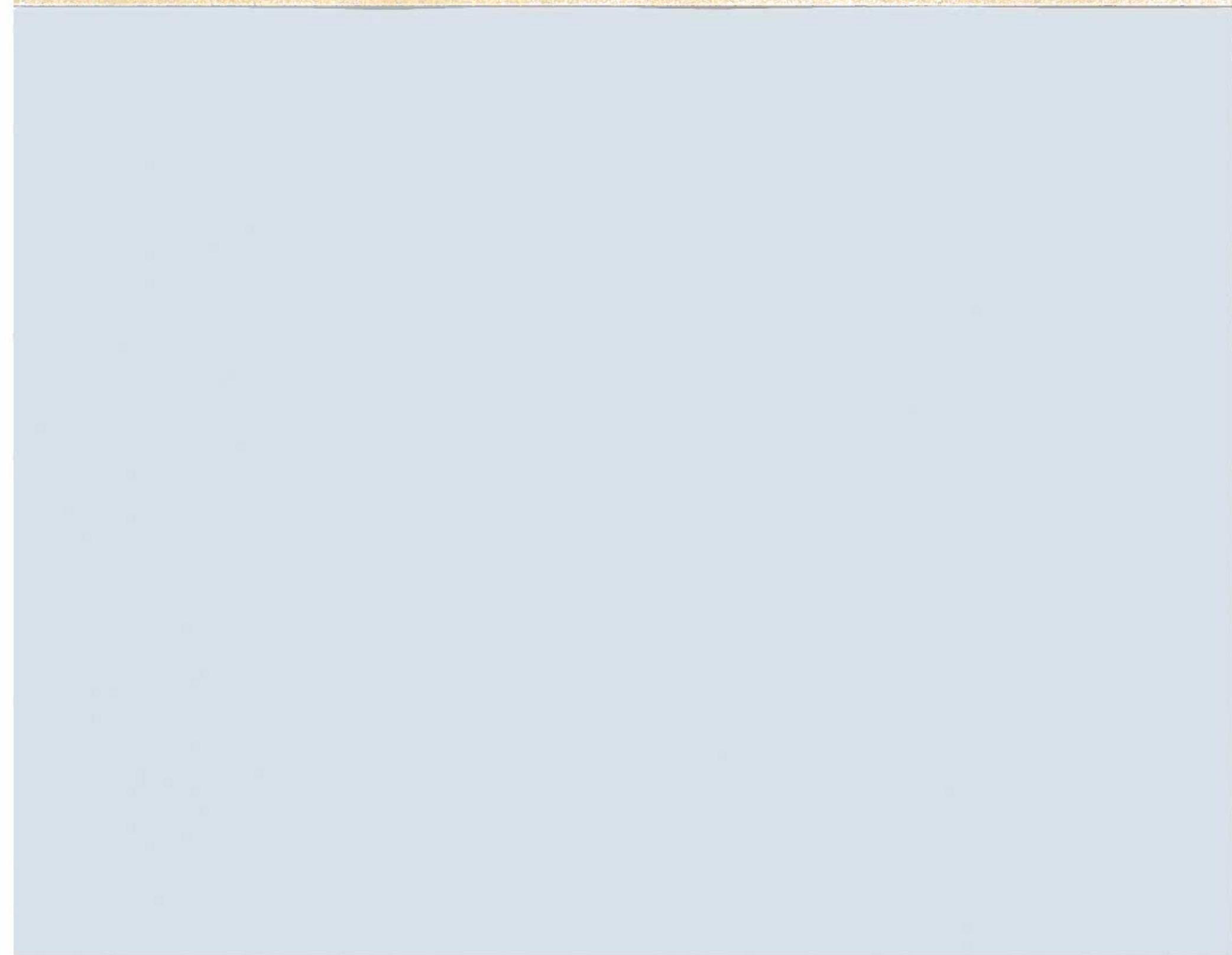
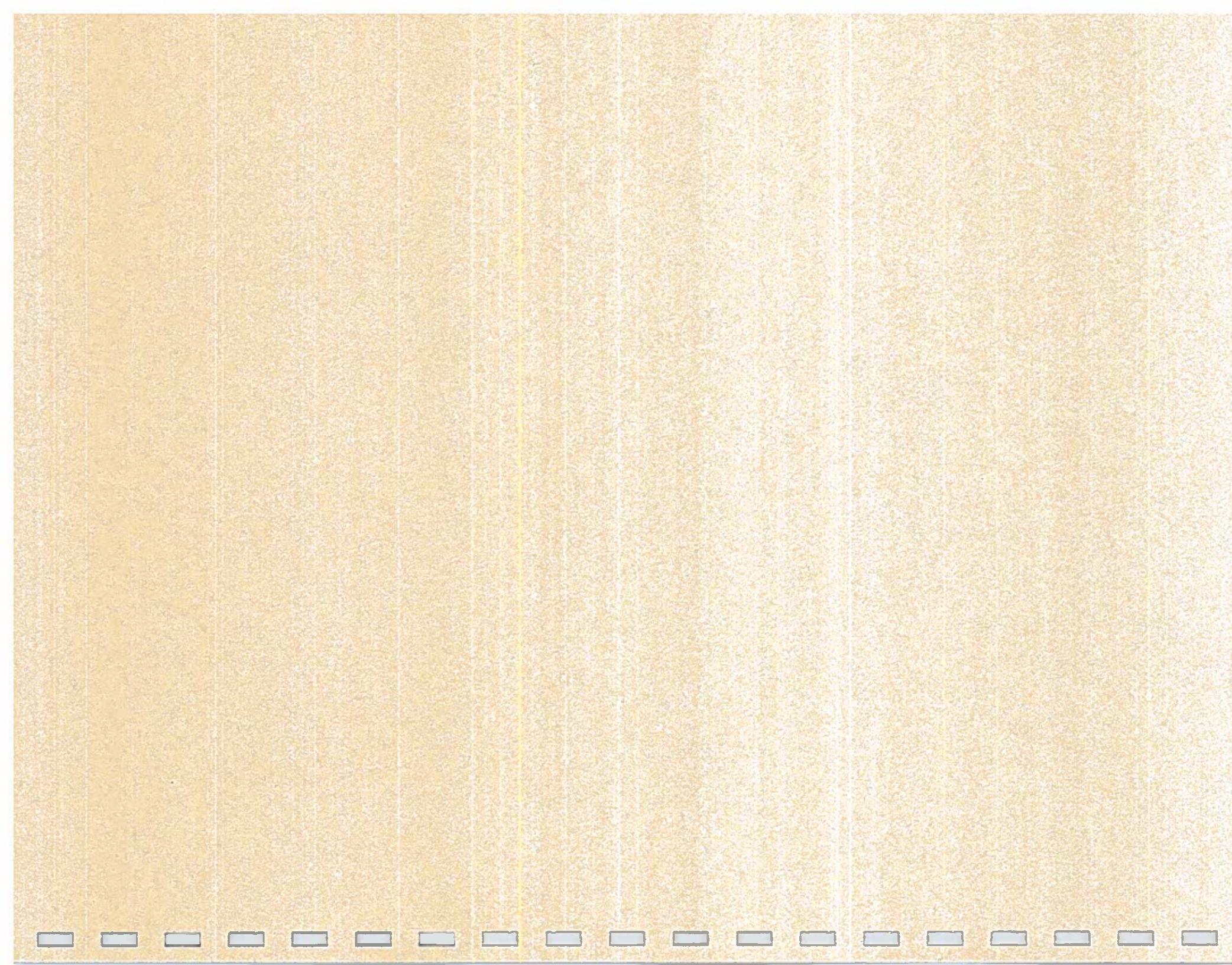


**Metro East Sanitary District
Madison and St. Clair Counties**

**ANNUAL FINANCIAL REPORT
Year Ended December 31, 2012**

**AND
INDEPENDENT AUDITOR'S REPORT**



Metro East Sanitary District
St. Clair and Madison Counties

ANNUAL FINANCIAL REPORT

December 31, 2012

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor's Report	1-3
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	MDA 1-8
BASIC FINANCIAL STATEMENTS	
Exhibit	
<u>Government-Wide Financial Statements</u>	
A Statement of Net Assets	4-5
B Statement of Activities	6
<u>Fund Financial Statements</u>	
C Balance Sheet - Governmental Funds	7
D Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	8
E Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	9
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities	10
G Statement of Net Assets - Proprietary Fund	11-12
H Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	13

(continued on next page)

TABLE OF CONTENTS
(continued)

<u>Exhibit</u>	<u>Page</u>
BASIC FINANCIAL STATEMENTS (continued)	
Fund Financial Statements (continued)	
I	Statement of Cash Flows - Proprietary Fund 14-15
J	Statement of Net Assets - Fiduciary Funds 16
	Index to Notes 17-18
	Notes to Financial Statements 19-39
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule	
A	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General and Major Special Revenue Funds 40-43
B	IMRF Trend Information 44
SUPPLEMENTARY INFORMATION	
Statement	
1	Combining Balance Sheet - Nonmajor Governmental Funds 45
2	Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Governmental Funds 46
3	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Nonmajor Special Revenue Funds 47
4	Statement of Revenues, Expenses and Changes in Net Assets - Budget (GAAP Basis) and Actual - Enterprise Fund 48
Schedule	
1	Schedule of Governmental Capital Assets by Function/Activity (continued on next page) 49

