NEW ISSUE – BOOK ENTRY ONLY

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

In the opinion of Co-Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Bonds will not be includable in gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate "alternative minimum taxable income" but is includable in corporate earnings and profits for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from present Illinois income taxes. See "TAX MATTERS" herein.

$295,805,000

METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

CONSISTING OF

$100,000,000
GENERAL OBLIGATION UNLIMITED TAX CAPITAL IMPROVEMENT BONDS, 2014 SERIES A (GREEN BONDS)

$50,000,000
GENERAL OBLIGATION UNLIMITED TAX BONDS (ALTERNATE REVENUE SOURCE), 2014 SERIES B (GREEN BONDS)

$75,000,000
GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT BONDS, 2014 SERIES C (GREEN BONDS)

$70,805,000
GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, 2014 SERIES D

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

The Metropolitan Water Reclamation District of Greater Chicago, Cook County, Illinois (the "*District*") is issuing the following series of its Bonds: the General Obligation Unlimited Tax Capital Improvement Bonds, 2014 Series A (Green Bonds) (the "*2014A Bonds*"), the General Obligation Unlimited Tax Bonds (Alternate Revenue Source), 2014 Series B (Green Bonds) (the "*2014B Bonds*"), the General Obligation Limited Tax Capital Improvement Bonds, 2014 Series C (Green Bonds) (the "*2014C Bonds*"), and the General Obligation Limited Tax Refunding Bonds, 2014 Series D (the "*2014D Bonds*" and together with the 2014A Bonds, the 2014B Bonds, and the 2014C Bonds, the "Bonds"). The Bonds will be issued only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). See "APPENDIX F – BOOK-ENTRY SYSTEM" herein. Individual purchases will be made in book-entry form only through the facilities of DTC. The Bonds are issuable in denominations of $5,000 or any integral multiple of $5,000. Purchasers will not receive physical delivery of bond certificates. Principal and interest are payable by Amalgamated Bank of Chicago, an Illinois state banking corporation, as the initial Bond Registrar and Paying Agent, to DTC, which will remit such principal and interest to DTC's Participants for payment to the Beneficial Owners of the Bonds, as described herein. Interest on the Bonds will be payable on June 1, 2015 and semiannually thereafter on each June 1 and December 1. The 2014A Bonds, the 2014B Bonds and the 2014C Bonds are subject to optional and/or mandatory redemption prior to maturity, as described herein.

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

The Bonds are direct and general obligations of the District for the payment of which the full faith and credit of the District has been pledged. The 2014A Bonds and the 2014B Bonds (the "*Unlimited Tax Bonds*") are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate or amount. The 2014C Bonds and the 2014D Bonds (the "*Limited Tax Bonds*") are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate, but the amount of the taxes that may be extended to pay the Limited Tax Bonds is limited as provided by law. See "SECURITY FOR THE BONDS" herein.

The Bonds will be used to (i) pay for certain projects included in the District's Capital Improvements Program, (ii) refund certain maturities of the District's outstanding general obligation bonds (the "*Prior Limited Tax Bonds*"), and (iii) pay for the costs of issuance of the Bonds and the refunding of the Refunded Bonds. See "THE PROJECT," "THE GREEN PROJECTS" and "REFUNDING PLAN" herein.

The Bonds are offered when, as and if issued by the District, and accepted by the Underwriters and subject to prior sale, withdrawal or modification of the offer without notice, and to the approval of legality by Katten Muchin Rosenman LLP, Chicago, Illinois and Gonzalez, Saggio and Harlan, L.L.C., Chicago, Illinois, Co-Bond Counsel. Certain legal matters will be passed upon for the District by (i) its General Counsel and (ii) in connection with the preparation of this Official Statement, by Mayer Brown LLP, Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriters by their Co-Underwriters' Counsel, Burke Burns & Pinelli, Ltd., Chicago, Illinois, and Pugh, Jones & Johnson, P.C., Chicago, Illinois. It is anticipated that the Bonds will be available for delivery to DTC on or about January 6, 2015.

Morgan Stanley **Loop Capital Markets**

CABRERA CAPITAL MARKETS, LLC **GOLDMAN, SACHS & CO.**

JEFFERIES **RICE FINANCIAL PRODUCTS COMPANY**

Dated: December 15, 2014

MATURITY SCHEDULE

$100,000,000
GENERAL OBLIGATION UNLIMITED TAX CAPITAL IMPROVEMENT BONDS, 2014 SERIES A (GREEN BONDS)

$100,000,000; 5.00%; TERM BONDS DUE DECEMBER 1, 2044; YIELD 3.280%; CUSIP[1] 167560QX2

$50,000,000
GENERAL OBLIGATION UNLIMITED TAX BONDS (ALTERNATE REVENUE SOURCE), 2014 SERIES B (GREEN BONDS)

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP[1]
2016	$ 920,000	2.00%	0.490%	167560QY0
2017	935,000	2.00	0.820	167560QZ7
2018	955,000	3.00	1.150	167560RA1
2019	985,000	3.00	1.440	167560RB9
2020	1,015,000	3.00	1.720	167560RC7
2021	1,045,000	4.00	1.950	167560RD5
2022	1,085,000	4.00	2.130	167560RE3
2023	1,130,000	4.00	2.230	167560RF0
2024	1,175,000	5.00	2.330	167560RG8
2025	1,235,000	5.00	2.460	167560RH6
2026	1,295,000	5.00	2.560	167560RJ2
2027	1,360,000	5.00	2.630	167560RK9
2028	1,425,000	5.00	2.680	167560RL7
2029	1,500,000	5.00	2.730	167560RM5
2030	1,575,000	5.00	2.780	167560RN3
2031	1,650,000	5.00	2.830	167560RP8
2032	1,735,000	5.00	2.880	167560RQ6
2033	1,820,000	5.00	2.930	167560RR4
2034	1,910,000	5.00	2.980	167560RS2

$11,095,000; 5.00%; TERM BONDS DUE DECEMBER 1, 2039; YIELD 3.180%; CUSIP[1] 167560RT0
$14,155,000; 5.00%; TERM BONDS DUE DECEMBER 1, 2044; YIELD 3.280%; CUSIP[1] 167560RU7

$75,000,000
GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT BONDS,
2014 SERIES C (GREEN BONDS)

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP[1]
2016	$ 1,160,000	2.00%	0.490%	167560RV5
2017	11,305,000	5.00	0.820	167560RW3
2019	3,400,000	5.00	1.440	167560RX1
2020	5,040,000	5.00	1.720	167560RY9
2021	4,470,000	5.00	1.950	167560RZ6
2024	1,155,000	5.00	2.330	167560SA0
2025	3,135,000	5.00	2.460	167560SB8
2026	10,665,000	5.00	2.560	167560SC6
2027	16,805,000	5.00	2.630	167560SD4
2028	17,865,000	5.00	2.680	167560SE2

$70,805,000
GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS,
2014 SERIES D

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP[1]
2016	$ 270,000	2.00%	0.490%	167560SF9
2017	11,425,000	5.00	0.820	167560SG7
2018	5,985,000	5.00	1.150	167560SH5
2019	11,945,000	5.00	1.440	167560SJ1
2020	13,280,000	5.00	1.720	167560SK8
2021	12,105,000	5.00	1.950	167560SL6
2022	15,795,000	5.00	2.130	167560SM4

1 Copyright 2014, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Bonds and the District does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

BOARD OF COMMISSIONERS AND PRINCIPAL OFFICERS

BOARD OF COMMISSIONERS

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

PRINCIPAL OFFICERS

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

CO-BOND COUNSEL

Katten Muchin Rosenman LLP
Chicago, Illinois

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

DISCLOSURE COUNSEL

Mayer Brown LLP
Chicago, Illinois

CO-FINANCIAL ADVISORS

A.C. Advisory, Inc.
Chicago, Illinois

Public Financial Management, Inc.
Chicago, Illinois

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

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

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

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

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

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

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

SUMMARY OF TERMS OF THE BONDS

THIS SUMMARY IS SUBJECT IN ALL RESPECTS TO MORE COMPLETE INFORMATION CONTAINED IN THE OFFICIAL STATEMENT TO WHICH THIS SUMMARY IS ATTACHED. THE OFFERING OF THE BONDS TO ANY PERSON IS MADE ONLY BY MEANS OF THE OFFICIAL STATEMENT, WHICH SHOULD BE REVIEWED CAREFULLY IN ITS ENTIRETY. CAPITALIZED TERMS NOT DEFINED IN THIS SUMMARY ARE DEFINED IN THE OFFICIAL STATEMENT.

The Issuer	Metropolitan Water Reclamation District of Greater Chicago (the "*District*")
The Issue	Sale by the District of $100,000,000 principal amount of its General Obligation Unlimited Tax Capital Improvement Bonds, 2014 Series A (Green Bonds) (the *"2014A Bonds"*), $50,000,000 principal amount of its General Obligation Unlimited Tax Bonds (Alternate Revenue Source), 2014 Series B (Green Bonds) (the *"2014B Bonds"),* $75,000,000 principal amount of its General Obligation Limited Tax Capital Improvement Bonds, 2014 Series C (Green Bonds) (the *"2014C Bonds"*), and $70,805,000 principal amount of its General Obligation Limited Tax Refunding Bonds, 2014 Series D (the *"2014D Bonds"* and, together with the 2014A Bonds, the 2014B Bonds, and the 2014C Bonds, the *"Bonds"*). The Bonds will be dated the date of their original issue with delivery anticipated on January 6, 2015. The Bonds mature on December 1 in each of the years as set forth on the inside cover page.
Interest	Payable semiannually on June 1 and December 1, commencing June 1, 2015. Payment of the installments of interest will be made to the registered owner of such Bond as shown on the bond register at the close of business on the 15th day of the calendar month next preceding the interest payment date.
Form of Bonds; Denominations; Book-Entry System	The Bonds will be issued as fully registered book entry bonds in the denomination of $5,000 or any integral multiple of that amount. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, and will be held under DTC's global book entry system.
Use of Proceeds	The Bonds will be used to (i) pay for certain projects included in the District's Capital Improvements Program, (ii) refund certain maturities of the District's outstanding general obligation bonds (the *"Prior Limited Tax Bonds"*) and (iii) pay for the costs of issuance of the Bonds and the refunding of the Prior Limited Tax Bonds. See "THE

PROJECT," "THE GREEN PROJECTS" and "REFUNDING PLAN."

Optional Redemption	The 2014A Bonds, the 2014B Bonds and the 2014C Bonds are subject to redemption prior to maturity, at the option of the District, as provided herein. See "THE BONDS — Optional Redemption."
Mandatory Redemption	The 2014A Bonds and the 2014B Bonds maturing in the years 2039 and 2044 are term bonds subject to mandatory sinking fund redemption prior to maturity, as provided herein. See "THE BONDS — Mandatory Redemption."
Security for the Bonds	The Bonds are direct and general obligations of the District for the payment of which the full faith and credit of the District has been pledged. The Unlimited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate or amount. The Limited Tax Bonds are payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate, but the amount of the taxes that may be extended to pay the Limited Tax Bonds is limited as provided by the Limitation Law. In accordance with the Debt Reform Act, the tax receipts derived from the taxes so levied that are deposited into the debt service fund for each Series of the Bonds, together with any other moneys deposited or to be deposited in such debt service funds, are pledged as security for the payment of the principal of and interest on that Series of Bonds. Such pledge is valid and binding from the date of issuance of the Bonds. All moneys held in such debt service funds, including the tax receipts described above, are immediately subject to the lien of the District's pledge without any physical delivery or further act and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District irrespective of whether such parties have notice thereof. The provisions of the respective Bond Ordinances, including with respect to the pledge described above, constitute a contract between the District and the registered owners of the Bonds. See "SECURITY FOR THE BONDS."
Tax Treatment of Interest	Interest on the Bonds is excluded from gross income of their owners for federal income tax purposes and is not included as an item of tax preference for purposes of the federal minimum tax imposed on all taxpayers but is includable in corporate earnings and profits for purposes of the corporate alternative minimum tax. Interest on the

Bonds is not exempt from present State of Illinois income taxes. See "TAX MATTERS" for a more complete discussion.

Ratings

The District has obtained ratings from Fitch Ratings Inc. (*"Fitch"*) and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (*"S&P"*) for its general obligation bonds (which include the Bonds). As of the date of this Official Statement, the Bonds are rated "AAA" by Fitch, and "AAA" by S&P. See "RATINGS."

Miscellaneous

Additional information regarding the Bonds and this Official Statement is available by contacting Mary Ann Boyle at MaryAnn.Boyle@mwrd.org.

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OFFICIAL STATEMENT

$295,805,000
METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

CONSISTING OF
$100,000,000
GENERAL OBLIGATION UNLIMITED TAX CAPITAL IMPROVEMENT BONDS, 2014 SERIES A (GREEN BONDS)

$50,000,000
GENERAL OBLIGATION UNLIMITED TAX BONDS (ALTERNATE REVENUE SOURCE), 2014 SERIES B (GREEN BONDS)

$75,000,000
GENERAL OBLIGATION LIMITED TAX CAPITAL IMPROVEMENT BONDS, 2014 SERIES C (GREEN BONDS)

$70,805,000
GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, 2014 SERIES D

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices, is to set forth certain information in conjunction with the sale by the Metropolitan Water Reclamation District of Greater Chicago (the *"District"*) of $100,000,000 principal amount of its General Obligation Unlimited Tax Capital Improvement Bonds, 2014 Series A (Green Bonds) (the *"2014A Bonds"*), $50,000,000 principal amount of its General Obligation Unlimited Tax Bonds (Alternate Revenue Source), 2014 Series B (Green Bonds) (the *"2014B Bonds"*), $75,000,000 principal amount of its General Obligation Limited Tax Capital Improvement Bonds, 2014 Series C (Green Bonds) (the *"2014C Bonds"*), and $70,805,000 principal amount of its General Obligation Limited Tax Refunding Bonds, 2014 Series D (the *"2014D Bonds,"* and collectively with the 2014A Bonds, 2014B Bonds, and 2014C Bonds, the *"Bonds"*). The Bonds are direct and general obligations of the District, whose full faith and credit have been pledged for the punctual payment of the principal of and interest on the Bonds, as more fully described below.

The Bonds are authorized and issued under and pursuant to the Metropolitan Water Reclamation District Act, as amended (70 ILCS 2605) (the *"Act"*), the Local Government Debt Reform Act, as amended (30 ILCS 350) (the *"Debt Reform Act"*), and other laws of the State of Illinois (the "State").

The issuance, sale and delivery of each Series of Bonds is authorized pursuant to related bond ordinances, all adopted by the Board of Commissioners (the *"Board"*) of the District on November 6, 2014 (the Series 2014B Bonds also being authorized pursuant to an ordinance adopted by the Board on October 2, 2014), as supplemented by a Bond Order (collectively, the *"Bond Ordinances"*).

The 2014A Bonds and the 2014B Bonds are "Unlimited Tax Bonds." The Unlimited Tax Bonds are direct and general obligations of the District payable from ad valorem taxes levied upon all taxable property within the District without limitation as to rate or amount and from all moneys on deposit in the separate debt service fund relating to each Series of Unlimited Tax Bonds established pursuant to the related Bond Ordinance. Moneys deposited into the related debt service fund, including the proceeds of the taxes levied pursuant to the related Bond Ordinance, are pledged as security for the payment of principal and interest on the related Series of Unlimited Tax Bonds. Moneys constituting a "Revenue Source" as described below and deposited into the debt service fund for the 2014B Bonds are also pledged as security for the payment of principal and interest on the 2014B Bonds. See "SECURITY FOR THE BONDS – Security for the Unlimited Tax Bonds."

The 2014B Bonds are also "alternate bonds" issued in accordance with Section 15 of the Debt Reform Act. The 2014B Bonds are direct and general obligations of the District and the payment of principal and interest on the 2014B Bonds are also payable from the moneys received by the District from the levy and collection of a stormwater management tax which moneys constitute a "Revenue Source" within the meaning of Section 15 of the Debt Reform Act. See "SECURITY FOR THE BONDS – Security for the 2014B Bonds," "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES—Property Tax Extension Limitation Law and Debt Reform Act" and "TAXATION OF PROPERTY WITHIN DISTRICT – STATISTICAL INFORMATION."

The 2014C Bonds and the 2014D Bonds are "Limited Tax Bonds" being issued pursuant to Section 15.01 of the Debt Reform Act. The Limited Tax Bonds are direct and general obligations of the District, payable from ad valorem taxes levied upon all taxable property within the District, without limitation as to rate, but limited as to amount by the provisions of the Property Tax Extension Limitation Law, as amended (35 ILCS 200/18-185 to 200/18-245) (the *"Limitation Law"*), and from all moneys on deposit in the separate debt service fund relating to each Series of Limited Tax Bonds established pursuant to the related Bond Ordinance. Moneys deposited into the related debt service fund, including the proceeds of the taxes levied pursuant to the related Bond Ordinance, are pledged as security for the payment of principal and interest on the related series of Limited Tax Bonds. See "SECURITY FOR THE BONDS – Security for the Limited Tax Bonds."

The 2014A Bonds are issued to finance construction projects initiated before October 1, 1991, including projects included in the District's Tunnel and Reservoir Project (the *"TARP"*) and to pay costs of issuance of the 2014A Bonds. The debt service on general obligation bonds of the District, such as the 2014A Bonds, issued to finance construction projects initiated prior to October 1, 1991, including the TARP, is excluded from the tax extension limitation of the Limitations Law and does not reduce the District's capacity to issue limited tax bonds. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES—Property Tax Extension Limitation Law and Debt Reform Act."

The 2014B Bonds are issued to finance stormwater management projects to be undertaken by the District or to be financed in whole or in part by the District and to be undertaken by other units of local government as authorized by Section 7h of the Act, including, without limitation, 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 in furtherance of its regional and local stormwater management activities and to pay the costs of issuance of the 2014B Bonds.

For additional information concerning the District's construction plans, see "THE PROJECT," and "APPENDIX B—CAPITAL IMPROVEMENTS PROGRAM."

The Limited Tax Bonds are issued to finance construction projects identified in the District's Capital Improvements Program, refund the Prior Limited Tax Bonds and to pay the costs of issuance of the Limited Tax Bonds. For additional information, see "REFUNDING PLAN" and "SOURCES AND USES OF FUNDS."

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

Factors that may affect an investment decision concerning the Bonds are described throughout this Official Statement. Persons considering a purchase of any of the Bonds should read the Official Statement in its entirety.

THE PROJECT

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

THE GREEN PROJECTS

The mission of the District is to protect the health and safety of the public in its Greater Chicago service area, protect the quality of the water supply source (Lake Michigan) in its service area, improve the quality of water in watercourses in its service area, protect businesses and homes from flood damages, and manage water as a vital resource for its service area. The District is currently undertaking a number of capital projects designed to fulfill its statutory responsibilities. The 2014A Bonds, the 2014B Bonds, and the 2014C Bonds are "Green Bonds." The purpose of labeling these series of Bonds as Green Bonds is to allow investors to invest directly in these environmentally beneficial projects. For the benefit of investors, the District has defined four categories of its Green Projects (collectively, the *"Green Projects"*) as defined below.

(i) **Tunnel and Reservoir Plan (TARP) Project**. The District's Board of Commissioners adopted the Tunnel and Reservoir Plan (TARP) in 1972 as a comprehensive pollution and flood control program for its 375 square mile combined sewer area. This area includes part or all of 52 communities, including the City of Chicago, and is one of the country's largest public works projects for pollution and flood control. The primary goals of TARP are as follows: protect Lake Michigan – the area's primary source of drinking water – from polluted backflows; clean up the area's waterways; and provide an outlet for floodwaters in order to reduce basement flooding. The TARP Tunnel Systems currently eliminate about 85% of the pollution load attributable to combined sewer overflow. The three TARP Reservoirs, once completed, will provide storage for additional sewage and stormwater runoff flows captured by the TARP tunnel systems.

(ii) **Stormwater Management Program Projects.** The District has completed six Detailed Watershed Plans (DWPs), identifying flood and erosion prone areas within Cook County. The DWPs provide comprehensive evaluations of existing conditions and stormwater management concerns in each of Cook County's six major watersheds, and include recommendations for potential capital improvement projects to address the identified concerns. The District anticipates beginning construction on two streambank stabilization projects shortly and is completing final design of 13 flood control and streambank stabilization contracts with an estimated cost of $50 million. An additional four channel improvement and flood control contracts with an estimated value of $184 million are currently in preliminary design. Phase II of the District's Stormwater Management Program seeks to address local drainage problems, develop stormwater master plans across Cook County and establish a program for purchasing flood prone and flood damaged property on a voluntary basis. The District has $228 million budgeted for Phase II projects over the next five years.

(iii) **Resource Recovery Projects.** The District plans to focus on implementing sustainable and resilient practices in affecting a sustainable economy and financial base through the proper regulation and usage of the following resources - water, phosphorus, biosolids, and energy. Notably, the District plans to achieve Energy Neutrality by 2023. The District is currently undertaking a number of innovative projects with respect to water and stormwater reuse, phosphorus recovery for environmentally-friendly reuse as a fertilizer and is exploring food to energy, gas production from anaerobic digestion processes. Similarly, improved wastewater treatment and greater plant efficiency will result in the District's collection of increased quantities of biosolids. The sustainable, beneficial use of biosolids is a major program of the District. Within the next five years, award of construction projects with a cost of approximately $118 million is currently anticipated for biosolids management improvements, including the repackaging and sale of high quality biosolids.

(iv) **Water Reclamation Plant Expansions and System Improvements.** The District owns and operates one of the world's largest water reclamation plants, in addition to six other plants and 22 pumping stations. The District treats an average of 1.3 billion gallons of wastewater each day. The District's total wastewater treatment capacity is over 2.0 billion gallons per day. The District's Capital Improvements Program includes replacing, remodeling, completing, altering, constructing and enlarging of sewage treatment works, water quality improvement projects or flood control facilities, and additions therefor, including, but not limited to, the construction of pumping stations, tunnels, conduits, intercepting sewers and outlet sewers, together with the equipment, including air pollution equipment, and appurtenances thereto, to acquire property, real, personal or mixed, necessary for said purposes, and for costs and expenses for the acquisition of the sites and rights-of-way necessary thereto, and for engineering expenses for designing and supervising the construction of such works and other related and incidental expenses.

For additional information concerning the District's Green Projects, see "APPENDIX B—CAPITAL IMPROVEMENTS PROGRAM." Holders of the Green Bonds do not assume any specific project risk related to the Green Projects. The 2014A Bonds are being issued as unlimited tax general obligation bonds. The 2014B Bonds are being issued as unlimited tax general obligation bonds and alternate bonds. The Series 2014C Bonds are being issued as limited tax general obligation bonds. See "SECURITY FOR THE BONDS."

Pursuant to the respective Bond Ordinances and in accordance with the Debt Reform Act, it is anticipated that the proceeds of the 2014A Bonds will be used to fund a portion of the TARP Project and the proceeds of the 2014B Bonds will be used to fund a portion of the Stormwater Management Program Projects. The 2014C Bonds will be used to fund portions of the District's Resource Recovery Projects and Water Reclamation Plant Expansions and System Improvements. The proceeds of each series of Green Bonds will be deposited into segregated Bond Proceeds Funds. Investments of proceeds deposited into the segregated Bond Proceeds Funds are limited by the District's Investment Policy as well as Illinois law to certain allowable investments. See "CASH MANAGEMENT – Investment of District Funds."

The District plans to post periodic updates on the use of proceeds of the Green Bonds in a report on its website: https://www.mwrd.org/irj/portal/anonymous/AFReports. The District plans to post a report of all projects funded when all proceeds have been spent. Once all proceeds of the Green Bonds have been spent, no further updates will be provided. For the avoidance of doubt, such reports and periodic updates related to the Green Bonds are not Annual Financial Information (as defined below in "THE UNDERTAKING – Annual Financial Information Disclosure").

REFUNDING PLAN

The 2014D Bonds are issued to refund all or a portion of the $76,050,000 outstanding principal amount of General Obligation Capital Improvement Bonds, Limited Tax Series of July, 2006 maturing in the years 2017 to 2022, both inclusive (the *"Prior Limited Tax Bonds"*). The Prior Limited Tax Bonds will be called for redemption on December 1, 2016 at a redemption price equal to 100% of par plus accrued interest. The Prior Limited Tax Bonds were issued to finance certain capital improvement projects of the District.

The Prior Limited Tax Bonds will be advance refunded and defeased as of the date of issuance of the Bonds by the deposit of moneys and direct and general obligations of the United States of America (the *"Government Securities"*), the principal of which, together with interest to be earned thereon and any initial cash balances, will be sufficient to pay (i) the interest on the Prior Limited Tax Bonds when due and (ii) the redemption price of the Prior Limited Tax Bonds on the December 1, 2016 redemption date. The Government Securities will be held in an escrow fund established for the Prior Limited Tax Bonds pursuant to the 2015 Escrow Deposit Agreement by and between the District and Amalgamated Bank of Chicago as escrow agent. Such Government Securities will be held in trust by the escrow agent for the benefit of the holders of the Prior Limited Tax Bonds pursuant to the Escrow Agreement.

The accuracy and adequacy of (i) the arithmetical computations of the maturing principal of and interest on the Government Securities and the initial cash balances to pay, when due, the redemption price of and interest on the Prior Limited Tax Bonds as described above and (ii) the mathematical computations supporting the conclusions of Co-Bond Counsel that interest on the Bonds is exempt from federal income taxation will be verified by Robert Thomas, CPA, LLC, independent certified public accountants (the *"Verification Agent"*). See "VERIFICATION AGENT."

SOURCES AND USES OF FUNDS

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

	2014A BONDS	2014B BONDS	2014C BONDS	2014D BONDS	TOTAL
SOURCES OF FUNDS					
Principal Amount of Bonds	$100,000,000.00	$50,000,000.00	$75,000,000.00	$70,805,000.00	$295,805,000.00
Original issue premium	14,440,000.00	7,720,129.20	14,022,875.45	12,346,220.15	48,529,224.80
Total Sources of Funds	$114,440,000.00	$57,720,129.20	$89,022,875.45	$83,151,220.15	$344,334,224.80
USES OF FUNDS					
Project Costs	$114,103,179.77	$57,551,244.06	$88,770,022.77	-0-	$260,424,446.60
Refund Prior Limited Tax Bonds	-0-	-0-	-0-	$82,905,757.38	82,905,757.38
Costs of Issuance(1)	336,820.23	168,885.14	252,852.68	245,462.77	1,004,020.82
Total Uses of Funds	$114,440,000.00	$57,720,129.20	$89,022,875.45	$83,151,220.15	$344,334,224.80

(1) Includes Underwriters' discount.

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THE BONDS

General Description

The Bonds will be dated the date of issuance thereof and will mature on December 1 of the years and in the amounts shown on the inside cover page of this Official Statement. The Bonds bear interest from their dated date, at the rates set forth on the inside cover page of this Official Statement, computed upon the basis of a 360-day year of twelve 30-day months and payable on June 1, 2015 and semiannually thereafter on each June 1 and December 1. The Bonds are issuable only as fully registered bonds in denominations of $5,000 or any integral multiple of $5,000 under a global book-entry only system operated by The Depository Trust Company, New York, New York (*"DTC"*). Individual purchases of the Bonds may be made only in book-entry form through the facilities of DTC. Purchasers will not receive certificates representing their interest in the Bonds purchased. See "APPENDIX F–BOOK-ENTRY SYSTEM." Principal of and interest on the Bonds are payable by Amalgamated Bank of Chicago, as the initial Bond Registrar and Paying Agent (the *"Bond Registrar"*).

Registration and Transfer

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

The Bond Registrar shall not be required to transfer or exchange any Bond after notice of the redemption of all or a portion thereof has been mailed. The Bond Registrar shall not be required to transfer or exchange any Bond during a period of 15 days next preceding the mailing of a notice of redemption that could designate for redemption all or a portion of such Bond.

Optional Redemption

2014A Bonds. The 2014A Bonds are subject to redemption prior to maturity at the option of the District, from any available funds, in whole or in part on any date on or after December 1, 2024, at a redemption price of par, plus accrued interest to the date fixed for redemption.

2014B Bonds. The 2014B Bonds maturing on or after December 1, 2025 are subject to redemption prior to maturity at the option of the District, from any available funds, in whole or in part on any date on or after December 1, 2024, and if in part, in any order of maturity as shall be selected by the District, at a redemption price of par, plus accrued interest to the date fixed for redemption.

2014C Bonds. The 2014C Bonds maturing on or after December 1, 2025 are subject to redemption prior to maturity at the option of the District, from any available funds, in whole or in part on any date on or after December 1, 2024, and if in part, in any order of maturity as shall be selected by the District, at a redemption price of par, plus accrued interest to the date fixed for redemption.

2014D Bonds. The 2014D Bonds are not subject to redemption prior to maturity.

Mandatory Redemption

The 2014A Bonds and the 2014B Bonds maturing on December 1, 2039 and December 1, 2044 (collectively, the *"Term Bonds"*) are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof to be redeemed on December 1 in the years and amounts as follows:

2014A Bonds maturing on December 1, 2044

Year	Amount
2039	$14,700,000
2040	15,435,000
2041	16,210,000
2042	17,020,000
2043	17,870,000
2044	18,765,000*

* Maturity.

2014B Bonds maturing on December 1, 2039

Year	Amount
2035	$2,005,000
2036	2,110,000
2037	2,215,000
2038	2,325,000
2039	2,440,000*

* Maturity.

2014B Bonds maturing on December 1, 2044

Year	Amount
2040	$2,560,000
2041	2,690,000
2042	2,825,000
2043	2,965,000
2044	3,115,000*

* Maturity.

For each Term Bond, the principal amount thereof so redeemed shall be credited against the unsatisfied balance of future sinking fund installments or final maturity amount established with respect to such Term Bond, in such amounts and against such installments or final maturity amount as shall be determined by the District in the proceedings authorizing such optional redemption or, in the absence of such determination, shall be credited pro-rata against the unsatisfied balance of the applicable sinking fund installments and final maturity amount.

On or prior to the 60th day preceding any sinking fund installment date, the District may purchase Term Bonds that are subject to mandatory redemption on such sinking fund installment date, at such prices (not exceeding par plus accrued interest) as the District shall determine. Any Term Bond so purchased shall be cancelled and the principal amount thereof so purchased shall be credited against the unsatisfied balance of the next ensuing sinking fund installment of the Term Bonds of the same series, maturity and interest rate as the Term Bond so purchased.

Selection of Bonds within a Maturity

In the event of a redemption of less than all of the Bonds of like series, maturity and interest rate, the aggregate principal amount thereof to be redeemed shall be $5,000 or an integral multiple thereof and the Bond Registrar shall assign to each Bond of such maturity a distinctive number for each $5,000 principal amount of such Bond and shall select by lot from the numbers so assigned as many numbers as, at $5,000 for each number, shall equal the principal amount of such Bond to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; *provided* that only so much of the principal amount of each Bond shall be redeemed as shall equal $5,000 for each number assigned to it and so selected.

Redemption Procedure and Notice of Redemption

Notice of the redemption of the Bonds shall be mailed not less than 30 days nor more than 60 days prior to the date fixed for such redemption to the registered owners of Bonds to be redeemed at their last addresses appearing on the registration books. The Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for payment of the redemption price of all the Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, and if notice of redemption shall have been mailed as aforesaid (and notwithstanding any defect therein or the lack of actual receipt thereof by any registered owner) then from and after the redemption date interest on such Bonds or portions thereof shall cease to accrue and become payable. If there shall be drawn for redemption less than all of a Bond, the District shall execute and the bond registrar shall authenticate and deliver, upon surrender of such Bond, without charge to the owner thereof, in exchange for the unredeemed balance of the Bond so surrendered, Bonds of like series, maturity and interest rate and of the denomination of $5,000 or any integral multiple thereof.

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

SECURITY FOR THE BONDS

Security for Unlimited Tax Bonds

General

The 2014A Bonds and the 2014B Bonds are being issued as unlimited tax general obligation bonds and are sometimes referred to herein as the "Unlimited Tax Bonds." Pursuant to each related Bond Ordinance, the full faith and credit of the District has been irrevocably pledged to the punctual payment of the principal of and interest on each Series of Unlimited Tax Bonds. Each Series of Unlimited Tax Bonds are direct and general obligations of the District, and the District is obligated to levy ad valorem taxes upon all taxable property within the District, without limitation as to rate or amount, for the payment of the principal of and interest on each Series of Unlimited Tax Bonds.

Pursuant to each related Bond Ordinance, the District has levied a direct annual tax on all taxable property within the District, in each year for which any of the Unlimited Tax Bonds are outstanding in amounts sufficient for the punctual payment of the principal of and interest on each Series of Unlimited Tax Bonds as the same shall become payable. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES."

In accordance with the Debt Reform Act, the tax receipts derived from the taxes so levied that are deposited into the debt service fund for each Series of Unlimited Tax Bonds, together with any other moneys deposited or to be deposited in such debt service fund, are pledged as security for the payment of the principal of and interest on that Series of Unlimited Tax Bonds. Such pledge is valid and binding from the date of issuance of the Unlimited Tax Bonds. All moneys held in such debt service funds, including the tax receipts described above, are immediately subject to the lien of the District's pledge without any physical delivery or further act and the lien of such pledge is valid and binding as against all parties having claims or any kind in tort, contract or otherwise against the District irrespective of whether such parties have notice thereof. The provisions of the Bond Ordinances for each Series of Unlimited Tax Bonds, including with respect to the pledge described in this paragraph, constitute a contract between the District and the registered owners of such Series of Unlimited Tax Bonds.

The related Bond Ordinances both provide that after the issuance of that Series of Unlimited Tax Bonds, the District shall not abate the taxes levied pursuant to that Bond Ordinance or taking any action to restrict the extension and collection of the such taxes except that the District may abate such taxes or take any action for any tax levy year to the extent that, at the time of such abatement, moneys in the debt service fund for the related Series of Unlimited Tax Bonds, or otherwise held in trust for the payment of debt service on the related Series of Unlimited Tax Bonds, together with the amount to be extended for collection taking into account the proposed abatement, will be sufficient to provide for the punctual payment of the principal of and interest on the related Series of Unlimited Tax Bonds for such tax levy year.

The 2014B Bonds

The 2014B Bonds are also being issued as "alternate bonds" pursuant to the Debt Reform Act. Pursuant to the Series 2014B Bond Ordinance and in accordance with the Debt Reform Act, the District has provided that the 2014B Bonds will also be paid from the moneys received by the District from the levy and collection of a stormwater management tax (*"Stormwater Management Tax Receipts"*). The Stormwater Management Tax Receipts constitute a "revenue source" within the meaning of Section 15 of the Debt Reform Act. Pursuant to the Series 2014B Bond Ordinance, the Stormwater Management Tax Receipts moneys are pledged as additional security for the payment of principal of and interest on the 2014B Bonds. For additional information about the stormwater management tax, see "TAXATION OF PROPERTY WITHIN DISTRICT – STATISTICAL INFORMATION" and "APPENDIX A – BASIC FINANCIAL STATEMENTS."

The Series 2014B Bond Ordinance requires the Treasurer of the District to deposit into the debt service fund related to the 2014B Bonds on or before the last business day of February of each year Stormwater Management Tax Receipts in an amount so that the sum held in such debt service fund after such deposit shall be sufficient to provide for the punctual payment of the principal and interest on the 2014B Bonds that will become due and payable on and prior to the first day of December next ensuing.

In accordance with the Debt Reform Act, the District has covenanted in the Series 2014B Bond Ordinance to provide for, collect and apply such Stormwater Management Tax Receipts to the payment of the 2014B Bonds and the provision of not less than an additional .25 times the annual debt service on the 2014B Bonds.

Pursuant to the Series 2014B Bond Ordinance, the District may abate the direct annual taxes levied on all taxable real property within the District described above under the caption "– *General*." for any tax levy year to the extent that, at the time of such abatement, moneys than held in the debt service fund for the 2014B Bonds, or otherwise held in trust for the payment of debt service on the 2014B Bonds, together with the amount to be extended for collection taking into account the proposed abatement, will be sufficient to provide for the punctual payment of the principal of and interest on the 2014B Bonds otherwise payable from the levied taxes for such tax levy year.

