SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For the Year Ended April 30, 2012

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

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Todd J. Anderson, C.P.A.
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Joseph E. Pehlman, C.P.A. (1941 - 1984)
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Pehlman & Dold, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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June 25, 2012

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, Illinois (the "District"), as of and for the year ended April 30, 2012, 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, Illinois as of April 30, 2012, 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 June 25, 2012, 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,

Pehlman & Dold, PC

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June 25, 2012

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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, Illinois as of and for the year ended April 30, 2012, which collectively comprise the Springfield Metro Sanitary District's basic financial statements and have issued our report thereon dated June 25, 2012. 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

Management of the Springfield Metro Sanitary District, Illinois is responsible for establishing and maintaining effective 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, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Springfield Metro Sanitary District, Illinois' 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, Illinois' 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, Illinois in a separate letter dated June 25, 2012.

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

Respectfully submitted,

Pehlman & Dold, PC

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June 25, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Springfield Metro Sanitary District, Illinois, 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, 2012. 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, Illinois, 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, 2012. 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, Illinois 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, Illinois' 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, Illinois' 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, PC

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SPRINGFIELD METRO SANITARY DISTRICT

STATEMENT OF NET ASSETS

April 30, 2012

ASSETS	
Current assets:	
Cash	$ 1,844,808
Receivables:	
Sewer service charges	2,153,173
Property taxes	2,470,644
Replacement taxes	49,569
U.S. Treasury	819,618
Prepaid expenses	90,596
Restricted assets:	
Restricted cash	33,635,981
Special assessment receivables	38,474
Low pressure receivables	1,600
Total current assets	41,104,463
Non-current assets:	
Capital assets:	
Land	610,239
Property, plant and equipment, net	41,654,408
Construction in progress	134,636,889
Total capital assets	176,901,536
Debt issuance costs, net	616,525
Special assessment receivable	96,319
Low pressure receivables	4,800
Total noncurrent assets	177,619,180
TOTAL ASSETS	$218,723,643
LIABILITIES	
Current liabilities:	
Accounts payable	$ 194,382
Accounts payable capital outlay	3,710,332
Accrued vacation and payroll	989,520
Accrued interest payable	2,173,402
Deferred property taxes	2,470,644
Current portion of bonds payable	2,005,000
Current portion of Illinois Environmental Protection Agency	1,535,746
Total current liabilities	13,079,026
Long-term liabilities:	
Bonds payable	120,830,000
Less: Discounts on bonds payable	906,458
Add: Premium on bonds payable	1,607,444
Illinois Environmental Protection Agency wastewater treatment loans	30,325,438
Other post employment benefit obligations	1,159,909
Total long-term liabilities	153,016,333
TOTAL LIABILITIES	166,095,359
NET ASSETS	
Invested in capital assets, net of related debt	43,409,048
Restricted – debt service	12,419,972
Unrestricted	(3,200,736)
Total net assets	52,628,284
TOTAL LIABILITIES AND NET ASSETS	$218,723,643

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, 2012

Operating Revenues:	
Sewer service charge	$14,950,051
Sewer permits	284,295
Special waste fees	104,355
Lab fees	15,012
Low pressure system payments	8,000
Total operating revenues	15,361,713
Operating Expenses	
Plant operations	5,403,968
Pump station	903,311
Sewer operations	479,392
Management and administration	3,132,345
Other postemployment benefits	333,977
Depreciation	1,324,487
Total operating expenses	11,577,480
Operating income	3,784,233
Non-operating Revenues (Expenses)	
Property taxes	2,398,091
State sources – Illinois Environmental Protection Agency	7,500,000
Federal sources – Build America Bonds	1,639,237
Illinois replacement taxes	334,147
Interest income	38,005
Rental income	9,355
Recycling income	7,196
Miscellaneous	80
Interest expense	(990,700)
Bond fees	(4,450)
Amortization/accretion of bond issue costs, premiums and discounts	101,649
Total non-operating revenues (expenses)	11,032,610
Change in Net Assets	14,816,843
Net Assets	
Beginning of year	37,811,441
End of year	$52,628,284

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, 2012

Net Cash Flows from Operating Activities:	
Cash received from customers and users	$ 14,932,993
Payments to suppliers	(6,399,498)
Payments to employees	(3,476,360)
Net cash provided by operating activities	5,057,135
Net Cash Flows from Non-Capital Financing Activities:	
Property tax receipts	2,398,091
Illinois replacement tax receipts	335,227
Federal receipts	1,639,237
State receipts	2,363,473
Miscellaneous	7,276
Net cash provided by non-capital financing activities	6,743,304
Net Cash Flows from Capital and Related Financing Activities:	
Principal payments on long-term debt	(1,714,217)
Long-term debt proceeds	34,904,283
Bond expenses	(3,500)
Interest paid	(2,317,217)
Acquisition and construction of capital assets	(44,180,049)
Net cash used in capital and related financing activities	(13,310,700)
Net Cash Flows from Investing Activities:	
Interest income	38,005
Rental income	9,355
Net cash provided by investing activities	47,360
Net decrease in cash	(1,462,901)
Cash – *May 1, 2011*	36,943,690
Cash – *April 30, 2012*	$ 35,480,789

