SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
April 30, 2010

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
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*	3-4
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	5-6
Financial statements	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	10-28
Required Supplemental Information	
Required Supplemental Information	29
Other Supplemental Data (Unaudited)	
Schedule of Assessed Valuations, Rates, Extensions and Collections	30
Statement of Net Assets Required by Ordinance 2009-29	31
Schedule of Revenues and Expenses Required by Ordinance 2009-29	32
Statement of Cash Receipts and Disbursements Restricted Accounts Required by Revenue Bond Ordinance 2009-29	33
Supplemental Information Required by U.S. Office of Management an Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations	
Schedule of Expenditures of Federal Awards	34
Notes to Schedule Expenditures of Federal Awards	35-36
Summary of Findings and Questioned Costs	37-38

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CERTIFIED PUBLIC ACCOUNTANTS

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May 25, 2010

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, 2010, 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 and *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, 2010, 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.

In accordance with *Government Auditing Standards,* we have also issued our report dated May 25, 2010, 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 Summary of Funding Progress relative to the post employment benefits other than pension and the Illinois Municipal Retirement Fund defined benefit plan are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Springfield Metro Sanitary District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit* Organizations, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The accompanying financial information listed as *"Other Supplemental Data"* in the table of contents 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.

Respectfully submitted,

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May 25, 2010

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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, 2010, which collectively comprise the Springfield Metro Sanitary District's basic financial statements and have issued our report thereon dated May 25, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 7, 2010.

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,

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May 25, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Springfield Metro Sanitary District, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended April 30, 2010. The District's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Springfield Metro Sanitary District, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended April 30, 2010. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with (OMB) Circular A-133.

Internal Control Over Compliance

Management of the Springfield Metro Sanitary District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Springfield Metro Sanitary District' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Springfield Metro Sanitary District' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the finance committee, District Board, and various related federal funding agencies and should not be used for any other purpose.

Respectfully submitted,

Pehlman & Dold, P.C.

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SPRINGFIELD METRO SANITARY DISTRICT

STATEMENT OF NET ASSETS

April 30, 2010

ASSETS	
Current assets:	
Cash	$ 259,252
Receivables:	
Sewer service charges	1,407,024
Property taxes	2,301,823
Replacement taxes	43,389
Illinois Environmental Protection Agency	787,522
U.S. Treasury	19,939
Prepaid expenses	85,715
Restricted assets:	
Restricted cash	79,714,993
Special assessment receivables	73,645
Total current restricted assets	79,788,638
Total current assets	84,693,302
Non-current assets:	
Property, plant and equipment, net	34,666,273
Construction work in progress, net	25,145,868
Total capital assets	59,812,141
Debt issuance costs	812,946
Special assessment receivable	242,596
Total noncurrent assets	60,867,683
TOTAL ASSETS	$145,560,985
LIABILITIES	
Current liabilities:	
Accounts payable	$ 281,587
Accounts payable capital outlay	2,617,872
Accrued vacation and payroll	878,765
Accrued interest payable	1,097,234
Deferred property taxes	2,301,823
Current portion of bonds payable	915,000
Total current liabilities	8,092,281
Long-term liabilities:	
Bonds payable	98,465,000
Illinois Environmental Protection Agency wastewater treatment loans	5,798,647
Other post employment benefit obligations	396,991
Total long-term liabilities	104,660,638
Total liabilities	112,752,919
NET ASSETS	
Invested in capital assets, net of related debt	41,303,945
Restricted – capital projects, net of related debt	(15,778,810)
Restricted – debt service	8,172,084
Unrestricted	(889,153)
Total net assets	32,808,066
TOTAL LIABILITIES AND NET ASSETS	$145,560,985

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, 2010

Operating Revenues:	
Sewer service charge	$ 8,061,538
Sewer permits	204,640
Special assessments	86,786
Special waste fees	338,425
Lab fees	23,758
Total operating revenues	8,715,147
Operating Expenses	
Plant operations	6,441,673
Pump station	949,624
Sewer operations	376,859
Management and administration	2,321,441
Other postemployment benefits	396,991
Depreciation	1,060,910
Total operating expenses	11,547,498
Operating loss	(2,832,351)
Non-operating Revenues (Expenses)	
Property taxes	2,272,460
Federal sources – Build America Bonds	619,683
Illinois replacement taxes	307,119
Interest income	48,649
Rental income	18,447
Miscellaneous	466
Interest expense	(840,975)
Bond fees	(35,972)
Amortization of bond issue costs, premiums and discounts	(6,212)
Loss on disposal of assets	(584)
Total non-operating revenues (expenses)	2,383,081
Change in Net Assets	(449,270)
Net Assets	
Beginning of year	33,257,336
End of year	$32,808,066

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, 2010

Net Cash Flows from Operating Activities:	
Cash received from customers and users	$ 8,273,190
Payments to suppliers	(7,144,513)
Payments to employees	(2,802,349)
Net cash used in operating activities	(1,673,672)
Net Cash Flows from Non-Capital Financing Activities:	
Property tax receipts	2,272,460
Illinois replacement tax receipts	334,312
Federal receipts	599,743
Miscellaneous	465
Net cash provided by non-capital financing activities	3,206,980
Net Cash Flows from Capital and Related Financing Activities:	
Principal payments on long-term debt	(15,997,567)
Long-term debt proceeds	5,011,125
Bond proceeds	103,273,318
Bond expenses	(35,971)
Interest paid	(638,801)
Acquisition and construction of capital assets	(16,573,851)
Net cash used in capital and related financing activities	75,038,253
Net Cash Flows from Investing Activities:	
Interest income	48,649
Rental income	18,447
Net cash provided by investing activities	67,096
Net increase in cash	76,638,657
***Cash** – May 1, 2009*	3,335,588
***Cash** – April 30, 2010*	$ 79,974,245