The 2014B Bonds are the first series of alternate bonds issued by the District secured by and payable from the Stormwater Management Tax Receipts. In the Series 2014B Bond Ordinance, the District reserves the right to issue additional alternate revenue bonds secured by a pledge of the Stormwater Management Tax Receipts on a parity with the 2014B Bonds.

Security for Limited Tax Bonds

The 2014C Bonds and the 2014D Bonds are being issued as "limited bonds" as defined in the Debt Reform Act and are sometimes referred to herein as the "Limited Tax Bonds." Pursuant to the related Bond Ordinances, the full faith and credit of the District has been irrevocably pledged to the punctual payment of the principal of and interest on each Series of Limited Tax Bonds. Each Series of Limited Tax Bonds are direct and general obligations of the District and the District is obligated to levy ad valorem taxes upon all taxable property within the District, without limitation as to rate but limited as to amount by provisions of the Limitation Law, as described more fully below, for the payment of the principal of and interest on each Series of Limited Tax Bonds.

Pursuant to the related Bond Ordinances for each Series of Limited Tax Bonds, the District has levied a direct annual tax on all taxable property within the District, in each year for which any of the Limited Tax Bonds are outstanding in amounts sufficient for the punctual payment of the principal of and interest on the related Series of Limited Tax Bonds as the same shall become payable. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES – Property Tax Extension Limitation Law and Debt Reform Act" and "DEBT INFORMATION – District's Debt Service Extension Base Capacity."

In accordance with the Debt Reform Act, the tax receipts derived from the taxes so levied that are deposited into the debt service fund for the related Series of Limited Tax Bonds, together with any other moneys deposited or to be deposited in such debt service fund, are pledged as security for the payment of the principal of and interest on that Series of Limited Tax Bonds. Such pledge is valid and binding from the date of issuance of the Limited Tax Bonds. All moneys held in such debt service funds, including the tax receipts described above, are immediately subject to the lien of the District's pledge without any physical delivery or further act and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District irrespective of whether such parties have notice thereof. The provisions of the Bond Ordinances for each Series of Limited Tax Bonds, including with respect to the pledge described in this paragraph, constitute a contract between the District and the registered owners of the respective Series of Limited Tax Bonds.

The related Bond Ordinances each provide that after the issuance of that Series of Limited Tax Bonds, the District shall not abate the taxes levied pursuant to that Bond Ordinance or taking any action to restrict the extension and collection of the such taxes except that the District may abate such taxes for any tax levy year to the extent that, at the time of such abatement, moneys in the debt service fund for the related Series of Limited Tax Bonds, or otherwise held in trust for the payment of debt service on the related Series of Limited Tax Bonds, together with the amount to be extended for collection taking into account the proposed abatement, will be sufficient to provide for the punctual payment of the principal of and interest on the related Series of Limited Tax Bonds for such tax levy years.

The amount of ad valorem taxes that may be extended specifically to pay each Series of Limited Tax Bonds is limited as to amount by the Limitation Law. The Limited Tax Bonds are payable from the "debt service extension base" of the District as provided for in the Debt Reform Act. The debt service extension base is defined in the Limitation Law as an amount equal to that portion of the District's extension for the 1994 levy year for the payment of principal of and interest on bonds issued by the District without referendum, but not including: (i) any alternate bonds issued under the Debt Reform Act; and (ii) refunding bonds issued to refund bonds initially issued pursuant to referendum. Under legislation enacted in 1997, the Limitation Law was amended so that the issuance of bonds by the District to construct construction projects initiated before October 1, 1991, including the TARP projects, will not reduce the District's ability to issue limited tax bonds for other major capital projects. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES – Property Tax Extension Limitation Law and Debt Reform Act" and "DEBT INFORMATION – District's Debt Service Extension Base Capacity."

The District's debt service extension base for the 2014 levy year is $156,942,465, an amount that can only be increased in future years as described in the succeeding paragraph or by referendum. The District has covenanted in the Limited Tax Bond Ordinances that it will not issue any bonds, notes or other obligations if such issuance would cause the anticipated tax extension for any tax levy year for limited bonds of the District to exceed the then current debt service extension base of the District. The limitations on the extensions of property taxes contained in the Limitation Law do not apply to the taxes levied by the District (i) to pay the principal of and interest on its outstanding general obligation bonds issued prior to March 1, 1995; (ii) to pay the principal of and interest on bonds issued to refund or continue to refund those bonds issued before March 1, 1995; (iii) to pay the principal of and interest on bonds to finance construction projects initiated prior to October 1, 1991 (consisting primarily of the TARP projects as described in APPENDIX B); or (iv) to pay interest or principal on bonds issued to refund or continue to refund bonds issued after March 1, 1995 that are approved by referendum.

The Limitation Law limits the annual growth in property tax extensions for the District to the lesser of 5% or the percentage increase in the Consumer Price Index for All Urban Consumers during the calendar year preceding the relevant levy year. Generally, extensions can be increased beyond this limitation to reflect added equalized assessed valuation reflecting new construction within the taxing district or pursuant to a referendum approval of tax or limitation rate increases. In addition, the Limitation Law requires the Cook County Clerk, in extending taxes for taxing districts in Cook County (the *"County"*) including the District, to use the EAV (as described and defined below in "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES – Equalization") of all property within the taxing district for the levy for which taxes are then being extended.

Upon the issuance of the Limited Tax Bonds, the District will have remaining capacity under its debt service extension base to issue additional limited bonds. The District anticipates issuing additional limited bonds. Further issuance of limited bonds may result in the use of all or a substantial portion of the District's available debt service extension base.

For additional information, see "DEBT INFORMATION—District's Debt Service Extension Base Capacity" and "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES—Property Tax Extension Limitation Law and Debt Reform Act."

ADDITIONAL FINANCING

Long-Term Capital Needs

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

IEPA Projects

The District is involved in an ongoing program of sewer and treatment plant rehabilitation and expansion projects and stormwater management and flood control projects for which the Illinois Environmental Protection Agency (the *"IEPA"*) has approved partial funding through the State of Illinois Water Pollution Control Revolving Loan Fund (the *"Revolving Loan*

Fund"). Under the terms of the Revolving Loan Fund, the District issues preliminary bonds in the amount of interim project loan advances to pay project costs (the *"IEPA Preliminary Bonds"*). The IEPA Preliminary Bonds are funded at project completion by the issuance to the IEPA of general obligation bonds having twenty year final maturities (*"Capital Improvement Bonds"*). Once repayment begins, the bonds amortize over the repayment period with level semi-annual payments of principal and interest. Since its inception, the District has issued IEPA Preliminary Bonds and general obligation bonds pursuant to various authorizations. See also "DEBT INFORMATION – Combined Schedule of Bonds Issued and Outstanding." Currently, the District has remaining authorization for Capital Improvement Bonds as set forth on the following table:

SERIES	ORIGINAL AUTHORIZATION	REMAINING AUTHORIZED AMOUNT
2012 IEPA Series	$300,000,000	$ 10,000,000
2014 IEPA Series	425,000,000	341,400,000
TOTAL		$351,400,000

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

METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO

The District

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

The mission of the District is to protect the health and safety of the public in its service area, protect the quality of the water supply source (Lake Michigan), improve the quality of water in watercourses in its service area, protect businesses and homes from flood damages, and manage water as a vital resource for its service area.

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

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

Services

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

As of October 14, 2014, the District served a population of 10.35 million people; this included domestic wastewater from approximately 5.25 million people, a commercial and industrial equivalent of 4.5 million people, and a combined sewer overflow of 0.6 million people. The District serves an area of 884 square miles which includes the City of Chicago and 125 suburban communities. The District's 560 miles of intercepting sewers and force mains range in size from 6 inches to 27 feet in diameter, and are fed by approximately 10,000 local sewer system connections.

The District's TARP is one of the country's largest public works projects for pollution and flood control. One hundred nine (109) miles of tunnels, 8 to 33 feet in diameter and 150 to 300 feet underground, have been constructed and are in operation.

The District owns and operates one of the world's largest water reclamation plants, in addition to six other plants and 22 pumping stations. The District treats an average of 1.3 billion gallons of wastewater each day. The District's total wastewater treatment capacity is over 2.0 billion gallons per day.

The District controls approximately 76 miles of navigable waterways, which are part of a national system connecting the Atlantic Ocean and the Great Lakes with the Gulf of Mexico. The District also owns and operates 35 stormwater detention reservoirs to provide regional stormwater flood damage reduction.

Labor

Approximately 769 of the District's 1,961 employees are represented by 16 different unions. These unions comprise six different bargaining units. The District and the unions representing its employees have enjoyed a long tradition of amicable and professional relations. Multi-year collective bargaining agreements were negotiated with all unions in 2014 and were ratified by the Board of Commissioners on November 20, 2014. Each of these collective bargaining agreements expire on June 30, 2017.

Administration

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

Effective November 30, 2014, after approximately 26 years of District service, President Kathleen T. Meany retired as President of the Board and as Commissioner. As authorized by statute, the District's Board of Commissioners adopted rules providing that during the period between the vacancy in the office of President and the election to fill said vacancy, the Vice President, who is currently Barbara J. McGowan, shall serve as Acting President. Effective December 2, 2014, the three recently elected Commissioners began their terms of office, with current Commissioners Frank Avila and Cynthia M. Santos returning to office and a new Board member, Timothy Bradford, filling the vacancy created by the retirement of President Meany. As further provided for by statute and District Rules, at the regularly scheduled meeting of January 2015 following the induction of new commissioners, the Board shall elect from its own members a president, a vice-president to serve in the absence of the president, and the chairman of the committee of finance.

THE CURRENT COMMISSIONERS ARE:

BOARD OF COMMISSIONERS	YEAR FIRST ELECTED	TERM EXPIRES
Barbara J. McGowan, Acting President	1998	2016
Mariyana T. Spyropoulos, Chairman, Committee on Finance	2009*	2016
Michael A. Alvarez	2010	2016
Frank Avila	2002	2020
Timothy Bradford	2014	2020
Cynthia M. Santos	1996	2020
Debra Shore	2006	2018
Kari K. Steele	2012	2018
Patrick D. Thompson	2012	2018

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

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

Mr. David St. Pierre was appointed Executive Director of the District by the Board on June 16, 2011. Mr. St. Pierre has more than 29 years of experience working in the water and wastewater industries in various cities throughout the United States, is a registered Professional Engineer and holds a Bachelor of Science degree in Electrical Engineering from Southern Illinois University.

Ms. Mary Ann Boyle was appointed Treasurer of the District by the Board on March 3, 2011. Ms. Boyle served as the District's Assistant Treasurer for 6.5 years prior to assuming her current position. Ms. Boyle has over 29 years experience in various finance and accounting roles, holds a B.S. in Accountancy from the University of Illinois at Urbana-Champaign, and is a Certified Public Accountant by the State of Illinois.

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

OTHER PRINCIPAL OFFICERS	TITLE	DEPARTMENT
Catherine A. O'Connor, Ph.D.	Director of Engineering	Engineering
Manju Prakash Sharma	Director of Maintenance and Operations	Maintenance and Operations
Thomas Granato, Ph.D.	Director of Monitoring and Research	Monitoring and Research
Ronald M. Hill	General Counsel	Law
Denice E. Korcal	Director of Human Resources	Human Resources
Darlene A. LoCascio	Director of Procurement and Materials Management	Procurement and Materials Management
Ellen Barry	Acting Director of Information Technology	Information Technology
Jacqueline Torres	Clerk/Director of Finance	Finance
Allison Fore	Public and Intergovernmental Affairs Officer	General Administration

The departments have responsibility for the following activities:

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

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

Monitoring and Research Department – This department conducts ongoing research in wastewater treatment, stormwater management, solids utilization and related fields; monitors water reclamation plant operations, effluent quality and solids utilization for compliance with federal and state permits; monitors water quality of the Chicago area waterways, Illinois waterways and Lake Michigan for compliance with federal and state water quality standards; monitors groundwater in vicinity of TARP tunnels and reservoirs for environmental impacts; facilitates long term process facility capital planning and conducts planning project studies; and administers the Sewage and Waste Control Ordinance and User Charge Ordinance for compliance with the requirements of the Clean Water Act Amendments of 1977 and regulations of the USEPA.

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

Human Resources Department – This department is responsible for providing effective human resources management programs including: recruitment and selection, employee training and development, compensation and benefits, labor and employee relations, risk management and safety.

In 2013, the District purchased insurance policies that provide funding for catastrophic level losses. The coverage includes property coverage for $10.1 billion in District assets, excess liability coverage for third-party legal liability issues and excess workers' compensation coverage.

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

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

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

General Administration – This organizational unit includes the Office of the Executive Director, the Administrative Services Division, and Diversity and Public Affairs Sections. The Office of the Executive Director has overall administrative responsibility for the entire District. The Administrative Services Division provides centralized support services across departmental lines, such as central budget preparation and administration, fiscal planning, and organizational studies police services and Main Office Complex building administration. The Diversity Section administers the Affirmative Action ordinance to provide opportunities for protected class enterprises in the District purchasing process. The Public Affairs Section provides public and employee understanding of District functions and activities using a variety of tools, including electronic and print media, public outreach campaigns, social media postings, tours, events, and employee newsletters.

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

RECENT FINANCIAL INFORMATION

The Board adopted the 2014 Budget on December 12, 2013 and made amendments on December 19, 2013. The operation, maintenance, and investment in the District's infrastructure, and other essential services continue to receive primary focus, while some discretionary activities and non-essential services are being reduced. The District's 2014 tax levy of $540,255,741 represents a 4.8% increase from the 2013 levy as adjusted. The 2014 Budget includes $459.3 million in appropriations for the General Corporate Fund, an increase of $13.7 million or 3.1% from the 2013 budget. The District's budget for the fiscal year 2014 is available online at the District's website at www.mwrd.org, but the content of such website is not incorporated into this Official Statement by reference.

Local property taxes account for 75.1% of the 2014 estimated revenues for the General Corporate Fund, which is a decrease in percentage from the 2013 actual levels at 75.8%. The next largest revenue category, User Charges, account for 15.4% of the 2014 estimated revenues for the General Corporate Fund, which is an estimated decrease of .2% from the 2013 actual levels at 15.2%. The current General Corporate Fund 2014 estimated revenues of $319.7 million exceed the final budget estimates of $299 million, primarily due to increased user charge collections and PPRT collections. The current general Corporate Fund 2014 estimated expenditures of $381.5 million are higher than the final budget estimates of $368.6 million, primarily due to the District's effort to decrease expenses from the reduction of non-essential services offset by $44.7 million in claims paid. The General Corporate Fund does not receive any regular funding from the State of Illinois.

The information presented below with respect to 2014 estimated results is derived from the Proposed 2015 Budget for fiscal year 2015. For information concerning the budgetary approval process, please see "BUDGETARY PROCEDURES – Budgetary Process" below.

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General Corporate Fund Statement of Revenues, Expenditures and Changes

(amounts in thousands)

	2010 Actual Amounts	2011 Actual Amounts	2012 Actual Amounts	2013 Actual Amounts	2014 Estimated Amounts	2014 Percent of Total
Revenues:						
Property taxes	$ 234,741	$ 241,997	$ 232,105	$ 222,667	$ 218,807	68.4%
Personal property replacement tax	20,896	25,950	29,244	23,831	25,534	8.0%
Total tax revenue	255,637	267,947	261,349	246,498	244,341	
Tax Adjustments	5,052	(7,121)	(3,199)	20,401	(4,358)	
Tax revenue available for current operation	260,689	260,826	258,150	266,899	239,983	75.1%
Interest on investments	1,816	3,188	3,362	3,485	2,100	0.7%
Land sales	3,039	2,320	0	2,575	8	0.0%
Tax increment financing distributions	2,650	16,959	6,331	3,313	4,930	1.5%
Miscellaneous	4,033	6,304	6,834	6,093	8,102	2.5%
User charges	48,367	48,314	77,638	53,502	49,363	15.4%
Land rentals	9,842	12,399	12,831	14,930	15,214	4.8%
Claims and damage settlements	690	1,299	26	1,093	0	0.0%
Fees, forfeits and penalties	1,192	492	24	0	0	0.0%
Total revenues	$ 332,318	$ 352,101	$ 365,196	$ 351,890	$ 319,700	100.0%
Expenditures by Department:						
Board of Commissioners	$ 3,627	$ 3,344	$ 3,463	$ 3,514	3,914	1.0%
General Administration	15,393	14,326	13,887	44,086	14,196	3.7%
Monitoring and Research	27,891	24,482	23,933	24,573	26,076	6.8%
Procurement and Materials Management	8,416	7,970	7,838	8,064	8,341	2.2%
Human Resources	46,915	47,695	63,078	67,832	72,319	19.0%
Information Technology	15,821	13,603	13,205	13,982	15,291	4.0%
Law	8,153	7,165	5,933	6,986	6,895	1.8%
Finance	3,201	2,965	3,171	3,392	3,338	0.9%
Engineering	5,389	2,981	3,706	23,987	23,804	6.2%
Maintenance and Operations	189,376	176,213	159,459	160,421	163,463	42.8%
Claims and judgments	6,728	6,923	5,998	4,976	43,875	11.5%
Total expenditures	$ 330,910	$ 307,667	$ 303,671	$ 361,813	$ 381,512	100.0%
Revenues over (under) expenditures	1,408	44,434	61,525	(9,923)	(61,812)	
Revenues and other financing sources (uses)						
Transfers	0	8,000	0	0	0	
Fund balances at beginning of the year as adjusted	103,756	133,947	194,389	257,127	247,204	
Fund balances at end of year	$ 105,164	$ 186,381	$ 255,914	$ 247,204	$ 185,392	
Expenditures by Type						
Total all departments:						
Personal services	$ 206,056	$ 194,460	$ 203,624	$ 233,698	$ 238,813	62.6%
Contractual services	95,655	87,678	75,177	75,563	79,858	20.9%
Materials and supplies	19,405	16,806	17,276	16,123	17,476	4.6%
Machinery and equipment	2,554	1,255	1,013	797	722	0.2%
Land	0	0	0	0	0	0.0%
Fixed and other charges	512	545	583	30,656	768	0.2%
Total Corporate Division	324,182	300,744	297,673	356,837	337,637	88.5%
Total Reserve Claim Division	6,728	6,923	5,998	4,976	43,875	11.5%
Total Expenditures General Corporate Fund	$ 330,910	$ 307,667	$ 303,671	$ 361,813	$ 381,512	100.0%

Source: Amounts are presented on a budgetary basis. The actual results were obtained from Exhibit A-3 of the District's Basic Financial Statements (2013 is attached herein as APPENDIX A). The 2014 estimated amounts are based on the Proposed 2015 Budget (as defined below in "BUDGETARY PROCEDURES – Budgetary Process").

GENERAL CORPORATE FUND BALANCE

The year end 2013 balance was $335.1 million or 101% of corporate expenditures, and the year end 2014 balance is estimated to be $285.0 million or 83% of estimated corporate expenditures. This level of fund balance should ensure the District's ability to maintain all operations even in the event of unanticipated revenue shortfalls, and provide time to adjust budget and operations.

General Corporate Fund Balance(1)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**(2)
Year End Balance (on GAAP Basis)	$210.7	$204.8	$285.1	$364.5	$335.1	$285.0

(1) The General Corporate Fund Balance is made up of the Corporate, Reserve Claim, and Working Cash Funds and is presented on a GAAP basis of accounting. See Exhibit A-1 of the District's Basic Financial Statements attached hereto as Appendix A.
(2) Estimated 2014 Year End Balance.

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DEBT INFORMATION
(UNAUDITED)

The following tables set forth direct and overlapping debt applicable to the District as of December 15, 2014, adjusted to include the Bonds.

Direct Debt

	Amount
IEPA Preliminary Bonds	$55,237,500
General Obligation Bonds Outstanding (includes IEPA Final Bonds) [1]	2,422,619,005
Less: Prior Limited Tax Bonds	(76,050,000)
Plus: 2014A Bonds and 2014C Bonds	175,000,000
Alternate Bonds[2]	50,000,000
2014D Bonds	70,805,000
Total for the Bonds	295,805,000
Total Direct Debt	$2,697,611,505

(1) Includes the Prior Limited Tax Bonds to be refunded by the 2014D Bonds.
(2) Includes only the 2014B Bonds.

Estimated Overlapping Bonded Debt[1]

	BONDED DEBT[2]	PERCENT APPLICABLE[3]	AMOUNT APPLICABLE
City of Chicago	$8,365,916,000	100%	$ 8,365,916,000
City Colleges (District 508) [4]	250,000,000	100%	250,000,000
Chicago Board of Education[4][5]	6,038,973,345	100%	6,038,973,345
Chicago Park District[4]	844,460,000	100%	844,460,000
Cook County	3,578,276,750	97.96%	3,505,279,904
Cook County Forest Preserve District	174,050,000	97.96%	170,499,380
Total Overlapping Debt			$ 19,175,128,629
Total Direct and Overlapping Debt			$ 21,872,740,134
Population (2013 Estimate)[6]			5,240,700
Equalized Assessed Valuation (2013)[3]			$123,419,543,828
Estimated Fair Market Value (2012)[7]			$414,382,389,242

(1) Excludes outstanding tax anticipation notes and warrants. Except as stated, does not include debt issued by other taxing authorities located in Cook County.
(2) Source: Each of the respective taxing districts, current as of December 1, 2014.
(3) Based on 2013 Equalized Assessed Valuations, which are the most recent available.
(4) Includes approximately $250 million, $5.82 billion, and $344 million of general obligation bonds of the City Colleges (District 508), Chicago Board of Education and the Chicago Park District, respectively, issued as "alternate revenue" bonds secured by alternate revenue sources. An ad valorem property tax levy is filed in an amount sufficient to pay debt service on the alternate revenue bonds. When sufficient revenues have accumulated to pay annual debt service on the alternate revenue bonds, the property tax levy is abated. To date, alternate revenues have been available in amounts sufficient to pay principal and interest coming due on the alternate revenue bonds issued by the Chicago Board of Education and the Chicago Park District.
(5) Includes approximately $218.6 million debt of The Public Building Commission of Chicago.
(6) Source of data: U.S. Census Estimate.
(7) Source of data: The Civic Federation, Chicago, Illinois (based upon information from the Illinois Department of Revenue).

Selected Debt Ratios

	Per Capita[1]	% of Equalized Assessed Value[2]	% of Estimated Full Value[3]
Direct Debt	$ 514.74	2.19%	0.65%
Total Direct and Overlapping Debt[4]........	$4,173.63	17.72%	5.28%

(1) 2013 Estimated Cook County Population: 5,240,700 (source of data: U.S. Census Estimate).
(2) 2013 Equalized Assessed Value: $123,419,543,828.
(3) 2012 Estimated Full Value: $414,382,389,242.
(4) Does not include debt issued by other taxing authorities located in Cook County which are not also included under table entitled "Estimated Overlapping Bonded Debt" above.

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General Outstanding Bonded Debt Schedule (unaudited)
(As of December 15, 2014, adjusted to include the Bonds)

Series	Principal Outstanding
Capital Improvement Bonds	
July, 2006 Limited [(1)]	$ 23,510,000
August, 2009 Limited	600,000,000
July, 2011 Limited A	9,505,000
July, 2011 Limited B	270,000,000
July, 2011 Unlimited C	77,080,000
2014 Unlimited A	100,000,000
2014 Unlimited Alternate Revenue B	50,000,000
2014 Limited C	75,000,000
IEPA Revolving Loan Fund Bonds [(2)]	605,824,005
Total Capital Improvement and IEPA Revolving Loan Fund Bonds	1,810,919,005
Refunding Bonds	
May, 2006 Unlimited	346,600,000
May, 2006 Limited	50,790,000
March, 2007 Unlimited A	169,555,000
March, 2007 Unlimited B	91,845,000
March, 2007 Limited C	101,860,000
2014 Limited D	70,805,000
Total Refunding Bonds	831,455,000
Total General Obligation Bonds Outstanding	$ 2,642,374,005

(1) Principal Outstanding amount reflects the refunding of the Prior Limited Tax Bonds.
(2) Excludes $55,237,500 of Preliminary Bond Principal and Interest outstanding under the IEPA Revolving Loan Fund Program

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General Obligation Bonded Debt Service Schedule(1)

(As of December 15, 2014, adjusted to include the Bonds)

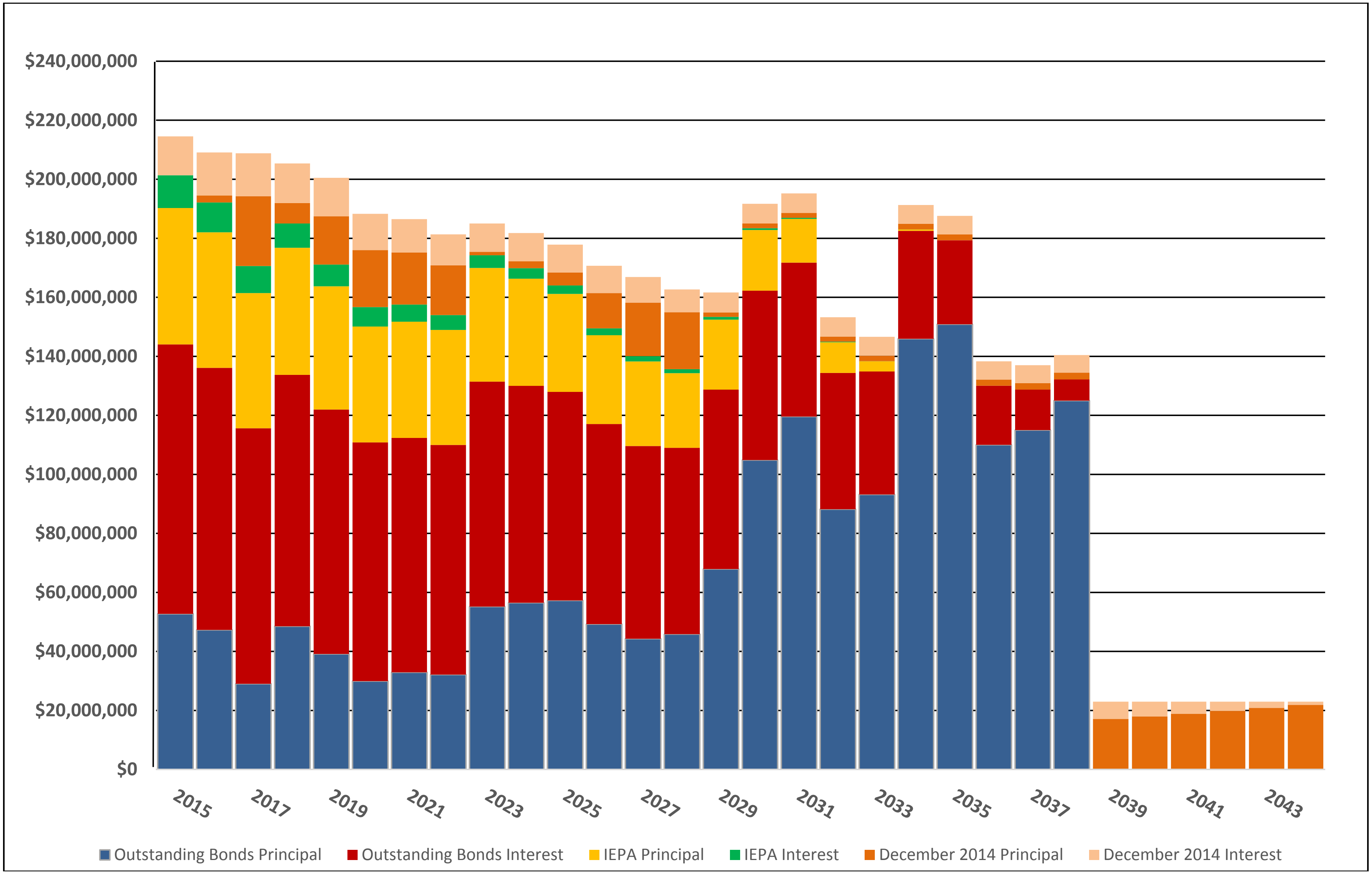
YEAR	BONDS OUTSTANDING (2)			THE BONDS			TOTAL			% PRINCIPAL RETIRED	
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	ANNUAL	CUMULATIVE
2015	$98,973,265	$102,371,980	$201,345,245	-	$13,180,556	$13,180,556	$98,973,265	$115,552,536	$214,525,801	3.7%	3.7%
2016	93,232,321	98,905,883	192,138,203	$2,350,000	14,600,000	16,950,000	95,582,321	113,505,883	209,088,203	3.6%	7.4%
2017	74,841,962	95,760,894	170,602,857	23,665,000	14,553,000	38,218,000	98,506,962	110,313,894	208,820,857	3.7%	11.1%
2018	91,543,665	93,471,416	185,015,081	6,940,000	13,397,800	20,337,800	98,483,665	106,869,216	205,352,881	3.7%	14.8%
2019	80,881,352	90,223,823	171,105,175	16,330,000	13,069,900	29,399,900	97,211,352	103,293,723	200,505,075	3.7%	18.5%
2020	69,216,401	87,471,345	156,687,746	19,335,000	12,273,100	31,608,100	88,551,401	99,744,445	188,295,846	3.4%	21.8%
2021	72,338,122	85,214,655	157,552,777	17,620,000	11,326,650	28,946,650	89,958,122	96,541,305	186,499,427	3.4%	25.3%
2022	71,109,568	82,876,109	153,985,677	16,880,000	10,456,100	27,336,100	87,989,568	93,332,209	181,321,777	3.3%	28.6%
2023	93,723,575	80,535,659	174,259,234	1,130,000	9,622,950	10,752,950	94,853,575	90,158,609	185,012,184	3.6%	32.2%
2024	92,830,528	77,036,572	169,867,100	2,330,000	9,577,750	11,907,750	95,160,528	86,614,322	181,774,850	3.6%	35.8%
2025	90,469,724	73,551,466	164,021,190	4,370,000	9,461,250	13,831,250	94,839,724	83,012,716	177,852,440	3.6%	39.4%
2026	79,372,785	70,101,949	149,474,734	11,960,000	9,242,750	21,202,750	91,332,785	79,344,699	170,677,484	3.5%	42.8%
2027	72,924,378	67,130,707	140,055,085	18,165,000	8,644,750	26,809,750	91,089,378	75,775,457	166,864,835	3.4%	46.3%
2028	71,198,542	64,454,055	135,652,597	19,290,000	7,736,500	27,026,500	90,488,542	72,190,555	162,679,097	3.4%	49.7%
2029	91,612,460	61,764,026	153,376,485	1,500,000	6,772,000	8,272,000	93,112,460	68,536,026	161,648,485	3.5%	53.2%
2030	125,402,179	58,033,401	183,435,580	1,575,000	6,697,000	8,272,000	126,977,179	64,730,401	191,707,580	4.8%	58.0%
2031	134,387,192	52,547,889	186,935,082	1,650,000	6,618,250	8,268,250	136,037,192	59,166,139	195,203,332	5.1%	63.2%
2032	98,576,468	46,399,635	144,976,102	1,735,000	6,535,750	8,270,750	100,311,468	52,935,385	153,246,852	3.8%	67.0%
2033	96,617,769	41,733,079	138,350,848	1,820,000	6,449,000	8,269,000	98,437,769	48,182,079	146,619,848	3.7%	70.7%
2034	146,436,751	36,573,276	183,010,027	1,910,000	6,358,000	8,268,000	148,346,751	42,931,276	191,278,027	5.6%	76.3%
2035	150,880,000	28,434,700	179,314,700	2,005,000	6,262,500	8,267,500	152,885,000	34,697,200	187,582,200	5.8%	82.1%
2036	110,000,000	20,020,000	130,020,000	2,110,000	6,162,250	8,272,250	112,110,000	26,182,250	138,292,250	4.2%	86.3%
2037	115,000,000	13,728,000	128,728,000	2,215,000	6,056,750	8,271,750	117,215,000	19,784,750	136,999,750	4.4%	90.8%
2038	125,000,000	7,150,000	132,150,000	2,325,000	5,946,000	8,271,000	127,325,000	13,096,000	140,421,000	4.8%	95.6%
2039	-	-	-	17,140,000	5,829,750	22,969,750	17,140,000	5,829,750	22,969,750	0.6%	96.2%
2040	-	-	-	17,995,000	4,972,750	22,967,750	17,995,000	4,972,750	22,967,750	0.7%	96.9%
2041	-	-	-	18,900,000	4,073,000	22,973,000	18,900,000	4,073,000	22,973,000	0.7%	97.6%
2042	-	-	-	19,845,000	3,128,000	22,973,000	19,845,000	3,128,000	22,973,000	0.8%	98.4%
2043	-	-	-	20,835,000	2,135,750	22,970,750	20,835,000	2,135,750	22,970,750	0.8%	99.2%
2044	-	-	-	21,880,000	1,094,000	22,974,000	21,880,000	1,094,000	22,974,000	0.8%	100.0%
	$2,346,569,005	**$1,535,490,520**	**$3,882,059,525**	**$295,805,000**	**$242,233,806**	**$538,038,806**	**$2,642,374,005**	**$1,777,724,326**	**$4,420,098,330**	**100%**	

(1) Unaudited.
(2) Reflects outstanding debt net of refunded July 2006 Bonds. Excludes $55,237,500 of Preliminary Bond Principal and Interest outstanding under the IEPA Revolving Loan Fund Program.

District General Obligation Bonded Debt Service

(Includes IEPA Debt)

As of December 15, 2014, adjusted to include the Bonds



District's Debt Service Extension Base Capacity (Unaudited)

(As of December 15, 2014, adjusted to include the Bonds)

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

Tax Levy Year	Levy for Outstanding Limited Tax Bonds (1) (2)	Aggregate Levy for the 2014C and 2014D Bonds	Total Applicable Debt Service Levy	Debt Service Extension Base(3)	Remaining Capacity
2014	$ 103,882,869	$ 6,542,747	$ 110,425,616	$ 156,942,465	$ 46,516,849
2015	103,885,934	8,677,350	112,563,284	156,942,465	44,379,181
2016	92,461,378	29,948,750	122,410,128	156,942,465	34,532,337
2017	112,895,628	12,067,250	124,962,878	156,942,465	31,979,587
2018	100,837,878	21,128,000	121,965,878	156,942,465	34,976,587
2019	91,225,878	23,335,750	114,561,628	156,942,465	42,380,837
2020	93,074,128	20,674,750	113,748,878	156,942,465	43,193,587
2021	90,707,628	19,066,000	109,773,628	156,942,465	47,168,837
2022	106,094,784	2,481,250	108,576,034	156,942,465	48,366,431
2023	104,758,034	3,636,250	108,394,284	156,942,465	48,548,181
2024	102,844,784	5,558,500	108,403,284	156,942,465	48,539,181
2025	92,027,797	12,931,750	104,959,547	156,942,465	51,982,918
2026	82,511,453	18,538,500	101,049,953	156,942,465	55,892,512
2027	79,863,662	18,758,250	98,621,912	156,942,465	58,320,553
2028	86,200,220	-	86,200,220	156,942,465	70,742,245
2029	116,138,466	-	116,138,466	156,942,465	40,803,999
2030	107,828,461	-	107,828,461	156,942,465	49,114,004
2031	136,992,642	-	136,992,642	156,942,465	19,949,823
2032	131,841,904	-	131,841,904	156,942,465	25,100,561
2033	131,746,000	-	131,746,000	156,942,465	25,196,465
2034	131,026,000	-	131,026,000	156,942,465	25,916,465
2035	130,020,000	-	130,020,000	156,942,465	26,922,465
2036	128,728,000	-	128,728,000	156,942,465	28,214,465
2037	132,150,000	-	132,150,000	156,942,465	24,792,465
2038	-	-	-	156,942,465	156,942,465
2039	-	-	-	156,942,465	156,942,465
2040	-	-	-	156,942,465	156,942,465
2041	-	-	-	156,942,465	156,942,465
2042	-	-	-	156,942,465	156,942,465
2043	-	-	-	156,942,465	156,942,465

(1) Includes Capital Improvement Bonds Series of July 2006 (net of refunding), Series of August 2009, and Series A & B of July 2011, Refunding Bonds Series C of May 2006, and Series C of March 2007; IEPA Series 04A, 04B, 04C, 04D, 04E, 04F, 04G, 04H, 07A, 07B, 07C, 07D, 09A,09B, 09C, 09D, 09E, 09F, 09G, 09H, 09I, 12A, and 12B.