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 3,784,233
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,324,487
Change in operating assets and liabilities:	
Receivables	(428,045)
Accounts payable	(37,365)
Accrued vacation and payroll	83,745
Prepaid expenses	(3,897)
Other post employment benefit obligations	333,977
Net cash provided by operating activities	$ 5,057,135

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

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.

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

Government-Wide Financial Statement Presentation and Basis of Accounting: - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sanitary services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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:

	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, holiday and compensatory pay benefits. One sick day is earned per month, and a maximum of 80 days may be carried over into the next year. Three personal leave days are credited to an employee at the first of the year and may be carried over into the next year with no maximum to the amount carried. 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. Employees are allowed to carry a maximum of 120 hours at any time. Upon termination of employment with the District, an employee's accumulated compensated absences balance, excluding sick time, is fully vested and payable at the employee's current pay rate. Sick leave is only paid to employees who have five or more years of service with the District and the termination is in good standing.

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

Compensated Absences: - continued

Employees receive vacation time based on their prior year service. Vacation days are given to employees on January 1st and they have sixteen months to use it. Any unused time is lost. Upon termination employees are paid for current unused time as well as time earned in the current year for the following year.

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

Cash and Cash Equivalents:

For purposes of reporting cash flows, the District considers all cash accounts that are not subject to withdrawal restrictions or penalties, and certificates of deposit with original maturities of 90 days or less, to be cash or cash equivalents.

Subsequent Events:

Management has evaluated subsequent events for recognition and disclosure in the financial statements through July 20, 2012 which is the date the financial statements were available to be issued.

Note 2. ***CASH AND INVESTMENTS***

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 District has deposits in the Illinois Funds Money Market Fund. The Illinois Funds are not subject to direct regulatory oversight of the Security and Exchange Commission, however, the funds are managed by the State of Illinois Treasurer's Office in accordance with state statues. The fair value of the position in the external investment pool is the same as the value of the pool shares.

Note 2. ***CASH AND INVESTMENTS** - continued*

The following is disclosed regarding coverage as of April 30, 2012.

a) The total amount of FDIC coverage as of April 30, 2012 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, 2012, the carrying amount of the District's deposits (cash and interest bearing demand accounts at financial institutions), which excludes petty cash of $400, was $35,480,389, and the bank balance was $36,071.471.

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	$ 59,426	$ 112,558
Pooled Funds	35,420,963	35,958,913
	$35,480,389	$36,071,471

(b) Investments:

The District currently has no deposits they consider to be investments.

(c) Investment Policies:

Interest Rate Risk: The District has no formal policy on interest rate risk. This is the risk that changes in market interest rates will adversely affect the fair market value of an investment. In general, the longer the maturity, the greater the chance that interest rate changes will adversely affect the investment.

Custodial Credit Risk: The District has no formal policy on custodial credit risk. This is the risk that in the event of the failure of the counterparty (ie financial institution) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

Credit Risk: The District has no formal policy on credit risk. Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Note 2. ***CASH AND INVESTMENTS** - continued*

(c) ***Investment Policies:** - continued*

Concentration Risk: The Board places no limit on the amount that can be invested with any single issuer.

Note 3. ***PROPERTY TAXES***

The District's ad valorem property tax was levied by ordinance on May 31, 2011 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 2010 tax levy is reflected as revenue in the fiscal year ending April 30, 2012. Forfeited, objected, and delinquent tax distributions are recognized as revenues when collected.

Property taxes levied in 2011 to be collected in 2012 have been recognized as assets (property taxes receivable) and deferred revenue as these taxes have been matched to be used in the 2013 budget.

