SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

For the Year Ended April 30, 2013

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

Joseph E. Pehlman, C.P.A. (1941 - 1984)
Joseph B. Dold, C.P.A., Retired
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Pehlman & Dold, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

100 North Amos Avenue
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June 10, 2013

To the Board of Trustees
Springfield Metro Sanitary District
3017 North 8th Street
Springfield, Illinois 62707

We have audited the financial statements of the business-type activities of Springfield Metro Sanitary District for the year ended April 30, 2013, and have issued our report thereon dated June 10, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 26, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statement does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 10, 2013.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Springfield Metro Sanitary District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended April 30, 2013. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 10, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Springfield Metro Sanitary District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Pehlman & Dold, PC

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

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June 10, 2013

Board of Trustees
Springfield Metro Sanitary District
Springfield, Illinois

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Springfield Metro Sanitary District, Springfield, Illinois (the "District"), as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Springfield Metro Sanitary District, Springfield, Illinois, as of April 30, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Springfield Metro Sanitary District, Springfield, Illinois' basic financial statements. 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 basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic 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.

In accordance with *Government Auditing Standards,* we have also issued our report dated June 10, 2013, on our consideration of the Springfield Metro Sanitary District, Springfield, Illinois' 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* in considering the Springfield Metro Sanitary District, Springfield, Illinois' internal control over financial reporting and compliance.

Respectfully submitted,

Pehlman & Dold, PC

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June 10, 2013

Board of Trustees
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Springfield, Illinois

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the business-type activities, the Springfield Metro Sanitary District, Springfield, Illinois, as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the Springfield Metro Sanitary District, Springfield, Illinois' basic financial statements, and have issued our report thereon dated June 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Springfield Metro Sanitary District, Springfield, Illinois' internal control over financial reporting internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Springfield Metro Sanitary District, Springfield, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the Springfield Metro Sanitary District, Springfield, Illinois' internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springfield Metro Sanitary District, Springfield, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Pehlman & Dold, PC

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June 10, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Springfield Metro Sanitary District, Springfield, Illinois, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended April 30, 2013. The Springfield Metro Sanitary District, Springfield, Illinois' major federal programs are identified in the summary of auditor's results 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 management.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Springfield Metro Sanitary District, Springfield, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. 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 Springfield Metro Sanitary District, Springfield, Illinois' 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the Springfield Metro Sanitary District, Springfield, Illinois' compliance.

Opinion on Each Major Federal Program

In our opinion, Springfield Metro Sanitary District, Springfield, Illinois, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2013.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

Management of the Springfield Metro Sanitary District, Springfield, 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, Springfield, 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, Springfield, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance 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. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Pehlman & Dold, P.C

PEHLMAN & DOLD, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

STATEMENT OF NET POSITION
April 30, 2013

ASSETS	
Current assets:	
Cash	$ 1,358,186
Receivables:	
Sewer service charges	2,625,985
Property taxes	2,572,645
Replacement taxes	70,870
Illinois Environmental Protection Agency	1,284,966
U.S. Treasury	748,312
Prepaid expenses	55,912
Restricted assets:	
Restricted cash	25,995,561
Special assessment receivables	40,642
Low pressure receivables	1,600
Total current assets	34,754,679
Non-current assets:	
Capital assets:	
Land	610,239
Property, plant and equipment, net	166,375,715
Construction in progress	35,267,758
Total capital assets	202,253,712
Debt issuance costs, net	564,135
Special assessment receivable	52,334
Low pressure receivables	3,200
Total noncurrent assets	202,873,381
Total assets	237,628,060
LIABILITIES	
Current liabilities:	
Accounts payable	493,674
Accounts payable capital outlay	906,035
Accrued vacation and payroll	1,110,282
Accrued interest payable	2,173,383
Current portion of Illinois Environmental Protection Agency	1,545,599
Current portion of bonds payable	2,540,000
Total current liabilities	8,768,973
Non-current liabilities:	
Bonds payable	118,290,000
Less: Discounts on bonds payable	865,329
Add: Premium on bonds payable	1,444,443
Illinois Environmental Protection Agency wastewater treatment loans	46,279,838
Net other post employment benefit obligations	1,575,049
Total non-current liabilities	166,724,001
Total liabilities	175,492,974
DEFERRED INFLOWS OF RESOURCES	
Deferred property taxes	2,572,645
NET POSITION	
Net investment in capital assets	42,891,141
Restricted – debt service	16,599,495
Unrestricted	71,805
Total net position	$ 59,562,441

See Independent Auditor's Report.