(2) Excludes $55,237,500 of Preliminary Bond Principal and Interest outstanding under the IEPA Revolving Loan Fund Program.

(3) Debt Service Extension Base and Remaining Capacity are for the 2014 levy year; as described in "SECURITY FOR THE BONDS," the Debt Service Extension Base is increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index.

Capital Lease

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

The cost of the biosolids processing facility is considered a capital lease since it will become the property of the District at the end of the contract. The District also has an option to purchase the facility at the end of the fifth, tenth, and fifteenth year of operation for the remaining principal portion of the debt. Total payments for the capital lease are estimated at $83 million for the full term of the contract, which will be paid from the Capital Improvements Bond Fund. As of December 2, 2014, the future minimum lease payments are approximately $4.4 million for each of the years 2015-2029. The contract expires 20 years from the date of commercial operation, which was declared in July 2010. Under Illinois law the capital lease constitutes indebtedness includible within the District's 5.75% general debt limit, but is not includible in the District's 3.35% non-referendum bonded debt limit.

Debt Limits and Borrowing Authority

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

Corporate Fund: To defray current operating expenses, the District may fund up to 100% of the aggregate total of the estimated amount of taxes levied or to be levied for corporate purposes plus the Corporate Fund portion of the Personal Property Replacement Tax allocation certified for distribution during the budget year through borrowing from the Corporate Working Cash Fund and issuance of tax anticipation notes or warrants.

Corporate Working Cash Fund: The fund may be used solely for the financing of Corporate Fund operations. The amount of non-referendum Corporate Working Cash Fund Bonds, which when added to (a) proceeds from the sale of Working Cash Fund bonds previously issued, (b) any amounts collected from the Corporate Working Cash Fund levy, and (c) amounts transferred from the Construction Working Cash Fund, may not exceed 90% of the amount produced by multiplying the maximum general corporate tax rate permitted by the last known equalized assessed valuation of all property in the District at the time the bonds are issued, plus 90% of the District's last known entitlement of the Personal Property Replacement Tax. At December 31, 2013, the District's remaining Corporate Working Cash Fund bond authorization is $235,500,000.

Construction Fund: The Illinois General Assembly has adopted legislation allowing the District to levy property taxes to fund construction of District facilities. In anticipation of the collection of such taxes, the District may issue tax anticipation notes or warrants in a total amount not to exceed 85% of its Construction Fund levy. In any tax year, the Construction Fund may borrow through the issuance of its tax anticipation notes or warrants plus loans from the Construction Working Cash Fund up to the aggregate total of 100% of its estimated or actual extended tax levy plus 100% of the Construction Fund allocation of the estimated Personal Property Replacement Tax distribution to be received in that tax year.

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

Capital Improvement Bonds: The maximum amount of non-referendum Capital Improvement Bonds which may be outstanding at any one time is 3.35% of the last known equalized assessed valuation of taxable property within the District. The Act authorizes the District to issue Capital Improvement Bonds through December 31, 2024. At December 31, 2013, the District's outstanding capital improvement and refunding bonds of $1,857,730,000 did not exceed the limitation of $4,468,832,845.

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

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

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

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

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

Calculation of Statutory Debt Margin
(amounts in thousands)

	December 31, 2013	2012	2011	2010	2009
Equalized Assessed Valuation	$ 123,419,544	$ 133,397,995	$ 149,048,493	$166,918,066	$ 174,467,643
Statutory Debt Limit[(1)]	7,096,624	7,670,385	8,570,288	9,597,789	10,031,889
Calculation of Debt Applicable to Debt Limit:					
Principal Amount of Bonds Outstanding	2,481,973	2,515,375	2,466,464	1,961,974	1,979,203
Bond Anticipation Notes[(2)]	35,809	44,527	108,008	196,225	86,286
Capital lease	47,795	49,837	51,784	53,688	-
Liabilities of Tax Financed Funds	36,861	37,744	40,226	50,019	50,924
Total Debt	2,602,438	2,647,483	2,666,482	2,261,906	2,116,413
Less: applicable assets:					
Debt Service Funds Cash and Investments	98,006	105,285	114,344	88,710	88,849
Interest Payable in the Next 12 Months	(107,868)	(109,300)	(116,410)	(92,619)	(59,873)
Total Applicable Assets	(9,862)	(4,015)	(2,066)	(3,909)	28,976
Net Debt Applicable to Debt Limit	2,612,300	2,651,498	2,668,548	2,265,815	2,087,437
Statutory Debt Margin	$ 4,484,324	$ 5,018,887	$ 5,901,740	$ 7,331,974	$ 7,944,452

(1) 5.75% of equalized assessed valuation.
(2) Consists of IEPA Preliminary Bonds.

CASH MANAGEMENT

Corporate Working Cash Fund

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

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

Debt Service Funds

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

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

Investment of District Funds

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

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

The District may invest funds in any of these categories over time, depending on their competitive interest rate structures. All certificates of deposit or time deposits are required to be collateralized with securities of the U.S. Government or letters of credit issued by the Federal Home Loan Bank in an amount equal to 105% or 102%, respectively, of the funds on deposit. All investment collateral is held in safekeeping in the District's name by financial institutions acting as the District's agent. Collateral is priced to market semi-monthly and monitored regularly with additional collateral requested as necessary.

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

FINANCIAL OPERATIONS - ACCOUNTING POLICIES

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

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

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

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

The District uses the modified approach to report its infrastructure assets, with the exception of the District's TARP deep tunnels and drop shafts, main office buildings and certain intangible assets (as defined in GASB 51) which are depreciated. The District has implemented all applicable Governmental Accounting Standards Board (GASB) Statements through Statement No. 65.

RETIREMENT FUND

General

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

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

As of December 31, 2013, the end of the Retirement Fund's fiscal year, the Retirement Fund had a total membership of 4,310, consisting of 1,858 active employees, 2,329 retirees and beneficiaries currently receiving benefits, and 123 inactive employees entitled to benefits or a refund of contributions.

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

To fund the benefits to be paid by the Retirement Fund, both employees and the District make contributions. Generally, employees contribute a fixed percentage of their annual salary and the District contributes an amount levied annually in accordance with a formula set forth in the Pension Code that, when combined with the projected investment earnings on plan assets, is sufficient to pay the benefits under the pension plan. See "Determination of Employer Contributions" below. District employees were required to contribute 9.0% of their salary to the Retirement Fund through the last pay period in 2012. With the passage of PA 97-0894, contributions from employees in service prior to January 1, 2011 increased by 1% per year beginning in 2013 to 12% in 2015. The District's contribution amount is determined pursuant to the Pension Code, which provides that the District's contributions are to be paid from a separate and distinct levy of taxes. Effective with the 2013 fiscal year, the amount of such levy increased to the lesser of 4.19 times employee contributions in the second year prior or the "Actuarially Determined Contribution." The Pension Code defines "Actuarially Determined Contribution" as the amount equal to the employer's normal cost plus the annual amount needed to amortize the unfunded liability by the year 2050 as a level percent of payroll. See "DETERMINATION OF EMPLOYER CONTRIBUTIONS – Calculation of Employer Contributions to the Retirement Fund Under the Pension Code."

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

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

Retirement Fund" (the *"Actuary's Report"*). Table 1 provides information on the investment returns experienced by the Retirement Fund for the period 2004 through 2013.

Table 1 - Investment Rates of Return, 2004-2013[(1)]

YEAR	INVESTMENT RETURN[(2)]
2004	9.4%
2005	4.9%
2006	9.6%
2007	5.4%
2008	-25.6%
2009	23.1%
2010	15.9%
2011	-0.3%
2012	11.9%
2013	21.7%
5-YR. RETURN[(3)]	14.1%
10-YR RETURN[(3)]	6.7%

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

Determination of Employer Contributions

Actuaries and the Actuarial Process

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

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The Actuarial Valuation

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

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

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

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

The actuary uses the Actuarial Accrued Liability, the Actuarial Value of Assets, the UAAL and the Normal Cost to compute the Actuarially Required Contribution. However, with respect to the Retirement Fund, the District's ability to contribute the Actuarially Required Contribution in any given fiscal year is limited by the Pension Code. The Pension Code provides that District contributions to the Retirement Fund are to be made from the proceeds of an annual

† GASB (as hereinafter defined) pronouncements refer to this concept as the Annual Required Contribution (employer normal cost plus 30-year amortization of the UAAL). For the convenience of the reader, this disclosure refers to the concept as the Actuarially Required Contribution to denote the fact that the Actuarially Required Contribution is the amount an actuary would require the District to contribute in a given year, to differentiate it from the amount the District will be permitted to contribute under applicable law.

levy of taxes (the *"Pension Levy"*) by the District for such purpose. The Pension Levy is levied solely for the purpose of contributing to the Retirement Fund, and such levy is separate and distinct from all other taxes levied by the District. Effective with fiscal year 2013, the amount of the Pension Levy may not exceed 4.19 times (the *"Multiplier"*) the amount contributed by the District's employees two years prior to the year in which the tax is levied (the *"Contribution Limitation"*) and may not be less than the Actuarially Determined Contribution Requirement. Prior to the 2013 fiscal year, the Pension Levy Multiplier could not exceed 2.19† times employee contributions two years prior.

On October 2, 2014, the District approved a Funding Policy with a funding goal to contribute annually to the Retirement Fund an amount that over time will increase the ratio of Fund assets to accrued liability to 100% by the year 2050. The Funding Policy, which was developed in conjunction with the Retirement Fund, was designed to better provide for the long-term financial health of the Retirement Fund while balancing the interests of employees, retirees, taxpayers and the District. The Funding Policy establishes maximum contribution amounts equal to the maximum contribution allowed by the Pension Code and minimum contribution levels that are intended to exceed the minimum contribution required by the Pension Code. The following chart shows an example projection for the next 10 years prepared by the District of the minimum District contributions required by the Pension Code, the minimum District contributions described in the Funding Policy, the maximum District contributions described in the Funding Policy and the Actuarially Required Contributions for each year.

Table 2 - Projection of Employer Contribution Under District's Funding Policy (Millions of Dollars)

Year	Minimum Contribution Amount Under Pension Code	Minimum Contribution Amount Under Funding Policy	Maximum Contribution Amount Under Funding Policy	Actuarially Required Contribution
2014	$ 61.7	$ 73.7	$ 73.7	$ 69.9
2015	62.6	70.8	70.8	67.3
2016	63.2	67.4	77.3	67.2
2017	62.5	74.3	85.3	65.8
2018	62.3	75.9	87.1	64.8
2019	63.4	77.7	89.1	65.1
2020	64.4	79.2	90.9	65.3
2021	65.5	80.7	92.7	65.5
2022	66.5	82.3	94.5	65.5
2023	67.5	83.8	96.2	65.4
Total	$ 639.6	$ 765.8	$ 857.6	$ 661.8

Notes:
(1) 2014 and 2015 policy contribution amounts reflect 2014 actual contributions and 2015 budgeted contribution at the statutory maximum contribution amount.
(2) Funding policy employer multiple is 3.65 for the minimum policy contribution amount and 4.19 for the statutory maximum contribution amount.
(3) Amounts as of the 2013 actuarial valuation date.

The projections shown in the chart above are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events. No assurance can

† For the years 2004 through 2007, the Multiplier did not apply to employee contributions made to the optional plan provided for under the Pension Code for which the tax levy is made on a dollar for dollar basis. The optional contributions were part of an enhanced benefit plan that expired December 31, 2007.

be given that these assumptions underlying such projections will be realized or that actual events will not cause material changes to the projections shown.

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

In June, 2012, GASB issued GASB Statement No. 67 and GASB Statement No. 68 (together, the "Statements"), which promulgate new standards for employee pension accounting and financial reporting by state and local governments. The two new Statements replace some of the requirements of previous GASB statements (GASB Statements Nos. 25, 27 and 50) related to pension plans. Some of the key changes imposed by the new Statements include: (1) requiring governments for the first time to recognize the difference between the total pension liability (i.e., the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) as a liability of the employer; (2) immediate recognition of annual service cost and interest on the pension liability and immediate recognition of the effect on the net pension liability of changes in benefit terms; (3) the effects on the net pension liability of differences between expected and actual investment returns will be recognized in pension expense over a closed 5-year period (previously 15-30-year period); (4) with respect to benefits not covered by projected plan assets, the use of a discount rate based on a yield or index rate on tax-exempt 20-year, AA-or-higher rated municipal bonds rather than the expected rate of return on plan investments; and (5) revising the presentation of pension liabilities in a government's financial statements. The use of the new standards may produce a higher UAAL than one determined under the current principles. GASB Statement No. 67 will go into effect for pension plans in fiscal years beginning after June 15, 2013 and GASB Statement No. 68 will go into effect for pension plans in fiscal years beginning after June 15, 2014. The District has not determined what impact, if any, the Statements might have on its financial statements.

Actuarial Methods

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

Actuarial Value of Assets

The Actuarial Value of Assets measures the value of the assets available in the pension plan to pay benefits. In calculating the Actuarial Value of Assets, the Retirement Fund recognizes investment gains and losses on such assets equally over a five-year period. This method of valuation is called the *"Asset Smoothing Method."* Under the Asset Smoothing Method, the Retirement Fund will recognize in the current year 20% of the investment gain or loss realized in each of the previous four years. The Asset Smoothing Method, which is a method for determining the Actuarial Value of Assets approved by GASB, prevents extreme fluctuations in the Actuarial Value of Assets, the UAAL and the Funded Ratio that may otherwise occur as a result of market volatility. However, asset smoothing delays recognition of gains and losses, thereby providing an Actuarial Value of Assets that does not reflect the actual value of pension plan assets at the time of measurement. As a result, presenting the Actuarial Value of Assets as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses annually. Table 3 provides a comparison of the Retirement Fund's assets on a fair value basis and after application of the Asset Smoothing Method.

Table 3 - Asset Smoothed Value of Assets vs. Fair Value of Net Assets(1)

Fiscal Year	Actuarial Value of Assets(2)	Fair Value of Net Assets	Actuarial Value as a Percentage of Fair Value
2004	$1,161,779	$1,150,768	100.96%
2005	1,171,845	1,159,313	101.08%
2006	1,209,602	1,223,297	98.88%
2007	1,256,890	1,232,068	102.01%
2008	1,211,838	878,797	137.90%
2009	1,177,810	1,014,819	116.06%
2010	1,151,595	1,092,648	105.39%
2011	1,097,397	1,021,471	107.43%
2012	1,076,740	1,092,403	98.57%
2013	1,188,504	1,298,614	91.52%

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

Actuarial Accrued Liability

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

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

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

Actuarial Assumptions

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

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

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

- Salary increases were assumed to be 5.0% per year, compounded annually;

- The investment rate of return was assumed to be 7.75% per year compounded annually;

- 76% of participants were assumed to be married; and

- Spouses of male employees were assumed to be four years younger than the employee and spouses of female employees were assumed to be four years older than the employee.

Funded Status of the Retirement Fund

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

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

Levy to an amount insufficient to fully fund the Retirement Fund to the amount of the Actuarially Required Contribution.

Table 4 provides information on the Actuarially Required Contribution, the District's actual contributions in accordance with the Pension Code, the percentage of the Actuarially Required Contribution made in each year and the Multiplier that would have been necessary in each year to allow the District to contribute the Actuarially Required Contribution for each year 2004 through 2013.

Table 4 - History of Contributions[1]

Fiscal Year	Actuarially Required Contribution	Actual Employer Contribution	Percentage of Actuarially Required Contribution Contributed	Estimated Multiplier Necessary to Match Actuarially Required Contribution(3)(4)
2004	$40,146	$30,982	77.17%	2.83
2005	43,165	26,174	60.64%	3.64
2006	47,369	34,476	72.78%	3.76
2007	47,090	27,947	59.35%	3.40
2008	49,758	33,407	67.14%	3.48
2009	54,790	32,154	58.69%	3.68
2010	61,873	29,918	48.35%	4.19
2011	69,393	37,379	53.87%	4.42
2012	74,829	65,098	87.00%	2.82
2013	74,774	92,944[2]	124.30%	2.98

Sources: The Retirement Fund.
(1) In thousands of dollars.
(2) The District has levied a tax, which is in the process of collection. The actual employer contribution, which will come, from the tax levy, cannot be determined until the levy has been collected.
(3) In both 2012 and 2013 the Fund received a special contribution of $30.0 million from the District, which reduced the tax multiple needed to fully fund the ARC from 4.71 to 2.82 in 2012 and 4.97 to 2.98 in 2013.
(4) Please see "RETIREMENT FUND – Determination of Employer Contributions – *Calculation of Employer Contributions to the Retirement Fund Under the Pension Code*" for information regarding the statutory limits on the multiplier.

As of the end of fiscal year 2013, the Retirement Fund had an aggregate UAAL of approximately $1,006.4 million on an actuarial basis (using the Asset Smoothing Method) and $896.2 million on a fair value basis. The respective Funded Ratios for these UAALs are 54.1% and 59.2%. The dramatic increase in the Retirement Fund's UAAL and the decrease in its Funded Ratio beginning in fiscal year 2008 correlates directly to the severe global economic downturn. The downturn had a significant impact on the value of the Retirement Fund's investments and, as such, the value of the assets available to the Retirement Fund. The impact of the economic downturn on the District and the Retirement Fund was similar to the experience of other governmental entities during the same period of time.

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

Table 5
Financial Condition of the Retirement Fund
Fiscal Years 2004-2013
($ in Thousands)

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Net Assets (Fair Value)	$1,088,406	$1,150,768	$1,159,313	$1,223,297	$1,232,068	$878,797	$1,014,819	$1,092,648	$1,021,471	$1,092,403
Income										
- Employee Contributions	15,151	14,468	14,955	15,628	14,778	15,690	15,873	15,032	14,714	16,891
- Employer Contributions	30,982	26,174	34,476	27,947	33,407	32,154	29,918	37,379	65,098	92,944
- Investment Income(1)	96,902	53,777	106,512	62,463	(299,744)	194,068	142,662	(1,710)	115,537	225,550
- Miscellaneous Income(2)	4	5	3	209	602	8	253	334	789	552
Total	$143,039	$94,424	$155,946	$106,246	$(250,957)	$241,920	$188,705	$51,035	$196,138	$335,937
Expenditures										
- Benefits	78,113	83,293	89,079	94,846	100,069	103,405	108,219	118,102	122,714	127,206
- Refunds	1,321	1,288	1,411	1,164	965	1,175	1,380	2,711	1,195	1,129
- Administration	1,243	1,299	1,472	1,465	1,280	1,319	1,277	1,399	1,297	1,391
Total	$80,677	$85,879	$91,962	$97,475	$102,314	$105,898	$110,876	$122,212	$125,206	$129,726
Ending Net Assets (Fair Value)	$1,150,768	$1,159,313	$1,223,297	$1,232,068	$878,797	$1,014,819	$1,092,648	$1,021,471	$1,092,403	$1,298,614
Actuarial Value of Assets(3)	$1,161,779	$1,171,845	$1,209,602	$1,256,890	$1,211,838	$1,177,810	$1,151,595	$1,097,397	$1,076,740	$1,188,504
Actuarial Accrued Liabilities	$1,578,367	$1,654,188	$1,724,705	$1,795,177	$1,852,280	$1,939,172	$2,036,680	$2,101,319	$2,136,508	$2,194,912
UAAL (Fair Value)(4)	$427,598	$494,875	$501,408	$563,108	$973,482	$924,353	$944,032	$1,079,848	$1,044,106	$896,298
UAAL (Actuarial Value)(3)	$416,588	$482,344	$515,103	$538,287	$640,441	$761,362	$885,085	$1,003,922	$1,059,768	$1,006,408
Funded Ratio (Fair Value)(4)	72.9%	70.1%	70.9%	68.6%	47.4%	52.3%	53.6%	48.6%	51.1%	59.2%
Funded Ratio (Actuarial Value)(3)	73.6%	70.8%	70.1%	70.0%	65.4%	60.7%	56.5%	52.2%	50.4%	54.1%

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

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

(2) Beginning in fiscal year 2007, includes income from the Retirement Fund's securities lending program. For more information, see Note 7 to the Financial Statements in the Comprehensive Annual Financial Report of the Retirement Fund for the fiscal year ended December 31, 2013.

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

(4) Calculated using net assets.

Table 6
Schedule of Funding Status
Fiscal Years 2004-2013
($ in Thousands)

Fiscal Year	Actuarial Accrued Liability	Actuarial Value of Assets[1]	Fair Value of Net Assets	UAAL (Actuarial)[2]	UAAL (Fair Value)[3]	Funded Ratio (Actuarial)[2]	Funded Ratio (Fair Value)[3]	Payroll	UAAL to Payroll (Actuarial)[2]	UAAL to Payroll (Fair Value)[3]
2004	$1,578,367	$1,161,779	$1,150,768	$416,588	$427,598	73.6%	72.9%	146,360	284.6%	292.2%
2005	1,654,188	1,171,845	1,159,313	482,344	494,875	70.8%	70.1%	149,246	323.2%	331.6%
2006	1,724,705	1,209,602	1,223,297	515,103	501,408	70.1%	70.9%	152,767	337.2%	328.2%
2007	1,795,177	1,256,890	1,232,068	538,287	563,108	70.0%	68.6%	158,832	338.9%	354.5%
2008	1,852,280	1,211,838	878,797	640,441	973,482	65.4%	47.4%	167,865	381.5%	579.9%
2009	1,939,172	1,177,810	1,014,819	761,362	924,353	60.7%	52.3%	176,915	430.4%	522.5%
2010	2,036,680	1,151,595	1,092,648	885,085	944,032	56.5%	53.6%	174,486	507.3%	541.0%
2011	2,101,319	1,097,397	1,021,471	1,003,922	1,079,848	52.2%	48.6%	164,275	611.1%	657.3%
2012	2,136,508	1,076,740	1,092,403	1,059,768	1,044,106	50.4%	51.1%	163,817	646.9%	637.4%
2013	2,194,912	1,188,504	1,298,614	1,006,408	896,298	54.1%	59.2%	169,376	594.2%	529.2%

Source: The Comprehensive Annual Financial Reports of the Retirement Fund for the fiscal years ending December 31, 2004, through December 31, 2013. For additional information, see the Actuary's Report.
(1) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "Actuarial Methods—Actuarial Value of Assets" above.
(2) For purposes of this column, "Actuarial" refers to the fact that the calculation was made using the Actuarial Value of Assets.
(3) For purposes of this column, "Fair Value" refers to the fact that the calculation was made using the Fair Value of Net Assets.

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

In any year that the District fulfills its obligation to contribute to the Retirement Fund under the Pension Code, the District will have a Net Pension Obligation for such year equal to the shortfall resulting from the difference between the amount contributed pursuant to the Pension Levy and the Actuarially Required Contribution. The Pension Levy and the Actuarially Required Contribution differ in any given year as a result of the Contribution Limitation, as discussed in "Calculation of Employer Contributions to the Retirement Fund under the Pension Code" above. Table 7 provides a schedule of the total Net Pension Obligation or Net Pension Asset at the end of each of the last ten fiscal years.

Table 7 - Net Pension Obligation[1]

FISCAL YEAR	NET PENSION ASSET/ (OBLIGATION)
2004	$44,589
2005	28,602
2006	16,353
2007	(2,423)
2008	(18,829)
2009	(41,889)
2010	(74,786)
2011	(108,481)
2012	(120,651)
2013	(105,193)

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

A variety of factors impact the Retirement Fund's UAAL and Funded Ratio. Increases in member salary and benefits, a lower return on investment than that assumed by the Retirement Fund, and insufficient contributions when compared to the Normal Cost plus interest will all cause an increase in the UAAL and a decrease in the Funded Ratio. Conversely, decreases in member salary and benefits, a higher return on investment than assumed, and employer contributions in excess of Normal Cost plus interest will decrease the UAAL and increase the funded ratio. In addition, changes in actuarial assumptions and certain other factors will have an impact on the UAAL and the Funded Ratio. The UAAL decreased between the end of fiscal year 2012 and the end of fiscal year 2013 primarily as a result of investment returns higher than the assumed rate of return and sufficient District contributions as compared to the Actuarially Required Contribution, as set forth in Table 8 below.

Table 8 - Components of Change in Unfunded Actuarial Liability[(1)]

Fiscal Year	Salary Increases/ (Decreases)	Investment Returns (Higher)/Lower Than Assumed	Employer Contributions (Higher)/Lower than Normal Cost Plus Interest[(2)]	Legislative Amendments	Changes In Actuarial Assumptions	Other Factors[(3)]	Total Change in Unfunded Liability
2004	$ (5,428)	$ 37,744	$ 16,460	-	-	$ (3,535)	$ 45,240
2005	(4,928)	33,020	25,174	-	-	12,490	65,756
2006	(2,688)	8,916	22,369	-	(4,786)	8,949	32,760
2007	4,365	(9,437)	29,263	-	-	(1,008)	23,183
2008	1,117	86,292	26,927	-	(22,900)	10,718	102,155
2009	2,554	67,693	35,218	-	-	15,455	120,921
2010	(20,417)	49,970	46,823	-	39,769	7,577	123,723
2011	(25,335)	71,035	49,402	-	-	23,735	118,837
2012	(23,146)	58,585	31,301	-	7,171	(18,065)	55,846
2013	(6,368)	(48,964)	3,396	-	-	(1,423)	(53,360)
Total	$(80,275)	$354,854	$286,332	$ -	$19,255	$54,894	$635,060

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

Recent Legislative Changes

On April 14, 2010, the Governor of the State signed Public Act 96-0889 (the *"Pension Reform Act"*) into law. The Pension Reform Act establishes a "two-tier" benefit system with less generous benefits for employees who become members of the Retirement Fund on or after January 1, 2011, as compared to those provided to employees prior to such date. Public Act 96-1490, which was effective January 1, 2011, made some technical and clarifying changes to the provisions of Public Act 96-0889. Among other changes, the Pension Reform Act:

- Increases the time required for pension benefits to vest to ten years from five years;
- Increases the minimum age at which an active employee may retire with unreduced benefits to age 67 from age 60 or younger based on a formula combining the age of the employee and the number of years of service;
- Increases the minimum age at which an active employee may retire with reduced benefits to age 62 from age 50;
- For employees hired after January 1, 2011, reduces the cost of living adjustment to the lower of 3% or 50% of the change in the consumer price index for all urban consumers, whichever is lower, with increases based on the original benefit. Previously, the cost of living adjustment was 3%, compounded; and
- Caps the salary on which a pension may be calculated at $106,800 in 2011 (subject to certain adjustments for inflation).

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

Taken independently of any other legislative or market effects, the reduced benefits afforded new hires by the Pension Reform Act is expected to reduce the growth in the Actuarial Accrued Liability, the UAAL and the Actuarially Required Contribution. However, no assurance can be given that these expectations will be the actual experience of the Retirement Fund going forward.

On August 3, 2012, the Governor of the State signed Public Act 97-0894 into law. This bill, which is effective with the 2013 fiscal year, increases the employee and employer contributions in the following manner:

- The District will annually levy a tax which will produce a sum that will be sufficient to meet the Fund's actuarially determined contribution requirement but shall not exceed an amount equal to the total employee contributions 2 years prior multiplied by 4.19.

- Increases employee retirement contributions for employees in service prior to January 1, 2011(Tier 1) by 1% per year for three years, starting with the first pay period paid in 2013. Resulting contribution rates for Tier 1 members are 10% in 2013, 11% in 2014, and 12% in 2015. The Tier 1 employee contribution rate will revert to 9% the first pay period paid on or after the date when the funded ratio of the Fund is determined to have reached the 90% funding goal.

While various State of Illinois employee unions have pending lawsuits challenging the December 2013 pension reform legislation applicable to the State of Illinois employees (Public Act 98-0599), no lawsuits have been filed to date challenging the recent amendments to the Pension Code discussed above and applicable to the District.

Projection of Funded Status

The funding level for the Retirement Fund has decreased most notably in recent years with the exception of 2013 due to a combination of factors, including the following: adverse market conditions and investment returns as a result of the financial downturn experienced in 2008; and District contributions lower than the Actuarially Required Contribution due to the Contribution Limitation. The declining Funded Ratios that the Retirement Fund has experienced in recent years are similar to the funding challenges faced by other large governmental pension funds in the United States. The District recognizes its responsibility to the employees' retirement program and worked with the Retirement Fund Board to obtain legislative approval to increase employee and employer contributions. As a result, Public Act 97-0894 was signed on August 3, 2012. Due to increased employee and employer contributions and higher investment returns, the Funded Ratio increased 3.7% to 54.1% in 2013. The Retirement Fund's consulting actuary provided projections that estimate the increase in funding required to bring the Retirement Fund to a funding status of 100% by the year 2050.

Table 9 provides a projection of the Actuarial Value of Assets, the Actuarial Accrued Liability, the UAAL and the Funded Ratio until 2023.

Table 9 - Projection of Future Funding Status[1]

Fiscal Year	Actuarial Accrued Liability (a)	Actuarial Value of Assets[2] (b)	Unfunded Accrued Actuarial Liabilities (UAAL) (a-b)	Funded Ratio (b/a)
2014	$2,259.3	$1,275.5	$ 983.9	56.5%
2015	2,325.3	1,340.4	984.9	57.6%
2016	2,390.7	1,430.6	960.1	59.8%
2017	2,455.7	1,509.7	946.0	61.5%
2018	2,519.6	1,565.2	954.4	62.1%
2019	2,582.1	1,620.8	961.4	62.8%
2020	2,643.1	1,676.2	966.9	63.4%
2021	2,702.3	1,731.3	971.0	64.1%
2022	2,759.3	1,785.7	973.6	64.7%
2023	2,813.8	1,839.4	974.4	65.4%

Source: (1) Foster & Foster, Oakbrook Terrace, Illinois. Foster & Foster serves as consulting actuary to the Retirement Fund. In millions of dollars. These projections are based on the legislative structure in place as of the date of this Official Statement and assume *no* changes to such legislative structure.

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

The projections in Table 9 are based upon numerous variables that are subject to change, and are forward-looking statements regarding future events based on the Retirement Fund's actuarial assumptions and assumptions made regarding such future events, including that there are no changes to the current legislative structure. No assurance can be given that these assumptions will be realized or that actual events will not cause material changes to the data presented. As shown in Table 9, based on the current legislative structure, including the Pension Reform Act and Public Act 97-0894, the Retirement Fund's actuary projects that the Retirement Fund will experience a 65.4% Funded Ratio by the end of fiscal year 2023. The actuary is projecting a continual increase in the funding level of the Retirement Fund beyond 2023 based upon the 2013 Actuarial Valuation. The District recognized that legislative changes were necessary to properly fund the Retirement Fund and rectified this funding problem by supporting PA 97-0894. On October 2, 2014, the District approved a Funding Policy with a funding goal to contribute annually to the Retirement Fund an amount that over time will increase the ratio of Fund assets to accrued liability to 100% by the year 2050. See "Determination of Employer Contributions – Calculation of Employer Contributions to the Retirement Fund Under the Pension Code."

Source of Information

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

The Comprehensive Annual Financial Reports and the Actuarial Valuations of the Retirement Fund for the fiscal years ending December 31, 2004 through December 31, 2013, may be obtained by contacting the Retirement Fund. The majority of these reports are also available on the Retirement Fund's website at www.mwrdrf.org; *provided, however,* that the content of these reports and such website is not incorporated by reference herein.

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

OTHER POST EMPLOYMENT BENEFITS

The Metropolitan Water Reclamation District's Retiree Health Care Plan (the *"OPEB Plan"*) is a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the District. The OPEB Plan, which is administered by the District, allows employees who retire and meet certain eligibility requirements to continue medical and prescription drug coverage as a participant in the OPEB Plan. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the District are eligible to receive post-employment health care benefits. Lifetime coverage for retirees and their spouses and dependents is provided. As of December 31, 2013, there were 1,875 active employees and 2,808 retirees and beneficiaries receiving health care coverage.

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

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

Through September 30, 2014, $112,400,000 has been contributed by the District to the OPEB Trust Fund. The OPEB Advance Funding Policy was amended by the Board of Commissioners on October 2, 2014. The amended funding policy changed the Target Funding Level from 50% to 100%; Remaining Advance Funding Period from 50 years to 12 years; and, Funding Amount of $5 million to be contributed in each of the twelve years 2015 through 2026. No further advance funding contributions will be required after 2026. Pursuant to Section 9.6d of the Act, the Board has discretionary authority to determine contribution amounts to be paid by the District into the OPEB Trust Fund.

It is projected that the OPEB Trust Fund will begin to pay claims in 2027 using the investment redemptions of the funding contributions made by the District. While there are no legal restrictions on utilizing the assets in the OPEB Trust Fund to pay benefits claims by the

District until 2027, all benefit claim payments prior to that date are anticipated be paid directly by the District on a pay-as-you-go basis from operating funds of the District.

As of December 31, 2013 (the most recent actuarial valuation date), the funded ratio for the OPEB Plan was 46.43% and the unfunded actuarial accrued liability was $139,481,000. The funded ratio is the ratio of actuarial value of assets to the actuarial liability and is a measure of the ability of the OPEB Plan to pay all future benefits from the assets held in the OPEB Trust Fund. Additional information pertaining to the other post-employment benefits is contained in Note 8 to the Basic Financial Statements attached hereto as APPENDIX A.

The comprehensive annual financial report of the OPEB Trust Fund for the fiscal years ending December 31, 2007 through December 31, 2013 may be obtained by contacting the District and are also available on the District's website at www.mwrd.org; *provided, however,* that the content of such reports and website is not incorporated by reference herein.

BUDGETARY PROCEDURES

Budgetary Process

The District prepares its budget in conformity with practices prescribed or permitted by the applicable statutes of the State. The Board of Commissioners is required to adopt an annual budget by no later than the close of the previous fiscal year. The annual budget serves as the foundation for the District's financial planning and control. A summary of the District's budgeting process is contained in Note 1(d) to the Basic Financial Statements attached hereto as APPENDIX A. In brief, the Executive Director's Recommended Budget for fiscal year 2015 (released October 14, 2014), as supplemented by the Tentative Budget (released on November 20, 2014) will be further amended and revised by District staff to produce a draft budget (the "Proposed 2015 Budget") for presentation to the Board of Commissioners. There will be a public hearing on the Proposed 2015 Budget on or about December 10, 2014. Thereafter, the Proposed 2015 Budget is expected to be submitted for consideration, revision and initial adoption on or about December 11, 2014 at a meeting of the Board of Commissioners. Thereafter, on or about December 18, 2014, the Board of Commissioners will consider any amendments to the initially adopted budget at a regular meeting of the Board of Commissioners. The District anticipates that the final, as amended, budget may reflect an increase of one percent (1%) or less as compared to the Proposed 2015 Budget. The information presented below with respect to fiscal year 2015 is derived from the Proposed 2015 Budget. The final, as amended, budget for fiscal year 2015 will vary from the Proposed 2015 Budget.

The Proposed 2015 Budget is on file and available for review at the District's offices. The document is also available online at the District's website at www.mwrd.org. It is herein noted that the content of the website is not incorporated into this Official Statement by reference.

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Comparative Budget Information

The following table summarizes the appropriations set forth in the annual budgets of the District for fiscal year 2015 and for 2014, as adjusted (in millions of dollars):

Appropriations (in millions)	2015	2014 Adjusted	Increase/ (Decrease)	Percent Change
Corporate Fund	$ 359.0	$ 395.4	$ (36.3)	(9.2)%
Stormwater Management	46.6	50.9	(4.3)	(8.5)
Construction Fund	37.9	53.3	(15.4)	(28.9)
Retirement Fund	61.7	75.0	(13.3)	(17.8)
Reserve Claim Fund	30.7	64.0	(33.3)	(52.0)
Capital Improvements Bond Fund	453.1	386.2	66.9	17.3
Bond Redemption & Interest Fund	216.5	194.9	21.6	11.1
Total	$1,205.5	$1,219.7	$(14.2)	(1.2)%

The total appropriation request for 2015 is $1,205.5 million, a decrease of $14.2 million, or 1.2 percent, from the 2014 Adjusted Budget. Major changes are presented below.

