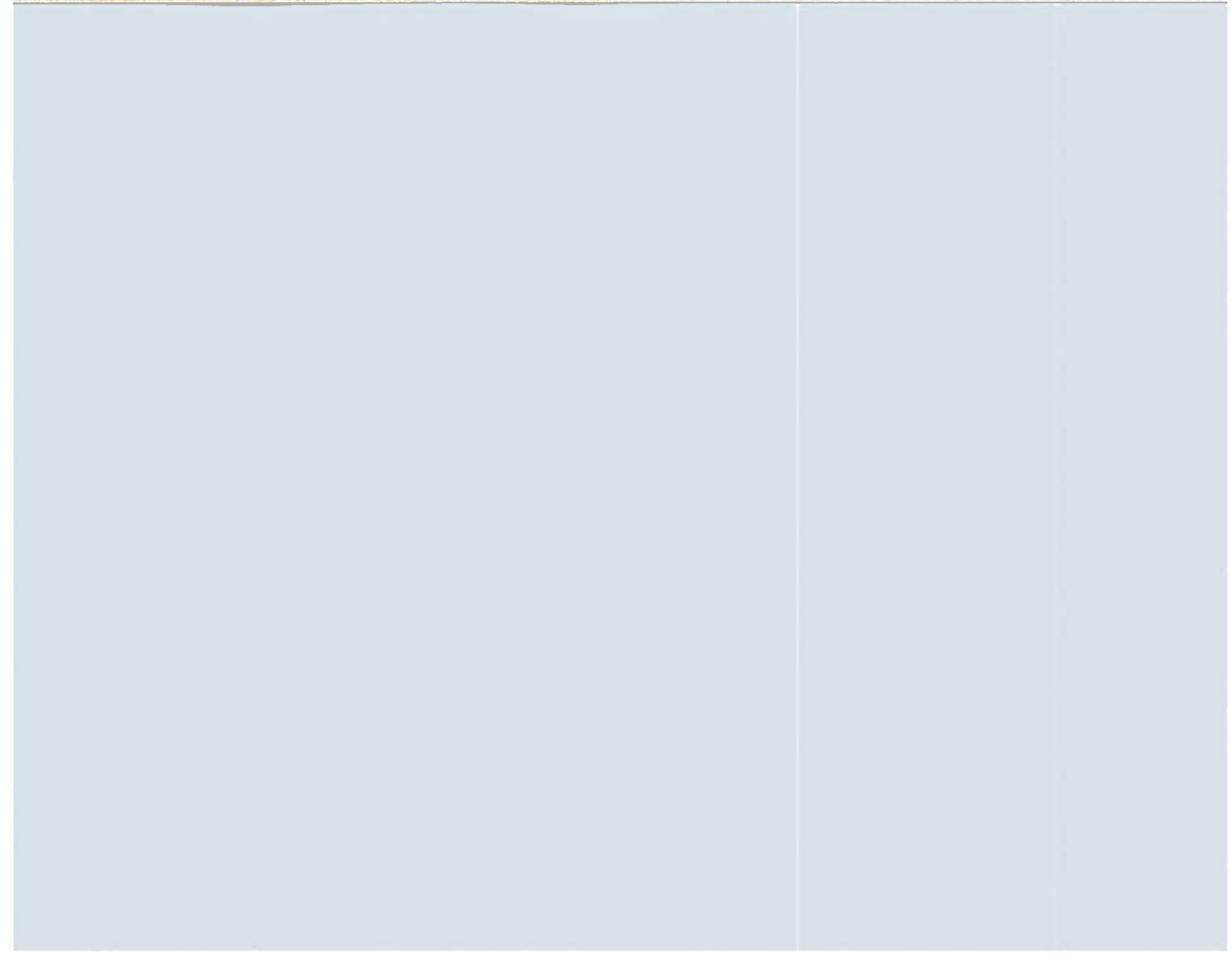
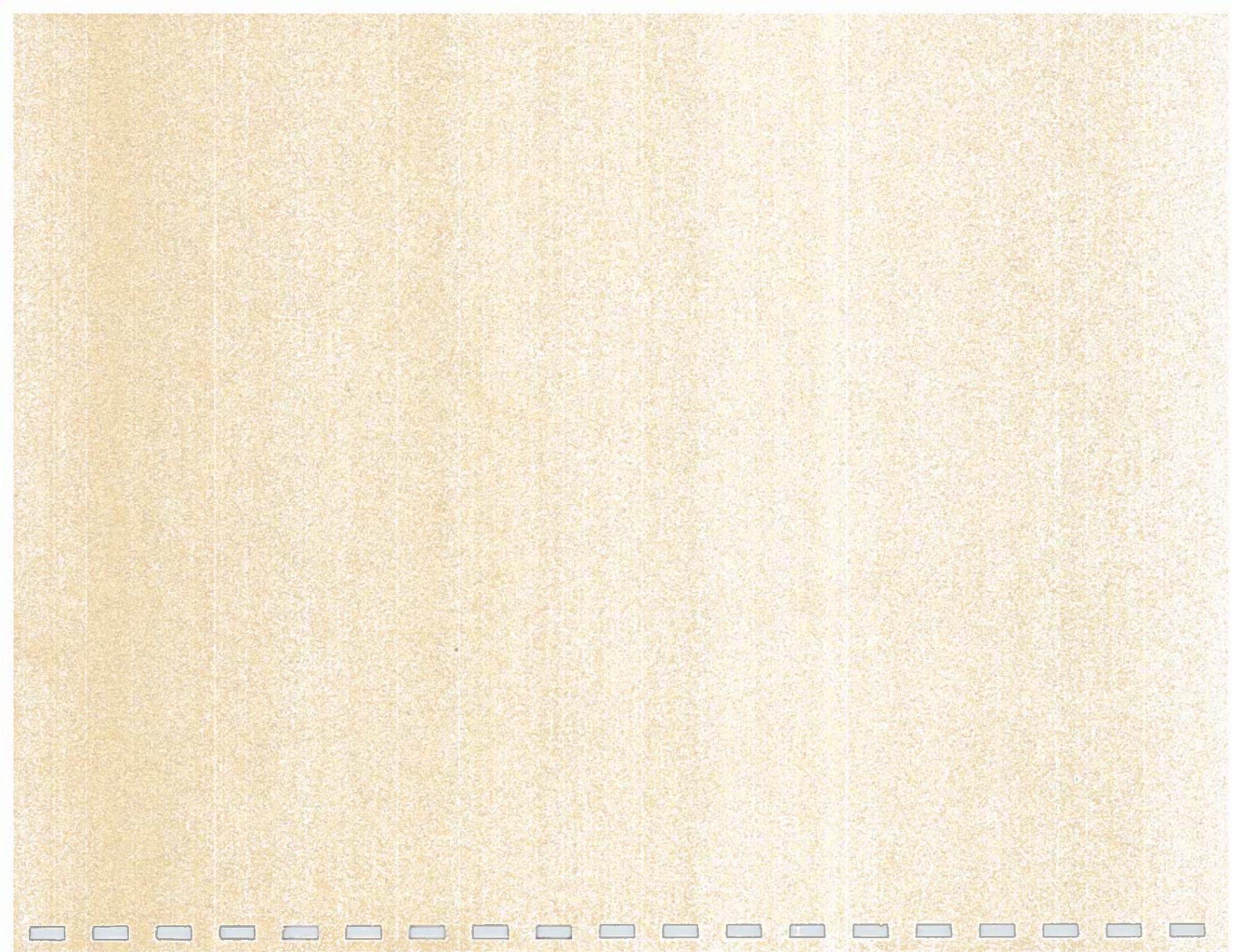


**Metro East Sanitary District  
Madison and St. Clair Counties**

**ANNUAL FINANCIAL REPORT  
Year Ended December 31, 2013**

**AND  
INDEPENDENT AUDITOR'S REPORT**



Metro East Sanitary District  
St. Clair and Madison Counties  
ANNUAL FINANCIAL REPORT

December 31, 2013

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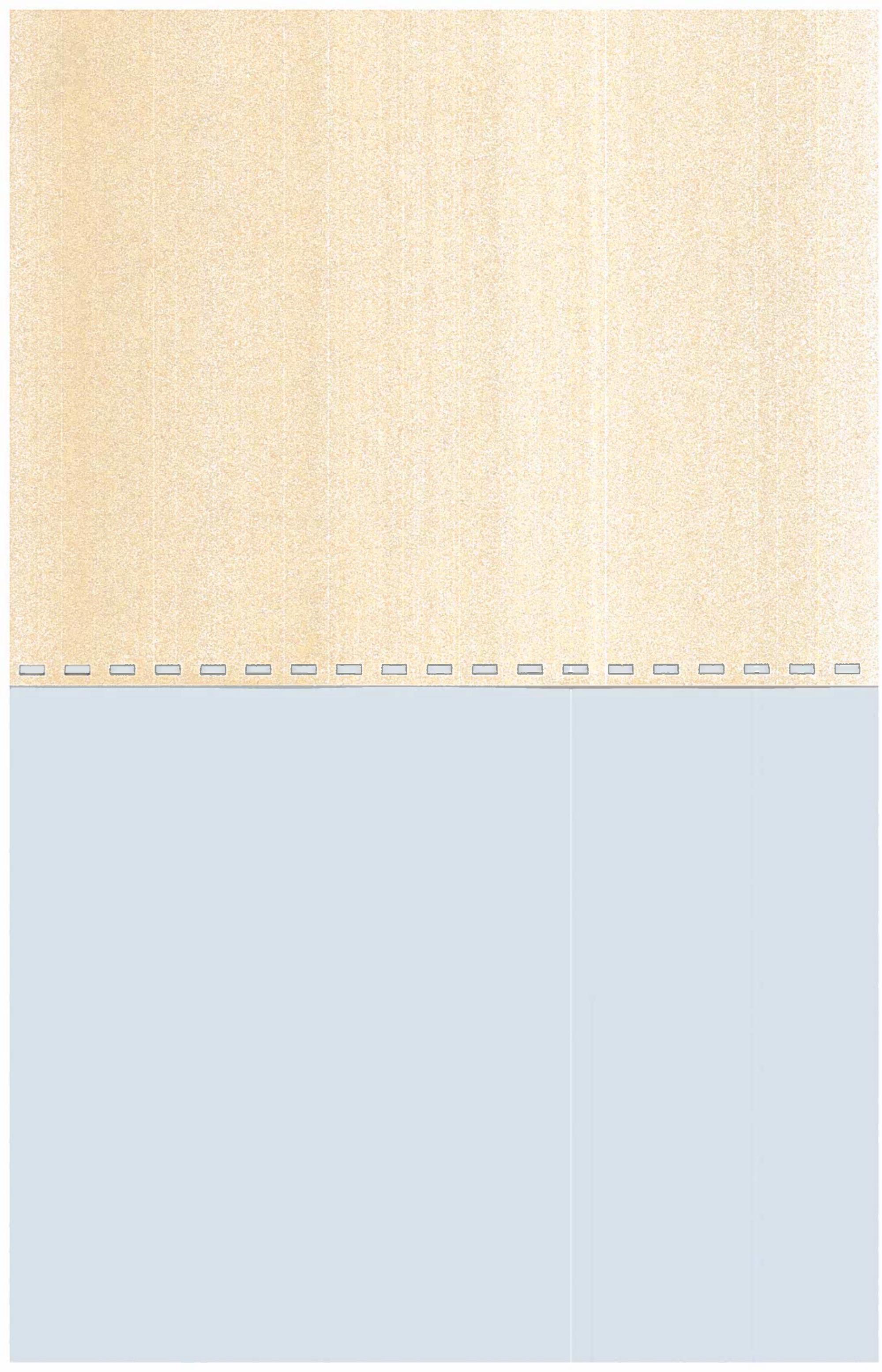