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

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended April 30, 2013

Operating Revenues:	
Sewer service charge	$18,725,936
Sewer permits	227,550
Special waste fees	100,094
Lab fees	22,027
Low pressure system payments	4,000
Annexation fees	2,488
Total operating revenues	19,082,095
Operating Expenses	
Plant operations	6,454,723
Pump station	983,987
Sewer operations	568,784
Management and administration	3,499,569
Other postemployment benefits	415,140
Depreciation	2,667,234
Total operating expenses	14,589,437
Operating income	4,492,658
Non-operating Revenues (Expenses)	
Property taxes	2,476,224
State sources – Illinois Environmental Protection Agency	2,500,000
Federal sources – Build America Bonds	1,567,930
Illinois replacement taxes	353,658
Interest income	33,194
Rental income	12,954
Refunds and reimbursements	19,852
Miscellaneous	2,025
Interest expense	(4,588,771)
Bond fees	(5,050)
Amortization/accretion of bond issue costs, premiums and discounts	69,483
Total non-operating revenues (expenses)	2,441,499
Change in Net Position	6,934,157
Net Position	
Beginning of year	52,628,284
End of year	$59,562,441

See Independent Auditor's Report.

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

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

STATEMENT OF CASH FLOWS
For the Year Ended April 30, 2013

Net Cash Flows from Operating Activities:	
Cash received from customers and users	$ 18,652,701
Payments to suppliers	(7,158,821)
Payments to employees	(3,893,505)
Net cash provided by operating activities	7,600,375
Net Cash Flows from Non-Capital Financing Activities:	
Property tax receipts	2,476,224
Illinois replacement tax receipts	332,357
Federal and state receipts	2,854,270
Refunds and reimbursements	19,852
Miscellaneous receipts	2,025
Net cash provided by non-capital financing activities	5,684,728
Net Cash Flows from Capital and Related Financing Activities:	
Principal payments on long-term debt	(3,540,747)
Long-term debt proceeds	17,500,000
Bond expenses	(5,050)
Interest paid	(4,608,114)
Acquisition and construction of capital assets	(30,804,382)
Net cash used in capital and related financing activities	(21,458,293)
Net Cash Flows from Investing Activities:	
Interest income	33,194
Rental income	12,954
Net cash provided by investing activities	46,148
Net decrease in cash	(8,127,042)
***Cash** – May 1, 2012*	35,480,789
***Cash** – April 30, 2013*	$ 27,353,747

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 4,492,658
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,667,234
Change in operating assets and liabilities:	
Increase in receivables	(429,395)
Increase in accounts payable	299,292
Increase in accrued vacation and payroll	120,762
Decrease in prepaid expenses	34,684
Increase in other post employment benefit obligations	415,140
Net cash provided by operating activities	$ 7,600,375

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, Springfield, Illinois (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 position, 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*

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 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*

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 Position:

The District records reservations for portions of net position 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 position indicates that portion of net position, which is available for appropriations, in future periods. Net position 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 position 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.

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*

The following is disclosed regarding coverage as of April 30, 2013.

a) The total amount of FDIC coverage as of April 30, 2013 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, 2013, the carrying amount of the District's deposits (cash and interest bearing demand accounts at financial institutions), which excludes petty cash of $400, was $27,353,347, and the bank balance was $28,286,183.