- The 2015 appropriation for the Corporate Fund, which accounts for the day-to-day operations of the District, is $359.0 million, a decrease of $36.3 million, or 9.2 percent, from the 2014 Adjusted Budget. The reduction is due, in part, to the District's funding policy for the Other Post-Employment Benefit Trust, which provides for the funding and payment of health benefits for retired, disabled, or terminated employees of the District or for their dependents and beneficiaries. The advance funding contribution for 2014 was $20.0 million, and the planned contribution for 2015 is $5.0 million. Both amounts exceed the funding policy requirement. The 2015 appropriation reflects the District's commitment to reducing non-essential services and to addressing some of the primary cost drivers of the budget, including energy and health care costs.

- The 2015 appropriation for the Stormwater Management Fund is $46.6 million, a decrease of $4.3 million, or 8.5 percent, from the 2014 Adjusted Budget. Under the stormwater management program, the District has completed detailed watershed plans for all six major watersheds in Cook County, initiated a Stormwater Management Capital Improvement Program, established a Small Streams Maintenance Program, and adopted and implemented the Watershed Management Ordinance. In 2015, the District will continue preliminary engineering for projects approved by the Board of Commissioners and commence final design for projects for which preliminary engineering has concluded. The 2015 appropriation provides resources to continue work, studies, and investigations to implement Public Act 093-1049, which is the enabling legislation for the Watershed Management Ordinance. It also provides funding for projects approved by other regional, state, and federal agencies, as the District understands that stormwater management, to be truly effective, must be a collaborative effort.

- The 2015 appropriation for the Capital Improvements Bond Fund is $453.1 million, an increase of $66.9 million, or 17.3 percent, from the 2014 Adjusted Budget. The increase in appropriation reflects the award pattern of major projects. The 2015 schedule of awards, with estimated award values, includes two TARP projects at $165.0 million, one plant expansion and improvement project at $7.5 million, two solids projects at $16.5 million, five facilities replacement projects at $71.5 million and fourteen stormwater management projects at $64.5 million. The remaining $128.1 million will provide for studies, services, and supplies to support District design and administration of proposed and ongoing construction, including the TARP reservoirs.

- The 2015 appropriation for the Construction Fund is $37.9 million, a decrease of $15.4 million, or 28.9 percent, from the 2014 Adjusted Budget. The reduction is due to an adjusted project award schedule and the anticipated expenditures for existing projects. In 2015, 31 projects are scheduled for award at an estimated total cost of $14.5 million, with an estimated 2015 appropriation of $10.5 million. The remaining $27.4 million is required for projects under construction and project support, which includes administration, design, inspection, materials, and land and right-of-way expenditures.

- The 2015 appropriation for the Bond Redemption & Interest Fund is $216.5 million, an increase of $21.6 million, or 11.1 percent, from the 2014 Adjusted Budget. The increase is primarily due to the 2015 amortization schedule for the District's outstanding General Obligation Capital Improvement Bonds. In 2015, principal and interest payments for the Bonds have been added to the amortization in the amount of $11.4 million in addition to increases for the Limited Tax Series of July 2006 and the Unlimited Tax Series C of July 2011 of $12.0 million and $10.5 million, respectively. The increase is partially offset by a $12.0 million reduction in principal and interest payments for the Limited Tax Series A of July 2011.

- The 2015 appropriation for the Reserve Claim Fund, the District's self-insurance fund, is $30.7 million, a decrease of $33.3 million, or 52.0 percent, from the 2014 Adjusted Budget. The fund is statutorily authorized to accumulate a fund balance of $61.7 million to meet claims against the District. The significant decrease in appropriation from 2014 is primarily due to the satisfaction of a judgment paid by the District.

OTHER LOCAL GOVERNMENTAL UNITS

Principal Units

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

Other Major Governmental Units

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

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

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

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

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

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

Certain Other Public Bodies

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

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

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

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

Interrelationships

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

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Real Property Assessment, Tax Levy and Collection Procedures

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

Real Property Assessment

The Cook County Assessor (the *"County Assessor"*) is responsible for the assessment of all taxable real property within the County, including that in the District, except for certain railroad property and pollution control facilities, which are assessed directly by the Illinois Department of Revenue (the *"Department of Revenue"*). For triennial reassessment purposes, the County is divided into three districts: west and south suburbs (the *"South Tri"*), north and northwest suburbs (the *"North Tri"*), and the City of Chicago (the *"City Tri"*). The South Tri is to be reassessed for the 2014 tax levy year, the City Tri was last reassessed for the 2012 tax levy year, and the North Tri was last reassessed for the 2013 tax levy year.

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

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

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

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

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

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

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

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

Equalization

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

TAX LEVY YEAR	EQUALIZATION FACTOR
2004	2.5757
2005	2.7320
2006	2.7076
2007	2.8439
2008	2.9786
2009	3.3701
2010	3.3000
2011	2.9706
2012	2.8056
2013	2.6621

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

Exemptions

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

An annual General Homestead Exemption provides that the EAV of certain property owned and used for residential purposes may be reduced by the amount of any increase over the 1977 EAV, up to a maximum reduction of $7,000 in Cook County for assessment year 2012 and thereafter.

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

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

Additional exemptions exist for senior citizens. The Senior Citizens Homestead Exemption annually reduces the EAV on residences owned and occupied by senior citizens. The maximum exemption is $5,000. Beginning in tax year 2010, County taxpayers seeking to claim this exemption must reapply for the exemption on an annual basis.

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

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

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

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

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

Tax Levy

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

Property Tax Extension Limitation Law and Debt Reform Act

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

The Limitation Law also excludes certain types of general obligation bonds, known as "*alternate bonds*" issued pursuant to Section 15 of the Debt Reform Act, from the direct referendum requirements of the Limitation Law. Pursuant to the provisions of this amendatory legislation and the Debt Reform Act, the 2014B Bonds are being issued as alternate bonds. The extension and collection of the ad valorem taxes levied by the Series 2014B Bond Ordinance, to the extent received, for the payment of debt service on the 2014B Bonds are not limited or restricted in any way by the provisions of the Limitation Law. See "SECURITY FOR THE BONDS – Security for the Unlimited Tax Bonds – *The 2014B Bonds*."

The Debt Reform Act permits units of local government, including the District, to issue limited tax bonds that have otherwise been authorized by applicable law. The base for such bond issues is the debt service extension for the levy year 1994. The District could also increase its debt service extension base by referendum. The Limitation Law provides that the debt service extension base of a taxing district must be increased by the lesser of 5% or the percentage increase in the Consumer Price Index during the 12-month calendar year preceding the levy year. Pursuant to these provisions of the Debt Reform Act, the 2014C Bonds and the 2014D Bonds are being issued as limited tax bonds. See "SECURITY FOR THE BONDS – Security for the Limited Tax Bonds."

The Limitation Law has been amended so that the issuance of bonds by the District to construct construction projects initiated before October 1, 1991, including the TARP projects, will not reduce the District's ability to issue limited tax bonds for other major capital projects. With respect to the Limitation Law, the 2014A Bonds are being issued pursuant to this amendment for the purpose of funding TARP projects. See "SECURITY FOR THE BONDS – Security for the Unlimited Tax Bonds – *General*."

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

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

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

Extensions

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

Collections

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

Tax Levy Year	Second Installment Penalty Date
2004	November 1, 2005
2005	September 1, 2006
2006	December 3, 2007
2007	November 3, 2008
2008	December 1, 2009
2009	December 13, 2010
2010	November 1, 2011
2011	August 1, 2012
2012	August 1, 2013
2013	August 1, 2014

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

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

Within 90 days following the second installment due date, the County Collector presents the Warrant Books to the Circuit Court and applies for a judgment for all unpaid taxes. The court orders resulting from the application for judgment provides for an Annual Tax Sale (the *"Annual Tax Sale"*) of unpaid taxes shown on that year's Warrant Books. A public sale is held, at which time successful tax buyers pay the unpaid taxes plus penalties. In each such public sale, the collector can use any "automated means." Unpaid taxes accrue penalties at the rate of 1.5%

per month from their due date until the date of sale. Taxpayers can redeem their property by paying the amount paid at the sale, plus a maximum of 12% for each six-month period after the sale. If no redemption is made within the applicable redemption period (ranging from six months to two and a half years depending on the type and occupancy of the property) and the tax buyer files a petition in the Circuit Court, notifying the necessary parties in accordance with the applicable law, the tax buyer receives a deed to the property. In addition, there are miscellaneous statutory provisions for foreclosure of tax liens.

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

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

Truth in Taxation Law

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

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Equalized Assessed Valuation by Major Classification
(amounts in thousands)

Year of Levy	Real Property	Railroad and Environmental Protection Property	Total	Year over Year Percent Change
2004	$118,889,944	$148,616	$119,038,560	---
2005	130,438,124	148,797	130,586,921	9.701%
2006	141,311,943	156,699	141,468,642	8.333
2007	155,800,132	172,662	155,972,794	10.253
2008	169,911,146	186,235	170,097,382	9.056
2009	174,255,389	212,254	174,467,643	2.570
2010	166,661,578	256,488	166,918,066	(4.327)
2011	148,773,793	274,700	149,048,493	(10.706)
2012	133,111,401	286,594	133,397,995	(10.500)
2013	123,108,018	311,526	123,419,544	(7.480)

Source of data: Office of County Clerk

Equalized Assessed Valuation – Chicago and Suburbs
(amounts in thousands)

Year of Levy	Chicago	Suburbs	Total
2004	$55,277,096	$63,761,464	$119,038,560
2005	59,304,530	71,282,391	130,586,921
2006	69,511,192	71,957,450	141,468,642
2007	73,645,316	82,327,478	155,972,794
2008	80,977,543	89,119,839	170,097,382
2009	84,586,808	89,880,835	174,467,643
2010	82,087,170	84,830,896	166,918,066
2011	75,122,914	73,925,579	149,048,493
2012	65,250,387	68,147,608	133,397,995
2013	62,363,876	61,055,668	123,419,544

Source of data: Office of County Clerk

Estimated Full Value – Chicago and Suburbs
(amounts in thousands)

YEAR OF LEVY	CHICAGO	SUBURBS	TOTAL
2003	$223,572,427	$248,399,242	$471,971,669
2004	262,080,627	279,861,423	541,942,050
2005	283,137,884	298,233,411	581,371,295
2006	329,770,733	336,452,329	666,223,062
2007	320,503,503	335,971,241	656,474,744
2008	310,888,609	305,274,985	616,163,594
2009	280,288,730	269,846,639	550,135,369
2010	231,986,396	217,825,144	449,811,540
2011	222,856,064	219,931,625	442,787,689
2012	206,915,723	207,466,666	414,382,389

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

Comparative Tax Rates of Major Local Governmental Units
(Per $100 Equalized Assessed Valuation)

	2012	2011	2010	2009	2008
Metropolitan Water Reclamation District	$0.370	$0.320	$0.274	$0.261	$0.252
City of Chicago	1.151	0.999	0.914	0.887	0.928
Chicago Board of Education	3.422	2.875	2.581	2.366	2.472
Chicago Park District	0.395	0.346	0.319	0.309	0.323
County of Cook	0.531	0.462	0.423	0.394	0.415
Cook County Forest Preserve District	0.063	0.058	0.051	0.049	0.051
Community College District #508	0.180	0.165	0.151	0.150	0.156
City of Chicago Library Fund	0.128	0.111	0.102	0.099	0.102
City of Chicago School Bldg/Improvement	0.146	0.119	0.116	0.112	0.117
TOTAL	$6.396	$5.455	$4.931	$4.627	$4.816

Source of data: Office of County Clerk

(1) Based upon taxes extended for collection in succeeding years as a percentage of the Equalized Assessed Valuation for the tax year.

Metropolitan Water Reclamation District Tax Rates by Fund
(Per $100 Equalized Assessed Valuation)

	2013	2012	2011	2010	2009	2008
Corporate Fund	$0.182	$0.179	$0.168	$0.144	$0.135	$0.141
Retirement Fund	0.042	0.021	0.019	0.016	0.016	0.015
Debt Service Fund	0.163	0.135	0.114	0.094	0.097	0.083
Reserve Claim Fund	0.005	0.005	0.002	0.001	0.002	0.004
Corporate Working Cash Fund	–	–	–	–	–	–
Construction Fund	0.009	0.015	0.001	0.005	0.006	–
Construction Working Cash Fund	–	–	–	–	–	–
Stormwater Management Fund	0.016	0.015	0.016	0.014	0.005	0.009
TOTAL	$0.417	$0.370	$0.320	0.274	$0.261	$0.252

Source of data: Office of County Clerk

Statutory Tax Rate Limitation by Fund
(Per $100 Equalized Assessed Valuation)

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

Source of data: Office of County Clerk
(1) Subject to the provisions of the Tax Extension Limitation Law. See "REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES – Property Tax Extension Limitation Law and Debt Reform Act."
(2) Subject to maximum accumulated value of $0.05% of the most recent equalized assessed valuation.

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Tax Levies, Collections, and Receivables

As of December 2, 2014

(amounts in thousands) (Unaudited)

	2013		2012	
	Amount	% of Levy	Amount	% of Levy
Gross Property Tax Levy:				
Corporate Fund	$ 224,400	43.6	$ 237,248	48.0
Construction Fund	11,079	2.2	20,418	4.1
Debt Service Fund	201,389	39.1	180,748	36.6
Retirement Fund	51,620	10.0	28,489	5.8
Stormwater Management Fund	20,000	3.9	20,000	4.1
Reserve Claim Fund	6,171	1.2	6,670	1.4
Total Gross Property Tax Levy	514,659	100.0	493,573	100.0
Less Allowance for Estimated Uncollectible Taxes	(18,013)	(3.5)	(17,275)	(3.5)
Anticipated Property Tax Collection	$ 496,646	96.5	$ 476,298	96.5

Collections By Levy Year
First Year Collection Only

Levy Year	Collection Year	Penalty Date	Gross Levy	Allowance for Uncollectible Taxes(1)	Net Levy	First Year Collection	Net Levy Percent Collected
2009	2010	12/13/2010	$455,361	$15,938	$439,423	$383,612	87.3%
2010	2011	11/1/2011	457,355	16,007	441,348	435,009	98.6%
2011	2012	8/1/2012	476,955	16,693	460,262	460,618	100.1%
2012	2013	8/1/2013	493,573	17,275	476,298	476,881	100.1%
2013	2014	8/1/2014	514,659	18,013	496,646	494,673	99.6%

(1) Loss in Collection Rate: 3.5%.

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FINANCIAL STATEMENTS

The District's Basic Financial Statements for the year ended December 31, 2013, included in this Official Statement as APPENDIX A, have been audited by Baker Tilly Virchow Krause, LLP, independent public accountants, as stated in their Independent Auditors' Report dated May 7, 2014. The supplementary information referred to in the Independent Auditors' Report is not included in APPENDIX A. Baker Tilly Virchow Krause, LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Baker Tilly Virchow Krause, LLP also has not performed any procedures relating to this Official Statement. The District's entire Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013 and several prior years are available online at the District's website at www.mwrd.org, but the content of such website is not incorporated into this Official Statement by reference.

RATINGS

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

The District previously engaged Moody's Investors Service (*"Moody's"*) to assign ratings for prior bond issues of the District. The District has elected not to obtain a rating from Moody's for the Bonds.

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

CO-FINANCIAL ADVISORS

The District has engaged A.C. Advisory Inc. and Public Financial Management, Inc., as co-financial advisors (the *"Co-Financial Advisors"*), in connection with the authorization, issuance and sale of the Bonds. Under the terms of their engagement, the Co-Financial Advisors are not obligated to undertake any independent verification of or assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

VERIFICATION AGENT

The Verification Agent is Robert Thomas, CPA, LLC, independent certified public accountants. Concurrently with the delivery of the Bonds, the Verification Agent will deliver a verification report stating that it has verified the mathematical accuracy of certain computations relating to the sufficiency of the principal of and interest on the Government Securities to provide for the timely payment of the principal or respective redemption prices of and interest on the Prior Limited Tax Bonds as they become due. Such computations will be based solely on assumptions and information supplied by the Underwriters on behalf of the District. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information on which the computations are based and, accordingly, not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the anticipated outcome.

TAX MATTERS

Summary of Co-Bond Counsel Opinion

Co-Bond Counsel are of the opinion that under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Co-Bond Counsel are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Interest on the Bonds is not exempt from present Illinois income taxes.

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds.

Bonds Purchased at a Premium

The difference (if any) between the initial price at which a substantial amount of each maturity of the Bonds is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a Bond, the difference between the two is known as "bond premium."

Bond premium is amortized over the term of a Bond on the basis of the Bond's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as a reduction in the amount of tax-exempt interest earned during such period and is subtracted from the owner's tax basis in the Bond. A Bond's adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of the Bond (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of the Bond).

Owners who purchase Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of the Bonds. In addition, owners of Bonds should consult their tax advisors with respect to the state and local tax consequences of owning the Bonds; under the applicable provisions of state or local income tax law, bond premium may give rise to taxable income at different times and in different amounts than it does for Federal income tax purposes.

Exclusion from Gross Income: Requirements

The Code sets forth certain requirements that must be satisfied on a continuing basis in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Among these requirements are the following:

Limitations on Private Use. The Code includes limitations on the amount of Bond proceeds that may be used in the trade or business of, or used to make or finance loans to, persons other than governmental units.

Investment Restrictions. Except during certain "temporary periods," proceeds of the Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is "materially higher" (1/8 of one percent) than the yield on the Bonds.

Rebate of Arbitrage Profit. Unless the Bonds qualify for an exemption, earnings from the investment of the "gross proceeds" of the Bonds in excess of the earnings that would have been realized if such investments had been made at a yield equal to the yield on the Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Bonds.

Covenants to Comply

The District has covenanted to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Risks of Non-Compliance

In the event that the District fails to comply with the requirements of the Code, interest on the Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, each Bond Ordinance requires neither acceleration of payment of principal of, or interest on, the Bonds nor payment of any additional interest or penalties to the owners of the Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS

CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE BONDS.

Cost of Carry. Owners of the Bonds will generally be denied a deduction for otherwise deductible interest on any debt which is treated for federal income tax purposes as incurred or continued to purchase or carry the Bonds. As discussed below, special allocation rules apply to financial institutions.

Corporate Owners. Interest on the Bonds is generally taken into account in computing the earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Bonds is taken into account not only in computing the corporate alternative minimum tax but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

Individual Owners. Receipt of interest on the Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

Property or Casualty Insurance Companies. Receipt of interest on the Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

Financial Institutions. Financial institutions may be denied a deduction for their otherwise allowable interest expense in an amount determined by reference, in part, to their adjusted basis in the Bonds.

Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Bonds held by such a company is properly allocable to the shareholder.

Change of Law

The opinion of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the Bonds are issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Bonds.

State and Local Considerations

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

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Bonds from the District. The purchase price for the 2014A Bonds shall be $114,318,019.48 (the par amount of the 2014A Bonds less an underwriting discount of $121,980.52 and plus original issue premium of $14,440,000.00). The purchase price for the 2014B Bonds shall be $57,659,138.93 (the par amount of the 2014B Bonds less an underwriting discount of $60,990.27 and plus original issue premium of $7,720,129.20). The purchase price for the 2014C Bonds shall be $88,931,390.06 (the par amount of the 2014C Bonds less an underwriting discount of $91,485.39 and plus original issue premium of $14,022,875.45). The purchase price for the 2014D Bonds shall be $83,064,851.84 (the par amount of the 2014D Bonds less underwriting discount of $86,368.31 and plus original issue premium of $12,346,220.15). The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The District maintains various banking relationships with certain of the Underwriters. Various officers of the Underwriters hold positions on governing boards of certain overlapping units of government.

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

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

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Loop Capital Markets LLC, one of the Underwriters of the Bonds, has entered into distribution agreements (each a *"Distribution Agreement"*) with each of UBS Financial Services Inc. (*"UBSFS"*), Deutsche Bank Securities Inc. (*"DBS"*) and Credit Suisse Securities USA LLC (*"CS"*) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS, DBS and CS will purchase the Bonds from Loop Capital Markets LLC at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Goldman, Sachs & Co. (*"Goldman"*), one of the Underwriters, had in place policies and procedures designed to prevent the unauthorized disclosure of confidential information from its investment banking division, including the Public Sector and Infrastructure Banking group (*"PSI"*), to its sales and trading, investment research and investment management divisions. In reliance on these policies and procedures, business units outside of PSI may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments (each, an *"Instrument"*) for Goldman's own account or for the accounts of its customers. Goldman's sales and trading, investment research and investment management divisions may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such Instruments, and may at any time recommend or otherwise communicate to clients that they should acquire long and/or short positions (including, for example, by buying and/or selling credit protection against default by the Issuer) in such Instruments. The investment and trading activities and communications described in this paragraph are conducted in business units outside of PSI and may relate to or involve the District or Instruments of the District or persons or entities with relationships with the District, and may be, or appear to be, inconsistent with the interest of the District. Goldman, including PSI, may also provide investment banking, commercial banking, underwriting, financial advisory services and other services to persons and entities with relationships with the District.

ENVIRONMENTAL MATTERS

Environmental Remediation

Under current environmental protection laws, the District may be ultimately responsible for the environmental remediation of some of its properties that have been leased to other parties. The District has developed preliminary estimates of environmental remediation costs for major lease sites. The range of estimated remediation costs at December 31, 2013 was between $47.5 million and $65.6 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site clean-up costs. Negotiations are under way between the District's lawyers and the tenants to resolve remedial activity and costs liability issues. As a result of the implementation of GASB Statement No. 49, the District determined a current estimated remediation cost of $56,125,000 with an estimated remediation cost recoverable of $45,850,000 resulting in $10,275,000 being recognized at December 31, 2013, in the long-term liabilities of the government-wide financial statements. These estimates are subject to changes as a result of price increases, changes in technology, solvency of tenants and new laws and regulations. These estimates were generated using the expected cash flows technique. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset.

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

The District's Reserve Claim Fund collected revenues totaling $6.048 million in 2013 (primarily from property taxes and Personal Property Replacement Taxes) and made payments totaling $4.970 million (primarily employee injury claims). The fund balance at December 31, 2012 was $65.162 million and at December 31, 2013 was $66.239 million. In 2014 there was a significant withdrawal from the Reserve Claim Fund related to the Terra litigation. See "LITIGATION." The current Reserve Claim Fund balance is approximately $29 million.

Effluent Disinfection

In October 2007, the IEPA initiated a rulemaking with the Illinois Pollution Control Board (the *"IPCB"*) arising out of its Proposed Use Attainability Analysis (*"UAA"*) seeking to upgrade the recreational and aquatic use designations and water quality standards for the Chicago Area Waterway System (*"CAWS"*) and Lower Des Plaines River. The rulemaking is captioned *"In the Matter of: Water Quality Standard and Effluent Limitations for the Chicago Area Waterway System and the Lower Des Plaines River: Adm. Code Parts 301, 302, 303 and 304"*(R08-09). The IPCB has divided this rulemaking into a general docket and five subdockets: (A) recreational uses; (B) recreational standards and criteria; (C) aquatic life uses; (D) aquatic life use standards and criteria; and (E) issues surrounding Bubbly Creek. The rulemaking involves a number of issues. The two issues with the greatest potential impact on the District are the disinfection of effluent and the supplemental aeration and flow augmentation of the waterway to meet proposed water quality standards for dissolved oxygen (*"DO"*). On June 7, 2011, the District adopted a policy that requires the District to voluntarily implement disinfection at the District's O'Brien and Calumet plants by the start of the recreational season in 2016. Subsequent to the Board's decision to implement disinfection at the Calumet and O'Brien plants, the IPCB issued its ruling that makes disinfection mandatory at only theses two plants. The capital construction costs for the chlorination disinfection at Calumet and ultraviolet disinfection at O'Brien combined are approximately $100 million. Installation of the disinfection facilities at both plants is underway and will be operational by March 1, 2016. At this time, the District is not required to disinfect the effluent discharged from its Stickney plant.

Additionally, on September 18, 2014, the IPCB issued its First Notice Opinion and Order in Subdocket D adopting the IEPA's proposed DO standards. First Notice gives interested parties the opportunity to comment on the proposed Order. As a result of comments, the IPCB may issue a Final Opinion and Order that varies from the First Notice version. After the Final Order is issued, it is possible that attaining the IPCB's proposed DO standards in the waterways may call for installation of aeration stations in specific segments of the CAWS. It is the District's position that in the event supplemental aeration is needed, the District is not responsible for the installation of additional aeration stations. Additionally, the District plans to seek a variance from any new standards that it may become subject to which it cannot meet. In the event that the District was required to install aeration stations and unable to obtain a variance, however, the District may be obligated to incur potentially substantial amounts to make the capital investments sufficient to implement any requirement for supplemental aeration stations.

National Pollutant Discharge Elimination System

NPDES Permits. The District operates its water reclamation plants (the *"WRPs")* in accordance with National Pollutant Discharge Elimination System (*"NPDES"*) permits issued by the IEPA. The NPDES permits for the Stickney, Calumet and North Side WRPs expired in 2007 and the District timely reapplied for renewal. The IEPA issued renewed permits in December 2013, effective January 1, 2014. The new permits include phosphorous limits of 1.0 mg/L at all three WRPs, increased monitoring of fecal coliform at the Calumet and Terrence J. O'Brien WRPs, and continuous monitoring of dissolved oxygen at the outfall of the Terrence J. O'Brien WRP.

The District appealed the Calumet and Terrence J. O'Brien WRP NPDES permits to the IPCB, and those appeals are currently pending. In its appeal, the District argues that the increased monitoring of fecal coliform at both WRPs and the continuous monitoring of DO at the Terrence J. O'Brien WRP are unnecessary to meet the requirements of the Illinois Environmental Protection Act or the IPCB's regulations. Cross-motions for Summary Judgment are pending. Should the District lose on this appeal, the District will have to obtain additional personnel to comply with the increased sampling of fecal coliform and will be required to obtain, install, and maintain new infrastructure to comply with the continuous monitoring of dissolved oxygen at the Terrence J. O'Brien WRP. At this point, initial costs to comply with these new permits as issued are estimated to be between $2 million and $5 million, with residual maintenance, telemetry, and monitoring costs over the next 10 years adding an estimated additional $5 million to $7 million to those initial expenditures.

The Natural Resources Defense Council, Inc., Sierra Club, Inc., and Prairie Rivers Network (the *"Private Parties"*) filed a third party appeal of the NPDES permits for all three WRPs arguing that the 1.0 mg/L phosphorous limit was insufficient to meet narrative water quality standards. While the District is in the midst of an overall phosphorous and nitrogen removal program, should the Private Parties prevail on this appeal and the phosphorous limit is reduced, the costs for such reduction are estimated to be substantial. See "ENVIRONMENTAL MATTERS – National Pollutant Discharge Elimination System – *NPDES Suit (Citizen Suit Litigation*)" below.

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 resolves 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; 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.

In August 2012, the Natural Resources Defense Council, Inc., Sierra Club, Inc., Prairie Rivers Network, Alliance for the Great Lakes and Environmental Law and Policy Center ("Intervenors") were granted leave to intervene in the litigation. Intervenors opposed entry of the decree. On January 6, 2014, the court entered the decree, and the Intervenors appealed. The appeal is currently pending in the Seventh Circuit United States Court of Appeals, captioned *United States of America and State of Illinois v. Metropolitan Water Reclamation District of Greater Chicago, et al*., 14-1776 & 14-1777.

NPDES Suit. In May 2011, the Private Parties filed a Clean Water Act (*"CWA"*) citizen suit against the District in the Northern District of Illinois alleging violations of CWA-based water quality standards. The complaint in Count I alleges that the District's CSO discharges into the CAWS violated certain conditions of the District's NPDES permits. Due to the duplicative nature of the proceedings, the parties have agreed to hold Count I in abeyance pending the outcome of the Consent Decree appeal described above. Upon resolution of the Consent Decree appeal, the parties expect that Count I may be dismissed. The complaint in Count II alleges that the District's discharges of phosphorous from its three largest WRPs indirectly cause violations of narrative and water quality standards contained in the District's NPDES permits for those three WRP.

The Private Parties are seeking a permanent injunction preventing the alleged violations of the CWA, an order requiring the District to complete all actions necessary to comply with its permits and CWA, and an award of civil penalties as well as attorney's fees. An adverse ruling could result in significant costs and expenses to the District. Violations of the CWA can result in statutory penalties of up to $37,500 per violation, and an adverse determination may result in an obligation by the District to pay the attorney's fees of the Private Parties in excess of $1 million. Furthermore, if the District were required to reduce the phosphorus in its effluent at its three major WRPs, to a level more stringent than the existing 1.0 mg/l phosphorus effluent limit, the District could be obligated to incur substantial capital costs and increased ongoing operational expenses. The character and magnitude of any such capital costs would be materially different depending on the stringency of any standard that may be imposed by the court. Because the standard is unknown and because of the material differences in the type and amount of capital costs for varying standards, it is not possible to estimate potential capital costs for the District with accuracy. However, based on previous estimates for some standard levels, such capital costs could exceed $ 1 billion. The District is vigorously defending this lawsuit and denies that the Private Parties are entitled to the relief sought. Both parties have filed motions for summary judgment.

LITIGATION

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

On July 12, 2006, the District filed in the Circuit Court a Complaint For Declaratory Judgment, naming Terra Foundation for American Art (*"Terra"*), 664 N. Michigan LLC, NM Project Company, LLC (the latter two defendants referred to collectively as the *"Project Company"*) and others, as defendants, seeking a declaration of rights with respect to three easements encumbering a District-owned alley physically located between the District's main office building and certain property (the *"Parcels"*) previously owned by Terra and now owned by the Project Company. The case was captioned *Metropolitan Water Reclamation District of Greater Chicago v. Terra Foundation for American Art, et al.*, case number 06 CH 13817. Terra and the Project Company, in addition to denying the District's claims, each filed a counterclaim. The Project Company's counterclaim sought injunctive and declaratory relief and damages. On January 4, 2013, the trial court entered judgment in favor of the Project Company and against the District in the amount of $36,432,047. The District appealed, and in June of 2014, the Appellate Court reduced the judgment by $670,000, but otherwise affirmed the balance of the judgment. The District subsequently satisfied the judgment, which has now been released.

The District has previously been and is presently a party to several proposed class action lawsuits in the Circuit Court of Cook County arising out of local sewer back-ups and basement flooding. The District is also in receipt of a number of flooding claims in which lawsuits have not yet been filed. The lawsuits and claims are generally brought in tort, or for constitutional or statutory violations. As of the date of this Official Statement, the Circuit Court of Cook County and the Illinois Appellate Court for the First District has ruled in the District's favor in every fully-adjudicated matter. A constitutional question is currently on appeal and other cases remain pending in the Circuit Court of Cook County Illinois Chancery Division. The estimated potential liability in these matters is $85 million, of which $50 million is attributable to a consolidated pair of lawsuits seeking monetary damages and injunctive relief. The District will continue to vigorously contest liability in each of these matters.

The District is also involved in various other litigation matters relating principally to claims arising from construction contracts, enforcing property rights, personal injury and property damage. The majority of any claims and judgments for personal injury and property damage are recovered by insurance or settled and paid from the District's Reserve Claim Fund. For example, currently, the District is a defendant in one personal injury action (fatality) where the total potential liability is estimated to be between $7 million and $10 million. However, the deceased was performing work in a City of Chicago sewer while working for a private contractor retained by the City of Chicago. The District denies any liability and intends to vigorously pursue both this defense and indemnity, and to defend against the underlying claim. Most other claims and judgments involving construction contracts are paid by the Capital Improvement Fund.

CONTINUING DISCLOSURE

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

Undertaking, including termination, amendment and remedies, are set forth below under "THE UNDERTAKING."

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

THE UNDERTAKING

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

Annual Financial Information Disclosure

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

"Annual Financial Information" means the financial information and operating data of the type contained in the Official Statement under the following captions: "DEBT INFORMATION" (excluding information in the table "Estimated Overlapping Bonded Debt," and graph and information under the heading "Debt Limits and Borrowing Authority"), Table 1 and Tables 3 through 8 under "RETIREMENT FUND", "BUDGETARY PROCEDURES – Comparative Budget Information," "TAXATION OF PROPERTY WITHIN THE DISTRICT – STATISTICAL INFORMATION," "APPENDIX B – CAPITAL IMPROVEMENTS PROGRAM" and "APPENDIX C – REPORT OF THE CONSULTING ACTUARY ON THE DISTRICT RETIREMENT FUND."

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

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

Reportable Events Disclosure

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

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

Consequences of Failure of the District to Provide Information

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

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

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

Amendment; Waiver

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

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

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

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

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

Termination of Undertaking

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

Additional Information

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

Dissemination of Information; Dissemination Agent

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

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

CERTAIN LEGAL MATTERS

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

ADDITIONAL INFORMATION - APPENDICES

Included in this Official Statement as APPENDIX A are the District's Basic Financial Statements for the year ended December 31, 2013. A description of the District's Capital Improvements Program is included as APPENDIX B. Information regarding the District's Retirement Fund is included as APPENDIX C. Economic and demographic information with respect to Cook County is presented as APPENDIX D. The forms of the opinions of Co-Bond Counsel are included as APPENDIX E. Information concerning DTC and DTC's book-entry is included as APPENDIX F.

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AUTHORIZATION

The District has authorized the distribution of this Official Statement.

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

/s/Mary Ann Boyle

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

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APPENDIX A

BASIC FINANCIAL STATEMENTS

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BAKER TILLY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Metropolitan Water Reclamation District of Greater Chicago's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Metropolitan Water Reclamation District Pension Trust Fund, which represent 85 percent, 86 percent and 78 percent, respectively, of the assets, equity and revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Metropolitan Water Reclamation District Pension Trust Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

The District's financial statements include partial prior year comparative information. Such information does not include notes to the basic financial statements or management's discussion and analysis which are required to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2012 from which such partial information was derived.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Metropolitan Water Reclamation District of Greater Chicago as of December 31, 2013 and the respective changes in financial position thereof and the respective budgetary comparisons for the General Corporate Fund and the Special Revenue Retirement Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the Metropolitan Water Reclamation District of Greater Chicago adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2014, on our consideration of the Metropolitan Water Reclamation District of Greater Chicago's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Water Reclamation District of Greater Chicago's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
May 7, 2014

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

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

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

2013 FINANCIAL HIGHLIGHTS

- The District's total net posistion is $5,164,932,000. This can be attributed to the District's positive balance of $4,506,950,000 in net investment in capital assets.

- The District's total net position increased by $22,801,000 in 2013. The increase is primarily due to the decrease in Pension and OPEB Trust Fund costs which resulted from additional contributions made during the year.

- The District's combined fund balances for its governmental funds at December 31, 2013 totaled $776,556,000 a decrease of $163,742,000 from the prior year, as a result of the District not issuing general obligation bonds in 2013.

- The District's total liabilities decreased by $64,274,000 in 2013 which is mostly attributable to a decrease in both the net OPEB obligation and the net pension obligation, as well as a decrease in contract retainage. Several large projects were completed in 2013 and less construction activity occurred in 2013.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

KEY FINANCIAL COMPARISONS

Property taxes. The primary source of revenue for the District is ad valorem property taxes. All District funds, with the exception of the District's Capital Improvements Bond Fund, derive their revenues primarily from property taxes. In 2013, total property tax revenues decreased by $10,329,000 in the District's statement of changes in net position. This was primarily due to prior year property tax collections decreasing in 2013 as a part of the property tax appeal process.

User Charges. The District imposes user charges on industrial and commercial customers for treating their wastewater. These charges are based on the volume and strength of their effluent and are billed on a monthly basis. In 2013, user charge revenues decreased by $20,140,000 as a result of $12,000,000 of 2011 user charge collections received in 2012 and from $7,000,000 of refunds issued in 2013 from overestimated billings.

Employee costs. The District's employee related expenditures are the largest single cost of the corporate fund comprising 69.1% of the total outlays for 2013. Employee costs are comprised of regular pay, overtime and health care premiums. The increase in employee costs of $29,440,000 from the prior year can be attributed to reclassification of 217 positions from the construction and CIB funds to the corporate fund.

Energy costs. A significant amount of the expenditures of the District are energy costs, mainly electricity and gas. The District currently purchases electricity for its major facilities from a provider at a fixed rate. In 2013, energy costs in the

General Corporate Fund's governmental fund financial statements increased by $2,364,000. The increase was attributable to an increase in electrical costs at the TARP pumping stations. TARP facilities function to prevent flooding during weather events, thus higher costs are a result of weather-related pumping. Natural gas costs also increased from 2012 to 2013 due to higher unit costs per therm as well as increased usage. Natural gas is used in the sewage treatment process to maintain the proper environment to ensure wastewater processing with permit compliance.