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

	Levy Year	
	2010	2011
General	.0460	.0460
Illinois Municipal Retirement Fund	.0235	.0247
Sewer Treatment	.0096	.0094
Social Security	.0080	.0085
Total	.0871	.0886
Assessed valuation	$2,749,116,028	$2,788,536,833

Note 4. ***SPECIAL ASSESSMENT RECEIVABLES***

The special assessment receivables are received 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,	
2013	$ 38,474
2014	41,156
2015	18,629
2016	17,622
2017	6,304
2018 and thereafter	12,608
	$134,793

Note 5. *CAPITAL ASSETS*

Capital asset activity for the year ended April 30, 2012:

	Balances April 30, 2011	Additions	Deletions	Transfers	Balances April 30, 2012
Capital Assets not being Depreciated:					
Land	$ 583,956	$ 26,283	$	$	$ 610,239
Construction in progress	97,160,715	43,455,824		(5,979,650)	134,636,889
Total non-depreciable capital assets	$ 97,744,671	$43,482,107	$ --	$(5,979,650)	$135,247,128
Capital Assets being Depreciated:					
Land improvements	$ 1,367,119	$ 147,172	$	$ 1,300	$ 1,515,591
Buildings	10,800,429			5,350,000	16,150,429
Equipment, vehicles, and machinery	13,149,282	822,762		520,000	14,492,044
Sewer system	38,512,231	381,597		108,350	39,002,178
Total depreciable capital assets	$ 63,829,061	$ 1,351,531	$ --	$5,979,650	$ 71,160,242
Less Accumulated Depreciation:					
Land improvements	$ 216,268	$ 33,593	$	$	$ 249,861
Buildings	3,405,728	156,423			3,562,151
Equipment, vehicles, and machinery	5,053,626	418,745			5,472,371
Sewer system	19,505,725	715,726			20,221,451
Total accumulated depreciation	$ 28,181,347	$ 1,324,487	$ --	$ --	$ 29,505,834
Total capital assets	$133,392,385	$43,509,151	$ --	$ --	$176,901,536

Interest capitalized as construction period interest for the new sewer wastewater treatment plant is $5,429,707.

Note 6. *DEBT ISSUANCE*

	Balances April 30, 2011	Additions	Deletions	Balances April 30, 2012
Debt Issuance:				
Bond Costs	$448,340	$ 215,394	$	$ 663,734
Bond Discounts	848,136	130,225		978,361
Bond Premiums	(477,318)	(1,319,774)		(1,797,092)
	$819,158	$(974,155)	$ --	$(154,997)
Less Accumulated Amortization:				
Bond issue costs, and discounts	$ 57,760	$ 61,352	$ --	$ 119,112
Plus Accumulated *Accretion:*				
Bond premiums	26,647	163,001	--	189,648
Total debt issuance, net	$788,045	$(872,506)	$ --	$(84,461)

Debt issuance costs, net	$ 616,525
Discounts on bonds payable, net	906,458
Premiums on bonds payable, net	(1,607,444)
Total	$(84,461)

Note 7. *LONG-TERM DEBT*

Loans Payable:

Illinois Environmental Protection Agency Revolving Loans:

(a) On September 21, 2009, 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 zero percent interest. In order to secure this loan, the District authorized the issuance of the Series 2009D Subordinate Lien Bonds. $10,000,000 of eligible costs were funded by the Water Pollution Control Loan Program and will be required to be repaid fully. The other $10,000,000 of eligible costs was funded under the American Recovery and Reinvestment Act of 2009, of which only $5,000,000 will be required to be repaid. Principal payments of $375,000 payments began April 2012 and are due each April and October thru 2031. The balance of the loan at April 30, 2012 was $14,625,000. The $5,000,000 of loan forgiveness has been included in non-operating income for fiscal year 2012. 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 2011A Bonds the 2010A and 2010B Bonds.

The following is the future payment obligations on the Illinois Environmental Protection Agency loan:

Fiscal Year	Principal	Interest	Total
April 30, 2013	$ 750,000	$	$ 750,000
April 30, 2014	750,000		750,000
April 30, 2015	750,000		750,000
April 30, 2016	750,000		750,000
April 30, 2017 – 2032	11,625,000		11,625,000
Total	$14,625,000	$ --	$14,625,000

(b) On July 28, 2010, the District was granted a $20,000,000 loan from the Illinois Environmental Protection Agency, pursuant to the Environmental Protection Act, from the Water Revolving Fund. In order to secure this loan, the District authorized the issuance of the Series 2010C Subordinate Lien Bonds. The loan has a fixed interest rate of 1.25% and has been used to construct Phase III of a four-phased new wastewater treatment plant. $20,000,000 of eligible costs were funded from the Water Pollution Control Loan Program, of which $2,500,000 was forgiven and has been recognized as non-operating income for fiscal year 2012. Payments were scheduled to begin May 1, 2012 and continue through November 1, 2031. The balance of the loan at April 30, 2012 was $17,236,184. 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 2011A Bonds the 2010A and 2010B Bonds.