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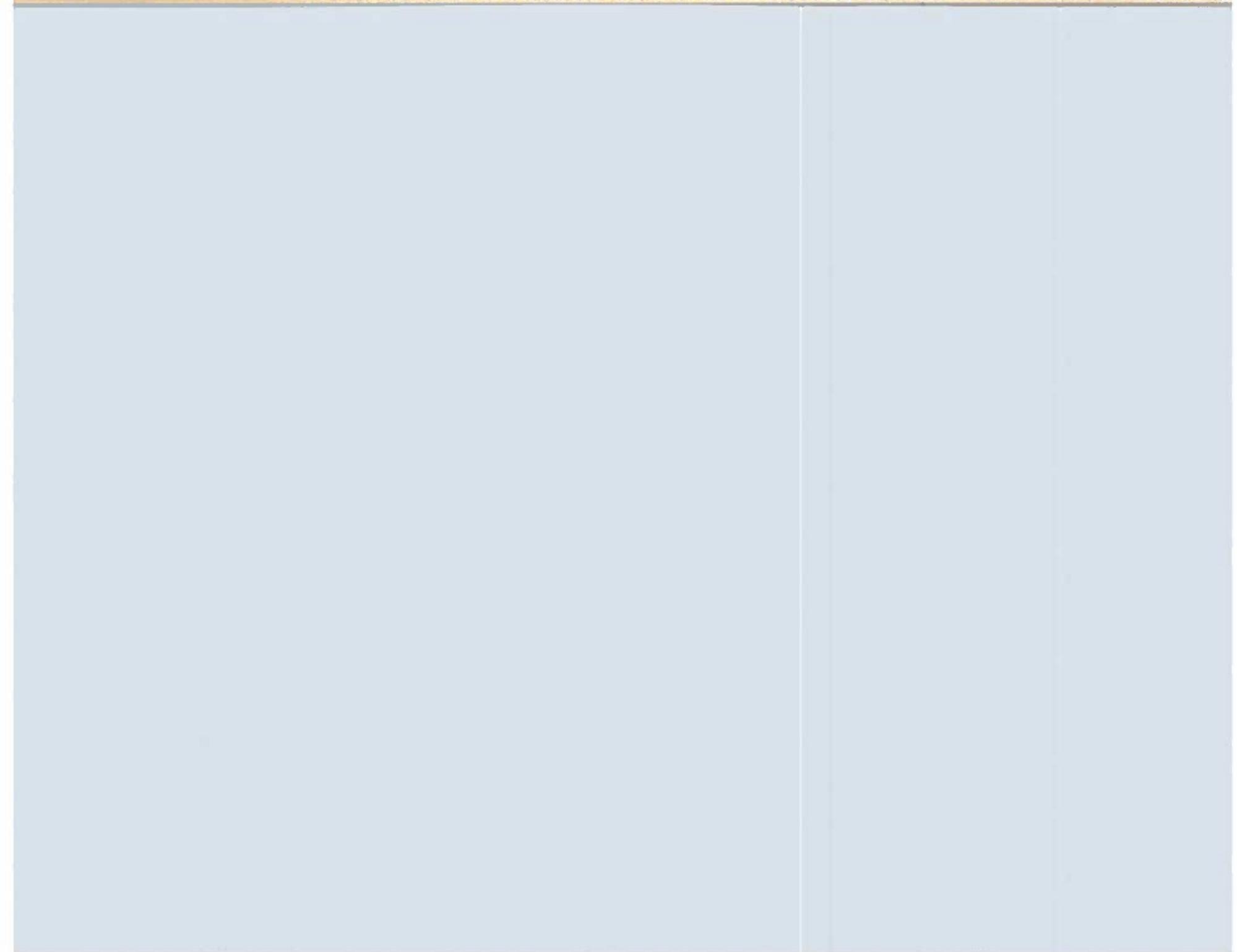
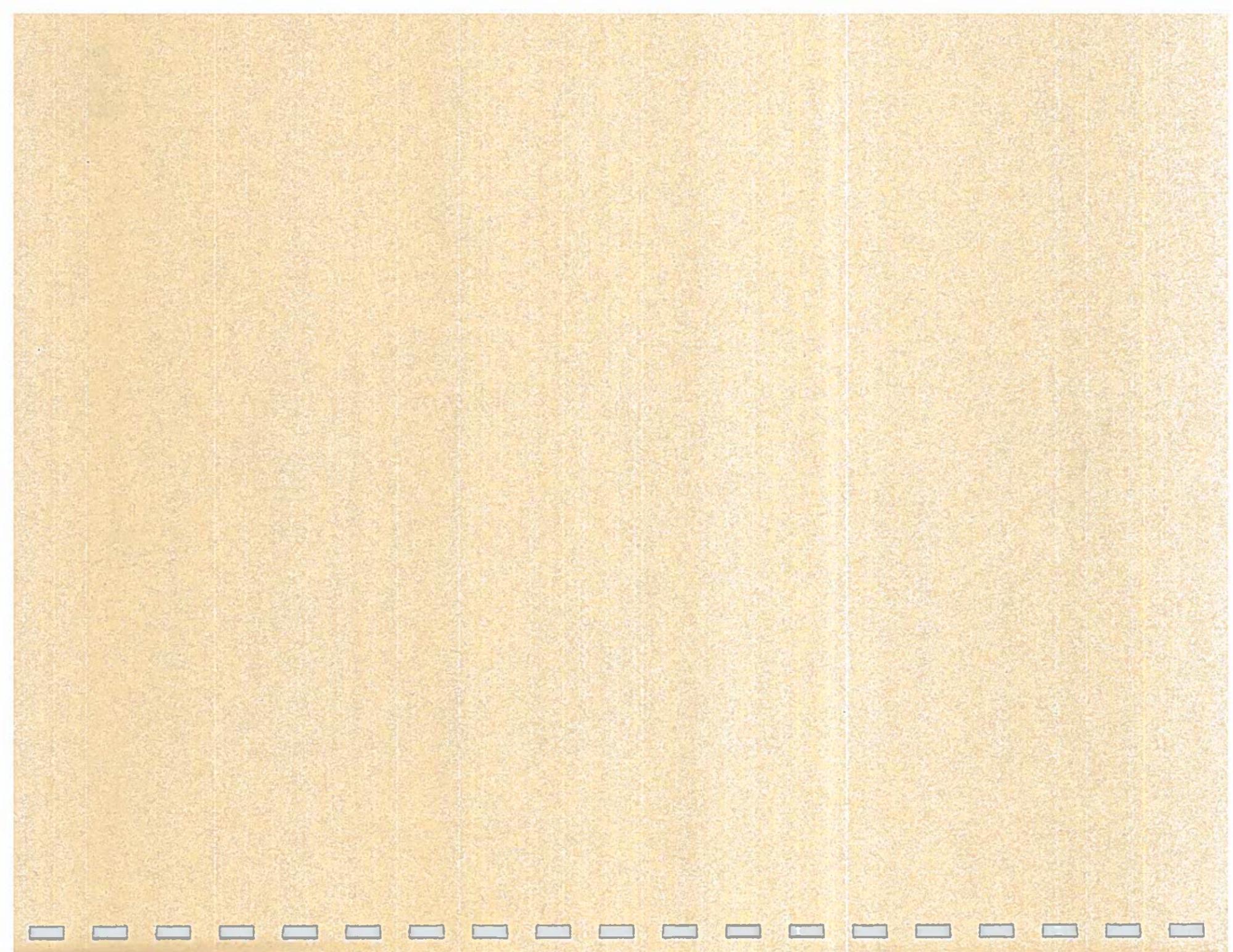


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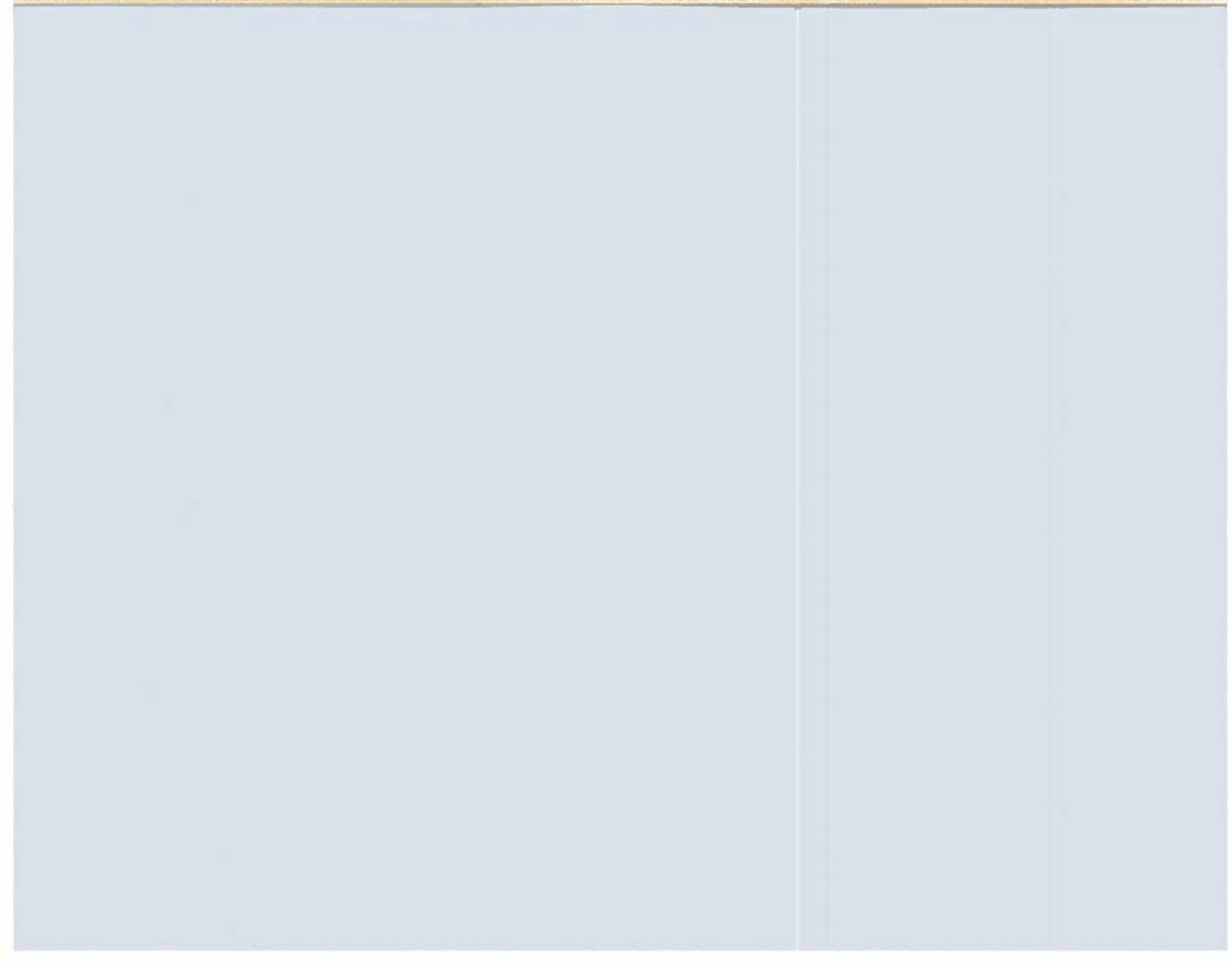
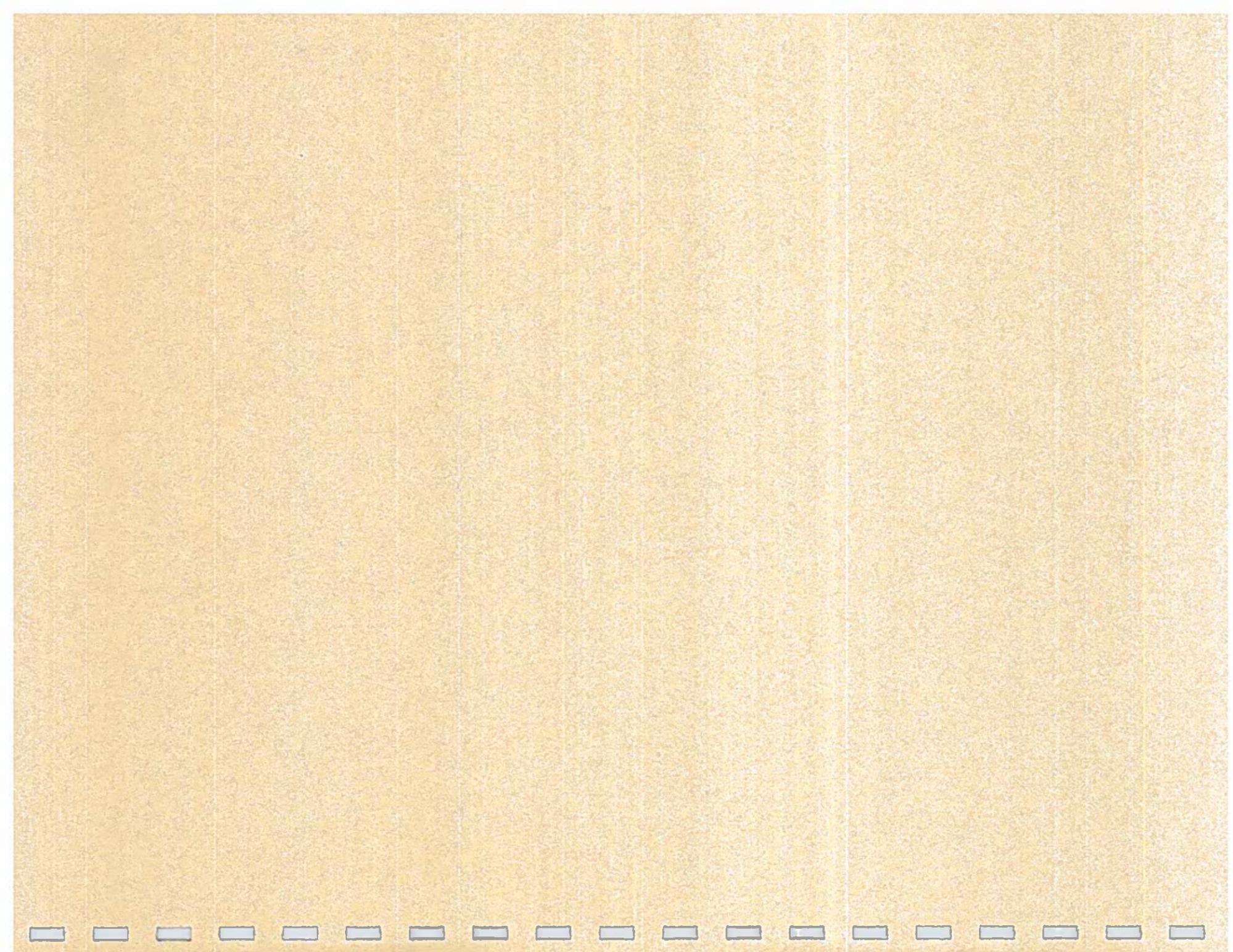
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CERTIFIED PUBLIC ACCOUNTANTS