Pension costs. In 2013, the District and its employees increased their contribution to the Pension Fund. This resulted in a $26,295,000 decrease in the net pension obligation.

OPEB Trust Fund costs. In 2013 OPEB cost decreased by $12,412,000 mainly due to a reduction in the annual required contribution (ARC).

Claims and judgments. In 2012, the District accrued a probable expense for pending litigation. As the expense was already recognized in the prior year, there was a $22,369,000 decline in the 2013 claims and judgment expenses.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

A condensed comparison of the Statements of Net Position for December 31, 2013 and 2012, is presented in the following schedule (in thousands of dollars):

	2013	2012	Increase (Decrease)	Percent Increase (Decrease)
Assets:				
Current and other assets	$ 1,301,264	$ 1,433,447	$ (132,183)	(9.2)%
Capital assets	6,903,046	6,809,326	93,720	1.4
Total assets	8,204,310	8,242,773	(38,463)	(0.5)
Deferred Outflows of Resources				
Loss on prior debt refunding	16,376	19,415	(3,039)	(15.7)
Total deferred outflows of resources	16,376	19,415	(3,039)	(15.7)
Liabilities:				
Current liabilities	143,391	128,452	14,939	11.6
Long-term liabilities	2,909,277	2,988,490	(79,213)	(2.7)
Total liabilities	3,052,668	3,116,942	(64,274)	(2.1)
Deferred Inflows of Resources:				
Unavailable revenue	3,086	3,115	(29)	(0.9)
Total deferred inflows of resources	3,086	3,115	(29)	(0.9)
Net Position:				
Net investment in capital assets	4,506,950	4,514,633	(7,683)	(0.2)
Restricted	653,945	628,504	25,441	4.0
Unrestricted (Deficit)	4,037	(1,006)	5,043	98.1
Total net position	$ 5,164,932	$ 5,142,131	$ 22,801	0.4 %

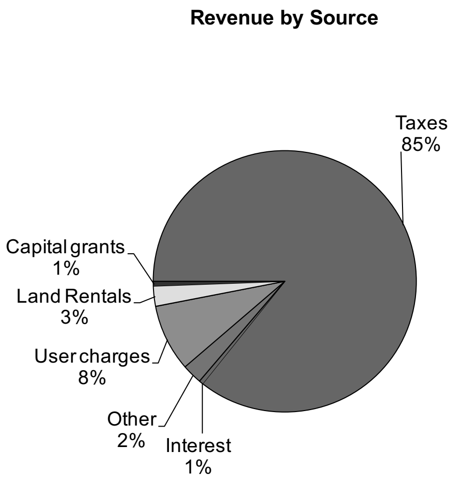
The above schedule reports that the District's net position totaled $5,164,932,000 at December 31, 2013, which represents the amount the District's assets exceed its liabilities. The largest portion of the position, $4,506,950,000, represents the District's capital assets used to provide services to taxpayers, net of the related debt. These assets include land, buildings, equipment, and infrastructure, and they are not available for the District's future spending needs. Restricted net assets total $653,945,000 and represent resources that are subject to external or legal restrictions as to how they may be spent, such as federal grants or state loans, capital bond proceeds, or tax levies for working cash, and debt service. The remaining portion of the unrestricted net position is $4,037,000, which represents the net position that has no external restriction as to use or purpose.

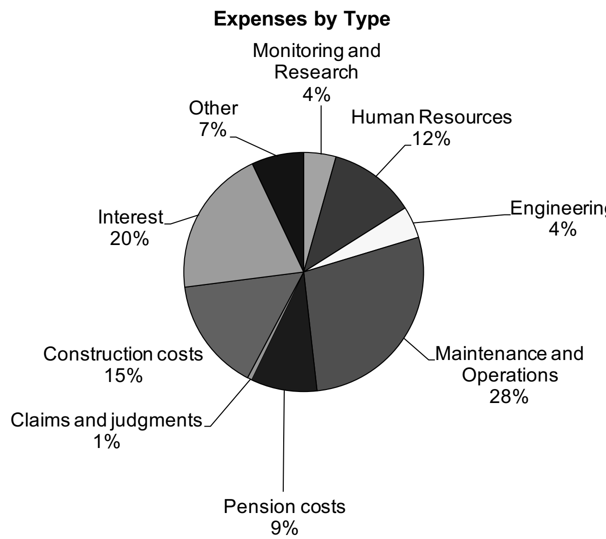
A comparison of the changes in net position resulting from the District's operations for the years ended December 31, 2013 and 2012 is presented in the following schedule (in thousands of dollars):

	2013	2012	Increase (Decrease)	Percent Increase (Decrease)
Revenues				
General Revenues:				
Taxes	$ 511,592	$ 521,921	$ (10,329)	(2.0) %
Interest	3,051	11,123	(8,072)	(72.6)
Other	11,320	13,533	(2,213)	(16.4)
Program Revenues:				
User charges	49,182	69,322	(20,140)	(29.1)
Land rentals	14,851	12,081	2,770	22.9
Fees, forfeits, and penalties	3,396	3,353	43	1.3
Capital grants	11,110	22,164	(11,054)	(49.9)
Total revenues	604,502	653,497	(48,995)	(7.5)
Expenses				
Board of Commissioners	3,520	3,471	49	1.4
General Administration	14,426	14,296	130	0.9
Monitoring and Research	25,294	24,689	605	2.5
Procurement and Materials Management	5,660	5,694	(34)	(0.6)
Human Resources	67,841	63,103	4,738	7.5
Information Technology	14,331	13,714	617	4.5
Law	6,975	5,942	1,033	17.4
Finance	3,394	3,175	219	6.9
Engineering	25,051	4,332	20,719	478.3
Maintenance and Operations	162,372	161,919	453	0.3
Pension costs	52,065	78,360	(26,295)	(33.6)
OPEB Trust Fund costs	(19,567)	(7,155)	(12,412)	173.5
Claims and judgments	3,369	25,738	(22,369)	(86.9)
Construction costs	88,528	75,496	13,032	17.3
Loss on disposal of capital assets	173	147	26	17.7
Unallocated depreciation	12,020	12,459	(439)	(3.5)
Interest	116,249	111,044	5,205	4.7
Total expenses	581,701	596,424	(14,723)	(2.5)
Increase (decrease) in net position	22,801	57,073	(34,272)	(60.0)
Total net position, beginning of year	5,142,131	5,085,058	57,073	1.1
Total net position, end of year	$ 5,164,932	$ 5,142,131	$ 22,801	0.4 %

Total revenues decreased by $48,995,000 in 2013, or 7.5% from the prior year and total expenses decreased by $14,723,000 in 2013, or 2.5% from the prior year. The major reasons for the variances are detailed under "Key Financial Comparisons" on pages 34-35.

The following percentage charts show the major sources of revenue and expenses for the year ended December 31, 2013:





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 2013, 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 $776,556,000, a decrease of $163,742,000 or 17.4%, from 2012. A total of $42,527,000 of the fund balances represents non-spendable fund balances. Restricted fund balances totaled $785,989,000 and the remaining deficit of ($51,960,000) was unassigned.

The General Corporate Fund is the principal operating fund of the District and it includes annual property taxes and other revenues, which are used for the payment of general operating expenditures not chargeable to other funds. The General Corporate Fund's fund balance at the end of the current fiscal year totaled $335,125,000. The fund balance represented 98.9% of the General Corporate Fund expenditures, a good indication of the fund's liquidity. The total fund balance for the General Corporate Fund decreased by $29,377,000 in the current year mainly as a result of a $30,000,000 transfer to the retirement fund. The District's General Corporate Fund consists of the Corporate, Corporate Working Cash, and Reserve Claim Divisions, which are presented and explained in Note 1b on pages 60-61.

The General Corporate Fund ended the year with an unassigned fund balance deficit of ($51,960,000) primarily due to pre-paid insurance and nonspendable inventories.

A detailed comparison of the General Corporate Fund revenues for the years ended December 31, 2013 and 2012, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Revenue Schedule

	2013		2012			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Increase (Decrease)
Revenues:						
Property taxes	$ 222,163	66.9 %	$ 257,656	67.1 %	$ (35,493)	(13.8)%
Personal property replacement tax	32,055	9.6	27,093	7.1	4,962	18.3
Total tax revenue	254,218	76.5	284,749	74.2	(30,531)	(10.7)
Interest on investments	1,575	0.5	4,755	1.2	(3,180)	(66.9)
Land sales	2,575	0.8	-	-	2,575	100.0
Tax increment financing distributions	3,361	1.0	6,239	1.6	(2,878)	(46.1)
Claims and damage settlements	971	0.3	110	0.0	861	782.7
Government grants	53	0.0	152	0.0	(99)	(65.1)
Miscellaneous	2,933	0.9	4,058	1.1	(1,125)	(27.7)
User charges	48,882	14.7	69,022	18.0	(20,140)	(29.2)
Land rentals	14,851	4.5	12,081	3.2	2,770	22.9
Fees, forfeits, and penalties	2,629	0.8	2,575	0.7	54	2.1
Total revenues	$ 332,048	100.0 %	$ 383,741	100.0 %	$ (51,693)	(13.5)%

Revenues for the General Corporate Fund come from various major sources: property taxes, replacement taxes, user charges, interest on investments, and rental income. In 2013, General Corporate Fund revenues totaled $332,048,000, a decrease of ($51,693,000), or 13.5%, from 2012. The major variances in revenues are previously explained under "Key Financial Comparisons" on pages 34-35.

A comparative analysis of the General Corporate Fund expenditures by object class for the years ended December 31, 2013 and 2012, is shown in the following schedule (in thousands of dollars):

General Corporate Fund
Comparative Expenditures Schedule

	2013		2012			Percent
	Amount	% of Total	Amount	% of Total	Increase (Decrease)	Increase (Decrease)
Expenditures:						
Employee cost	$ 228,906	69.1 %	$ 199,466	65.8 %	$ 29,440	14.8 %
Energy cost	33,349	10.1	30,985	10.2	2,364	7.6
Chemicals	5,818	1.8	6,725	2.2	(907)	(13.5)
Solids disposal	8,595	2.6	12,220	4.0	(3,625)	(29.7)
Repair to structures/equipment	15,001	4.5	16,765	5.5	(1,764)	(10.5)
Materials, parts & supplies	9,961	3.0	10,193	3.4	(232)	(2.3)
Machinery & equipment	784	0.2	1,081	0.4	(297)	(27.5)
Claims and judgments	4,970	1.5	5,998	2.0	(1,028)	(17.1)
All other	24,041	7.2	19,901	6.6	4,140	20.8
Total expenditures	$ 331,425	100.0 %	$ 303,334	100.0 %	$ (28,091)	9.3 %

In 2013, General Corporate Fund expenditures totaled $331,425,000, an overall increase of $28,091,000, or 9.3%, from 2012. Employee and energy costs were the two largest expenditure components of the General Corporate Fund in 2013, accounting for 79.2% of total expenditures versus 76.0% in 2012. The major variances in expenses are previously explained under "Key Financial Comparisons" on pages 34-35.

Other Major Funds. The District's Debt Service Fund accounts for property tax revenues and interest earnings used for the payment of principal and interest on bonded debt. The Debt Service Fund's fund balance at the end of the current fiscal year totaled $122,527,000. The fund balance represented 63.5% of the total Debt Service Fund expenditures. The fund balance for the Debt Service Fund decreased by $13,646,000 in the current year, as a result of less property taxes collected and an increase in payments of principal for State Revolving Fund loans.

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 loans. The fund balance in the Capital Improvements Bond Fund at the end of the current fiscal year totaled $232,338,000. This amount will provide resources for the 2014 construction program. The fund balance represented 145.7% of the fund's expenditures. The fund balance decrease of $114,533,000 in the current year was primarily due to less federal grants received and less construction activity occurred in 2013.

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

GENERAL CORPORATE FUND BUDGET ANALYSIS

The General Corporate Fund budget includes the budgetary accounts of the Corporate Fund and Reserve Claim divisions. A comparison of the 2013 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 2013 budget and actual results at the appropriation line item level is presented in Combining and Individual Fund Statements and Schedules (Exhibit C-1).

A condensed summary of the 2013 General Corporate Fund budget is presented in the following schedule (in thousands of dollars):

	Budget		Actual	Actual Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property and personal property replacement taxes	$ 246,991	$ 246,991	$ 246,498	$ (493)
Adjustment for working cash borrowing	(4,588)	(4,588)	(4,588)	-
Adjustment for estimated tax collections	-	-	24,989	24,989
Tax revenue available for current operations	242,403	242,403	266,899	24,496
User charges	50,000	50,000	53,502	3,502
Interest on investments	4,200	4,200	3,485	(715)
Tax increment financing distributions	925	925	3,313	2,388
Land rentals	13,500	13,500	14,930	1,430
Land sales	2	2	2,575	2,573
Claims and damage settlements	-	-	1,093	1,093
Other	3,442	3,442	6,093	2,651
Total revenues	314,472	317,472	351,890	37,418
Operating expenditures:				
Board of Commissioners	3,807	3,807	3,514	293
General Administration	45,904	45,904	44,086	1,818
Monitoring and Research	27,163	27,163	24,573	2,590
Procurement and Materials Management	8,999	8,999	8,064	935
Human Resources	73,964	73,964	67,832	6,132
Information Technology	15,802	15,802	13,982	1,820
Law	8,803	8,803	6,986	1,817
Finance	3,522	3,522	3,392	130
Engineering	26,076	26,076	23,987	2,089
Maintenance and Operations	169,568	169,568	160,421	9,147
Claims and judgments	62,000	62,000	4,976	57,024
Total expenditures	445,608	445,608	361,813	83,795
Revenues over (under) expenditures	(131,136)	(131,136)	(9,923)	121,213
Fund balance at beginning of year	238,995	238,995	195,271	(43,724)
Net assets available for future use	(107,859)	(107,859)	-	107,859
Fund balance at beginning of year as adjusted	131,136	131,136	195,271	64,135
Fund balance at end of the year	$ -	$ -	$ 185,348	$ 185,348

Actual revenues on a budgetary basis for 2013 in the General Corporate Fund totaled $351,890,000 or $37,418,000 more than budgeted revenues, a 10.6% variation. Property taxes and personal property replacement taxes were $24,496,000 more than the budget because of the adjustment for estimated tax collections over and above the working cash borrowings. User charge receipts were $3,502,000 more than the budget as a result of continued economic growth within the District operating area. Interest on investments had a $715,000 negative variance under budget as of result of the Federal Reserve Board maintaining low interest rates to stimulate economic growth in 2013. Land rentals were $1,430,000 more than the budget due to the expiration of older leases being renewed at higher prevailing market rates. All other revenues had an $8,705,000 positive variance because of better-than-expected results for fines, and revenues from tax increment financing districts.

The 2013 General Corporate Fund final appropriation of $445,608,000 did not change from the original amount. Actual budgetary expenditures totaled $361,813,000, or 81.2%, of the total appropriation. The $83,795,000 excess of appropriations over actual expenditures was primarily due to claims and judgments being $57,024,000 less than appropriations. This is consistent with the Board of Commissioners' policy to accumulate sufficient reserves for payment of future claims without exposing the District to financial risk that could curtail normal operations. Expenditures for the Maintenance & Operations Department were $9,147,000 below appropriations, mainly because of variances for electricity, chemicals, waste disposal costs, repairs, and repair parts.

CAPITAL ASSETS AND MODIFIED APPROACH

Capital Assets. The District's reportable capital assets, net of accumulated depreciation, as of December 31, 2013, amounted to $6,903,046,000. Reportable capital assets, net of accumulated depreciation, for 2013 as compared to 2012 are as follows (in thousands of dollars):

	2013	**2012**	**Increase (Decrease)**	**Percent Increase (Decrease)**
Land	$ 129,215	$ 129,584	$ (369)	(0.3)%
Permanent easements	1,330	1,330	-	-
Buildings	7,724	7,910	(186)	(2.4)
Machinery and equipment	27,562	29,429	(1,867)	(6.3)
Computer software	1,560	2,219	(659)	(29.7)
Depreciable infrastructure	1,696,738	1,708,099	(11,361)	(0.7)
Modified infrastructure	4,287,461	4,147,230	140,231	3.4
Construction in progress	751,456	783,525	(32,069)	(4.1)
Total	$ 6,903,046	$ 6,809,326	$ 93,720	1.4 %

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

- Total capital asset additions exceeded retirements and depreciation by $93,720,000 in 2013.
- Construction in progress decreased by $32,069,000 from 2012 to 2013 due to the completion of construction projects. Major projects in 2013 include the Thornton Transitional Reservoir for $59,300,000, the Thornton Tunnel Gates Connection for $22,500,000, the Stickney Battery A and Skim Tanks projects for $16,200,000, and the new M&R Building at the Calumet WRP for $15,200,000.

In addition to the above, commitments totaling $465,981,126 remain outstanding for ongoing construction projects. Additional disclosure on construction commitments can be found in Note 9 to the basic financial statements.

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

The Kirie, Hanover, Egan, Central (Stickney), O'Brien, Calumet, Lemont, and Waterways network assets had their initial condition assessments completed between 2002 and 2006. The Kirie, Central (Stickney) and Waterways networks each had its most recent condition assessment completed in 2011. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2012. The Egan and O'Brien networks each had its most recent condition assessment completed in 2013. (See further discussion of the modified approach in the Required Supplementary Information Section).

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

DEBT ACTIVITY

Long-term Debt. The District's long-term liabilities as of December 31, 2013, totaled $ 2,909,277,000. The breakdown of this debt and changes from 2012 to 2013 are as follows (in thousands of dollars):

	2013	2012	Increase (Decrease)	Percent Increase (Decrease)
Bonds payable, net	$ 2,564,999	$ 2,596,098	$ (31,099)	(1.2) %
Bond anticipation notes	35,809	44,527	(8,718)	(19.6)
Claims payable	77,996	79,597	(1,601)	(2.0)
Compensated absences	27,627	28,356	(729)	(2.6)
Capital lease	47,795	49,827	(2,042)	(4.1)
Net OPEB obligation	49,858	69,425	(19,567)	(28.2)
Net Pension liability	105,193	120,651	(15,458)	(12.8)
Total	$ 2,909,277	$ 2,988,491	$ (79,214)	(2.7) %

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

- Bonds payable, net, decreased by $31,099,000 in 2013 as a result of debt payments.
- Bond anticipation notes decreased by $8,718,000 in 2013 as a result of the issuance of $41,546,000 in notes and the conversion of $50,264,000 from bond anticipation notes to bonds.
- Claims payable decreased by $1,601,000 due to decreases in general and construction claims.

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

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

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

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 $133,397,995,365 for the 2012 property tax levy. At December 31, 2013, the District's statutory debt limit of $7,670,384,733 exceeded the applicable net debt amount of $2,632,853,014 by $5,037,531,719.

The Illinois Compiled Statutes provide authorization for the funding of the District Capital Improvement Program by the issuance of non-referendum capital improvement bonds. Starting in 2003, bonds may be issued during any budget year in an amount not to exceed $150 million ($100 million in prior years), plus the amount of any bonds authorized and unissued during the three preceding budget years. The District has issued various series of bonds since the authorization. This limitation is not applicable to refunding bonds, money received from the Water Pollution Control Revolving Fund and obligations issued as part of the American Recovery and Reinvestment Act of 2009, issued prior to January 1, 2011, commonly known as "Build America Bonds". Bonds authorized, unissued and carried forward were $450,000,000 for the budget year ended December 31, 2013.

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 2013 levy year is $154,623,118 (the "Debt Service Extension Base"), which can be increased each year by the lesser of 5% or the percentage increase in the Consumer Price Index (as defined in the Limitation Law). The Property Tax Extension Limitation Law has been amended so that the issuance of bonds by the District to construct TARP will not reduce the District's ability to issue limited bonds for other major capital projects. The amount of outstanding non-referendum Capital Improvement Bonds may not exceed 3.35% of the last known equalized assessed valuation of taxable property within the District. At December 31, 2013, the District's outstanding capital improvement and refunding bonds (excluding bonds treated as outstanding State Revolving Fund bonds) of $1,857,730,000 did not exceed the limitation of $4,468,832,845.

Outstanding capital improvement and refunding bonds related to the Clean-up and Flood Control Program and the remaining authorization at December 31, 2013, are indicated in the following schedule (in millions of dollars):

Capital Improvement and Refunding Bonds
Outstanding and Remaining Authorization

Year of Issue	Total	Capital Improvement	Refunding
2006	497	100	397
2007	382	-	382
2009	600	600	-
2011	378	378	-
Total bonds outstanding at December 31, 2013	1,857	$ 1,078	$ 779
Remaining bond authorization at December 31, 2013	2,612		
Total bond authorization at December 31, 2013	$ 4,469		

The amount of non-referendum Corporate Working Cash Fund bonds, when added to (a) proceeds from the sale of Working Cash Fund bonds previously issued, (b) any amounts collected from the Corporate Working Cash Fund levy, and (c) amounts transferred from the Construction Working Cash Fund, may not exceed 90% of the amount produced by multiplying the maximum general corporate tax rate permitted by the last known equalized assessed valuation of all property in the District at the time the bonds are issued, plus 90% of the District's last known entitlement of the Personal Property Replacement Tax. At December 31, 2013, the District's remaining Corporate Working Cash Fund bond authorization is $235,500,000.

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

ECONOMY AND OTHER CONDITIONS IMPACTING THE DISTRICT

The equalized assessed valuation of the District has experienced a 3.0% average growth rate over the last ten years although the current equalized assessed valuation of $133,397,995,365 is 10.5% lower than the previous year. The Cook County Assessor's office is in the process of gauging the impact of housing price declines and foreclosures on property values, which may result in decreased valuations in the next reassessment. A strong fund balance, along with an emphasis on controlling expenditures, should allow the District to protect its operations from economically sensitive revenues stemming from fiscal constraints at the federal and state levels. The boundaries of the District encompass 91% of the land area of Cook County. The District is located in one of the strongest and economically diverse geographical areas of Cook County. The area's economy is beginning to slowly emerge and recover from the impact of the recession. Unemployment for the Chicago-Naperville-Joliet Metropolitan Division increased to a seasonally adjusted rate of 9.1% for 2013 from 8.8% a year earlier. Employment, tourism, manufacturing, and the commercial and residential real estate markets have all been negatively impacted. This trend is expected to continue through most, if not all, of 2014.

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 2014. The total appropriation for the Corporate Fund in 2014 is $395.3 million, an increase of $11.7 million, or 3.1 percent from the 2013 Adjusted Budget.

The 2014 tax levy for the Corporate Fund is $230.0 million, an increase of $5.9 million or 2.6 percent compared to the 2013 Adjusted Budget. It is the District's intent over the next few years to reduce, then maintain the fund balance, or net assets appropriable for the Corporate Fund in the $47 to $59 million range. This fund balance level balances the competing imperatives of minimizing the annual levy and providing for unexpected shortfalls in revenues.

Continuing through 2014, economically sensitive non-property tax revenues, such as interest income, are expected to remain stagnant based on forecasted local and national economic indicators.

Property taxes and user charges are the primary funding sources for the District's Corporate Fund. Illinois law limits the tax rate of this fund to 41 cents per $100 of equalized assessed valuation. The estimated tax rate for the Corporate Fund in 2014 is 18.15 cents an increase of 3.11 cents from 2013 as adjusted. User charges are collected from industrial, commercial, and non-profit organizations to recover operations, maintenance, and replacement costs proportional to their sewage discharges, in excess of property taxes collected. The major categories of payers: chemical manufacturers, food processors, and government services, are generally expected to maintain their recent level of discharges.

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

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

The Stormwater Management Fund appropriation for 2014 totals $50.9 million, a decrease of $10.3 million or 16.9 percent from the 2013 Adjusted Budget.

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

The Heritage Park Flood Control Facility project was awarded in 2012. The project will provide regional benefits and has been studied by regional agencies such as the Illinois Department of Natural Resources/Office of Water Resources and the United States Army Corps of Engineers. The project will provide the required compensatory storage for the United States Army Corp of Engineer's Levee 37 project along the Des Plaines River. In 1999, the United States Army Corps of Engineers approved a study for the Upper Des Plaines River from the Wisconsin/Illinois state line to Riverside, Illinois. Known as the Des Plaines River Phase 1 Study, its purpose is to identify solutions to flooding along the main stem of the river. Subsequently, the District began negotiations with the Wheeling Park District and the Village of Wheeling for the use of Heritage Park in Wheeling as the site of the compensatory storage required for Levee 37. The District entered into an intergovernmental agreement with the Wheeling Park District and the Village of Wheeling on April 1, 2010 and final design of the Heritage Park Flood Control Facility commenced shortly thereafter. Construction began in 2012 and is expected to be complete by spring 2014.

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

Property taxes are the primary funding source for the District's Stormwater Management Fund. Illinois law limits the tax rate of this fund to 5 cents per $100 of equalized assessed valuation. The estimated tax rate for the Stormwater Management Fund in 2014 is 1.66 cents, which is an increase of 0.08 cents from 2013 as adjusted.

Capital Improvement Program: Construction Fund and Capital Improvements Bond Fund. The District's overall Capital Program includes 2014 project awards, land acquisition, support, future projects, and projects under construction, with a total cost of approximately $1.9 billion. Capital projects involve the acquisition, improvement, replacement, remodeling, completing, altering, constructing, and enlarging of District facilities. Included are all fixtures which are permanently attached to and made a part of such structures and non–structural improvements, and which cannot be removed without, in some way, impairing the facility or structure.

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

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

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

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

Construction Fund. The Construction fund appropriation for 2014 totals $53.3 million, an increase of $12.5 million or 30.6 percent from the 2013 Adjusted Budget.

Beginning in 2002, the budgeting of Engineering Department staff working on capital projects was split between the Construction Fund and the Capital Improvements Bond Fund. In 2013, positions budgeted in both capital funds were transferred to the Corporate Fund along with personnel-related costs such as health care.

Capital projects in the Construction Fund are primarily supported by property taxes and thus subject to the Tax Cap. The 2014 tax levy planned for the Construction Fund is $17.4 million, an increase of $6.3 million or 57.0 percent from the 2013 Adjusted Levy.

Capital Improvements Bond Fund. The 2014 appropriation for the Capital Improvements Bond Fund is $386.2 million, an increase of $36.6 million or 10.5 percent from the 2013 Adjusted Budget. The appropriation is based on the scheduled award of $295.4 million in projects. Capital Improvements Bond Fund projects scheduled for award in 2014 with estimated award values consist of nine plant expansion and improvement projects at $154.7 million; eleven stormwater management projects at $36.2 million; six collection projects at $89.5 million; two facilities replacement projects at $9.0 million; and one solids project at $6.0 million.

The increase in appropriation for the Capital Improvements Bond Fund of $36.6 million reflects the pattern in the award of major projects. An appropriation for the open value of existing contracts is also carried forward from the prior year.

The remaining $90.8 million appropriation for this fund will provide for studies, services, and supplies to support District design and administration of proposed and ongoing construction activity, including the TARP reservoirs. A comprehensive narrative, and exhibits detailing our entire Capital program, is provided in the Capital Budget (Section V), of the 2014 budget document.

A listing and description of proposed projects, and projects under construction, scheduled for 2014, can be found in the Capital Budget (Section V), of the 2014 Budget document.

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

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

- 50 percent funded level target;
- 50 years to reach funding level;

- An initial investment mixture of 50 percent equities and 50 percent bonds with a maximum limit of 65 percent equities that allows for investment growth.

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

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 $92.4 million into the OPEB trust fund. The District contributed $22.4 million in 2012 and $20.0 million in 2013 to reach that goal. Total net position was $120,883,000 as of December 31, 2013. The accumulated unfunded OPEB obligation was estimated at approximately $139 million and $340 million at both December 31, 2013 and December 31, 2012 respectively. On December 19, 2013, the Board of Commissioners adopted a revised investment policy statement for the Metropolitan Water Reclamation District Retiree Health Care Trust.

Organized Labor. The District has six collective bargaining agreements that cover fifteen unions and include approximately 768 of the District's employees for purposes of determining wages and benefits. Three-year successor agreements were negotiated with all bargaining units in 2011 and will expire in 2014.

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

On August 3, 2012 Governor Quinn signed House Bill 4513, now Public Act 97-0894, into law. Employer contributions will increase from $2.19 for each employee dollar contributed two years prior to the lesser $4.19 for each employee dollar contributed or the actuarially determined contribution requirement. The employee contributions for tier 1 employees (those hired before January 1, 2011) will increase 1% each year for the next 3 years beginning January 1, 2013, increasing the contribution rate from the current 9% to 12%. The employee contributions will remain at 12% until the funded ratio reaches 90% then the contribution rate will be reduced to 9%.

REQUESTS FOR ADDITIONAL INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund		Debt Service Fund		Capital Improvements Bond Fund	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Assets and deferred outflows of resources						
Assets:						
Cash	$ 29,781	$ 11,903	$ 24,959	$ 1,893	$ 6,561	$ 10,996
Certificates of deposit (note 4)	17,555	3,006	4,011	3,503	44,138	49,200
Investments (note 4)	251,043	297,608	69,036	99,889	185,432	316,157
Prepaid insurance	2,391	-	-	-	-	-
Taxes receivable, net (note 5)	222,071	235,839	195,211	178,482	-	-
Other receivables, net (note 5)	(1,943)	2,934	1,001	1,001	31,853	14,072
Due from other funds (note 12)	176	1,004	-	-	-	-
Restricted deposits	1,425	2,018	-	-	-	-
Inventories	40,136	39,467	-	-	-	-
Capital assets not being depreciated/amortized (note 6)	-	-	-	-	-	-
Capital assets being depreciated/amortized, net (note 6)	-	-	-	-	-	-
Total assets	562,635	593,779	294,218	284,768	267,984	390,425
Deferred outflows of resources:						
Loss on prior debt refunding	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 562,635	$ 593,779	$ 294,218	$ 284,768	$ 267,984	$ 390,425
Liabilities, deferred inflows of resources, and fund balances/net position						
Liabilities:						
Accounts payable and other liabilities (note 5)	$ 30,530	$ 31,186	$ -	$ -	$ 35,646	$ 42,798
Due to Pension Trust Fund	-	-	-	-	-	-
Due to other funds (note 12)	-	-	-	-	-	756
Accrued interest payable	-	-	-	-	-	-
Long-term liabilities: (note 11)						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total liabilities	30,530	31,186	-	-	35,646	43,554
Deferred inflows of resources:						
Unavailable tax revenue (note 5)	193,898	194,980	170,690	147,594	-	-
Other unavailable/unearned revenue (note 5)	3,082	3,111	1,001	1,001	-	-
Total deferred inflows of resources	196,980	198,091	171,691	148,595	-	-
Fund balances/net position						
Fund balances:						
Nonspendable:						
Prepaid insurance	2,391	-	-	-	-	-
Inventories	40,136	39,467	-	-	-	-
Restricted for:						
Deposits	1,425	2,018	-	-	-	-
Working cash	276,894	277,006	-	-	-	-
Reserve claims	66,239	65,162	-	-	-	-
Debt service	-	-	122,527	136,173	-	-
Capital projects	-	-	-	-	232,338	346,871
Unassigned (Deficit)	(51,960)	(19,151)	-	-	-	-
Total fund balances	335,125	364,502	122,527	136,173	232,338	346,871
Total liabilities, deferred inflows, and fund balances	$ 562,635	$ 593,779	$ 294,218	$ 284,768	$ 267,984	$ 390,425
Net position:						
Net investment in capital assets						
Restricted for corporate working cash						
Restricted for reserve claim						
Restricted for debt service						
Restricted for capital projects						
Restricted for construction working cash						
Restricted for stormwater working cash						
Unrestricted (Deficit)						
Total net position						

See accompanying notes to the basic financial statements.

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2a)		Statements of Net Position	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
$ -	$ -	$ 3,195	$ 1,288	$ 64,496	$ 26,080	$ -	$ -	$ 64,496	$ 26,080
-	-	11,612	1,502	77,316	57,211	-	-	77,316	57,211
-	-	74,422	90,038	579,933	803,692	-	-	579,933	803,692
-	-	-	-	2,391	-	-	-	2,391	-
56,638	32,903	29,991	39,003	503,911	486,227	-	-	503,911	486,227
-	-	745	745	31,656	18,752	-	-	31,656	18,752
-	-	-	-	176	1,004	(176)	(1,004)	-	-
-	-	-	-	1,425	2,018	-	-	1,425	2,018
-	-	-	-	40,136	39,467	-	-	40,136	39,467
-	-	-	-	-	-	5,169,462	5,061,669	5,169,462	5,061,669
-	-	-	-	-	-	1,733,584	1,747,657	1,733,584	1,747,657
$ 56,638	$ 32,903	$ 119,965	$ 132,576	$ 1,301,440	$ 1,434,451	$ 6,902,870	$ 6,808,322	$ 8,204,310	$ 8,242,773
-	-	-	-	-	-	16,376	19,415	16,376	19,415
$ 56,638	$ 32,903	$ 119,965	$ 132,576	$ 1,301,440	$ 1,434,451	$ 6,919,246	$ 6,827,737	$ 8,220,686	$ 8,262,188
$ -	$ -	$ 6,330	$ 6,558	$ 72,506	$ 80,542	$ -	$ -	$ 72,506	$ 80,542
12,975	10,173	-	-	12,975	10,173	43,663	22,730	56,638	32,903
-	-	176	248	176	1,004	(176)	(1,004)	-	-
-	-	-	-	-	-	14,247	15,007	14,247	15,007
-	-	-	-	-	-	143,086	144,229	143,086	144,229
-	-	-	-	-	-	2,766,191	2,844,261	2,766,191	2,844,261
12,975	10,173	6,506	6,806	85,657	91,719	2,967,011	3,025,223	3,052,668	3,116,942
43,663	22,730	26,148	32,273	434,399	397,577	(434,399)	(397,577)	-	-
-	-	745	745	4,828	4,857	(1,742)	(1,742)	3,086	3,115
43,663	22,730	26,893	33,018	439,227	402,434	(436,141)	(399,319)	3,086	3,115
-	-	-	-	2,391	-	(2,391)	-		
-	-	-	-	40,136	39,467	(40,136)	(39,467)		
-	-	-	-	1,425	2,018	(1,425)	(2,018)		
-	-	59,334	59,386	336,228	336,392	(336,228)	(336,392)		
-	-	-	-	66,239	65,162	(66,239)	(65,162)		
-	-	-	-	122,527	136,173	(122,527)	(136,173)		
-	-	27,232	33,366	259,570	380,237	(259,570)	(380,237)		
-	-	-	-	(51,960)	(19,151)	51,960	19,151		
-	-	86,566	92,752	776,556	940,298	(776,556)	(940,298)		
$ 56,638	$ 32,903	$ 119,965	$ 132,576	$ 1,301,440	$ 1,434,451				
						4,506,950	4,514,633	4,506,950	4,514,633
						276,894	277,006	276,894	277,006
						9,861	4,524	9,861	4,524
						278,970	268,760	278,970	268,760
						28,886	18,828	28,886	18,828
						21,644	21,649	21,644	21,649
						37,690	37,737	37,690	37,737
						4,037	(1,006)	4,037	(1,006)
						$ 5,164,932	$ 5,142,131	$ 5,164,932	$ 5,142,131

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

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)	General Corporate Fund		Debt Service Fund		Capital Improvements Bond Fund	
	2013	2012	2013	2012	2013	2012
Revenues						
General revenues:						
Property taxes	$ 222,163	$ 257,656	$ 167,914	$ 173,803	$ -	$ -
Personal property replacement tax	32,055	27,093	-	-	-	-
Interest on investments	1,575	4,755	363	996	618	4,004
Land sales	2,575	-	-	-	-	-
Tax increment financing distributions	3,361	6,239	-	-	-	-
Claims and damage settlements	971	110	-	-	1,246	1,362
Miscellaneous	2,933	4,058	4	9	1,520	1,754
Gain on sale of capital assets	-	-	-	-	-	-
Program revenues:						
Charges for services:						
User charges	48,882	69,022	-	-	-	-
Land rentals	14,851	12,081	-	-	-	-
Fees, forfeits, and penalties	2,629	2,575	-	-	-	-
Capital grants and contributions:						
Federal and state grants	53	152	11,057	12,012	-	10,000
Total revenues	332,048	383,741	179,338	186,820	3,384	17,120
Expenditures/Expenses						
Operations:						
Board of Commissioners	3,514	3,463	-	-	-	-
General Administration	14,111	13,877	-	-	-	-
Monitoring and Research	25,128	24,495	-	-	-	-
Procurement and Materials Management	5,671	5,698	-	-	-	-
Human Resources	67,856	63,105	-	-	-	-
Information Technology	14,024	13,167	-	-	-	-
Law	6,984	5,942	-	-	-	-
Finance	3,393	3,172	-	-	-	-
Engineering	23,987	3,229	-	-	-	-
Maintenance and Operations	161,787	161,188	-	-	-	-
Pension costs	-	-	-	-	-	-
OPEB costs	-	-	-	-	-	-
Claims and judgments	4,970	5,998	-	-	-	-
Construction costs	-	-	-	-	155,073	232,583
Loss on disposal of capital assets	-	-	-	-	-	-
Depreciation and amortization (unallocated)	-	-	-	-	-	-
Debt service:						
Redemption of bonds and capital lease	-	-	83,667	69,453	2,042	1,947
Interest on bonds and issuance costs	-	-	109,317	116,411	2,348	2,443
Total expenditures/expenses	331,425	303,334	192,984	185,864	159,463	236,973
Revenues over (under) expenditures	623	80,407	(13,646)	956	(156,079)	(219,853)
Other financing sources (uses):						
State revolving fund loans	-	-	-	-	41,546	54,884
Bond anticipation notes converted	-	-	-	-	50,264	118,365
Bond anticipation notes refunded	-	-	-	-	(50,264)	(118,365)
Transfers	(30,000)	(1,000)	-	(2,000)	-	(25,000)
Total other financing sources (uses)	(30,000)	(1,000)	-	(2,000)	41,546	29,884
Revenues and other financing sources (uses) over (under) expenditures	(29,377)	79,407	(13,646)	(1,044)	(114,533)	(189,969)
Change in net position	-	-	-	-	-	-
Fund balances/net position:						
Beginning of the year	364,502	285,095	136,173	137,217	346,871	536,840
End of the year	$ 335,125	$ 364,502	$ 122,527	$ 136,173	$ 232,338	$ 346,871

See accompanying notes to the basic financial statements.