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$(2,832,351)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,060,910
Change in operating assets and liabilities:	
Receivables	(441,958)
Accounts payable	51,333
Accrued vacation and payroll	135,307
Prepaid expenses	(43,904)
OPEB obligation	396,991
Net cash used in operating activities	$(1,673,672)

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 business-type proprietary 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, Districts, 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

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

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.

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. The District capitalizes interest expense on funds used during construction of major projects. Bond costs discounts and premiums are amortized/accreted on a straight line basis over the useful life of the bond. Depreciation is provided using the straight-line method over the following estimated lives:

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

	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.

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. Three leave days are 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.

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, 2010.

a) The total amount of FDIC coverage as of April 30, 2010 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, 2010, the carrying amount of the District's deposits (cash and interest bearing demand accounts at financial institutions), which excludes petty cash of $400, was $79,973,845, and the bank balance was $81,139,523.

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.

Note 2. ***CASH*** *- continued*

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	$ 23,611	$ 90,498
Pooled Funds	79,950,234	81,049,025
	$79,973,845	$81,139,523

Note 3. ***PROPERTY TAXES***

The District's ad valorem property tax was levied by ordinance on August 25, 2009 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 2008 tax levy is reflected as revenue in the fiscal year ending April 30, 2010. Forfeited, objected, and delinquent tax distributions are recognized as revenues when collected.

Property taxes levied in 2009 to be collected in 2010 have been recognized as assets (property taxes receivable) and deferred revenue as these taxes have been matched to be used in the 2011 budget.

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

	Levy Year	
	2008	2009
General	.0408	.0433
Illinois Municipal Retirement	.0232	.0241
Sewer Treatment	.0101	.0098
Social Security	.0080	.0082
Public Benefit	.0041	
Total	.0862	.0854
Assessed valuation	$2,624,896,907	$2,695,342,920

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 2019. The following summarizes the remaining principal installments receivable under the assessment:

Fiscal Year Ending April 30,	
2011	$ 73,645
2012	70,857
2013	59,224
2014	45,351
2015	20,582
2016 and thereafter	46,582
	$316,241

Note 5. *CAPITAL ASSETS*

Capital asset activity for the year ended April 30, 2010:

	Balances April 30, 2009	Additions	Deletions	Balances April 30, 2010
Capital Assets not being Depreciated:				
Land	$ 423,491	$ 160,465	$	$ 583,956
Construction in progress	7,894,971	17,250,897		25,145,868
Total non-depreciable capital assets	$ 8,318,462	$17,411,362	$ --	$25,729,824
Capital Assets being Depreciated:				
Land improvements	$ 402,933	$ 110,000	$	$ 512,933
Buildings	10,238,010	412,130	1,000	10,649,140
Equipment, vehicles, and machinery	11,727,731	594,373	200	12,321,904
Sewer system	37,576,324	162,653		37,739,977
Total depreciable capital assets	$59,944,998	$ 1,279,156	$1,200	$61,222,954
Less Accumulated Depreciation:				
Land improvements	$ 192,184	$ 7,027	$	$ 199,211
Buildings	3,168,058	119,654	440	3,287,272
Equipment, vehicles, and machinery	4,374,568	361,922	176	4,736,314
Sewer system	18,345,533	572,307		18,917,840
Total accumulated depreciation	$26,080,343	$ 1,060,910	$ 616	$27,140,637
Total net capital assets	$42,183,117	$17,629,608	$ 584	$59,812,141

Note 6. *DEBT ISSURANCE COST*

Interest capitalized as construction period interest for the new sewer wastewater treatment plant is $1,358,819.

	Balances April 30, 2009	Additions	Deletions	Balances April 30, 2010
Debt Issuance Costs:				
Bond Costs	$	$448,340	$	$448,340
Bond Discounts		848,136		848,136
Bond Premiums		(477,318)		(477,318)
	$ --	$819,158	$ --	$819,158
Less Accumulated Amortization:				
Bond issue costs, premiums and discounts	$ --	$ 6,212	$ --	$ 6,212
Total accumulated amortization	$ --	$ 6,212	$ --	$ 6,212
Total debt issuance costs	$ --	$812,946	$ --	$812,946

Note 7. *LONG-TERM DEBT*

Loans Payable:

Illinois Environmental Protection Agency Revolving Loans:

(a) 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%. 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%. Both loans were redeemed in full from proceeds of the 2009B subordinate lien revenue bonds on July 1, 2009.