	Carrying Amount	Bank Balance
Cash	$ 60,860	$ 169,326
Illinois Funds Money Market Fund	27,292,487	28,116,857
	$27,353,347	$28,286,183

(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 deposits or investments or collateral securities that are in the possession of another party. Of the District's total cash and cash equivalents, $-0- was subject to custodial credit risk.

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.

Concentration Risk: The District's Board places no limit on the amount that can be invested with any single issuer. Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer.

Note 3. *PROPERTY TAXES*

The District's ad valorem property tax was levied by ordinance on May 29, 2012 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 levied in one year become due and payable in two installments in June and September during the following year. Substantial collections of real estate taxes are typically received July through October.

Note 3. *PROPERTY TAXES*

The District accounts for property taxes using requirements that taxes relating to the current budget be recognized as revenue currently; and a property tax assessment made during the current year for the purpose of and relating to the following fiscal period budget be recorded as receivable and the related revenue deferred to the period for which it was levied.

The 2011 tax levy is reflected as revenue in the fiscal year ending April 30, 2013. Forfeited, objected, and delinquent tax distributions are recognized as revenues when collected.

Property taxes levied in 2012 to be collected in 2013 have been recognized as assets (property taxes receivable) and deferred inflow as these taxes have been matched to be used in the 2014 budget.

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

	Levy Year	
	2011	2012
General	.0460	.0488
Illinois Municipal Retirement Fund	.0247	.0248
Sewer Treatment	.0094	.0094
Social Security	.0085	.0085
Total	.0886	.0915
Assessed valuation	$2,788,536,833	$2,811,633,693

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	Principal
April 30, 2014	$ 40,642
April 30, 2015	17,779
April 30, 2016	15,643
April 30, 2017	6,304
April 30, 2018	6,304
April 30, 2019	6,304
	$ 92,976

Note 5. *CAPITAL ASSETS*

Capital asset activity for the year ended April 30, 2013:

	Balances April 30, 2012	Additions	Deletions	Transfers	Balances April 30, 2013
Capital Assets not being Depreciated:					
Land	$ 610,239	$	$	$	$ 610,239
Construction in progress	134,636,889	26,910,624		(126,279,755)	35,267,758
Total non-depreciable capital assets	$135,247,128	$26,910,624	$	$(126,279,755)	$ 35,877,997

Note 5. ***CAPITAL ASSETS***

Capital asset activity for the year ended April 30, 2013: - continued

	Balances April 30, 2012	Additions	Deletions	Transfers	Balances April 30, 2013
Capital Assets being Depreciated:					
Land improvements	$ 1,515,591	$ 96,007	$	$	$ 1,611,598
Buildings	16,150,429	27,448		24,599,215	40,777,092
Equipment, vehicles, and machinery	14,492,044	985,331		36,289,499	51,766,874
Sewer system	39,002,178			65,391,041	104,393,219
Total depreciable capital assets	$ 71,160,242	$ 1,108,786	$	$126,279,755	$198,548,783
Less Accumulated Depreciation:					
Land improvements	$ 249,861	$ 35,884	$	$	$ 285,745
Buildings	3,562,151	360,927			3,923,078
Equipment, vehicles, and machinery	5,472,371	1,006,262			6,478,633
Sewer system	20,221,451	1,264,161			21,485,612
Total accumulated depreciation	$ 29,505,834	$ 2,667,234	$	$	$ 32,173,068
Total capital assets	$176,901,536	$25,352,176	$	$	$202,253,712

Interest capitalized as construction period interest for the new sewer wastewater treatment plant is $2,222,817.

