension through the Pension Trust fund are eligible for District sponsored health insurance. As of December 31, 2017, there are 2,797 retirees and beneficiaries currently receiving health care coverage.

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

### Basis of Accounting

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

### Contributions

The District has not entered into any long-term contracts for contributions to the plan as of the date of this report. State Statute 70 ILCS 2605/9.6d is the legislation establishing the Trust and gives the District Board of Commissioners discretionary authority to determine contribution amounts to be paid by the District. The OPEB Funding Policy includes a target funded ratio of 100% with an expected funding period of 12 years (beginning in 2015). In 2017, \$5,000,000 was contributed by the District to the OPEB Trust Fund bringing the total contributed through December 31, 2017 to \$127,400,000. In succeeding fiscal years, the Trust will receive the District (employer) contribution as determined by the Board of Commissioners. There is currently no requirement for the District to partially or fully fund the Trust, and any funding is on a voluntary basis. Plan participants do not contribute to the plan other than providing premium contributions as discussed below.

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### Notes to the Basic Financial Statements

Year ended December 31, 2017

The District allows employees who retire and meet certain eligibility requirements to continue medical coverage as participants in the Metropolitan Water Reclamation District Retiree Health Care Plan. The plan allows for subsidized health care benefits for its retirees. Retirees contribute 39.0% of the premium and the District pays the remaining 61.0%. Each year for the next five years, retiree contributions will rise by 2.5% until the premium reaches 50%. Annually, the Board approves an appropriation to fund retiree medical costs as part of the Human Resources Department. General Corporate Fund budget. The amount of OPEB expenditure recognized during 2017 by the District was \$18,430,657, all claims paid (net of participant contributions).

#### Annual OPEB Cost and Net OPEB Obligation

The following OPEB cost and net OPEB obligation was determined for the year ended December 31, 2017 (in thousands of dollars).

Annual Required Contribution for 2017	\$ 11,507
Interest on Net OPEB Obligation	1,170
Adjustment to Annual Required Contribution	(927)
Annual OPEB Cost	11,750
Contributions Made	(18,431)
' Decrease in Net OPEB Obligation(6,681)	
Net OPEB Obligation Beginning of Year	17,993
Net OPEB Obligation End of Year	\$ 11,312

#### Funding Status and Progress

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

Period Ended	Actuarial Valuation Date
	Actuarial Value of Assets (a)
J 2/31/2017 12/31/2017 S 195,200 \$	Actuarial Accrued Liability (AAL) (h)
308,747 \$	
Funded Ratio (a/b)	Covered Payroll (c)
Unfunded	AAL (UAAL) (b-a)
13,547 63.22% S 184.807	
	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
61.44%	

#### **Actuarial Methods and Assumptions**

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

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial

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methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Valuation date	Actuarial cost method
Amortization method	
Amortization period	Asset valuation method Actuarial assumptions: Discount Rate Inflation Rate
Health Care Cost Trend Rate	Annual Payroll Growth Rate
December 31, 2017 Entry Age	Normal
Level Percentage of Payroll	Open 30 Years Fair Value
6.50%	3.0%



8.0% Initial

4.5% Ultimate (Year 2023) 3.6%

**Trend Information**

The OPEB annual required contribution, percentage of annual required contributions contributed and net OPEB obligation for the year ending December 31, 2017, are presented below (in thousands of dollars):

**Schedule of Employer Contributions**

		Annual Annual			
		Fiscal Year	Required	Contributions	Percentage
		Ended	Contribution	to Trust	Contributed
2017	\$	11,507	\$	18,431	160.2%
2016		12,472		19,917	159.7
2015		12,472		18,317	146.9

**9. Commitments and Rebatable Arbitrage Earnings**

The General Corporate Fund has existing purchase order encumbrances of \$1,049,694 at December 31, 2017. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were \$290,252,000 at December 31, 2017. State Revolving Fund Loan commitments of \$ 104,982,000 at December 31, 2017, are also collectible as contract expenditures are incurred.

The Internal Revenue Code requires that an issuer of tax-exempt bonds rebate to the United States any excess investment earnings made with the gross proceeds of an issue over the amount which would have been earned had such proceeds been invested at a rate equal to the yield on the issue. The Internal Revenue Code offers certain "safe harbors" permitting qualified governments to keep extra earnings that result from arbitrage. The District has made a determination of their probable liability for amounts potentially due to the United States government. As of December 31, 2017, the District has no arbitrage rebate liability.

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**Notes to the Basic Financial Statements***Year ended December 31, 2017***National Pollutant Discharge Elimination System**

NPDES Permits. The District operates its water reclamation plants (the "WRPs") in accordance with National Pollutant Discharge Elimination System ("NPDES") permits issued by the IEPA. After several years and substantial litigation, the IEPA reissued the District's NPDES permits for the Stickney, Calumet and O'Brien WRPs. These permits include three special conditions agreed upon by the District and several non-governmental organizations to settle the ongoing litigation on these three NPDES permits. Under these additional conditions, the District will fund a super-gauge to monitor nutrients in the lower Des Plaines River (estimated to be approximately 5270,000 over the next four years), hire a consultant to prepare an implementation plan to address phosphorous in area waterways, and potentially implement that plan. The District will also have to conduct a feasibility study to determine the cost of reducing phosphorous in the WRPs' effluent to certain levels. If required to reduce the phosphorous in the District's effluent to very low levels, the costs could be substantial.

The District's NPDES permits for the Kirie, Hanover Park, Lemont, and Egan WRPs have not yet been reissued.

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

schedule for the implementation of a long term control plan, with "enforceable" requiring a judgment or a consent decree entered in a federal district court.

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

NPDES Citizen Suit. In May 2011, the Natural Resources Defense Council, Sierra Club, and Prairie Rivers Network (the "NGOs") filed a Clean Water Act ("CWA") citizen suit against the District in the District Court alleging violations of CWA-based water quality standards. The District vigorously defended against this lawsuit, and ultimately reached a settlement at the same time as it reached a settlement in the NPDES permit appeal pending before the IPCB. As part of this settlement, in addition to agreeing to recommend that the IEPA add three more special conditions into its NPDES permits for Stickney, Calumet, and O'Brien WRPs, the District agreed to pay approximately \$1.8 million to plaintiffs' attorneys in fees and costs. Upon the IEPA's reissuance of the Stickney, Calumet, and O'Brien WRP's NPDES permits, in October 2017, the District paid the plaintiffs' fees and costs. This litigation has now concluded.

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

Class Action Flooding Claims. The District has previously been and is presently a party to several proposed class action lawsuits pending in the Circuit Court of Cook County arising out of local sewer back-ups and overland flooding resulting in basement flooding. The District is also in receipt of flooding claims in which lawsuits have not yet been filed. These lawsuits and claims are generally brought in tort, or for constitutional or statutory violations. As of the date of this CAFR, the Circuit Court of Cook County and the Illinois Appellate Court for the First District have ruled in the District's favor in every fully-adjudicated matter. A constitutional question 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 to catastrophic claims. Under the Reserve Claim Fund the District may levy an annual property tax not to exceed .005% of the equalized assessed valuation of taxable property within the District's territorial limits. The Reserve Claim Fund can be used for the payment of claims, awards, losses, judgments, liabilities, settlements, or demands and associated attorney's fees and costs that might be imposed on or incurred by such sanitary district in matters including, but not limited to, the Workers' Compensation Act or the Workers' Occupational Diseases Act, any claim in tort, any claim of deprivation of any constitutional or statutory right or protection, for all expenses, fees, and costs, both direct and in support of any property owned by such sanitary district which is damaged by fire, flood, explosion, vandalism or any other peril, natural or manmade. The aggregate amount that may accumulate in the Reserve Claim Fund cannot exceed .05% of the equalized assessed valuation. The Reserve Claim Fund accounts are included in the General Corporate Fund as described in Note 1.b to the financial statements.

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

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

contracts would be paid by the Capital Improvements Bond or Construction Funds.

The District may also be involved in various litigation for claims relating to environmental regulations. Under current environmental protection laws, the District may be ultimately responsible for the environmental remediation of some of its leased-out properties. The District has developed a preliminary estimate of environmental remediation costs for major lease sites. The range of such estimated costs at December 31, 2017, is between \$26.5 million and \$39.4 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site 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 \$3 1,575,000 with an estimated cost recoverable amount of \$22,150,000 resulting in \$9,425,000 being recognized at December 31, 2017 in the liabilities of the government-wide financial statements. Of this amount, none of the current liability is classified as short-term and \$9,425,000 is considered a long-term liability. These estimates are subject to changes as a result of price increases, changes in technology and new laws and regulations. These estimates were generated using the expected cash flows technique. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset.

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## Notes to the Basic Financial Statements

Year ended December 31, 2017

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

Additional insurance policies in effect at December 31, 2017, 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:

<i>Marine Liability</i>		
Aggregate		\$10,000,000
Deductible		\$10,000
<i>Excess Liability</i>		
Aggregate		\$50,000,000
Deductible		\$1,250,000
Deductible - Flood Class Action		\$5,000,000
Deductible - Employers Liability		\$1,250,000
<i>Government Crime</i>		
<i>Forgery or Alteration</i>		
Per Occurrence		\$750,000
Deductible		\$50,000
<i>Employee Theft (including Faithful Performance)</i>		
Per Occurrence		\$6,000,000
Deductible		\$100,000
<i>Computer Fraud</i>		
Per Occurrence		\$6,000,000
Deductible		\$100,000
<i>Funds Transfer Fraud</i>		
Per Occurrence		\$6,000,000
Deductible	\$100,000	
<i>Property Insurance</i>		
Per Occurrence		\$1,500,000,000
Deductible		\$1,000,000
<i>Earth Movement</i>		
Per Occurrence		\$250,000,000

Deductible		
		\$1,000,000
<i>Flood and Water Damage</i>		
Per Occurrence		....\$250,000,000
Deductible		\$1,000,000
<i>Flood and Water Damage - Lockport Powerhouse</i>		
Per Occurrence.		\$200,000,000
Deductible .....	...	\$1,000,000
<i>Group Travel Accident</i>		
Aggregate Limit .. ...		\$10,000,000
<i>Accidental Death r</i>		
Per Employee (5 times salary up to litis maximum)		5500,000
<i>Accidental Dismemberment. Paralysis and oilier Coverages</i>		
Per Loss		% per Schedule

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### Metropolitan Water Reclamation District of Greater Chicago

<i>Pension &amp; Welfare Fiduciary Liability</i>	■ Aggregate	\$5,000.000
Self-Insured Retention		\$10,000
<i>Group Term Life (basic)</i>		
Per Employee		\$20,000

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

Claims Payable at January 1	Claims incurred
Changes in prior years' claims estimate	
Claim payments	
Claims Payable at December 31	
2017	
40,236	6,905 (9,567) (6,905)
30,669	
2016	
40,236	53,570 4,786 (13,334) (4,786)

## 11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31 2017 (in thousands of dollars):

Balance January 1, 2017"  
Balance December 31, 2017  
Due Within One Year

Governmental long-term liabilities:

Bonds and notes payable:

General obligation debt

Converted bond anticipation notes

Bond anticipation notes

Total bonds & notes payable Other Bond Cost:

Premium

Net bonds and notes payable Other liabilities:



114,603 110,450 106,580 103,048  
 99,504 441,924 340,887 189,505  
43,165 8,457

Total Principal  
 : 141.701  
 112,587  
 104,249  
 105,984 '  
 107,291  
 531,487  
 611,800  
 685,233  
 214,755

82,580

787,312 \$ 2,697,667 S 1,558,123

Expenditures for principal and interest made on January 1, 2018 approximated \$57,057,000 and \$7,563,000, respectively.

#### Alternate Revenue Bonds

Bond proceeds of \$50.0 million 2016 Tax Series E bonds and \$50.0 million 2014 Tax Series B bonds are used to fund a portion of the Stormwater Management Program projects. The pledge of the Stormwater Management Fund tax levy will remain until their final maturities in December 2045. The District has covenanted in the Series 2016E and 2014B Bond Ordinances to provide for, collect, and apply such Stormwater Management Tax Receipts to the payment of the 2016E and 2014B Bonds, and the provision of not less than an additional .25 times the annual debt service on the 2016E and 2014B bonds. The amount of pledges remaining at December 31, 2017 is \$ 185,265,000 as shown below (in thousands of dollars).