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

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, 2013, and the business-type activities as of and for the year ended March 31, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

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

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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.

**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 on the Government-Wide and Proprietary Fund Financial Statements" 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, 2013, and the respective changes in financial position, thereof, for the year then ended in accordance 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 on the Government-Wide and Proprietary Fund Financial Statements" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major proprietary fund of the Metro East Sanitary District in Madison and St. Clair Counties, Illinois, as of March 31, 2013, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in accordance with U. S. generally accepted accounting principles.

**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, 2013, and the respective changes in financial position, thereof, for the year then ended in accordance with U. S. generally accepted accounting principles.

**Other Matters**

**Prior Year Summarized Comparative Information**

The prior year summarized comparative information has been derived from the District's December 31, 2012 financial statements and, in our report dated May 13, 2013, we expressed a qualified opinion due to the omission of the OPEB expense and obligation and disclosures on the respective financial statements of the governmental activities and unmodified opinions on the respective financial statements 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 in accordance with U. S. generally accepted accounting principles.

In addition, in our opinion dated August 6, 2012, except for the missing recognition matter described in the "Basis for Qualified Opinions on the Government-Wide and Proprietary Fund Financial Statements" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major proprietary fund 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 accordance with U. S. generally accepted accounting principles.

**Required Supplementary Information**

U. S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and IMRF Trend Information in Schedules A and B 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.

**Other Information**

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' basic financial statements. The supplementary information and the other information sections 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 basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U. S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic 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 + Siebman, P.C.*

Belleville, Illinois

April 30, 2014

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**METRO EAST SANITARY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2013**

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 \$24,596,075 with \$12,438,867 being invested in capital assets, \$7,868,370 invested in cash and certificates of deposit, \$101,859 restricted for Corps of Engineers projects, and \$4,186,979 of other assets.

Also as noted in Exhibit A, total assets for the business-type activities totaled \$8,930,838 with \$5,896,255 being invested in capital assets, \$2,299,362 invested in cash and certificates of deposit, \$38,117 restricted for the 203 Pump Station, \$754,530 receivable from sewer customers, \$614 interest receivable, \$23,856 due from City of Venice - sewer break, \$1,104 other receivables, less \$83,000 which was due to other funds.

The District's net position, as noted in Exhibit B, decreased by \$629,846 during the fiscal year ending December 31, 2013. The governmental net position decreased by \$636,701, the business-type activities net position increased by \$6,855.

The District's combined Governmental Funds ending fund balance decreased \$512,312 during the year ended December 31, 2013, 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 Position (the "Unrestricted Net Position") 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 19-41 of this report.

(See independent auditor's 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 42-46 of this report. The combining and individual fund statements for non-major governmental funds are presented on Pages 47-49 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 Position**

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 position from fiscal year 2012, decreasing by \$629,846 from \$27,883,518 to \$27,253,672. Governmental activities had a decrease of \$636,701 from \$21,512,606 to \$20,875,905 and business-type activities had an increase of \$6,855 from \$6,370,912 to \$6,377,767. As noted in Exhibit A, net position for governmental activities total \$20,875,905 with \$12,438,867 being invested in capital assets (buildings, roads, equipment, etc.), net of related debt. The net position of the business-type activities total \$6,377,767 with \$3,745,691 invested in capital assets, net of related debt.

Listed below are the District's assets at December 31, 2013 and 2012, including a column noting changes (increases/decreases) from 2012.

**Table 1: Statement of Assets as of December 31, 2013**

	Total Primary Government		Increase/ (Decrease)
	2013	2012	
Other assets	\$ 15,191,791	\$ 16,051,684	\$ (859,893)
Capital assets	18,335,122	18,316,093	19,029
<b>Total Assets</b>	<b>\$ 33,526,913</b>	<b>\$ 34,367,777</b>	<b>\$ (840,864)</b>

Listed below are the District's liabilities at December 31, 2013 and 2012, including a column noting changes (increases/decreases) from 2012.

	Total Primary Government		(Increase) Decrease
	2013	2012	
Accounts payable	\$402,154	\$456,997	\$(54,843)
Accrued payroll	61,876	51,373	10,503
Current portion of long-term debt	159,385	155,054	4,331

(See independent auditor's report.)

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

Pension contributions payable	\$ 41,254	\$ 40,390	\$ 864
Long-term liabilities	2,413,664	2,457,563	(43,899)
<b>Total Liabilities</b>	<b>\$2,454,918</b>	<b>\$2,497,953</b>	<b>\$(43,035)</b>
Deferred inflows of resources			
Unavailable property tax	\$3,194,908	\$3,322,882	\$(127,974)

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

Net position of the District's governmental activities decreased from \$21,512,606 for year ending December 31, 2012 to \$20,875,905 for year ending December 31, 2013. This was a 2.96 percent (2.96%) decrease from the previous year. The District's unrestricted net position for governmental activities, the part of net position that can be used to finance day-to-day operations, was \$3,030,466. Net investment in capital assets totaled \$12,438,867. Restricted assets totaled \$5,406,572 with \$100,108 restricted for escrow accounts, \$2,037,487 restricted for tort immunity and \$2,872,244 restricted for levee rehabilitation and \$396,733 restricted for auditing, municipal retirement and social security.

The net position of business-type activities was \$6,377,767. The District can use the unrestricted net position of \$2,593,959 to finance the continuing operation of its sewage treatment facility. The investment in capital assets, net of related debt totaled \$3,745,691. Restricted net position totaled \$38,117 for the 203 Pump Station.

**Normal Impacts on Net Position**

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

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

**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 position 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 position 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 Position**

The District's combined net position (which are the District's bottom line) decreased by \$629,846, which was the result of the governmental activities net position decreasing by \$636,701 and the business-type activities net position increasing by \$6,855.

**Changes in Net Position**

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

(See independent auditor's report.)

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

**Table 3: Changes in Net Position for the Fiscal Year Ended December 31, 2013**

	Governmental Activities 2013	Business-Type Activities 2013	Total	
			Primary Government 2013	Primary Government 2012
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 137,541	\$ 2,929,562	\$ 3,067,103	\$ 2,899,823
Operating grants	-	-	-	62,250
General revenues				
Taxes				
Property	2,953,882	-	2,953,882	3,069,331
Payment in lieu of taxes	12,497	-	12,497	13,671
Replacement	1,518,810	-	1,518,810	1,264,886
Gain (Loss on sale of capital assets)	(93,520)	-	(93,520)	683,720
Other revenue	33,154	3,895	37,049	90,242
<b>Total revenues</b>	<b>4,562,364</b>	<b>2,933,457</b>	<b>7,495,821</b>	<b>8,083,923</b>
<b>Expenses</b>				
Governmental Activities				
General government	2,146,600	-	2,146,600	1,701,782
Drainage and sanitation	3,052,465	-	3,052,465	3,290,691
Business-Type				
Sewer	-	2,926,602	2,926,602	3,238,699
<b>Total expenses</b>	<b>5,199,065</b>	<b>2,926,602</b>	<b>8,125,667</b>	<b>8,231,172</b>
Changes in net position	(636,701)	6,855	(629,846)	(147,249)
Net Position - Beginning	21,512,606	6,370,912	27,883,518	28,030,767
Net Position - Ending	\$ 20,875,905	\$ 6,377,767	\$ 27,253,672	\$ 27,883,518
<b>Normal Impacts on Revenues and Expenses</b>				

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 56.23% of the District's General Fund and 35.35% 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 \$87,469 or 1.88% to a total of \$4,562,364. Expenses increased by \$206,592 or 4.14% to a total of \$5,199,065. Expenses exceeded revenue by \$636,701 for the 2013 year.

General governmental expenses increased by \$444,818 due mainly to increases in Flood Prevention expenses. The drainage and sanitation expenses decreased by \$238,226 due mainly to decreases in maintenance costs.

***Business-Type Activities***

**Revenues and Expenses:**

Revenues for the business-type activities decreased by \$500,633 or 14.58% to a total of \$2,933,457. Operating expenses decreased by \$312,097 or 9.64% to a total of \$2,926,602. Overall revenues exceeded expenses by \$6,855 for the 2013 fiscal year.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

***Governmental Funds***

At December 31, 2013 the Governmental Funds (as presented on Page 7) reported a combined fund balance of \$8,584,525. This is a decrease of \$512,312 or 5.63% from the previous year. Of the total fund balance,

(See independent auditor's report.)

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

\$2,699,105 is unassigned indicating availability for continuing District services. Restricted fund balance of \$5,645,996 includes \$2,276,911 for tort immunity, \$2,872,244 for levee rehabilitation and \$496,841 for other restrictions. The nonspendable funds include \$239,424 for prepaid expenses.

The General Fund is the District's main operating fund and the largest source of day-to-day service delivery. Expenditures exceeded revenues by \$521,638.

**Proprietary Funds**

At December 31, 2013 the Proprietary Funds (as presented on Pages 11-15) total net position is \$6,377,767, which is an increase of \$6,855 or .11%.

