SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
April 30, 2008

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

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Joseph B. Dold, C.P.A.
J. Timothy Cravens, C.P.A.
Todd J. Anderson, C.P.A.
Dorinda L. Fitzgerald, C.P.A

Joseph E. Pehlman, C.P.A. (1941 - 1984)
Robert E. Ritter, C.P.A., Retired

Pehlman & Dold, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Washington Street At Amos Avenue
P.O. Box 216
Springfield, IL 62705
217-787-0563
FAX 217-787-9266

Board of Trustees
Springfield Metro Sanitary District
Springfield, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities of the Springfield Metro Sanitary District (the "District"), as of and for the year ended April 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Springfield Metro Sanitary District as of April 30, 2008, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise Springfield Metro Sanitary District's financial statements. The accompanying financial information listed as *Other Supplemental Information* in the table of contents has not been subjected to audit procedures and therefore, we do not express an opinion on that information.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 5, 2008 on our consideration of the Springfield Metro Sanitary District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Springfield Metro Sanitary District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Respectfully submitted,

Pehlman & Dold, PC

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 5, 2008
(except for Note 15 and 16, as to which the date is October 8, 2008)

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the business-type activities of the Springfield Metro Sanitary District as of and for the year ended April 30, 2008, which collectively comprise the Springfield Metro Sanitary District's basic financial statements and have issued our report thereon dated June 5, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Springfield Metro Sanitary District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Springfield Metro Sanitary District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Springfield Metro Sanitary District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Springfield Metro Sanitary District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Springfield Metro Sanitary District' financial statements that is more than inconsequential will not be prevented or detected by the Springfield Metro Sanitary District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Springfield Metro Sanitary District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

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

We noted certain matters we reported to management of Springfield Metro Sanitary District in a separate letter dated July 1, 2008.

This report is intended solely for the information and use of management, the audit committee, District Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other then these specified parties.

Respectfully submitted,

Pehlman & Dold, PC

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 5, 2008
(except for Note 15 and 16, as to which the date is October 8, 2008)

SPRINGFIELD METRO SANITARY DISTRICT

STATEMENT OF NET ASSETS

April 30, 2008

ASSETS	
Current assets:	
Cash	$ 975,658
Receivables:	
Sewer service charges	726,638
Property taxes	2,153,337
Replacement taxes	78,391
Prepaid expenses	40,590
Restricted assets:	
Cash	7,302,846
Special assessment receivables	91,685
Total current restricted assets	7,394,531
Total current assets	11,369,145
Non-current assets:	
Capital assets (net of depreciation)	38,695,721
Restricted assets:	
Special assessment receivables, less current portion	353,170
TOTAL ASSETS	$50,418,036
LIABILITIES	
Current liabilities:	
Accounts payable	$ 159,527
Accounts payable capital outlay	268,441
Accrued vacation and payroll	780,695
Accrued interest payable	4,906
Deferred property taxes	2,153,337
Current portion of Illinois Environmental Protection Agency revolving loans	205,289
Current portion bonds payable	45,000
Total current liabilities	3,617,195
Long-term liabilities:	
Bonds payable	11,660,000
Illinois Environmental Protection Agency revolving loans, less current portion above	921,567
Total long-term liabilities	12,581,567
Total liabilities	16,198,762
NET ASSETS	
Invested in capital assets, net of related debt	32,492,429
Restricted – capital projects, net of related debt	447,881
Restricted – debt service	1,309,713
Unrestricted	(30,749)
Total net assets	34,219,274
TOTAL LIABILITIES AND NET ASSETS	$50,418,036

See Independent Auditor's Report.

The Notes to the Financial Statements are an integral part of this statement.

SPRINGFIELD METRO SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended April 30, 2008

Operating Revenues:	
Sewer service charge	$ 4,892,208
Sewer permits	327,880
Special assessments	181,935
Special waste fees	121,176
Lab fees	7,169
Miscellaneous	5,910
Total operating revenues	5,536,278
Operating Expenses	
Plant operations	5,609,842
Pump station	654,638
Sewer operations	390,532
Management and administration	2,654,409
Depreciation	931,164
Total operating expenses (see Note 14)	10,240,585
Operating loss	(4,704,307)
Non-operating Revenues (Expenses)	
Property taxes	2,083,799
Illinois replacement taxes	422,194
Interest income	309,563
Rental income	24,811
Bond premium	17,774
Interest expense	(235,097)
Bond costs	(82,980)
Total non-operating revenues (expenses)	2,540,064
Change in Net Assets	(2,164,243)
Net Assets	
Beginning of year	35,508,344
Prior period adjustment	875,173
End of year	$34,219,274

See Independent Auditor's Report.