	Pledged Revenue Issue	Debt Service Expenditures Collected	Principal	Interest Total
2016 Tax Series E	S	50.000 \$	46.962	\$ 96,962
2014 Tax Series B	8.666	48.145	40.158	88.303
Total	S 8,666"	98. hF S	87.120~	S 185,265

#### 20J6 Bond Issues

In June 2016, the District issued \$28(),930,000 m General Obligation Refunding Bonds, Unlimited Tax Series A, with maturity dates from 2023 to 2031. The bonds were issued at a premium of \$6S,206,452. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1. The bonds were issued to refund \$346,600,000 of outstanding principal amount, plus accrued interest, of May 2006 Unlimited Tax Series.

In June 2016, the District issued \$41,330,000 in General Obligation Refunding Bonds, Limited Tax Series B. with maturity dates from 2023 to 2031. The bonds were issued at a premium of 59,835.301. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1. The bonds were issued to refund \$50,790,000 of outstanding principal amount, plus accrued interest, of May 2006 Limited Tax Series.

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

In June 2016, the District issued \$20,000,000 of Taxable General Obligation Capital Improvement Bonds, Limited Tax Series D (Green Bonds),

with maturity dates from 2022 to 2030. The bonds were issued at a premium of \$4,718,891. Interest accrues on the bonds at a rate of 5.0%, payable on December 1 and June 1.

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

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

#### **2015 Bond Issues**

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

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

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

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

#### **2011 Bond Issues**

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

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

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

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## **Notes to the Basic Financial Statements**

### **Year ended December 31, 2017 2009 Bond Issues**

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

### **2007 Bond Issues**

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

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

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

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

#### **Capital Improvement Bonds, IEPA Series**

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

2017	\$ 16,700,000
2016	. . . . . \$ 155,900,000

## **108 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 Series. Under this authority, the IEPA has subsequently approved the following loan amounts:

2017	\$4,300,000
2016	\$151,200,000
2015	\$54,600,000
2014	\$83,600,000
2012	\$17,400,000

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

2015	\$13,700,000
2014	\$66,100,000



2013	\$198,300,000
2012	\$15,000,000

State Revolving Fund (SRF) Loan proceeds of \$175,245,000 are recognized as "other financing sources" in the Capital Improvements Bond Fund. The amount recognized is based upon reimbursable expenditures incurred during the fiscal year. The amount recognized as SRF proceeds is also recognized as a long-term liability in the government-wide Statements of Net Position.

The District refinances bond anticipation notes through the issuance of its Capital Improvement Bonds in the amount of the bond anticipation notes, plus accrued interest. As a result, there is no debt service required until these notes are converted into bonds. The District has accrued principal of \$ 175,245,000 and interest of \$3,175,000 through the balance sheet date on bond anticipation notes resulting in the total increase to long-term debt of \$178,420,000.

The converted bond anticipation notes, a reduction of long-term debt, of \$39,281,000 in 2017 represented the sum of converted bond anticipation note principal of \$38,708,000 and interest in the amount of \$57,3,000.

2017 Bond Issues and adjustments to existing issues under the IEPA 2012 and 2014 authority included:

July 2017 - The District issued \$2,233,000 of Capital Improvement Bonds - IEPA Series 12C, through the conversion of the sum of bond anticipation note principal of \$2,206,000 and interest of \$27,000 with maturity dates from January 1, 2018 to January 1, 2036. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

July 2017-The District issued \$970,000 of Capital Improvement Bonds - IEPA Series 12D, through the conversion of the sum of bond anticipation note principal of \$964,000 and interest of \$6,000 with maturity dates from January 1, 2018 to January 1, 2032. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

July 2017 - The District issued \$5,812,000 of Capital Improvement Bonds - IEPA Series 12F, through the conversion of the sum of bond anticipation note principal of \$5,748,000 and interest of \$64,000 with

## FINANCIAL SECTION 109

### Notes to the Basic Financial Statements

Year ended December 31, 2017'

maturity dates from January 1, 2017 to July 1, 2032. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.

- July 2017 - The District issued \$1,608,000 of Capital Improvement Bonds- IEPA Series 12H, through the conversion of the sum of bond anticipation note principal of \$1,587,000 and interest of \$21,000 with maturity dates from January 1, 2018 to January 1, 2032. Interest on the bonds accrues at a rate of 1.93%, payable January 1 and July 1.
- July 2017-The District issued \$1,256,000 of Capital Improvement Bonds - IEPA Series 12I, through the conversion of the sum of bond anticipation note principal of \$1,237,000 and interest of \$19,000 with maturity dates from January 1, 2018 to July 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

July 2017 -The District issued \$952,000 of Capital Improvement Bonds - IEPA Series 12K, through the conversion of the sum of bond anticipation note principal of \$939,000 and interest of \$ 13,000 with maturity dates from January 1, 2018 to July 1, 2035. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

July 2017 - The District issued \$447,000 of Capital Improvement Bonds - IEPA Series 12L, through the conversion of the sum of bond anticipation note principal of \$438,000 and interest of \$9,000 with maturity dates from January 1, 2018 to July 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

July 2017 -The District issued \$10,034,000 of Capital Improvement Bonds - IEPA Series 12M, through the conversion of the sum of bond anticipation note principal of \$9,854,000 and interest of \$180,000 with maturity dates from January 1, 2018 to July 1, 2037. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

- July 2017-The District issued \$254,000 of Capital Improvement Bonds - IEPA Series 12N, through the conversion of the sum of bond anticipation note principal of \$250,000 and interest of \$4,000 with maturity dates from January 1, 2018 to January 1, 2036. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.
- July 2017 -The District issued \$133,000 of Capital Improvement Bonds - IEPA Series 120, through the conversion of the sum of bond anticipation note principal of \$ 132,000 and interest of \$ 1,000 with maturity dates from January 1, 2018 to July 1, 2035. Interest on the bonds accrues at a rate of 1.995%, payable January 1 and July 1.

July 2017 - The District issued 58,476,000 of Capital Improvement Bonds - IEPA Series 14A, through the conversion of the sum of bond anticipation note principal of 58,321,000 and interest of \$ 155,000 with maturity dates from January 1, 2018 to July 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

July 2017-The District issued \$447,000 of Capital Improvement Bonds - IEPA Series 14B, through the conversion of the sum of bond anticipation note principal of \$440,000 and interest of \$7,000 with maturity dates from January 1, 2018 to January 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

July 2017 -The District issued \$3,841,000 of Capital Improvement Bonds - IEPA Series 14C, through the conversion of the sum of bond anticipation note principal of \$3,806,000 and interest of \$35,000 with

## 110 FINANCIAL SECTION

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

maturity dates from January 1, 2018 to July 1, 2036. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

July 2017 - The District issued \$1,164,000 of Capital Improvement Bonds - IEPA Series 1411, through the conversion of the sum of bond anticipation note principal of \$1,150,000 and interest of \$14,000 with maturity dates from January 1, 2018 to July 1, 2036. Interest on the bonds accrues at a rate of 1.86%, payable January 1 and July 1.

- July 2017 - The District issued \$1,654,000 of Capital Improvement Bonds - IEPA Series 14J, through the conversion of the sum of bond anticipation note principal of \$1,636,000 and interest of \$18,000 with maturity dates from January 1, 2018 to January 1, 2036. Interest on the bonds accrues at a rate of 2.21%, payable January 1 and July 1.

Beginning in 1991, the District's Board of Commissioners adopted ordinances providing for the issuance of bond anticipation notes. The bond anticipation notes are issued exclusively to cover interim project loan advances from the Illinois Environmental Protection Agency. Principal and interest liabilities related to the bond anticipation notes were \$296,529,000 at December 31, 2017. Of the bond anticipation notes outstanding at December 31, 2017, \$37,073,000 will be financed through IEPA Series 2012 bonds, \$ 132,506,000 will be financed through IEPA Series 2014 bonds, and the remaining \$126,950,000 will be financed through IEPA series 2016 bonds. None of these outstanding bond anticipation notes are expected to be repaid within the next calendar year; therefore, the notes are reported as part of long-term debt.

### **Refunding Transactions**

The District had no outstanding defeased obligations at December 31, 2017.

## 12. Interfund Transactions

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

Individual interfund receivable and payable balances at December 31, 2017 are as follows (in thousands of dollars):

### Interfund Receivables Payables

General Corporate Fund	S	101	S -
Capital Projects Funds:			
Stormwater Management Fund (Nonmajor Fund)			- 101
	S	101	S 101

In addition to the previous table, amounts were due from the Primary Government to the Pension Trust Fund of \$ 15,868,000 at December 31, 2017 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 2017, the Treasurer of the District transferred \$3,269,000 for principal and interest

## FINANCIAL SECTION 111

### Notes to the Basic Financial Statements

Year ended December 31, 2017

payments on the 2014 Alternate Bond Debt service from the Stormwater Management Fund to the Debt Service Fund. There was also a transfer of 513,000,000 made from the Capital Improvement Bond fund to the General Corporate Fund in the amount of 56,000,000 and the Construction Fund in the amount of \$7,000,000 for accumulated Build America Bond interest credit. The transfer of funds into the Construction Fund and out of the Stormwater Fund resulted in a net transfer of \$3,731,000 as presented on Exhibit A-2 in the Other Governmental / Nonmajor funds. Transfers are eliminated in the government-wide Statements of Activities.

### 13. Property Tax Extension Limitation Law

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

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

In Section 18-195 of the Law, the County Clerk is instructed to proportionally reduce all the levies subject to the limitation unless the taxing district requests otherwise. Through the Levy ordinances, MWRD requests the County Clerk to reduce the entire reduction to the aggregate levy by reducing the Construction Fund as required by Section 18-195 of the law. In Ordinance 016-013, the 2017 Construction Fund Property Tax Levy, Section 3 specifically states that "entire reduction in the aggregate of all tax levies for said District for the year 2017 required by said Law shall be taken against the Construction Fund levy as set forth in this Ordinance."

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

### 14. Leases

#### Capital Lease

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

The cost of the biosolids processing facility is considered a capital lease since it will become the property of the District at the end of the contract. The District also has an option to purchase the facility at the end of the fifth, tenth, and fifteenth year of operation for the

remaining principal portion of the debt. Total payments for the capital lease are estimated at \$583,123,000 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 \$554,535,000. During 2017, the District incurred expenses of approximately \$52,473,000 for principal and \$1,916,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

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

As of December 31, 2017, the future minimum lease payments for the biosolids facility are shown below (in thousands of dollars):

Capital Lease Payable Maturity Table

Maturing	Principal	Interest	Total Payments	Total	Total
2018	12,595	\$1,795	14,390		
2019		2,722	1,668	4,390	
2020		2,856	1,534	4,390	
2021		2,996	1,394	4,390	
2022		3,143	1,247	4,390	
2022		2023-2027	18,843	7,642	1,948
2022		2028-2029	6,078	2,246	3,302
Total Minimum Lease Payments			\$ 38,574	\$ 11,626	\$ 50,200

#### 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, 2017 (in thousands of dollars):

2018	\$ 16,392	
2019	16,222	
2020	16,222	
2021	16,222	
2022	16,105	
2022	Later Years	386,208
Total Minimum Future Rental Income		\$ 467,371

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

## 15. Tax Abatements

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

The District's taxes are reduced by way of a reimbursement to Boeing in an amount equal to the allocable share, of the real estate taxes, or 6.203%. The District is entitled to terminate the agreement or recover all payments if Boeing defaults on their commitments. The 2017 taxes abated totaled \$118,906.

## **Notes to the Basic Financial Statements**

*Year ended December 31, 2017*

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 \$9,100,000 in reduced property taxes.

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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, 2017*

#### 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, sub-systems, 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, Wilmette Pumping Station, all District flood control reservoirs and pump stations, sidestream elevated pool aeration stations, instream aeration stations, Melas Park, and Centennial Fountain.

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

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

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

#### **Assessment Description**

Relatively new asset or recently rehabilitated or otherwise restored to a like-new asset condition.

(2) Very Good

3) Good

4) Acceptable

5) Fair

Performance successful, operation reliable, no significant maintenance required beyond routine preventative maintenance or minor repair in foreseeable future.

Performance-successful, operation reliable, significant maintenance required in foreseeable future.

Performance successful, operation reliable, significant rehabilitation/ replacement planned in near future.