Note 7. ***LONG-TERM DEBT*** *– continued*

Loans Payable:

Illinois Environmental Protection Agency Revolving Loans:

(b) During the 2010 fiscal year, the District was granted a wastewater treatment works loan, under the provision of the Environmental Protection Act, in the amount of $20,000,000 at a zero percent simple annual interest. The $10,000,000 of eligible costs will be funded by the Water pollution Control Loan Program and will be required to be repaid fully. The other $10,000,000 of eligible costs will be funded under the American Recovery and Reinvestment Act of 2009, of which only $5,000,000 will be required to be repaid. Until the time at which the debt is actually forgiven, the District will record the full $20,000,000 as long-term debt. Payments are scheduled to begin in July 2011 and continue until January of 2031; however as of April 30, 2010 there is no defined payment schedule as it will be based on how the draws are taken. The balance of the loan at April 30, 2010 was $5,798,647, which includes $787,522 receivables from the Illinois Environmental Protection Agency as of April 30, 2010. Repayment of the loan is secured by a lien on the net revenue of the District subordinate to the pledge of revenues that has been granted to the 2009A and 2009E Bonds and the 2010A and 2010B Bonds.

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 were redeemed in full from proceeds of the Series 2009A Bonds on July 23, 2009.

(b) Springfield Metro Sanitary District issued General Obligation Bonds (Alternate Revenue Source) 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 1st and July 1st. 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 Bonds are payable from the District's IMRF property tax levy.

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

Date Due	Principal	Interest	Total
April 30, 2011	$ 160,000	$ 76,286	$ 236,286
April 30, 2012	175,000	68,284	243,284
April 30, 2013	195,000	59,536	254,536
April 30, 2014	215,000	49,784	264,784
April 30, 2015	240,000	39,036	279,036
April 30, 2016 – 2018	530,000	47,960	577,960
Total	$1,515,000	$340,886	$1,855,886

Note 7. *LONG-TERM DEBT* – *continued*

Bond Issues: - *continued*

(c) Springfield Metro Sanitary District issued General Obligation Bonds (Alternate Revenue Source), Series 2009-A, in the amount of $18,800,000 for the purpose of "for the purpose of redeeming in full" the District's Sewer Revenue Bonds, Series 2007, and also to pay for capital improvements including engineering studies on the District's combined sewer overflows, and to pay interest and other costs related to the issuance of these bonds. The bonds were issued pursuant to an authorizing ordinance adopted by the Board of Trustees on January 27, 2009, a master bond ordinance adopted by the Board on June 30, 2009 and the Series 2009A Bond Ordinance adopted June 30, 2009. Principal payments ranging from $530,000 to $870,000 are due each January 1st from 2011 to 2039. The bonds carry interest rates ranging from 3.00% to 5.25% and shall pay interest semiannually on January 1st and July 1st. The 2009A Bonds are secured and payable from a lien on the net revenues of the District that is subordinate to the lien of any Senior Lien Bonds that may be issued under the master bond ordinance, including the 2010A and 2010B Bonds. The 2009A Bonds are additionally payable from a levy of ad valorem property taxes if net revenues are not sufficient to pay the bonds.

Proceeds from the sale of the bonds were as follows:

Sources:	
Par amount, Series 2009A	$18,800,000
Premium	389,839
Total Sources	$19,189,839

Proceeds from the sale of the bonds were as follows:

Uses:	
Deposit into Springfield Metro Sanitary District	$19,189,839
Total Uses	$19,189,839

The following is future payment obligations on the bonds, Series 2009A:

Date Due	Principal	Interest	Total
April 30, 2011	$ 530,000	$ 834,900	$ 1,364,900
April 30, 2012	550,000	819,000	1,369,000
April 30, 2013	565,000	802,500	1,367,500
April 30, 2014	580,000	785,550	1,365,550
April 30, 2015	600,000	768,150	1,368,150
April 30, 2016 – 2020	3,085,000	3,520,550	6,605,550
April 30, 2021 – 2025	2,795,000	2,910,438	5,705,438
April 30, 2026 – 2030	3,580,000	2,118,936	5,698,936
April 30, 2031 – 2035	3,275,000	1,299,132	4,574,132
April 30, 2036 – 2039	3,240,000	415,000	3,655,000
Total	$18,800,000	$14,274,156	$33,074,156

Note 7. ***LONG-TERM DEBT*** *– continued*

Bond Issues: *- continued*

(d) Springfield Metro Sanitary District issued $931,000 Sewer Revenue Subordinate Lien Bonds dated June 30, 2009. The bonds were issued pursuant to Ordinance 2009-31 and amended by Ordinance 2009-46. The bonds carried an interest rate of 3.25% and had a revised maturity date of July 1, 2010. The bonds were redeemed in full on April 27, 2010 from proceeds of the District's 2010 Revenue Bonds.

Proceeds from the sale of the bonds were as follows:

Sources:	
Par amount, Series 2009B	$931,000
Total Sources	$931,000
Uses:	
Deposit into Springfield Metro Sanitary District	$931,000
Total Uses	$931,000

(e) Springfield Metro Sanitary District issued $4,000,000 taxable Sewer Revenue Subordinate Lien Bonds, Series 2009C for the purpose of defraying certain costs in connection with operation and improvement of the sanitary sewer system of the District. The bonds were issued pursuant to ordinance 2009-32 adopted June 30, 2009. The bonds were to mature on January 1, 2030 and carried an interest rate of 4.42%. Semiannual interest payments were to be made on January 1st and July 1st. The Bonds were redeemed in full on April 27, 2010 from proceeds of the District's 2010 Revenue Bonds.