The following is the future payment obligations on the Illinois Environmental Protection Agency loan:

Fiscal Year	Principal	Interest	Total
April 30, 2013	$ 785,746	$ 213,005	$ 998,751
April 30, 2014	795,599	203,152	998,751
April 30, 2015	805,575	193,176	998,751
April 30, 2016	815,676	183,075	998,751
April 30, 2017 – 2032	14,033,588	1,447,049	15,480,637
Total	$17,236,184	$2,239,457	$19,475,641

(c) As of June 30, 2011 the Springfield Metro Sanitary District was approved for a loan from the Water Pollution Control Loan Program in the amount of $20,000,000 at a 1.25% simple annual interest rate. In accordance with the procedures for issuing loans from the Water Pollution Control Loan Program Title 35 Illinois Administration Code 365.260 $2,500,000 of the loan amount will be forgiven by the State of Illinois. The Sanitary District accepted the loan on July 11, 2011 but has yet to make any draws against this loan.

Note 7. *LONG-TERM DEBT – continued*

Bond Issues:

(a) 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 2007A Bonds are additionally payable from a levy of ad valorem property taxes if the IMRF property tax levy is not sufficient to pay the bonds.

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

Fiscal Year	Principal	Interest	Total
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	260,000	27,035	287,035
April 30, 2017 – 2018	270,000	20,925	290,925
Total	$1,180,000	$196,316	$1,376,316

(b) 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 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, 2010B, and 2011A 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.

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

Fiscal Year	Principal	Interest	Total
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	615,000	750,150	1,365,150
April 30, 2017	635,000	731,700	1,366,700
April 30, 2018 – 2022	2,875,000	3,284,100	6,159,100
April 30, 2023 – 2027	3,085,000	2,615,988	5,700,988
April 30, 2028 – 2032	3,470,000	1,777,680	5,247,680
April 30, 2033 – 2037	3,595,000	975,938	4,570,938
April 30, 2038 – 2039	1,700,000	128,500	1,828,500
Total	$17,720,000	$12,620,256	$30,340,256

(c) 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

Note 7. *LONG-TERM DEBT – continued*

Bond Issues: *- continued*

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, 2010B, and 2011A 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.

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

Fiscal Year	Principal	Interest	Total
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		2,417,092	2,417,092
April 30, 2017		2,417,092	2,417,092
April 30, 2018 – 2022		12,085,460	12,085,460
April 30, 2023 – 2027		12,085,460	12,085,460
April 30, 2028 – 2032		12,085,460	12,085,460
April 30, 2033 – 2037	2,365,000	12,085,460	14,450,460
April 30, 2038 – 2042	13,690,000	9,714,707	23,404,707
April 30, 2043 – 2047	16,690,000	5,097,601	21,787,601
April 30, 2048 – 2049	6,115,000	546,738	6,661,738
Total	$38,860,000	$75,786,346	$114,646,346

(d) 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, for the purposes of paying for a portion of the costs for a new treatment plant and facilities upgrade at the District's Spring Creek site, for the redemption of 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 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.

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

Fiscal Year	Principal	Interest	Total
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	1,170,000	2,232,223	3,402,223
April 30, 2017	1,205,000	2,180,649	3,385,649
April 30, 2018 – 2022	6,640,000	9,923,743	16,563,743
April 30, 2023 – 2027	8,020,000	7,795,496	15,815,496
April 30, 2028 – 2032	9,820,000	5,031,030	14,851,030
April 30, 2033 – 2036	9,450,000	1,566,993	11,016,993
Total	$39,755,000	$35,689,507	$75,444,507

Note 7. *LONG-TERM DEBT – continued*

Bond Issues: *- continued*

(e) Springfield Metro Sanitary District issued Senior Lien Revenue Bonds, Series 2011-A, in the amount of $20,120,000 for the purpose of paying a portion of the costs of the Spring Creek Wastewater Treatment Plant (including but not limited to Phase IV), funding reserve accounts for the Series 2011A Bonds, and paying the costs of issuing the Series 2011A 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, a Revenue Bond Authorizing Ordinance adopted February 22, 2011, and the Series 2011A Bond Ordinance adopted July 26, 2011. The bonds carry interest rates ranging from 2.5-5% and shall pay interest semiannually on January 1st and July 1st. The first interest payment of $337,395 due January 1st of 2012 was paid.