Performance marginal, operation not reliable without immediate repair/ replacement.

Inoperable or operation significantly impaired.

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

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

Condition assessments of each network will continue at least every three years following the initial assessment. The Kirie, Central (Stickney), and Waterways networks were re-assessed in 2017, the Hanover, Calumet, and Lemont networks were re-assessed in 2015 and the Egan and O'Brien networks were re-assessed in 2016.

FINANCIAL SECTION 117

**Required Supplementary Information (RSI) Other than MD&A - Unaudited**  
*Year Ended December 31, 2017*

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

Condition Assessment Ratings Kirie WRP Network

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

Hanover WRP Network

Subsequent assessment - 2009 Subsequent assessment - 2012 Subsequent assessment - 2015

Egan WRP 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 - 2009 Subsequent assessment - 2012 Subsequent assessment - 2015

Lemont WRP Network

Subsequent assessment - 2009 Subsequent assessment - 2012 Subsequent assessment - 2015

Maintenance/Preservation Costs Kirie WRP Network

Estimated 2017 Actual 2017

Estimated 2016 Actual 2016

Estimated 2015 Actual 2015

Estimated 2014 Actual 2014

Estimated 2013 Actual 2013



Treatment Processes System

3 3 3

3 3 2

3 3

3 2 3

3 3 3

NA NA NA

3 2 ->

3 3 3

3 3 3

3 3 3

NA NA NA

3 3 3

3 3 3

3.304.901) \$ 1.065,433

1.014,161)

4,410,046 4,454,223

670,865 3,475,534

3,360,179 3,344,290

4,244,436 2,800,304

Solids Processing System

NA NA NA

1. 139 | 1.007

465 12.067

533.408 763.968

411.621 35.258

KIR.696 K2.6X4

Flood and Pollution Control Svstem

NA NA NA

NA NA NA

NA NA NA

NA NA NA

NA NA NA

**3 3 3**

NA NA NA

NA NA NA

517,500 12.066

786.000 267.794

223.105

Solids Drying/ Utilization System

NA NA NA

NA NA NA

NA NA NA

3 3

NA NA NA

**2 2 2**

NA NA NA

528,008

402.000 142.921

1.167,000 866.076

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

#### Hanover WRP Network

Estimated 2017 Actual 2017

Estimated 2016 Actual 2016

Estimated 2015 Actual 2015

Estimated 2014 Actual 2014

Estimated 2013 Actual 2013

#### Egan WRP Network

Estimated 2017 Actual 2017

Estimated 2016 Actual 2016

Estimated 2015 Actual 2015

Estimated 2014 Actual 2014

Estimated 2013 Actual 2013

#### O'Brien WRP Network

Estimated 2017 Actual 2017

Estimated 2016 Actual 2016

Estimated 2015 Actual 2015

Estimated 2014 Actual 2014

Estimated 2013 Actual 2013

#### Central (Stickney) WRP Network

Estimated 2017 Actual 2017

Estimated 2016 Actual 2016

Estimated 2015 Actual 2015

Estimated 2014 Actual 2014

Estimated 2013 Actual 2013

123300 162,368

484.028 646,796

1,054,822 1,703,347

142,317 243,960

155,517 231,153

Treatment Processes System

647,312 S 684,767  
3,119,591 2,424,545  
696.765 2,534,283  
732,151 855,994  
778,851 1,014,670  
1,831,349 1,889,009  
1,513.197 2,261,452  
626,241 862,655  
653,741 865,065  
  
568,170 S 2,457,544 547,567 1,602,807  
6,066,015 8,092,469  
4,403,940 3,590,430  
2,885,084 3,026,570  
5,503,337 5,309,118  
13,372,590 14.791,414  
6.201,615 8,135.664  
7,256,184 8.380,776  
7.787,840 9,530,828  
4,350,679 3,744,215  
  
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  
10,460,115 12,046.926  
  
1 1.806.700 18.501.753  
48.806,200 32.685,410  
19.534,565 1 1.535.580  
17.334,819 20.427.807  
16.765.601 16.923.785

Solids Processing System

221.947 210,660  
676,096 720,040  
519,408 1,213,150  
674,596 543.204  
1,808.221 1,581.782  
  
1,612,479 991,795  
5,202,317 7.057,944  
3,821,483 4,257,420  
8,833.464 5,957.431  
2,045.064 1,758.866  
  
371.200 389.566  
690.100 891,486  
1,501,758 1,260.479

537.919 432.51 7  
1,267.919 475.148

7.004.600 6.361.137  
24.028.680 33,364.380  
8,059.908 3.029.722  
10.565.977 10.348.973  
9.453.022 10.563.927  
Flood and Pollution Control System

200.000

28,150 15.584  
77,905 87.156  
610.475 14,735

2,621.400 2.136,685  
1.383.300 792.719  
2.740.624 3.840.355  
3.061.000 2.732.851  
2,097.000 3,038,583

742.000 1.237.008  
412.700 6.012.677  
1.725.000 781.105

12 1.61 5

Solids Drying/ Utilization System

33,200 33,476  
214,300 377.701  
517.408 33,479  
65,800  
72,400 29,223

14,400 253,655

41,100 42,768

1.521.700 1.705,427

7,274.800 21,228.946

4.528.808 964,557

1.377.507 2.444,671

2.027,507 1.555.668

FINANCIAL SECTION 119

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

*Year Ended December 31, 2017*

	<b>Collection Processes System</b>
<b>Treatment Processes ' System</b>	
	<b>Solids Processing System</b>
<b>Flood and Pollution Control System</b>	
	<b>Solids Drying/ Utilization System</b>
<b>Waterways WRP .Network</b>	
Estimated 2017 Actual 2017	
Estimated 2016 Actual 2016	
Estimated 2015 Actual 2015	
Estimated 2014 ■ Actual 2014	
Estimated 2013 Actual 2013	
<b>Calumet WRP Network</b>	
Estimated 2017 Actual 2017	
Estimated 2016 Actual 2016	
Estimated 2015 Actual 2015	
Estimated 2014 Actual 2014.	
Estimated 2013 Actual 2013	
<b>Lemont WRP Network</b>	
Estimated 2017 Actual 2017	
Estimated 2016 Actual 2016	

Estimated 2015 Actual 2015

Estimated 2014 Actual 2014

Estimated 2013 Actual 2013

246,100 10,953.571

115,525 1,149,455

1,437

,323

3.244,935 3.330,986

24,346,293 12,644,323

15,532,197 5,004,441

5,891,856 4,295,832

6,229,856 3.505.024

70.200 115,903

837,722 1.415,229

47.000 17.475

47,000 (4,607)

10,240

8,423,738 8,956,454

16,082,140 18,205,026

3,612,840 7,014,378

6,156,523 6.741,305

6,288,023 5,932,302

8,800 4,739

126,100 348,026

443,665 1,321,857

34.200 417

34,200 8,294

1,737.410 1,848,660  
5,211,367 5,457,023  
1,904.283 3,798.937  
2,241,157 2,366,667  
2,330,057 2,416.419

262.007

23.898

11.957.187 1.151.151  
27.544.100 3,178,612  
9,534,574 6.365,775  
1,314,200 831,265  
1.319.000 1,047.698

172.787 173.529  
1,392,200 294,111  
21,221.249 5,119,450  
1,949.900 590,908  
915.100 734.104

558.800 509,922  
744,800 675,730  
14,000 780,400



120 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

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

(in thousands of dollars)

Total pension liability:

Service cost Interest  
Changes of benefit terms  
Differences between expected and actual experience Changes of assumptions  
Benefit payments, including refunds of employee contributions Net change in total pension liability

Total pension liability - beginning Total pension liability - ending

Plan fiduciary net position:

Contributions - employer Contributions - employee Net investment income  
Benefit payments, including refunds of employee contributions  
Administrative expense  
Other  
Net change in plan fiduciary net position

Plan fiduciary net position - beginning Plan fiduciary net position - ending

Net pension liability - ending

Plan fiduciary net position as a percentage of the total pension liability

Covered-employee payroll

Net pension liability as a percentage of covered-employee payroll

			<u>2017</u>	<u>2016</u>	<u>2015</u>	
\$	32,058	\$	32,228	\$	31,602	
					173,861	168,530 163,338
	13,814		14,422	10,861		
					(147,336)	(140,509) (133,898)

72,397	74,671	71,903		
2,359,766	2,285,095	2,213,192		
2,432,163	2,359,766	2,285,095		
80,259	71,041	73,906		
20,831	21,385	18,975		
113,586	(1,428)	81,601		
			(147,336)	(140,509) (133,898)
(1,503)	(1,660)	(1,407)		
107	29	4		
65,944	(51,142)	39,181		
1,286,653	1,337,795	1,298,614		
1,352,597	1,286,653	1,337,795		
\$ 1,079,566	\$ 1,073,113	\$ 947,300		
			55.61%	54.52% 58.54%
\$ 182,640	\$ 177,792	\$ 176,184		
			591.09%	603 58% 537 68%

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

## FINANCIAL SECTION 121

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

Year Ended December 31, 2017

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

Year  
2017 2016 2015 2014 2013 2012 2011 2010 2009 2008

#### Actuarially Determined Contributions

\$ 64,596

62,603

64,478

68,414

74,829

69,393

61,873

54,790

49,758

47,090

**Actual Contributions in Relation to the Actuarially Determined Contributions**

! 80,259

71,041

73,906

92,944

65,098

37,379

29,918

32,154

33,407

27,947

Contribution Deficiency/ (Excess)

**S**

(15,664) (8,438) (9,428)

(24,530) 9,731 32,014 31,955 22,636 16,351 19,143

**Covered-employee Payroll**

i 182,640

177,792

176,184

169,376

163,817

164,275

174,486

176,915

167,865

158,831

**Contribution****as a Percentage of Covered-employee Payroll**

43.94%

39.96%

41.95%

54.87%

39.74%

22.75%

17.15%

18.17%

19.90%

17.60%

**Notes to the Schedule of District Contributions**

*Valuation Date: The District's actuarially determined contribution (ADC) is calculated as of December 31, 2016. Methods and Assumptions used to determine the ADC:*

Actuarial cost method Amortization method

Remaining amortization period Asset valuation method Investment rate of return Inflation Salary increases Payroll growth Termination rates Mortality rates

Retirement rates 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%, net of investment expense, including inflation 2.5%

Varies by service 3.70%

Termination rates vary by age and gender.

I healthy Members. RP-2000 Combined Healthy Mortality Table with Generational Mortality Improvements (Scale AA)

Distilled 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 were reduced by 20% as of the 2011 ADC calculation to reflect actual experience

Disability rates vary by age.

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

## 122 FINANCIAL SECTION

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

#### Progress in Funding Other Post Employment Trust Fund

The following schedule presents the progress in funding the OPEB Trust Fund over the last three years:  
(in thousands of dollars)

Period Ended	12/31/2017	12/31/2016	12/31/2015
Actuarial Valuation Date			
12/31/2017			
12/31/2015			
12/31/2015			
Actuarial Value of Assets (a)			
\$ 195,200 149,329 149,329			
Actuarial Accrued Liability (AAL) (b)			
308,747 286,646 286,646			
Unfunded			
AAL (UAAL) (b-a)			

S 113,547  
137,317  
137,317

Funded Ratio (a/b)

63.22%  
52.10%  
52.10%

Covered Payroll (c)

184,807 176,757 176,757

UAAL as a Percentage of Covered Payroll ((b-a)/c)

61.44%  
77.69%  
77.69%

Actuarial valuations are required to be completed every two years. The most recent actuarial valuation was completed as of December 31, 2017.