Note 6. ***DEBT ISSUANCE***

	Balances April 30, 2012	Additions	Deletions	Balances April 30, 2013
Debt Issuance:				
Bond Costs	$ 663,734	$	$	$ 663,734
Bond Discounts	978,361			978,361
Bond Premiums	(1,797,092)			(1,797,092)
	$(154,997)	$	$	$(154,997)
Less Accumulated Amortization:				
Bond issue costs, and discounts	$ 119,113	$ 93,519	$	$ 212,632
Plus Accumulated *Accretion:*				
Bond premiums	189,648	163,002		352,650
Total debt issuance, net	$(84,461)	$ 69,483	$	$(14,979)

Debt issuance costs, net	$ 564,135
Discounts on bonds payable, net	865,329
Premiums on bonds payable, net	(1,444,443)
Total	$(14,979)

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, 2013 was $13,875,000. The $5,000,000 of loan forgiveness was 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, 2014	$ 750,000	$	$ 750,000
April 30, 2015	750,000		750,000
April 30, 2016	750,000		750,000
April 30, 2017	750,000		750,000
April 30, 2018 – 2032	10,875,000		10,875,000
Total	$13,875,000	$	$13,875,000

(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 was 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 was recognized as non-operating income for fiscal year 2012. Payments began May 1, 2012 and continue through November 1, 2031. The balance of the loan at April 30, 2013 was $16,450,437. 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, 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	836,260	162,491	998,751
April 30, 2018 – 2032	13,197,327	1,284,559	14,481,886
Total	$16,450,437	$2,026,453	$18,476,890

(c) As of June 30, 2011 the Springfield Metro Sanitary District, Springfield, Illinois 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.

Note 7. *LONG-TERM DEBT*

Loans Payable: *- continued*

Illinois Environmental Protection Agency Revolving Loans: - continued

In order to secure this loan, the District authorized the issuance of the Series 2011B Subordinate Lien Bonds. The proceeds of the loan will be used in the construction of Phase IV of the new Spring Creek Wastewater Treatment Plant. The $2,500,000 of loan forgiveness has been included in nonoperating income for the fiscal year 2013. The balance of the loan at April 30, 2013 was $17,500,000, which included federal receipts of $13,853,408. 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, 2009E, 2010A, 2010B, and 2011A Bonds.

As of April 2013 a repayment schedule for this loan had not been received by the District.

Bond Issues:

(a) Springfield Metro Sanitary District, Springfield, Illinois 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, 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	135,000	13,905	148,905
April 30, 2018	135,000	7,020	142,020
Total	$ 985,000	$136,780	$1,121,780

(b) Springfield Metro Sanitary District, Springfield, Illinois 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.

Note 7. *LONG-TERM DEBT*

Bond Issues: *- continued*

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

Fiscal Year	Principal	Interest	Total
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	660,000	706,300	1,366,300
April 30, 2019 – 2023	2,770,000	3,162,475	5,932,475
April 30, 2024 – 2028	3,245,000	2,455,725	5,700,725
April 30, 2029 – 2033	3,410,000	1,614,669	5,024,669
April 30, 2034 – 2039	4,640,000	843,037	5,483,037
Total	$17,155,000	$11,817,756	$28,972,756

(c) Springfield Metro Sanitary District, Springfield, Illinois 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, 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 Budget Control Act of 2011 allows the United States Government to sequester portions of the reimbursement through federal fiscal year 2021. The percentage reduction for federal fiscal year 2013 is 8.7%.

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

Fiscal Year	Principal	Interest	Total
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		2,417,092	2,417,092
April 30, 2019 – 2023		12,085,460	12,085,460
April 30, 2024 – 2028		12,085,460	12,085,460
April 30, 2029 – 2033		12,085,460	12,085,460
April 30, 2034 – 2038	4,890,000	11,938,357	16,828,357
April 30, 2039 – 2043	14,245,000	8,863,189	23,108,189
April 30, 2044 – 2049	19,725,000	4,225,868	23,950,868
Total	$38,860,000	$73,369,254	$112,229,254

(d) Springfield Metro Sanitary District, Springfield, Illinois 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, Note 7. *LONG-TERM DEBT*

Bond Issues*: - continued*

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 Budget Control Act of 2011 allows the United States Government to sequester portions of the reimbursement through federal fiscal year 2021. The percentage reduction for federal fiscal year 2013 is 8.7%.