**GENERAL FUND BUDGETARY HIGHLIGHTS**  
Table 4: General Fund Budgetary Highlights

	2013	2012	
	Original and Final Budget	Actual	Actual
Revenues	\$4,468,002	\$4,231,798	\$4,391,226
Expenditures	5,232,700	4,753,436	4,345,810
Excess of Revenues Over Expenditures	\$ (764,698)	\$ (521,638)	\$ 45,416

General Fund actual revenues were \$4,231,798 or 5.29% less than the final budget.

General Fund actual expenditures were \$4,753,436 or 9.16% less than the final budget. Flood prevention expenditure (levee recertification), various insurances, engineering services, motor fuel and lubricants, pump station electric costs, pump station equipment and buildings were responsible for the actual expenditures to be less than the final budget.

The District's net investment in capital assets for its governmental and business-type activities as of December 31, 2013, total \$16,184,558 which is \$130,084 or .81% more than the previous year. The net investment in capital assets includes land, buildings, equipment, and improvements other than underground systems, and infrastructure as well as the related debt.

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

For additional information related to the District's business-type fund, please see the District Clerk for copies of separately issued financial statements (see below for address).

**DEBT OUTSTANDING**

In fiscal year 2013, the District's long-term debt related to compensated absences totals \$422,485. This is an increase of \$71,487 or 20.37% from the previous year. The Business-Type Activities Sewer Funds has an additional long-term debt of \$2,150,564 for the repayment of a project funded through the Illinois Environmental Protection Agency (IEPA).

The District, as of December 31, 2013, has a legal debt margin of \$43,448,886.

Please see the accompanying financial statements notes for additional information related to outstanding debt.

(See independent auditor's report.)

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

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

**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 POSITION

December 31, 2013

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

	Governmental Activities	Business-Type Activities	2013		2012	
			Primary Government	Total	Primary Government	Total
<b>ASSETS</b>						
Cash	\$ 908,231	\$ 1,835,710	\$ 2,743,941	\$ 3,511,784		
Investments	6,960,139	463,652	7,423,791	6,943,903		
Restricted escrow accounts						
203 Pump Station		38,117	38,117	41,562		
Design Escrow	1,751	-	1,751	1,776		
Corps of Engineers	100,108	-	100,108	100,054		
Receivables						
Property taxes	3,383,811	-	3,383,811	3,505,836		
Replacement taxes	314,063	-	314,063	192,211		
Due from other funds	105,770	(83,000)	22,770	17,750		
Loans receivable Metro East Sanitary District	-	-	-	600,000		
Due from the City of Venice - sewer break	-	23,856	23,856	23,897		
Interest receivable	3,464	614	4,078	7,756		
Other	140,447	1,104	141,551	153,021		
Sewer fees Billed		754,530	754,530	803,772		
Prepaid expenses	239,424	-	239,424	148,362		
Capital assets						
Land/construction in progress	1,715,418	191,000	1,906,418	1,906,418		
Assets being depreciated (net of accumulated depreciation)	10,723,449	5,705,255	16,428,704	16,409,675		
Total assets	24,596,075	8,930,838	33,526,913	34,367,777		
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
None	-	-	-	-		
<b>LIABILITIES</b>						
Accounts payable	85,742	316,412	402,154	456,997		
Accrued payroll	61,876	-	61,876	51,373		
Current portion of long-term debt	35,000	124,385	159,385	155,054		
Pension contributions payable	41,254	-	41,254	40,390		
Noncurrent liabilities						
Illinois EPA loan	-	2,035,179	2,035,179	2,150,565		
Compensated absences	301,390	77,095	378,485	306,998		
Total liabilities	525,262	2,553,071	3,078,333	3,161,377		

(continued on next page)



STATEMENT OF NET POSITION  
(continued)  
December 31, 2013  
(With Summarized Comparative Information as of December 31, 2012)

			2013	2012
	Governmental Activities	Business-Type Activities	Total Primary Government	Total Primary Government
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	3,194,908	-	3,194,908	3,322,882
NET POSITION				
Net investment in capital assets	12,438,867	3,745,691	16,184,558	16,054,474
Restricted for				
Escrow accounts	100,108	-	100,108	100,054
203 Pump Station	-	38,117	38,117	41,562
Auditing	25,609	-	25,609	27,123
Municipal retirement	65,439	-	65,439	72,676
Social Security	305,685	-	305,685	292,921
Tort immunity	2,037,487	-	2,037,487	2,110,784
Levee rehabilitation	2,872,244	-	2,872,244	3,517,162
Unrestricted	3,030,466	2,593,959	5,624,425	5,666,762
<b>TOTAL NET POSITION</b>	<b>\$ 20,875,905</b>	<b>\$ 6,377,767</b>	<b>\$27,253,672</b>	<b>\$27,883,518</b>

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

Métro East Sanitary District  
STATEMENT OF ACTIVITIES

Year Ended December 31, 2013  
(With Summarized Comparative Information for Year Ended December 31, 2012)

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities	Business-Type Activities	2012 Total
<b>FUNCTIONS/PROGRAMS</b>						
<b>PRIMARY GOVERNMENT</b>						
Governmental activities						
General government	\$ 2,146,600	\$ -	\$ -	\$ (2,009,059)	-	\$ (1,482,961)
Drainage and sanitation	3,052,465	-	-	(3,052,465)	-	(3,290,691)
Total governmental activities	5,199,065	137,541	-	(5,061,524)	-	(4,773,652)
Business-type activities						
Sewer	2,926,602	2,929,562	-	-	2,960	(495,447)
<b>TOTAL PRIMARY GOVERNMENT</b>	8,125,667	3,067,103	-	(5,061,524)	2,960	(5,269,099)
General revenues						
Taxes						
Property				2,953,882	-	3,069,331
Payment in lieu of taxes				12,497	-	13,671
Replacement				1,518,810	-	1,264,886
Investment income				14,139	3,895	32,130
Net gain (loss) on sale of capital assets				(93,520)	-	683,720
Miscellaneous				19,015	-	58,112
Total general revenues				4,424,823	3,895	5,121,850
Change in net position				(636,701)	6,855	(147,249)
<b>NET POSITION - BEGINNING</b>				21,512,606	6,370,912	28,030,767
<b>NET POSITION - ENDING</b>				\$ 20,875,905	\$ 6,377,767	\$ 27,883,518

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

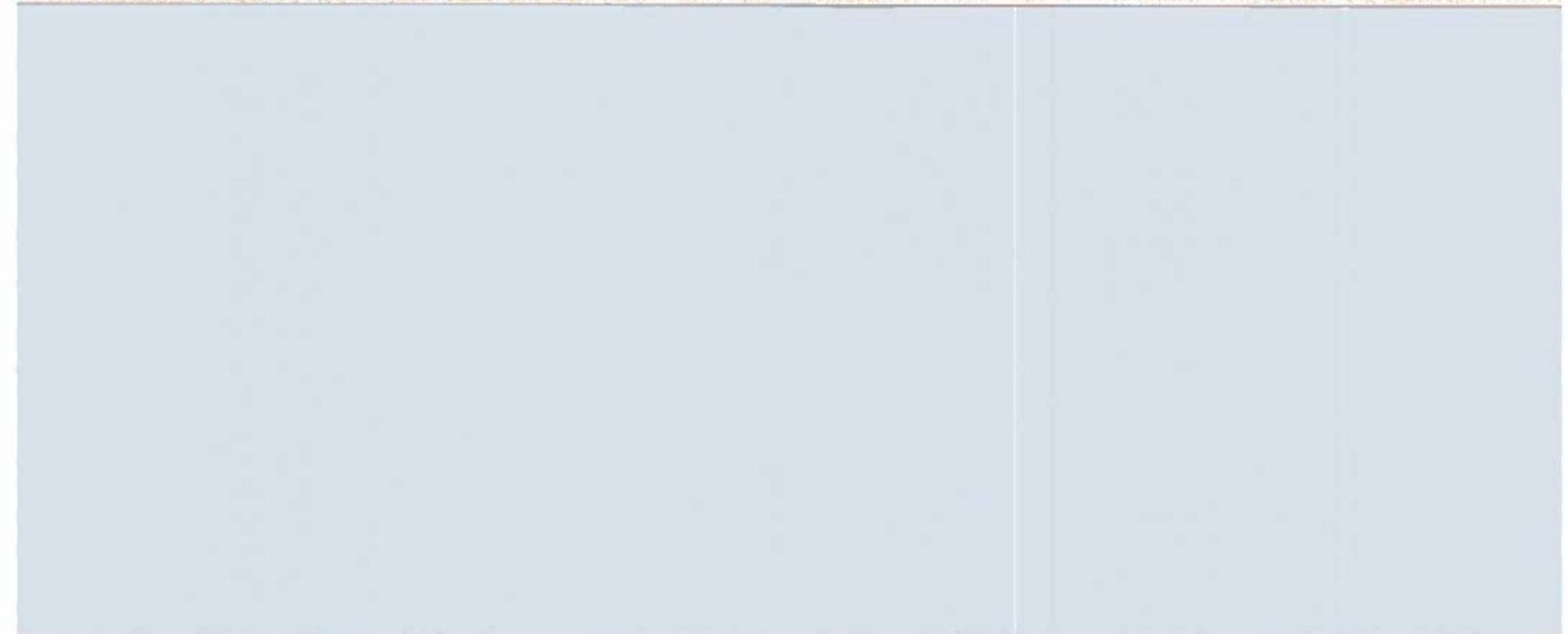


Metro East Sanitary District  
BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2013  
(With Summarized Comparative Information as of December 31, 2012)

	General	Tort Liability Fund	Other Governmental Funds	2013 Total Governmental Funds	2012 Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 251,222	\$ 498,973	\$ 158,036	\$ 908,231	\$ 1,649,066
Investments - certificates of deposit	4,716,244	2,122,734	121,161	6,960,139	6,943,903
Restricted escrow accounts					
Design Escrow	1,751	-	-	1,751	1,776
Corps of Engineers	100,108	-	-	100,108	100,054
Prepaid expenses	239,424	-	-	239,424	148,362
Receivables					
Property taxes	3,000,832	-	382,979	3,383,811	3,505,836
Due from other funds	31,835	-	133,526	165,361	89,533
Due from component unit	114,450	-	-	114,450	83,270
Replacement taxes	314,063	-	-	314,063	192,211
Interest receivable	2,607	783	74	3,464	6,828
Other municipalities	1,250	-	-	1,250	1,250
Other	139,197	-	-	139,197	151,048
<b>TOTAL ASSETS</b>	<b>\$ 8,912,983</b>	<b>\$ 2,622,490</b>	<b>\$ 795,776</b>	<b>\$ 12,331,249</b>	<b>\$ 12,873,137</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 69,678	\$ -	\$ 16,064	\$ 85,742	\$ 89,168
Accrued payroll	61,876	-	-	61,876	51,373
Due to other funds	157,767	7,594	-	165,361	89,533
Due to component unit	8,680	-	-	8,680	-
Deferred revenue					
Property taxes	3,000,832	-	382,979	3,383,811	3,505,836
Pension contributions payable	41,254	-	-	41,254	40,390
<b>Total liabilities</b>	<b>3,340,087</b>	<b>7,594</b>	<b>399,043</b>	<b>3,746,724</b>	<b>3,776,300</b>
<b>FUND BALANCE</b>					
Nonspendable					
Prepaid expenses	239,424	-	-	239,424	148,362
Restricted					
Escrow accounts	100,108	-	-	100,108	100,054
Auditing	-	-	25,609	25,609	27,123
Municipal retirement	-	-	65,439	65,439	72,676
Social Security	-	-	305,685	305,685	292,921
Tort immunity	480,002	1,796,909	-	2,276,911	2,259,146
Levee rehabilitation	2,054,257	817,987	-	2,872,244	3,517,162
Unassigned, reported in General Fund	2,699,105	-	-	2,699,105	2,679,393
<b>Total fund balance</b>	<b>5,572,896</b>	<b>2,614,896</b>	<b>396,733</b>	<b>8,584,525</b>	<b>9,096,837</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 8,912,983</b>	<b>\$ 2,622,490</b>	<b>\$ 795,776</b>	<b>\$ 12,331,249</b>	<b>\$ 12,873,137</b>

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 POSITION

December 31, 2013

\$ 8,584,525

TOTAL FUND BALANCE OF GOVERNMENTAL FUNDS (EXHIBIT C)

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$18,612,898, net of accumulated depreciation of \$6,174,031, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

12,438,867

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(336,390)

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.