The Notes to the Financial Statements are an integral part of this statement.

SPRINGFIELD METRO SANITARY DISTRICT

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2008

Net Cash Flows from Operating Activities:	
Cash received from customers and users	$ 5,470,126
Payments to suppliers	(6,774,705)
Payments to employees	(2,523,471)
Net cash used in operating activities	(3,828,050)
Net Cash Flows from Non-Capital Financing Activities:	
Property tax receipts	2,083,799
Illinois replacement tax receipts	412,493
IMRF bond proceeds	1,722,775
IMRF bond expenses	(18,755)
Net cash provided by non-capital financing activities	4,200,312
Net Cash Flows from Capital and Related Financing Activities:	
Principal payments on long-term debt	(198,613)
Interest paid on long-term debt	(235,678)
Acquisition and construction of capital assets	(4,944,064)
Construction bond proceeds	10,000,000
Bond expenses	(64,225)
Net cash provided in capital and related financing activities	4,557,420
Net Cash Flows from Investing Activities:	
Interest income	309,563
Rental income	24,811
Net cash provided by investing activities	334,374
Net increase in cash	5,264,056
Cash *– May 1, 2007*	3,014,448
Cash *– April 30, 2008*	$ 8,278,504
Reconciliation of operating income to net cash provided by operating activities:	
Cash	$ 975,658
Cash – restricted	7,302,846
Total Cash	$ 8,278,504
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$(4,704,307)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	931,164
Change in operating assets and liabilities:	
Receivables	(66,187)
Accounts payable	(94,541)
Accrued vacation and payroll	95,707
Prepaid insurance	10,114
Net cash used in operating activities	$(3,828,050)

See Independent Auditor's Report.

The Notes to the Financial Statements are an integral part of this statement.

Note 1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The Springfield Metro Sanitary District (the "District") is a municipal corporation governed by a Board of Trustees consisting of five individuals who are appointed by the Chairman of the Sangamon County Board. Revenues consist primarily of property taxes and charges for services to customers living within an area of 70 square miles, of which the City of Springfield occupies about two-thirds. The District's revenues are therefore dependent on the economy within its territorial boundaries. Industry within the District's customer base is primarily government, manufacturing, and retail.

Adoption of New Accounting Standards:

Effective May 1, 2004, the District adopted Governmental Accounting Standards (GASB) Board Statement No. 34, *Financial statements – and Management's Discussion and Analysis – for State and Local Governments,* Statement No. 37, *Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,* and Statement No. 38, *Certain Financial Statement Note Disclosures.* The primary impact of adopting the statements included capitalization of infrastructure (sewer lines) fixed assets, changing the presentation of fund equity, and changing the presentation of the cash flow statement from the indirect method to the direct method. Also, as part of the adoption of the new standards, the District chose to account for all of its various fund's activity and balances as a single fund special purpose government entity.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies.

Reporting Entity:

For financial reporting purposes, in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards,* Section 2100, the District is a primary government in that it is a district with the authority to set and amend its budget, levy for taxes, set rates for charges, and issue bonded debt without approval from another government.

The District has developed criteria to determine whether outside agencies, such as cities, villages, and townships, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility on the following:

Financial interdependency
Selection of governing authority
Designation of management
Ability to significantly influence operations
Accountability for fiscal matters
Scope of public service
Special financing relationship

The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements.

Note 1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** *- continued*

Government-Wide Financial Statement Presentation and Basis of Accounting:

The District uses a single business-type fund to account for all assets, liabilities, net assets, revenues, and expenses. Business-type funds are used to account for operations that are financed and operated in a manner similar to private businesses where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges. Accordingly, the District's financial statements are presented on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred.

The District applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The District recognizes user charge revenues when the service is provided. Monthly cycle billing is utilized for all users. Unbilled receivables have been estimated at April 30. User charge rates are intended to generate revenues equivalent to estimated operating and replacement costs.

Service charges, permits, annexation fees, lab fees, and other miscellaneous revenues (except interest earnings) are recorded as revenues when received because they are generally not measurable until actually received. Interest earnings are recorded as earned since they are measurable and available.