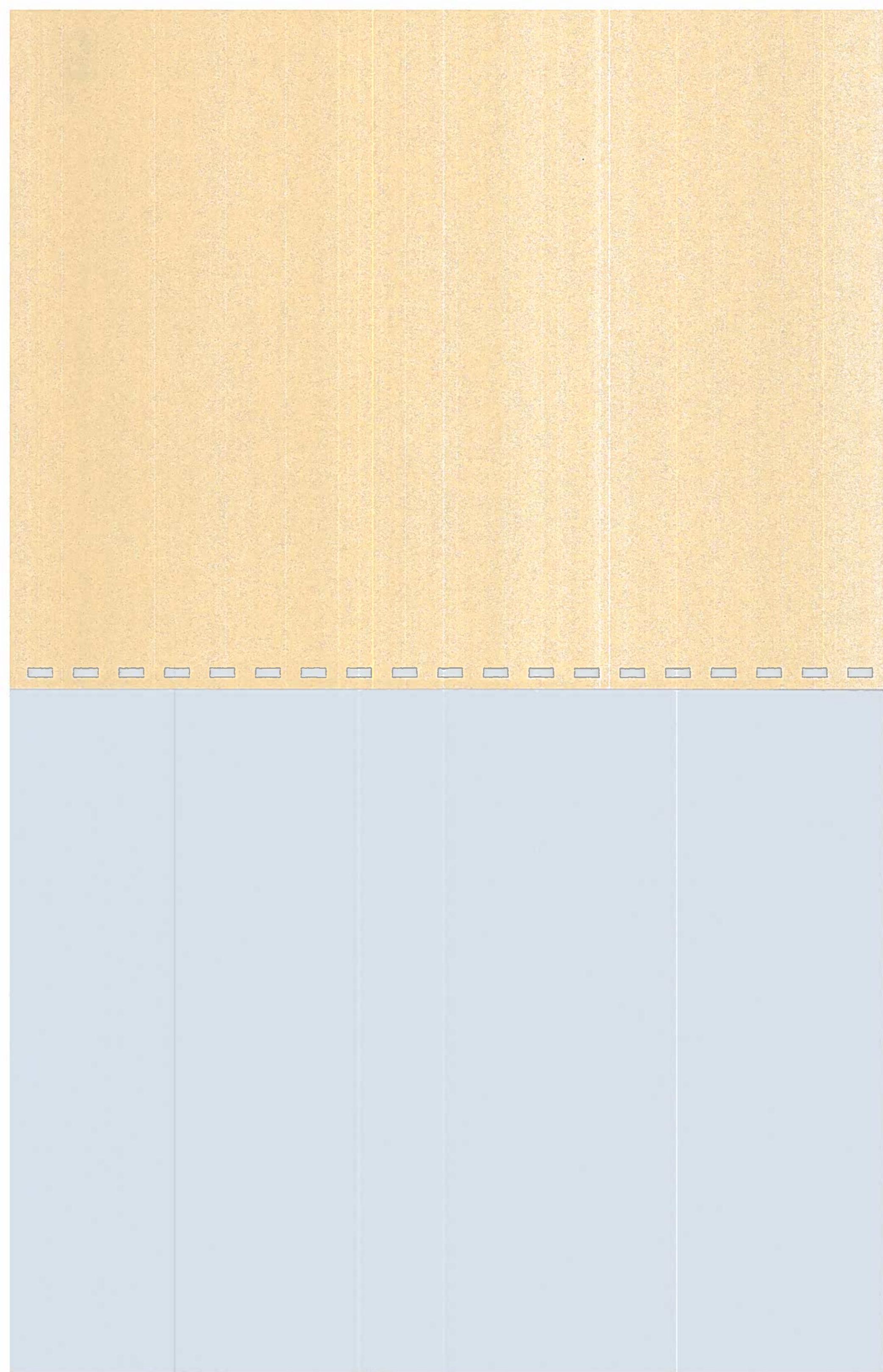
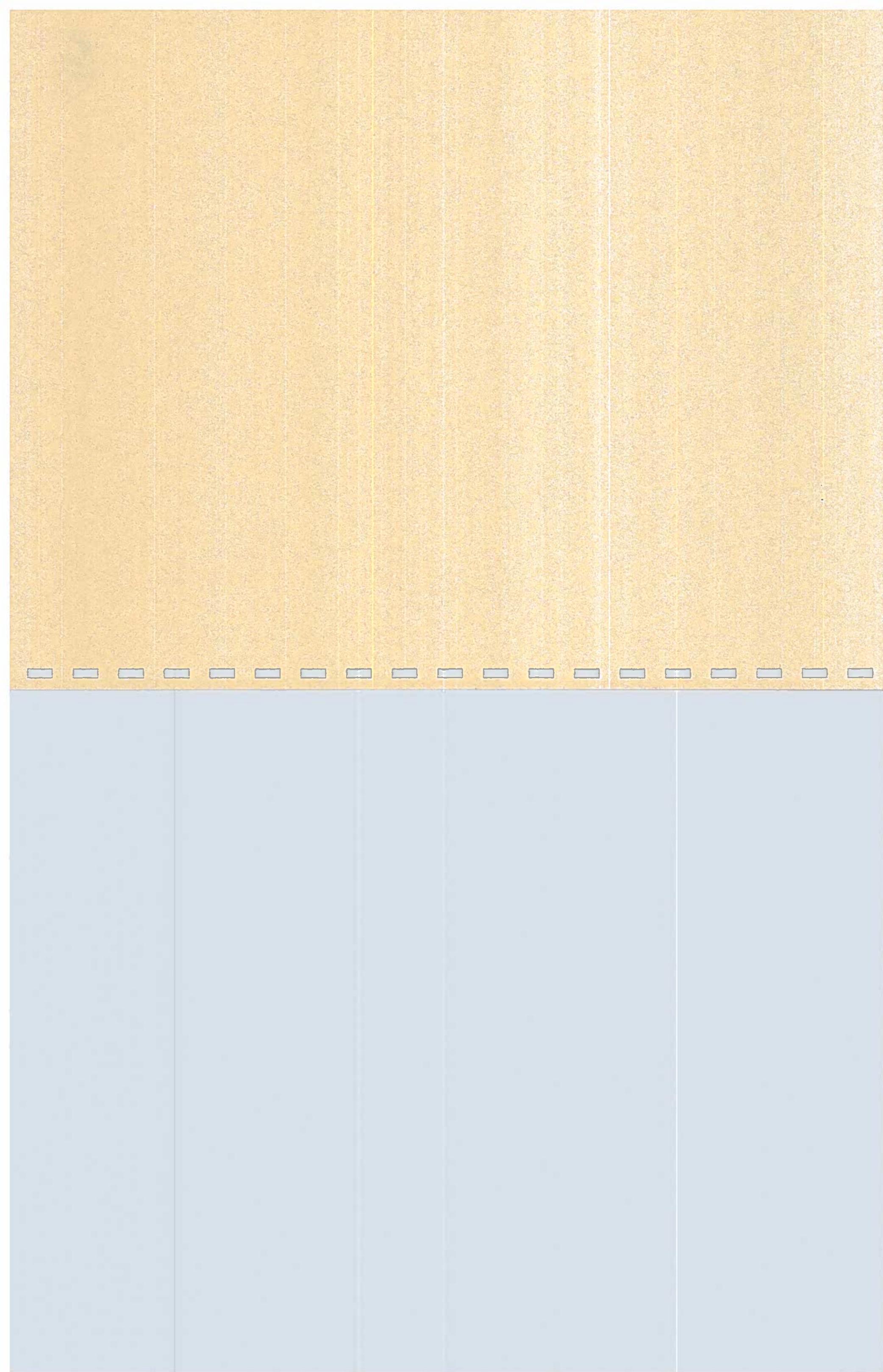


TABLE OF CONTENTS
(continued)

<u>Schedule</u>	<u>Page</u>
SUPPLEMENTARY INFORMATION (continued)	
2	Schedule of Changes in Governmental Capital Assets by Function/Activity
OTHER INFORMATION	
Table	1 Assessed Valuations, Tax Rates, Extensions, Collections, Allowance for Losses and Costs and Deferred Tax Revenue - Last Ten Years 51-54





**ALLISON KNAPP &
SIEKMANN, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS

May 13, 2013

Board of Commissioners
Metro East Sanitary District
Madison and St. Clair Counties, Illinois

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Metro East Sanitary District in Madison and St. Clair Counties, Illinois, as of and for the year ended December 31, 2012, and the business-type activities as of and for the year ended March 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

The prior year summarized comparative information has been derived from the District's December 31, 2011 financial statements and, in our report dated April 16, 2012, we expressed qualified opinions on the respective financial statements of the governmental activities and business-type activities for not recognizing the other post-employment benefit (OPEB) expense or obligation or providing the appropriate disclosures regarding OPEB as noted in the "Basis for Qualified Opinions" paragraph below. In addition, we expressed an unqualified opinion on each major governmental fund and the aggregate remaining fund information of the District.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U. S. generally accepted accounting principles; 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 U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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Belleville, Illinois 62223-5007
(618) 233-2641 (618) 397-9300 FAX (618) 233-6334

P.O. Box 165 • 120 Mill Street
Bethalto, Illinois 62010-0165
(618) 377-2171 FAX (618) 377-2173

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.

Basis for Qualified Opinions on the Government-Wide and Proprietary Fund Financial Statements

The District has not recognized the other post-employment benefit (OPEB) expense or obligation which is required in accordance with U. S. generally accepted accounting principles and under Government Accounting Standards Board (GASB) Statement No. 45, to be recorded in the government-wide financial statements and in the proprietary fund financial statements. The effects of that departure on the financial statements are not reasonably determinable. The District has also not disclosed the descriptive information about the other post-employment benefits required by standards.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the Metro East Sanitary District in Madison and St. Clair Counties, Illinois, as of December 31, 2012, and the respective changes in financial position, thereof, for the year then ended in conformity with U. S. generally accepted accounting principles.

Qualified Opinion on the Government-Wide and Proprietary Fund Financial Statements

In our opinion, except for the missing recognition matter described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Metro East Sanitary District in Madison and St. Clair Counties, Illinois, as of December 31, 2012, and the respective changes in financial position, thereof, for the year then ended in conformity with U. S. generally accepted accounting principles.

In addition, in our opinion, except for the missing recognition matter described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Metro East Sanitary District in Madison and St. Clair Counties, Illinois, as of March 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with U. S. generally accepted accounting principles.

Other Matters

U. S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 40 through 43 be presented to supplement the

basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards , which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metro East Sanitary District in Madison and St. Clair Counties, Illinois' financial statements as a whole. The supplementary information and other information section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental 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 U. S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other information 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 them.

Allison Knapp & Siekmann, PLLC

Belleville, Illinois

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METRO EAST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2012

The Metro East Sanitary District (the "District") management's discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify any material deviations from the financial plan (the approved budget) and (4) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it with the District's financial statements (beginning on Page 4).

Financial Highlights

As noted in Exhibit A, total assets for the governmental activities totaled \$25,298,139 with \$12,514,533 being invested in capital assets, \$8,592,971 invested in cash and certificates of deposit, \$101,830 restricted for Corps of Engineers projects, and \$4,088,805 of other assets.

Also as noted in Exhibit A, total assets for the business-type activities totaled \$9,069,638 with \$5,801,560 being invested in capital assets, \$1,862,716 invested in cash and certificates of deposit, \$41,562 restricted for the 203 Pump Station, \$803,772 receivable from sewer customers, \$928 interest receivable, \$600,000 loan receivable Metro East Sanitary District, \$23,897 due from City of Venice - sewer break, \$723 other receivables, less \$65,520 which was due to other funds.

The District's net assets, as noted in Exhibit B, decreased by \$147,249 during the fiscal year ending December 31, 2012. The governmental net assets decreased by \$342,640, the business-type activities net assets increased by \$195,391.

The District's combined Governmental Funds ending fund balance increased \$74,937 during the year ended December 31, 2012, as noted in Exhibit E.

USING THE FINANCIAL SECTION OF THIS ANNUAL REPORT

The financial statement's focus is on both the District as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison and enhance the District's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see Pages 4-6) are designed to emulate the corporate sector in that all governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. The business-type activities are a blended component unit of the District. The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the District and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (see Page 6) is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the government's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

(See independent auditor's report)

METRO EAST SANITARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The Governmental Activities reflect the District's basic services, including surface water drainage, levee repairs and administration. Property taxes and replacement taxes finance the majority of these services. The business-type activities reflect private sector type operations (Sewer Fund), where the fee for service typically covers all or most of the cost of operations, including depreciation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fund Financial Statement allows the demonstration of source and uses and/or budgeting compliance associated therewith. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on major funds, rather than fund types. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

The Governmental Major Fund Presentation (see Pages 7 and 9) is presented on a sources and uses of liquid resources basis (current financial resources measurement basis). This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clean and appropriate focus of any analysis of a government. The focus of governmental funds is narrower than that of the Government-Wide Financial Statements. The District maintains five individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General and Tort Liability funds which are both considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

An Enterprise Fund is used to report the same functions presented in Business-Type Activities in the Government-Wide Financial Statements.

Proprietary Fund Financial Statements (see Pages 11-15) provide the same type of information as the Government-Wide Financial Statements, only in more detail. The Sewer Fund is considered a major fund of the District and is presented in Proprietary Fund Financial Statements.

Fiduciary Funds

The Fund Financial Statements also allow the government to address its Fiduciary Fund (Blue Water Ditch Fund, see Page 16). While this fund represents trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Statements.

While the business-type activities column on the Proprietary Fund Financial Statements is the same as the business-type column at the Government-Wide Financial Statement, the Governmental Funds Total column requires a reconciliation because of the different measurement focus (current financial resources versus economic resources) which is reflected on the page following each statement (see Pages 8 and 10). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources, as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the governmental activities column (in the Government-Wide Statements).

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The Notes to the Financial Statements can be found on Pages 19-39 of this report.

METRO EAST SANITARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the major governmental fund budgetary schedules and data concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on Pages 40-44 of this report. The combining and individual fund statements for non-major governmental funds are presented on Pages 45-47 of this report, immediately following the required supplementary information.

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure - roads, bridges, storm sewers, etc.) have neither been reported nor depreciated in governmental financial statements. This statement requires that these assets be valued and reported within the Governmental column of the Government-Wide Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life, or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The District has chosen to depreciate assets over their useful life.

GOVERNMENT-WIDE STATEMENTS

Statement of Net Assets

As noted in Exhibit B, the District's overall financial position had a significant decline over the past year resulting in a decrease in combined net assets from fiscal year 2011, decreasing by \$147,249 from \$28,030,767 to \$27,883,518. Governmental activities had a decrease of \$342,640 from \$21,855,246 to \$21,512,606 and business-type activities had an increase of \$195,391 from \$6,175,521 to \$6,370,912. As noted in Exhibit A, net assets for governmental activities total \$21,512,606 with \$12,514,533 being invested in capital assets (buildings, roads, equipment, etc.), net of related debt. The net assets of the business-type activities total \$6,370,912 with \$3,539,941 invested in capital assets, net of related debt.

Listed below are the District's assets at December 31, 2012 and 2011, including a column noting changes (increases/decreases) from 2011.

Table 1: Statement of Assets as of December 31, 2012

	Total Primary Government 2012	Total Primary Government 2011	Increase/ (Decrease)
Other assets	\$ 16,051,684	\$ 16,436,718	\$ (385,034)
Capital assets	18,316,093	18,630,639	(314,546)
Total Assets	\$ 34,367,777	\$ 35,067,357	\$ (699,580)

Listed below are the District's liabilities at December 31, 2012 and 2011, including a column noting changes (increases/decreases) from 2011.

	Total Primary Government 2012	Total Primary Government 2011	Increase/ (Decrease)
Accounts payable	\$456,997	\$1,248,922	\$ 791,925
Accrued payroll	51,373	41,369	(10,004)
Current portion of long-term debt	155,054	44,000	(111,054)

(See independent auditor's report.)

**METRO EAST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Deferred revenue			
Property taxes	3,322,882	3,212,159	(110,723)
Pension contributions Payable	40,390	39,544	(846)
Long-term liabilities	2,457,563	2,450,596	(6,967)
Total Liabilities	\$6,484,259	\$7,036,590	\$552,331

For more detailed information see the Statement of Net Assets (Pages 4-5).