188,903

NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT A)

\$ 20,875,905

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

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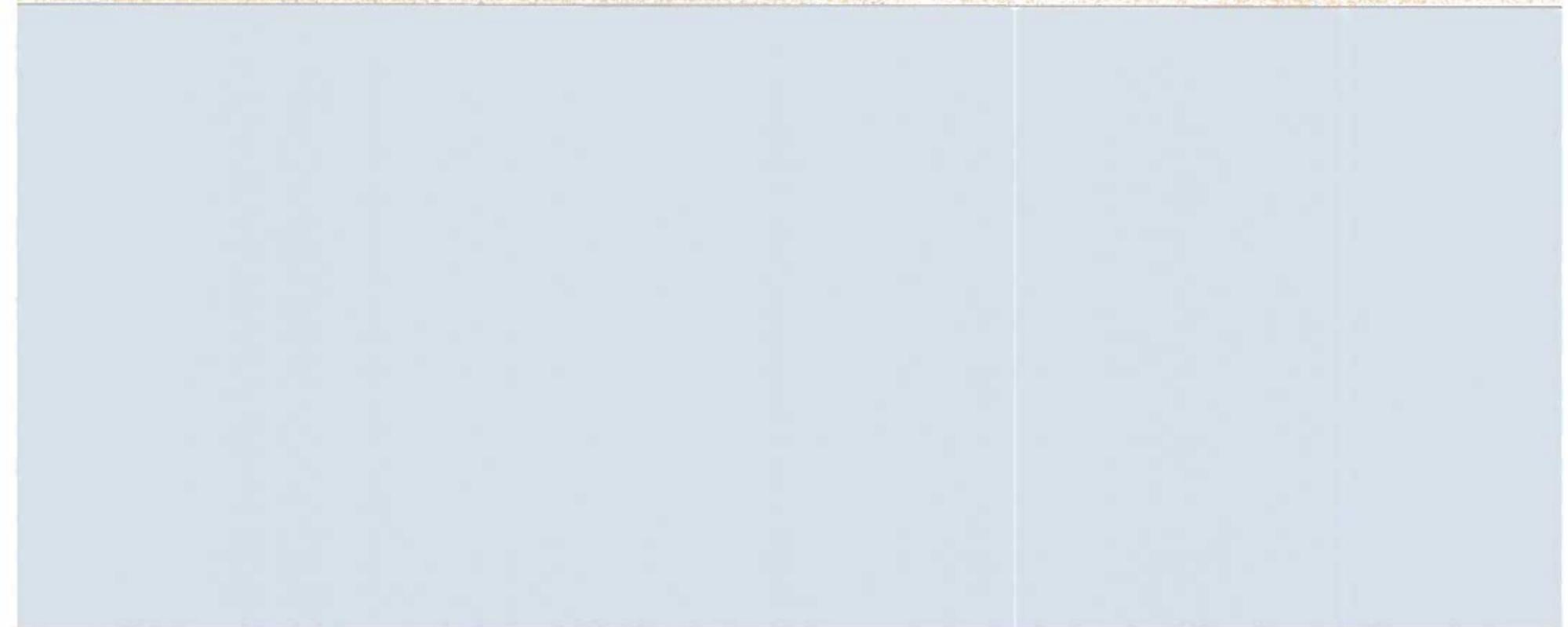
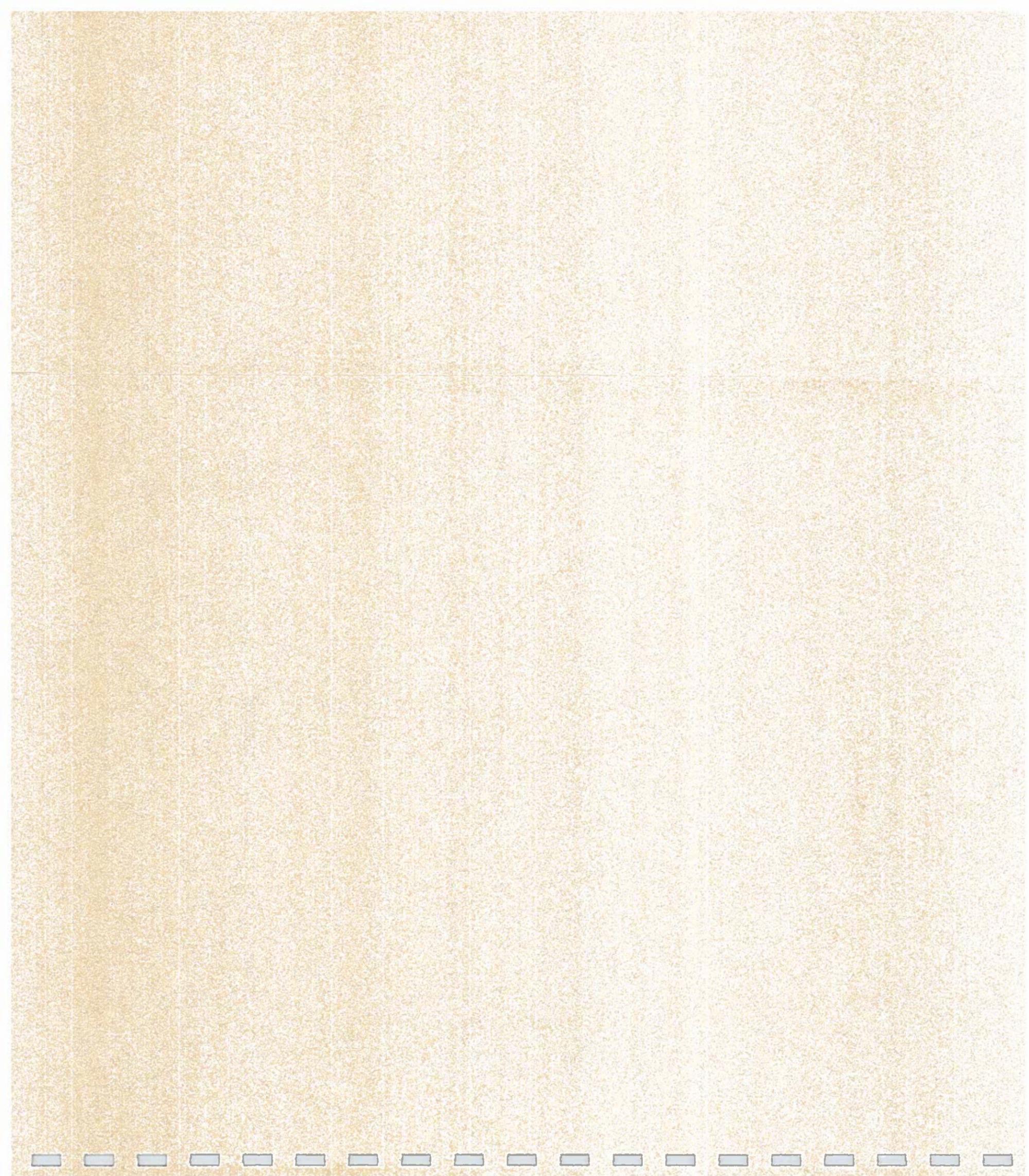
Metro East Sanitary District

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

Year Ended December 31, 2013  
(With Summarized Comparative Information for Year Ended December 31, 2012)

	General	Tort Liability Fund	Other Governmental Funds	2013 Total Governmental Funds	2012 Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property taxes	\$ 2,600,943	-	\$ 346,992	\$ 2,947,935	\$ 3,214,884
Intergovernmental revenues					
Replacement tax	1,431,212	-	87,598	1,518,810	1,264,886
Design account payment - Madison County	-	-	-	-	62,250
Madison County sewer break reimbursement	-	-	612	612	-
Payment in lieu of taxes	12,497	-	-	12,497	13,671
Building rental	12,000	-	-	12,000	12,000
Fines and fees					
Licenses and permits	94,738	-	-	94,738	98,400
Farm ground rental	1,125	-	-	1,125	1,125
Pumping services	30,803	-	-	30,803	45,046
Interest income	8,353	5,311	475	14,139	25,012
Sale of surplus property	29,027	-	-	29,027	9,978
Miscellaneous revenues and reimbursements	11,100	-	-	11,100	71,738
<b>Total revenues</b>	<b>4,231,798</b>	<b>5,311</b>	<b>435,677</b>	<b>4,672,786</b>	<b>4,818,990</b>
<b>EXPENDITURES</b>					
Current					
Administration	1,709,828	-	431,662	2,141,490	1,695,940
Engineering	25,715	-	-	25,715	79,826
General maintenance	2,403,781	-	-	2,403,781	2,502,733
Project cost - pumping	295,138	-	-	295,138	439,107
Capital expenditures	318,974	-	-	318,974	26,447
<b>Total expenditures</b>	<b>4,753,436</b>	<b>-</b>	<b>431,662</b>	<b>5,185,098</b>	<b>4,744,053</b>
<b>Net change in fund balance</b>	<b>(521,638)</b>	<b>5,311</b>	<b>4,015</b>	<b>(512,312)</b>	<b>74,937</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>6,094,534</b>	<b>2,609,585</b>	<b>392,718</b>	<b>9,096,837</b>	<b>9,021,900</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 5,572,896</b>	<b>\$ 2,614,896</b>	<b>\$ 396,733</b>	<b>\$ 8,584,525</b>	<b>\$ 9,096,837</b>

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, 2013

NET CHANGE IN FUND BALANCE -  
TOTAL GOVERNMENTAL FUNDS (EXHIBIT E) \$ (512,312)

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. (54,670)

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, 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. 318,974

Governmental funds do not report capital assets. However, in the government-wide statement of activities and changes in net position, 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. (116,369)

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. 5,947

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 (278,271)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (EXHIBIT B) \$ (636,701)

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

Metro East Sanitary District  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUND

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

March 31, 2013  
 (With Summarized Comparative Information as of March 31, 2012)

	Business-Type Activities Sewer Fund	
	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,835,710	\$ 1,393,057
Cash in checking account	463,652	469,659
Investments		
Receivables	754,530	803,772
Utility users	-	600,000
Loans to Metro East Sanitary District - related party	23,856	23,897
City of Venice - sewer break	1,104	723
Other	614	928
Interest receivable		
<b>Total current assets</b>	<b>3,079,466</b>	<b>3,292,036</b>
<b>RESTRICTED ASSETS</b>		
Cash	38,117	41,562
203 Pump Station sinking fund		
<b>NONCURRENT ASSETS</b>		
Capital assets		
Land and construction in progress	191,000	191,000
Assets being depreciated	12,134,924	11,834,882
Accumulated depreciation	(6,429,669)	(6,224,322)
<b>Total noncurrent assets</b>	<b>5,896,255</b>	<b>5,801,560</b>
<b>Total assets</b>	<b>9,013,838</b>	<b>9,135,158</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	316,412	367,829
Due to Metro East Sanitary District	83,000	65,520
Current portion of long-term debt	115,385	111,054
Illinois EPA loan	9,000	9,000
Compensated absences		
<b>Total current liabilities</b>	<b>523,797</b>	<b>553,403</b>

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STATEMENT OF NET POSITION  
PROPRIETARY FUND

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

March 31, 2013

(With Summarized Comparative Information as of March 31, 2012)