Proceeds from the sale of the bonds were as follows:

Sources:	
Par amount, Series 2009C	$4,000,000
Total Sources	$4,000,000
Uses:	
Deposit into Springfield Metro Sanitary District	$4,000,000
Total Uses	$4,000,000

Note 7. *LONG-TERM DEBT* – *continued*

Bond Issues: *- continued*

(f) Springfield Metro Sanitary District issued $38,860,000 taxable General Obligation Bonds, Series 2009E, for the purposes of paying for the construction costs for a new treatment plant and facilities upgrade at the District's Spring Creek site, and to pay for the interest and costs related to the issuance of this bond. The Bonds were issued pursuant to an authorizing ordinance adopted by the Board of Trustees on January 27, 2009, a master bond ordinance adopted by the Board on June 30, 2009 and the Series 2009E Bond ordinance adopted September 20, 2009. The bonds are dated October 28, 2009 carry an interest rate of 6.22% and mature January 1, 2049. Principal payments ranging from $2,365,000 to $2,675,000 are due each January 1st from 2037 to 2049. The bonds shall pay interest semiannually on January 1st and July 1st. The 2009E Bonds are issued on parity with the 2009A Bonds and are secured and payable from a lien on the net revenues of the District that is subordinate to the lien of any Senior Lien Bonds that may be issued under the Master Bond Ordinance, including the 2010A and 2010B Bonds. The 2009E Bonds are additionally payable from a levy of ad valorem property taxes if net revenues are not sufficient to pay the Bonds. The District elected to issue the 2009E Bonds as taxable "Build America Bonds" under which, subject to compliance with applicable federal tax regulations, the District will be eligible to receive reimbursement from the United States Government for 35% of the interest expense of the issue.

Proceeds from the sale of the bonds were as follows:

Sources:	
Par amount, Series 2009E	$38,860,000
Total Sources	$38,860,000
Uses:	
Deposit into Springfield Metro Sanitary District	$38,860,000
Total Uses	$38,860,000

The following is future payment obligations on the bonds, Series 2009E:

Date Due	Principal	Interest	Total
April 30, 2011	$	$ 2,417,092	$ 2,417,092
April 30, 2012		2,417,092	2,417,092
April 30, 2013		2,417,092	2,417,092
April 30, 2014		2,417,092	2,417,092
April 30, 2015		2,417,092	2,417,092
April 30, 2016 – 2020		12,085,460	12,085,460
April 30, 2021 – 2025		12,085,460	12,085,460
April 30, 2026 – 2030		12,085,460	12,085,460
April 30, 2031 – 2035		12,085,460	12,085,460
April 30, 2036 – 2040	10,250,000	11,166,766	21,416,766
April 30, 2041 – 2045	15,425,000	7,055,035	22,480,035
April 30, 2046 – 2049	13,185,000	1,971,429	15,156,429
Total	$38,860,000	$80,620,530	$119,480,530

Note 7. ***LONG-TERM DEBT** – continued*

***Bond Issues**: - continued*

(g) Springfield Metro Sanitary District issued $37,140,000 Sewer Revenue Taxable Senior Lien Bonds, Series 2010A (Build America Bonds), and $3,065,000 Sewer Revenue Bonds, Series 2010B dated April 27, 2010. The proceeds of which will be used for a portion of the costs for a new treatment plant and facilities upgrade at the District's Spring Creek site, to redeem the District's outstanding 2009B and 2009C bond series, to fund debt service reserve funds with respect to the 2010 bonds, and to pay interest and costs related to the issuance of these bonds. The bonds were issued pursuant to an authorizing ordinance duly adopted by the Board of Trustees on November 28, 2008 and January 26, 2010, a master bond ordinance duly adopted by the Board on June 30, 2009 and the Series 2010 Bond Ordinance adopted March 30, 2010. Principal payments ranging from $255,000 to $2,510,000 are due each January 1st from 2011 to 2036. The bonds carry varying interest rates from 4.098-6.498% for the 2010A Series and 2.50-4.00% for the 2010B Series. The bonds shall pay interest semiannually on January 1st and July 1st. The first interest payment of $421,203 is due July 1, 2010. The 2010A and 2010B bonds are secured and payable from a lien on the net revenues of the District as defined in the Master Bond Ordinance. The District elected to issue the 2010A Bonds as taxable "Build America Bonds" under which, subject to compliance with applicable federal tax regulations, the District will be eligible to receive reimbursement from the United States Government for 35% of the interest expense of the issue.