Net assets of the District's governmental activities decreased from \$21,855,246 for year ending December 31, 2011 to \$21,512,606 for year ending December 31, 2012. This was a 1.57 percent (1.57%) decrease from the previous year. The District's unrestricted net assets for governmental activities, the part of net assets than can be used to finance day-to-day operations, was \$2,877,353. Investment in capital assets, net of related debt totaled \$12,514,533. Restricted assets totaled \$6,120,720 with \$100,054 restricted for escrow account, \$2,110,784 restricted for tort immunity and \$3,517,162 restricted for levee rehabilitation and \$392,720 restricted for auditing, municipal retirement and Social Security.

The net assets of business-type activities were \$6,370,912. The District can use the unrestricted net assets of \$2,789,409 to finance the continuing operation of its sewage treatment facility. The investment in capital assets, net of related debt totaled \$3,539,941. Restricted net assets totaled \$41,562 for the 203 Pump Station.

Normal Impacts on Net Assets

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net assets.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets.

There is a second impact, an increase in the investment in capital assets and an increase in related debt, which will not change the invested in capital assets, net of related debt.

Spending of Non-borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets, net of related debt.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of related debt.

Reduction of Capital Assets through Depreciation – which will reduce capital assets and invested in capital assets, net of related debt.

Current Year Impacts on Net Assets

The District's combined net assets (which are the District's bottom line) decreased by \$147,249, which was the result of the governmental activities net assets decreasing by \$342,640 and the business-type activities net assets increasing by \$195,391.

Changes in Net Assets

The following table shows the condensed revenue and expenses of the District's activities:

**METRO EAST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Table 3: Changes in Net Assets for the Fiscal Year Ended December 31, 2012

	Governmental Activities 2012	Business-Type Activities 2012	Primary Government 2012	Total 2012	Total	Primary Government 2011
					Revenues	
Program Revenues						
Charges for services	\$ 156,571	\$ 2,743,252	\$ 2,899,823	\$ 3,138,909		
Operating grants	62,250	-	62,250	163,645		
Capital grants	-	-	-	95,937		
General revenues						
Taxes						
Property	3,069,331	-	3,069,331	2,939,398		
Payment in lieu of taxes	13,671	-	13,671	30,552		
Replacement	1,264,886	-	1,264,886	1,309,081		
Other revenue						
Gain on sale of capital asset	-	683,720	683,720	-		
Miscellaneous	83,124	7,118	90,242	98,251		
Total revenues	4,649,833	3,434,090	8,083,923	7,775,773		
Expenses						
Governmental Activities						
General government	1,701,782	-	1,701,782	2,325,814		
Drainage and sanitation	3,290,691	-	3,290,691	3,541,580		
Business-Type						
Sewer	-	3,238,699	3,238,699	2,706,007		
Total expenses	4,992,473	3,238,699	8,231,172	8,573,401		
Changes in net assets						
Net Assets - Beginning	(342,640)	195,391	(147,249)	(797,628)		
Net Assets - Ending	21,855,246	6,175,521	28,030,767	28,828,395		
Net Assets - Ending	\$ 21,512,606	\$ 6,370,912	\$ 27,883,518	\$ 28,030,767		

Normal Impacts on Revenues and Expenses

There are eight basic impacts on revenues and expenses as reflected below.

Revenues:

Economic Condition – which can reflect a declining, stable, or growing economic environment and has a substantial impact on replacement tax, utility revenue as well as public spending habits for volumes of consumption.

Increase/Decrease in District-Approved Rates – while certain tax rates are set by statute, the District Board has significant authority to impose and periodically increase/decrease rates (property taxes and sewage treatment).

(See independent auditor's report.)

METRO EAST SANITARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changing Patterns in Intergovernmental and Grant Revenue (both recurring and non-recurring) – certain recurring revenues (State-share revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Market Impacts on Investment Income – the District's investment portfolio is managed using a similar average maturity to most governments. Market conditions may cause investment income to fluctuate.

Expenses:

Introduction of New Program – within the functional expense categories (General Government and Drainage and Sanitation) individual programs may be added or deleted to meet changing community needs.

Increase in Authorized Personnel – changes in service demand may cause the District Board to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 58.34% of the District's General Fund and 27.45% of Sewer Fund operating costs.

Salary Increases (annual adjustments and merit) – the ability to attract and retain human and intellectual resources requires the District to strive to approach a competitive salary range position in the market place.

Inflation – while overall inflation appears to be reasonably modest, the District is a major consumer of certain commodities such as supplies, fuels and parts. Some functions may experience unusual commodity-specific increases.

Current Year Impacts

Governmental Activities

Revenues and Expenses:

Revenues for governmental activities decreased by \$1,285 or .03% for a total of \$4,649,833. Expenses decreased by \$874,921 or 14.92% for a total of \$4,992,473. Expenses exceeded revenue by \$342,640 for the 2012 fiscal year.

Total project costs have decreased \$644,603 and group health insurance decreased by \$205,029 which contributed to the decrease in governmental activity expenses.

Business-Type Activities

Revenues and Expenses:

Revenues for the business-type activities increased by \$309,435 or 9.91% for a total of \$3,434,090. Operating expenses increased by \$532,692 or 19.69% for a total of \$3,238,699. Overall revenues exceeded expenses by \$195,391 for the 2012 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

At December 31, 2012 the Governmental Funds (as presented on Page 6) reported a combined fund balance of \$9,096,839. This is an increase of \$74,937 or .83% from the previous year. Of the total fund balance, \$2,679,395 is unassigned indicating availability for continuing District services. Restricted fund balance of

METRO EAST SANITARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

\$4,009,936 includes \$3,517,162 for levee rehabilitation and \$492,774 for other funds. The nonspendable funds include \$148,362 for prepaid expenses and \$2,259,146 for tort immunity.

The General Fund is the District's main operating fund and the largest source of day-to-day service delivery. Revenues exceeded expenditures by \$45,416.

Proprietary Funds

At December 31, 2012 the Proprietary Funds (as presented on Pages 11-15) total net assets are \$6,370,912, which is an increase of \$195,391 or 3.16%.

GENERAL FUND BUDGETARY HIGHLIGHTS
Table 4: General Fund Budgetary Highlights

	2012		2011	
	Original and Final	Budget	Actual	Actual
Revenues	\$16,425,809		\$4,391,226	\$3,998,582
Expenditures	6,247,000		4,345,810	5,659,124
Excess of Revenues				
Over Expenditures	\$10,178,809		\$ 45,416	(\$1,660,542)

General Fund actual revenues were \$4,391,226 or 73.27% less than the final budget.

General Fund actual expenditures were \$4,345,810 or 30.43% less than the final budget. Flood prevention expenditure (levee recertification), various insurances, pump supplies and equipment purchases were responsible for the actual expenditures to be less than the final budget.

The District's investment in capital assets, net of related debt for its governmental and business-type activities as of December 31, 2012, amounts to \$16,054,474 which is \$450,424 or 2.73% less than the previous year. The investment in capital assets includes land, buildings, equipment, and improvements other than buildings, underground systems, and infrastructure.

Please see the accompanying financial statement's notes for additional information related to the District's capital assets.

DEBT OUTSTANDING

In fiscal year 2012, the District's long-term debt related to compensated absences totals \$350,998. This is a decrease of \$17,857 or 4.84% from the previous year. The Business-Type Activities Sewer Funds has an additional long-term debt of \$2,261,619 for the repayment of a project funded through the Illinois Environmental Protection Agency (IEPA).

The District, as of December 31, 2012, has a legal debt margin of \$45,570,599.

Please see the accompanying financial statement's notes for additional information related to outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The focus of next year's budget will be on the District's efforts to insure the long-term health of the District's General Fund. This Fund pays for most District services except sewage treatment.

(See independent auditor's report.)

**METRO EAST SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Rosemarie Heath, District Clerk, Metro East Sanitary District, 1800 Edison Avenue, PO Box 1366, Granite City, IL 62040.

Metro East Sanitary District

STATEMENT OF NET ASSETS

December 31, 2012
 (With Summarized Comparative Information as of December 31, 2011)

	Governmental Activities	Business-Type Activities	2012		2011	
			Total	Primary Government	Total	Primary Government
ASSETS						
Cash	\$ 1,649,068	\$ 1,862,716	\$ 3,511,784	\$ 2,622,111		
Investments	6,943,903	-	6,943,903	7,919,649		
Restricted escrow accounts	-					
203 Pump Station	1,776	41,562	41,562	46,922		
Design Escrow	100,054	-	100,054	99,929		
Corps of Engineers						
Receivables						
Property taxes	3,505,836	-	3,505,836	3,540,666		
Replacement taxes	192,211	-	192,211	187,447		
Due from other funds	83,270	(65,520)	17,750	14,720		
Loans receivable Metro East Sanitary District	-	600,000	600,000	-		
Due from the City of Venice - sewer break	-	23,897	23,897	-		
Interest receivable	6,828	928	7,756	8,957		
Illinois EPA loan agreement	-	-	-	676,137		
Granite City Regional Treatment - overpayment credit						
Other	152,298	723	153,021	22,484		
Sewer fees				213,566		
Billed	148,362	803,772	803,772	943,783		
Prepaid expenses		-	148,362	138,435		
Capital assets						
Land/construction in progress	1,715,418	191,000	1,906,418	4,940,524		
Assets being depreciated (net of accumulated depreciation)	10,799,115	5,610,560	16,409,675	13,690,115		
Total assets	25,298,139	9,069,638	34,367,777	35,067,357		
LIABILITIES						
Accounts payable	89,168	367,829	456,997	1,248,922		
Accrued payroll	51,373	-	51,373	41,369		
Current portion of long-term debt	35,000	120,054	155,054	44,000		
Deferred revenue						
Property taxes	3,322,882	-	3,322,882	3,212,159		
Pension contributions payable	40,390	-	40,390	39,544		
Noncurrent liabilities						
Illinois EPA loan	-	2,150,565	2,125,741			
Compensated absences	246,720	60,278	306,998	324,855		
Total liabilities	3,785,533	2,698,726	6,484,259	7,036,590		

(continued on next page)

STATEMENT OF NET ASSETS
(continued)

December 31, 2012

(With Summarized Comparative Information as of December 31, 2011)

NET ASSETS	2012		2011	
	Governmental Activities	Business-Type Activities	Total Primary Government	Total Primary Government
Investment in capital assets, net of related debt	12,514,533	3,539,941	16,054,474	16,504,898
Restricted for:				
Escrow accounts	100,054	-	100,054	101,841
203 Pump Station	-	41,562	41,562	46,922
Auditing	27,123	-	27,123	26,636
Municipal retirement	72,676	-	72,676	90,615
Social Security	292,921	-	292,921	259,843
Tort immunity	2,110,784	-	2,110,784	2,149,029
Levee rehabilitation	3,517,162	-	3,517,162	3,535,848
Unrestricted	2,877,353	2,789,409	5,666,762	5,315,135
TOTAL NET ASSETS	\$ 21,512,606	\$ 6,370,912	\$27,883,518	\$28,030,767

The accompanying notes are an integral part of these financial statements.