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

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## OTHER SUPPLEMENTARY INFORMATION

### COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

#### NON-MAJOR GOVERNMENTAL FUNDS

##### CONSTRUCTION FUND

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

##### STORMWATER MANAGEMENT FUND

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

#### **Exhibit B-1**

#### **Combining Balance Sheets - Nonmajor Governmental Funds**

*December 31, 2017*

##### **Assets**

Cash  
Certificates of deposit Investments Prepaid insurance Taxes receivable, net Other receivable  
Total assets

##### **Liabilities, Deferred Inflows 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

Unassigned

Total fund balances

Total liabilities, deferred inflows, and fund balances

(in thousands of dollars)

**Construction Fund**

**2017 2016 2017**

\$ 1,175 \$ 2,927 \$ 1,415

12,055 5,003 17,014

14,503 12,524 18,455

- - 79

15,702 12,814 39,426

746 - -

\$ 44,181 \$ 33,268 \$ 76,389

\$ 3,171 \$ 3,368 \$ 1,715

- - 101

3,171 3,368 1,816

13,110 10,015 32,918 13,110 10,015 32,918

\$ - \$ - \$ 79

22,204 22,071 37,509

5,696 - 4,146

-(2,186) (79)

27,900 19,885 41,655

\$ 44,181 \$ 33,268 \$ 76,389

**2016 2017 2016**

\$ 2,154 \$ 2,590 \$ 5,081

- 29,069 5,003

18,836 32,958 31,360

1 79 1

33,051 55,128 45,865

- 746 -

\$ 54,042 \$ 120,570 \$ 87,310

\$ 2,062 \$ 4,886 \$ 5,430

101 101 KH

2,163 4,957 5,531

25,834	46,028	35,849	25,834	46.028	35,849		
S	I	\$	79	S	I		
37,384	9,842	37,384				-	59,713 22,071
26,045	69.555	45,930				(11,339)	(79) (13,525)
\$ 54,042	S 120.570	S 87.310					

## 126 FINANCIAL SECTION

### Exhibit B-2

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

Year ended December 31, 2017  
(with comparative amounts for prior year)

(in thousands of dollars)

Management Fund	Governmental Funds	Stormwater	Total Nonmajor
<b>Revenues</b>			
Revenues:			
Property taxes	Interest on investments	Fees, forfeits and penalties	User charge
Claims and damage settlements	Miscellaneous	Total revenues	
<b>2016</b>			
16,267			12,995 \$ 15,193 326 285 1,486 746
<b>43</b>			
<b>2017</b>			



32,555 360

32,944  
2016

27,308 270

27,578  
2016

43  
43,845

45,550 \$ 42,501 686 555 1,486 746

10 19  
47,751

### Expenditures

Current Operations: Construction costs Total expenditures

Revenues over (under) expenditures

Other financing sources (uses):

Transfer out to Debt Service Fund

Total other financing sources (uses)

Revenues over (under) expenditures and other financing uses

Fund balances

Beginning of the year

End of the year

13,792 21,088 14,065

13,792 21,088 14,065

1,015 (4,821) 18,879

7,000 - (3,269)

7,000 - (3,269)

8,015 (4,821) 15,610

19.885 24.706 26.045

\$ 27,900 \$ 19,885 \$ 41,655

26,386 27,857 47,474

26,386 27,857 47,474

1,192 19,894 (3,629)

(3,273) 3,731 (3,273)

(3,273) JjT(3,273)

(2,081) 23,625 (6,902)

28,126 45,930 52,832 S 26,045 S 69,555 \$ 45,930**FINANCIAL SECTION 127***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, 2017***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 and medicare contributions Salaries of non-budgeted employees Tuition 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

Water and water services Communication services Subscriptions and membership dues Rental charges Advertising

*(in thousands of dollars)***Original****Budget Amounts****Net Transfer**

- \$

3,621 34 85 20 428

4,188

(10)

10

10 20 36<sup>1</sup> 231

1\_

298

10\_

10\_

4,496

(14)

10,855 951 150

97\_

12,053

(14)

10 17 95 4 84 121 365 35 6

778 18 13

**Actual Amounts**3,422 11 77 16 309

3,835

10 35 179

**232**

**4,073**

10,215 782 154 1  
81

11,233

97

68 1 16 318 26 5 3

686 14 12  
**Actual Variance  
with Final Budget -Positive  
(Negative)**

**199 23 8 4**

119

353

**62**

**66**

**423**

**626 169 9**

16

820

2 5

16 5

33 9 1

**130 FINANCIAL SECTION**

*Metropolitan Water Reclamation District of Greater Chicago*

## Corporate Division

## General Administration (continued):

Administration building operation Administration building operation annex Payment for professional services Contractual services not otherwise classified  
Repairs to buildings  
Repairs to office furniture and equipment Communication equipment maintenance Repairs to vehicle equipment Total contractual services  
Materials and supplies Electrical parts and supplies Plumbing accessories and supplies Hardware  
Office, printing, and photographic supplies Cleaning supplies Wearing apparel  
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 Tuition and training payments Total personal services

## Contractual services Travel

Meals and lodging  
Postage, freight, and delivery charges Compensation for personally owned autos Reprographic services Rental charges  
Governmental services charges Payment for professional services Contractual services not otherwise classified Repairs to marine equipment  
Repairs to testing and laboratory equipment Total contractual services

## Actual Variance with Final Budget -

Positive (Negative)  
(in thousands of dollars)  
Actual Amounts  
Original  
Final

## Budget Amounts

1,129 842 468 340 65 110 18 538 5,047  
1,015 737 408 .■ 235 22 90 18 384 4,276  
114 105 60 105 43 20

154 771

## Net Transfer

10 104 (102)

1,119 \$ 738 570 340 65 410 18

538

5,0471

17 - 17 9 8

30 (10) 20 128

17 - 17 17 -

132 10 142 112 30

2-21 1

30 - 30 24 6

59 - 59 45 14\_

287 -- 287 220 67

17.387 - 17.387 15,729 1,658

27,752 (200) 27,552 26,104 1,448

688 128 816 804 12

377 - 377 368 9

5 54 59 57 2

55 IS 73 66 7

10

FINANCIAL SECTION 131

*Year ended December 31, 2017*

**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 Hardware

Buildings, grounds, paving materials, and supplies Fiber, paper and insulation materials Paints, solvents, and related materials Vehicle parts and supplies  
(in thousands of dollars)

Original

Budget Amounts

Net Transfer

(1) \$

2

(1)

25 34 406 16 1

2 15 58

557

423

423

31,270

5,555 141

79

5\_

5.780

3 3 2

(6)

131 4

153

(21) (12) (31)

(2)

7

150 350 382 85 350 45 55 10

Final

24 34 406 16 3 1

15 58

557

423

423

31,270

5.780

5,555 141 79 5

2 125 6

9

12

153

129 338 351

85 348

47

10

Actual Amounts

24 . 34 348 15 2

12 45

480

419

419

29,090

5,119 63 72 I

5,255

97

**Actual Variance with Final Budget -Positive (Negative)**

123 301 305 78 303 4b 51 9



58 1 1 1 3 13 77

**4**

2,180

436 78 7

4\_

525

**3 3 1**

**43**

56

**6 37 46**

7 45

1

4 1

## **132 FINANCIAL SECTION**

*Metropolitan Water Reclamation District of Greater Chicago*

### **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

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

Postage, freight, and delivery charges Compensation for personally owned autos Court reporting services Medical services Insurance premiums

Rental charges

Payment for professional services Contractual services not otherwise classified Safely repairs services Computer software maintenance Total contractual services

(in thousands of dollars)

**Budget Amounts**

**Net Transfer**

40 31 20  
**Original**

\$ 160 17  
590  
300 80  
(50) 21  
173 90 77  
270 65 8  
(20)

20

(232) (24) 256

260 117 3,634 9,567

45

7,492 238 101 60 742 46.705 251 55,589

(40) (5)

5.077

4 14 124 3.500 24 1,139 63 172 20

**Final**

**200 17 621 300 100 173 90 77 220 86 8**

260 119  
3,634  
9.567

7,472 238 121 60 510 46.681 507 55,589

5.077

4 14 124 3.500 24 1,184 63 132 15

**Actual Amounts**

195 14  
621  
293 99

172 88 67  
181 76 8

227 117 3,374 8,726

5,591 200 115 22 492 42,902 359  
49,681

I

7 90 3.058 8

1,041 55 60

4.330

**Actual Variance with Final Budget -**

**Positive (Negative)**

5 3

**7 1 1**

2 10 39 10

33 2

260 841

1,881 38 6 38 18

3,779 148

5,908

3 4

3 7 34 442 16 143 8 72 15 747

FINANCIAL SECTION 133

**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, 2017*

**Corporate Division**

Human Resources (continued): 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 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 Meals and lodging

Postage, freight, and delivery charges Compensation for 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 software Computer supplies Communication supplies

Total materials and supplies

Machinery and equipment Computer equipment Computer software

Total machinery and equipment Information Technolouv total

(m thousands of dollars)

Original

Budget Amounts

Net Transfer

9 \$

59 3

(9)

173

4\_

239 60,905

(4)

8,588 236 107

87\_

9,018

5

1,422 326 357 20 376

(1.)

4,058 796

7,362

17 332 423 132 904

45

30\_

75 17,359

Final

68 3

164 4

239  
60.905

9,018

8,584 236 111 87

1  
5  
1,422 326 357 20 376  
4,058 795  
**7,362**

17 332 423 132  
904

45 30  
75  
17.359

**Actual Amounts**

61 2  
95 3  
161  
54,172

7,504 185 106 32

7,827

1 1 1  
948 294 100

237 3,840 684

6,106

10 77 410 90

587

**37**

14.557  
**Actual Variance  
with Final Budget -Positive  
(Negative)**

71  
691  
78\_  
6,733

1,080 51

55\_  
1,191

4

474 32 257 20 139 21S 111 1,256

7

255 13 42

317

8 30 38 2.802

## 134 FINANCIAL SECTION

*Metropolitan Water Reclamation District of Greater Chicago*

### Corporate Division

#### 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 autos 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 Materials and supplies not otherwise classified Total materials and supplies

##### Fixed and other charges Taxes 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

##### Contractual services Travel

##### Meals and lodging

Compensation for personally owned autos Reprographic services Court reporting services Payments for professional services

(in thousands of dollars)

Met Transfer  
Original  
Final

Budget Amounts

5,045 \$ 143 66 14

Actual Amounts

112 67

(4) \$ 5,041 \$ 4,683

4,873

5,268

143 70 14

4 9

4 2

10 238 82

5,268

6 12 1

5

(10)

25 80 2,000 90

2,210

349

6 25 70 2,000 90

3

10

18

2,210

686

890

IS

890

686

890

8,386

5,921

890

3,053 21 43 30

3,133 60 51 31

8,386

3,147

3,275

3,133 60 51 26

(3.) (2)

59 304

59 313

9

(11)

3,270

50 324

Actual Variance

with Final Budget -Positive  
(Negative)

358 31 3

3\_  
395

2 3 1

2 23 60 1.762

S\_  
1,861

2 2 1

204 204 2.465

80 39 8 1

128

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, 2017*

**Corporate Division**

Finance (continued):

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

Total materials and supplies Finance total

Engineering:

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 autos Motor vehicle operating services Reprographic services Water and water services Rental charges

Payments for professional services Preliminary engineering reports and studies Contractual services not otherwise classified Repairs to waterway facilities

Repairs to testing and laboratory equipment Repairs not otherwise classified Total contractual services

Materials and supplies

Office, printing, and photographic supplies Tools and supplies Wearing apparel Books, maps, and charts Materials and supplies not otherwise classified Total materials and supplies Entuncrini! total

*(in thousands of dollars)*



Budget Amounts		
Original	Net Transfer	
(5)		
		\$ 1 5
394		
19 1		
20		
3,684		
27,176 591 375 150		
<u>28,292</u>		
		12 25 3 15
		1
(1)		238 27 85 43 5
10_		<u>473</u>
		40 10 8 7 5
70 28,835		
Actual Variance with Final Budget -Positive (Negative)		
1 \$		
17 9		
1_		
10 155		
		2.337 197 24 49 2,607
.9		
8		
7 1 1		
1		
0<)		
13 3		
2 145		
7 6 I		
4		

774

136 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

Corporate Division

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 to 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 Repairs to vehicle equipment Repairs not otherwise classified Total contractual services

Materials and supplies Metals

Electrical parts and supplies

(in thousands of dollars)

Original

Budget Amounts

Net Transfer

(305) 280 26

87,956 4,662 1,228 35 266 94,147

(13)

(225) 238 125

35 70 150 2

266 (87)

(23) (47)

(209) 446

(104)

(185) (18) (109)

(70)

23 (9)

36,447 2,768 1,741 605 170 180 3,300 968 720 570 10,955 233 3,204 3,333 50 4,976 303

1,050 304 368 60 5

(l)