Proceeds from the sale of the bonds were as follows:

Sources:	
Par amount, Series 2010A	$37,140,000
Par amount, Series 2010B	3,065,000
Premium	87,479
Total Sources	$40,292,479
Uses:	
Deposit into Springfield Metro Sanitary District	$40,292,479
Total Uses	$40,292,479

The following is future payment obligations on the bonds, Series 2010A&B:

Date Due	Principal	Interest	Total
April 30, 2011	$ 225,000	$ 1,605,866	$ 1,830,866
April 30, 2012	225,000	2,363,641	2,588,641
April 30, 2013	1,055,000	2,356,891	3,411,891
April 30, 2014	1,200,000	2,325,241	3,525,241
April 30, 2015	1,195,000	2,277,241	3,472,241
April 30, 2016 – 2020	6,220,000	10,582,061	16,802,061
April 30, 2021 – 2025	7,415,000	8,724,562	16,139,562
April 30, 2026 – 2030	9,050,000	6,219,018	15,269,018
April 30, 2031 – 2035	11,110,000	3,041,389	14,151,389
April 30, 2036	2,510,000	163,100	2,673,100
Total	$40,205,000	$39,659,010	$79,864,010

Note 7. ***LONG-TERM DEBT** – continued*

Postemployment Benefits Other Than Pensions (OPEB):

Effective for 2009-2010 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* for certain postemployment health care benefits provided by the District. The requirements of this Statement are being implemented prospectively, with the actuarially accrued liability for the benefits of $6,093,534 at the May 1, 2009 date of transition being amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description. The District administers single-employer defined benefit healthcare plan. Both members of the collective Bargaining Agreement of the Springfield Metro Sanitary District and non-union employees are eligible for post-retirement medical coverage. For retirement benefits, the employee must have worked at least 8 years and must be at least 55 years old. Special arrangements may be made under an Early Retirement incentive program.

The District will pay 50% of the full blended premium cost for single coverage for employees who retire after age 55 with 8 or more years of service. If the employee has over 20 years of service, the District will pay 75 percent of the full blended premium cost for single coverage. If the employee has over 30 years of service, the District will pay the entire full blended premium cost for single coverage.

Retirees may elect to cover themselves and their spouses, as long as the spouse had been covered for at least one year before the employee retired. The retiree must pay the difference between the "Employee plus spouse" rate and the "Employee only" rate. Retirees are covered for their natural lives; spouses may be covered for as long as the retiree lives, plus 18 additional months COBRA coverage as long as the premiums are paid.

Funding Policy. The current funding policy is to pay post retirement medical and insurance benefits for premiums as they occur. The funding policy of the District may be amended by the Board.

Annual OPEB Cost and Net OPEB Obligation. The District's other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount 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 each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

Note 7. ***LONG-TERM DEBT*** *– continued*

Postemployment Benefits Other Than Pensions (OPEB): *- continued*

Annual required contribution	$657,879
Interest on net OPEB obligation	--
Adjustment to annual required contribution	--
Annual OPEB cost	657,879
Contributions made	(260,888)
Increase in net OPEB obligation	396,991
Net OPEB obligation – beginning of year	--
Net OPEB obligation – end of year	$396,991

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

Fiscal Year End Date	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/10	$657,879	39.7%	$396,991

Funding Status and Funded Progress. As of May 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability was $6,093,534 and the actuarial value of assets was $-0- resulting in an unfunded actuarial accrued liability (UAAL) of $6,093,534. The covered payroll (annual payroll of active employees covered by the plan) was $2,688,774, and the ratio of the UAAL to the covered payroll was 225.19 percent.

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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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 presents multiyear trend information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since 2010 is the first year that an actuarial valuation was performed, the scheduled of funding progress reflects only the transition year's data.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year End Date	Employer Contribution	Annual Required Contribution (ARC)	Percent Contributed
4/30/10	$260,888	$657,879	39.7%

Note 7. ***LONG-TERM DEBT*** *– continued*

Postemployment Benefits Other Than Pensions (OPEB): *- continued*

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 the 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.

In the most recent actuarial valuation, the Projected Unit Credit method was used to make early distributions to the liability over the working life time of the employees. The actuarial assumptions include a discount rate of 5.0 percent and a 30 year amortization period. Other assumptions are as follows:

Health Care Trend Rate – The rate for the initial year is lowered gradually over a select period of time and ultimately settles at a permanent lower level. Medical inflation for all participants exceeded 10.5 percent in 2009, so the rates decrease from here down to 4 percent.

Mortality – Life expectancies were based off the 1995 George B. Buck Tables for public employees.

Turnover – The rate of turnover was based on the assumption that turnover is relatively low and thus based on 80 percent of the rates shown in the standard Vaughn Table after the first three years of employment.

Retirement Rates – Rates were determined from the database of retirees and calculated specifically for the District and range from 6 to 100 percent.

Note 8. ***CHANGES IN LONG-TERM DEBT***

The following is a summary of the long-term debt transactions of the District for the year ended April 30, 2010:

	Balance April 30,2009	Additions	Retirements	Balance April 30,2010
IEPA Revolving Loans	$ 921,567	$	$ 921,567	$
IEPA Wastewater Treatment Loans		5,798,647		5,798,647
IMRF Bonds	1,660,000		145,000	1,515,000
General Obligation Bonds		57,660,000		57,660,000
Revenue Bonds	10,000,000	45,136,000	14,931,000	40,205,000
Other Post Employment Benefits		396,991		396,991
Totals	$12,581,567	$108,991,638	$15,997,567	$105,575,638

Note 9. *DEFINED BENEFIT PENSION PLAN*

Plan Description. The District's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The District 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, the District Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District contribution rate for calendar year 2009 was 16.66 percent of annual covered payroll. The District 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 fiscal year ending December 31, 2009, the District's annual pension cost of $444,592 for the Regular plan was equal to the District'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
12/31/09	$444,592	100%	$ 0
12/31/08	393,997	100%	0
12/31/07	302,151	100%	0

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2007, included *(a)* 7.5 percent investment rate of return (net of administrative and direct investment expenses), *(b)* projected salary increases of 4.00 percent a year, attributable to inflation, *(c)* additional projected salary increases ranging from .4 to 11.6 percent per year depending on age and service, attributable to seniority/merit, and *(d)* post-retirement benefit increases of 3 percent 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 15 percent corridor between the actuarial and market value of assets. The District 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, 2007, valuation was 23 years.