	Business-Type Activities Sewer Fund	
	2013	2012
<b>NONCURRENT LIABILITIES</b>		
Illinois EPA loan	2,035,179	2,150,565
Compensated absences	77,095	60,278
Total noncurrent liabilities	<u>2,112,274</u>	<u>2,210,843</u>
Total liabilities	<u>2,636,071</u>	<u>2,764,246</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,745,691	3,539,941
Restricted for 203 Pump Station	38,117	41,562
Unrestricted	<u>2,593,959</u>	<u>2,789,409</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,377,767</u>	<u>\$ 6,370,912</u>

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

Metro East Sanitary District  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION  
 PROPRIETARY FUND

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

Year Ended March 31, 2013  
 (With Summarized Comparative Information for Year Ended March 31, 2012)

	Business-Type Activities	
	2013	2012
Sewer Fund		
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,883,545	\$ 2,719,188
Sales and service charges	45,881	23,580
Lien fees	136	484
Miscellaneous		
Total operating revenues	<u>2,929,562</u>	<u>2,743,252</u>
<b>OPERATING EXPENSES</b>		
Personal services	1,034,443	889,152
Contractual services	353,781	393,824
Materials and supplies	74,398	66,665
Maintenance and repairs	137,570	340,390
Secondary treatment	1,116,560	1,344,385
Miscellaneous	4,503	3,589
Depreciation	205,347	200,694
Total operating expenses	<u>2,926,602</u>	<u>3,238,699</u>
Operating income (loss)	<u>2,960</u>	<u>(495,447)</u>
<b>NONOPERATING REVENUES</b>		
Interest income	3,895	7,118
Sale of land	-	683,720
Total nonoperating revenues	<u>3,895</u>	<u>690,838</u>
Change in net position	6,855	195,391
TOTAL NET POSITION, BEGINNING	<u>6,370,912</u>	<u>6,175,521</u>
TOTAL NET POSITION, ENDING	<u>\$ 6,377,767</u>	<u>\$ 6,370,912</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, 2013  
(With Summarized Comparative Information for Year Ended March 31, 2012)

	Business-Type Activities Sewer Fund	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 2,929,562	\$ 2,743,252
Payments to suppliers	(1,055,319)	(2,560,233)
Payments to and for employees	(1,033,840)	(885,895)
Net cash provided (used) by operating activities	840,403	(702,876)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
None	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of equipment	(300,042)	(151,061)
Proceeds from additional Illinois EPA loans	-	191,405
Payments related to Illinois EPA loan	(111,055)	(55,527)
Proceeds from sale of land	-	683,720
Net cash provided (used) by capital and related financing activities	(411,097)	668,537
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in investments	(5,948)	-
Interest received	3,895	7,118
Net cash provided (used) by investing activities	(2,053)	7,118
Net increase (decrease) in cash and cash equivalents	427,253	(27,221)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	1,904,278	1,931,499
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 2,331,531	\$ 1,904,278

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STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

Lansdowne Trunk - Madison and Venice Sewerage System  
Madison and St. Clair Counties, Illinois  
(continued)  
Year Ended March 31, 2013  
(With Summarized Comparative Information for Year Ended March 31, 2012)

	Business-Type Activities Sewer Fund	
	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 2,960	\$ (495,447)
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization	205,347	200,694
Changes in assets and liabilities (Increase) decrease in current assets		
Receivables		
Customers	49,242	140,011
Illinois EPA	-	676,137
Granite City Regional Treatment Loans to Metro East Sanitary	-	22,484
District - related party	600,000	(600,000)
City of Venice - sewer break	41	(23,897)
Other	(381)	381
Accrued interest receivable	314	690
Increase (decrease) in current liabilities		
Accounts payable	46,003	(613,681)
Due to primary government	17,480	14,720
Granite City Regional Treatment - additional liability	(97,420)	-
Accumulated unpaid vacation and sick pay	16,817	(24,968)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 840,403	\$ (702,876)
CASH AND CASH EQUIVALENTS ACCOUNTED FOR AS FOLLOWS		
Cash and cash equivalents	\$ 1,835,710	\$ 1,393,057
Unrestricted	457,704	469,659
Investments	38,117	41,562
Restricted		
TOTAL AS ABOVE	\$ 2,331,531	\$ 1,904,278

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

Metro East Sanitary District  
 STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS

December 31, 2013  
 (With Summarized Comparative Information for Year Ended December 31, 2012)

	Agency Funds		2012 Fiduciary Total
	Blue Water Ditch	Sinking Fund	
<b>ASSETS</b>			
Cash	\$ 36,229	\$ 78,128	\$ 114,357
Accounts receivable - other governmental units	10,549	4,744	15,293
Intra-account payable/receivable	-	37,723	37,723
<b>Total assets</b>	<b>46,778</b>	<b>120,595</b>	<b>167,373</b>
<b>LIABILITIES</b>			
Accounts payable	1,966	-	1,966
Intra-account payable/receivable	37,723	-	37,723
Deferred project payments	7,089	120,595	127,684
<b>Total liabilities</b>	<b>46,778</b>	<b>120,595</b>	<b>167,373</b>
<b>NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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



Metro East Sanitary District

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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Metro East Sanitary District

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 Statement No. 14, "The Financial Reporting Entity" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," 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, 2013.

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 position and the statement of activities) report financial information for the District as a whole excluding fiduciary activities of

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

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

the District such as Blue Water Ditch Funds. The effect of material interfund activity has been 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.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

C. Fund Accounting (continued)

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

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).

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, 2013

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 unavailable revenue on its financial statements. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable 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 unavailable 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 deposit 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, 2013

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 2012 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 2013 through March 2014.

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, 2013

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:

<u>After Years of Employment</u>	<u>Number of Weeks of Vacation</u>
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, 2013

Note 1: Summary of Significant Accounting Policies (continued)

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

At December 31, 2013, District employees have accumulated \$54,526 in accrued vacation and \$281,864 in accrued sick pay.

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

At March 31, 2013, Lansdowne Sewerage system employees have accumulated \$86,095 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.

As of December 31, 2013 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 April 30, 2014, the date on which the financial statements were available to be issued.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 1: Summary of Significant Accounting Policies (continued)

O. New GASB Pronouncements

The Governmental Accounting Standards Board has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for reporting some deferred outflows of resources and deferred inflows of resources and has adopted a change of "net assets" to "net position". The District has implemented this reporting for the year ended December 31, 2013. The District did not have any deferred outflows of resources that qualify under the guidance of GASB Statement No. 63 to report for the year ended December 31, 2013.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, effective for periods beginning after December 15, 2012, which requires the reclassification of some assets and liabilities to deferred outflows and inflows of resources.

P. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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 6 the Board of Commissioners issued a tentative operating budget for 2013. 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 6, 2013 to obtain taxpayer comments.
3. After the public hearing the budget was legally enacted through passage of an ordinance on March 6, 2013.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 2: Legal Compliance and Accountability (continued)

Budgetary Data (continued)

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.

Note 3: Fund Balances - Governmental Funds

As of December 31, 2013, 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, 2013.

**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, 2013.

**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, 2013, fund balances are composed of the following:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 3: Fund Balances - Governmental Funds (continued)

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>
General Fund			
Prepaid expenses	\$ 239,424	\$ -	\$ -
Tort immunity	-	480,002	-
Escrow accounts	-	100,108	-
Levee rehabilitation	-	2,054,257	-
Unassigned	-	-	2,699,105
Total general fund	239,424	2,634,367	2,699,105
Tort Liability			
Tort immunity	-	1,796,909	-
Levee rehabilitation	-	817,987	-
Auditing	-	25,609	-
Municipal retirement	-	65,439	-
Social Security	-	305,685	-
Total	\$ 239,424	\$ 5,645,996	\$ 2,699,105

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 \$9,958,413 and bank balances totaled \$9,977,593. Of the bank balances, \$625,168 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$9,352,425 was covered by pledged collateral held in the District's name.

Investments

The District's investments are categorized as either (1) insured or registered or for which the securities are held by the District or its agent in the District's name, (2) uninsured and unregistered investments

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 4: Deposits and Investments (continued)

Investments (continued)

for which the securities are held by the broker's or dealer's trust department or agent in the District's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds share price, the price for which the investment could be sold. The difference between fair value and the value at Illinois Funds share price is immaterial.

	Categories			Carrying Amount	Fair Value
	1	2	3		
Common stock	\$ -	\$ -	\$ 5,948	\$ 5,948	\$ 3,863

Investment not subject to categorization:

Illinois Funds 457,704

Total investments 463,652

Total deposits (above) 9,958,413

**TOTAL DEPOSITS AND INVESTMENTS** \$ 10,422,065

Deposits at December 31, 2013 and March 31, 2013 appear in the financial statements as summarized below:

	Exhibit A Statement of Net Assets Governmental Funds	Exhibit A Statement of Net Assets Business-Type Funds	Exhibit J Statement of Net Assets Fiduciary Funds	Total As Above
Cash	\$ 908,231	\$ 1,835,710	\$ 114,357	\$ 2,858,298
Investments	6,960,139	463,652	-	7,423,791
Restricted accounts	101,859	38,117	-	139,976
	<u>\$ 7,970,229</u>	<u>\$ 2,337,479</u>	<u>\$ 114,357</u>	<u>\$ 10,422,065</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 4: Deposits and Investments (continued)

Concentration of Credit Risk - As of December 31, 2013, 98.72% of the District's investments are in the Illinois Funds investment pool. The maturity in years for the Illinois Funds investment pool is less than one year.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments in commercial paper, corporate bonds and money market mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices. As of June 30, 2013 the District's investments in the state investment pool was rated AAAm by Standard & Poor's.

Note 5: Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 1,715,418	\$ -	\$ -	\$ 1,715,418
Capital assets being depreciated				
Buildings	13,862,153	-	-	13,862,153
Machinery and equipment	2,438,508	237,250	160,000	2,515,758
Vehicles	486,771	81,724	48,926	519,569
Total capital assets being depreciated	16,787,432	318,974	208,926	16,897,480
Less accumulated depreciation for				
Buildings	4,964,483	167,054	-	5,131,537
Machinery and equipment	853,403	80,507	58,684	875,226
Vehicles	170,431	30,710	33,873	167,268
Total accumulated depreciation	5,988,317	278,271	92,557	6,174,031
Total capital assets being depreciated, net	10,799,115	40,703	116,369	10,723,449
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>CAPITAL ASSETS, NET</b>	<b>\$ 12,514,533</b>	<b>\$ 40,703</b>	<b>\$ 116,369</b>	<b>\$ 12,438,867</b>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 5: Capital Assets (continued)

<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 191,000	\$ -	\$ -	\$ 191,000
Capital assets being depreciated				
Buildings	3,323,798	-	-	3,323,798
Equipment	2,834,384	37,594	-	2,871,978
Office equipment	21,030	-	-	21,030
Force main, trunk lines and treatment plant	5,655,670	262,448	-	5,918,118
Total capital assets being depreciated	11,834,882	300,042	-	12,134,924
Less accumulated depreciation	6,224,322	205,347	-	6,429,669
Total capital assets being depreciated, net	5,610,560	94,695	-	5,705,255
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 5,801,560</u>	<u>\$ 94,695</u>	<u>\$ -</u>	<u>\$ 5,896,255</u>

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

<b>GOVERNMENTAL ACTIVITIES</b>		\$ 2,147
General administration		99,491
Drainage		176,633
General maintenance		
Project costs		
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>		<u>\$ 278,271</u>

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

<b>BUSINESS-TYPE ACTIVITIES</b>		\$ 205,347
Sewer Fund		205,347
<b>TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES</b>		<u>\$ 205,347</u>

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, 2013 and the related fund where this debt is recorded on the accompanying financial statements:

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 6: Long-Term Debt (continued)

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

Description and Purpose	Balance January 1, 2013	New Debt Issued	Debt Retired	Balance December 31, 2013	Due Within One Year
Primary Government					
<u>Governmental Activities</u>					
Other Funds - Compensated Absences					
Accumulated vacation pay	\$ 46,129	\$ 8,397	\$ -	\$ 54,526	\$ 5,000
Accumulated sick pay	235,591	46,273	-	281,864	30,000
Total other funds - compensated absences	281,720	54,670	-	336,390	35,000
Total Governmental Funds	\$ 281,720	\$ 54,670	\$ -	\$ 336,390	\$ 35,000
<u>Business-Type Activities</u>					
Water Fund/Sewer Funds					
IEPA Loan #1 - Water	\$ 2,261,619	\$ -	\$ 111,055	\$ 2,150,564	\$ 115,385
Compensated absences	69,278	16,817	-	86,095	9,000
Accumulated sick pay					
Total Business-Type Activities	\$ 2,330,897	\$ 16,817	\$ 111,055	\$ 2,236,659	\$ 124,385

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, 2013 and March 31, 2013.