Proceeds from the sale of the bonds were as follows:

Sources:	
Par amount, Series 2011A	$20,120,000
Premium	1,319,774
Total Sources	$21,439,774
Uses:	
Deposit into Springfield Metro Sanitary District	$21,439,774
Total Uses	$21,439,774

The following is the future payment obligations on the bonds, Series 2011A:

Fiscal Year	Principal	Interest	Total
April 30, 2013	$ 190,000	$ 913,250	$ 1,103,250
April 30, 2014	545,000	908,500	1,453,500
April 30, 2015	565,000	892,150	1,457,150
April 30, 2016	580,000	875,200	1,455,200
April 30, 2017	595,000	857,800	1,452,800
April 30, 2018 – 2022	17,645,000	3,215,500	20,860,500
Total	$20,120,000	$7,662,400	$27,782,400

(f) Springfield Metro Sanitary District issued $5,200,000 Sewer Revenue Subordinate Lien Bonds, Series 2012. The proceeds will be used for planning, design and engineering of the renovation and upgrade of the District's Sugar Creek Plant to increase the design average flow and maximum design flow of the plan, as well as pay costs related to the issuance of the bond and fund a reserve account. The bonds were issued pursuant to a Master Bond Ordinance passed on June 30, 2009, as supplemented by the authorizing ordinance passed December 20, 2011, and the Series 2012 ordinance passed on March 27, 2012. The bonds carry an interest rate of 1.35% with semiannual interest payment due January 1st and July 1st. There were no interest payments due in the current fiscal year. 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 2011A Bonds the 2010A and 2010B Bonds.

Proceeds from the sale of the bonds were as follows:

Sources:	
Par amount, Series 2012	$5,200,000
Total Sources	$5,200,000
Uses:	
Deposit into Springfield Metro Sanitary District	$5,200,000
Total Uses	$5,200,000

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

Bond Issues: *- continued*

The following is the future payment obligations on the bonds, Series 2012:

Fiscal Year	Principal	Interest	Total
April 30, 2013	$	$ 49,335	$ 49,335
April 30, 2014		70,200	70,200
April 30, 2015	5,200,000	46,800	5,246,800
Total	$5,200,000	$166,335	$5,366,335

(g) Springfield Metro Sanitary District approved Sewer Revenue Subordinate Lien Bonds, Series 2011B, in the aggregate principal amount not to exceed $21,500,000 for the purpose of paying a portion of the construction of a new Spring Creek Wastewater Treatment Plant, including but not limited to Phase IV. The 2011B Bonds will evidence a loan to the issuer from the Illinois Environmental Protection Agency pursuant to a loan agreement and in accordance with the Water Pollution Control Loan Program. The 2011B Bonds will be additional Subordinate Lien Bonds in accordance with the Master Bond Ordinance adopted June 30, 2009, and in parity with the Series 2009D Bond and its Series 2010C Bonds. The Bond Ordinance was passed by the Board on July 26, 2011 but as of the end of fiscal year 2012 no 2011B bonds had been issued.

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): (NOT FINAL)

Estimated annual required contribution	$ 658,684
Interest on net OPEB obligation	38,059
Adjustment to annual required contribution	(72,453)
Estimated annual OPEB cost	624,290
Contributions made	(265,615)
Estimated increase in net OPEB obligation	358,675
Net OPEB obligation – beginning of year	825,932
Adjustment to prior year estimate	(24,698)
Estimated net OPEB obligation – end of year	$1,159,909

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

Fiscal Year End Date	Estimated Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
4/30/11	$674,533	40.07%	$ 801,235
4/30/12	624,290	42.50%	1,159,909

Funding Status and Funded Progress. As of May 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability was $6,442,604 and the actuarial value of assets was $-0- resulting in an unfunded actuarial accrued liability (UAAL) of $6,442,604. The covered payroll (annual payroll of active employees covered by the plan) was $3,507,737, and the ratio of the UAAL to the covered payroll was 183.67percent.

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.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year End Date	Employer Contribution	Annual Required Contribution (ARC)	Percent Contributed
4/30/10	$260,888	$657,879	39.70%
4/30/11	272,267	674,533	40.07%
4/30/12	265,615	624,290	42.50%

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.

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

Postemployment Benefits Other Than Pensions (OPEB):

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, 2012:

	Balance April 30,2011	Additions	Retirements	Balance April 30,2012
IEPA Wastewater Treatment Loans	$ 31,605,172	$ 1,020,229	$ 764,217	$ 31,861,184
IMRF Bonds	1,355,000		175,000	1,180,000
General Obligation Bonds	57,130,000		550,000	56,580,000
Revenue Bonds	39,980,000	25,320,000	225,000	65,075,000
Other Post Employment Benefits	825,932	333,977		1,159,909
Totals	$130,896,104	$26,674,206	$1,714,217	$155,856,093

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 percent 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 annual required contribution rate for calendar year 2011 was 17.31 percent. 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. The required contribution for calendar year 2011 was $578,207.

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

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/11	$578,207	100%	$ 0
12/31/10	530,948	100%	0
12/31/09	444,592	100%	0

The required contribution for 2011 was determined as part of the December 31, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, 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 10 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 20 percent corridor between the actuarial and market value of assets. The District Regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Regular plan was 40.66 percent funded. The actuarial accrued liability for benefits was $7,435,784 and the actuarial value of assets was $3,023,758, resulting in an underfunded actuarial accrued liability (UAAL) of $4,412,026. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was $3,340,309 and the ratio of the UAAL to the covered payroll was 132 percent.