Restricted Assets:

Restricted assets are cash and cash equivalents whose use is limited by legal requirements or board designation. Restricted cash represents the cash balances reserved for capital improvements, public benefit, sewer rehabilitation and replacement, special assessment debt, and bond and interest payments.

Capital Assets:

Public domain property (sewers) and other capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined by the District as assets with an initial cost of more than $1,000. Depreciation is provided using the straight-line method over the following estimated lives:

	Years
Land improvements	50-100
Buildings	100
Equipment, vehicles, and machinery	30-50
Sewer system	75

Depreciation is not provided on construction in progress until the project is completed and placed in service.

Note 1. ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** *- continued*

Compensated Absences:

It is the District's policy to permit employees to accumulate earned but unused sick, personal, and holiday pay benefits. One sick day is earned per month, and a maximum of 80 days may be carried over into the next year. One personal leave day is credited to an employee at the first of the year and may be carried over into the next year. Holiday leave time is earned when an employee works on a holiday as determined by the District. Holiday time may be accumulated and carried over to the next year. Employees may earn compensatory time in lieu of overtime pay for overtime worked. Upon termination of employment with the District, an employee's accumulated compensated absences balance is fully vested and payable at the employee's current pay rate.

Reservations of Net Assets:

The District records reservations for portions of net assets which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure. Unrestricted net assets indicates that portion of net assets, which is available for appropriations, in future periods. Net assets reserves have been established for encumbrances in capital projects and for future debt service.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Sewer Service Charges Receivable:

A majority of the sewer service charges receivable is collected by other governmental agencies and then submitted to the District. The governmental agencies each have a separate collection policy. All of sewer service charges receivable are deemed collectible.

Note 2. ***CASH***

Statutes permit the District to make deposits/invest in obligations of the United States Government, direct obligations of any bank as defined by the Illinois Banking Act, short-term obligations of United States corporations, subject to certain conditions, money market mutual funds with portfolios limited to U.S. Government obligations, credit union shares, the Illinois Public Treasurer's Investment Pool (IPTIP) and repurchase agreements, subject to certain conditions.

Note 2. *CASH - continued*

All funds of the District must be deposited and invested according to these statutes. Depository banks use the Dedicated Method of collateralization, placing approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) Insurance. External investment pools use the Pooling Method of collateralization. Due to the nature of external investment pools, participants maintain separate investment accounts representing a proportionate share of the pool assets and its respective collateral. Collateral is maintained in the name of the investment pool.

The following is disclosed regarding coverage as of April 30, 2008.

a) The total amount of FDIC coverage as of April 30, 2008 was $1,900,000.

b) Dedicated Method: The market value of securities pledged was $-0-.

c) Pooling Method: Deposits in external investment pools are fully collateralized.

(a) Deposits:

At April 30, 2008, the carrying amount of the District's deposits (cash and interest bearing demand accounts at financial institutions), which excludes petty cash of $400, was $8,278,104, and the bank balance was $3,086,263.

The cash deposits held at financial institutions can be categorized according to three levels of risk:

Category 1: Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2: Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Deposits which are not collateralized or insured.

Due to the nature of the Illinois Funds Money Market Funds and Fidelity Cash Management Funds, collateral is maintained in the name of the Fund and deposit categorization is not applicable.

Based on these levels of risk, the District's cash deposits are classified as follows:

	Carrying Amount	Bank Balance
Category #1	$1,631,946	$1,762,246
Pooled Funds	6,646,158	7,003,389
	$8,278,104	$8,765,635

Note 3. *PROPERTY TAXES*

The District's ad valorem property tax was levied by ordinance on May 30, 2006 on the assessed value listed and attached as an enforceable lien as of the prior January 1 for all real and business property located in the District. Taxes are due on June and September 1 and become delinquent on those dates. Distributions of real estate taxes are typically received in July through October.

District property tax revenues are recognized when levied to the extent they are measurable and available. Property taxes levied are considered measurable and available when due or past due and receivable within the current period and collected within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. Such period does not exceed 60 days.

The 2006 tax levy is reflected as revenue in fiscal year 2007. Forfeited, objected, and delinquent tax distributions are recognized as revenues when collected.

Property taxes levied in 2007 to be collected in 2008 have been recognized as assets (property taxes receivable) and deferred revenue as these taxes have been matched to be used in the 2009 budget.