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, 2013 and March 31, 2013.

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

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 6: Long-Term Debt (continued)

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

3. IEPA Loan #1 - Business-Type Activities (continued)

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, 2013. The loan is a 20 year loan with an annual fixed rate of 0%.

The annual requirements to amortize the IEPA Loan as of March 31, 2013 is as follows:

Year Ending March 31,	Principal	Interest	Total
2014	\$ 115,385.43	-	\$ 115,385.43
2015	119,716.40	-	119,716.40
2016	119,716.40	-	119,716.40
2017	119,716.40	-	119,716.40
2018	119,716.40	-	119,716.40
2019	119,716.40	-	119,716.40
2020	119,716.40	-	119,716.40
2021	119,716.40	-	119,716.40
2022	119,716.40	-	119,716.40
2023	119,716.40	-	119,716.40
2024	119,716.40	-	119,716.40
2025	119,716.40	-	119,716.40
2026	119,716.40	-	119,716.40
2027	119,716.40	-	119,716.40
2028	119,716.40	-	119,716.40
2029	119,716.40	-	119,716.40
2030	119,716.40	-	119,716.40
2031	119,716.40	-	119,716.40
	<u>\$ 2,150,564.23</u>	<u>\$ -</u>	<u>\$ 2,150,564.23</u>

B. Legal Debt Margin

The computation of legal debt margin at December 31, 2013 is as follows:

ASSESSED VALUATION, 2012 TAX YEAR	\$ 755,632,796
Statutory debt limitation (5.75% of assessed valuation)	\$ 43,448,886
General obligation bonds outstanding	-
<b>LEGAL DEBT MARGIN</b>	<u>\$ 43,448,886</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 7: Interfund Receivables/Payables

Interfund receivables and payables balances, at December 31, 2013, are as follows:

	Due From		Due To					
	Primary Government		Governmental Activities			Business-Type Activities		Fiduciary Funds
	Major Governmental Funds	Other Governmental Funds	General	Liability Fund	Other Governmental Funds	Sewer Fund	Blue Water Funds	
Governmental Activities								
Major Governmental Funds								
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 157,767	\$ -	\$ -	\$ 157,767
Tort Liability	7,594	-	-	-	-	-	-	7,594
Other governmental funds	-	-	-	-	-	-	-	-
Business-Type Activities								
Major Enterprise Funds								
Sewer Fund	83,000	-	-	-	-	-	-	83,000
	<u>\$ 90,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,361</u>

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, 2013 and vary from those of the Lansdowne Sewerage System at its year-end of March 31, 2013.

Note 8: Other Note Disclosures

A. Retirement Commitments - Illinois Municipal Retirement Fund

Plan Description

The District's defined benefit pension plan for regular employees provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. The District'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](http://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 2012 was 10.83% of annual covered payroll. The District also

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 8: Other Note Disclosures (continued)

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

Funding Policy (continued)

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, 2012, the District's annual pension cost was \$287,283.

Trend Information

Calendar Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/12	\$ 287,283	100%	\$ 40,390
12/31/11	279,340	100%	39,544
12/31/10	253,915	85%	38,716

The required contribution for 2012 was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 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, 2010 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, 2012, the most recent actuarial valuation date, the regular plan was 86.20% funded. The actuarial accrued liability for benefits was \$8,158,766 and the actuarial value of assets was \$7,032,454, resulting in an underfunded actuarial accrued liability (UAAAL) of \$1,126,312. The covered payroll for calendar year 2012 (annual payroll of active employees covered by the plan) was \$2,652,662 and the ratio of the UAAAL to the covered payroll was 42%.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

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 multi-year 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 District of Caseyville, 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, 2013, 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:

	<u>General Fund</u>	<u>Tort</u>	<u>Liability Fund</u>
	<u>Insurance</u>	<u>Liability</u>	<u>Liability</u>
Restricted for tort immunity - 12/31/12	\$ 465,906	-	\$ 1,793,240
2012 Levy collected in 2013	309,663	-	-
Interest income	196	3,669	-
Insurance/tort expenses	<u>(295,763)</u>	<u>-</u>	<u>-</u>
Restricted for tort immunity - 12/31/13	<u>\$ 480,002</u>	<u>\$ 480,002</u>	<u>\$ 1,796,909</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

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, 2013

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 2013 and 2012.

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, 2013

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 \$38,117 and \$41,562 at March 31, 2013 and 2012, respectively.

H. Expenditures in Excess of Budget

Actual expenditures exceeded budgeted expenditures in the District's Social Security Fund, in the amount of \$4,876, during the year ended December 31, 2013.

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.

<u>Municipality</u>	<u>Participation Percentage</u>
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>100.00</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 \$65,686 in 2013 and \$39,814 in 2012.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 8: Other Note Disclosures (continued)

J. 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.

1/1/08 cash balances	\$ 7,374,222	
90%		Initial restriction/reservation
Expenditures during		
2008	(92,809)	
2009	(1,636,206)	
2010	(791,232)	
2011	(631,716)	
2012	(30,348)	
2013	(432,359)	
Interest income on account	509,012	
Equipment purchases and Corps of Engineers project credit	<u>(658,898)</u>	
	\$ 2,872,244	Restriction 12/31/13
	\$ 2,054,257	General Fund
	<u>817,987</u>	Tort Liability Fund
	\$ 2,872,244	Total

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

(continued on next page)

NOTES TO FINANCIAL STATEMENTS  
(continued)  
December 31, 2013

Note 8: Other Note Disclosures (continued)

K. 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, 2013 the District has incurred and been reimbursed \$448,452 from IDOT.

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, 2013

	General Fund		Tort Liability Fund	
	Original and Final Budget	Actual	Original and Final Budget	Actual
<b>REVENUES</b>				
Property taxes	\$ 3,108,600	\$ 2,600,943	\$ -	\$ -
Intergovernmental receipts				
Replacement taxes	1,176,402	1,431,212	-	-
Payment in lieu of taxes	-	12,497	-	-
Building rental	-	12,000	-	-
Fines and fees				
Licenses and permits	100,000	94,738	-	-
Farm ground rental	-	1,125	-	-
Pumping services	-	30,803	-	-
Interest income	-	8,353	-	5,311
Sale of surplus property	-	29,027	-	-
Miscellaneous revenues and reimbursements				
	83,000	11,100	-	-
<b>Total revenues</b>	<b>4,468,002</b>	<b>4,231,798</b>	<b>-</b>	<b>5,311</b>
<b>EXPENDITURES</b>				
Administration				
Salaries	380,000	307,363	-	-
Electric service	6,000	4,833	-	-
Insurance - group health and welfare	500,000	461,222	-	-
Insurance - retiree medical	17,000	20,074	-	-
Insurance - bonding	1,500	1,665	-	-
Insurance - unemployment	50,000	48,757	-	-
Insurance - workers' compensation	267,500	212,191	-	-
Insurance - liability	115,000	86,419	-	-
Telephone	4,800	4,429	-	-
Water, trash and sewerage	500	430	-	-
Postage	1,250	980	-	-

(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, 2013

	General Fund		Tort Liability Fund	
	Original and Final Budget	Actual	Original and Final Budget	Actual
EXPENDITURES (continued)				
Administration (continued)				
Material and supplies				
Vehicles	1,000	-	-	-
Equipment	2,000	179	-	-
Building	5,000	9,069	-	-
Office expense	10,700	9,127	-	-
Licenses and title	500	630	-	-
Copier lease	2,400	2,153	-	-
Building security	1,000	1,008	-	-
Legal services	45,000	84,219	113,000	-
Legal publications	8,000	8,131	-	-
Payroll processing	5,700	6,562	-	-
Land and title work	1,000	-	-	-
Training and travel	3,250	-	-	-
Dues and subscriptions	400	397	-	-
Petty cash	1,000	434	-	-
Minor medical fees	7,500	6,248	-	-
Easements	200	200	-	-
Design agreement share payments	21,000	-	-	-
Flood prevention expenditures - noncapital	-	432,359	-	-
Bank fees	-	85	-	-
IDOT - Triple box culverts	-	-	-	-
Real estate taxes	-	149	-	-
Public relations	-	365	-	-
Miscellaneous	500	150	-	-
Engineering				
Engineering services	80,000	25,715	-	-
General maintenance				
Salaries - Madison County	850,000	864,719	-	-
Salaries - St. Clair County	820,000	878,937	-	-
Electric service	12,000	16,480	-	-

(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, 2013

	General Fund		Tort Liability Fund	
	Original and Final Budget	Actual	Original and Final Budget	Actual
<b>EXPENDITURES (continued)</b>				
General maintenance (continued)				
Telephone	12,000	14,062	-	-
Water, trash and sewerage	8,000	11,556	-	-
Material and supplies				
Vehicles	70,000	58,619	-	-
Office	1,000	2,716	-	-
Buildings	60,000	101,062	-	-
Equipment	185,000	131,681	-	-
Levee and canals	50,000	22,940	-	-
Motor fuel and lubricants	240,000	207,409	-	-
Moving equipment	2,000	925	-	-
Equipment rental	5,000	2,608	-	-
Building security	4,500	3,133	-	-
Safety equipment - noncapital	5,000	4,256	-	-
Uniform expense	13,000	14,320	-	-
Road improvements	45,000	27,342	-	-
Upstream culvert entrance triple	-	24,715	-	-
Twin 60" repair	5,000	8,456	-	-
Weed control	-	7,845	-	-
Levee recertification	500,000	-	-	-
Project costs				
Salaries	160,000	160,542	-	-
Electric service	160,000	99,109	-	-
Telephone	2,500	2,175	-	-
Water, trash and sewerage	1,500	1,167	-	-
Material and supplies				
Equipment	150,000	4,174	-	-
Building	50,000	27,425	-	-
Equipment rental	5,000	54	-	-
Building security	500	492	-	-
Debris removal	1,000	-	-	-

(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, 2013

	General Fund		Tort Liability Fund	
	Original and Final Budget	Actual	Original and Final Budget	Actual
EXPENDITURES (continued)				
Capital outlay	275,000	318,974	-	-
Equipment purchases	5,232,700	4,753,436	113,000	-
Total expenditures	\$ (764,698)	(521,638)	\$ (113,000)	5,311
Net change in fund balance		6,094,534		2,609,585
Fund balance, beginning of year		\$ 5,572,896		\$2,614,896
FUND BALANCE, END OF YEAR				

Metro East Sanitary District  
 IMRF TREND INFORMATION

December 31, 2013

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)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
12/31/12	\$ 7,032,454	\$ 8,158,766	\$ 1,126,312	86.20%	\$ 2,652,662	42.46%
12/31/11	6,842,515	8,193,026	1,350,511	83.52%	2,680,806	50.38%
12/31/10	6,839,203	7,950,993	1,111,790	86.02%	2,514,005	44.22%

Employer Contributions

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed
12/31/12	\$ 287,283	100%
12/31/11	279,340	100%
12/31/10	253,915	85%

On a market value basis, the actuarial value of assets as of December 31, 2012 is \$7,274,112. On a market basis, the funded ratio would be 89.16%.