100

20\_

72,687

330

35 1,800

**Final**

87,651 . 4,942 1,254 35 266 94,148

35 70 137 2

36,222 3,006 1,866 605 170 180 3,566 881 720 547 10,908 24 3,650 3 229 50 4,791 285 941 304 208 60

5

123 1 I

72,686

35 2.130

## Actual Amounts

85,102 4,714 1,250 7

198 91,271

15 58 109 I

35,900 2,928 1,859 554 119 156 3,560 829 544 404 10,285 25 3,600 3,076 44 4,648 267 612 280 280 54

5

1 15 9

70,336

28 1,751

**Actual Variance  
with Final Budget -Positive  
(Negative)**

2,549 228 4 28

68\_

2,877

20 12 28 1

322 78 7 51 51 24 6 52

176

143

623 (1) 50

153 6

143 18

329 24 18 6

2,350 7  
379

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, 2017*

**Corporate Division**

Maintenance and Operations (continued): Plumbing accessories and supplies Hardware

Buildings, grounds, paving materials, and supplies

Tiber, 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

Safety 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 and equipment

Equipment for collection facilities Equipment for process facilities Vehicle equipment Testing and laboratory equipment Total machinery and  
equipment Maintenance and Operations total

*(in thousands of dollars)*

**Budget Amounts**

**Net Transfer**

**Original**

285		S 652 20 193 14 7
(543)		200 2,288 11 50 5
(65)		13,724 25 5
		500 2 60 8 17 300 5 1

5	(5) 15 (10)
<u>108 20,035</u>	

6_	50 100 10
	166 187,035

**Final**

642 20		
193 14 7		
		200 2,573 11 50 5
		13,181 25 5
435 2		
		60 8 17 300 5 1
S		
		108
20,035		
45 1 15		
166		
187,035		

**Actual Amounts**

520 15		
126 6 5		
		168 2,203 TO 43 5
		9,135 23 4
376 1		
		43 4 11 255
		7 59 14,799
45 109		

160 176.566  
**Actual Variance**

**with Final Budget -Positive  
(Negative)**

**\$ 122 5 67 8 2**

**32 370**

4,046 2 1  
59 1  
17 4 6  
45 4 1 1  
49 5,236

10.469

## **138 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 \$10,000

**Total Reserve Claim Division Total General Corporate Fund**

**Actual Variance  
with Final Budget -Positive  
(Negative)**

*(in thousands of dollars)*

**Actual Amounts**

**Original**

**Final**

**Budget Amounts**

**Net Transfer**

6    \$ 246,488    \$ 230,206 :\$ 16,282

7,890 6,076 48 204.

(6) 95,108

-    25,774

•    664

•    890

87,218 19,698 616 686 338,424

\$ 246,482 \$ 95,114 25,774

664

30,500

3,766 19,946

368,924

8,000

22,617 30,617

890

4,234

2,671 6,905

368,924

8,000

23,712

22,617 30,617 ~ \$ 399,541 \$

\$ 399,541    \$ 345,329    \$ 54,2

## FINANCIAL SECTION 139

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

Year ended December 31, 2017

(with comparative amounts for prior year) ,

## Personal services: Salaries and wages

Employee health and life insurance premiums Social security and medicare contributions Tuition and training payments Other

Total 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 Metals

Computer supplies

Other materials and supplies

*Total materials and supplies (continued)*

(in thousands of dollars) 2017 2016

\$183,651 42,901 2,602 1,028 22  
230,204

36,219 2,954 105 10,285 1,752 1,506 25 77 1,869 69 352 90 473 829 3,577 4,648 8,516 11,889  
 85,235

9,137 984

2,917 802

1,886 924 319 367 279 130 651

1,893 20,289

## Increase (Decrease)

2,260 (323) 74 298 (17)

2,292

504 533 1

1,025 61 (266)

(5) 14 (35) 11

(93) (32) (37) 20 336 (607) (2,211) (1,094)



(1,875)

(839)

(619) 14 709 133 (151) (369) 24 91 19 (23) 195 (862)

Percent  
Increase  
(Decrease)

%

(1) 3

41

(44) 1

1

22

1 11

4

(15) (17) 22 (2) 19 (21) (26) (7) 2

10 (12) (21)

(S) (2)

(6) 1

32 20 (7) (29)

8 33

7

(15.)

43 (31)

(4)

Percent of Total 2017

53% 13

0 0 67

11 1

0 3 1

0 0 0 1

0 0 0 0 0 1 I

3 3

~

3 0 I

0 I

0 0 0 0 0 0 I

## 140 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

Percent

Percent

	2017	2016	(Decrease)	(Decrease)	2017	Increase	Increase	of Total
Machinery and equipment:								
Vehicle equipment	\$	-	\$	5	\$ (5)	(100)%	0%	
Testing and laboratory equipment		424		312		112	360	
Equipment for collection facilities		23		36		(13)	(36)	0
Communication equipment		-		45		(45)	(100)	0
Other machinery and equipment		284		280		4	10	
Total machinery and equipment		731		678		53	80	
Fixed other charges:								
Taxes on real estate		686		790		(104)	(13)	0
Total fixed other charges		686		790		(104)	(13)	0
Claims and judgments		6,905		4,786		2,119	44	2
Total expenditures	\$	344,050	\$	342,404	\$	1,646	100%	

FINANCIAL SECTION 141

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, 2017

(in thousands of dollars)

Revenues:

Property taxes

Total tax revenue

Actual Variance

Actual on Budgetary Basis

Final Budget  
with Final Budget -Positive  
(Negative)

222,973

218,405

\$ 222,973 \$ 218,405 \$ (4,568)

' (4,568)

Interest on investments Miscellaneous

Total revenues

1,346 10

219,761

946 10

(3,612)

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

(5.796) 178.312

\$ 118,423 \$ 172.516 \$

(6,112) 60,205

54,093

144 FINANCIAL SECTION

## **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, 2017*

**Construction Fund:**  
Contractual services

Testing and Inspection Services Intergovernmental Agreements Payments for professional services Professional engineering services for construction Contractual services not otherwise classified Repairs to collection facilities Total contractual services

(in thousands of dollars)

## Original

## Budget Amounts

## Net Transfers

100

600 S (250) \$ 100 -  
3,625

150

6,401

1,859 60 157

## Actual Amounts

43 \$

82 1,651

29 285

350 \$

2,090

100 3,725 1,859 60 . 307

6,401

## Machinery and equipment

Equipment for colocation facilities	340-340-340					
Equipment for waterway facilities	335-335202	133				
Equipment for process facilities	1,996-1.996	3081,688				
Computer equipment	274-274241	33				
Computer software	132-13235	97				
Communications equipment	71-71674					
Vehicle equipment	2,072-2,072	1,883189				
Machinery and equipment not otherwise classified	1,404-1,404	1391,265				
<b>Total machinery and equipment</b>			<b>6,624</b>	<b>=</b>	<b>6,624</b>	<b>2,875 3,749</b>

## Capital Projects

Collection facilities structures	2,469(300)	2,1699501,219				
Waterway facilities structures	349-349-349					
Process facility structures	5,329-5,329	1,0214,308				
Buildings	2,767-2,767	8501,917				
Capital projects not otherwise classified	3,738-3,738	3,066672				
Preservation of collection facility structures	1,500-1.500	-1.500				
Preservation of waterway facility structures	931 931-931					
Preservation of process facility structures	1,4864281,914 6181.296					
Preservation of buildings	2,484-2,484 2,322162					
Preservation capital projects not otherwise classified	373(128)245	-245				
<b>Total capital projects</b>			<b>21.426</b>	<b>-</b>	<b>21.426</b>	<b>8,827 12.599</b>

## Construction Fund Summary:

Contractual services	6.401-	6,401	2,0904,311
----------------------	--------	-------	------------

Machinery and equipment	6.624-	6,624	2,8753.749				
Capital projects	21,426	-	21,426	8,82712.599			
Construction Fund total			34.451	-	34.451	13,792	20.659

11 inuinedj

## 146 FINANCIAL SECTION

Metropolitan Water Reclamation District of Greater Chicago

(in thousands of dollars)

### Budget Amounts

Actual Variance with Final Budget -Positive (Negative) Net Actual Original Transfers Final Amounts

#### Stormwater Management Fund:

##### Personal services

Salaries of regular employees Compensation plan adjustments Social security and medicare contributions Salaries of nonbudgeted employees Tuition and training payments Health and life insurance premiums Total personal services

##### 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

Intragovernmental agreements Payments for professional services Preliminary engineering reports and studies Professional engineering services for construction

Contractual services not otherwise classified Waste material disposal charges Repairs to waterways facilities Computer Software Repairs not otherwise classified

Total contractual services

##### 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

(continued)

\$ 5,635 S - \$ 5,635 S 5,370 \$ 265

193 - 193 108 85

81 - 81 77 4

11 - 11 - 11

31 - 31 9 22

580 - 580 502 78

6,531 - 6,531 6,066 465

2 22-

5-54 1

3 -312

25 -251510



85 85  
(Negative)

- \$

Capital Projects

Waterways facilities structure Capital projects not otherwise classified Preservation of waterway facility structures Total capital projects

3,170 1,620 1,459 6,249

3,170 1,620 1,459 6,249

2,208 1,620 1,459 5,287

Land Land

410 410

410 410

410 410

Fixed and other charges

Equity transfer

5,769-5,769

3,2692,500

Payments for easements

400-40014

386

Total fixed and other charges

6,169

-

6,169

3,283

2,886

**Stormwater Management Fund Summary:**

Personal services

6,531-

6,5316,066465

Contractual services

25,083

-25.083

6.63918,444

Materials and supplies

1,275-

1,275453 822

Machinery and equipment

S5-85-

85

Capital projects

6,249-

6,2499625,287

Land

410-410

-410

Fixed and other charges

6,169--

6,169

3,2832,886

Stormwater Management Fund total

45,802

-

45,802

17,403

28,399

**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

20.055

313.054 10,300 2,216 354,625

55,640 1,245 466.398 10,300 6,606 540.189

S 434.878 S 185.564 S 620,442 S 276,223 S 344,219

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

**148 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 Combining Statements of Fiduciary Net Position

Year ended December 31, 2017  
(with comparative amounts for prior year)

(in thousands of dollars)

#### Total Fiduciary Funds

Assets Cash

Receivables

Employer contributions-taxes (net of allowance for uncollectible \$3,883 in 2017; \$3,753 in 2016)

Securities sold

Forward foreign exchange contracts Accrued interest and dividends Accounts receivable Total receivables

2017

, 990

89,604 42,172 123,333 3,660 43

258,812

2016

3,670 \$

79,505 7,563 116,576 3,161 45

206,850

2017

1,990 \$



Securities lending capital Total assets

Liabilities

Accounts payable	1,360	1,270		
Securities lending collateral	27,448	42,118		
Forward foreign exchange contracts	124,384	16,937		
Securities purchased	17,037	11,507		
			Total liabilities	170,229 171.832
1,374	27,448			
124,384	17,037			
170,243				
				1,274 42.1 18 116.937 11,507
171.836				

\$ 1,501.794 \$ 1,352,598 \$ 195.200 \$ 164.844 \$ 1,696,994 \$ 1,517.442

**150 FINANCIAL SECTION**

**Exhibit F-2**

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

Year ended December 31, 2017  
(widi 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) net of expenses

Security lending activities:

Security lending income

Borrower rebates

Bank fees

Net income from securities lending activities

Other

Total additions

**2016**

80,260 20.831

**2017**

101.091

89,858 S 20,840

92,763 25,003

110,698

177,342 21,754

199.096 117,766 (4,621) (4.614)

194,475

448

(13)

(89)

113.152

346

265 295 (126)

434

305,522

107

214.784

**2017**

**2016**

S 18,431 S 19,917 \$  
18,431

7,917

6,577 4,013

27,834

10,590 (42)

21,209 4,225

10,548

25.434 (42)

38,382

25,392

43,823  
**2017**      **2016**  
128,925

99,340 29,016 128,356 (4,656)

123,700

265 295 (126)

108,289      \$ 100,177 20,840 20,831 - 7,917

129,129

198,551 25,979  
224,530 (4,663)

219,867  
**434**

448

(.13)

(89)