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

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the Regular plan was 15.62 percent funded. The actuarial accrued liability for benefits was $5,569,773 and the actuarial value of assets was $870,127, resulting in an underfunded actuarial accrued liability (UAAL) of $4,699,646. The covered payroll (annual payroll of active employees covered by the plan) was $2,668,620 and the ratio of the UAAL to the covered payroll was and the ration of the UAAL to the covered payroll was 176 percent. In conjunction with the December 2009 actuarial valuation the market value of investments was determined using techniques that spread the effect of short-term volatility in the market value of investments over a five-year period with a 20 percent corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

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.

On a market value basis, the actuarial value of assets as of December 31, 2009 is $562,145. On a market basis, the funded ratio would be 10.09 percent.

Note 10. ***RESTRICTED CASH***

At April 30, 2010, the District had a restricted cash balance of $79,714,993 comprised of the following account balances:

Special Assessment	$ 913,765
Public Benefit	1,069,000
Sewer Rehabilitation	24,534
Capital Improvement	1,021,257
Bond and Interest	7,522,668
Capital Improvement – 2009A	4,692,125
Replacement	117,232
Capital Improvement – 2010A&B	35,040,160
Capital Improvement – 2009C	328,250
Capital Improvement – 2009E	28,986,002
	$79,714,993

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.

Note 10. *RESTRICTED CASH* - *continued*

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:

Bond and Interest: Recently funded to pay principal and interest on the 2007 and 2009 General Obligation Alternate Bonds. Includes amounts deposited from bond proceeds to pay a portion of interest on the 2009E and 2010A Bonds through February 2012 and a portion of the interest on the 2010B Bonds through April 2012.

Construction - 2009A: Established to pay for the costs of certain capital improvements for the District, including preparation of combined sewer overflow studies and long-term control plans for the District's wastewater treatment plants.

Construction – 2009C and 2009E: Established to pay for the costs of constructing the new Spring Creek wastewater treatment plant.

Construction - 2010A and 2010B: Established to pay for the costs of constructing the new Spring Creek wastewater treatment plant. Of the reserved balance, $2,622,654 has been restricted for the 2010A and 2010B required reserve accounts, established to pay principal and interest on the 2010A and 2010B Bonds if sufficient funds are not available from any other sources and $3,346,709 has been restricted for payment of a portion of interest on the 2010A and 2010B Bonds through April 2012.

Capital Improvements: Established to pay for capital improvements, and through Ordinances passed by the Board in 2007 requires the deposit of connection fees received by the District. Portions of Capital Improvement have also been restricted per the 2009 Master Bond Ordinance requiring a minimum balance of $400,000 for depreciation, repair, and replacement, established for the payment of extraordinary maintenance, necessary repairs and replacements, and ordinary maintenance when no other funds are available.

Sewer Rehabilitation: Established to make principal and interest payment on loans from the Illinois Environmental Protection Agency.

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

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. *CONTINGENCIES*

The Sanitary District has entered into several contracts with Crawford, Murphy, & Tilly, Inc. for a total amount of $24,308,368. As of April 30, 2010, the District made total payments of $4,794,046. The Sanitary District has outstanding contract balances of $19,514,322 for work to be performed.

The Sanitary District has also entered into several contracts with River City Construction for a total amount of $56,451,956. As of April 30, 2010 the District made total payments of $9,884,405. The Sanitary District has outstanding contract balances of $46,567,551 for work to be performed.

As of April 30, 2010 the Sanitary District had a contract agreement with Goodman Fence for $22,326 to whom no payments have been made thus far for work to be completed.

The Sanitary District has entered into several contract agreements with Greene & Bradford, Vasoncelles Engineering and Hanson Professional Services for total contract amounts of $350,000, $235,000, and $288,000 respectively. As of April 30, 2010 the District made payments of $81,959 to Greene & Bradford, $82,320 to Vasconcelles Engineering, and $122,156 to Hanson Professional Services. Leaving outstanding contract balances of $268,041, $152,680, and $166,244, respectively, for work to be completed.

REQUIRED SUPPLEMENTAL INFORMATION

SPRINGFIELD METRO SANITARY DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
April 30, 2010

SCHEDULE OF FUNDING PROGRESS FOR THE REGULAR PLAN

POST EMPLOYMENT BENEFITS OTHER THAN PENSION

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)
5/1/09	$ --	$6,093,534	$6,093,534	0.00%	$2,688,774	225.19%

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

DEFINED BENEFIT PENSION PLAN

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)
12/31/09	$ 870,127	$5,569,773	$4,699,646	15.62%	$2,668,620	176.11%
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%

OTHER SUPPLEMENTAL DATA (UNAUDITED)