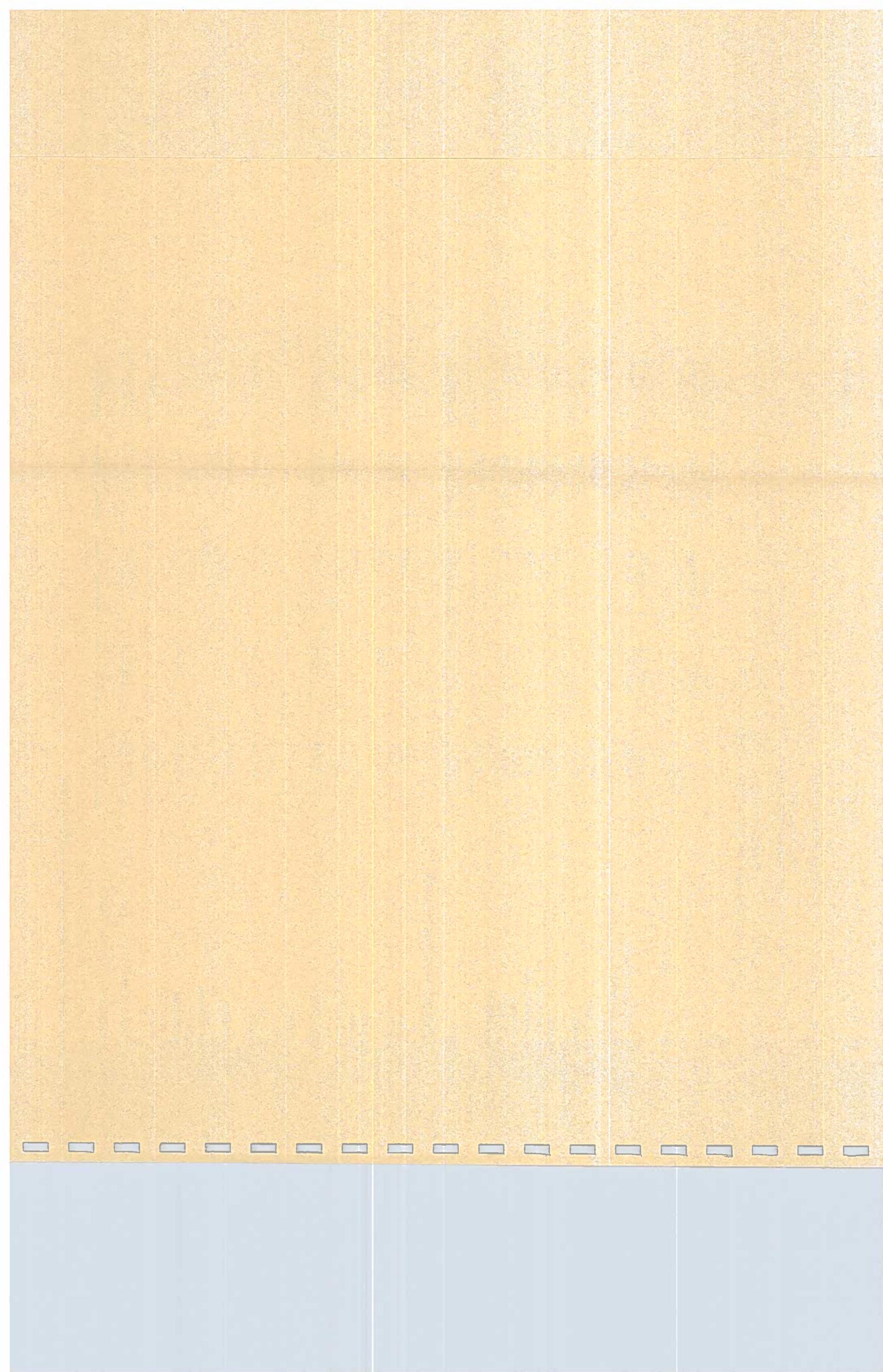
Metro East Sanitary District

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012
(With Summarized Comparative Information for Year Ended December 31, 2011)

ASSETS		FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants	Primary Government		2012 Total
						Governmental Activities	Business-Type Activities	
Cash	\$	PRIMARY GOVERNMENT	\$ 1,701,782	\$ 156,571	\$ 62,250	\$ (1,482,961)	\$ (1,482,961)	\$ (2,198,214)
Investm	s	Governmental activities	3,290,691	-	-	(3,290,691)	-	(3,290,691)
Restrict		General government						(3,377,935)
Desig		Drainage and sanitation						
Corp		Total governmental activities	4,992,473	156,571	62,250	(4,773,652)	-	(4,773,652)
Prepaid		Business-type activities	3,238,699	2,743,252	-	-	(495,447)	(495,447)
Receiv		Sewer						401,239
Prop		Total business-type activities	3,238,699	2,743,252	-	-	(495,447)	(495,447)
Due	m	TOTAL PRIMARY GOVERNMENT	8,231,172	2,899,823	62,250	(4,773,652)	(495,447)	(5,269,099)
Due	m	General revenues						(5,174,910)
Repl		Taxes						
Inter	re	Property	3,069,331	-	-	3,069,331	2,939,398	
Other	Other	Payment in lieu of taxes	13,671	-	-	13,671	30,552	
		Replacement	1,264,886	-	-	1,264,886	1,309,081	
		Investment income	25,012	7,118	-	7,118	60,528	
		Gain on sale of capital assets		683,720	-	683,720	7,245	
		Miscellaneous		58,112	-	58,112	30,479	
		Total general revenues	4,431,012	690,838	-	690,838	5,121,850	4,377,283
		Change in net assets	(342,640)	195,391	-	195,391	(147,249)	(797,627)
		NET ASSETS - BEGINNING	21,855,246	6,175,521	-	6,175,521	28,030,767	28,828,394
		NET ASSETS - ENDING	\$ 21,512,606	\$ 6,370,912	\$ 27,883,518	\$ 27,883,518	\$ 28,030,767	
		TOTAL						
		The acco						

The accompanying notes are an integral part of these financial statements.



Metro East Sanitary District

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
Funds to the Statement of Net Assets

December 31, 2012

TOTAL FUND BALANCE OF GOVERNMENTAL FUNDS (EXHIBIT C)	\$ 9,096,839
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$18,502,850, net of accumulated depreciation of \$5,988,317, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	12,514,533
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(281,720)
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds. Uncollected property taxes deferred and not currently available.	182,954
NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT A)	<u><u>\$ 21,512,606</u></u>

The accompanying notes are an integral part of these financial statements.

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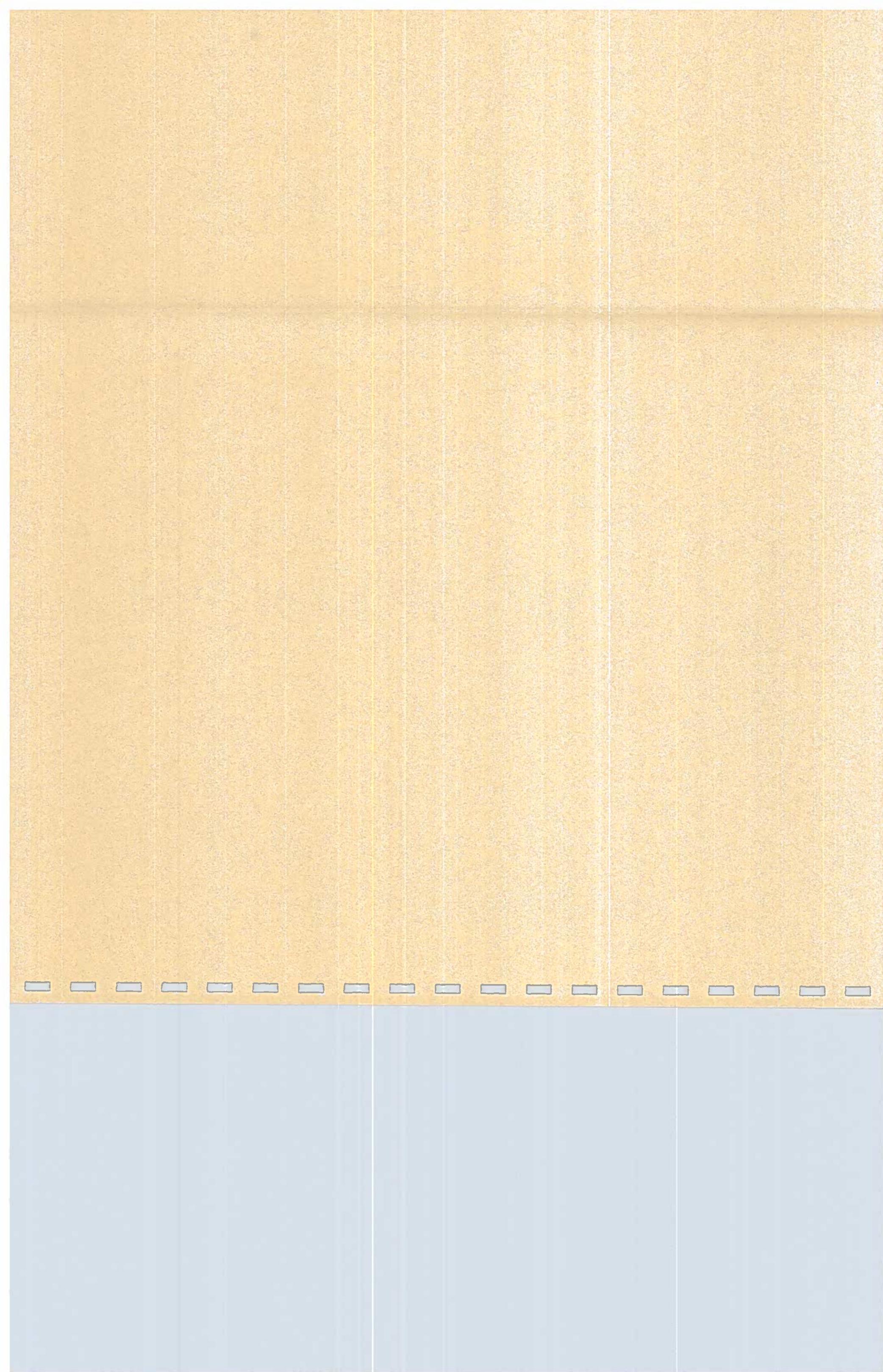
Metro East Sanitary District

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

Year Ended December 31, 2012
(With Summarized Comparative Information for Year Ended December 31, 2011)

	General	Tort Liability Fund	Other Governmental Funds	2012		2011	
				Total	Governmental Funds	Total	Governmental Funds
REVENUES							
Taxes	\$ 2,871,016	\$ 10,259	\$ 333,609	\$ 3,214,884		\$ 2,789,991	
Property taxes							
Intergovernmental revenues							
Replacement tax	1,185,345	-	79,541	1,264,886		1,309,081	
Design account payment - Madison County	62,250	-	-	62,250		-	
Payment in lieu of taxes	13,671	-	-	13,671		30,552	
IDOT - Triple box culverts	-	-	-	-		163,645	
Building rental	12,000	-	-	-	12,000	12,000	
Fines and fees							
Licenses and permits	98,400	-	-	98,400		79,387	
Farm ground rental	1,125	-	-	1,125		1,125	
Pumping services	45,046	-	-	45,046		35,088	
Interest income	20,657	3,752	603	25,012		47,757	
Sale of surplus property	9,978	-	-	9,978		2,607	
Miscellaneous revenues and reimbursements	71,738	-	-	71,738		30,478	
Total revenues	4,391,226	14,011	413,753	4,818,990		4,501,711	
EXPENDITURES							
Current							
Administration	1,297,697	116	398,127	1,695,940		2,319,457	
General maintenance	2,582,559	-	-	2,582,559		2,209,027	
Project cost - pumping	439,107	-	-	439,107		1,083,710	
Capital expenditures	26,447	-	-	26,447		562,725	
Total expenditures	4,345,810	116	398,127	4,744,053		6,174,919	
Excess (deficiency) of revenues over expenditures	45,416	13,895	15,626	74,937		(1,673,208)	
FUND BALANCE, BEGINNING OF YEAR	6,049,118	2,595,690	377,094	9,021,902		10,695,110	
FUND BALANCE, END OF YEAR	\$ 6,094,534	\$ 2,609,585	\$ 392,720	\$ 9,096,839		\$ 9,021,902	

The accompanying notes are an integral part of these financial statements.



Metro East Sanitary District

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS (EXHIBIT E)	\$ 74,937
Amounts reported for governmental activities in the statement of activities are different because:	
Reduction (increase) in long-term debt related to compensated absences is reported as an expenditure when paid in governmental funds but as a reduction of principal outstanding in the statement of activities.	(7,111)
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	26,447
Governmental funds do not report capital assets. However, in the government-wide statement of activities and changes in net assets, the cost of those assets sold or otherwise disposed of is required to be removed from capital asset totals being maintained. This is the amount of capital assets, net of depreciation, which were disposed of during the current period.	(23,604)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Add change in unavailable property tax receivable.	(145,553)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Depreciation expense	(267,756)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B)	\$ (342,640)

The accompanying notes are an integral part of these financial statements.

**Metro East Sanitary District
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

Lansdowne Trunk - Madison and Venice Sewerage System
Madison and St. Clair Counties, Illinois

March 31, 2012

(With Summarized Comparative Information as of March 31, 2011)

	Business-Type Activities	
	Sewer Fund	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,862,716	\$ 1,884,577
Cash in checking account	803,772	943,783
Receivables	-	676,137
Utility users	22,484	-
Illinois EPA loan agreement	600,000	-
Granite City Regional Treatment Center - overpayment credit	23,897	-
Loans to Metro East Sanitary District - related party	723	1,104
City of Venice - sewer break	928	1,618
Other	-	-
Interest receivable	-	-
Prepaid expenses	-	-
Total current assets	3,292,036	3,529,703
RESTRICTED ASSETS		
Cash	41,562	46,922
203 Pump Station sinking fund	-	-
NONCURRENT ASSETS		
Capital assets		
Land and construction in progress	191,000	3,226,404
Assets being depreciated	11,834,882	8,648,417
Accumulated depreciation	(6,224,322)	(6,023,628)
Total noncurrent assets	5,801,560	5,851,193
Total assets	9,135,158	9,427,818
CURRENT LIABILITIES		
Accounts payable	367,829	981,510
Due to Metro East Sanitary District	65,520	50,800
Compensated absences	120,054	9,000
Total current liabilities	553,403	1,041,310

(continued on next page)

STATEMENT OF NET ASSETS
PROPRIETARY FUND

Lansdowne Trunk - Madison and Venice Sewerage System
Madison and St. Clair Counties, Illinois
(continued)

March 31, 2012

(With Summarized Comparative Information as of March 31, 2011)

	Business-Type Activities	
	2012	2011
NONCURRENT LIABILITIES		
Illinois EPA loan	2,150,565	2,125,741
Compensated absences	60,278	85,246
Total noncurrent liabilities	2,210,843	2,210,987
Total liabilities	2,764,246	3,252,297
NET ASSETS		
Invested in capital assets, net of related debt	3,539,941	3,725,452
Restricted for		
203 Pump Station	41,562	46,922
Unrestricted	2,789,409	2,403,147
TOTAL NET ASSETS	\$ 6,370,912	\$ 6,175,521

The accompanying notes are an integral part of these financial statements.