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

Fiscal Year	Principal	Interest	Total
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	2,180,651	3,385,651
April 30, 2018	1,240,000	2,121,508	3,361,508
April 30, 2019 – 2023	6,880,000	9,550,571	16,430,571
April 30, 2024 – 2028	8,350,000	7,295,634	15,645,634
April 30, 2029 – 2033	10,225,000	4,396,615	14,621,615
April 30, 2034 – 2036	7,235,000	952,932	8,187,932
Total	$38,700,000	$33,332,616	$72,032,616

(e) Springfield Metro Sanitary District, Springfield, Illinois 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, 2009 a Revenue Bond Authorizing Ordinance adopted February 22, 2011, and the Series 2011A Bond Ordinance adopted July 26, 2011. The bonds carry varying interest rates ranging from 2.5-5% and shall pay interest semiannually on January 1st and July 1st.

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

Fiscal Year	Principal	Interest	Total
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	620,000	834,000	1,454,000
April 30, 2019 – 2022	17,025,000	2,381,500	19,406,500
Total	$19,930,000	$6,749,150	$26,679,150

(f) Springfield Metro Sanitary District, Springfield, Illinois 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. 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.

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

Bond Issues: *- continued*

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

Fiscal Year	Principal	Interest	Total
April 30, 2014	$	$ 70,200	$ 70,200
April 30, 2015	5,200,000	46,800	5,246,800
Total	$5,200,000	$117,000	$5,317,000

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, Springfield, Illinois 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:

Estimated annual required contribution	$ 749,906
Interest on net OPEB obligation	55,096
Adjustment to annual required contribution	(109,868)
Estimated annual OPEB cost	695,134
Contributions made	(279,994)
Estimated increase in net OPEB obligation	415,140
Net OPEB obligation – beginning of year	1,159,909
Estimated net OPEB obligation – end of year	$1,575,049

Note 7. *LONG-TERM DEBT*

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

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
4/30/13	695,134	40.30%	1,575,049

Funding Status and Funded Progress. As of April 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability was $7,229,842 and the actuarial value of assets was $-0- resulting in an unfunded actuarial accrued liability (UAAL) of $7,229,842. The covered payroll (annual payroll of active employees covered by the plan) was $3,634,741, and the ratio of the UAAL to the covered payroll was 198.91 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.

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%
4/30/13	279,994	695,134	40.30%

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 4.75 percent and a 30 year amortization period. Other assumptions are as follows:

Note 7. *LONG-TERM DEBT*

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

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, 2013:

	Balance April 30,2012	Additions	Retirements	Balance April 30,2013
IEPA Wastewater Treatment Loans	$ 31,861,184	$17,500,000	$1,535,747	$ 47,825,437
IMRF Bonds	1,180,000		195,000	985,000
General Obligation Bonds	56,580,000		565,000	56,015,000
Revenue Bonds	65,075,000		1,245,000	63,830,000
Other Post Employment Benefits	1,159,909	415,140		1,575,049
Totals	$155,856,093	$17,915,140	$3,540,747	$170,230,486

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 2012 was 16.15 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 2012 was $589,559.

Note 9. *DEFINED BENEFIT PENSION PLAN*

THREE-YEAR TREND INFORMATION FOR THE REGULAR PLAN

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	$589,559	100%	$ 0
12/31/11	578,207	100%	0
12/31/10	530,948	100%	0

The required contribution for 2012 was determined as part of the December 31, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010, 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, 2010 is being amortized as level percentage of projected payroll on an open 30 year basis.

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the Regular plan was 49.29 percent funded. The actuarial accrued liability for benefits was $8,553,163 and the actuarial value of assets was $4,216,001, resulting in an underfunded actuarial accrued liability (UAAL) of $4,337,162. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was $3,650,520 and the ratio of the UAAL to the covered payroll was 119 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. *MULTIEMPLOYER PENSION PLANS*

The District contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented employees. The risk of participating in multiemployer plans is different from single-employer pension plans in the following aspects:

(a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

(b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

(c) If the District stops participating in its multiemployer pension plan, it may be required to pay the plan an amount based on the underfunded status of the entire plan, referred to as a withdrawal liability.