Retirement Fund		Other Governmental / Nonmajor Funds		Total Governmental Activities		Adjustments (Note 2b)		Statements of Activities	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
$ 28,841	$ 28,872	$ 36,048	$ 28,837	$ 454,966	$ 489,168	$ 15,889	$ (2,852)	$ 470,855	$ 486,316
8,682	7,319	-	1,193	40,737	35,605	-	-	40,737	35,605
-	-	495	1,368	3,051	11,123	-	-	3,051	11,123
-	-	-	-	2,575	-	(2,575)	-	-	-
-	-	-	-	3,361	6,239	-	-	3,361	6,239
-	-	54	-	2,271	1,472	-	-	2,271	1,472
-	-	308	1	4,765	5,822	-	-	4,765	5,822
-	-	-	-	-	-	923	-	923	-
-	-	300	300	49,182	69,322	-	-	49,182	69,322
-	-	-	-	14,851	12,081	-	-	14,851	12,081
-	-	767	778	3,396	3,353	-	-	3,396	3,353
-	-	-	-	11,110	22,164	-	-	11,110	22,164
37,523	36,191	37,972	32,477	590,265	656,349	14,237	(2,852)	604,502	653,497
-	-	-	-	3,514	3,463	6	8	3,520	3,471
-	-	-	-	14,111	13,877	315	419	14,426	14,296
-	-	-	-	25,128	24,495	166	194	25,294	24,689
-	-	-	-	5,671	5,698	(11)	(4)	5,660	5,694
-	-	-	-	67,856	63,105	(15)	(2)	67,841	63,103
-	-	-	-	14,024	13,167	307	547	14,331	13,714
-	-	-	-	6,984	5,942	(9)	-	6,975	5,942
-	-	-	-	3,393	3,172	1	3	3,394	3,175
-	-	-	-	23,987	3,229	1,064	1,103	25,051	4,332
-	-	-	-	161,787	161,188	585	731	162,372	161,919
67,523	66,191	-	-	67,523	66,191	(15,458)	12,169	52,065	78,360
-	-	-	-	-	-	(19,567)	(7,155)	(19,567)	(7,155)
-	-	-	-	4,970	5,998	(1,601)	19,740	3,369	25,738
-	-	44,158	26,732	199,231	259,315	(110,703)	(183,819)	88,528	75,496
-	-	-	-	-	-	173	147	173	147
-	-	-	-	-	-	12,020	12,459	12,020	12,459
-	-	-	-	85,709	71,400	(85,709)	(71,400)	-	-
-	-	-	-	111,665	118,854	4,584	(7,810)	116,249	111,044
67,523	66,191	44,158	26,732	795,553	819,094	(213,852)	(222,670)	581,701	596,424
(30,000)	(30,000)	(6,186)	5,745	(205,288)	(162,745)	228,089	219,818		
-	-	-	-	41,546	54,884	(41,546)	(54,884)	-	-
-	-	-	-	50,264	118,365	(50,264)	(118,365)	-	-
-	-	-	-	(50,264)	(118,365)	50,264	118,365	-	-
30,000	30,000	-	(2,000)	-	-	-	-	-	-
30,000	30,000	-	(2,000)	41,546	54,884	(41,546)	(54,884)	-	-
-	-	(6,186)	3,745	(163,742)	(107,861)	163,742	107,861	-	-
-	-	-	-	-	-	22,801	57,073	22,801	57,073
-	-	92,752	89,007	940,298	1,048,159	-	-	5,142,131	5,085,058
$ -	$ -	$ 86,566	$ 92,752	$ 776,556	$ 940,298	$ -	$ -	$ 5,164,932	$ 5,142,131

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

Year ended December 31, 2013

(in thousands of dollars)

	Budget		Actual	Actual Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes:				
Gross levy	$ 224,100	$ 224,100	$ 224,100	$ -
Allowance for uncollectible taxes	(7,843)	(7,843)	(7,843)	-
Net property tax levy	216,257	216,257	216,257	-
Property tax collections	6,903	6,903	6,410	(493)
Personal property replacement tax:				
Entitlement	23,831	23,831	23,831	-
Total tax revenue	246,991	246,991	246,498	(493)
Adjustment for working cash borrowing	(4,588)	(4,588)	(4,588)	-
Adjustment for estimated tax collections	-	-	24,989	24,989
Tax revenue available for current operation	242,403	242,403	266,899	24,496
Interest on investments	4,200	4,200	3,485	(715)
Land sales	2	2	2,575	2,573
Tax increment financing distributions	925	925	3,313	2,388
Miscellaneous	3,440	3,440	6,093	2,653
User charges	50,000	50,000	53,502	3,502
Land rentals	13,500	13,500	14,930	1,430
Claims and damage settlements	-	-	1,093	1,093
Fees, forfeits, and penalties	2	2	-	(2)
Total revenues	314,472	314,472	351,890	37,418
Expenditures:				
Board of Commissioners	3,807	3,807	3,514	293
General Administration	45,904	45,904	44,086	1,818
Monitoring and Research	27,163	27,163	24,573	2,590
Procurement and Materials Management	8,999	8,999	8,064	935
Human Resources	73,964	74,089	67,832	6,257
Information Technology	15,802	15,802	13,982	1,820
Law	8,803	8,803	6,986	1,817
Finance	3,522	3,522	3,392	130
Engineering	26,076	25,951	23,987	1,964
Maintenance and Operations	169,568	169,568	160,421	9,147
Claims and judgments	62,000	62,000	4,976	57,024
Total expenditures	445,608	445,608	361,813	83,795
Revenues over (under) expenditures	(131,136)	(131,136)	(9,923)	121,213
Fund balances at beginning of year	238,995	238,995	257,127	18,132
Net assets available for future use	(107,859)	(107,859)	-	107,859
Fund balances at beginning of the year as adjusted	131,136	131,136	257,127	125,991
Fund balances at end of year	$ -	$ -	$ 247,204	$ 247,204

See accompanying notes to the basic financial statements.

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

Year ended December 31, 2013

(in thousands of dollars)

Retirement Fund	**Final Budget**	**Actual on Budgetary Basis**	**Actual Variance with Final Budget - Positive (Negative)**
Revenues:			
Property taxes	$ 27,492	$ 28,841	$ 1,349
Personal property replacement tax	7,269	8,682	1,413
Total tax revenue	34,761	37,523	2,762
Operating expenditures:			
Pension costs	64,761	67,523	(2,762)
Total expenditures	64,761	67,523	(2,762)
Revenues over (under) expenditures	(30,000)	(30,000)	
Other Financing Source:			
Transfer from General Fund	30,000	30,000	-
Total other financing sources	30,000	30,000	-
Revenues and other financing sources over (under) expenditures	-	-	-
Fund balances at beginning of the year	-	-	-
Fund balances at end of the year	$ -	$ -	$ -

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

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)

	2013	2012
Assets		
Cash	$ 3,384	$ 2,274
Receivables		
Employer contributions-taxes (net of allowance for uncollectibles of $5,383 in 2013; $4,402 in 2012)	62,984	34,761
Securities sold	8,012	5,264
Forward foreign exchange contracts	32,768	20,077
Accrued interest and dividends	2,646	2,305
Accounts receivable	52	49
Total receivables	106,462	62,456
Investments at fair value		
Corporate bonds and notes	161,406	167,027
Illinois funds investment pool	10,006	10,095
Pooled funds - fixed income	223,486	228,209
Pooled funds - equities	73,747	49,674
Common and preferred stocks	843,885	663,897
Short-term investments	51,789	29,535
Total investments	1,364,319	1,148,437
Securities lending capital	45,659	49,637
Total assets	$ 1,519,824	$ 1,262,804
Liabilities		
Accounts payable	$ 1,544	$ 1,368
Securities lending collateral	45,659	49,637
Forward foreign exchange contracts	32,768	20,077
Securities purchased	20,356	13,218
Total liabilities	100,327	84,300
Net position held in trust for pension and OPEB benefits	$ 1,419,497	$ 1,178,504

See accompanying notes to the basic financial statements.

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

Year ended December 31, 2013
(with comparative amounts for prior year)

(in thousands of dollars)

	2013	2012
Additions:		
Contributions:		
Employer contributions	$ 126,779	$ 100,524
Employee contributions	16,891	14,714
Retiree contributions	6,218	5,821
Total contributions	149,888	121,059
Investment income:		
Net appreciation (depreciation) in fair value of investments	224,279	110,532
Interest on short-term investments	8,763	4,661
Dividend income	12,836	13,886
Total investment income	245,878	129,079
Less investment expenses	(5,508)	(4,800)
Investment income (loss) net of expenses	240,370	124,279
Security lending activities:		
Security lending income	89	131
Borrower rebates	630	852
Bank fees	(174)	(234)
Net income from securities lending activities	545	749
Other	7	40
Total additions	390,810	246,127
Deductions:		
Annuities and benefits:		
Employee annuitants	106,624	103,044
Retiree health care benefits	20,053	18,847
Surviving spouse annuitants	19,432	18,674
Child annuitants	114	114
Ordinary disability benefits	822	678
Duty disability benefits	214	204
Total annuities and benefits	147,259	141,561
Refunds of employee contributions	1,129	1,196
Administrative expenses	1,429	1,333
Total deductions	149,817	144,090
Net increase (decrease)	240,993	102,037
Net position held in trust for pension and OPEB benefits		
Beginning of year	1,178,504	1,076,467
End of year	$ 1,419,497	$ 1,178,504

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

Index to Notes

Note **Page Number**

1. Summary of Significant Accounting Policies

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

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

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

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

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

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

The District reports the following major governmental funds:

General Corporate Fund

Established to account for an annual property tax levy, and certain other revenues, which are to be used for the payments of general expenditures of the District not specifically chargeable to other funds. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Corporate Fund. These accounts were established under Chapter 70, ILCS 2605/9b of the Illinois Compiled Statutes, which refers to these accounts as a "Working Cash Fund." Amounts borrowed from the Working Cash Fund in one year are generally repaid by the Corporate Fund from tax collections received during the subsequent year. Also included in this fund are accounts of the "Reserve Claim Fund," established under Chapter 70, ILCS 2605/12 of the Illinois Compiled Statutes, which is restricted for the payment of claims, awards, losses, judgments or liabilities which might be imposed against the District, and for the repair or replacement of certain property maintained by the District. The assets, liabilities, and fund balances of the General Corporate Fund, detailed as to the Corporate, Working Cash, and Reserve Claim account divisions at December 31, 2013, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Assets				
Cash	$ 29,781	$ 28,089	$ 205	$ 1,487
Certificates of deposit	17,555	693	-	16,862
Investments	251,043	117,157	86,689	47,197
Prepaid Insurance	2,391	2,391	-	-
Receivables:				
Property taxes receivable	262,968	255,818	-	7,150
Allowance for uncollectible taxes	(40,897)	(39,508)	-	(1,389)
Taxes receivable, net	222,071	216,310	-	5,761
User charges	(2,708)	(2,708)	-	-
Miscellaneous	765	485	-	280
Due from Stormwater Management Fund	176	176	-	-
Restricted deposits	1,425	1,425	-	-
Inventories	40,136	40,136	-	-
Total assets	$ 562,635	$ 404,154	$ 86,894	$ 71,587
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable and other liabilities	$ 30,530	$ 30,150	$ -	$ 380
Due to corporate fund from corporate working cash	-	190,000	(190,000)	-
Total liabilities	30,530	220,150	(190,000)	380
Deferred inflows of resources:				
Unavailable tax revenue	193,898	188,930	-	4,968
Other unavailable/unearned revenue	3,082	3,082	-	-
Total deferred inflows of resources	196,980	192,012	-	4,968
Fund balances:				
Nonspendable:				
Prepaid insurance	2,391	2,391	-	-
Inventories	40,136	40,136	-	-
Restricted for:				
Deposits	1,425	1,425	-	-
Working cash	276,894	-	276,894	-
Reserve claims	66,239	-	-	66,239
Unassigned (Deficit)	(51,960)	(51,960)	-	-
Total fund balances	335,125	(8,008)	276,894	66,239
Total liabilities and fund balances	$ 562,635	$ 404,154	$ 86,894	$ 71,587

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, 2013, are as follows (in thousands of dollars):

	Total General Corporate Fund	Corporate Division	Corporate Working Cash Division	Reserve Claim Division
Revenues:				
Property taxes	$ 222,163	$ 216,149	$ -	$ 6,014
Personal property replacement tax	32,055	32,055	-	-
Total tax revenue	254,218	248,204	-	6,014
Interest on investments	1,575	1,609	(112)	78
Land sales	2,575	2,575	-	-
Tax increment financing distributions	3,361	3,361	-	-
Claims and damage settlements	971	1,024	-	(53)
Miscellaneous	2,933	2,925	-	8
User charges	48,882	48,882	-	-
Land rentals	14,851	14,851	-	-
Fees, forfeits and penalties	2,629	2,629	-	-
Federal grants	53	53	-	-
Total revenues	332,048	326,113	(112)	6,047
Operations:				
Board of Commissioners	3,514	3,514	-	-
General Administration	14,111	14,111	-	-
Monitoring and Research	25,128	25,128	-	-
Procurement and Materials Management	5,671	5,671	-	-
Human Resources	67,856	67,856	-	-
Information Technology	14,024	14,024	-	-
Law	6,984	6,984	-	-
Finance	3,393	3,393	-	-
Engineering	23,987	23,987	-	-
Maintenance and Operations	161,787	161,787	-	-
Claims and judgments	4,970	-	-	4,970
Total expenditures	331,425	326,455	-	4,970
Revenues over (under) expenditures	623	(342)	(112)	1,077
Other financing sources (uses):				
Transfer out to the Pension Fund	(30,000)	(30,000)	-	-
Net Change in Fund balance	(29,377)	(30,342)	(112)	1,077
Fund balance at the beginning of year	364,502	22,334	277,006	65,162
Fund balance at the end of year	$ 335,125	$ (8,008)	$ 276,894	$ 66,239

Debt Service Fund

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

Capital Improvements Bond Fund

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

Retirement Fund

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

The District reports the following non-major governmental funds:

Construction Fund

A capital projects fund established to account for the annual property tax levy and certain other revenues to be used for the acquisition of capital assets used in the principal functions of the District. Included in this fund are accounts maintained by the District restricted to making temporary loans to the Construction Fund. These accounts were established under Chapter 70, ILCS 2605/9c of the Illinois Compiled Statutes, which refers to these accounts as a "Construction Working Cash Fund." Amounts borrowed in one year are generally repaid by the Construction Fund from tax collections received during the subsequent year. The assets, liabilities, and fund balances of the Construction Fund, detailed as to the Working Cash and Construction account divisions at December 31, 2013, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Construction Working Cash Division
Assets			
Cash	$ 1,678	$ 1,425	$ 253
Certificates of deposit	5,503	503	5,000
Investments	30,944	21,553	9,391
Receivables:			
Property taxes receivable	12,654	12,654	-
Allowance for uncollectible taxes	(1,963)	(1,963)	-
Taxes receivable, net	10,691	10,691	-
Miscellaneous receivable	745	745	-
Total assets	$ 49,561	$ 34,917	$ 14,644
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 2,815	$ 2,815	$ -
Due to Construction Fund from Construction Working Cash	-	7,000	(7,000)
Total liabilities	2,815	9,815	(7,000)
Deferred inflows of resources:			
Unavailable tax revenue	9,285	9,285	-
Other unavailable/unearned revenue	745	745	-
Total deferred inflows of resources	10,030	10,030	-
Fund balances:			
Restricted for:			
Working cash	21,644	-	21,644
Capital projects	15,072	15,072	-
Total fund balances	36,716	15,072	21,644
Total liabilities, deferred inflows, and fund balances	$ 49,561	$ 34,917	$ 14,644

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, 2013, are as follows (in thousands of dollars):

	Total Construction Fund	Construction Division	Working Cash Division
Revenues:			
Property taxes	$ 17,585	$ 17,585	$ -
Total tax revenue	17,585	17,585	-
Interest on investments	223	228	(5)
User charge	300	300	-
Claims and damages settlements	54	54	-
Fees, forfeits and penalties	762	762	-
Total revenues	18,924	18,929	(5)
Construction Costs:			
Personal services	771	771	-
Contractual services	18	18	-
Materials and supplies	(196)	(196)	-
Machinery and equipment	1,714	1,714	-
Capital projects	10,777	10,777	-
Total expenditures	13,084	13,084	-
Revenues over (under) expenditures	5,840	5,845	(5)
Net Change in Fund balance	5,840	5,845	(5)
Fund balance at the beginning of year	30,876	9,227	21,649
Fund balance at the end of year	$ 36,716	$ 15,072	$ 21,644

Stormwater Management Fund

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

The assets, liabilities, and fund balances of the Stormwater Management Fund, detailed as to the Working Cash and Stormwater Management account divisions at December 31, 2013, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Assets			
Cash	$ 1,517	$ 1,440	$ 77
Certificates of deposit	6,109	1,006	5,103
Investments	43,478	20,968	22,510
Receivables:			
Property taxes receivable	22,304	22,304	-
Allowance for uncollectible taxes	(3,004)	(3,004)	-
Taxes receivable, net	19,300	19,300	-
Total assets	$ 70,404	$ 42,714	$ 27,690
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable and other liabilities	$ 3,515	$ 3,515	$ -
Due to Corporate Fund	176	176	-
Due to Stormwater Management Fund from Stormwater Working Cash	-	10,000	(10,000)
Total liabilities	3,691	13,691	(10,000)
Deferred inflows of resources:			
Unavailable tax revenue	16,863	16,863	-
Total deferred inflows of resources	16,863	16,863	-
Fund balances:			
Restricted for:			
Working cash	37,690	-	37,690
Capital projects	12,160	12,160	-
Total fund balances	49,850	12,160	37,690
Total liabilities, deferred inflows, and fund balances	$ 70,404	$ 42,714	$ 27,690

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, 2013, are as follows (in thousands of dollars):

	Total Stormwater Management Fund	Stormwater Management Division	Stormwater Working Cash Division
Revenues:			
Property taxes	$ 18,463	$ 18,463	$ -
Total tax revenue	18,463	18,463	-
Interest on investments	272	319	(47)
Fees, forfeits and penalties	5	5	-
Miscellaneous	308	308	-
Total revenues	19,048	19,095	(47)
Construction Costs:			
Personal services	8,087	8,087	-
Contractual services	2,582	2,582	-
Materials and supplies	18	18	-
Capital projects	20,387	20,387	-
Total expenditures	31,074	31,074	-
Revenues over (under) expenditures	(12,026)	(11,979)	(47)
Net Change in Fund balance	(12,026)	(11,979)	(47)
Fund balance at the beginning of year	61,876	24,139	37,737
Fund balance at end of year	$ 49,850	$ 12,160	$ 37,690

In addition, the District reports the following fiduciary funds:

Pension Trust Fund

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

OPEB Trust Fund

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

c. Basis of Accounting and Measurement Focus

Government-wide and Fiduciary Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

(6) The budget implementation phase begins January 1;

(7) The legal level of control for the District's appropriations (the level at which the Board of Commissioners must approve any transfers of appropriated amounts) is on a line item class (object) basis. (A line item class represents a group of line items. For example, the line item class "personal services" is a grouping of line items such as salaries and wages, group insurance, professional services, Medicare contributions). Transfers of appropriations between objects of expenditure or between departments must be presented to the Board of Commissioners in accordance with applicable statutes. The District's Annual Appropriation Ordinance further requires line item class appropriations be supported by a schedule of line items, and expenditures be made in accordance with such schedule of line items. The Executive Director is authorized to transfer appropriations between line items within an object class of expenditure within a department. For the Debt Service Fund and the Retirement Fund, the level of control is on a fund basis;

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

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

(10) All governmental funds have legally adopted budgets.

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

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

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

h. **Inventory**, consisting mainly of materials, supplies, and repair parts which maintain and extend the life of the District's treatment facilities, is reported on the Balance Sheet of the General Corporate Fund and the government-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. Inventory balances held at year-end are reported as nonspendable fund balance in the governmental funds.

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

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

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

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

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

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

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

In compliance with Governmental Accounting Standards Board (GASB) Statement 34, existing infrastructure assets accounted for with the modified approach are not reported in the government-wide financial statements until an initial condition assessment is completed for the assets' network. Currently, all the District's WRP's infrastructure assets are reported as infrastructure under the modified approach in the government-wide financial statements. Condition assessments of eligible infrastructure assets must be completed at least every three years following the initial assessments. The Kirie, Central (Stickney), Hanover, North Side, Egan, Calumet, Lemont WRP's, and Waterways had their initial condition assessments completed between 2002 and 2006. The Kirie, Central (Stickney) and Waterways networks each had its most recent condition assessment completed in 2011. The Hanover, Calumet and Lemont networks each had its most recent condition assessment completed in 2012. The Egan and O'Brien networks each had its most recent condition assessment completed in 2013.

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

l. Compensated Absences for accumulated unpaid vacation, holiday, overtime, severance and sick leave are paid to employees upon retirement or termination. An employee is eligible to receive 100 percent of earned vacation, holiday and overtime pay. Depending upon the date of hire and/or collective bargaining agreements, employees may also be eligible to receive severance pay and 50 % of accumulated sick pay up to a maximum of sixty days. Compensated absences are accrued as they are earned in the government-wide financial statements. Expenditures and liabilities for compensated absences are recorded in the fund financial statements when due and payable. Included in the long-term liabilities of the Statements of Net Position at December 31, 2013, are liabilities for compensated absences of $1,560,000, due within one year, and $27,067,000, due in more than one year.

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

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

n. 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.

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

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

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

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

- Restricted Net Position - This consists of net position that is legally restricted by outside parties, or by law through constitutional provisions or enabling legislation. Net position restricted for working cash and reserve claims is based on legal restrictions, while net position restricted for debt service and capital projects is based on legal restrictions and/or outside parties. The government-wide statement of net position reports $653,945,000 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.”

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

q. Comparative data and reclassifications – The basic financial statements present comparative data for the prior year to provide an understanding of the changes in financial position and results of operations.

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

s. New Accounting Pronouncement - In November 2010, the GASB issued Statement No. 61 - The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This standard was implemented effective January 1, 2013.

In March 2012, the GASB issued Statement No. 65 - Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented for the year ending December 31, 2013.

2. Reconciliation of Fund and Government-wide Financial Statements

a. Reconciliation of Total Fund Balances to Total Net Position - The following explanations are provided for the reconciling adjustments shown in the Governmental Funds Balance Sheets/Statements of Net Position at December 31, 2013 (in thousands of dollars):

Total fund balances of governmental funds	$ 776,556
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	7,141,759
Accumulated depreciation/amortization	(238,713)
Capital assets, net	6,903,046
Long-term liabilities are not due and payable in the current period and accordingly are not reported as liabilities in governmental funds. However, long-term liabilities are reported in the Statements of Net Position. The long-term liabilities consist of :	
Compensated absences	(27,627)
Claims and judgments	(77,996)
Capital lease	(47,795)
Bond anticipation notes	(35,809)
General obligation debt	(2,481,973)
Net OPEB obligation	(49,858)
Net Pension liability	(105,193)
Total long-term liabilities	(2,826,251)
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	(83,026)
Bond refunding transactions	16,376
Total bond premium and refunding transactions	(66,650)
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 2013 amount is:	
Accrued interest	(14,247)
Some assets reported in governmental funds do not increase fund balance because the assets are not "available" to pay for current-period expenditures. These assets are offset by unavailable revenues (deferred inflows of resources) in the governmental funds. However, these assets increase net position in the Statements of Net Position. They consist of:	
Unavailable Property taxes and personal property replacement tax	434,399
Adjustment for pension trust fund	(43,663)
Grants and rents	1,742
Adjustment to unavailable revenues	392,478
Interfund transactions are eliminated for Government-wide reporting. These transactions consist of:	
Due from other funds	176
Due to other funds	(176)
Total interfund	-
Total net position of governmental activities	$ 5,164,932

b. Reconciliation of the Change in Fund Balances to the Change in Net Position - The following explanations are provided for the adjustments shown in the Statements of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statements of Activities for the year ended December 31, 2013 (in thousands of dollars):

Net change in fund balances of governmental funds	$ (163,742)
Amounts reported for governmental activities in the Statements of Activities are different because:	
Construction costs for capital outlays are reported as expenditures in governmental funds. However, in the Statements of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense except for those assets under the modified approach. In the current period, these amounts are:	
Construction costs and other capital outlays	110,703
Depreciation expense-allocated to various departments	(3,138)
Depreciation/amortization expense-unallocated	(12,020)
Excess of construction and capital outlay costs over depreciation expense	95,545
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	(41,546)
Debt proceeds total	(41,546)
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	85,709
Debt service principal retirement total	85,709
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	729
Change in claims and judgments	1,601
Change in bond interest	48
Change in bond anticipation notes interest	712
Amortization of bond issuance/refunding costs	(10,928)
Amortization of bond premium	5,584
Change in net pension obligation	15,458
Change in OPEB costs	19,567
Total additional expenses	32,771
The proceeds from the sale of land and equipment are reported as revenue in the governmental funds. However, the cost of the land and equipment is removed from the capital assets account in the Statements of Net Position and offset against sale proceeds resulting in gain or (loss) in the Statements of Activities. The net effect of miscellaneous transactions involving capital asset sales:	
Total land and equipment sales	(1,825)
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	15,889
Total adjustments	15,889
Change in net position of governmental activities	$ 22,801

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	$ (9,923)
Adjustment from Budget to GAAP for:	
Tax revenues	(12,681)
Transfers from other sources (uses)	
Transfer from Corporate Fund to Retirement Fund	(30,000)
Cash basis other revenues	(7,161)
GAAP versus budgetary expenditure differences	30,388
Revenues and other sources (uses) over (under) expenditures on GAAP Basis	$ (29,377)

4. Deposits and Investments

Deposits

As of December 31, 2013, the District, the Pension Trust Fund and OPEB Trust Fund deposits were fully insured and collateralized.

Investments (excluding Trust Funds)

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

The following schedule reports the fair values and maturities (using the segmented time distribution method) for the District's investments at December 31, 2013 (in thousands of dollars):

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1- 5 Years**
U.S. Agencies	$ 218,475	$ 5,000	$ 213,475
Municipal Bond	330,504	158,053	172,451
State Treasurer's Illinois Funds	28,143	28,143	-
Total Investments	$ 577,122	$ 191,196	$ 385,926

The Illinois Funds invest a minimum of 75% of its assets in authorized investments of less than one year and no investment shall exceed two years maturity. The above fair value amount excludes accrued interest receivable of $2,811,000.

Interest Rate Risk

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

Credit Risk

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

Credit ratings for the District's investments in debt securities as described by Standard & Poor's, Moody's and Fitch at December 31, 2013 (excluding investments in U.S. Treasuries, if any, which are not considered to have credit risk), are as follows:

Investment Type	**Credit Ratings at 12/31/13 S&P/Moody's/Fitch**	**% of Investment Type**	**% of Total Investments in Debt Securities**
U.S. Agencies			
Federal National Mortgage Association (FNMA)	AA+/Aaa/AAA	60.8%	
Federal Home Loan Mortgage Corporation (FHLMC)	AA+/Aaa/AAA	22.3%	
Federal Home Loan Banks (FHLB)	AA+/Aaa/NR	10.1%	
Federal Farm Credit Banks (FFCB)	AA+/Aaa/AAA	6.8%	
Total U.S. Agencies		100.0%	37.9%
State Treasurer's Illinois Funds	AAAm	100.0%	4.9%
State of Illinois *	A-/A3/A-	43.9%	25.0%
Regional Transit Authority (Illinois) *	AA/Aa3/AA	15.5%	8.9%
Colorado Housing & Finance Authority *	NR/Aa2/AA	8.7%	5.0%
State of California *	A/A1/A	4.3%	2.5%
New York City Transitional Finance Authority *	AAA/Aa1/AAA	4.0%	2.3%
Rosemont, Illinois *	AA-/A2/NR	3.2%	1.8%
State of Connecticut *	AA/Aa3/AA	3.1%	1.8%
State of New York Dormitory Authority *	AAA/NR/AA	3.0%	1.7%
Long Beach California Bond Finance Authority *	A+/NR/AA-	1.9%	1.1%
Oklahoma City Economic Development Trust *	AA/Aa2/NR	1.9%	1.1%
Illinois Housing Development Authority *	AA/Aa3/NR	1.8%	1.0%
Indiana University *	AA+/Aaa/NR	1.3%	0.8%
Peoria County Illinois School District *	NR/Aa2/NR	1.3%	0.7%
Massachusetts Department of Transportation *	NR/Aa3/AA-	1.2%	0.7%
Cook County, Illinois *	AA/A1/AA-	1.1%	0.6%
Arizona School Facilities Board *	AAA/Aaa/AAA	0.9%	0.5%
Cook County Illinois School District #68 Skokie *	NR/Aa1/NR	0.6%	0.4%
San Diego Unified School District *	AA-/Aa3/NR	0.6%	0.3%
Bloomington, Illinois *	AA-/NR/NR	0.6%	0.3%
California Department of Water Resources *	AAA/Aa1/NR	0.5%	0.3%
Monmouth County Improvement Authority *	AAA/Aaa/AAA	0.3%	0.2%
Tampa-Hillsborough County Florida Expressway Authority *	A-/A3/NR	0.3%	0.2%
			100.0%

* Municipal Bond

NR - Not Rated

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

Investments	Fair Value	% of Fair Value
Municipal Bonds	$ 330,504	50.5%
U.S. Agencies	218,475	33.4%
Certificate of Deposit	77,440	11.8%
State Treasurer's Illinois Funds	28,143	4.3%
	$ 654,562	100.0%

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

Concentration of Credit Risk

The District's goal is to limit the amount that can be invested in commercial paper to one-third of the District's total investments, and no more than 20% of the amount invested in commercial paper can be invested in any one entity. At December 31, 2013 the District had no investments in commercial paper. As of December 31, 2013, the following investments were greater than 5% of total investments (in thousands of dollars):

Investment	Fair Value
State of Illinois Municipal Bonds	$ 145,266
Federal National Mortgage Association (FNMA)	132,779
Regional Transit Authority Municipal Bonds	51,080
Federal Home Loan Mortgage Corporation (FHLMC)	48,811
Colorado Housing and Finance Authority Municipal Bonds	28,697
State Treasurer's Illinois Funds	28,143

Custodial Credit Risk

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

Trust Fund Investments

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

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

At December 31, 2013, the OPEB Trust's assets were invested in fixed income and equity mutual funds traded on national securities exchanges. Investments are stated at fair value. The fair value of mutual fund units traded on national securities exchanges is the last reported sales price on the last business day of the fiscal year of the Trust. Purchases and sales of mutual fund units are accounted for on the trade dates. For purposes of determining realized gains or losses on the disposal of investments, the "first in first out" disposition method is used at the time of sale.

Interest Rate Risk

The following illustrates the terms of investments that are highly sensitive to interest rate fluctuations and reports the fair values and maturities (using the weighted average maturity method) for the Pension Trust Fund's investments at December 31, 2013 (in thousands of dollars):

Investment Type	Fair Value	Average Maturities (years)
Fixed Income:		
Pooled Funds - Long Term investments	$ 189,819	7.5
Pooled Funds - Short Term investments	51,789	0.1
Corporate bonds and notes	161,406	
Total Fixed Income	403,014	
Equities:		
Common and Preferred Stock	843,885	
Securities lending Collateral	45,659	
Total Equities	889,544	
Total Investments	$ 1,292,558	

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

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

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, 2013 (in thousands of dollars):

Investment Type	Fair Value	Percentage	Average Maturities (years)
Fixed Income Mutual Funds:			
Dodge & Cox Income	$ 13,701	40.7%	7.9
Payden Core Bond Fund	2,431	7.2%	7.8
PIMCO Total Return Instl.	17,535	52.1%	6.0
Total Fixed Income	33,667		
Equities:			
American Funds Fundamental	11,357		
Artisan International Fund	5,850		
Fidelity Contra Fund	10,041		
Harbor International Instl.	11,329		
Invesco Equally-Weighted S&P 500	5,623		
MFS Massachusetts Investors	10,277		
The Profit Fund	2,738		
Vanguard REIT Index	4,763		
Vanguard Small Cap Index Instl.	11,769		
Total Equities	73,747		
Illinois Funds Investment Pool	10,006		
Total Plan Assets at Fair Value	117,420		
Cash & Cash Equivalents	3,261		
Total Investments	$ 120,681		

Credit Risk

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

The following reports the credit ratings for the Pension Trust Fund's debt securities at December 31, 2013 (in thousands of dollars):

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

Credit Rating	Investment Type	Fair Value	%
Aaa	Pooled Funds - Long Term investments	137,751	57.0
Aa	Pooled Funds - Long Term investments	8,922	3.7
A	Pooled Funds - Long Term investments	20,937	8.7
Baa	Pooled Funds - Long Term investments	22,209	9.2
Not Rated	Pooled Funds - Short Term investments	51,789	21.4
		$ 241,608	100.0%

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

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

The following reports the credit ratings for the Fund's debt securities at December 31, 2013; excluded are U.S. government obligations or obligations explicitly guaranteed by the U.S. Government, if any, which are classified under the headings U.S. Treasuries and U.S. Agencies:

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

Credit Rating	Dodge & Cox Income	Payden Core Bond Fund	PIMCO Total Return Instl.
AAA	44.4 %	7.1 %	69.0 %
AA	2.1	36.3	4.0
A	13.2	15.3	5.0
BBB	27.9	30.4	12.0
BB	9.7	4.4	5.0
B	2.7	4.0	1.0
Below B	-	2.5	4.0
	100.0 %	100.0 %	100.0 %

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

Foreign Currency Risk

Foreign currency risk is the risk of loss arising from changes in currency exchange rates. All foreign currency-denominated investments are in equities and cash. The Pension Trust Fund does not maintain an investment policy relative to foreign currency risk. The Pension Trust Fund's exposure to foreign currency risk at December 31, 2013 was as follows:

Equities	Fair Value	%
Australian Dollar	$ 4,549,459	4.8
Canadian Dollar	7,727,076	8.2
Swiss Franc	15,588,690	16.5
Danish Krone	2,472,073	2.6
Euro	21,334,672	22.6
Pound Sterling	26,167,107	27.7
Hong Kong Dollar	3,191,362	3.4
Israeli Shekel	303,153	0.3
Japanese Yen	10,436,812	11.0
Norwegian Krone	680,419	0.7
Swedish Krona	1,896,753	2.0
Singapore Dollar	190,797	0.2
Total	$ 94,538,373	100.0%

Fixed Income	Fair Value	%
Australian Dollar	$ 191,117	3.2
Brazil Real	232,599	3.9
Euro	458,962	7.7
Pound Sterling	351,229	5.9
Ghanaian Cedi	83,954	1.4
Indonesian Rupiah	464,493	7.8
Mexican New Peso	792,630	13.3
Malaysian Ringgit	173,289	2.9
Nigerian Naira	194,276	3.3
Norwegian Krone	1,287,764	21.5
New Zealand Dollar	155,158	2.6
Philippines Peso	450,615	7.5
Polish Zloty	99,499	1.7
Romanian Leu	428,279	7.2
Russian Rubel	336,002	5.6
New Turkish Lira	275,895	4.6
Total	$ 5,975,761	100.0%

Foreign Cash	Fair Value	%
Australian Dollar	$ 57,171	2.2
Canadian Dollar	111,805	4.2
Swiss Franc	189,679	7.2
Danish Krone	23,912	0.9
Euro	393,047	14.9
British Pound Sterling	407,674	15.5
Ghanaian Cedi	8,135	0.3
Hong Kong Dollar	61,881	2.4
Indonesian Rupiah	15,325	0.6
Israeli Shekel	2,187	0.1
Japanese Yen	216,931	8.2
Mexican New Peso	23,114	0.9
Malaysian Ringgit	6,261	0.2
Nigerian Naira	143,371	5.4
Norwegian Krone	594,028	22.6
Philippines Peso	9,531	0.4
Polish Zloty	599	0.0
Romanian Leu	19,194	0.7
Russian Rubel	13,430	0.5
Swedish Krona	180,916	6.9
Singapore Dollar	154,928	5.9
Total	$ 2,633,119	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, 2013, the OPEB Trust investments in international equity mutual funds stated at fair market value are as follows (in thousands of dollars):

Fund Name	Fair Value
Harbor International Instl.	$ 11,329
Artisan International Fund	5,850
	$ 17,179

Securities Lending

The Pension Trust Fund lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Bank of New York Mellon, the Fund's master custodian, lends for collateral in the form of cash, irrevocable letters of credit or other securities worth at least 102% of the lent securities' market value, and international securities for collateral worth at least 105%. Securities lent at year end for cash collateral are presented as not categorized in the preceding summarization of investment market values; securities lent for securities collateral are classified according to the risk categorization of the collateral received. At year-end, the Fund has no credit risk exposure to borrowers because the exact amount the Fund owes to the borrowers exceeds the amounts the borrowers owe to the Fund. The contract with the Fund's master custodian requires it to indemnify the Fund if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the Fund for income distributions by the securities issuers while the securities are out on loan. All securities loans can be terminated on demand by either the Pension Trust Fund or the borrower, although the average term of the loans is one week. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of 33 days.