EXHIBIT H

- 13 -

Metro East Sanitary District

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND**

Lansdowne Trunk - Madison and Venice Sewerage System
Madison and St. Clair Counties, Illinois

Year Ended March 31, 2012

(With Summarized Comparative Information for Year Ended March 31, 2011)

	Business-Type Activities	
	Sewer Fund	2011
	2012	
OPERATING REVENUES		
Charges for services	\$ 2,719,188	\$ 3,003,565
Sales and service charges	23,580	6,630
Lien fees	484	1,114
Miscellaneous		
Total operating revenues	<u>2,743,252</u>	<u>3,011,309</u>
OPERATING EXPENSES		
Personal services	889,152	799,662
Contractual services	393,824	421,220
Materials and supplies	66,665	68,201
Maintenance and repairs	340,390	148,942
Secondary treatment	1,344,385	1,110,275
Miscellaneous	3,589	3,710
Depreciation	200,694	153,997
Total operating expenses	<u>3,238,699</u>	<u>2,706,007</u>
Operating income (loss)	<u>(495,447)</u>	<u>305,302</u>
NONOPERATING REVENUES		
Interest income	7,118	12,771
Sale of land	683,720	-
Sale of scrap	-	4,638
Commerce & Economic Opportunity - Direct Drive Grant	-	95,937
Total nonoperating revenues	<u>690,838</u>	<u>113,346</u>
Change in net assets	195,391	418,648
TOTAL NET ASSETS, BEGINNING	<u>6,175,521</u>	<u>5,756,873</u>
TOTAL NET ASSETS, ENDING	<u>\$ 6,370,912</u>	<u>\$ 6,175,521</u>

The accompanying notes are an integral part of these financial statements.

Metro East Sanitary District

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

Lansdowne Trunk - Madison and Venice Sewerage System
Madison and St. Clair Counties, Illinois

Year Ended March 31, 2012

(With Summarized Comparative Information for Year Ended March 31, 2011)

	Business-Type Activities	
	Sewer Fund	2011
	2012	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,743,252	\$ 3,011,309
Payments to suppliers	(2,560,233)	(1,839,682)
Payments to and for employees	(885,895)	(795,710)
Net cash provided (used) by operating activities	<u>(702,876)</u>	<u>375,917</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Commerce & Economic Opportunity Grant	-	95,937
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(151,061)	(126,013)
Proceeds from additional Illinois EPA loans	191,405	1,365,684
Payments related to Illinois EPA loan	(55,527)	-
Proceeds from sale of land and scrap	683,720	4,638
Construction in progress	-	<u>(1,271,628)</u>
Net cash provided (used) by capital and related financing activities	<u>668,537</u>	<u>(27,319)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>7,118</u>	<u>12,771</u>
Net increase (decrease) in cash and cash equivalents	<u>(27,221)</u>	<u>457,306</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		
	<u>1,931,499</u>	<u>1,474,193</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		
	<u>\$ 1,904,278</u>	<u>\$ 1,931,499</u>

(continued on next page)

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Lansdowne Trunk - Madison and Venice Sewerage System

Madison and St. Clair Counties, Illinois

(continued)

Year Ended March 31, 2012

(With Summarized Comparative Information for Year Ended March 31, 2011)

	Business-Type Activities	
	Sewer Fund	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)		
Adjustments to reconcile income from operations to net cash provided by operating activities	\$ (495,447)	\$ 305,302
Depreciation and amortization	200,694	153,997
Changes in assets and liabilities (Increase) decrease in current assets		
Receivables		
Customers	140,011	(1,589)
Illinois EPA	676,137	(179,037)
Granite City Regional Treatment	22,484	33,455
Loans to Metro East Sanitary		
District - related party		
City of Venice - sewer break		
Other	(600,000)	-
	(23,897)	
	381	(1,104)
	690	1,278
		6,130
Prepaid expenses	-	
Increase (decrease) in current liabilities		
Accounts payable	(613,681)	(4,466)
Due to primary government	14,720	15,800
Accumulated unpaid vacation and sick pay	(24,968)	46,151
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (702,876)	\$ 375,917
CASH AND CASH EQUIVALENTS ARE ACCOUNTED FOR AS FOLLOWS		
Cash and cash equivalents		
Unrestricted	\$ 1,862,716	\$ 1,884,577
Restricted	41,562	46,922
TOTAL AS ABOVE	\$ 1,904,278	\$ 1,931,499

The accompanying notes are an integral part of these financial statements.

Metro East Sanitary District
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

December 31, 2012
(With Summarized Comparative Information for Year Ended December 31, 2011)

		Agency Funds		2011	
		Blue Water Ditch		2012	Fiduciary Total
		Operation and Maintenance	Sinking Fund	Fiduciary Total	Fiduciary Total
ASSETS					
Cash	\$ 59,470	\$ 60,004	\$ 119,474	\$ 87,374	
Accounts receivable - other governmental units	17,966	4,834	22,800	33,911	
Intra-account payable/receivable	-	52,187	52,187	52,187	52,187
Total assets	<u>77,436</u>	<u>117,025</u>	<u>194,461</u>	<u>173,472</u>	
LIABILITIES					
Accounts payable	2,474	-	2,474	5,302	
Intra-account payable/receivable	52,187	-	52,187	52,187	52,187
Deferred project payments	22,775	117,025	139,800	115,983	
Total liabilities	<u>77,436</u>	<u>117,025</u>	<u>194,461</u>	<u>173,472</u>	
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.

Metro East Sanitary District

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

INDEX TO NOTES

Note	Page
<u>1 Summary of Significant Accounting Policies</u>	
A. Reporting Entity	19
B. Government-Wide and Fund Financial Statements	19-20
C. Fund Accounting	20-21
D. Measurement Focus, Basis of Accounting and Financial Statement Presentation	21-22
E. Budgets	22
F. Cash and Investments	22
G. Receivables and Payables	23
H. Prepaid Items/Expenses	23
I. Capital Assets	23-24
J. Accumulated Unpaid Vacation/Sick Pay (Compensated Absences)	24-25
K. Long-Term Obligations	25
L. Estimates	25
M. Comparative Data	25
N. Date of Management Evaluation	25
O. Implementation of New Accounting Principles	26
<u>2 Legal Compliance and Accountability</u>	26
<u>3 Fund Balances - Governmental Funds</u>	27-28
<u>4 Deposits and Investments</u>	28
<u>5 Capital Assets</u>	28-30
<u>6 Long-Term Debt</u>	
A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements	30-31
B. Legal Debt Margin	31
<u>7 Interfund Receivables/Payables</u>	32
<u>8 Other Note Disclosures</u>	
A. Retirement Commitments - Illinois Municipal Retirement Fund	32-34
B. Due from Other Municipalities	34

(continued on next page)

INDEX TO NOTES
(continued)

<u>Note</u>	<u>Page</u>
8	<u>Other Note Disclosures (continued)</u>
	C. Risk Management 34-35
	D. Corps of Engineers and District Improvement Project 35
	E. Design Escrow Accounts 35-36
	F. Lease of Office Space - Related Party Transaction 36
	G. 203 Pump Station 36-37
	H. Expenditures in Excess of Budget 37
	I. Blue Water Ditch Fiduciary Funds 37
	J. Levee Rehabilitation 38
	K. Construction Contract Commitments - Lansdowne Sewer IEPA 39
	L. IDOT - Triple Box Culverts 39
	M. Assessed Valuation Increase 39

Metro East Sanitary District
NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Note 1: Summary of Significant Accounting Policies

The financial statements of the Metro East Sanitary District (District) are prepared in accordance with U. S. Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Metro East Sanitary District is a special district as outlined in the Illinois State Statutes. The District's executive Board consists of five members, three of which are appointed from Madison County and two from St. Clair County. The District is responsible primarily for operating and maintaining the storm water drainage system within its bi-county area.

The District has developed criteria to determine whether outside agencies with activities that benefit the citizens of the District should be included within its financial reporting entity. The criteria for including organizations within the District's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity," is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Based on these criteria, the following is a component unit that has been presented as a blended component unit in the accompanying financial statements:

Lansdowne Sewerage and Treatment System (Lansdowne Trunk)

The governing board of the District exercises control over the Lansdowne Trunk - Madison and Venice Sewer Systems relative to rates for user fee charges, employees, disbursements and bond issuance authorization and debt requirements. This System has a fiscal year end which differs from that of the District. Financial information for the Lansdowne Trunk included in the accompanying financial statements is financial information from Lansdowne's fiscal year ended March 31, 2012.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Metro East Sanitary District, P. O. Box 1366, Granite City, Illinois 62040.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report financial information for the District as a whole excluding fiduciary activities of the District such as Blue Water Ditch Funds. The effect of material interfund activity has been

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 1:

Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported in separate columns with composite columns for nonmajor funds in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the District's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Tort Liability Fund accounts for the financial transactions related to legal matters and tort action within the District.

The District reports the following major proprietary fund:

The Lansdowne Trunk - Madison and Venice Sewerage Fund accounts for the activities of the sewerage operations. The District operates a collection and water distribution system for transportation of sewerage to the City of Granite City's treatment facility.

C. Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds are classified into three categories: governmental, proprietary and fiduciary.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2012

Note 1: Summary of Significant Accounting Policies (continued)

C. Fund Accounting (continued)

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the District has chosen to apply all GASB pronouncements as well as those pronouncements of the Financial Accounting Standards Board (FASB) to account for proprietary funds.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement a pension fund is used.

The Blue Water Ditch Funds have been included as fiduciary funds due to the fiduciary responsibility exercised over these Funds.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are reported when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing water, sewer and recreation services. Incidental revenues/expenses are reported as nonoperating.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considered revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 1: Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property taxes, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports deferred revenue on its financial statements. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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 of the District's enterprise fund are charges to customers for services. Operating expenses for the enterprise fund include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

F. Cash and Investments

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

United States government securities are recorded at cost and adjusted by amortization of discount or premium. Time deposits and other deposits with financial institutions are recorded at original cost plus accrued interest. Both of these approximate fair value.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2012

Note 1: Summary of Significant Accounting Policies (continued)

G. Receivables and Payables

The District does not provide for an allowance for uncollectible accounts. This departure from generally accepted accounting policies is not considered material.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of a fiscal year are referred to as due to and from other funds.

The accompanying financial statement includes revenues from the 2011 property tax levy. Property taxes are levied each year by the last Tuesday of December on all real property located in the District. Property taxes attach as an enforceable lien on property as of January 1. The Madison and St. Clair County Assessors are responsible for the taxes assessed. The values are adjusted by various percentages depending upon the type of property (residential, commercial, etc.). The assessed values are equalized by the Illinois Department of Revenue to ensure uniformity of property assessments throughout the State. The County Clerks compute the annual tax rate by dividing the levy into the equalized value of each taxing unit. The Clerks then compute the tax for each parcel by multiplying the aggregate rates of all the taxing units having jurisdiction over the parcel by the equalized value. The tax amounts by parcel are forwarded to the County Collectors.

Property taxes are collected by the County Collectors who remit to the taxing units their respective shares of the collection. Taxes levied in one year become due and payable in two installments in St. Clair County and four installments in Madison County during the following year. The first installment is usually due no later than August and the remaining installments are due throughout the year. Taxes are collected from July 2012 through March 2013.

For governmental funds, only property taxes, which are intended to finance the current fiscal year and collected within 60 days subsequent to year-end, are recorded as revenue.

H. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 1: Summary of Significant Accounting Policies (continued)

I. Capital Assets (continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Machinery and Equipment	5 - 15 years
Utility Systems	40 years
Vehicles	15 years

J. Accumulated Unpaid Vacation/Sick Pay (Compensated Absences)

In the fund financial statements, vested or accumulated vacation and/or sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation and/or sick pay of proprietary funds and in the government-wide financial statements is recorded as an expense and a liability of those funds as the benefits accrue to employees.

In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for the portion of accumulated sick leave benefits that are estimated to be taken as "terminal leave" prior to retirement.