SPRINGFIELD METRO SANITARY DISTRICT

SCHEDULE OF ASSESSED VALUATIONS, RATES EXTENSIONS AND COLLECTIONS (Unaudited) Tax Years 2009, 2008

	2008 Taxes Payable in 2009	2009 Taxes Payable in 2010
Assessed Valuation	$2,624,896,907	$2,695,342,920
Estimated Actual Value	$7,874,690,721	$8,086,028,760
Tax Rates:		
General	.0408	.0433
Illinois municipal retirement	.0232	.0241
Sewer treatment	.0101	.0098
Social security	.0080	.0082
Public benefit	.0041	
Total	.0862	.0854
Extensions:		
General	$1,070,958	$1,167,083
Illinois municipal retirement	608,976	649,578
Sewer treatment	265,114	264,144
Social security	209,992	221,018
Public benefit	107,621	
Total	$2,262,661	$2,301,823
Collections:	$2,144,081	$2,263,503

BILLABLE WATER FLOWS

Number of customers	57,830
Number of units	6,589,139
1 unit is equal to 748 gallons	
Gallons billed for fiscal year 2010	4,928,675,972

SPRINGFIELD METRO SANITARY DISTRICT

STATEMENT OF NET ASSETS REQUIRED BY ORDINANCE 2009-29

For the Year Ended April 30, 2010

	Statement of Net Assets	Less IMRF	Less Public Benefits	Less Special Assessments	Required by Ordinance 2009-29
ASSETS					
Current assets:					
Cash	$ 259,252	$(138,881)	$	$	$ 120,371
Receivables:					
Sewer service charges	1,407,024				1,407,024
Property taxes	2,301,823	(649,578)			1,652,245
Replacement taxes	43,389				43,389
Illinois Environmental Protection Agency	787,522				787,522
U.S. Treasury	19,939				19,939
Prepaid expenses	85,715				85,715
Restricted assets:					
Restricted cash	79,714,993	253,684	(1,069,000)	(913,765)	77,985,912
Special assessment receivables	73,645			(73,645)	
Total current assets	84,693,302	(534,775)	(1,069,000)	(987,410)	82,102,117
Non-current assets:					
Capital assets	59,812,141				59,812,141
Debt issuance costs	812,946				812,946
Special assessment receivables	242,596			(242,596)	
TOTAL ASSETS	$145,560,985	$(534,775)	$(1,069,000)	$(1,230,006)	$142,727,204
LIABILITIES					
Current liabilities:					
Accounts payable	$(281,587)	$	$	$	$(281,587)
Accounts payable capital outlay	(2,617,872)		30		(2,617,842)
Accrued vacation and payroll	(878,765)				(878,765)
Accrued interest payable	(1,097,234)				(1,097,234)
Deferred property taxes	(2,301,823)	649,578			(1,652,245)
Current portion of bonds payable	(915,000)	160,000			(755,000)
Long-term liabilities:					
Bonds payable	(98,465,000)	1,355,000			(97,110,000)
IEPA loans	(5,798,647)				(5,798,647)
Net OPEB obligation	(396,991)				(396,991)
Total liabilities	(112,752,919)	2,164,578	30	--	(110,588,311)
NET ASSETS					
Invested in capital assets, net of related debt	(40,257,270)				(40,257,270)
Restricted-capital projects, net of related debt	16,247,135		1,068,970		17,316,105
Restricted-debt service	(8,172,084)	(253,684)			(7,195,762)
Unrestricted	(625,847)	(1,376,119)			(2,001,966)
Total net assets	(32,808,066)	(1,629,803)	1,068,970	1,230,006	(32,138,893)
TOTAL LIABILITIES AND NET ASSETS	$(145,560,985)	$ 534,775	$1,069,000	$1,230,006	$(142,727,204)

SPRINGFIELD METRO SANITARY DISTRICT

SCHEDULE OF REVENUES AND EXPENSES REQUIRED BY ORDINANCE 2009-29

For the Year Ended April 30, 2010

	Statement of Revenues and Expenses	Less IMRF	Less Public Benefits	Less Special Assessments	Required by Ordinance 2009-29
Operating Revenues:					
Sewer service charges	$ 8,061,538	$	$	$	$ 8,061,538
Sewer permits	204,640				204,640
Special assessments	86,786			(86,786)	
Special waste fees	338,425				338,425
Lab fees	23,758				23,758
Total operating revenues	8,715,147	--	--	(86,786)	8,628,361
Operating Expenses					
Plant operations	6,441,673	(342,138)	(241)		6,099,294
Pump station operations	949,624	(12,871)			936,753
Sewer operations	376,859	(19,337)			357,522
Management and administration	2,321,441	(95,976)			2,225,465
Depreciation	1,060,910				1,060,910
Other postemployment benefits	396,991				396,991
Total operating expenses	11,547,498	(470,322)	(241)	--	11,076,935
Operating loss	(2,832,351)	470,322	241	(86,786)	(2,448,574)
Non-operating Revenues (Expenses)					
Property taxes	2,272,460	(609,203)	(106,935)		1,556,322
Federal receipts	619,683				619,683
Illinois replacement taxes	307,119				307,119
Interest income	48,649		(1,183)	(15,009)	32,457
Rental income	18,447				18,447
Miscellaneous	466				466
Interest expense	(840,975)	108,684			(732,291)
Bond costs	(35,972)				(35,972)
Amortization of bond issue costs, premiums and discounts	(6,212)				(6,212)
Loss on disposal of asset	(584)				(584)
Total non-operating revenues (expenses)	2,383,081	(500,519)	(108,118)	(15,009)	1,759,435
Change in Net Assets	$(449,270)	$(30,197)	$(107,877)	$(101,795)	$(689,139)

