SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
April 30, 2009

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

TABLE OF CONTENTS

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

June 1, 2009

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, 2009, 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, 2009, 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 1, 2009 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, P.C.

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

June 1, 2009

Board of Trustees
Springfield Metro Sanitary District
Springfield, Illinois

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, 2009, which collectively comprise the Springfield Metro Sanitary District's basic financial statements and have issued our report thereon dated June 1, 2009. 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 June 5, 2009.

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, P.C.

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SPRINGFIELD METRO SANITARY DISTRICT

STATEMENT OF NET ASSETS

April 30, 2009

ASSETS	
Current assets:	
Cash	$ 186,138
Receivables:	
Sewer service charges	933,376
Property taxes	2,262,661
Replacement taxes	70,583
Prepaid expenses	41,811
Restricted assets:	
Cash	3,149,450
Special assessment receivables	92,188
Total current restricted assets	3,241,638
Total current assets	6,736,207
Non-current assets:	
Capital assets (net of depreciation)	42,183,117
Restricted assets:	
Special assessment receivables, less current portion	255,743
TOTAL ASSETS	$49,175,067
LIABILITIES	
Current liabilities:	
Accounts payable	$ 230,258
Accounts payable capital outlay	1,572
Accrued vacation and payroll	743,458
Accrued interest payable	98,215
Deferred property taxes	2,262,661
Current portion of Illinois Environmental Protection Agency revolving loans	212,190
Current portion of bonds payable	10,145,000
Total current liabilities	13,693,354
Long-term liabilities:	
Bonds payable	1,515,000
Illinois Environmental Protection Agency revolving loans, less current portion above	709,377
Total long-term liabilities	2,224,377
Total liabilities	15,917,731
NET ASSETS	
Invested in capital assets, net of related debt	31,261,550
Restricted – capital projects, net of related debt	2,619,766
Restricted – debt service	1,003,315
Unrestricted	(1,627,295)
Total net assets	33,257,336
TOTAL LIABILITIES AND NET ASSETS	$49,175,067

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, 2009

Operating Revenues:	
Sewer service charge	$ 5,634,324
Sewer permits	334,060
Special waste fees	115,877
Lab fees	3,945
Total operating revenues	6,088,206
Operating Expenses	
Plant operations	4,928,735
Pump station	702,045
Sewer operations	405,337
Management and administration	2,067,697
Depreciation	987,758
Total operating expenses	9,091,572
Operating loss	(3,003,366)
Non-operating Revenues (Expenses)	
Property taxes	2,152,054
Illinois replacement taxes	369,881
Interest income	121,038
Rental income	16,620
Miscellaneous	438
Interest expense	(618,103)
Bond fees	(500)
Total non-operating revenues (expenses)	2,041,428
Change in Net Assets	(961,938)
Net Assets	
Beginning of year	34,219,274
End of year	$33,257,336

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, 2009

Net Cash Flows from Operating Activities:	
Cash received from customers and users	$ 5,978,391
Payments to suppliers	(5,279,827)
Payments to employees	(2,791,314)
Net cash used in operating activities	(2,092,750)
Net Cash Flows from Non-Capital Financing Activities:	
Property tax receipts	2,152,054
Illinois replacement tax receipts	377,689
Net cash provided by non-capital financing activities	2,529,743
Net Cash Flows from Capital and Related Financing Activities:	
Principal payments on long-term debt	(250,289)
Interest paid on long-term debt	(524,356)
Acquisition and construction of capital assets	(4,742,422)
Bond fees	(500)
Net cash used in capital and related financing activities	(5,517,567)
Net Cash Flows from Investing Activities:	
Interest income	121,038
Rental income	16,620
Net cash provided by investing activities	137,658
Net decrease in cash	(4,942,916)
Cash – *May 1, 2008*	8,278,504
Cash – *April 30, 2009*	$ 3,335,588
Reconciliation of operating income to net cash provided by operating activities:	
Cash	$ 186,138
Cash – restricted	3,149,450
Total Cash	$ 3,335,588
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$(3,003,366)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	987,758
Change in operating assets and liabilities:	
Receivables	(109,814)
Accounts payable	71,130
Accrued vacation and payroll	(37,237)
Prepaid insurance	(1,221)
Net cash used in operating activities	$(2,092,750)

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 165 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 state and local government, health care, 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, 2009.

a) The total amount of FDIC coverage as of April 30, 2009 was $250,000.