The tax rates and assessed valuation for the years are as follows:

	Levy Year	
	2006	2007
General	.0411	.0410
Illinois Municipal Retirement	.0152	.0148
Sewer Treatment	.0109	.0103
Social Security	.0078	.0082
Public Benefit	.0103	.0098
Total	.0853	.0841
Assessed valuation	$2,431,470,692	$2,560,448,543

Note 4. *SPECIAL ASSESSMENT RECEIVABLES*

The special assessment receivables are due in annual installments of principal and interest, at a rate not to exceed 6.50%, through 2017. The following summarizes the remaining principal installments receivable under the assessment:

Fiscal Year Ending April 30,	
2009	$ 91,685
2010	91,333
2011	64,531
2012	64,531
2013	62,587
2014and thereafter	70,188
	$444,855

Note 5. ***CAPITAL ASSETS***

Capital asset activity for the year ended April 30, 2008:

	Balances April 30, 2007	Additions	Deletions	Transfers	Balances April 30, 2008
Capital Assets not being Depreciated:					
Land	$ 3,500	$ --	$ --	$ --	$ 3,500
Construction in progress	873,411	3,251,514	--	(158,598)	3,966,327
Total non-depreciable capital assets	$ 876,911	$3,251,514	$ --	$(158,598)	$ 3,969,827
Capital Assets being Depreciated:					
Land improvements	$ 402,933	$ --	$ --	$ --	$ 402,933
Buildings	10,188,010	50,000			10,238,010
Equipment, vehicles, and machinery	10,150,914	1,449,532	--	23,395	11,623,841
Sewer system	37,083,729	334,763	--	135,203	37,553,695
Total depreciable capital assets	$57,825,586	$1,834,295	$ --	$158,598	$59,818,479
Less Accumulated Depreciation:					
Land improvements	$ 181,274	$ 5,455	$ --	$ --	$ 186,729
Buildings	2,931,860	117,953	--	--	3,049,813
Equipment, vehicles, and machinery	3,841,304	240,579	--	--	4,081,883
Sewer system	17,206,983	567,177	--	--	17,774,160
Total accumulated depreciation	$24,161,421	$ 931,164	$ --	$ --	$25,092,585
Total net assets	$34,541,076	$4,154,645	$ --	$ --	$38,695,721

Note 6. *LONG-TERM DEBT*

Illinois Environmental Protection Agency Revolving Loans:

The District was granted two loans from the Illinois Environmental Protection Agency for sewer improvements.

The original amount of the 1992 loan was $1,835,483 and carried an annual interest rate of 3.59%. As of April 30, 2008, the balance of the loan was $481,066. The following is a summary of the repayment schedule for this loan.

	Principal	Interest	Total
Year ended April 30,			
2009	$113,926	$ 16,256	$130,182
2010	118,052	12,130	130,182
2011	122,329	7,853	130,182
2012	126,759	3,423	130,182
Total	$481,066	$ 39,662	$520,728

The District was also granted a loan from the Illinois Environmental Protection Agency for sewer improvements construction which began during the 1994 fiscal year. The original amount of the 1994 loan was $1,627,229. This loan agreement provides for an annual interest rate of 3.015%. As of April 30, 2008, the balance of this note was $645,790. The following is a summary of the repayment schedule for this loan:

	Principal	Interest	Total
Year ended April 30,			
2009	$ 91,363	$ 18,787	$110,150
2010	94,138	16,012	110,150
2011	96,998	13,152	110,150
2012	99,944	10,206	110,150
2013 and thereafter	263,347	12,028	275,375
Total	$645,790	$ 70,185	$715,975

Note 7. *BOND ISSUES*

(a) Springfield Metro Sanitary District issued Sewer Revenue Bonds, Series 2007, in the amount of $10,000,000 for costs incurred in connection with the operation and improvement of the sanitary sewer system. The bonds were issued pursuant to Ordinance 2007-13 adopted on June 26, 2007 as supplemented and amended by Ordinance 2007-22 adopted on August 29, 2007. The bonds will mature on September 1, 2009 and bear an interest rate of 3.99%. The bonds shall also pay interest semiannually on March 1 and September 1. The first interest payment of $193,958 due March 1st of 2008 was paid.