SPRINGFIELD METRO SANITARY DISTRICT

STATEMENT OF CASH RCEIPTS AND DISBURSEMENTS
RESTRICTED ACCOUNTS REQUIRED BY REVENUE BOND ORDINANCE 2009-29
For the Year Ended April 2010

	2009A	2009C	2009E	2010A&B
Cash and cash equivalents and investments at beginning of year-reserve accounts	$ --	$ --	$ --	$ --
Add (loss):				
Interest received	5,120	1,574	17,543	
Bond proceeds	18,800,000	4,000,000	38,860,000	40,205,000
Bond premiums	389,839			87,479
Bond and interest payments	(10,799,792)		(422,991)	(4,822,933)
Bond costs	(419,397)	(34,000)	(434,498)	(429,386)
Capital assets	(2,190,635)	(3,510,602)	(4,030,420)	
Improvements	(1,093,010)			
Transfers (to) from unrestricted accounts		(128,722)		
Cash and cash equivalents and investments at end of year-reserve accounts	$ 4,692,125	$ 328,250	$33,989,634	$35,040,160

SUPPLEMENTAL INFORMATION REQUIRED BY
U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133,
AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS

SPRINGFIELD METRO SANITARY DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 2010

Federal Grantor/Pass-Through Grant/Program Title	CFDA Number	Grant Number	Revenue	Expenditures	Budget
U.S. Environmental Protection Agency					
Passed through Illinois Environmental Protection Agency					
Construction Grants for Wastewater Treatment Works (M)	66.418	L17-2910	$5,798,647	$5,798,647	$10,000,000
Total U.S. Environmental Protection Agency			5,798,647	5,798,647	
TOTAL FEDERAL AWARDS			$5,798,647	$5,798,647	

(M) Tested as Major Fund

SPRINGFIELD METRO SANITARY DISTRICT

NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
April 30, 2010

Note 1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Springfield Metro Sanitary District (the "District").

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounting and how they are reported on the financial statements. For the Schedule of Expenditures of Federal Awards, revenues are recognized and recorded when cash is earned. In the same manner, expenditures are recognized and recorded when liabilities are incurred.

RELATIONSHIP TO DISTRICT'S FINANCIAL STATEMENTS

The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2. *SUBRECIPIENTS*

Of the federal expenditures presented in the Schedule of Federal Financial Assistance, the District provided no federal awards to subrecipients.

Note 3. *NON-CASH AWARDS*

The District received no non-cash awards during the fiscal year ended April 30, 2010.

SPRINGFIELD METRO SANITARY DISTRICT

NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
April 30, 2010

Note 4. ***CONTINGENCIES***

The Springfield Metro Sanitary District receives awards under one federal grant program which must be expended according to provisions established by the grants. Compliance with the grant provisions are subject to audit by the granting agency which may impose sanctions in the event of non-compliance. Management believes they have complied with all aspects of the grant provisions and they feel the results of any adjustments would have an immaterial impact on the financial statements taken as a whole.

Note 5. ***FEDERAL LOANS***

During the fiscal year ending April 30, 2010, the District received $5,798,647 in federal loan proceeds from the Illinois Environmental Protection Agency.

The District is eligible to receive $10,000,000 under the American Recovery and Reinvestment Act of 2009 of which only ½ of the funds will be required to be repaid. At April 30, 2010, the total outstanding balance on the IEPA loan is $5,798,647, the District elects to show the entire amount as a federal loan until the time at which the debt is forgiven.

SPRINGFIELD METRO SANITARY DISTRICT

SUMMARY OF FINDINGS AND QUESTIONED COSTS
April 30, 2010

Part 1:

Summary of Audit Results

1. We have audited the financial statements of the Springfield Metro Sanitary District, as of and for the year ended April 30, 2010, and have issued our qualified report thereon dated May 25, 2010.

2. Our audit disclosed no reportable conditions in internal control were reported.

3. Our audit disclosed no instances of noncompliance which are material to the financial statements of the Springfield Metro Sanitary District.

4. Our audit disclosed no reportable conditions in internal control over major programs.

5. We have audited the compliance of the Springfield Metro Sanitary District with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major programs for the year ended April 30, 2010, and have issued our unqualified opinion thereon dated May 25, 2010.

6. Our audit disclosed no audit findings relating to major programs which are required to be reported under Section 510(a) of OMB Circular A-133.

7. The following programs were identified and tested as major programs in accordance with requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133:*

	CFDA #
EPA Wastewater Stimulus Loan	66.418

8. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

9. The auditee does not qualify as a low risk auditee.

SPRINGFIELD METRO SANITARY DISTRICT

SUMMARY OF FINDINGS AND QUESTIONED COSTS
April 30, 2010

Part 2: ***Audit Findings – Financial Statement Audit***

None

Part 3: ***Audit Findings and Questioned Costs (For Federal Awards Which Shall Include Audit Findings as Defined in Section 510(a)).***

None

Part 4: ***Prior Year Audit Findings and Questioned Costs (For Federal Awards Which Shall Include Audit Findings as Defined in Section 510(a))***

None