Employees earn 12 days of sick pay per year. If at December 31 the employee does not have 6 sick days remaining, any future sick days will be earned at 1 per month in the following year. Vacation time is provided based on the following schedule:

After Years of Employment	Number of Weeks of Vacation
1	1
2	2
5	3
10	4

One additional day of vacation is provided after 10 years of employment for each additional year employed.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 1: Summary of Significant Accounting Policies (continued)

J. Accumulated Unpaid Vacation/Sick Pay (Compensated Absences) (continued)

At December 31, 2012, District employees have accumulated \$46,129 in accrued vacation and \$235,591 in accrued sick pay.

Current liabilities of the governmental activities include \$35,000 of these compensated absences.

At March 31, 2012, Lansdowne Sewerage system employees have accumulated \$69,278 in accrued vacation and sick pay.

Current liabilities include \$9,000 of these compensated absences.

K. Long-Term Obligations

In government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

As of December 31, 2012 the District has no outstanding bonds.

L. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

M. Comparative Data

Comparative data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) has not been presented since this inclusion would make the statements unduly complex and difficult to read.

N. Date of Management Evaluation

Management has evaluated subsequent events through May 13, 2013, the date on which the financial statements were available to be issued.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 1: Summary of Significant Accounting Policies (continued)

O. Implementation of New Accounting Principles

For the year ending December 31, 2011, the District implemented the following statement issued by the Governmental Accounting Standards Board:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, and debt service fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preachers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

Note 2: Legal Compliance and Accountability

Budgetary Data

The District followed these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 7 the Board of Commissioners issued a tentative operating budget for 2012. The operating budget included proposed expenditures and the means of financing them. The budget was made available for public inspection for at least thirty days prior to the public hearing.
2. A public hearing was conducted on March 7, 2012 to obtain taxpayer comments.
3. After the public hearing the budget was legally enacted through passage of an ordinance on March 7, 2012.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
5. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
6. The budgeted amounts shown in the financial statements are the final authorized amounts and have not been amended or revised during the year.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2012

Note 3: Fund Balances - Governmental Funds

As of December 31, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - consists of fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action by the District's highest level of decision-making authority. The District has no committed fund balances as of December 31, 2012.

Assigned - consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent is expressed by the District's Board or their designee. The District has no assigned fund balances as of December 31, 2012.

Unassigned - fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned and unassigned - in order as needed.

As of December 31, 2012, fund balances are composed of the following:

	<u>Nonspendable</u>	<u>Restricted</u>
General Fund		
Prepaid expenses	\$ 148,362	\$ -
Tort immunity	465,906	-
Escrow accounts	-	100,054
Levee rehabilitation	-	2,700,817
Unassigned	-	-
Total general fund	614,268	2,800,871
Tort Liability		
Tort immunity	1,793,240	-
Levee rehabilitation	-	816,345

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
 (continued)
 December 31, 2012

Note 3: Fund Balances - Governmental Funds (continued)

	Nonspendable	Restricted
Auditing	-	27,123
Municipal retirement	-	72,676
Social Security	-	292,921
Total	\$ 2,407,508	\$ 4,009,936

Note 4: Deposits and Investments

The District is authorized by state statute to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the United States of America, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the highest classifications by at least two standard rating services, and the Illinois Funds Investment Pool. The District has no investment policy which would further limit its investment options. The District does not enter into any reverse repurchase agreements.

Deposits

At year-end, the carrying amount of the District's deposits totaled \$10,718,553 and bank balances totaled \$10,764,728. Of the bank balances, \$598,886 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$10,165,842 was covered by pledged collateral held in the District's name.

Deposits at December 31, 2012 and March 31, 2012 appear in the financial statements as summarized below:

	Exhibit A Statement of Net Assets	Exhibit A Statement of Business-Type Funds	Exhibit J Statement of Net Assets	Exhibit J Statement of Net Assets	Total
				Fiduciary Funds	As Above
Cash	\$ 1,649,068	\$ 1,862,716	\$ 119,474		\$ 3,631,258
Investments	6,943,903	-	-		6,943,903
Restricted accounts	101,830	41,562	-		143,392
	\$ 8,694,801	\$ 1,904,278	\$ 119,474		\$ 10,718,553

Note 5: Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2012

Note 5: Capital Assets (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated	<u>\$ 1,714,120</u>	<u>\$ 1,298</u>	<u>\$ -</u>	<u>\$ 1,715,418</u>
Land				
Capital assets being depreciated				
Buildings	13,862,153	-	-	13,862,153
Machinery and equipment	2,438,508	-	-	2,438,508
Vehicles	485,226	25,149	23,604	486,771
Total capital assets being depreciated	<u>16,785,887</u>	<u>25,149</u>	<u>23,604</u>	<u>16,787,432</u>
Less accumulated depreciation for				
Buildings	4,797,429	167,054	-	4,964,483
Machinery and equipment	780,759	72,644	-	853,403
Vehicles	142,373	28,058	-	170,431
Total accumulated depreciation	<u>5,720,561</u>	<u>267,756</u>	<u>-</u>	<u>5,988,317</u>
Total capital assets being depreciated, net	<u>11,065,326</u>	<u>(242,607)</u>	<u>23,604</u>	<u>10,799,115</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u><u>\$ 12,779,446</u></u>	<u><u>\$ (241,309)</u></u>	<u><u>\$ 23,604</u></u>	<u><u>\$ 12,514,533</u></u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 191,000	\$ -	\$ 191,000	
Construction in progress	<u>3,035,404</u>	<u>-</u>	<u>3,035,404</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,226,404</u>	<u>-</u>	<u>3,035,404</u>	<u>191,000</u>
Capital assets being depreciated				
Buildings	3,323,798	-	-	3,323,798
Equipment	2,523,898	310,486	-	2,834,384
Office equipment	21,030	-	-	21,030
Force main, trunk lines and treatment plant	<u>2,779,691</u>	<u>2,875,979</u>	<u>-</u>	<u>5,655,670</u>
Total capital assets being depreciated	<u>8,648,417</u>	<u>3,186,465</u>	<u>-</u>	<u>11,834,882</u>
Less accumulated depreciation				
Total capital assets being depreciated, net	<u>2,624,789</u>	<u>2,985,771</u>	<u>-</u>	<u>5,610,560</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u><u>\$ 5,851,193</u></u>	<u><u>\$ 2,985,771</u></u>	<u><u>\$ 3,035,404</u></u>	<u><u>\$ 5,801,560</u></u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
 (continued)
 December 31, 2012

Note 5: Capital Assets (continued)

Depreciation expense is charged to functions/programs of the governmental activities as follows:

GOVERNMENTAL ACTIVITIES	
General administration	\$ 2,147
Drainage	88,976
General maintenance	176,633
Project costs	
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 267,756

Depreciation expense is charged to business-type activities as follows:

BUSINESS-TYPE ACTIVITIES	
Sewer Fund	\$ 200,694
TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	\$ 200,694

Note 6: Long-Term Debt

A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements

The following is a summary of changes in long-term debt for the year ended December 31, 2012 and the related fund where this debt is recorded on the accompanying financial statements:

Description and Purpose	Primary Government	Balance	New Debt	Debt	Balance	Due
		January 1, 2012	Issued	Retired	December 31, 2012	Within One Year
Governmental Activities						
Other Funds - Compensated Absences	\$ 65,026	\$ -	\$ 18,897	\$ 46,129	\$ 5,000	
	<u>209,583</u>	<u>26,008</u>	<u>-</u>	<u>235,591</u>	<u>30,000</u>	
Total other funds - compensated absences	274,609	26,008	18,897	281,720	35,000	
Total governmental funds	\$ 274,609	\$ 26,008	\$ 18,897	\$ 281,720	\$ 35,000	
Business-Type Activities						
Water Fund/Sewer Funds						
IEPA Loan #1 - Water	\$ 2,125,741	\$ 191,405	\$ 55,527	\$ 2,261,619	\$ 111,054	

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NOTES TO FINANCIAL STATEMENTS
 (continued)
 December 31, 2012

Note 6: Long-Term Debt (continued)

**A. Summary and Discussion Relating to Debt Recorded on Accompanying Financial Statements
 (continued)**

Description and Purpose	Balance April 1, 2011	New Debt Issued	Debt Retired	Balance March 31, 2012	Due Within One Year
Primary Government (continued)					
Business-Type Activities (continued)					
Water Fund/Sewer Funds (continued)					
Compensated absences	<u>94,246</u>	-	24,968	69,278	9,000
Accumulated sick pay	<u>\$ 2,219,987</u>	<u>\$ 191,405</u>	<u>\$ 80,495</u>	<u>\$ 2,330,897</u>	<u>\$ 120,054</u>
Total Business-Type Activities					
1. Accumulated Sick Pay					
All regular, full-time employees of the District can accumulate sick days. This amount represents the liability for the District for accumulated sick days as of December 31, 2012 and March 31, 2012.					
2. Accumulated Vacation Pay					
All regular, full-time employees of the District accumulate vacation days. This amount represents the liability for the District for accumulated vacation days as of December 31, 2012 and March 31, 2012.					
3. IEPA Loan #1 - Business-Type Activities					
During the fiscal year ended March 31, 2010, the District entered into a loan/grant agreement with the Illinois Environmental Protection Agency for construction of a 24 inch replacement sewer main and emergency generators. The loan portion is approved for \$2,317,146 and the District has drawn down 100% on the loan and received \$721,854 in grant revenues as of March 31, 2012. The loan is a 20 year loan with an annual fixed rate of 0%. At March 31, 2012 no schedule of maturities is presented as the loan has not been completely finalized.					

B. Legal Debt Margin

The computation of legal debt margin at December 31, 2012 is as follows:

ASSESSED VALUATION, 2011 TAX YEAR	<u>\$ 792,532,165</u>
Statutory debt limitation (5.75% of assessed valuation)	<u>\$ 45,570,599</u>
General obligation bonds outstanding	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 45,570,599</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 7: Interfund Receivables/Payables

Interfund receivables and payables balances, at December 31, 2012, are as follows:

Due From	Due To					
	Governmental Activities			Business-Type Activities		
	Major Governmental Funds		Other Governmental Funds	Sewer Fund	Business-Type Activities	Fiduciary Funds
Primary Government	General	Tort Liability Fund	General	Sewer Fund	Blue Water Fund	Total Due From
Governmental Activities						
Major Governmental Funds	\$ -	\$ -	\$ 79,541	\$ -	\$ -	\$ 79,541
General Fund	\$ 7,594	-	-	-	-	7,594
Tort Liability	2,398	-	-	-	-	2,398
Other governmental funds						
Business-Type Activities						
Major Enterprise Funds	\$ 65,250	-	\$ 270	\$ -	\$ -	\$ 65,520
Sewer Fund	\$ 75,242	\$ -	\$ 79,811	\$ -	\$ -	\$ 155,053

Interfund balances are the result of temporary loans and/or reimbursements for services provided.

The interfund balances displayed above relate to those of the Metro East Sanitary District at December 31, 2012 and vary from those of the Lansdowne Sewerage System at its year-end of March 31, 2012.

Note 8: Other Note Disclosures

A. Retirement Commitments - Illinois Municipal Retirement Fund

Plan Description

The District's de-

benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District's 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 online at www.imrf.org.

Funding Policy

As set by statute, the District's regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The District contribution rate for calendar year 2011 was 10.42% of annual covered payroll. The

(continued on next page)



NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 8:
Other Note Disclosures (continued)

A. Retirement Commitments - Illinois Municipal Retirement Fund (continued)

Funding Policy (continued)

District also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

For calendar year ending December 31, 2011, the District's annual pension cost was \$279,340.

Trend Information

Calendar Year Ending	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
12/31/11	\$ 279,340	100%	\$ 828
12/31/10	253,915	85%	38,716
12/31/09	147,809	100%	-

The required contribution for 2011 was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2009 included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the District's regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The regular plan's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a 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 83.52% funded. The actuarial accrued liability for benefits was \$8,193,026 and the actuarial value of assets was \$6,842,515, resulting in an underfunded actuarial accrued liability (UAAL) of \$1,350,511. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$2,680,806 and the ratio of the UAAL to the covered payroll was 50%.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 8: Other Note Disclosures (continued)

A. Retirement Commitments - Illinois Municipal Retirement Fund (continued)

Funded Status and Funding Progress (continued)

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

B. Due from Other Municipalities

General Fund

This account is an amount due from the Village of Caseville, Illinois in connection with the rental of a sewerage line within the District. Annual charges total \$2,500 and are due annually at June 30.

C. Risk Management

Insurance

The District purchases commercial general liability, workers' compensation, auto and property insurance through a local insurance broker for all risks. There have been no significant reductions in coverage for the current year.

The District, therefore, retains no significant amount of risk. The District is liable for any claims in excess of its coverage liability. At December 31, 2012, no claims were in excess of coverage for the current or prior three years.