107

346  
253,166  
3\_  
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

127.099

24.203 142 631  
77\_

152,152 2,560 1.614 156.32b

121.730

22.919 153 413 1 10 145.325 2.01 1 1.503 148.839

127,099 13,431 24,203 142 631

77\_

165,583 2,560 1,65 i 169,794

121,730 22.835 22.919 153 413 110  
168.160 2.011 1,535  
171.706

Net increase (decrease)  
Net position held in trust for pension and OPEB benefits  
Beginning of year  
End of year

FINANCIAL SECTION 151

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# III. STATISTICAL AND DEMOGRAPHICS SECTION

*MWRD President Mariyana T. Spyropoulos and Commissioner Josina Morita were joined by MWRD staff after receiving awards at the 2017 WEFTEC Awards Ceremony in Chicago. Three awards were presented to the MWRD for Water Quality Improvement, Project Excellence and Innovative Facility Design. Appearing left to right, Principal Civil Engineer Yvonne Lefler, Managing Civil Engineer Kevin Eit-patrick, Commissioner Morita, Associate Civil Engineer Meagan Mafias, President Spyropolous, Principal Civil Engineer Justine Skawski, Principal Civil Engineer Lou Storino, Assistant Director of Engineering Rill Sheriff and Senior Civil Engineer liipin Patel.*

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## Statistical and Demographics Section (Unaudited)

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

### Contents Exhibits

**Financial Trends****1-1 through 1-4**

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

**Revenue Capacity****1-5 through 1-9**

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

**Debt Capacity****1-10 through 1-12**

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

**Demographic and Economic Information****1-13 and 1-14**

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

**Operating Information****1-15 through 1-17**

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

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

STATISTICAL SECTION 155

**Exhibit 1-1  
Net Position by Component***Last Ten Fiscal Year**(accrual basis of accounting)**(in thousands of dollars)*

	2017	2016	2015	2014
Net investment in capital assets *	\$ 4,710,123	\$ 4,591,899	\$ 4,630,463	\$ 4,548,793
Restricted				
Restricted for corporate working cash	280,437	279,390	278,852	278,148

Restricted for reserve claim	9,9762,128	6,4997,764	
Restricted for debt service	318,646318,575	310,383305,375	
Restricted for capital projects	32,06775,762	-15,457	
Restricted for construction working cash	22,20422,070	21,94721,833	
Restricted for stormwater working cash	37,50937,384	37,21637,035	
<u>Unrestricted (Deficit)</u>	<u>(794,533)</u>	<u>(787,263)</u>	<u>(756,154)(722,949)</u>
<u>Total net position</u>	<u>\$ 4,616,429</u>	<u>\$ 4,539,945</u>	<u>\$ 4,529,206\$ 4,491,456</u>

\* Infrastructure under the modified approach is reported in the period the initial condition assessment was completed.

## 156 STATISTICAL SECTION

*Metropolitan Water Reclamation District of Greater Chicago*

### 2010

S 4,506,950 \$ 4,514,633 S 4,506,544 \$ 4,492,811 \$ 4,559,884 \$ 4,575,974

276,894 9,861

278,970 28,886 21,644 37,690



277,006 4,524

268,760 18,828 2h649 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

272,120 35,817

212,353 13,412 27,005 37,902

(49,191)

\$	5,164,932	\$	5,142,131	\$	5,085,058	\$	5,027,916	\$	5,110,279
\$	5,221,899								

---

STATISTICAL SECTION 157

**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

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 (6,681) (2,662) 85,535 202 12,063 109,550

643.419

76.484

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 11 1,182

693.001

10.739 S

2015

598,629	533,240	37,863	5,381	13,069	350	5,804	2,922	
						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 12,123 118,977
641,361								
37.750								
<b>2014</b>								

	526,851	39,571	9,486	4,925	630	5,290		
8								
586,761								
						50,696	16,357	5,456
						<u>11,089</u>	<u>83,598</u>	<u>670,359</u>
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 44,61 5

\* The 2012 decrease resulted from a reduction in the liability estimate for OPEB.

158 STATISTICAL SECTION

*Metropolitan Water Reclamation District of Greater Chicago*

**2010**

470,855	40,737	3,051	3,361	2,271	4,765	923		
525,963								
						486,316	35,605	11,123 6,239 1,472 5,822
546.577								
						506,888	36,849	13,156 12,715 1,298 4,859 676
576,441								



Unassigned (Deficit) Total General Corporate Fund  
**2017**

4,101 34,787 306,854 (53,799)  
291,943  
**2016**

2,117 35,502 306,800 (44,428)  
299,991  
**2015**

2,137 37,623 305,779 (58,427)  
287,112  
**2014**

2,143 39,586 307,147 (61,850)  
287,026

All Other Governmental Funds Nonspendable:  
Prepaid insurance Restricted Assigned Unassigned

79

381,079 147,473 (79)

451,657 145,341 (13,525)

378,458 127,920 (9,090)

219,606 112,768

Total Governmental Funds

160 STATISTICAL SECTION

*Metropolitan Water Reclamation District of Greater Chicago*

2012	2012	2011	2010	2009	2008			
\$	2,391	\$ -	\$ -	\$ -	\$ -			
	40,136	39,467	38,922	38,924	38,761	38,067		
344,558	344,186	342,398	341,381	338,602	333,650			
(51,960)	(19,151)	(96,225)	(175,521)	(166,687)	(142,300)			
<u>335,125</u>	<u>364,502</u>	<u>285,095</u>	<u>204,784</u>	<u>210,676</u>	<u>229,417</u>			
328,953	575,796	763,064	519,456	773,035	464,633			
112,478	-----							
<u>\$</u>	<u>776,556</u>	<u>\$</u>	<u>940,298</u>	<u>\$</u>	<u>1,048,159</u>	<u>\$</u>	<u>724,240</u>	<u>\$</u>
983,711	\$ 694,050							

STATISTICAL SECTION 161

**Exhibit 1-4**  
**Changes in Fund Balances: Governmental Funds**  
*Last Ten Fiscal Years*

(modified accrual basis of accounting) Revenues

General Revenues: Properly 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 and Research

Procurement and Materials Management

Human Resources

Information Technology j

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 escrow agent

State revolving fund loan proceeds

Sale of refunding bonds

Proceeds from sale of bonds

Premium on sale of bonds

Proceeds from capital lease

Total other financing sources; (uses)

Net change in fund balance

Debt service as a percentage of non-capital expenditures

2017

*(in thousands of dollars)*

583,875 3S.961 6,181 1,233 9,228 209 5.540  
**2016**

51,098 17,352 5,401

14,555

526,932 43,194 8,784 5(1 9,1 on783 5,878

683,127

48.621 20.166 4,164

12.817  
4.158 15.490 28,490  
6.611 54,606 14.213  
6,707  
3.597 26.051 177.695 77,712  
4.786 296.76S

102.670 1 17.474  
730.995

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  
921,341

113,695 119,520  
(238,2 II)  
937.028  
(206.033)  
175.245

175,245  
(62.969)  
**316%**

(399.432) I 79.224 322.260 104.000 99.045

305.097 99.064 S  
28.4%

## **2015**

525,302 37,863 5,381 3.164 13,069 350 5,869

46,238 18,189 4,885

11.165  
671.475

3,662 ' 14,833 27,486



6.8S5 58.441 14,697  
6,018  
3.427 25,971 173,534 62,498  
5,658 326.430

101.220 118,680  
949.440  
(277.965)

(82.906) 181.537  
70.805 225.000  
48.529

442.9h5  
165.000

**31 7%**

## **2014**

516,316 39,571 9,486 8  
4,925 630 5,445

50,696 16,357 5,456

11,162 660,052

3,710 14,829 26,687  
6,325 72,879 14,582  
6,802  
3.425 25.278 168,376 75,556 44,988 2.36,259

89.1 IS 110.115 898.929 (238,877)

81.721

81,721 (157.156)

**2(» 9%**

## **162 STATISTICAL SECTION**

*Metropolitan Water Reclamation District of Greater Chicago*

2009

454.966 40.737 3.051 2.575 3.361 2.271 4.765

4X9,16X 35,605 11,123

6,239 1,472 5,822

410,663 39,352 9,119 3,045 6,818 285 5,181

492,751 36,849 13,156 2,326 12,715 1,298 4,859

418,077 37.477 7.632 6

1,359 695 6,642

399,917 42.527 27,112 6

797 606 5,450

49,182 14.851 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

49.439 9,572 4,357

11,110 590,265

22,164 656,349

17,218 653,336

20,233 556,900

1,440 535,179

896 540,679

3,514 14,111 25,128

5.671 67,856 14,024

6,984

3,393 23,987 161,787 67,523

4,970 199.231

3.463 13,S77 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 25,0X4 6,949 47,710 13.820 7,166 2,965 2,975 177,908 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 6,728 496,885

3.659 18.555 28,891 6,156 43.603 20.200 7.446 3.208 7,951 208,123 31,744 9,464 397.265

3.721 17,958 27,146 5.341 61.385 19,328 7,211 3.205 6,703 194,916 28,937 7,626 191,415

85,709 111,665

795,553

(205,288)

71.400 118.854

819.094

(162.745)

64,112 98,015

844.989

(191,653)

60,602 104,414

1.023,371

(466,471)

73.105 67.14S

926.5 18

(391.339)

112.577 66.591 754.060 (213,381)

(253) 78,481

400.000 37.344

41.185 (172.196)

28 8%

STATISTICAL SECTION 163

**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 rates)

	Fiscal Year Ended December 31,			
	Chicago Equalized Assessed Value			
	Suburbs Equalized Assessed Value			
Total Equalized Assessed	Value			
	Total Direct Tax Rate(l)			
Estimated Full Taxable Value (3)	Equalized Assessed Value as a Percentage of Full Value			
2007	\$ 73,645,316	\$ 82,327,478	\$ 155,972,794	0.263\$ 656,474,74423.8%
2008	80,977,543	89,119,839	170,097,382	0.252616,163,59427.6
2009	84,586,808	89,880,835	174,467,643	0.261550,135,37031.7
2010	82,087,170	84,830,896	166,918,066	0.274449,811,54037.1
2011	75,122,914	73,925,579	149,048,493	0.320442,787,68933.7
2012	65,250,387	68,147,608	133,397,995	0.370414,382,38932.2
2013	62,363,876	61,055,668	123,419,544	0.417459,860,59726.8
2014	64,908,057	60,828,131	125,736,188	0.430499,136,55425.2
2015	70,963,289	59,341,515	130,304,804	0.426'528,843,25924.6
2016	74,016,506	66,735,695	140,752,201	0.406(3)528,843,259 (2)26.6

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

- 1) Tax rates per \$100 equalized assessed valuation.
- 2) Current data not available from Civic federation.
- 3) Does not include values for Railroad, Pollution Control or the part of O'Hare Airport located in DuPage County.

164 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

2013

2012

2011

2016

2015

2014

S 0.141 0.004 0.015 0.083

0.144 0 001 0.016 0 094 0.005

0.014

0.135 0.002 0.016 0.097 0.006

0.005

0.168 0 002 0 019 0.114 0.001

0.016

0.175 0 004 0.044 0.175 0.013

0.019

S 0 182 0.005 0.042 0 163 0.009

0.016

0.179 0 005 0.021 0.135 0 015

0.015

0.161 0 004 0.047 0.160 0.010

0.024

0.183 0.002 0.040 0.174 0.014

0.017

2017 (1)

S 0.155 0.004 0.051 0.165 0.011

0.028

0.009

\$ 0.414 \$ 0.406 \$ 0.430 S 0.430 \$ 0.417 \$ 0.370 S 0.320 \$ 0.274 \$ 0.261 \$ 0.252

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

City of Chicago

Chicago Board of Education

Chicago Park District

Cook County

Cook County Forest Preserve Dist.