The District's participation in the plan for the fiscal year ended April 30, 2013 is outlined in the following table. Information in the table was obtained from the plan's Form 5500 for the most current available filing. These dates may not correspond with the District's fiscal year contributions. The Plan Protection Act (PPA) zone status column ranks the funded status of multiemployer pension plans depending upon a plan's current and projected funding. The zone status is based on information that the District received from the plan. Among other factors, the plan is in the Red Zone (critical) if it has a current funded percentage less than 65%. A plan is in the Yellow Zone (endangered) or Orange Zone (seriously endangered) if it has a current funded percentage of less than 80%, or projects a credit balance deficit within seven years. A plan is in the Green Zone (healthy) if it has a current funded percentage greater than 80% and does not have a projected credit balance deficit within seven years. The Funding Improvement Plan (FIP)/Rehabilitation Plan (RP) status column indicates plans for which a FIP or RP is either pending or in place.

Note 10. *MULTIEMPLOYER PENSION PLANS*

The following table lists information about the District's multiemployer pension plan for the year ended April 30, 2013:

Plan Name:

Fund of the International Union of Operating Engineers and Participating Employers

EIN/Pension Plan Number	(1) PPA Status	FIP/RP Status Pending/ Implemented	Company Contributions	Company Contributions > 5% (2)	Expiration Date of CBA (2)
36-6052390 / 001	Green	N/A	$ 40,552	No	4/30/2014

(1) The Zoning status represents the most recent available information for the respective multiemployer pension plan, which may be 2012 or earlier for 2013.

(2) Collective Bargaining Agreement (CBA).

The District has no intentions of withdrawing from any of the multiemployer pension plans in which they participate.

Note 11. *RESTRICTED CASH*

At April 30, 2013, the District has a restricted cash balance of $25,995,561 comprised of the following account balances:

Special Assessment	$ 906,236
Public Benefit	821,587
Sewer Rehabilitation	340,991
Capital Improvement	271,466
Bond and Interest:	
2007A	264,785
2009A	1,709,963
2009E	2,811,473
2010A Principal and Interest	895,516
2010A Reserve	2,307,174
2010B Principal and Interest	420,441
2010B Reserve	315,248
2011A Principal and Interest	486,597
2011 Reserve	1,457,150
IEPA Loans	2,764,911
Capital Improvement – 2011A&B	6,081,209
Capital Improvement – 2010A&B	101
Capital Improvement – 2012A	3,955,248
Replacement	185,465
	$25,995,561

Note 11. *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&B Bonds, and the IEPA loans.

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 12. *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, 2012	$ 254,535	$1,710,600	$ 2,809,869
Add (deduct)			
Transfer to Bond and Interest Accounts	265,363	1,366,200	1,571,110
Build America Bond Receipts			845,982
Interest Income	222	1,463	2,404
Paying Agent Fees	(800)	(800)	(800)
Bond Principal Repayment	(195,000)	(565,000)	
Bond Interest Expense	(59,535)	(802,500)	(2,417,092)
Cash and cash equivalents – - reserve accounts April 30, 2013	$ 264,785	$1,709,963	$ 2,811,473

Note 12. *RESTRICTED ACCOUNTS – REQUIRED BY BOND ORDINANCE 2009-29*

	2010A Principal & Interest	2010A Reserve	2010B Principal & Interest	2010B Reserve
Cash and cash equivalents - reserve accounts April 30, 2012	$1,006,883	$2,307,174	$ 390,834	$315,248
Add (deduct)				
Transfer to Bond and Interest Accounts	1,359,833		1,175,240	
Build America Bond Receipts	793,254			
Interest Income	814		347	
Reserve Fund Earnings	1,973		270	
Paying Agent Fees	(800)		(800)	
Bond Principal Repayment			(1,055,000)	
Bond Interest Expense	(2,266,441)		(90,450)	
Cash and cash equivalents - reserve accounts April 30, 2013	$ 895,516	$2,307,174	$ 420,441	$315,248