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, 2009, the carrying amount of the District's deposits (cash and interest bearing demand accounts at financial institutions), which excludes petty cash of $400, was $3,335,188, and the bank balance was $3,607,470.

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	$ 26,491	$ 76,718
Pooled Funds	3,308,697	3,530,752
	$3,335,188	$3,607,470

Note 3. *PROPERTY TAXES*

The District's ad valorem property tax was levied by ordinance on May 29, 2007 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 2007 tax levy is reflected as revenue in fiscal year ending April 30, 2009. Forfeited, objected, and delinquent tax distributions are recognized as revenues when collected.

Property taxes levied in 2008 to be collected in 2009 have been recognized as assets (property taxes receivable) and deferred revenue as these taxes have been matched to be used in the 2010 budget.

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

	Levy Year	
	2007	2008
General	.0410	.0408
Illinois Municipal Retirement	.0148	.0232
Sewer Treatment	.0103	.0101
Social Security	.0082	.0080
Public Benefit	.0098	.0041
Total	.0841	.0862
Assessed valuation	$2,560,448,543	$2,624,896,007

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,	
2010	$ 92,188
2011	65,499
2012	65,499
2013	53,517
2014	39,993
2015 and thereafter	31,235
	$347,931

Note 5. *CAPITAL ASSETS*

Capital asset activity for the year ended April 30, 2009:

	Balances April 30, 2008	Additions	Deletions	Transfers	Balances April 30, 2009
Capital Assets not being Depreciated:					
Land	$ 3,500	$ 419,991	$	$	$ 423,491
Construction in progress	3,966,327	3,928,644			7,894,971
Total non-depreciable capital assets	$ 3,969,827	$4,348,635	$ --	$ --	$ 8,318,462
Capital Assets being Depreciated:					
Land improvements	$ 402,933	$	$	$	$ 402,933
Buildings	10,238,010				10,238,010
Equipment, vehicles, and machinery	11,623,841	103,890			11,727,731
Sewer system	37,553,695	22,629			37,576,324
Total depreciable capital assets	$59,818,479	$ 126,519	$ --	$ --	$59,944,998
Less Accumulated Depreciation:					
Land improvements	$ 186,729	$ 5,455	$	$	$ 192,184
Buildings	3,049,813	118,245			3,168,058
Equipment, vehicles, and machinery	4,081,883	292,685			4,374,568
Sewer system	17,774,160	571,373			18,345,533
Total accumulated depreciation	$25,092,585	$ 987,758	$ --	$ --	$26,080,343
Total net assets	$38,695,721	$3,487,396	$ --	$ --	$42,183,117

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, 2009, the balance of the loan was $367,140. The following is a summary of the repayment schedule for this loan.

	Principal	Interest	Total
Year ended April 30,			
2010	$118,052	$ 12,130	$130,182
2011	122,329	7,853	130,182
2012	126,759	3,423	130,182
Total	$367,140	$ 23,406	$390,546

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, 2009, the balance of this note was $554,427. The following is a summary of the repayment schedule for this loan:

	Principal	Interest	Total
Year ended April 30,			
2010	$ 94,138	$ 16,012	$110,150
2011	96,998	13,152	110,150
2012	99,944	10,206	110,150
2013	102,981	7,169	110,150
2014 and thereafter	160,366	4,859	165,225
Total	$554,427	$ 51,398	$605,825

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.

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

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

Date Due	Principal	Interest	Total
September 1, 2009	$10,000,000	$199,500	$10,199,500

(b) Authorized but unissued debt. Subsequent to the year ending April 30, 2009, the District adopted ordinances authorizing the issuance of up to $105 million of bonds for the construction of the first two phases of a new treatment plant at Spring Creek and the refinancing of its Series 2007 Revenue Bonds. The District expects to issue these bonds in fiscal 2010.

(c) 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.