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

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

A summary of securities loaned at fair value as of December 31, 2013 is as follows:

Market value of securities loaned for cash collateral	$ 44,557,356
Market value of securities loaned for non-cash collateral	-
Total market value of securities loaned	$ 44,557,356
Market value of cash collateral from borrowers	45,659,197
Market value of non-cash collateral from borrowers	-
Total market value of collateral from borrowers	$ 45,659,197

5. Receivables, Unavailable/Unearned Revenues and Payables

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

Receivables

Receivables as of December 31, 2013 in the District's governmental funds and government-wide financial statements, net of uncollectible accounts, are detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improvements Bond	Retirement	Other Governmental	Total Governmental	Statement of Net Position
Receivables at December 31, 2013:							
Property taxes:	$ 262,968	$ 223,830	$ -	$ 55,197	$ 34,958	$ 576,953	$ 576,953
Allowance for uncollectible taxes	(40,897)	(28,619)	-	(5,383)	(4,967)	(79,866)	(79,866)
Net property taxes	222,071	195,211	-	49,814	29,991	497,087	497,087
Personal property replacement tax	-	-	-	6,824	-	6,824	6,824
Total taxes receivable, net	222,071	195,211	-	56,638	29,991	503,911	503,911
Other receivables:							
User charges	(2,708)	-	-	-	-	(2,708)	(2,708)
State revolving fund loans	-	-	31,208	-	-	31,208	31,208
Federal subsidy	-	1,001	-	-	-	1,001	1,001
Miscellaneous	765	-	645	-	745	2,155	2,155
Total other receivables, net	(1,943)	1,001	31,853	-	745	31,656	31,656
Total net receivables, December 31, 2013	$ 220,128	$ 196,212	$ 31,853	$ 56,638	$ 30,736	$ 535,567	$ 535,567

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

Unavailable/Unearned Revenues

Unavailable tax revenue is reported in the Governmental Funds Balance Sheets in connection with receivables for property taxes that are not considered to be available to liquidate liabilities of the current period. Other unavailable revenue is reported in the Governmental Funds Balance Sheets and the government-wide Statements of Net Position for rental resources that have been received, but not earned. Other unavailable revenue is reported in the Governmental Funds Balance Sheets for the federal subsidy accrual relating to the direct reimbursement for the District's Build America Bonds. A summary of unavailable revenue as of December 31, 2013 is as follows (in thousands of dollars).

	General Corporate	Debt Service	Retirement	Other Governmental	Total Governmental	Adjustments	Statement of Net Position
Unavailable revenue at December 31, 2013:							
Unavailable tax revenue	$ 193,898	$ 170,690	$ 43,663	$ 26,148	$ 434,399	$ (434,399)	$ -
Other unavailable/unearned revenue:							
Rental income	3,082	-	-	-	3,082	4	3,086
Grant revenue	-	1,001	-	-	1,001	(1,001)	-
Service fee	-	-	-	745	745	(745)	-
Total unavailable/unearned revenue	3,082	1,001	-	745	4,828	(1,742)	3,086
Total unavailable revenue at December 31, 2013	$ 196,980	$ 171,691	$ 43,663	$ 26,893	$ 439,227	$ (436,141)	$ 3,086

Payables

Payables reported as "Accounts payable and other liabilities" at December 31, 2013 in the District's governmental funds and government-wide financial statements are detailed as follows (in thousands of dollars):

	General Corporate	Debt Service	Capital Improve-ments Bond	Retirement	Other Govern-mental	Total Govern-mental	Statement of Net Position
Accounts payable and other liabilities at December 31, 2013:							
Vouchers payable and other liabilities	$ 22,001	$ -	$ 35,646	$ -	$ 6,330	$ 63,977	$ 63,977
Accrued payroll and withholdings	7,930	-	-	-	-	7,930	7,930
Bid deposits	599	-	-	-	-	599	599
Total accounts payable and other liabilities as of December 31, 2013	$ 30,530	$ -	$ 35,646	$ -	$ 6,330	$ 72,506	$ 72,506

6. Capital Assets

A summary of the changes in capital assets for the year ended December 31, 2013, are as follows (in thousands of dollars):

	Balances January 1, 2013	Additions	Retirements	Balances December 31, 2013
Governmental activities:				
Capital assets not depreciated/amortized:				
Land	$ 129,584	$ 1,283	$ 1,652	$ 129,215
Permanent easements	1,330	-	-	1,330
Construction in progress	783,525	139,041	171,110	751,456
Infrastructure under modified approach	4,147,230	141,999	1,768	4,287,461
Total capital assets not depreciated/amortized	5,061,669	282,323	174,530	5,169,462
Capital assets depreciated/amortized:				
Buildings	13,226	-	-	13,226
Equipment	55,971	1,258	1,111	56,118
Computer software	4,570	-	-	4,570
Infrastructure and easements	1,898,383	-	-	1,898,383
Total capital assets being depreciated/amortized	1,972,150	1,258	1,111	1,972,297
Less accumulated depreciation/amortization:				
Buildings	5,316	186	-	5,502
Equipment	26,542	2,952	938	28,556
Computer software	2,351	659	-	3,010
Infrastructure and easements	190,284	11,361	-	201,645
Total accumulated depreciation/amortization	224,493	15,158	938	238,713
Total capital assets depreciated/amortized, net	1,747,657	(13,900)	173	1,733,584
Governmental activities capital assets, net	$ 6,809,326	$ 268,423	$ 174,703	$ 6,903,046

Depreciation and amortization expense in the government-wide Statements of Activities, for the year ended December 31, 2013, was charged to the District's governmental functions as follows (in thousands of dollars):

Department	Amount
Board of Commissioners	$ 10
General Administration	347
Monitoring and Research	265
Procurement and Materials Management	7
Human Resources	16
Information Technology	340
Law	10
Finance	9
Engineering	1,171
Maintenance and Operations	963
Total allocated depreciation	3,138
Unallocated infrastructure depreciation	12,020
Total depreciation	$ 15,158

7. Pension Plan

Plan Description

The Metropolitan Water Reclamation District Retirement Fund (Pension Trust Fund) is the administrator of a single employer defined benefit pension plan (Plan) established by the State of Illinois. The defined benefits of the Plan, as well as the employer and employee contribution levels of the Plan, are mandated by Illinois State Statutes and may be amended only by the Illinois Legislature. The Pension Trust Fund provides retirement, death, and disability benefits to qualifying employees. Covered employees are required to contribute 9% or 10% of their salary to the Pension Plan, based upon their date of hire. The District is required to contribute the remaining amounts necessary to finance the requirements of the Plan on an actuarially funded basis. The District is required to levy a tax at a rate not more than an amount equal to the employee plan contributions made in the calendar year two years prior for which the annual applicable tax is levied, multiplied by a factor of 4.19 annually.

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

Basis of Accounting

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

Annual Pension Cost and Net Pension Obligation

The annual net pension obligation cost of the Plan for the year ended December 31, 2013, were as follows (in thousands of dollars):

Annual required contribution	$	74,774
Interest on net pension obligation		9,350
Adjustment to annual required contribution		(6,638)
Annual pension cost		77,486
Contributions made		92,944
Increase (decrease) in net pension obligation		(15,458)
Net pension obligation beginning of year		120,651
Net pension obligation end of year	$	105,193

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

Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation, using the Entry Age Normal actuarial cost method and the Level Percentage of Payroll amortization method. The actuarial assumption includes: (a) 7.75% per year rate of return on investments, net of investment expense, compounded annually; (b) projected salary increases of 5.0% per year compounded annually, attributable to inflation as well as seniority and merit increases; (c) post-retirement benefit compound increases of 3.00% per year for employees hired before January 1, 2011 and surviving spouse annuitants and 1.25% per year for employees hired after January 1, 2011; and (d) 3.00% inflation rate. The actuarial value of assets was determined by using the five-year Smoothed Market method. The unfunded actuarial accrued liability is being amortized as a level percent of payroll on an open basis. The amortization period at December 31, 2013, was 30 years.

Trend Information

The annual pension cost, percentage of annual pension contributed and net pension obligation for the past three years ending December 31, 2013, are presented below (in thousands of dollars):

	Employer Contributions		
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2013	$ 77,486	119.95%	$ (105,193)
12/31/2012	77,267	84.25%	(120,651)
12/31/2011	71,075	52.59%	(108,482)

Funding Status of Plan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
12/31/2013	$ 1,188,504	$ 2,194,912	$ 1,006,408	54.10%	$ 169,376	594.19%

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

8. OPEB - Other Post-Employment Benefits

Plan Description

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

The OPEB Trust Fund issues a financial report that includes financial statements and required supplementary information establishing the financial position of the Plan. That report may be obtained by writing to the Metropolitan Water Reclamation District Retiree Health Care Trust Fund, 100 E. Erie, Chicago, IL, 60611-2898 or electronically on the District's website: www.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 50% with an expected funding period of 50 years (beginning in 2007). In 2013, advanced funding of $20,000,000 was contributed by the District to the OPEB Trust Fund bringing the total contributed through December 31, 2013 to $92,400,000. In succeeding fiscal years, the Trust will receive the District (employer) contribution as determined by the Board of Commissioners. There is currently no requirement for the District to partially or fully fund the Trust, and any funding is on a voluntary basis. Plan participants do not contribute to the plan other than providing premium contributions as discussed below.

The District allows employees who retire and meet certain eligibility requirements to continue medical coverage as participants in the Metropolitan Water Reclamation District Retiree Health Care Plan. The plan allows for subsidized health care benefits for its retirees. Retirees contribute 32.5% of the premium and the District pays the remaining 67.5%. Each year for the next seven years, retiree contributions will rise by 2.5% until the premium reaches 50%. Annually, the Board approves an appropriation to fund retiree medical costs as part of the Human Resources Department, General Corporate Fund budget. The amount of OPEB expenditure recognized during 2013 by the District was $33,835,000, all claims paid (net of participant contributions).

Annual OPEB Cost and Net OPEB Obligation

The following OPEB cost and net OPEB obligation was determined for the year ended December 31, 2013 (in thousands of dollars).

Annual required contribution (ARC)	$ 13,212
Interest on net OPEB obligation	4,860
Adjustment to annual required contribution	(3,804)
Annual OPEB cost	14,268
Contributions made	(33,835)
Increase (decrease) in net OPEB obligation	(19,567)
Net OPEB obligation beginning of year	69,425
Net OPEB obligation end of year	$ 49,858

Funding Status and Progress

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

Period Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL/ (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	12/31/2013	$ 120,883	$ 260,364	$ 139,481	46.43%	$ 164,005	85.0%

Actuarial Methods and Assumptions

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

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

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

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

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

Trend Information

The OPEB annual required contribution, percentage of annual required contributions contributed and net OPEB obligation for the year ending December 31, 2013, are presented below (in thousands of dollars):

Schedule of Employer Contributions

Period Ended	**Annual Required Contribution**	**Percentage Contributed**	**Net OPEB Obligation**
12/31/2013	$ 13,212	256.1%	$ 49,858
12/31/2012	27,264	129.9%	69,425
12/31/2011	27,264	66.1%	76,580

9. Commitments and Rebatable Arbitrage Earnings

The General Corporate Fund has existing purchase order encumbrances of $1,701,869 at December 31, 2013. Construction, Stormwater Management, and Capital Improvements Bond Funds' contract commitments (encumbrances) were $465,981,126 at December 31, 2013. State Revolving Fund Loan commitments of $187,704,115 at December 31, 2013, 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, 2013, the District has no arbitrage rebate liability.

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

On April 29, 2010, the District received notice of an informal inquiry relating to the 2009 Bonds by the United States Securities and Exchange Commission ("SEC"). The SEC requested production of all documents related to the issuance and sale of the 2009 Bonds. The District furnished various documents to the SEC during the summer of 2010. On February 6, 2013, the District received a letter from the SEC notifying the District that the investigation was completed and that the SEC does not recommend any enforcement action.

The District is participating in a rulemaking before the Illinois Pollution Control Board involving a Use Attainability Analysis (UAA)(Docket R08-9) that seeks to upgrade the recreational and aquatic use for the Chicago Area Waterway System (CAWS). In connection with the rulemaking, the District has agreed to add disinfection processes at its O'Brien and

Calumet water reclamation plants. The cost of the capital improvements to add the disinfection processes is approximately $110 million.

The District is a defendant in the case of United States of America and State of Illinois v. Metropolitan Water Reclamation District of Greater Chicago, et al., case no. 11 cv 08859, pending in the U.S. District Court for the Northern District of Illinois. On January 6, 2014, the court entered a consent negotiated between the parties that requires the District to complete the Tunnel & Reservoir Plan in accordance with an enforceable schedule, as well as implement various other measures to address alleged violations of the Clean Water Act and the District's operating permits. The District did not admit to any violations in the decree. The decree also requires the payment of a $675,000 civil penalty, which the District has already paid. Intervenors in the lawsuit still have time to appeal the court's order.

NDPES permits were recently issued for the District's three major plants that contain a 1.0 mg/l phosphorus discharge limit which is to be achieved over a period of years. Although the discharge limits are stayed for the O'Brien and Calumet water reclamation plants pending resolution of appeals before the Illinois Pollution Control Board, in an effort to promote sustainability and resource recovery, the District is voluntarily moving forward with a plan to achieve the phosphorus discharge limits. The current amount of capital costs budgeted to achieve this standard at two of the plants is $50 million. As the District is in the early stages of developing the treatment processes, the actual capital costs incurred could be different from the initial budget. The District plans to sell the recovered phosphorus as a fertilizer component.

The District is a defendant in a lawsuit captioned National Resource Defense Council, et al. v. MWRD, Case No. 11 cv 2937, wherein certain environmental groups allege that the District is violating its operating permits and certain water quality standards. The District contests the allegations in the complaint and intends to vigorously defend the lawsuit.

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

10. Risk Management and Claims

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

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

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

The District may be also involved in various litigation as respects 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, 2013, is between $47.5 million and $65.6 million. The District is of the opinion that the tenants (except for those who are bankrupt, out of business, or otherwise financially unable to perform) would ultimately be liable for the bulk, if not all, of these site clean-up costs. Negotiations are ongoing between the District's lawyers and the tenants to resolve remedial activity and cost liability issues. The current estimated cost was determined to be $56,125,000 with an estimated cost recoverable amount of $45,850,000 resulting in $10,275,000 being recognized at December 31, 2013 in the liabilities of the government-wide financial statements. Of this amount, $1,000,000 is classified as a short-term liability and the remaining $9,275,000 is considered a long-term liability. These estimates are subject to changes as a result of price increases, changes in technology and new laws and regulations. These estimates were generated using the expected cash flows technique. GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset.

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

Additional insurance policies in effect at December 31, 2013, are listed below. There were no reductions in insurance coverage from the prior year. Several new lines of insurance coverage were secured in 2013. Settled claims have not exceeded this coverage in any of the past three fiscal years. The current insurance coverage and risk retention related to these policies is as follows:

Automobiles, Trucks, and Trailers	
Aggregate	$5,000,000
Deductible	$1,000,000
Marine Liability	
Aggregate	$10,000,000
Deductible	$10,000
Workers Compensation	
Aggregate	$50,000,000
Deductible	$2,000,000
Excess Liability	
Aggregate	$50,000,000
Deductible	$1,000,000
Flood Sewer Backup Deductible	$5,000,000
Employers Liability Deductible	$2,000,000
Government Crime	
Public Employee Forgery or Alteration	
Each occurrence	$500,000
Deductible	$500
Employee Theft - Per Loss	
Each occurrence	$6,000,000
Deductible	$100,000
Computer Fraud	
Each occurrence	$1,000,000
Deductible	$100,000

Property Insurance

Each occurrence $1,500,000,000

Deductible $1,000,000

Earth Movement

Aggregate $250,000,000

Deductible $1,000,000

Flood and Water Damage

Aggregate $250,000,000

Deductible $1,000,000

Flood and Water Damage - Lockport Powerhouse

Aggregate $200,000,000

Deductible $1,000,000

Group Travel Accidental

Aggregate limits - Per accident $5,000,000

Accidental Death

Per employee (5 times salary up to this maximum)..$500,000

Accidental Dismemberment and Paralysis

Per Loss...sliding scale

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

Aggregate limit...$5,000,000

Deductible...$25,000

Group Term Life (basic)

Per Employee $20,000

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

	2013	2012
Claims Payable at January 1	$ 79,597	$ 59,857
Claims incurred	4,970	5,998
Changes in prior years' claims estimate	(1,601)	19,740
Claim payments	(4,970)	(5,998)
Claims Payable at December 31	$ 77,996	$ 79,597

11. Long-Term Debt

The following is a summary of general long-term liability activity of the District for the year ended December 31, 2013 (in thousands of dollars):

	Balance January 1, 2013	Additions	Reductions	Balance December 31, 2013	Due Within One Year
Governmental long-term liabilities:					
Bonds and notes payable:					
General obligation debt	$ 1,896,371	$ -	$ (38,640)	$ 1,857,731	$ 40,935
Converted bond anticipation notes	619,005	50,264	(45,027)	624,242	46,041
Total general obligation debt	2,515,376	50,264	(83,667)	2,481,973	86,976
Other Bond Cost:					
Premium	88,610	-	(5,584)	83,026	4,861
Bonds payable, net	2,603,986	50,264	(89,251)	2,564,999	91,837
Bond anticipation notes	44,527	41,546	(50,264)	35,809	-
Net bonds and notes payable	2,648,513	91,810	(139,515)	2,600,808	91,837
Other liabilities:					
Claims and judgments	79,597	3,369	(4,970)	77,996	47,547
Compensated absences	28,356	159	(888)	27,627	1,560
Capital lease (note 14)	49,837	-	(2,042)	47,795	2,142
OPEB obligation (note 8)	69,425	14,268	(33,835)	49,858	-
Pension liability (note 7)	120,651	77,486	(92,944)	105,193	-
Total governmental long-term liabilities	$ 2,996,379	$ 187,092	$ (274,194)	$ 2,909,277	$ 143,086

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

As of December 31, 2013, the annual debt service requirements for general obligation bonds are shown below (in thousands of dollars):

Bonds Payable Maturity Table

Maturing	Capital Improvement Bond Series (3.0-5.720%) (Issued 12/02 to 07/11)	Refunding (4.00-5.00%) (Issued 05/06 to 03/07)	State Revolving Funds Series (0.0-3.745%) (Issued 12/91 to 07/12)	Total Principal	Total Interest
2014	$ 22,175	$ 18,760	$ 46,041	$ 86,976	$ 107,868
2015	33,070	19,675	45,047	97,792	105,532
2016	26,695	20,585	44,683	91,963	102,154
2017	22,220	17,955	44,521	84,696	99,036
2018	40,265	20,015	41,710	101,990	96,217
2019-2023	114,270	128,220	190,854	433,344	431,159
2024-2028	37,275	215,965	145,869	399,109	350,998
2029-2033	227,350	246,390	65,517	539,257	259,999
2034-2038	555,000	91,845	-	646,846	105,901
	$ 1,078,320	$ 779,410	$ 624,242	$ 2,481,973	$ 1,658,864

Expenditures for principal and interest made on January 1, 2014 approximated $23,456,000 and $5,873,000 respectively.

2011 Bond Issues

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

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

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

2009 Bond Issues

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

2007 Bond Issues

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

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

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

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

2006 Bond Issues

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

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

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

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

2002 Bond Issues

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

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 2012 in the amount of $300,000,000 for Capital Improvement Bonds, 2012 IEPA Series. The IEPA approves various wastewater system improvement projects for funding from the State Water Pollution Control Revolving Loan Fund (RLF). Once a project has been approved, the State offers the District a loan from the RLF, which the District incorporates into the form of the bond which is issued to the IEPA (the Loan/Bond). When work on the project begins, the District pays the contractor. The District receives from the IEPA a corresponding amount of advance on the Loan/Bond. This form of loan is commonly referred to as a drawdown loan. The advances continue on the Loan/Bond until the project is completed or the amount of the loan fully advances, whichever occurs first. In general, within two years of the first advance on a Loan/Bond, the IEPA promulgates a repayment schedule on such Loan/Bond. The repayment schedules call for level payments of principal and interest, collectively, over a 20 year period beginning within six months of the date the repayment schedule is promulgated. Under this authority, the IPEA has approved the following loan amounts:

2013	$163,791,000
2012	$ 30,728,000

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

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

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

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

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

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

State Revolving Fund Loan proceeds are recognized as "other financing sources" of the Capital Improvements Bond Fund. The amount recognized is based upon reimbursable expenditures incurred during the fiscal year. The amount recognized as proceeds is also recognized as a long-term liability in the government-wide Statements of Net 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 thereon. As a result, there is no debt service required until these notes are converted into bonds. The District has accrued principal and interest through the balance sheet date on bond anticipation notes. In addition, the District has included the interest accrued on these bond anticipation notes in the long-term liability reported in the government-wide Statements of Net Position.

The converted amount of $50,264,000 in 2013 represented the sum of bond anticipation note principal of $49,704,000 and interest in the amount of $560,000.

2013 Bond Issues and adjustments to existing issues under the IEPA 2004, 2007 and 2009 authority, included:

- June 2013 – The District issued $991,100 of Capital Improvement Bonds - IEPA Series 07A, through the conversion of the sum of bond anticipation note principal of $983,100 and interest of $8,000 with maturity dates from January 1, 2014 to January 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- June 2013 – The District issued $419,500 of Capital Improvement Bonds - IEPA Series 07D, through the conversion of the sum of bond anticipation note principal of $418,600 and interest of $900 with maturity dates from January 1, 2014 to January 1, 2030. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

- August 2013 – The District issued $310,500 of Capital Improvement Bonds - IEPA Series 09B, through the conversion of the sum of bond anticipation note principal of $310,500 with maturity dates from January 1, 2014 to January 1, 2031. Terms of the loan agreement provide for the forgiveness of all accrued interest. Payments of principal and interest are made on January 1 and July1.

- August 2013 – The District issued $21,858,600 of Capital Improvement Bonds - IEPA Series 09D, through the conversion of the sum of bond anticipation note principal of $21,585,100 and interest of $273,500 with maturity dates from January 1, 2014 to July 1, 2033. Interest on the bonds accrues at a rate of 2.295%, payable January 1 and July 1.

- August 2013 – The District issued $24,671,000 of Capital Improvement Bonds - IEPA Series 09G, through the conversion of the sum of bond anticipation note principal of $24,415,700 and interest of $255,300 with maturity dates from January 1, 2014 to January 1, 2033. Interest on the bonds accrues at a rate of 1.25%, payable January 1 and July 1.

- August 2013 – The District issued $2,013,000 of Capital Improvement Bonds - IEPA Series 04A, through the conversion of the sum of bond anticipation note principal of $1,990,700 and interest of $22,300 with maturity dates from January 1, 2014 to July 1, 2027. Interest on the bonds accrues at a rate of 2.5%, payable January 1 and July 1.

Beginning in 1991, the District's Board of Commissioners adopted ordinances providing for the issuance of bond anticipation notes. The bond anticipation notes are issued exclusively to cover interim project loan advances from the Illinois Environmental Protection Agency. Principal and interest liabilities related to the bond anticipation notes were $35,809,200 at December 31, 2013. Of the bond anticipation notes outstanding at December 31, 2013, $1,696,600 will be refinanced through IEPA Series 2004 bonds, $1,456,500 will be refinanced through IEPA Series 2007 bonds, $12,397,000 will be refinanced through IEPA Series 2009 bonds, and the remaining $20,259,100 will be refinanced through IEPA series 2012 bonds. The conversion of these bond anticipation notes to Capital Improvement Bonds is not expected to occur within the next calendar year; therefore, the notes will be reported as a part of long term-debt.

Refunding Transactions

In prior years, the District defeased certain obligations and other bonds by placing the proceeds of new bonds and additional cash in trust to provide for all future debt service requirements of the refunded debt. Accordingly, the trust account assets and the liability for the refunded bonds are not included in the accompanying financial statements, as the District defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transactions. Bonds outstanding in the amount of $242,000,000 were considered defeased at December 31, 2013.

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, 2013 are as follows (in thousands of dollars):

	Interfund Receivables	Interfund Payables
General Corporate Fund	$ 176	$ -
Capital Projects Funds:		
Stormwater Management Fund (Nonmajor Fund)	-	176
	$ 176	$ 176

In addition to the previous table, amounts were due from the Primary Government to the Pension Trust Fund at December 31, 2013 that represented earned but uncollected property taxes in the Retirement Fund and the government-wide Statements of Net Position.

Transfers between funds as authorized in the budget are recorded as "other financing sources (uses)" in the fund operating statements. Transfers are eliminated in the government-wide Statements of Activities. During the year ended December 31, 2013, the Board of Commissioners authorized net transfers to the Retirement Fund of $30,000,000 from the Corporate Fund.

13. Property Tax Extension Limitation Law

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

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

14. Leases

Capital Lease

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

The cost of the biosolids processing facility is considered a capital lease since it will become the property of the District at the end of the contract. The District also has an option to purchase the facility at the end of the fifth, tenth, and fifteenth year of operation for the remaining principal portion of the debt. Total payments for the capital lease are estimated at $83,123,000 for the full term of the contract, which will be paid from the Capital Improvements Bond Fund. The gross amount of assets acquired under the capital lease is $54,535,000. During 2013, the District incurred expenses of approximately $2,042,000 for principal and $2,348,000 for interest. The contract expires twenty years from the date of commercial operation, which was declared in July 2010.

As of December 31, 2013, the future minimum lease payments for the biosolids facility are shown below (in thousands of dollars):

Capital Lease Payable Maturity Table

Maturing	**Total Principal**	**Total Interest**	**Total Payments**
2014	2,142	2,248	4,390
2015	2,248	2,142	4,390
2016	2,358	2,032	4,390
2017	2,474	1,916	4,390
2018	2,595	1,795	4,390
2019-2023	15,013	6,935	21,948
2024-2028	19,076	2,872	21,948
2029	1,889	24	1,913
Total Minimum Lease Payments	$ 47,795	$ 19,964	$ 67,759

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, 2013, (in thousands of dollars):

2014	$ 9,361
2015	9,320
2016	9,289
2017	9,086
2018	8,653
Later Years	226,557
Total Minimum Future Rental Income	$ 272,266

The cost of the land associated with the commercial leases is $4,426,000. The District does not lease any depreciable assets.

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APPENDIX B

CAPITAL IMPROVEMENTS PROGRAM

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APPENDIX B

CAPITAL IMPROVEMENTS PROGRAM

Overview

The District currently serves the City of Chicago and 125 other municipalities encompassing an area of approximately 884 square miles. In carrying out its responsibilities, the District collects and treats wastewater from a population equivalent of about 10.35 million people; this includes domestic wastewater from approximately 5.25 million people, a commercial and industrial equivalent of approximately 4.5 million people, and a combined sewer overflow equivalent of approximately 0.6 million people. Its operating facilities are estimated to have a present day replacement cost of $37.0 billion.

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

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

Collection System

In order to collect wastewater from local sewer systems for conveyance to its water reclamation plants, the District has constructed or has under construction approximately 22 pumping stations and 560 miles of intercepting sewers and force mains ranging in size from 12 inches to 27 feet in diameter.

In 2013 the District replaced the existing Interceptor Inspection and Rehabilitation Program with the new Collections Asset Management Plan (CAMP). The intent of CAMP is to move the District from a prescriptive inspection and rehabilitation program, in which efforts are often expended on repeatedly inspecting sewers with little downside risk, into a risk based asset management system where the most at risk infrastructure is consistently given priority and resources are optimally allocated. The plan includes complete adoption of industry wide inspection standards published by the National Association of Sewer Service Companies, adoption of additional and more efficient inspection technologies, and the prioritization of sewer inspection and rehabilitation based on a risk register tailored to the District's infrastructure.

Within the next five years, award of construction projects with a cost of approximately \$478 million is currently anticipated for collection system improvements.

Water Reclamation Plant Expansions and Improvements

The District has a total secondary treatment capacity of approximately 2 billion gallons per day. The Capital Improvements Program includes projects for enhancements at all of the District's Water Reclamation Plants. Typically studies are conducted to determine future needs when facilities are operating near or at capacity, or when new facilities are anticipated to be required as a result of pending regulations. Award of construction projects with a cost of approximately \$172 million is currently anticipated for Water Reclamation Plant upgrades, within the next five years. This figure includes several projects at the Stickney, Calumet and O'Brien Water Reclamation Plants that have already been identified and added to the program as a result of the ongoing studies. Some major initiatives are highlighted below.

In 2012 the Engineering Department issued a Request for Proposal (RFP) for third-party vendors to provide a process to recover phosphorus from the centrate wastestream at the Stickney WRP. Phosphorus is an essential element for plant growth, and high yield agricultural production relies on a perpetual supply of it in fertilizers. Currently, phosphorus to support agriculture is mined and the reserves in these mines are being rapidly depleted. This makes phosphorus a valuable resource whose supply is dwindling due to expansion of high production agriculture world-wide. The District has adopted the guiding principle that nutrient removal should be designed to optimize phosphorus recovery and reuse. Following this guiding principle, the District investigated ways to remove and recover phosphorus in the most cost-efficient way, even before any phosphorus regulation is established for existing treatment plants in Illinois. The Engineering Department has been working with the M&O and M&R Departments to modify existing biological processes to enhance phosphorus uptake, and to implement a phosphorus recovery process at the Stickney WRP, which will return phosphorus to the economy for reuse. In 2013, design of phosphorus recovery facilities at Stickney began, and a construction contract was awarded in August of 2014 for just under \$32 million to construct these facilities.

The District has also adopted the ambitious goal of becoming energy neutral. A major activity to achieve this goal is maximizing the use and production of digester gas. In September of 2014 the District identified two firms which with to commence negotiations to increase digester gas production and then turn that digester gas into a renewable energy source at the Calumet WRP. The proposed projects will include the importation of external organic feedstock to boost digester gas production in the anaerobic digesters, and the cleaning of the resultant digester gas for sale as a renewable energy methane product. Once a plan is implemented at the Calumet WRP, a similar approach for increasing digester gas production and utilization of the digester gas as a renewable energy source will be undertaken at the Stickney WRP.

Biosolids Management

Improved wastewater treatment and greater plant efficiency will result in the District's collection of increased quantities of biosolids. The effective handling of biosolids is a major program of the District. Projects have been identified to improve biosolids management and have been incorporated in the Capital Improvements Program. Within the next five years, award of construction projects with a cost of approximately $118 million is currently anticipated for biosolids management improvements.

Tunnel and Reservoir Plan (TARP)

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

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

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

TARP Reservoirs. Three reservoirs will provide storage for additional sewage and stormwater runoff flows captured by the TARP tunnel system. The three Chicago Underflow Plan reservoirs – Gloria Alitto Majewski, Thornton, and McCook – will provide 18.3 billion gallons of flood control storage when completed. Currently the Majewski Reservoir is on-line. Work on the Thornton and McCook reservoirs is underway. The combined total cost for all three reservoirs is estimated at $1.4 billion, with the Corps and the District providing approximately $870 million and $530 million, respectively. Continuing design and construction projects with a cost to the District of approximately $155 million is currently anticipated for TARP reservoir construction, over the next five years and $186 million through 2029.

Stormwater Management

The District has completed six Detailed Watershed Plans (DWPs), identifying flood and erosion prone areas within Cook County. The DWPs provide comprehensive evaluations of existing conditions and stormwater management concerns in each of Cook County's six major watersheds, and include recommendations for potential capital improvement projects to address the identified concerns. The watersheds are the Calumet-Sag Channel, Upper Salt Creek, Little Calumet River, Poplar Creek, Lower Des Plaines River, and North Branch of the Chicago River. DWP projects are prioritized by the District's Board for funding. The District anticipates beginning construction on two streambank stabilization projects in 2014. The District is completing final design of 13 flood control and streambank stabilization contracts with an estimated cost of $50 million. An additional four channel improvement and flood control contracts with an estimated value of $184 million are currently in preliminary design.

Prior to completion of the DWPs, the District looked to fund flood control projects approved for funding by states and federal agencies such as the Corps and the Illinois Department of Natural Resources/Office of Water Resources. One such project, the Heritage Park Flood Control Facility, which consists of a series of detention ponds to provide compensatory storage for the Corps' Levee 37, commenced in 2013, has been substantially completed, and is in service.

Based on direction provided by the Board of Commissioners in April 2013, the District initiated Phase II of its Stormwater Management Program to address local drainage problems, develop stormwater master plans across Cook County, and set up a program for purchasing flood prone and flood damaged property on a voluntary basis. Information about stormwater problems and potential projects were requested from each municipality, township and regional agency having jurisdiction in Cook County, and over 600 problem areas and/or project requests were submitted. On September 19, 2014, 35 projects located throughout the County were recommended to the Board of Commissioners, which authorized the District to assist local communities and agencies in the furtherance of these projects in the form of funding, engineering, and/or other assistance to be defined through negotiations with these entities. The approved projects include green infrastructure improvements, localized detention, upsizing critical storm sewers/culverts, pump stations, and establishing drainage ways. In addition to assisting the local communities with the projects as described above, the District is conducting five pilot studies to prepare stormwater master planning studies. The pilot areas are located within the geographic areas of each of the four Councils of Government (COGs) and the City of Chicago (City). District staff consulted with the COGs and the City to determine suitable areas for the pilot studies. It is anticipated that stormwater master plans will be developed for all areas of Cook County over the next several years following the process to be defined through the pilot studies. On June 18, 2014, the Governor signed House Bill 3912 in to Law, which created Public Act 98-0652. As a result, the District amended its Cook County Stormwater Management Plan on July 10, 2014 to be consistent with the new legislative authority, which allows the District to plan, implement, and finance **local** projects, where previously the District only had authority for regional projects. In addition, PA 98-0652 also granted the District the authority to establish a program for voluntary acquisition of flood prone and flood damaged property. The District currently has $228 million budgeted for Phase II projects over the next five years. In future years, the figures may be adjusted based on the level of local funding available from local stakeholders and other factors.