Community College #508 (City Coll)

City of Chicago Library Fund

City of Chicago School Bldg/Imprvmt

3 660 0 401 0.568

0.069

0.193

0.134

0.146

3.726 0.362 0.533

0 063

0.169

0.122

0 128

3.455 0 372 0 552

0.069

0.177

0.123

0.134

S 1.630 \$ 1.549 \$ 1.193 \$ 1.209

3.671 0.402 0.560

0 069

0.198

0 135

0 152

2.5X1 0.319 0.423

0 051

0.151

0.102

0.116

2.366 0.309 0.394

0.049

0.150

0.099

0.1 12

3.422 0.395 0.531

0.063

0.190

0 128

0 146

2.X75 0 346 0.462

0 05X

0.165

0.111

0.119

1.151 \$ 0.999 \$ 0.914 S 0.8X7 % 0.928

2.472 0.323 0.415

0.051

0.156

0.102

0 117

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

Corporate

Stormwater Management

Reserve Claim

Retirement

Debt Service

Construction

**Source: Cook County Clerk**

- Exhibit 1-7**  
**Principal Property Taxpayers**  
*2016 and Nine Years Ago*

**Taxpayer**

### Type of Business

Retail &amp; Office Office Insurance Office

Financial Services Retail & Office Retail & Office Communications Banking Office Banking Advertising  
**2007**  
*(in thousands of dollars)*

2016(1)		Equalized Assessed Value-	
Rank	Percentage	of Total Equalized Assessed Value	
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
Rank			
0.30%	\$ 514,662	1	
0.19	364,783	3	
0.18	374,456	2	
0.18	-	-	
0.17	293,604	5	
0.16	231,069	7	
0.15	-	-	
0.15	297,653	4	
0.14	250,261	6	
0.14	208,906	10	
-	216,217	8	
-		211,813	9

Percentage of Total	Equalized Assessed Value
0.33%	
0.23	
0.24	
0.19 0.14	
0.19 0.16 0.13 0.15 0.14	
.76% S 2,963,424	

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

- 1) 2017 information is unavailable.
- 2) Formerly referred to as Equity Office.
- 3) The Equalized Assessed Valuation for 2016 is 5140,752,201,171



166 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 Levy**

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
428,645	455,360	457,356	476,955	493,573	514,659	540,666	555,098	571,454	593,135	
400,048	383,612	435,009	460,618	476.881	497,452	523,203	541,008	559.938		
93.3%										
84.2										
95.1										
96.6										
96.6										
96.7										
96.8										
97.5										
98.0										
12/01/09	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	

**STATISTICAL SECTION 167**

**Exhibit 1-9**  
**User Charge Rates**  
*Last Ten Fiscal Years*

**2014(1)**

**Large Commercial/Industrial User Rates (2)**

Flow per million gallons

5-day BOD per 1,000 lbs. (5)

SSper 1,000 lbs. (6)

259.61 229.13 142.47

255.02 234.95 148.33

250.51 240.49 154.08

246.08 245.75 159.72

Tax-Exempt User Rates (3) Flow per million gallons 5-day BOD per 1,000 lbs. (5) SSper 1,000 lbs. (6)

259.61 229.13 142.47

255.02 234.95 148.33

250.51 240.49 154.08

246.08 245.75 159.72

**OM&R Rate (4)**

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

168 STATISTICAL SECTION

r

*Metropolitan Water Reclamation District of Greater Chicago*

**2010**

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

223.72 229.23 178.11

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

230.29 235.98 183.35

0.5040

**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												
Bono-Anticipation Notes and Interest												
Capital Lease Payable (4)												
Total Debt												
Repayment of Debt (2)												
Resources Available for												
Net Debt												
Total Debt as a % Personal Income (3)												
Total Debt per Capita (3)												
Net Debt as a % of Est Full Taxable Value (3)												
Net Debt Per Capita (3)												
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017			
\$ 1,392,699	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			
			64,894	86,286	196,225	108,008	44,527	35,809	■ 90,460	161,697	157.390	296.529
5.3,6X8	51.784	49.838	47,795	45,653	43,405	41,047	38,574					
\$ 1,457,593	2,065,489	2,211,8X7	2,626,256	2,609,740	2,565.577	2,636,898	2,975.890	3,163.719	3,215.018			
101,053	106,279	111,055	137.217	136.173	122,527	140,162	140.X06	163,5()X	147,000			
\$ 1,356,540	1,959,210	2,100,832	2,4X9.039	2,473.567	2,443.050	2,496,736	2,835,084	3,000,211				
■ 3,068,018												
1.05%	1.46	1.44	1 87	1 79	I 73	1 S3	1.91	1.86	1.65			
\$ 277.00	392.01	422.12	503.50	506.75	489.52	495.S4	565.76	603.88	619.70			
0.22%												
0.36												
0.47												

0.56  
**0.60**  
0.53  
0.50  
0.57  
**0.60**  
0.58  
S 257.80 371.84 400.92 477.19 480.30 466.14 469.49 538.99 572.67 591 37

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

## 170 STATISTICAL SECTION

### Exhibit I-11 Estimate of Direct and Overlapping Debt

*As of December 31, 2017*

*(in thousands of dollars)*

#### Direct debt

Bonds and notes payable	•	S 2,697,667
Capital lease	38,574	

%Applicable

<u>Overlapping bonded debt of major local governments (I)</u>	<u>Net Debt(2)</u>	<u>Applicable (3) Amount</u>
City of Chicago	S 9,532,447	100.00% S 9,532,447

City of Chicago	8,179,138	100.00	8,179,138
Chicago Board of Education (4)(5)	821,000	100.00	821,000
Chicago Park District (4)	315,560	100.00	315,560
City Colleges (District 508) (4)	3,361,102	97.963	292,536
Cook County	151,010	97.961	47,929
Cook County Forest Preserve District			

Total overlapping debt (6) 22,288,610

Total direct and overlapping debt

\$ 25,024,851

- 1) Excludes outstanding tax anticipation notes and warrants. Except as stated, does not include debt issued by other taxing authorities in Cook County.
- 2) Source: Each of the respective taxing districts, current as of 12/31/2017.
- 3) Based on 2016 Equalized Assessed Valuations, which are the most recent available
- 4) Includes approximately \$355 million, \$237 million, \$7.29 billion and \$288 million of general obligation bonds of the City of Chicago, City Colleges (District 508), Chicago Board of Education and the Chicago Park District, respectively, issued as "alternate revenue" bonds secured by alternate revenue sources.
- 5) Includes approximately \$98 million of Public Building Commission Bonds debt.
- 6) 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*

thousands of dollars)

2017 (1) 2016 2015 2014

#### 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:

Coiporate

Stormwater

Debt service

Reserve claim

Construction

Total applicable debt

Less applicable assets:

Debt service funds unrestricted cash and investments

Interest payable in the next twelve months

Total applicable assets

#### Total net debt annlicable to debt limit

## Statutory debt margin

## Total applicable net debt as a percentage of statutory debt limit

				\$140,752,201	5140,752,201	5130,304,804	\$125,736,188
				8,093,251	7,492,526	7,492,526	7,229,831
2,697,667	2,769,608	2,655,365	2,422,620				
(98,145)	(99,080)	(50,000)	-				
<u>2,599,522</u>	<u>2,670,528</u>	<u>2,605,365</u>	<u>2,422,620</u>				
296,529	157,390	161,697	90,460				
38,574	41,047	43,405	45,653				
21,650	27,952	23,647	37,136				
1,715	2,062	6,973	5,689				
				273.999	174	205	681
<u>3,171</u>	<u>3,368</u>	<u>4,812</u>	<u>6,648</u>				
2,961,435	2,902,521	2,846,104	2,608,887				
115,673	115,673	108,671	108,392				
				(117,604)	(117,604)	(115,735)	(106,175)
				(1,931)	(1,931)	(7,064)	2,217
				<u>2,963,366</u>	<u>2,904,452</u>	<u>2,853,168</u>	<u>2,606,670</u>
\$ 5,129,885	\$ 4,588,074	\$ 4,639,358	\$ 4,623,161				
36.6%	38.8%,	38.1%,	36.1%				

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.

*Metropolitan Water Reclamation District of Greater Chicago*

	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$123,419,544	\$133,397,995	\$149,048,493	
<u>7,096,624</u>	<u>7,670,385</u>	<u>8,570,288</u>	
2,481,973	2,515,375	2,466,464	
<u>2,481,973</u>	<u>2,515,375</u>	<u>2,466,464</u>	
35,809	44,527	108,008	
47.795	49.837	51.784	



30,150	30,076	35,347			
3,515	2,496	1,956			
				380	1,110 1,381
<u>2,816</u>	<u>4,062</u>	<u>1,542</u>			
				2,602,438	2,647,483 2,666,482
			<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
\$166,918,066	\$174,467,643	\$170,097,382			
<u>9,597,789</u>	<u>10,031,889</u>	<u>9,780,599</u>			
1,961,974	1,979,203	1,392,699			
<u>1,961,974</u>	<u>1,979,203</u>	<u>1,392,699</u>			
53,688	--	--		196,225	86,286 64,894
45.381	45.260	42,374			
2,496	1,101	1,470			
				410	327 1,036
<u>1,732</u>	<u>4,236</u>	<u>2,855</u>			
				2,261,906	2,116,413 1,505,328
98,006	105,285	114,344			
(9,862)	(4,015)	(2,066)		(107,868)	(109,300) (116,410)
				2,612,300	2,651,498 2,668,548
<u>\$ 4,484,324</u>	<u>\$ 5,018,887</u>	<u>\$ 5,901,740</u>			
			36.8%	34.6%	31.1%
88,710	88,849	89,397			
(3,909)	28,976	16,294		(92,619)	(59,873) (73,103)
				2,265,815	2,087,437 1,489,034
<u>\$ 7,331,974</u>	<u>\$ 7,944,452</u>	<u>\$ 8,291,565</u>			
			23.6%,	20.8%	15.2%,

## STATISTICAL SECTION 173

### Exhibit 1-13 Demographic and Economic Statistics

Last Ten Fiscal Years

Per Capita Median  
Personal Personal Household Unemployment

(population and dollars in thousands)

Year	Population	Personal Pe Income	Per Income	Income Rate	
2017	5,188	\$ 186,434,150	\$ 35,936	\$ 63,794	4.8%
2016	5,239	170,081,127	32,464	58,708	5.8
2015	5,260	155,734,043	29,607	54,461	5.8
2014	5,318	144,394,219	27,152	53,653	7.0
2013	5,241	148,352,487	28,304	51,391	9.1
2012	5,150	145,456,281	28,246	53,852	8.8
2011	5,216	140,483,393	26,933	54,036	9.8
2010	5,240	153,959,010	29,381	59,201	10.4
2009	5,269	141,675,329	26,888	53,709	10.1
2008	5,262	139,190,968	26,452	52,664	6.2

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

### Exhibit 1-14 Principal Employers

2017 and Nine Years Ago

2017				
Percentage				of Total Employment (5)
Percentage of Total Rank Employment				
U.S. Government (1)	41,500	1	0.80%	
Chicago Public Schools (2)	35,447	2	0.68	

Chicago Public Schools (2)	33,111	-	0.33
City of Chicago	31,160	3	0.60
Cook County (3)	21,316	4	0.41
Advocate Health Care	19,049	5	0.37
Northwestern Memorial Healthcare (4)	16,667	6	0.32
University of Chicago,(2)	16,583	7	0.32
J.P. Morgan Chase & Co.	15,701	8	0.30
State of Illinois (2)	14,690	9	0.28
Amazon.Com Inc. (5)	13,240	10	0.26
Wal-Mart Stores Inc.	- - -		
Walgreen Company	- - -		
AT&T Inc.	- - -		
UAL Corp	- - -		
78,000 43,910 35,570 22,142 15,660			

14,287

18,124

23,453 14,254 14,000 14,000

4

9

10 10

1.48%

0.83

0.68

0.42

0.30

0.27

0.34

0.45 0.27 0.27 0.27

293.400

- 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

Source: Reprinted with permission, Grain's Chicago Business [January 15, 2018]. © Grain Communications, Inc.