	2011A Principal & Interest	2011A Reserves	IEPA Loans
Cash and cash equivalents - reserve accounts April 30, 2012	$ 366,614	$1,457,150	$2,182,019
Add (deduct)			
Transfer to Bond and Interest Accounts	1,222,672		2,329,526
Interest Income	365		2,116
Reserve Fund Earnings	1,246		
Paying Agent Fees	(1,050)		
Bond Principal Repayment	(190,000)		(1,535,746)
Bond Interest Expense	(913,250)		(213,004)
Cash and cash equivalents - reserve accounts April 30, 2013	$ 486,597	$1,457,150	$2,764,911

(b) Capital improvements accounts:

	Capital Improvement 2011A&B	Capital Improvement 2010A&B	Capital Improvement 2009E/2012A
Cash and cash equivalents - April 30, 2012	$11,893,970	$ 1,041,972	$ 5,008,014
Interest Received	5,129	142	4,065
Federal Stimulus – IEPA Loan and Grants received	18,715,034		
Refunds and reimbursements	10,676		
Bond Costs			(49,335)
Capital Assets	(24,543,600)	(1,042,013)	(1,007,496)
Cash and cash equivalents April 30, 2013	$ 6,081,209	$ 101	$ 3,955,248

As of April 30, 2013 the District was in compliance with the debt covenants of the bond ordinances.

Note 13. *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 14. *COMMITMENTS*

The Sanitary District has entered into several contracts with Crawford, Murphy, & Tilly, Inc. for a total contract amount of $17,458,157. As of April 30, 2013, the District made total payments of $10,438,631. The Sanitary District has outstanding contract balances of $7,019,526 for work to be performed.

The Sanitary District has also entered into a contract agreement with Williams Brothers Construction for total contract amount of $33,561,852. As of April 30, 2013 the District made payments of $26,764,461 to Williams Brothers Construction leaving an outstanding contract balance of $6,797,391.

Note 15. *SUBSEQUENT EVENTS*

Management has evaluated subsequent events through July 11, 2013, which is the date the financial statements were available to be issued. As of July 11, 2013, management has identified no subsequent events requiring recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION
April 30, 2013

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)
4/30/12	$ --	$7,229,842	$7,229,842	0.00%	$3,634,741	198.91%
4/30/11	--	6,442,604	6,442,604	0.00%	3,507,737	183.67%
4/30/10	--	6,586,088	6,586,088	0.00%	2,901,012	227.03%

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)
12/31/12	$4,216,001	$8,553,163	$4,337,162	49.29%	$3,650,520	118.81%
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%

On a market value basis, the actuarial value of assets as of December 31, 2012 is $4,617,756. On a market basis, the funded ratio would be 53.99%.

The actuarial value of assets and accrued liability cover active and inactive members who have service credit with Springfield Metro Sanitary District, Springfield, Illinois. They do not include amounts for retirees. The actuarial accrued liability for retirees is 100% funded.

OTHER SUPPLEMENTAL DATA (UNAUDITED)

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

SCHEDULE OF ASSESSED VALUATIONS, RATES EXTENSIONS AND COLLECTIONS (Unaudited) Tax Years 2012 and 2011

	2012 Taxes Payable in 2013	2011 Taxes Payable in 2012
Assessed Valuation	$2,811,633,693	$2,788,536,833
Estimated Actual Value	$8,434,901,079	$8,365,610,499
Tax Rates:		
General	.0488	.0460
Illinois municipal retirement	.0248	.0247
Sewer treatment	.0094	.0094
Social security	.0085	.0085
Total	.0915	.0886
Extensions:		
General	$1,372,077	$1,282,727
Illinois municipal retirement	697,285	688,769
Sewer treatment	264,294	262,122
Social security	238,989	237,026
Total	$2,572,645	$2,470,644
Collections:		$2,462,598