Note 7. ***BOND ISSUES*** *– continued*

Proceeds from the sale of the bonds were as follows:

Sources:	
Par amount, Series 2007	$10,000,000
Total Sources	$10,000,000
Uses:	
Deposit into Capital Improvement Fund	$10,000,000
Total Uses	$10,000,000

The following is future payment obligations on the bonds, Series 2007:

Date Due	Principal	Interest	Total
September 1, 2008	$	$195,500	$ 199,500
March 1, 2009		195,500	199,500
September 1, 2009	10,000,000	195,500	10,199,500
	$10,000,000	$586,500	$10,598,500

(b) Springfield Metro Sanitary District issued General Obligation Bonds in the amount of $1,705,000 dated November 27, 2007 pursuant to Ordinance 2007-33. Fixed interest rates range from 5.00 to 5.20%, with interest paid semiannually each January 1 and July 1. The proceeds of the bond were used to fund the District's Early Retirement Incentive liability to the Illinois Municipal Retirement Fund, and to pay interest on the bonds through July 2008 and issuance costs.

Proceeds from the sale of the bonds were as follows:

Sources:	
Par amount, Series 2007	$1,705,000
Premium	17,775
Total Sources	$1,722,775
Uses:	
Deposit into General Fund	$1,696,920
Deposit into Bond and Interest Fund	7,100
Underwriter Discount	18,755
Total Uses	$1,722,775

Note 7. ***BOND ISSUES** – continued*

The following is future payment obligations on the bonds, Series 2007:

Date	Principal	Interest	Total
July 1, 2008	$	$ 47,420	$ 47,420
January 1, 2009	45,000	42,893	87,893
July 1, 2009		41,767	41,767
January 1, 2010	145,000	41,767	186,767
July 1, 2010		38,143	38,143
January 1, 2011	160,000	38,143	198,143
July 1, 2011		34,142	34,142
January 1, 2012	175,000	34,142	209,142
July 1, 2012		29,768	29,768
January 1, 2013	195,000	29,768	224,768
July 1, 2013		24,892	24,892
January 1, 2014	215,000	24,892	239,892
July 1, 2014		19,518	19,518
January 1, 2015	240,000	19,518	259,518
July 1, 2015		13,518	13,518
January 1, 2016	260,000	13,518	273,518
July 1, 2016		6,952	6,952
January 1, 2017	135,000	6,952	141,952
July 1, 2017		3,510	3,510
January 1, 2018	135,000	3,510	138,510
Total	$1,705,000	$514,733	$2,219,733

Note 8. ***CHANGES IN LONG-TERM DEBT AND BOND ISSUES***

The following is a summary of the long-term debt and bond transactions of the District for the year ended April 30, 2008:

	Balance April 30, 2007	Additions	Retirements	Balance April 30, 2008
Illinois Environmental Protection Agency revolving loans	$1,325,469	$	$198,613	$ 1,126,856
IMRF Bonds		1,705,000		1,705,000
Revenue Bonds		10,000,000		10,000,000
	$1,325,469	$11,705,000	$198,613	$12,831,856

Note 9. ***DEFINED BENEFIT PENSION PLAN***

The Springfield Metro Sanitary District's defined benefit pension plan, Illinois Municipal Retirement (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. The Illinois Municipal Retirement Fund has been classified as an Agent-Multiple-Employer Public Employee Retirement System.

Note 9. ***DEFINED BENEFIT PENSION PLAN*** *- continued*

IMRF issues a financial report that includes financial statements and required supplementary information. The report may be obtained at www.imrf.org/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Employer is required to contribute at an actuarially determined rate. The employer rate for calendar year 2007 was 12.09% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2007 was 25 years.

For December 31, 2007, the employer's annual pension cost of $302,151 was equal to the employer's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included *(a)* 7.50% investment rate of return (net of administrative expenses), *(b)* projected salary increases of 4% a year, attributable to inflation, *(c)* additional projected salary increases ranging from .4% to 10.0% per year depending on age and service, attributable to seniority/merit, and *(d)* post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2007 actuarial valuation were based on the 2002-2004 experience study.