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.

Note 10. ***RESTRICTED CASH***

At April 30, 2012, the District has a restricted cash balance of $33,635,981 comprised of the following account balances:

Special Assessment	$ 1,058,240
Public Benefit	964,460
Sewer Rehabilitation	542,298
Capital Improvement	207,253
Bond and Interest:	
2007A	254,535
2009A	1,710,600
2009E	2,809,869
2010A Principal and Interest	1,006,883
2010A Reserve	2,307,174
2010B Principal and Interest	390,834
2010B Reserve	315,248
2011A Principal and Interest	366,614
2011 Reserve	1,457,150
IEPA Loans	2,182,019
Capital Improvement – 2011A	11,893,970
Replacement	118,848
Capital Improvement – 2010A&B	1,041,972
Capital Improvement – 2012A	5,008,014
	$33,635,981

Note 10. *RESTRICTED CASH*

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:

Bond and Interest: Recently funded to pay principal and interest on the 2007 and 2009 General Obligation Alternate Bonds, the 2010A&B Revenue Bonds, the 2011A Revenue Bonds, and the IEPA loans. Includes amounts deposited from bond proceeds to pay a portion of interest and establish reserve accounts for the 2010A&B Bonds, 2011A Bonds, and the IEPA loans.

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 – 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.

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: Used to pay for sewer rehabilitation and lining projects. Balances may be used to meet the minimum balance of $400,000 for depreciation, repair, and replacement established in the 2009 Master Bond Ordinance.

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

Note 11. *RESTRICTED ACCOUNTS – REQUIRED BY BOND ORDINANCE 2009-29*

(a) Bond and Interest – reserve accounts:

	2007A	2009A	2009E
Cash and cash equivalents - reserve accounts April 30, 2011	$ 244,915	$1,716,230	$ 3,586,761
Add (deduct)			
Transfer to Bond and Interest Accounts	253,101	1,362,463	792,925
Build America Bond Receipts			845,982
Interest Income	154	1,257	1,643
Paying Agent Fees	(350)	(350)	(350)
Bond Principal Repayment	(175,000)	(550,000)	
Bond Interest Expense	(68,285)	(819,000)	(2,417,092)
Cash and cash equivalents – - reserve accounts April 30, 2012	$ 254,535	$1,710,600	$ 2,809,869

Note 11. ***RESTRICTED ACCOUNTS – REQUIRED BY BOND ORDINANCE 2009-29*** *– continued*

	2010A Principal & Interest	2010A Reserve	2010B Principal & Interest
Cash and cash equivalents - reserve accounts April 30, 2011	$2,215,292	$2,307,406	$ 174,587
Add (deduct)			
Transfer to Bond and Interest Accounts	262,502	(232)	538,428
Build America Bond Receipts	793,254		
Interest Income	1,203		174
Reserve Fund Earnings	1,423		195
Paying Agent Fees	(350)		(350)
Bond Principal Repayment			(225,000)
Bond Interest Expense	(2,266,441)		(97,200)
Cash and cash equivalents - reserve accounts April 30, 2012	$1,006,883	$2,307,174	$ 390,834

	2010B Reserve	2011A Principal & Interest	2011A Reserves	IEPA Loans
Cash and cash equivalents - reserve accounts April 30, 2011	$ 315,248	$	$	$ 750,000
Add (deduct)				
Transfer to Bond and Interest Accounts		65,922		2,305,568
Interest Income		113		826
Bond Proceeds		639,275	1,457,150	
Reserve Fund Earnings		449		
Paying Agent Fees		(1,750)		
Bond Principal Repayment				(764,216)
Bond Interest Expense		(337,395)		(110,159)
Cash and cash equivalents - reserve accounts April 30, 2012	$ 315,248	$366,614	$1,457,150	$2,182,019

(b) Capital improvements accounts:

	Capital Improvement 2011A	Capital Improvement 2010A&B	Capital Improvement 2009E/2012A
Cash and cash equivalents - April 30, 2011	$ 703,718	$18,636,798	$ 1,601,747
Interest Received	8,791	5,831	587
Federal Stimulus – IEPA Loan and Grants received		8,022,906	2,605,077
Bond proceeds	19,343,349		5,200,000
Bond Costs	(309,988)		(35,630)
Capital Assets	(8,207,559)	(25,623,563)	(4,207,292)
Transfers (to) from other accounts	355,659		(156,475)
Cash and cash equivalents April 30, 2012	$11,893,970	$ 1,041,972	$ 5,008,014

As of April 30, 2012 the District was in compliance with the debt covenants of the bond ordinances.