BILLABLE WATER FLOWS

Number of customers	58,326
Number of units	6,693,059
1 unit is equal to 748 gallons	
Gallons billed for calendar year 2011	5,006,408,132

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

RATE INCREASES AND RATE SCHEDULE
For the Year Ended April 30, 2013

		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
Springfield, Illinois

SCHEDULE OF REVENUES AND EXPENSES REQUIRED BY ORDINANCE 2009-29
For the Year Ended April 30, 2013

	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	$18,725,936	$	$	$	$	$18,725,936
Sewer permits	227,550					227,550
Special waste fees	100,094					100,094
Lab fees	22,027					22,027
Low pressure system payments	4,000		(4,000)			
Annexation fees	2,488		(2,488)			
Total operating revenues	19,082,095		(6,488)			19,075,607
Operating Expenses						
Plant operations	6,454,723	(441,715)				6,013,008
Pump station operations	983,987	(10,786)				973,201
Sewer operations	568,784	(25,939)				542,845
Management and administration	3,499,569	(128,951)				3,370,618
Other postemployment benefits	415,140				(415,140)	
Depreciation	2,667,234				(2,667,234)	
Total operating expenses	14,589,437	(607,391)			(3,082,374)	10,899,672
Operating income (loss)	4,492,658	607,391	(6,488)		3,082,374	8,175,935
Non-operating Revenues (Expenses)						
Property taxes	2,476,224	(665,661)				1,810,563
State sources – Illinois Environmental Protection Agency	2,500,000				(2,500,000)	
Federal receipts	1,567,930				(1,567,930)	
Illinois replacement taxes	353,658					353,658
Interest income	33,194		(149)	(6,530)		26,515
Rental income	12,954					12,954
Refunds and reimbursements	19,852					19,852
Miscellaneous	2,025					2,025
Interest expense	(4,588,771)	76,039				(4,512,732)
Bond costs	(5,050)					(5,050)
Accretion (amortization) of bonds issue costs, premiums	69,483					69,483
Total non-operating revenues (expenses)	2,441,499	(589,622)	(149)	(6,530	(4,067,930)	2,222,732
Change in Net Position	$ 6,934,157	$ 17,769	$(6,637)	$(6,530)	$(985,556)	$ 5,953,203

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
Springfield, Illinois

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 2013

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 - Capitalization Grants for the Wastewater State Revolving Funds (M)	66.458	L17-4566	$13,853,408	$13,853,408
Total U.S. Environmental Protection Agency			13,853,408	13,853,408
TOTAL FEDERAL AWARDS			$13,853,408	$13,853,408

(M) Tested as Major Fund

NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
April 30, 2013

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, Springfield, Illinois (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, Springfield, Illinois 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, 2013, the District received $13,853,408 in federal loan proceeds from the Illinois Environmental Protection Agency.

During the current fiscal year, the District received an additional $20,000,000 in loan proceeds from IEPA of which $13,853,408 was from the U.S. Environmental Protection Agency passed through the State of Illinois. Of the $20,000,000, $2,500,000 of the loan proceeds was forgiven due to the District's medium household income being below the state average. At April 30, 2013, the total outstanding balance on all IEPA loans are $47,825,437, and the total federal portion of the loans is $44,178,845. During the fiscal year the District made $1,535,747 in principal payments and recognized $2,500,000 in debt forgiveness as income per the loan agreements.

Note 6. ***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.

SPRINGFIELD METRO SANITARY DISTRICT
Springfield, Illinois

SUMMARY OF FINDINGS AND QUESTIONED COSTS
April 30, 2013

Part 1:

Summary of Audit Results

1. We have audited the financial statements of the Springfield Metro Sanitary District, Springfield, Illinois, as of and for the year ended April 30, 2013, and have issued our unqualified report thereon dated June 10, 2013.
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, Springfield, Illinois.
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, Springfield, Illinois 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, 2013, and have issued our unqualified opinion thereon dated June 10, 2013.
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 – Capitalization Grants for the Wastewater 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