Tort Expenditures

The District has a restricted liability insurance fund as follows:

	Tort	Liability Fund
	General Fund	Insurance
	Tort	Tort
Reserve for tort immunity - 12/31/11	\$ 367,260	\$ 1,781,769
2011 Levy collected in 2012	357,751	10,259
Interest income	338	1,328
Insurance/tort expenses	<u>(259,443)</u>	<u>(116)</u>
Reserve for tort immunity - 12/31/12	<u>\$ 465,906</u>	<u>\$ 1,793,240</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2012

Note 8: Other Note Disclosures (continued)

C. Risk Management (continued)

Legal Judgments/Claims

Reported judgments (tort liability) are principally funded through property taxes over a period of time. Taxes collected are accumulated in the Tort Liability Fund to accumulate a reserve for the defense of the District and/or to pay legal claims.

D. Corps of Engineers and District Improvement Project

For a number of years, the District, working in partnership with the Federal Corps of Engineers, has been making improvements to its internal systems of levees, ditches and pumping stations. Funding for these improvements has been established at 25% District and 75% Federal. The accompanying financial statements do not reflect amounts being spent by the federal government on this project, as these amounts are indeterminable on an annual basis at the District level.

From time to time, in addition to direct cash payments to the Corps of Engineers for its 25% share of costs, the District may be responsible for 100% of certain cost items in the form of cash payments to vendors and/or work on a particular project being done totally by District machinery and personnel (work in kind). All of these District costs are reflected in the accompanying financial statements on an annual basis. It is anticipated that most of the 100% District costs will be considered by the Corps of Engineers, at the end of the overall project, as part of the 25% share contribution due by the District toward the rehabilitation project.

During 2005 the District received \$7,144 in reimbursement from the Corps of Engineers. These reimbursements represent prior year District share payments, which have not been used by the Corps of Engineers for their respective projects as of the dated reimbursement.

During 2006 the Corps of Engineers requested \$986,667 from the District for upcoming projects. This payment was reflected as a current year expense in the financial statements.

During 2008 the District received \$22,520 in reimbursement from the Corps of Engineers. These reimbursements represent prior year District share payments, which have not been used by the Corps of Engineers for their respective projects as of the dated reimbursement.

E. Design Escrow Accounts

During 1999 the District, as the local sponsor, opened accounts to track funds being contributed by the State of Illinois/Department of Natural Resources and various government participants to pay for a study titled the East St. Louis, Illinois and Vicinity Interior Flood Control Study. The actual study is being conducted by the U. S. Army Corps of Engineers and paid for from the above funds. Participating governments include the Metro East Sanitary District, Madison County, St. Clair

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 8: Other Note Disclosures (continued)

E. Design Escrow Accounts (continued)

County and the State of Illinois Office of Water Resources. During 2004, 2003 and 2002 the State of Illinois/Department of Natural Resources, Office of Water Resources contributed \$41,000, \$23,000 and \$229,000, respectively, and the District, along with other local sponsors, contributed \$-0-, \$-0- and \$199,800, respectively, to the study.

During 2006 the Department of Natural Resources contributed \$47,117 toward this project with the District providing an additional \$42,883 from its "Design Escrow" restricted account, for a total expenditure of \$90,000.

During 2007 as reflected within these financial statements, the Department of Natural Resources contributed \$37,500 toward this project. The Metro East Sanitary District provided an additional \$12,000 and Madison and St. Clair counties provided \$12,750 each. Total project expenditures in this regard were \$75,000.

During 2008 as reflected within these financial statements, the Department of Natural Resources contributed \$86,000 toward this project. The Metro East Sanitary District provided an additional \$13,760 and Madison and St. Clair counties provided \$14,620 each. Total project expenditures in this regard were \$86,000.

During 2009 the Department of Natural Resources contributed \$5,700 toward this project. The Metro East Sanitary District provided an additional \$15,584 and Madison and St. Clair counties provided \$16,558 each. Total project expenditures in this regard were \$33,725.

There was no activity in this regard during 2012 and 2011.

F. Lease of Office Space - Related Party Transaction

The Lansdowne System leases office space on a monthly basis from the Metro East Sanitary District. Currently, monthly lease payments are \$1,000. No formal lease has been executed between the related parties. Therefore, an analysis of future minimum rental payments is inappropriate.

G. 203 Pump Station

On July 23, 1997 the Lansdowne System entered into an agreement to purchase a sanitary pumping station located on Gateway International Race Track real estate adjacent to Highway 203, north of Interstate 70 in East St. Louis, Illinois for \$259,895.29. The amortized cost of the station is to be payable monthly by the owners of the race track and/or the occupant of the current race track property. This loan was paid during the fiscal year ended March 31, 1999.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)

December 31, 2012

Note 8: Other Note Disclosures (continued)

G. 203 Pump Station (continued)

In accordance with an additional agreement related to the above station, all current and any future users of the pump station are responsible for the cost of maintenance. The Lansdowne System is responsible for maintaining the station and is to bill users for the related costs.

The additional agreement referenced in the preceding paragraph also provides for the accumulation of funds for the ultimate replacement of worn pumps and parts. This account is to be increased by payments payable on a monthly basis over a five (5) year term by all users of the system until it reaches a maximum balance of \$50,000. The accompanying financial statements account for these accumulations as restricted assets totaling \$41,562 and \$46,922 at March 31, 2012 and 2011, respectively.

H. Expenditures in Excess of Budget

Actual expenditures exceeded budgeted expenditures in none of the District's funds during the year ended December 31, 2012.

I. Blue Water Ditch Fiduciary Funds

As noted above, these financial statements include fiduciary funds which are used to account for assets held on behalf of outside parties. As displayed, these Blue Water Ditch funds include an operating as well as a sinking fund. Cash is received by the District from the following local municipalities in relation to their participation percentage in the Blue Water Ditch Project. The State of Illinois Office of Water Resources is the oversight agency for this Blue Water Ditch Project.

Municipality	Participation Percentage
Village of Cahokia	59.70
St. Clair County	4.90
City of Alorton	8.10
City of Centreville	23.60
Centreville Township	3.70
	<u><u>100.00</u></u>

The Sinking Fund is used to accumulate revenues for eventual system renewals and replacements.

The Operations and Maintenance Fund is used to account for ongoing operations of the Blue Water Ditch pumping station including the cost for electricity to operate the pumping system. Costs in this regard totaled \$39,814 in 2012 and \$100,748 in 2011.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 8: Other Note Disclosures (continued)

I. Levee Rehabilitation

In response to possible decertification of the levee systems on the Illinois side of the Mississippi River at St. Louis by the Federal Corps of Engineers, legislation was passed which increased the local sales tax to provide funding for needed levee repairs. Because these new sales tax revenues would not become available for some time and work on the levee repairs needed to begin in order to avoid possible decertification, accumulated funds within the Metro East Sanitary District were restricted for the cost of these beginning repairs.

On June 23, 2008 the governor approved amendments to the Illinois State Statute which set aside 90% of the accumulated cash balances within the District's Tort Liability Fund at January 1, 2008 to be used to provide "... capital for levee or river related scientific studies including the construction of facilities for such purposes". The following is an analysis of the District's Tort Liability Fund and General Fund restriction/reservation for levee rehabilitation.

	<u>\$ 7,374,222</u>	
90% Expenditures during	\$ 6,636,800	Initial restriction/reservation
2008	(92,809)	
2009	(1,636,206)	
2010	(791,232)	
2011	(631,716)	
2012	(30,348)	
Interest income on account	504,321	
Equipment purchases and Corps of Engineers project credit	<u>(441,648)</u>	
	<u>\$ 3,517,162</u>	Restriction 12/31/12

Levee restriction is displayed in the accompanying financial statements in the following funds:

<u>\$ 2,700,817</u>	General Fund
<u>816,345</u>	Tort Liability Fund
<u>\$ 3,517,162</u>	Total

(continued on next page)

NOTES TO FINANCIAL STATEMENTS
(continued)
December 31, 2012

Note 8: Other Note Disclosures (continued)

K. Construction Contract Commitments - Lansdowne Sewer IEPA

As of March 31, 2012 the Lansdowne Sewer System has completed a construction project for the replacement of a 24 inch sewer main totaling \$2,306,253 plus engineering costs. Funding for this project is being provided through the Illinois EPA as part of a loan/grant project (see Note 6 above).

L. IDOT - Triple Box Culverts

In 2010, during the preparation work related to a new Mississippi River Bridge, it was determined that a District owned culvert known as the Triple Box Culvert needed to be cleaned and evaluated with respect to the new bridge project. In this connection, IDOT agreed to reimburse the District for any engineering costs it incurred. All of the actual cleaning is provided by IDOT directly. As of December 31, 2011 the District has incurred and been reimbursed \$448,452 from IDOT.

M. Assessed Valuation Increase

The District's assessed valuation for the 2011 levy year for both Madison and St. Clair counties was significantly greater than in the past. This increase was due to the District's annexation of property from its current easterly boundaries to the Mississippi River bluff. The District is expanding its coverage area as water runoff from these additional parcels has been contributing to the District's water drainage control costs.

Metro East Sanitary District

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS

Year Ended December 31, 2012

	General Fund		Tort Liability Fund	
	Original and Final Budget	Actual	Original and Final Budget	Actual
REVENUES				
Property taxes	\$ 3,265,100	\$ 2,871,016	\$ 19,850	\$ 10,259
Intergovernmental receipts				
Replacement taxes	13,085,709	1,185,345	-	-
Design account payment - Madison County	-	62,250	-	-
Payment in lieu of taxes	-	13,671	-	-
Building rental	-	12,000	-	-
Fines and fees	75,000	98,400	-	-
Licenses and permits	-	1,125	-	-
Farm ground rental	-	45,046	-	-
Pumping services	-	20,657	-	3,752
Interest income	-	9,978	-	-
Sale of surplus property	-	-	-	-
Miscellaneous revenues and reimbursements	-	71,738	-	-
Total revenues	16,425,809	4,391,226	19,850	14,011
EXPENDITURES				
Administration	380,000	312,976	-	-
Salaries	7,500	5,769	-	-
Electric service	700,000	435,301	-	-
Insurance - group health and welfare	12,000	16,771	-	-
Insurance - retiree medical	-	1,328	-	-
Insurance - bonding	1,200	57,000	43,382	-
Insurance - unemployment	211,000	184,143	-	-
Insurance - workers' compensation	106,000	75,300	-	-
Insurance - liability	-	-	-	-

(continued on next page)

SCHEDULE A
Page 2

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS**

(continued)

Year Ended December 31, 2012

	General Fund		Tort Liability Fund	
	Original and Final Budget	Actual	Original and Final Budget	Actual
EXPENDITURES (continued)				
Administration (continued)				
Telephone	4,800	4,373		
Water, trash and sewerage	500	426		
Postage	1,000	1,132		
Material and supplies				
Vehicles	1,000	-		
Equipment	2,000	159		
Building	5,000	329		
Office expense	12,500	7,198		
Licenses and title				
Copier lease	2,400	2,047		
Building security				
Legal services	1,000	1,368		
Legal publications				
Payroll processing	15,000	37,088		
Land and title work				
Training and travel	11,000	8,593		
Dues and subscriptions				
Dues and subscriptions	5,700	5,394		
Petty cash				
Minor medical fees	1,000	1,139		
Easements				
Design agreement share payments	7,500	5,844		
Flood prevention expenditures - noncapital				
Bank fees	200	200		
DOT - Triple box culverts	50	145		
Real estate taxes				
Public relations	25,000	-		
Miscellaneous				
Engineering	500	-		
Engineering services	80,000	79,826		
General maintenance				
Salaries - Madison County	760,000	847,932		

(continued on next page)

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS**

(continued)

Year Ended December 31, 2012

	General Fund		Tort Liability Fund	
	Original and Final Budget	Actual	Original and Final Budget	Actual
EXPENDITURES (continued)				
General maintenance (continued)				
Salaries - St. Clair County	800,000	834,078		
Electric service	15,000	11,600		
Telephone	14,000	17,850		
Water, trash and sewerage	6,500	7,776		
Material and supplies				
Vehicles	70,000	61,359		
Office	1,000	1,054		
Buildings	30,000	80,263		
Equipment	150,000	183,439		
Levee and canals	50,000	48,572		
Motor fuel and lubricants	225,000	244,802		
Moving equipment	2,000	3,773		
Equipment rental	15,000	3,783		
Building security	3,500	4,242		
Safety equipment - noncapital				
Uniform expense	5,000	4,166		
Road improvements	12,000	13,266		
Twin 60" repair	53,000	39,735		
Levee recertification		98,443		
Project costs	750,000	-		
Salaries	535,000	156,618		
Electric service	400,000	138,700		
Telephone	2,500	1,883		
Water, trash and sewerage	1,500	1,167		
Material and supplies				
Equipment	30,000	121,180		
Building	70,000	18,816		
Pumps	140,000	-		
Equipment rental	1,000	634		
Building security	500	-		
Debris removal	3,100	109		

(continued on next page)

SCHEDULE A
Page 4

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
(continued)

Year Ended December 31, 2012

EXPENDITURES (continued)	General Fund		Tort Liability Fund	
	Original and Final Budget	Actual	Original and Final Budget	Actual
Capital outlay				
Purchase of land		1,298		-
Equipment purchases	425,000	25,149	-	-
Total expenditures	<u>6,247,000</u>	<u>4,345,810</u>	<u>113,000</u>	<u>116</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 10,178,809</u>	<u>45,416</u>	<u>\$ (93,150)</u>	<u>13,895</u>
Fund balance, beginning of year		6,049,118		2,595,690
FUND BALANCE, END OF YEAR		<u>\$ 6,094,534</u>		<u>\$ 2,609,585</u>

Metro East Sanitary District

IMRF TREND INFORMATION

December 31, 2012

Illinois Municipal Retirement Fund (IMRF)
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	UAAL as a Percentage of Covered Payroll (b-a)/(c))	
					\$ 8,193,026	\$ 1,350,511
12/31/11	\$ 6,842,515	\$ 6,839,203	7,950,993	1,111,790	86.02%	2,514,005
12/31/10	6,839,203	6,526,197	7,448,174	921,977	87.62%	2,463,477
12/31/09	6,526,197					

Employer Contributions

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	
		100%	85%
12/31/11	\$ 279,340		
12/31/10	253,915		
12/31/09	147,809		

On a market value basis, the actuarial value of assets as of December 31, 2011 is \$6,507,118. On a market basis, the funded ratio would be 79.42%.