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

Date	Principal	Interest	Total
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	$1,660,000	$424,420	$2,084,420

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, 2009:

	Balance April 30, 2008	Additions	Retirements	Balance April 30, 2009
Illinois Environmental Protection Agency revolving loans	$ 1,126,856	$	$205,289	$ 921,567
IMRF Bonds	1,705,000		45,000	1,660,000
Revenue Bonds	10,000,000			10,000,000
	$12,831,856	$ --	$250,289	$12,581,567

Note 9. *DEFINED BENEFIT PENSION PLAN*

Plan Description. The employer's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. Your employer plan is affiliated with the Illinois Municipal Retirement Fund *("IMRF")*, an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, your employer Regular plan members are required to contribute 4.50% of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2008 was 15.19% of annual covered payroll. Your employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost. For 2008, your employer's annual pension cost of $393,997 for the Regular plan was equal to your employer's required and actual contributions.

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/08	$393,997	100%	$ 0
12/31/07	302,151	100%	0
12/31/06	315,533	100%	0

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

The required contribution for 2008 was determined as part of the December 31, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2006, included *(a)* 7.5% investment rate of return (net of administrative and direct investment expenses), *(b)* projected salary increases of 4.00% a year, attributable to inflation, *(c)* additional projected salary increases ranging from .4 to 11.6% per year depending on age and service, attributable to seniority/merit, and *(d)* post-retirement benefit increases of 3% annually. The actuarial value of your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. Your employer Regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at the December 31, 2006, valuation was 24 years.

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the Regular plan was 10.74% funded. The actuarial accrued liability for benefits was $5,111,825 and the actuarial value of assets was $548,876, resulting in an underfunded actuarial accrued liability (UAAL) of $4,562,949. The covered payroll (annual payroll of active employees covered by the plan) was $2,593,792 and the ratio of the UAAL to the covered payroll was 176%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets in increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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)
12/31/08	$ 548,876	$5,111,825	$4,562,949	10.74%	$2,593,792	175.92%
12/31/07	1,993,256	5,186,968	3,193,712	38.43%	2,499,183	127.79%
12/31/06	5,020,679	8,263,608	3,242,929	60.76%	2,631,633	123.23%

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.

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 $127,173 and is funded only as paid.

Note 11. *RESTRICTED CASH*

At April 30, 2009, the District had a restricted cash balance of $3,149,450 comprised of the following account balances:

Special Assessment	$ 567,067
Public Benefit	761,848
Sewer Rehabilitation	173,693
Capital Improvement – 2007 Construction	705,461
Bond and Interest – 2007 Bonds	230,652
Capital Improvement	441,402
Replacement	269,327
	$3,149,450

Amounts in the Special Assessment and Public Benefit Accounts are restricted by statute to pay for the extension of sewer lines. Upon ordinance adopted by the Board, amounts in the Public Benefit Account may be used for other purposes deemed a public benefit.

The loan agreements and bond ordinances of the District establish certain accounts for the benefit of bond holders and for specific purposes designated in the ordinances. These accounts include:

<u>Sewer Rehabilitation</u>: Established to make principal and Interest payments on loans from the Illinois Environmental Protection Agency.

Note 11. ***RESTRICTED CASH** - continued*

Capital Improvements – 2007 Construction: Established by Ordinance No. 2007-22 for payment of capital projects funded by the 2007 Sewer Revenue Bonds.

Bond and Interest – 2007 Bonds: Established by Ordinance No. 2007-33 for payment of principal and interest on the 2007 Alternate Revenue Bonds.

Amounts in other accounts have been designated by ordinance of the Board.

Note 12. ***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 13. ***CONTINGENCIES***

The Sanitary District has entered into several contracts with Crawford, Murphy, & Tilly, Inc. for a total amount of $19,971,859. As of April 30, 2009, the District made total payments of $6,135,724. The Sanitary District has outstanding contract balances of $13,836,135 for work to be performed.

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 $323,960 with an outstanding balance of $48,714 remaining to be billed as of April 30, 2009.

Note 14. ***SUBSEQUENT EVENTS***

On May 26, 2009, four ordinances were introduced at the District's regular board meeting pertaining to future debt issuance of the District.

Ordinance No. 2009-29 authorizes the terms and conditions under which the District will issue debt for the Spring Creek and other capital projects.