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

Replacement of Facilities

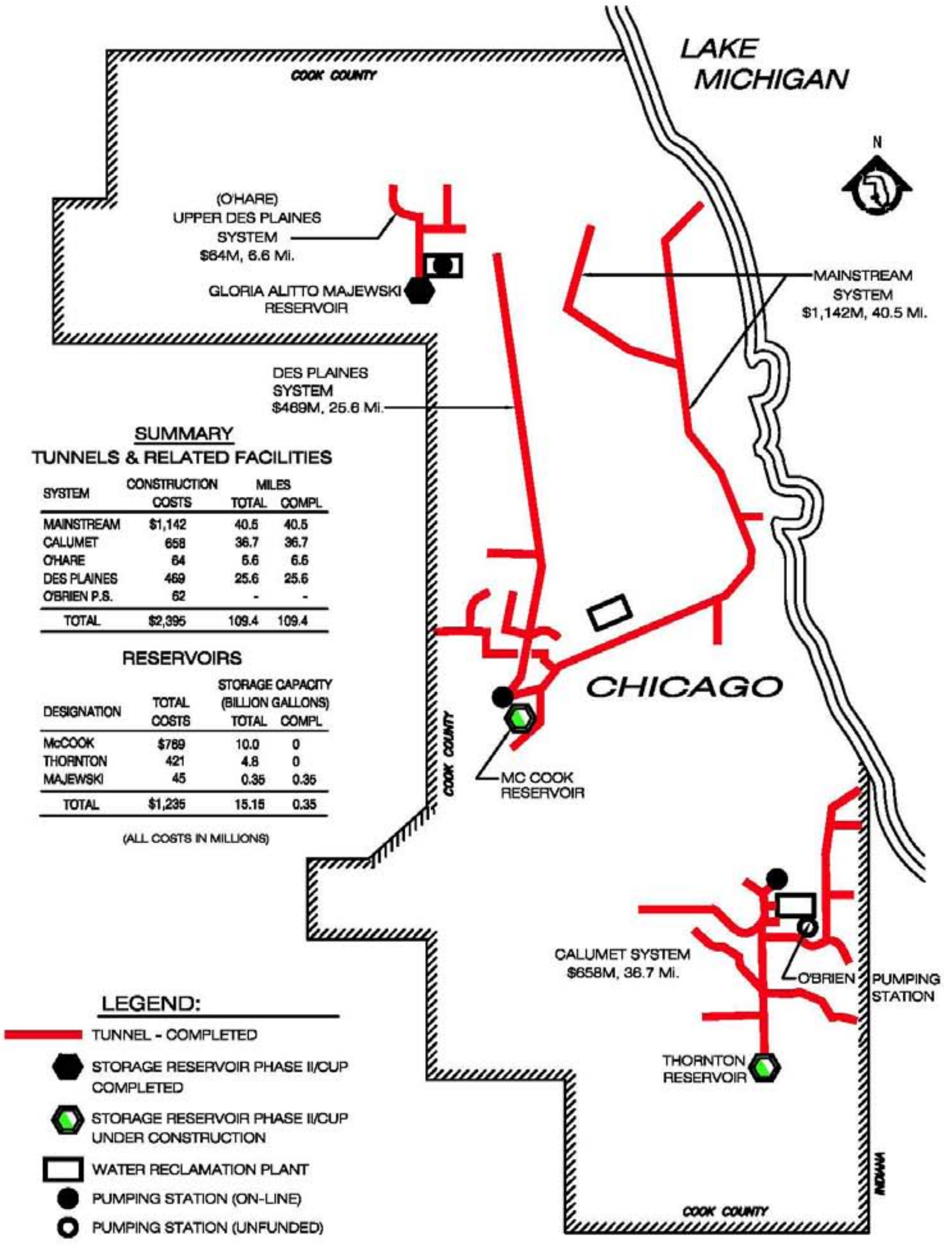
Many of the District's plants and interceptors were placed in service over 50 years ago. In order to maintain continuous operations, the District has maintained a capital improvement plan to replace physically deteriorating facilities through major rehabilitation, alteration or expansion. Costs for all projects identified for replacement facilities are approximately $130 million over the next five years.

Means of Financing

The only USEPA grant funding available to the District in recent years has been limited to Congressional earmarks for District TARP projects, which are no longer available. Most of the funding of the District's planned improvements of its plants and continued construction of TARP facilities is expected to be accomplished through State Revolving Fund Loans (*"SRF Loans"*) and the issuance of bonds by the District. The District funding needed to complete the components of the Capital Improvements Program being funded over the course of the next five years is approximately $1.3 billion.

CAPITAL IMPROVEMENTS PROGRAM OVER THE NEXT FIVE YEAR PERIOD*	DISTRICT BONDS & CONSTRUCTION FUND, AND STORMWATER MANAGEMENT FUND (MILLIONS)
Intercepting Sewers	$ 478
Water Reclamation Plant Expansions & Improvements	172
Biosolids Management	118
Tunnel & Reservoir Plan CUP (District Portion)	155
Stormwater Management	228
Replacement of Facilities	130
TOTAL	$ 1,281

*Approximate total costs of Capital Improvements Program (including the next five year period) are $2.3 billion.



SUMMARY
TUNNELS & RELATED FACILITIES

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

RESERVOIRS

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

(ALL COSTS IN MILLIONS)

TUNNEL and RESERVOIR PLAN PROJECT STATUS

APPENDIX C

REPORT OF THE CONSULTING ACTUARY ON THE DISTRICT RETIREMENT FUND

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APPENDIX C

REPORT OF THE CONSULTING ACTUARY ON THE DISTRICT RETIREMENT FUND

The Metropolitan Water Reclamation District has a contributory pension fund which provides coverage for all Water Reclamation District employees and Commissioners. The total number of covered employees in active service at the end of 2013 was 1,858. The total number receiving benefits was 2,329.

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

On August 3, 2012, the Governor signed Public Act 97-0894 into law. This bill, which is effective with the 2013 fiscal year, increases the maximum tax levy from 2.19 multiplied by the employee contributions two years prior to the lesser of 4.19 multiplied by the employee contributions two years prior or the actuarially determined contribution requirement. Employee retirement contributions are also increased for employees in service prior to January 1, 2011 (Tier 1) by 1% per year for three years, starting with the first pay period paid in 2013. Resulting contribution rates for Tier 1 members are 10% in 2013, 11% in 2014, and 12% in 2015. The Tier 1 employee contribution rate will revert to 9% the first pay period paid on or after the date when the funded ratio of the Fund is determined to have reached the 90% funding goal.

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

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

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

Under GASB No. 25, an amount of money is required each year to amortize the Unfunded Liability over a span of thirty years. This amount is called the 30-Year Amortization of the Unfunded Liability.

The total required Annual Actuarial Contribution to the fund (financed by the employee and employer) is equal to the Current Service Cost plus 30-Year Amortization of the Unfunded Liability as a level percent of payroll.

Note, for fiscal years 2013 and later, Section 13-503 of the Illinois Pension Code specifies that actual contributions to the fund are based on an Actuarially Determined Contribution (ADC). The ADC equals the Current Service Cost plus a Supplemental Cost (annual amount to amortize the Unfunded Liability by 2050).

The required contribution amounts and rates contained in the report herein are the GASB No. 25 required contribution amounts and reflect a 30-year amortization of the Unfunded Liability.

In 2013, employer contributions to the Fund amounted to 124.3% of the actuarially required contribution amount.

Financial Position

YEAR END	EMPLOYEE CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS (1)	INVESTMENT INCOME (2)	TOTAL INCOME
2004	$15,150,846	$30,982,232	$98,899,393	$145,032,471
2005	14,468,188	26,174,492	55,864,422	96,507,102
2006	14,955,252	34,476,332	108,689,160	158,120,744
2007	15,627,673	27,947,096	65,234,747	108,809,516
2008	14,778,404	33,406,819	(296,635,043)	(248,449,820)
2009	15,690,322	32,153,874	196,652,890	244,497,086
2010	15,872,560	29,917,793	146,521,908	192,312,261
2011	15,031,961	37,379,137	3,012,778	55,423,876
2012	14,714,496	65,097,835	121,081,385	200,893,716
2013	16,890,798	92,944,381	231,567,647	341,402,826

YEAR END	BENEFITS	ADMINISTRATIVE AND INVESTMENT EXPENSES	REFUNDS	TOTAL[(3)]	INCOME LESS PAYOUTS[(4)]	RETURN ON INVESTED ASSETS[(5)]
2004	$78,113,259	$3,236,471	$1,320,740	$82,670,470	$62,362,001	9.4%
2005	83,293,069	3,381,747	1,287,679	87,962,495	8,544,607	4.9
2006	89,079,089	3,646,960	1,410,954	94,137,003	63,983,741	9.6
2007	94,846,021	4,027,657	1,164,218	100,037,896	8,771,620	5.4
2008	100,068,749	3,787,807	964,846	104,821,402	(353,271,222)	(25.5)
2009	103,404,530	3,895,636	1,174,864	108,475,030	136,022,056	23.1
2010	108,219,186	4,883,958	1,380,310	114,483,454	77,828,807	15.9
2011	118,102,369	5,787,836	2,711,115	126,601,320	(71,177,444)	(0.3)
2012	122,713,908	6,052,080	1,195,737	129,961,725	70,931,991	11.9
2013	127,205,981	6,856,698	1,128,922	135,191,601	206,211,225	21.7

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

Distribution of Cash and Security Holdings

YEAR	CASH	FEDERAL GOVERNMENT SECURITIES	STATE AND LOCAL GOVERNMENT SECURITIES	CORPORATE STOCKS AND BONDS	SHORT TERM	CONVERTIBLE SECURITIES	OTHER BONDS
2004	0.0%	5.2%	0.3%	93.2%	1.1%	0.0%	0.2%
2005	0.0	5.1	0.1	92.8	1.8	0.0	0.2
2006	0.0	4.9	0.1	93.8	1.0	0.0	0.2
2007	0.0	4.7	0.1	94.0	1.0	0.0	0.2
2008	0.0	1.8	0.0	96.5	1.7	0.0	0.0
2009	0.0	0.0	0.0	98.0	2.0	0.0	0.0
2010	0.0	0.0	0.0	98.1	1.9	0.0	0.0
2011	0.0	0.0	0.0	98.2	1.8	0.0	0.0
2012	0.0	2.2	0.0	95.1	2.7	0.0	0.0
2013	0.0	1.7	0.0	94.1	4.2	0.0	0.0

Schedule of Funding Status

YEAR	ACCRUED LIABILITY[1]	ASSETS AT ACTUARIAL VALUE[2]	FUNDED RATIO	UNFUNDED ACCRUED LIABILITY	PAYROLL AT YEAR END	UNFUNDED ACCRUED % PAYROLL (SURPLUS)
2004	$1,578,366,508	$1,161,778,511	73.6%	$416,587,997	$146,360,302	285%
2005	1,654,188,382	1,171,844,612	70.8	482,343,770	149,246,356	323
2006 (a)	1,724,705,199	1,209,601,736	70.1	515,103,463	152,767,396	337
2007	1,795,176,667	1,256,889,942	70.0	538,286,725	158,831,772	339
2008 (a)	1,852,279,634	1,211,838,320	65.4	640,441,314	167,865,254	382
2009	1,939,172,047	1,177,810,068	60.7	761,361,979	176,915,399	430
2010 (a)	2,036,679,763	1,151,595,245	56.5	885,084,518	174,485,734	507
2011	2,101,319,098	1,097,397,206	52.2	1,003,921,892	164,275,424	611
2012	2,136,508,223	1,076,740,164	50.4	1,059,768,059	163,816,934	647
2013	2,194,911,693	1,188,503,716	54.1	1,006,407,977	169,375,857	594

(a) Change in actuarial assumptions.
(1) The 2003-2005 results are based on 7.75% interest and 5.5% salary scale. The 2006 results are based on 7.75% interest and 5.0% salary scale.
(2) All asset values shown here have been restated to the actuarial asset value 5-year smoothed average ratio of market over book) to comply with GASB No. 25. For information on the fair market value of assets for fiscal years 2004 through 2013 and additional information on asset smoothing, see "RETIREMENT FUND—Actuarial Methods" in the Official Statement.

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

Prioritized Solvency Test

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

	Aggregate Accrued Liabilities For:				Portion (%) of Accrued Liabilities Covered by Assets		
Valuation Date 12/31	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (ER Financed Portion)	Actuarial Asset Values for GASB[a]	(1)	(2)	(3)
2004	$163,674,928	$929,904,220	$484,787,360	$1,161,778,511	100%	100%	14%
2005	170,744,447	988,212,377	495,231,558	1,171,844,612	100	100	3
2006 (b)	176,844,639	1,075,659,908	472,200,652	1,209,601,736	100	96	0
2007	181,077,729	1,139,967,612	474,131,326	1,256,889,942	100	94	0
2008 (b)	190,017,921	1,176,701,786	485,559,927	1,211,838,320	100	87	0
2009	202,119,201	1,200,102,267	536,950,579	1,177,810,068	100	81	0
2010 (b)	206,933,701	1,313,366,530	516,379,532	1,151,595,245	100	72	0
2011	199,015,897	1,433,294,765	469,008,436	1,097,397,206	100	63	0
2012 (b)	213,323,414	1,431,829,221	491,355,588	1,076,740,164	100	60	0
2013	223,354,127	1,463,856,177	507,701,389	1,188,503,716	100	66	0

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

Actuarial Requirements

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

For the year 2013 the Water Reclamation District contributed $92,944,381 or 56.74% of December 31, 2012 payroll. For 2013, employee contributions were $16,890,798 or 10.31% of December 31, 2012 payroll. The total required annual actuarial contribution, consisting of the Current Service Cost plus the amount to amortize the Unfunded Liability over a 30-year period was 55.62% of payroll.

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

Year	Total Required Actual Actuarial Contribution Rate	Actual Contribution		Deficiency (Excess) in Annual Contribution
		Employer	Employee	
2004	37.89%	21.73%	10.62%	5.54%
2005	39.21	17.89	9.89	11.43
2006	41.38	23.10	10.02	8.26
2007 (a)	40.53	18.29	10.22	12.02
2008	40.33	21.03	9.31	9.99
2009 (a)	41.64	19.15	9.35	13.14
2010	43.97	16.91	8.97	18.09
2011	48.77	21.42	8.62	18.73
2012 (a)	54.54	39.62	8.96	5.96
2013	55.62	56.74	10.31	(11.43)
2014	52.18	43.49 Est	10.90 Est	(2.21) Est

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

GASB Disclosure

The Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*, is effective for periods beginning after June 15, 1996. The Purpose of the Statement is to make the pension information more understandable and more useful. In the past, the measures of a plan's funded status and the employer's required contributions have been reported consistent with GASB Statement No. 5.

The Actuarial Asset Value, a smoothed market related value of assets technique, is calculated by smoothing unexpected gains or losses over a period of 5 years.

A level-percent amortization of the unfunded actuarial liability (level-dollar prior to 2003) with an open amortization period of 30 years is the method used for computing the amortization requirements.

Schedule of Employer Contributions

FISCAL YEAR	ACTUARIALLY REQUIRED CONTRIBUTION(1)	REQUIRED STATUTORY BASIS (2)	EMPLOYER SPECIAL CONTRIBUTION	ACTUAL	PERCENT OF ARC CONTRIBUTED BY EMPLOYER
2004	$40,146,454	$31,072,100		$30,986,177	77.18
2005	43,164,572	25,958,000		26,179,018	60.65
2006	47,368,878	27,580,000		34,478,941	72.79
2007	47,090,445	30,312,000		27,947,096	59.35
2008	49,758,238	31,314,000		33,406,819	67.14
2009	54,790,175	32,640,000		32,153,874	58.69
2010	61,872,925	32,307,000		29,917,793	48.35
2011	69,393,171	34,362,000		37,379,134	53.87
2012	74,828,844	34,761,000	$30,000,000	65,097,835	87.00
2013	74,774,148	62,984,000	30,000,000	92,944,381	124.30

(1) Normal cost plus 30-year level percent amortization, less expected employee contributions, restated back for all prior years.
(2) Tax levy.

Actuarial Assumptions and Cost Method

The actuarial assumptions used for the December 31, 2012 and December 31, 2013 actuarial valuations were based on our experience analysis of the fund for the three-year period 2006 through 2009.

The major actuarial assumptions used for these valuations are summarized below:

- *Investment return:* 7.75% per year, compounded annually.
- *Salary increase:* 5.0% per year, compounded annually.
- *Retirement Rates:* Rates of retirement for each age from 50 to 70, based on the recent experience of the fund.
- *Termination Rates:* Termination rates, varying by age and length of service, based on the recent experience of the fund.
- *Mortality Rates:* The UP-1994 Mortality Table for Males, rated down 2 years, for male participants. The UP-1994 Mortality Table for Females, rated down 1 year, for female participants.

In our opinion, the actuarial assumptions used for the valuation are reasonable, in the aggregate, taking into account Fund experience and future expectations and represent our best estimate of anticipated experience.

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APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

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APPENDIX D

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and economic developments provide context for understanding the setting within which the District's financial activities take place. This appendix provides material for analyzing that setting.

Population 1980 – 2013

Year	United States	State of Illinois	Cook County
1980	226,545,805	11,427,409	5,253,655
1990	248,709,873	11,430,602	5,105,067
2000	281,421,906	12,419,293	5,376,741
2010	308,745,538	12,830,632	5,194,675
2013 Estimate	316,128,839	12,882,135	5,240,700

Source: U.S. Department of Commerce, Bureau of the Census.

Demographic and Economic Statistics
Last Ten Fiscal Years

(population and dollars in thousands)

Year	Personal Income	Per Capita Personal Income	Median Household Income	Unemployment Rate
2013	$ 148,352,487	$ 28,304	$ 51,391	9.1%[(1)]
2012	145,456,281	28,246	53,852	8.8
2011	140,483,393	26,933	54,036	9.8
2010	153,959,010	29,381	59,201	10.4
2009	141,675,329	26,888	53,709	10.1
2008	139,190,968	26,452	52,664	6.2
2007	138,936,974	26,324	52,477	4.9
2006	139,547,983	26,295	52,408	4.5
2005	139,159,977	26,075	51,635	6.0
2004	137,820,341	25,694	50,093	6.3

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

(1) Percentage reflects unemployment as of the end of the fiscal year 2013. According to the U.S. Department of Labor, Bureau of Labor Statistics, the unemployment rate of Cook County is 6.5% as of September 2014.

Principal Employers
2013 and Nine Years Ago

	2013			2004		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
U.S. Government	49,860	1	0.95%	88,000	1	1.64%
Chicago Public Schools	39,094	2	0.75	39,402	2	0.73
City of Chicago	30,340	3	0.58	35,978	4	0.67
Cook County	21,482	4	0.41	26,505	5	0.49
Advocate Health Care	18,512	5	0.35	25,196	6	0.47
J.P. Morgan Chase & Co	16,045	6	0.31	-	-	-
University of Chicago	15,452	7	0.29	-	-	-
State of Illinois	14,731	8	0.28	17,222	8	0.32
AT&T Inc.	14,000	T9	0.27	17,000	9	0.32
United Continental Holdings, Inc. (1)	14,000	T9	0.27	15,830	10	0.30
Jewel-Osco	-	-	-	36,749	3	0.69
United Parcel Service of America Inc.	-	-	-	19,563	7	0.36
Total	233,516		4.46%	321,445		5.99%

Source: Reprinted with permission, Crain's Chicago Business [January 20, 2014] © Crain Communications, Inc.
(1) Owns and operates United Airlines

Principal Property Taxpayers

2012 and Nine Years Ago

(in thousands of dollars)

		2012(1)			2003		
Taxpayer	Type of Business	Equalized Assessed Value (3)	Rank	Percentage of Total Equalized Assessed Value	Equalized Assessed Value	Rank	Percentage of Total Equalized Assessed Value
Willis Tower	Retail & Office	$ 386,267	1	0.29%	$ 467,362	1	0.42%
Aon Center	Insurance	255,346	2	0.19	307,715	2	0.28
Merchandise Mart	Retail & Office	243,605	3	0.18	-	-	-
Citadel Center	Office	237,236	4	0.18	-	-	-
One Prudential Plaza	Financial Services	234,963	5	0.18	266,448	4	0.24
Equity Office (2)	Property Management	209,267	6	0.16	307,093	3	0.28
Blue Cross Blue Shield Tower	Office	205,275	7	0.15	-	-	-
Water Tower Place	Retail & Office	201,246	8	0.15	-	-	-
Chase Tower	Banking	200,707	9	0.15	233,214	5	0.21
One North Wacker Drive	Office	191,524	10	0.14	144,867	8	0.13
Citicorp Center	Banking	-	-	-	185,968	6	0.17
Three First National Plaza	Retail & Office	-	-	-	171,376	7	0.16
AT&T Corporate Center	Communications	-	-	-	138,142	9	0.13
311 South Wacker	Investments	-	-	-	124,511	10	0.11
		$2,365,436		1.77%	$2,346,696		2.13%

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

(1) 2013 information is unavailable

(2) Equity Office owns and manages two adjoining tower office buildings

(3) The Equalized Assessed Valuation for 2012 is $133,397,995,365.

Non-Farm Employment by Major Industry Sector
Cook County – March 2013

Sector	Employees	Percentage of Total Employment
Natural resources and mining	700	0.03%
Construction	56,200	2.35%
Manufacturing	187,100	7.83%
Trade, transportation, and utilities	443,300	18.55%
Information	53,700	2.25%
Financial Activities	181,800	7.61%
Professional and business services	420,600	17.60%
Education and health services	415,600	17.39%
Leisure and hospitality	238,900	9.99%
Other services	94,100	3.94%
Government	298,300	12.48%
Total	2,390,300	100.00%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

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APPENDIX E

2014A BONDS
PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

TO BE DATED THE CLOSING DATE

[LETTERHEAD OF CO-BOND COUNSEL]

January 6, 2015

The Board of Commissioners of the
Metropolitan Water Reclamation District of Greater Chicago

Dear Commissioners:

We have examined a record of proceedings relating to the issuance of $100,000,000 principal amount of General Obligation Unlimited Tax Capital Improvement Bonds, 2014 Series A (Green Bonds) (the "Bonds") of the Metropolitan Water Reclamation District of Greater Chicago (the "District"), a sanitary district and a body politic and corporate of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of the Metropolitan Water Reclamation District Act, 70 Illinois Compiled Statutes 2605, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number O14-011 adopted by the Board of Commissioners of the District on November 6, 2014, and entitled: "An Ordinance Authorizing and Providing For the Issuance of Not to Exceed $100,000,000 General Obligation Unlimited Tax Capital Improvement Bonds of the Metropolitan Water Reclamation District of Greater Chicago" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 and any integral multiple thereof. The Bonds delivered on original issuance are dated January 6, 2015. The Bonds mature on December 1, 2044, and bear interest from their date at the rate of five percent (5%) per annum, payable on June 1, 2015 and semiannually thereafter on June 1 and December 1 in each year.

The Bonds are subject to redemption prior to maturity at the option of the District, in such principal amounts as the District shall determine and in part by lot, on December 1, 2024 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds are subject to mandatory redemption, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following table, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

Year	Principal Amount
2039	$14,700,000
2040	15,435,000
2041	16,210,000
2042	17,020,000
2043	17,870,000

In our opinion, the Bonds are valid and legally binding general obligations of the Metropolitan Water Reclamation District of Greater Chicago, and the District has power and is obligated to levy ad valorem taxes upon all the taxable property within the District for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The District has covenanted in the Bond Ordinance to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

2014B BONDS
PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

TO BE DATED THE CLOSING DATE

[LETTERHEAD OF CO-BOND COUNSEL]

January 6, 2015

The Board of Commissioners of the
Metropolitan Water Reclamation District of Greater Chicago

Dear Commissioners:

We have examined a record of proceedings relating to the issuance of $50,000,000 principal amount of General Obligation Unlimited Tax Bonds (Alternate Revenue Source), 2014 Series B (Green Bonds) (the "Bonds") of the Metropolitan Water Reclamation District of Greater Chicago (the "District"), a sanitary district and a body politic and corporate of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of the Metropolitan Water Reclamation District Act, 70 Illinois Compiled Statutes 2605, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number O14-006 adopted by the Board of Commissioners of the District on October 2, 2014, and entitled: "An Ordinance Authorizing the Issuance of Not to Exceed $200,000,000 General Obligation Bonds (Alternate Revenue Source) of the Metropolitan Water Reclamation District of Greater Chicago, for the Purpose of Providing Funds for Stormwater Management Projects" and Ordinance Number O14-012 adopted by said Board of Commissioners on November 6, 2014, and entitled: "An Ordinance Providing For the Issuance of Not to Exceed $50,000,000 General Obligation Unlimited Tax Bonds (Alternate Revenue Source) of the Metropolitan Water Reclamation District of Greater Chicago" (collectively, the "Bond Ordinance").

The Bonds are "alternate bonds" issued pursuant to Section 15 of the Local Government Debt Reform Act. The Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 and any integral multiple thereof. The Bonds delivered on original issuance are dated January 6, 2015. The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 1, 2015 and semiannually thereafter on June 1 and December 1 in each year, at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2016	$ 920,000	2.00%
2017	935,000	2.00
2018	955,000	3.00
2019	985,000	3.00
2020	1,015,000	3.00
2021	1,045,000	4.00
2022	1,085,000	4.00
2023	1,130,000	4.00
2024	1,175,000	5.00
2025	1,235,000	5.00
2026	1,295,000	5.00
2027	1,360,000	5.00
2028	1,425,000	5.00
2029	1,500,000	5.00
2030	1,575,000	5.00
2031	1,650,000	5.00
2032	1,735,000	5.00
2033	1,820,000	5.00
2034	1,910,000	5.00
2039	11,095,000	5.00
2044	14,155,000	5.00

The Bonds maturing on or after December 1, 2025 are subject to redemption prior to maturity at the option of the District, in such principal amounts and from such maturities as the District shall determine and by lot within a single maturity, on December 1, 2024 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds maturing in the years 2039 and 2044 are subject to mandatory redemption, in part and by lot, on December 1 of the years and in the respective principal amounts set forth in the following tables, by the application of sinking fund installments, at a redemption price equal to the principal amount thereof to be redeemed:

2039 Bonds		2044 Bonds	
Year	Principal Amount	Year	Principal Amount
2035	$2,005,000	2040	$2,560,000
2036	2,110,000	2041	2,690,000
2037	2,215,000	2042	2,825,000
2038	2,325,000	2043	2,965,000

In our opinion, the Bonds are valid and legally binding general obligations of the Metropolitan Water Reclamation District of Greater Chicago, and the District has power and is obligated to levy ad valorem taxes upon all the taxable property within the District for the payment of the Bonds and the interest thereon, without limitation as to rate or amount. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The District has covenanted in the Bond Ordinance to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

2014C BONDS
PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

TO BE DATED THE CLOSING DATE

[LETTERHEAD OF CO-BOND COUNSEL]

January 6, 2015

The Board of Commissioners of the
Metropolitan Water Reclamation District of Greater Chicago

Dear Commissioners:

We have examined a record of proceedings relating to the issuance of $75,000,000 principal amount of General Obligation Limited Tax Capital Improvement Bonds, 2014 Series C (Green Bonds) (the "Bonds") of the Metropolitan Water Reclamation District of Greater Chicago (the "District"), a sanitary district and a body politic and corporate of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of the Metropolitan Water Reclamation District Act, 70 Illinois Compiled Statutes 2605, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number O14-010 adopted by the Board of Commissioners of the District on November 6, 2014, and entitled: "An Ordinance Authorizing and Providing For the Issuance of Not to Exceed $75,000,000 General Obligation Limited Tax Capital Improvement Bonds of the Metropolitan Water Reclamation District of Greater Chicago" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 and any integral multiple thereof. The Bonds delivered on original issuance are dated January 6, 2015. The Bonds mature on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 1, 2015 and semiannually thereafter on June 1 and December 1 in each year, at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2016	$ 1,160,000	2.00%
2017	11,305,000	5.00
2019	3,400,000	5.00
2020	5,040,000	5.00
2021	4,470,000	5.00
2024	1,155,000	5.00
2025	3,135,000	5.00
2026	10,665,000	5.00
2027	16,805,000	5.00
2028	17,865,000	5.00

The Bonds maturing on or after December 1, 2025 are subject to redemption prior to maturity at the option of the District, in such principal amounts and from such maturities as the District shall determine and by lot within a single maturity, on December 1, 2024 and on any date thereafter, at a redemption price equal to the principal amount thereof to be redeemed.

The Bonds are "limited bonds" as defined in the Local Government Debt Reform Act, which are payable from the "debt service extension base" of the District as defined in the Property Tax Extension Limitation Law, 35 Illinois Compiled Statutes 200/18-185 through 18-245.

In our opinion, the Bonds are valid and legally binding general obligations of the Metropolitan Water Reclamation District of Greater Chicago, and the District has power and is obligated to levy ad valorem taxes upon all the taxable property within the District for the payment of the Bonds and the interest thereon, without limitation as to rate, but limited as to amount by provisions of the Property Tax Extension Limitation Law. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The District has covenanted in the Bond Ordinance to comply with these requirements.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

2014D BONDS
PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

TO BE DATED THE CLOSING DATE

[LETTERHEAD OF CO-BOND COUNSEL]

January 6, 2015

The Board of Commissioners of the
Metropolitan Water Reclamation District of Greater Chicago

Dear Commissioners:

We have examined a record of proceedings relating to the issuance of $70,805,000 principal amount of General Obligation Limited Tax Refunding Bonds, 2014 Series D (the "Bonds") of the Metropolitan Water Reclamation District of Greater Chicago (the "District"), a sanitary district and a body politic and corporate of the State of Illinois. The Bonds are authorized and issued pursuant to the provisions of the Metropolitan Water Reclamation District Act, 70 Illinois Compiled Statutes 2605, and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of Ordinance Number O14-013 adopted by the Board of Commissioners of the District on November 6, 2014, and entitled: "An Ordinance Authorizing and Providing For the Issuance of Not to Exceed $75,000,000 General Obligation Limited Tax Refunding Bonds of the Metropolitan Water Reclamation District of Greater Chicago" (the "Bond Ordinance").

The Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 and any integral multiple thereof. The Bonds delivered on original issuance are dated January 6, 2015. The Bonds mature (without option of prior redemption) on December 1, in each of the following years in the respective principal amount set opposite each such year in the following table, and the Bonds maturing in each such year bear interest from their date payable on June 1, 2015 and semiannually thereafter on June 1 and December 1 in each year, at the respective rate of interest per annum set forth opposite such year:

Year	Principal Amount	Interest Rate
2016	$ 270,000	2.00%
2017	11,425,000	5.00
2018	5,985,000	5.00
2019	11,945,000	5.00
2020	13,280,000	5.00
2021	12,105,000	5.00
2022	15,795,000	5.00

The Bonds are "limited bonds" as defined in the Local Government Debt Reform Act, which are payable from the "debt service extension base" of the District as defined in the Property Tax Extension Limitation Law, 35 Illinois Compiled Statutes 200/18-185 through 18-245.

In our opinion, the Bonds are valid and legally binding general obligations of the Metropolitan Water Reclamation District of Greater Chicago, and the District has power and is obligated to levy ad valorem taxes upon all the taxable property within the District for the payment of the Bonds and the interest thereon, without limitation as to rate, but limited as to amount by provisions of the Property Tax Extension Limitation Law. However, the enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and remedies heretofore or hereafter enacted.

We are of the opinion that, under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), we are of the opinion that interest on the Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

The Code contains certain requirements that must be satisfied from and after the date hereof in order to preserve the exclusion from gross income for Federal income tax purposes of interest on the Bonds. These requirements relate to the use and investment of the proceeds of the Bonds, the payment of certain amounts to the United States, the security and source of payment of the Bonds and the use of the property financed with the proceeds of the Bonds. The District has covenanted in the Bond Ordinance to comply with these requirements.

With respect to the exclusion from gross income for Federal income tax purposes of interest on the Bonds we have relied on the verification report of Robert Thomas CPA, LLC, certified public accountants, regarding the computation of the arbitrage yield on the Bonds and of certain investments made with the proceeds of the Bonds.

Interest on the Bonds is not exempt from Illinois income taxes.

Very truly yours,

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APPENDIX F

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds (b) bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Book-Entry Only System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (*"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org (such websites are not incorporated herein by such reference).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (*"Beneficial Owner"*) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, Bond Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of the book-entry transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that, while the Bonds are in the Book-Entry System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds; however, all rights of ownership must be exercised through DTC and the book-entry system.

The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants of DTC will distribute to the Beneficial Owners of the Bonds (i) payment of principal of or interest on the Bonds (ii) confirmations of their ownership interests in the Bonds or (iii) other notices sent to DTC or Cede & Co., its partnership nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

The District does not have any responsibility or obligation to DTC, the Direct Participants or Indirect Participants of DTC or the Beneficial Owners with respect to (1) the accuracy of any records maintain by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial owner in respect of the principal amount of or interest on Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Resolution; or (4) any consent given or other action taken by DTC as owner of the Bonds.

Metropolitan Water Reclamation District of Greater Chicago

Multi-Year Awards

1975-2012
Government Finance Officers Association of the United States and Canada

Certificate of Achievement for Excellence in Financial Reporting - Comprehensive Annual Financial Report

1993-2012
Government Finance Officers Association of the United States and Canada

Certificate of Achievement for Excellence in Financial Reporting -
Retirement Fund's Comprehensive Annual Financial Report

1985-2013
Government Finance Officers Association of the United States and Canada

Award for Distinguished Budget Presentation

2007-2012
Government Finance Officers Association of the United States and Canada

Certificate of Achievement for Excellence in Financial Reporting -
Retiree Health Care Trust Fund's Comprehensive Annual Financial Report

Individual Year Awards (partial listing)

2009

Chicago Southland Convention and Visitor Bureau

Hospitality Award of Merit for outstanding work on behalf of the Calumet-Sag Trail

National Association of Government Defined Contribution Administrators

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

2010

American Academy of Environmental Engineers

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

American Council of Engineering Companies of Illinois

Special Achievement Award for the Calumet Isolation Chamber

Illinois Society of Professional Engineers

Chicagoland Excellence in Engineering Project Award, Mechanical Division, for the Calumet Central Boiler Facility

2011

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

NACWA Award for Compliance with National Pollutant Discharge Elimination System -
Platinum Award for 20 consecutive years of full compliance for the Calumet Water Reclamation Plant;
Platinum Award for 15 consecutive years of full compliance for the Stickney and Lemont Water Reclamation Plants;
Platinum Award for seven consecutive years of full compliance for the James C. Kirie Water Reclamation Plant; and
Platinum Award for six consecutive years of full compliance for the North Side Water Reclamation Plant

NACWA Award for Full Compliance with National Pollutant Discharge Elimination System -
Gold Award for the Hanover Park Water Reclamation Plant

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

2012

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

NACWA Award for Compliance with National Pollutant Discharge Elimination System - Platinum Award for 21 consecutive years of full compliance for the Calumet Water Reclamation Plant; Platinum Award for 16 consecutive years of full compliance for the Stickney and Lemont Water Reclamation Plants; Platinum Award for eight consecutive years of full compliance for the James C. Kirie Water Reclamation Plant; Platinum Award for seven consecutive years of full compliance for the North Side Water Reclamation Plant; and Platinum Award for five consecutive years of full compliance for the Hanover Park Water Reclamation Plant

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

2013

Illinois Water Environment Association

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

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

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

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

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

National Association of Government Defined Contribution Administrators

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

Water Environment Research Foundation

Award for Excellence in Innovation

2014

Academy of Interactive and Visual Arts

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

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

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METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO • GENERAL OBLIGATION BONDS, 2014 SERIES A, 2014 SERIES B, 2014 SERIES C, AND 2014 SERIES D

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