Metro East Sanitary District

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2012

	<u>Special Revenue Funds</u>			
	Auditing Fund	Municipal Fund	Social Security Fund	Totals
ASSETS				
Cash	\$ 27,552	\$ 47,697	\$ 133,539	\$ 208,788
Investments - certificates of deposit	-	-	120,798	120,798
Due from other funds	-	39,254	40,287	79,541
Due from component unit	-	270	-	270
Receivables				
Property taxes	22,069	190,573	162,221	374,863
Interest receivable	-	-	88	88
TOTAL ASSETS	\$ 49,621	\$ 277,794	\$ 456,933	\$ 784,348
LIABILITIES AND MUNICIPAL EQUITY				
LIABILITIES				
Accounts payable	\$ -	\$ 14,367	\$ -	\$ 14,367
Interfund payable	429	178	1,791	2,398
Deferred revenue	<u>22,069</u>	<u>190,573</u>	<u>162,221</u>	<u>374,863</u>
Total liabilities	22,498	205,118	164,012	391,628
MUNICIPAL EQUITY				
Fund balance				
Reserved	<u>27,123</u>	<u>72,676</u>	<u>292,921</u>	<u>392,720</u>
TOTAL LIABILITIES AND MUNICIPAL EQUITY	\$ 49,621	\$ 277,794	\$ 456,933	\$ 784,348

Metro East Sanitary District

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended December 31, 2012

		Special Revenue Funds		
		Municipal	Social	
		Retirement	Security	
	Auditing Fund	Fund	Fund	Totals
REVENUES				
Property taxes	\$ 20,471	\$ 154,485	\$ 158,653	\$ 333,609
Intergovernmental receipts				
Replacement taxes		39,254	40,287	79,541
Interest income	16	18	569	603
Total revenues	20,487	193,757	199,509	413,753
EXPENDITURES				
General government	<u>20,000</u>	<u>211,696</u>	<u>166,431</u>	<u>398,127</u>
Excess (deficiency) of revenues over expenditures	487	(17,939)	33,078	15,626
Fund balance, beginning of year	<u>26,636</u>	<u>90,615</u>	<u>259,843</u>	<u>377,094</u>
FUND BALANCE, END OF YEAR	\$ 27,123	\$ 72,676	\$ 292,921	\$ 392,720

Metro East Sanitary District

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS**

Year Ended December 31, 2012

	Auditing Fund	Municipal Retirement Fund	Social Security Fund
	Original and Final Budget	Original and Final Budget	Original and Final Budget
REVENUES	Budget	Actual	Actual
Property taxes	\$22,950	\$20,471	\$172,850
Intergovernmental receipts			\$154,485
Replacement taxes			\$178,000
Interest income			\$158,653
Total revenues	22,950	20,487	212,104
			193,757
			218,287
			199,509
EXPENDITURES			
General government	<u>21,000</u>	<u>20,000</u>	<u>230,000</u>
			<u>211,696</u>
			<u>194,000</u>
			<u>166,431</u>
Excess (deficiency) of revenues over expenditures	\$ 1,950	487	<u>\$ (17,896)</u>
			(17,939)
Fund balance, beginning of year	<u>26,636</u>		<u>90,615</u>
			<u>259,843</u>
FUND BALANCE, END OF YEAR	<u>\$ 27,123</u>		<u>\$ 72,676</u>
			<u>\$ 292,921</u>

Metro East Sanitary District

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
BUDGET (GAAP BASIS) AND ACTUAL
ENTERPRISE FUND**

Year Ended March 31, 2012

	Sewer Fund		
	Original and Final Budget	Actual	
OPERATING REVENUES			
Sales and service charges	\$ 3,100,000	\$ 2,719,188	
Lien fees and miscellaneous charges	7,500	24,064	
Total operating revenues	3,107,500	2,743,252	
OPERATING EXPENSES			
Administration	870,300	889,152	
Personal services	932,970	404,516	
Contractual services	65,500	66,665	
Materials and supplies	528,000	329,698	
Maintenance and repairs	1,100,000	1,344,385	
Secondary treatment	4,000	3,589	
Miscellaneous	-	200,694	
Depreciation	-	-	
Total operating expenses	3,500,770	3,238,699	
Operating income (loss)	(393,270)	(495,447)	
NONOPERATING INCOME			
Interest income	13,000	7,118	
Sale of land/scrap	-	683,720	
DCCA grant income	200,000	-	
Total nonoperating income	213,000	690,838	
Change in net assets	\$ (180,270)	195,391	
TOTAL NET ASSETS, BEGINNING OF YEAR		6,175,521	
TOTAL NET ASSETS, END OF YEAR		\$ 6,370,912	

Metro East Sanitary District

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS
BY FUNCTION/ACTIVITY

As of December 31, 2012

FUNCTION/ACTIVITY	Total	Land	Buildings	Equipment	Vehicles
General administration	\$ 142,422	\$ -	\$ 83,677	\$ -	\$ 58,745
Drainage	2,434,068	-	268,465	1,737,577	428,026
General maintenance	<u>15,926,360</u>	<u>1,715,418</u>	<u>13,510,011</u>	<u>700,931</u>	<u>-</u>
Project costs					
GOVERNMENTAL CAPITAL ASSETS	<u><u>\$18,502,850</u></u>	<u><u>\$1,715,418</u></u>	<u><u>\$13,862,153</u></u>	<u><u>\$2,438,503</u></u>	<u><u>\$486,771</u></u>

Metro East Sanitary District

SCHEDE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS
BY FUNCTION/ACTIVITY

Year Ended December 31, 2012

FUNCTION/ACTIVITY	Governmental Capital Assets		Deletions	Governmental Capital Assets 12/31/12
	1/1/12	Additions		
General administration	\$ 142,422	\$ -	\$ -	\$ 142,422
Drainage	2,459,106	-	25,038	2,434,068
General maintenance	15,898,479	27,881	-	15,926,360
Project costs				
GOVERNMENTAL CAPITAL ASSETS	<u>\$ 18,500,007</u>	<u>\$ 27,881</u>	<u>\$ 25,038</u>	<u>\$ 18,502,850</u>

	(Estimated)	
	2012	2011
ASSESSED VALUATIONS	\$848,871,795	\$792,532,165
TAX RATES AND EXTENSIONS		
General Fund	Rate	Extension
Illinois Municipal Retirement Fund	0.3120	\$ 2,648,480
Social Security Fund	0.0215	182,482
Auditing Fund	0.0181	153,920
Liability Insurance Fund	0.0025	21,000
Tort Liability Fund	0.0073	317,000
Totals	<u>0.3914</u>	<u>\$ 3,322,882</u>
COLLECTIONS		
General Fund	\$	-
Illinois Municipal Retirement Fund		-
Social Security Fund		-
Auditing Fund		-
Liability Insurance Fund		-
Tort Liability Fund		-
Totals	<u>\$</u>	<u>\$ 2,981,705</u>
ALLOWANCE FOR LOSSES AND COSTS		
General Fund	\$	-
Illinois Municipal Retirement Fund		-
Social Security Fund		-
Auditing Fund		-
Liability Insurance Fund		-
Tort Liability Fund		-
Totals	<u>\$</u>	<u>\$ -</u>
DEFERRED TAX REVENUE		
General Fund	\$ 2,648,480	\$ 146,755
Illinois Municipal Retirement Fund	182,482	8,091
Social Security Fund	153,920	8,301
Auditing Fund	21,000	1,069
Liability Insurance Fund	317,000	18,738
Tort Liability Fund		-
Totals	<u>\$ 3,322,882</u>	<u>\$ 182,954</u>

TABLE 1

Metro East Sanitary District

**ASSESSED VALUATIONS, TAX RATES, EXTENSIONS, COLLECTIONS,
ALLOWANCE FOR LOSSES AND COSTS AND DEFERRED TAX REVENUE
LAST TEN YEARS**

(continued on next page)

ASSESSED VALUATIONS		2007	2006	
		\$729,619,424	\$684,043,717	
TAX RATES AND EXTENSIONS				
General Fund	Rate	Extension	Rate	
Illinois Municipal Retirement Fund	0.3098	\$ 2,260,276	0.3097	\$ 2,118,281
Social Security Fund	0.0112	81,602	0.0000	-
Auditing Fund	0.0140	102,031	0.0173	118,607
Liability Insurance Fund	0.0028	20,429	0.0030	20,521
Tort Liability Fund	0.0328	231,066	0.0119	81,694
Totals	<u>0.4022</u>	<u>\$ 2,934,686</u>	<u>0.4017</u>	<u>\$ 2,747,571</u>
COLLECTIONS				
General Fund	\$ 2,157,614		\$ 2,054,948	
Illinois Municipal Retirement Fund	79,061		-	
Social Security Fund	98,126		116,212	
Auditing Fund	19,799		20,109	
Liability Insurance Fund	223,903		81,545	
Tort Liability Fund	<u>231,833</u>	<u>\$ 2,810,336</u>	<u>398,129</u>	<u>\$ 2,670,943</u>
Totals				
ALLOWANCE FOR LOSSES AND COSTS				
General Fund	\$ 102,662		\$ 63,333	
Illinois Municipal Retirement Fund	2,541		-	
Social Security Fund	3,905		2,395	
Auditing Fund	630		412	
Liability Insurance Fund	7,163		149	
Tort Liability Fund	<u>7,449</u>	<u>\$ 124,350</u>	<u>10,339</u>	<u>\$ 76,628</u>
Totals				
DEFERRED TAX REVENUE				
General Fund	\$ -		\$ -	
Illinois Municipal Retirement Fund	-		-	
Social Security Fund	-		-	
Auditing Fund	-		-	
Liability Insurance Fund	-		-	
Tort Liability Fund	-		-	
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

* Negative allowance as collections exceeded extension due to collection of delinquent taxes.

TABLE 1
Page 2

**ASSESSED VALUATIONS, TAX RATES, EXTENSIONS, COLLECTIONS,
ALLOWANCE FOR LOSSES AND COSTS AND DEFERRED TAX REVENUE
LAST TEN YEARS**

2005		2004		2003	
Rate	Extension	Rate	Extension	Rate	Extension
<u>\$654,404.591</u>		<u>\$614,117.622</u>		<u>\$647,290.597</u>	
0.3120	\$ 2,041,742	0.3120	\$ 1,916,047	0.3120	\$ 2,019,548
0.0000	-	0.0000	-	0.0000	-
0.0171	111,978	0.0189	115,789	0.0191	123,883
0.0032	20,759	0.0036	21,941	0.0035	22,375
0.0094	61,714	0.0000	-	0.0000	-
0.0786	514,281	0.1226	<u>752,795</u>	0.1599	<u>1,034,977</u>
<u>0.4203</u>	<u>\$ 2,750,474</u>	<u>0.4570</u>	<u>\$ 2,806,572</u>	<u>0.4945</u>	<u>\$ 3,200,783</u>
	\$ 1,973,433		\$ 1,885,690		\$ 1,936,747
	109,348		114,984		116,663
	20,277		22,058		21,111
	60,163		-		-
	501,148		<u>756,622</u>		<u>974,777</u>
	<u>\$ 2,664,369</u>		<u>\$ 2,779,354</u>		<u>\$ 3,049,298</u>
	\$ 68,309		\$ 30,357		\$ 82,801
	2,630	*	805		7,220
	482		(117)		1,264
	1,551	*	-		-
	13,133	*	<u>(3,827)</u>		<u>60,200</u>
	<u>\$ 86,105</u>		<u>\$ 27,218</u>		<u>\$ 151,485</u>