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. *COMMITMENTS*

The Sanitary District has entered into several contracts with Crawford, Murphy, & Tilly, Inc. for a total amount of $26,141,740. As of April 30, 2012, the District made total payments of $17,950,328. The Sanitary District has outstanding contract balances of $8,191,412 for work to be performed.

The Sanitary District has also entered into several contracts with River City Construction for a total amount of $58,583,347. As of April 30, 2012 the District made total payments of $58,044,060. The Sanitary District has outstanding contract balances of $539,287 for work to be performed.

The Sanitary District has entered into contract agreements with Plocher Construction, Vasconcelles Engineering, and Hanson Engineering for total contract amounts of $32,680,923, $235,000, and $194,270 respectively. As of April 30, 2012 the District made payments of $31,989,294 to Plocher Construction, $195,912 to Vasconcelles Engineering, and $85,331 to Hanson Engineering. Leaving outstanding contract balances of $691,629, $39,088, and $108,939 respectively, for work to be completed.

The Sanitary District has entered into a contract agreement with Williams Brothers Construction for total contract amount of $32,829,975 as of April 30, 2012 the District made payments of $7,613,095 to Williams Brothers Contraction leaving an outstanding contract balance of $25,216,880.

Note 14. *SUBSEQUENT EVENTS*

Management has evaluated subsequent events through July 30, 2012, which is the date the financial statements were available to be issued. As of July 30, 2012, management has identified no subsequent events requiring recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

SPRINGFIELD METRO SANITARY DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION
April 30, 2012

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)
5/1/11	$ --	$6,442,604	$6,442,604	0.00%	$3,507,737	183.67%
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)
12/31/11	$3,023,758	$7,435,784	$4,412,026	40.66%	$3,340,309	132.08%
12/31/10	1,737,476	6,382,061	4,644,585	27.22%	2,964,535	156.67%
12/31/09	870,127	5,569,773	4,699,646	15.62%	2,668,620	176.11%

On a market value basis, the actuarial value of assets as of December 31, 2011 is $2,494,742. On a market basis, the funded ratio would be 33.55%.

OTHER SUPPLEMENTAL DATA (UNAUDITED)

SPRINGFIELD METRO SANITARY DISTRICT

SCHEDULE OF ASSESSED VALUATIONS, RATES EXTENSIONS AND COLLECTIONS (Unaudited) Tax Years 2011 and 2010

	2011 Taxes Payable in 2012	2010 Taxes Payable in 2011
Assessed Valuation	$2,788,536,833	$2,749,116,028
Estimated Actual Value	$8,365,610,499	$8,247,348,084
Tax Rates:		
General	.0460	.0460
Illinois municipal retirement	.0247	.0235
Sewer treatment	.0094	.0096
Social security	.0085	.0080
Total	.0886	.0871
Extensions:		
General	$1,282,727	$1,264,594
Illinois municipal retirement	688,769	646,042
Sewer treatment	262,122	263,915
Social security	237,026	219,929
Total	$2,470,644	$2,394,480
Collections:		$2,384,634

BILLABLE WATER FLOWS

Number of customers	57,965
Number of units	6,759,226
1 unit is equal to 748 gallons	
Gallons billed for calendar year 2011	5,055,901,048

SPRINGFIELD METRO SANITARY DISTRICT

RATE INCREASES AND RATE SCHEDULE

For the Year Ended April 30, 2012

		7/1/2008	Fiscal Years Ending April 30,							
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Rate 1a – Suburban Springfield Base User Charge										
User Charge (per CCF)	$ 1.00	$ 1.32	$ 1.73	$ 2.27	$ 2.98	$ 3.90	$ 4.14	$ 4.39	$ 4.65	$ 4.93
Service Charge (monthly	2.40	3.16	4.14	5.44	7.13	9.36	9.93	10.52	11.15	11.82
Collection Charge	.50	.50	.50	.50	.50	.50	.50	.50	.50	.50
Rate 1b – City of Springfield Baser User Charge										
User Charge (per CCF) net	.50	.66	.87	1.14	1.49	1.95	2.07	2.20	2.33	2.47
Service charge (monthly)	1.20	1.58	2.07	2.72	3.57	4.68	4.97	5.26	5.58	5.91
Collection Charge	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25
Rate 1c – District Base User Charge										
User Charge (per CCF) net	.50	.66	.87	1.14	1.49	1.95	2.07	2.20	2.33	2.47
Service Charge (monthly)	1.20	1.58	2.07	2.72	3.57	4.68	4.97	5.26	5.58	5.91
Collection Charge	.25	.25	.25	.25	.25	.25	.25	.25	.25	.25
Rate 1d – District Unmetered User Charge										
Within Springfield	4.05	4.51	5.76	7.41	9.59	12.40	13.11	13.87	14.87	15.52
Outside of Springfield	11.50	14.29	18.60	24.26	31.70	41.45	43.91	46.52	49.28	52.20
Rate 1e – Surcharge										
BOD Surcharge	.05	.07	.09	.11	.15	.20	.21	.22	.23	.25
TSS Surcharge	.07	.09	.12	.16	.21	.27	.29	.31	.33	.34
Base User Charge	.10	.13	.17	.23	.30	.39	.41	.44	.46	.49
BOD Surcharge	.02	.03	.03	.05	.06	.08	.08	.09	.09	.10
TSS Surcharge	.02	.03	.03	.05	.06	.08	.08	.09	.09	.10