TREND INFORMATION

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	$302,151	100%	$ --
12/31/06	315,533	100%	--
12/31/05	239,381	100%	--
12/31/04	184,795	100%	--
12/31/03	162,741	100%	--
12/31/02	166,351	100%	--
12/31/01	208,445	100%	--
12/31/00	193,783	100%	--
12/31/99	199,660	100%	--
12/31/98	195,783	100%	--

Note 9. ***DEFINED BENEFIT PENSION PLAN*** *- continued*

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

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)
12/31/07	$1,993,256	$5,186,968	$3,193,712	38.43%	$2,399,183	127.79%
12/31/06	5,020,679	8,263,608	3,242,929	60.76%	2,631,633	123.23%
12/31/05	7,013,188	8,533,254	1,520,066	82.19%	2,333,146	65.15%
12/31/04	6,363,623	7,566,154	1,202,531	84.11%	2,131,428	56.42%
12/31/03	7,291,617	7,861,429	569,812	92.75%	2,026,657	28.12%
12/31/02	7,343,061	7,346,884	3,823	99.95%	1,932,073	0.20%
12/31/01	7,077,972	6,865,298	(212,674)	103.10%	1,912,444	0.00%
12/31/00	6,113,685	6,302,815	189,130	97.00%	1,782,731	10.61%
12/31/99	5,221,395	5,890,108	668,713	88.65%	1,742,242	38.38%
12/31/98	3,962,924	5,293,883	1,330,959	74.86%	1,700,981	78.25%

On a market value basis, the actuarial value of assets as of December 31, 2007 is $2,717,660. On a market basis, the funded ratio would be 52.39%.

❖ *Digest of Changes*

The actuarial assumptions used to determine the actuarial accrued liability for 2007 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented.
- For *Regular* members, fewer normal and early retirements are expected to occur.

Note 10. ***POST EMPLOYMENT BENEFITS***

The District provides group medical and dental insurance for retirees. Terms of the plan provide the District pay as follows the retired employee's insurance premiums:

The District pays 100% of the retired employee's insurance if the length of service is over 30 years.

The District pays 75% of the retired employee's insurance if the length of service is over 20 years and up to 30 years.

The District pays 50% of the retired employee's insurance if the length of service is 8 years and up to 20 years.

The District's plan does not provide payments for retired employee's dependent care coverage.

Note 10. ***POST EMPLOYMENT BENEFITS*** *- continued*

Requirements of the plan provide for a minimum of 8 years of total service; be eligible and begin to receive IMRF retirement payments; not have been dismissed for reasons of criminal conviction; must have been receiving insurance benefits at time of separation; must have been full time (or greater than 50% time) regular employee or Trustee at time of separation; and have retired after June 1, 1994.

Current year post employment benefit expense was $110,765 and is funded only as paid.

Note 11. ***RISK MANAGEMENT***

The District is exposed to various risks of loss related to torts, theft of, damages to, and destruction of assets; injuries to employees; and natural disasters. The District carries a broad range of commercial insurance coverage, including business auto liability, general liability, workers' compensation, and an umbrella policy. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 12. ***SUBSEQUENT EVENTS***

The Sanitary District is currently developing several large sewer projects to be funded through various bond issues. The following is a comparison of projected project costs and necessary bond issue requirements:

	Spring Creek	Sugar Creek	Total
Project Costs	$125,600,000	$49,800,000	$175,400,000
Add: Reserve funds	9,900,000	3,600,000	13,500,000
Add: Capitalized interest	15,400,000	3,400,000	18,800,000
Less: Cash contributions	(9,500,000)	(6,000,000)	(15,500,000)
Equals: Bonds to be issued	141,400,000	50,800,000	192,200,000
Add: Refinancing of 2007 Bonds and Combined Service Overflows and other capital improvements	12,200,000		12,200,000
	$153,600,000		$204,400,000

Note 13. ***CONTINGENCIES***

The Sanitary District has entered into a contract with Crawford, Murphy, & Tilly, Inc. for a total amount of $5,932,000. As of April 30, 2008, the District made total payments of $3,006,121. The Sanitary District has an outstanding contract balance of $2,916,879.

The Sanitary District has also entered into a contract with Mansfield Electric Co. for an electrical upgrade to the Spring Creek Pump Station. The total contract amount is $282,715 with an outstanding balance of $64,474 remaining to be billed as of April 30, 2008.

Note 14. ***UNFUNDED IMRF LIABILITY***

Operating expenses in fiscal 2008 include $1,660,170 in expenses for the cost of the District's early retirement incentive program that was offered to employees who were 50 years or older and who had at least 20 years of creditable service with the IMRF. These expenses represent the cost of additional creditable service earned by the 11 employees who elected early retirement.