STATISTICAL SECTION 175

**Exhibit 1-15**  
**Budgeted Positions by Fund/Department**  
*Last Ten Fiscal Years*

Fund/Department	Budgeted Positions									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b><u>General Corporate Fund</u></b>										
Board of Commissioners	383837	373737	404545	45						
General Administration	123122	119112	109114	125124	146138					
Monitoring and Research	309308	297288	286280	303308	308309					
Procurement and Materials										
Management				63	63	63	62	62	62	69
Human Resources	1417374	725857	596054	54						
Information Technology	757670	707069	717172	72						
Law	383837	363837	384040	40						
Finance	282829	292929	313131	33						
Engineering (Corporate Fund) (1)	246244	242241	2422932	343434						
Maintenance & Operations	922927	955951	947943	1,029,104	71,046	1,045				
Total General Corporate Fund				1,983	1,917	1,923	1,898	1,878	1,657	1,797
								1,830	1,846	1,840

Engineering (Construction Fund) (2) 0000021 284545 45  
 F.ngineerinu (Stormwater Management) 59595963494844504947  
 Engineerinii (Capital Improvements liond Fund) (2) 00000196202191191177

Grand Total 2,042 1,976 1,982 1.961 1,927 1,922 2,071 2,116 2,131 2,109

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

## 176 STATISTICAL SECTION

### Exhibit 1-16 Operating Indicators

*Last Ten Fiscal Years*

Area		Served Communities											
		(1)		(2)									
Number of People Served		(3)											
		Commercial and Industrial Population Equivalent Served											
Intercepting Sewers		Number of Local Sewer Connections to											
Gallons of Pumping (4)	Gallons of	Daily Sewage									Station	Sewage	Treatment
Maximum Capacity (4)	Processed per Day (4)	Capacity											
2017	2016	2015	2014	2013	2012	2011	2010	,	2009	2008			
882	883	883	883	884	884	884	884	884	884	884			
129	129	129	129	126	126	126	126	126	126	126			
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	5.262.000				

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  
 1,251,000 1,300,000 1,244,200 1,288,600 1,218,200 1,070,200 1,342,800 1,245,200 1,366,700 1,284,600  
 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

*Last Ten Fiscal Years*

	2017 2009	2008	2016	2015	2014	2013	2012	2011	2010
Miles of intercepting sewers									
anil force mains operated	560	560	560	560	559	559	559	559	559
Miles of waterway water									
levels controlled	76	76	76	76	76	76	76	76	76
Acres of strip-mined land utilized for solids									
processing	13,796+	13,796 r.	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
Miles of TARP tunnels constructed for pollution									
and Hood control	109.4	109.4	109.4	109.4	109.4	109.4	109.4	109.4	109.4
Number of TARP reservoirs									
constructed	2	2	2	1	1	1	1	1	1
Number of TARP reservoirs									
under construction	1	1	1	2	2	2	2	2	2
Number of Hood control									
reservoirs	34	34	34	33	31	31	31	31	31
Instream aeration stations	2	2	2	2	2	2	2	2	2
Sidestream elevated pool									
aeration stations	5	5	5	5	5	5	5	5	5

Source: District's Engineering Department

178 STATISTICAL SECTION

# IV. SINGLE AUDIT SECTION

*Former Cubs pitcher Jason Iltammel, Cook County Sheriff Tom Dart, MWRD President Mariyana Spyropoulos and Ford Heights baseball players, coaches and residents unveil the new Excel! Walker Field. The MWRD collaborated with Cook County Sheriffs office, the Ford Heights Park District, the Baseball Tomorrow Fund, Cubs Charities, James McHugh Construction, the U.S. Army Corps of Engineers and other partners to deliver the state-of-the-art baseball field. The MWRD provided 110 tons of Class A exceptional quality (EQ) biosolids compost to help build up the turf playing surfaces. Biosolids compost supplies organic matter and improves soil structure and porosity to allow plants to more effectively utilize nutrients.*

**RSM US LLP**

***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 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, 2017, 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 11, 2018. Our report includes a reference to other auditors who audited the financial statements of the District's Pension Trust Fund as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

#### **Internal Control Over Financial Reporting**

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

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

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

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## **180 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chicago, Illinois May 11, 2018



**SINGLE AUDIT SECTION 181**

**p>= PRADO & RENTERIA**

1^17^ 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) <<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, 2017 and the related notes to the Schedule.

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

***Auditor's Responsibility***

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

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

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

**182 SINGLE AUDIT SECTION**

***Opinion***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the District for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

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

Chicago, Illinois May 11, 2018

In accordance with Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), we have also issued a report dated May 11, 2018 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.

SINGLE AUDIT SECTION 183

## PRADO & RENTERIA

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) <<http://www.pradorenteria.com>>

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

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

### Report on Compliance for the Major Federal Program

We have audited the Metropolitan Water Reclamation District of Greater Chicago's (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended December 31, 2017. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

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

audit procedures as we considered necessary in the circumstances.

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

## 184 SINGLE AUDIT SECTION

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### *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, 2017.

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

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

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

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

Chicago, Illinois May 11, 2018

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. <http://foranyotherpurpose>.

## Schedule of Expenditures of Federal Awards

Year ended December 31, 2017

					Federal Grantor/Pass-Through Grantor/ CFDA Program or Cluster Title Number		Federal
Pass-Through					Total		Expenditures
Identifying	Award	Entity	Pass-Through Federal		Number	Date	to Subrecipients
U.S. Environmental Protection Agency							
Passed through Illinois Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Funds							
Project Descriptions							
66.458	L174621	May 2014	-	543.900			
66.458	L174923	May 2013	-	386,400			
66.458	L175152	March 2016	-	752,200			
66.458	L175223	December 2015	-	481,600			
66.458	L175263	May 2016	-	1,732.700			
66.458	L175342	July 2016	-	3,258.900			
66.458	L175366	May 2016	-	529,500			
66.458	L17536X	August 2016	-	173.400			
66.458	L175371	October 2016	-	234,000			
66.458	L175372	October 2016	-	89,400			
	Westside Primary Settling Tanks 1-9 and Aerated Grit Facility, SWRP	66.458	L174555	December 2016	-	\$ 5.362,400	
	Des Plaines River Intercepting Sewer Rehabilitation, SSA						
	Calumet TARP Pumping Station Improvements. Calumet WRP						
	A/13 and C/D Service Tunnel Rehabilitation - Phase Two, SWRP						
	D799 Switchgear Replacement, SWRP						
	Calumet Intercepting Sewer 19F Rehabilitation. CSA						
	McCook Reservoir Des Plaines Inflow Tunnel, SSA						
	Conversion of Old GCTs to WASSTRIP Process, SWRP						
	Safely Railing Around Tanks, SWRP						
	Safely Railing Around Tanks, SWRP						

Safety Railing Around Tanks. OWRP

Safety Railing Around Tanks. OWRP

McCook Reservoir Expanded Stage 2 Slope Stabilization & Retaining Walls, SWRP	66 458	1.175460	May 2017	- 895.200
---	--------	----------	----------	-----------

Total U S Environmental Protection Agency

Funding of Capitalization Grants for Clean

Water State Revolving Funds	S 14,439,600
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<u>Total Federal Expenditures</u>	<u>S 14,439,601</u>
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See Accompanying Notes to Schedule of Expenditures of federal Awards

## 186 SINGLE AUDIT SECTION

### Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2017

#### 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, 2017. 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 are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### Note 3 - Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Note 4 - Program

#### Description

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

The Capitalization Grants for Clean Water State Revolving Funds create State Revolving Funds (SRFs) through a program of capitalization grants to states, which will provide a long-term source of state financing for construction of wastewater treatment facilities and implementation of other water quality management activities. The capitalization grant is deposited in the SRF, which is used to provide loans and other types of financial assistance, but no grants, to local communities and inter-municipal and interstate agencies. The States must agree to enter into binding commitments with recipients to provide financial assistance from the SRF in an amount equal to 16.67% of the total SRF loan, with the federal share being 83.33%. Those loans awarded under the American Recovery and Reinvestment Act of 2009 (ARRA) are funded 50% from ARRA funds and 50% from SRFs. There were no loans awarded under ARRA for the year ended December 31, 2017.

#### Note 5 - Project Descriptions

**Note 5 - Project Descriptions**

Descriptions of projects, funded wholly or partially by federal sources, for which the District received funds during the year ended December 31, 2017:

**State Revolving Fund Loans**

Loan #L 174555 was awarded to the District on December 6, 2016, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for the Westside Primary Settling Tanks I-9 and Aerated Grit Facility, SWRP, Project 04-128-3P. The maximum SRF loan amount is \$150,545,633. The maximum pass through federal funding is \$ 125,449,676. A total of \$5,362,400 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$122,467,139 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

**SINGLE AUDIT SECTION 187****Notes to Schedule of Expenditures of Federal Awards**

*Year ended December 31, 2017*

**Note 5 - Project Descriptions - Continued**

Loan #L174621 was awarded to the District on May 8, 2014, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Des Plaines River Intercepting Sewer Rehabilitation, SSA, Project 06-158-3S. The maximum SRF loan amount is \$13,628,725. The maximum pass through federal funding is \$1,356,817. A total of \$543,900 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$544,673 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

Loan #L174923 was awarded to the District on May 2, 2013, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Calumet TARP Pump Station Improvements, Project 06-212-3M. The maximum SRF loan amount is \$32,893,059. The maximum pass through federal funding is \$27,409,786. A total of \$386,400 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$31,171,133 was outstanding. The outstanding SRF loan 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 \$752,200 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$ 12,762,686 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175223 was awarded to the District on December 15, 2015, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for D799 Switchgear Replacement, SWRP, Project 09-182-3E. The maximum SRF loan amount is \$9,800,000. The maximum pass through federal funding is \$8,166,340. A total of \$481,600 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$4,117,506 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

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 II-239-3S. The maximum SRF loan amount is \$12,746,856. The maximum pass through federal funding is \$10,621,955. A total of \$1,732,700 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$ 10,170,251 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175342 was awarded to the District on July 26, 2016, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for McCook Reservoir Des Plaines Bypass Tunnel, SSA, Project 13-106-4F. The maximum SRF loan amount is \$80,000,000. The maximum pass through federal funding is \$66,664,000. A total of \$3,258,900 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$58,455,509 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

As of December 31, 2017, \$50,100,000 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175366 was awarded to the District on May 27, 2016, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Conversion of Old GCTs to WASSTRIP Process, SWRP, Project 15-120-3P. The maximum SRF loan amount is \$5,374,018. The maximum pass through federal funding is \$4,478,169. A total of \$529,500 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$4,376,621 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

## **188 SINGLE AUDIT SECTION**

### **Notes to Schedule of Expenditures of Federal Awards**

*Year ended December 31, 2017*

*i*

#### **Note 5 - Project Descriptions - Continued**

Loan #L175368 was awarded to the District on August 4, 2016, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Safety Railing Around Tanks, SWRP, Project 15-123-3D. The maximum SRF loan amount is \$5,386,512. The maximum pass through federal funding is \$4,488,580. A total of \$173,400 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$5,123,953 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175371 was awarded to the District on October 31, 2016, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Safety Railing Around Tanks, CWRP, Project 15-265-3D. The maximum SRF loan amount is \$1,497,033. The maximum pass through federal funding is \$1,247,478. A total of \$234,000 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$1,309,512 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

Loan #L175372 was awarded to the District on October 27, 2016, under Public Law 95-217 (Federal Water Pollution Control Act). The loan provides for Safety Railing Around Tanks, OWRP, Project 15-072-3D. The maximum SRF loan amount is \$1,442,000. The maximum pass through federal funding is \$1,201,619. A total of \$89,400 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$1,429,788 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.

Loan #L 175460 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 \$895,200 in federal funds was disbursed by the IEPA during fiscal year 2017. As of December 31, 2017, \$4,483,130 was outstanding. The outstanding SRF loan amount is presented as a bond anticipation note in the District's financial statements.



## SINGLE AUDIT SECTION 189

**Schedule of Findings and Questioned Costs***Year ended December 31, 2017***SECTION I - SUMMARY OF AUDITORS' RESULTS***Financial Statements*

Type of report the auditor issued on whether the financial statements

**audited were prepared in accordance with GAAP: Unmodified**

Internal control over financial reporting:

Material weakness(es) identified?	Yes	X No
Significant deficiency(ies) identified?	Yes	X None reported
Noncompliance material to financial statements noted?	Yes	X No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?	Yes	X No
Significant deficiency(ies) identified?	Yes	X None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes	X No
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<b>Identification</b>	<b>of</b>	<b>major</b>	<b>federal</b>	<b>programs:</b>	<b>U.S.</b>
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**Environmental Protection Agency**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---

66.458 Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: 5750,000

Auditce qualified as low-risk auditee?	X Yes	No
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**SECTION II - FINANCIAL STATEMENT FINDINGS - Required to be Reported in Accordance with Governmental Auditing Standards**

None

None.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.

**SECTION IV - SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

None.

**190 SINGLE AUDIT SECTION**

*In memory of*

**TIMOTHY BRADFORD**

*Commissioner*

Metropolitan Water Reclamation District of Greater Chicago  
2014-2017

**192 SINGLE AUDIT SECTION**