Ordinance No. 2009-30 authorizes the sale and issuance of up to $19.8 million of junior lien alternate revenue bonds for refunding the 2007 Sewer Revenue Bonds and funding capital projects under the terms of Ordinance No. 2009-29.

Ordinance No. 2009-31 authorizes the sale of $931,000 of Subordinate Lien Revenue Bonds, Series 2009B for refunding the District's two loans from the Illinois Environmental Protection Agency.

Ordinance No. 2009-32 authorizes the issuance of up to $10 million of Subordinate Lien Revenue Bonds, Series 2009C for paying the costs of the Spring Creek project and other capital improvements.

Note 14. ***SUBSEQUENT EVENTS*** *- continued*

Ordinance No. 2009-29 establishes a System Account for carrying out the covenants of the ordinance and, within the System Account, also accounts for the payment of operations and maintenance expenses and principal and interest payments on bonds issued under the ordinance. Ordinance No. 2009-29 continues the District's heretofore established Capital Improvement Account and Replacement Account. The Replacement Account in Ordinance No. 2009-29 is established in the amount of $400,000 for the expenditure of funds for obtaining and installing equipment, accessories and appurtenances. Additionally, amounts on deposit in the Sewer Rehabilitation Account would be transferred into the System Account upon passage of Ordinance No. 2009-30 and the redemption of the outstanding IEPA loans.

The District intends to take action on these ordinances at its meeting of June 30, 2009.

OTHER SUPPLEMENTAL DATA (UNAUDITED)

SPRINGFIELD METRO SANITARY DISTRICT

SCHEDULE OF REVENUES AND EXPENSES REQUIRED BY ORDINANCE 2009-29

For the Year Ended April 30, 2009

	Statement of Revenues and Expenses	Less IMRF	Less Public Benefits	Less Special Assessments	Required by Ordinance 2009-29
Operating Revenues:					
Sewer service charge	$ 5,634,324	$	$	$	$ 5,634,324
Sewer permits	334,060				334,060
Special waste fees	115,877				115,877
Lab fees	3,945				3,945
Total operating revenues	6,088,206	--	--	--	6,088,206
Operating Expenses					
Plant operations	4,928,735	(248,911)	(75,126)		4,604,698
Pump station operations	702,045	(8,104)			693,941
Sewer operations	405,337	(20,830)			384,507
Management and administration	2,067,697	(70,788)			1,996,909
Depreciation	987,758				987,758
Total operating expenses	9,091,572	(348,633)	(75,126)	--	8,667,813
Operating loss	(3,003,366)	348,633	75,126	--	(2,579,607)
Non-operating Revenues (Expenses)					
Property taxes	2,152,054	(377,318)	(250,000)		1,524,736
Illinois replacement taxes	369,881				369,881
Interest income	121,038		(8,554)	(27,401)	85,083
Rental income	16,620				16,620
Miscellaneous	438			(438)	
Interest expense	(618,103)	117,851			(500,252)
Bond fees	(500)				(500)
Total non-operating revenues (expenses)	2,041,428	(259,467)	(258,554)	(27,839)	1,495,568
Change in Net Assets	$(961,938)	$ 89,166	$(183,428)	$(27,839)	$(1,084,039)

SPRINGFIELD METRO SANITARY DISTRICT

SCHEDULE OF ASSESSED VALUATIONS, RATES EXTENSIONS AND COLLECTIONS (Unaudited) Tax Years 2008, 2007

	2008 Taxes Payable in 2009	2007 Taxes Payable in 2008
Assessed Valuation		
Tax Rates:		
General	.0408	.0410
Illinois municipal retirement	.0232	.0148
Sewer treatment	.0101	.0103
Social security	.0080	.0082
Public benefit	.0041	.0098
Total	.0862	.0841
Extensions:		
General	$1,070,958	$1,049,784
Illinois municipal retirement	608,976	378,946
Sewer treatment	265,114	263,726
Social security	209,992	209,957
Public benefit	107,621	250,924
Total	$2,262,661	$2,153,337
Collections:		$2,144,081

BILLABLE WATER FLOWS

Number of customers	57,570
Number of units	6,734,452
1 unit is equal to 748 gallons	
Gallons billed for fiscal year 2009	5,037,370,096