The IMRF allows employers to pay the cost of an early retirement program over 10 years, but charges interest of 7.5% on unpaid balances. In December 2007, the District issued $1,705,000 Taxable General Obligation Bonds (Alternate Revenue Source), Series 2007 to pay in full its early retirement incentive liability to the IMRF. The District anticipates that the early payment of the liability represents a present value savings of $328,964 and that its total payments to the IMRF for this program will be reduced by $371,179 through 2017. See Note 11 (b) as it relates to the General Obligation Bonds.

Note 15. ***PRIOR PERIOD ADJUSTMENT***

An error in fiscal 2007 resulting in an overstatement of operating expenses and an understatement of previously reported capital assets (net of depreciation) was discovered during the current fiscal year. Accordingly, an adjustment of $875,173 was made to increase the beginning balance of capital assets (net of depreciation) used on the Statement of Net Assets. The adjustment was made at April 30, 2008. A corresponding entry was made to increase the beginning net assets by $875,173.

Note 16. ***RE-ISSUANCE OF AUDIT REPORT***

As a result of a review by the District's management, it was determined that certain expenses associated with a long term capital project were expensed instead of capitalized. Upon discovering this new information, the expenses were re-audited and the report was re-issued to reflect these changes. The effect of these changes was an increase in capital assets (net of depreciation) of $183,571. The net affect on the Statement of Revenues, Expenses, and Changes in Net Assets was a decrease in the Plant operations expense of $192,944, and an increase in depreciation expense of $9,373, resulting in a total decrease to operating expenses of $183,571.

OTHER SUPPLEMENTAL DATA (UNAUDITED)

SPRINGFIELD METRO SANITARY DISTRICT

SCHEDULE OF REVENUES AND EXPENSES REQUIRED BY ORDINANCE 2007-22

For the Year Ended April 30, 2008

	Statement of Revenues and Expenses	Less		Required by Ordinance 2007-22
		IMRF	Public Benefits	
Operating Revenues:				
Sewer service charge	$ 4,892,208	$	$	$ 4,892,208
Sewer permits	327,880			327,880
Special assessments	181,935			181,935
Special waste fees	121,176			121,176
Lab fees	7,169			7,169
Miscellaneous	5,910			5,910
Total operating revenues	5,536,278	--	--	5,536,278
Operating Expenses				
Plant operations	5,609,842	(1,319,724)		4,290,118
Pump station	654,638	(114,739)		539,899
Sewer operations	390,532	(104,538)		285,994
Management and administration	2,654,409	(444,002)	(490)	2,209,917
Depreciation	931,164			931,164
Total operating expenses (see Note 14)	10,240,585	(1,983,003)	(490)	8,257,092
Operating loss	(4,704,307)	1,983,003	490	(2,720,814)
Non-operating Revenues (Expenses)				
Property taxes	2,083,799	(369,930)	(250,000)	1,463,869
Illinois replacement taxes	422,194			422,194
Interest income	309,563		(32,825)	276,738
Rental income	24,811			24,811
Bond premium	17,774			17,774
Interest expense	(235,097)			(235,097)
Bond costs	(82,980)			(82,980)
Total non-operating revenues (expenses)	2,540,064	(369,930)	(282,825)	1,887,309
Change in Net Assets	$(2,164,243)	$1,613,073	$(282,335)	$(833,505)

SPRINGFIELD METRO SANITARY DISTRICT

SCHEDULE OF ASSESSED VALUATIONS, RATES EXTENSIONS AND COLLECTIONS (Unaudited) Tax Years 2007, 2006

	2007 Taxes Payable in 2008	2006 Taxes Payable in 2007
Assessed Valuation		
Tax Rates:		
General	.0410	.0411
Illinois municipal retirement	.0148	.0152
Sewer treatment	.0103	.0109
Social security	.0082	.0078
Pubic benefit	.0098	.0103
Total	.0841	.0853
Extensions:		
General	$1,049,784	$ 999,334
Illinois municipal retirement	378,946	369,584
Sewer treatment	263,726	265,030
Social security	209,957	189,655
Public benefit	250,924	250,441
Total	$2,153,337	$2,074,044
Collections:		$2,075,987

BILLABLE WATER FLOWS

Number of customers	57,390
Number of units	7,400,314
1 unit is equal to 748 gallons	
Gallons billed for fiscal year 2008	5,535,434,872