SPRINGFIELD METRO SANITARY DISTRICT

SCHEDULE OF REVENUES AND EXPENSES REQUIRED BY ORDINANCE 2009-29

For the Year Ended April 30, 2012

	Statement of Revenues and Expenses	Less IMRF	Less Public Benefits	Less Special Assessments	Other Adjustments	Required by Ordinance 2009-29
Operating Revenues:						
Sewer service charges	$14,950,051	$	$	$	$	$14,950,051
Sewer permits	284,295					284,295
Special waste fees	104,355					104,355
Lab fees	15,012					15,012
Low pressure system payments	8,000		(8,000)			
Total operating revenues	15,361,713	--	(8,000)	--	--	15,353,713
Operating Expenses						
Plant operations	5,403,968	(406,060)				4,997,908
Pump station operations	903,311	(11,496)				891,815
Sewer operations	479,392	(29,877)				449,515
Management and administration	3,132,345	(122,085)				3,010,260
Other postemployment benefits	333,977				(333,977)	
Depreciation	1,324,487				(1,324,487)	
Total operating expenses	11,577,480	(569,518)	--	--	(1,658,464)	9,349,498
Operating income (loss)	3,784,233	569,518	(8,000)	--	1,658,464	6,004,215
Non-operating Revenues (Expenses)						
Property taxes	2,398,091	(643,386)				1,754,705
State sources – Illinois Environmental Protection Agency	7,500,000				(7,500,000)	
Federal receipts	1,639,237				(1,639,237)	
Illinois replacement taxes	334,147					334,147
Interest income	38,005		(610)	(12,390)		25,005
Rental income	9,355					9,355
Recycling income	7,196					7,196
Miscellaneous	80					80
Interest expense	(990,700)	88,020			902,680	
Bond costs	(4,450)				4,450	
Accretion (amortization) of bonds issue costs, premiums	101,649				(101,649)	
Total non-operating revenues (expenses)	11,032,610	(555,366)	(610)	(12,390	(8,333,756)	2,130,488
Change in Net Assets	$14,816,843	$ 14,152	$(8,610)	$(12,390)	$(6,675,292)	$ 8,134,703

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 2012

Federal Grantor/Pass-Through Grant/Program Title	CFDA Number	Grant Number	Revenue	Expenditures
U.S. Environmental Protection Agency				
Passed through Illinois Environmental Protection Agency				
ARRA - Construction Grants for Wastewater Treatment Works (M)	66.418	L17-2910	$ 2,068,971	$ 2,068,971
ARRA - Capitalization Grants for Clean Water State Revolving Funds (M)	66.458	L17-4561	6,325,857	6,325,857
Total U.S. Environmental Protection Agency			8,394,828	8,394,828
TOTAL FEDERAL AWARDS			$ 8,394,828	$ 8,394,828

(M) Tested as Major Fund

NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
April 30, 2012

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, 2012.

Note 4. *CONTINGENCIES*

The Springfield Metro Sanitary District receives awards under two federal grant programs 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 year ending April 30, 2012, the District received $8,394,828 in federal loan proceeds from the Illinois Environmental Protection Agency.

The District received $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. The District also received $20,000,000 in federal funds from the U.S. Environmental Protection Agency passed through the State of Illinois, of which $2,500,000 of the loan proceeds were forgiven due to the District's medium household income being below the state average. At April 30, 2012, the total outstanding balance on the IEPA loans are $31,861,184. During the fiscal year 2012 the District made $764,217 in principal payments and recognized $7,500,000 in debt forgiveness as income per the loan agreements.

SPRINGFIELD METRO SANITARY DISTRICT

SUMMARY OF FINDINGS AND QUESTIONED COSTS
April 30, 2012

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, 2012, and have issued our unqualified report thereon dated June 25, 2012.
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, 2012, and have issued our unqualified opinion thereon dated June 25, 2012.
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 #
ARRA – Construction Grants for Wastewater Treatment Works	66.418
ARRA – Capitalization Grants for Clean Water State Revolving Funds	66.458

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.

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