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

Metro East Sanitary District  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS

December 31, 2013

	Special Revenue Funds			Totals
	Auditing Fund	Municipal Retirement Fund	Social Security Fund	
ASSETS				
Cash	\$ 22,990	\$ 9,923	\$ 125,123	\$ 158,036
Investments - certificates of deposit	-	-	121,161	121,161
Due from other funds	2,619	71,580	59,327	133,526
Receivables				
Property taxes	26,297	209,791	146,891	382,979
Interest receivable	-	-	74	74
<b>TOTAL ASSETS</b>	<b>\$ 51,906</b>	<b>\$ 291,294</b>	<b>\$ 452,576</b>	<b>\$ 795,776</b>
LIABILITIES AND MUNICIPAL EQUITY				
LIABILITIES				
Accounts payable	\$ -	\$ 16,064	\$ -	\$ 16,064
Deferred revenue	26,297	209,791	146,891	382,979
Total liabilities	26,297	225,855	146,891	399,043
MUNICIPAL EQUITY				
Fund balance	25,609	65,439	305,685	396,733
Reserved	-	-	-	-
<b>TOTAL LIABILITIES AND MUNICIPAL EQUITY</b>	<b>\$ 51,906</b>	<b>\$ 291,294</b>	<b>\$ 452,576</b>	<b>\$ 795,776</b>

Metro East Sanitary District

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

Year Ended December 31, 2013

	Special Revenue Funds			Totals
	Auditing Fund	Municipal Retirement Fund	Social Security Fund	
<b>REVENUES</b>				
Property taxes	\$ 20,328	\$ 176,809	\$ 149,855	\$ 346,992
Intergovernmental receipts				
Replacement taxes	-	47,518	40,080	87,598
Madison County - sewer break reimbursement	-	353	259	612
Interest income	9	20	446	475
Total revenues	20,337	224,700	190,640	435,677
<b>EXPENDITURES</b>				
General government	21,850	231,936	177,876	431,662
Net change in fund balance	(1,513)	(7,236)	12,764	4,015
Fund balance, beginning of year	27,122	72,675	292,921	392,718
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 25,609</b>	<b>\$ 65,439</b>	<b>\$ 305,685</b>	<b>\$ 396,733</b>

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, 2013

	Auditing Fund		Municipal Retirement Fund		Social Security Fund	
	Original and Final Budget	Actual	Original and Final Budget	Actual	Original and Final Budget	Actual
<b>REVENUES</b>						
Property taxes	\$ 21,900	\$ 20,328	\$ 189,300	\$ 176,809	\$ 160,980	\$ 149,855
Intergovernmental receipts	-	-	47,518	47,518	40,080	40,080
Replacement taxes	-	-	-	353	-	259
Madison County - sewer break reimbursement	-	9	-	20	-	446
Interest income	-	-	-	-	-	-
Total revenues	21,900	20,337	236,818	224,700	201,060	190,640
<b>EXPENDITURES</b>						
General government	25,000	21,850	250,000	231,936	173,000	177,876
Net change in fund balance	<u>\$ (3,100)</u>	<u>(1,513)</u>	<u>\$ (13,182)</u>	<u>(7,236)</u>	<u>\$ 28,060</u>	<u>12,764</u>
Fund balance, beginning of year	27,122	27,122	72,675	72,675	292,921	292,921
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 25,609</u>	<u>\$ 25,609</u>	<u>\$ 65,439</u>	<u>\$ 65,439</u>	<u>\$ 305,685</u>	<u>\$ 305,685</u>

Metro East Sanitary District

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

Year Ended March 31, 2013

	Sewer Fund	
	Original and Final Budget	Actual
<b>OPERATING REVENUES</b>		
Sales and service charges	\$ 2,902,600	\$ 2,883,545
Lien fees and miscellaneous charges	27,000	46,017
<b>Total operating revenues</b>	<u>2,929,600</u>	<u>2,929,562</u>
<b>OPERATING EXPENSES</b>		
Administration		
Personal services	905,500	1,034,443
Contractual services	679,144	353,781
Materials and supplies	67,000	74,398
Maintenance and repairs	299,000	137,570
Secondary treatment	1,300,000	1,116,560
Miscellaneous	3,500	4,503
Depreciation	-	205,347
<b>Total operating expenses</b>	<u>3,254,144</u>	<u>2,926,602</u>
<b>Operating income (loss)</b>	<u>(324,544)</u>	<u>2,960</u>
<b>NONOPERATING INCOME</b>		
Interest income	12,700	3,895
<b>Change in net position</b>	<u>\$ (311,844)</u>	<u>6,855</u>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>		<u>6,370,912</u>
<b>TOTAL NET POSITION, END OF YEAR</b>		<u>\$ 6,377,767</u>

Metro East Sanitary District

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS  
BY FUNCTION/ACTIVITY

As of December 31, 2013

FUNCTION/ACTIVITY	Total	Land	Buildings	Equipment	Vehicles
General administration	\$ 164,772	\$ -	\$ 83,677	\$ -	\$ 81,095
Drainage	2,521,766	-	268,465	1,814,827	438,474
General maintenance	15,926,360	1,715,418	13,510,011	700,931	-
Project costs					
<b>GOVERNMENTAL CAPITAL ASSETS</b>	<b>\$18,612,898</b>	<b>\$1,715,418</b>	<b>\$13,862,153</b>	<b>\$2,515,758</b>	<b>\$ 519,569</b>

Metro East Sanitary District  
**SCHEDULE OF CHANGES IN GOVERNMENTAL CAPITAL ASSETS  
 BY FUNCTION/ACTIVITY**

Year Ended December 31, 2013

FUNCTION/ACTIVITY	Governmental Capital Assets 1/1/13	Additions	Deletions	Governmental Capital Assets 12/31/13
General administration	\$ 142,422	\$ 22,350	\$ -	\$ 164,772
Drainage	2,434,068	296,624	208,926	2,521,766
General maintenance	15,926,360	-	-	15,926,360
Project costs				
<b>GOVERNMENTAL CAPITAL ASSETS</b>	<b>\$ 18,502,850</b>	<b>\$ 318,974</b>	<b>\$ 208,926</b>	<b>\$ 18,612,898</b>

		(Estimated)	
		2013	2012
		<u>\$785,833,333</u>	<u>\$755,632,796</u>

**TAX RATES AND EXTENSIONS**

	Rate	Extension	Rate	Extension
General Fund	0.3120	\$ 2,451,800	0.3120	\$ 2,357,574
Illinois Municipal Retirement Fund	0.0252	198,350	0.0243	183,396
Social Security Fund	0.0175	137,258	0.0204	154,505
Auditing Fund	0.0032	25,000	0.0028	20,980
Liability Insurance Fund	0.0487	382,500	0.0421	318,254
Tort Liability Fund	0.0000	-	0.0000	-
<b>Totals</b>	<u>0.4066</u>	<u>\$ 3,194,908</u>	<u>0.4016</u>	<u>\$ 3,034,709</u>

**COLLECTIONS**

General Fund	\$ -	\$ 2,210,890
Illinois Municipal Retirement Fund	-	171,955
Social Security Fund	-	144,872
Auditing Fund	-	19,683
Liability Insurance Fund	-	298,406
Tort Liability Fund	-	-
<b>Totals</b>	<u>\$ -</u>	<u>\$ 2,845,806</u>

**ALLOWANCE FOR LOSSES AND COSTS**

General Fund	\$ -	\$ -
Illinois Municipal Retirement Fund	-	-
Social Security Fund	-	-
Auditing Fund	-	-
Liability Insurance Fund	-	-
Tort Liability Fund	-	-
<b>Totals</b>	<u>\$ -</u>	<u>\$ -</u>

**UNAVAILABLE TAX REVENUE**

General Fund	\$ 2,451,800	\$ 146,684
Illinois Municipal Retirement Fund	198,350	11,441
Social Security Fund	137,258	9,633
Auditing Fund	25,000	1,297
Liability Insurance Fund	382,500	19,848
Tort Liability Fund	-	-
<b>Totals</b>	<u>\$ 3,194,908</u>	<u>\$ 188,903</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

2011		2010		2009	
Rate	Extension	Rate	Extension	Rate	Extension
	\$ 792,532,165		\$ 730,676,187		\$ 763,842,825
0.3140	\$ 2,488,305	0.3106	\$ 2,269,154	0.3119	\$ 2,382,107
0.0191	151,112	0.0201	146,783	0.0135	103,022
0.0196	155,075	0.0211	154,293	0.0187	142,965
0.0025	20,006	0.0027	19,931	0.0027	20,623
0.0442	350,161	0.0462	337,517	0.0350	267,242
0.0000	-	0.0180	131,532	0.0228	174,415
0.3993	\$ 3,164,659	0.4187	\$ 3,059,210	0.4046	\$ 3,090,374
	\$ 2,421,941		\$ 2,201,832		\$ 2,289,994
	147,875		141,640		99,100
	151,757		148,708		136,568
	19,583		19,244		19,849
	342,678		325,720		257,266
	-		126,920		167,604
	\$ 3,083,834		\$ 2,964,064		\$ 2,970,381
	\$ 66,364		\$ 67,322		\$ 92,113
	3,237		5,143		3,922
	3,318		5,585		6,397
	423		687		774
	7,483		11,797		9,976
	-		4,612		6,811
	\$ 80,825		\$ 95,146		\$ 119,993
	\$ -		\$ -		\$ -
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	-		-		-
	\$ -		\$ -		\$ -

(continued on next page)



	2008		2007	
ASSESSED VALUATIONS		<u>\$729,619,424</u>		<u>\$729,619,424</u>

	Rate	Extension	Rate	Extension
TAX RATES AND EXTENSIONS				
General Fund	0.3207	\$ 2,339,895	0.3098	\$ 2,260,276
Illinois Municipal Retirement Fund	0.0133	97,029	0.0112	81,602
Social Security Fund	0.0177	128,940	0.0140	102,031
Auditing Fund	0.0028	20,249	0.0028	20,429
Liability Insurance Fund	0.0313	228,201	0.0317	231,066
Tort Liability Fund	0.0296	216,031	0.0328	239,282
Totals	<u>0.4153</u>	<u>\$ 3,030,345</u>	<u>0.4022</u>	<u>\$ 2,934,686</u>

	2008	2007
COLLECTIONS		
General Fund	\$ 2,219,193	\$ 2,157,614
Illinois Municipal Retirement Fund	92,923	79,061
Social Security Fund	123,077	98,126
Auditing Fund	19,400	19,799
Liability Insurance Fund	218,546	223,903
Tort Liability Fund	206,890	231,833
Totals	<u>\$ 2,880,029</u>	<u>\$ 2,810,336</u>

	2008	2007
ALLOWANCE FOR LOSSES AND COSTS		
General Fund	\$ 120,702	\$ 102,662
Illinois Municipal Retirement Fund	4,106	2,541
Social Security Fund	5,863	3,905
Auditing Fund	849	630
Liability Insurance Fund	9,655	7,163
Tort Liability Fund	9,141	7,449
Totals	<u>\$ 150,316</u>	<u>\$ 124,350</u>

	2008	2007
UNAVAILABLE TAX REVENUE		
General Fund	\$ -	\$ -
Illinois Municipal Retirement Fund	-	-
Social Security Fund	-	-
Auditing Fund	-	-
Liability Insurance Fund	-	-
Tort Liability Fund	-	-
Totals	<u>\$ -</u>	<u>\$ -</u>

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

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

	2006		2005		2004	
	Rate	Extension	Rate	Extension	Rate	Extension
		\$ 2,118,281	0.3120	\$ 2,041,742	0.3120	\$ 1,916,047
	0.0000	-	0.0000	-	0.0000	-
	0.0173	118,607	0.0171	111,978	0.0191	115,789
	0.0030	20,521	0.0032	20,759	0.0035	21,941
	0.0119	81,694	0.0094	61,714	0.0000	-
	0.0597	408,468	0.0786	514,281	0.1599	752,795
	0.4017	\$ 2,747,571	0.4203	\$ 2,750,474	0.4945	\$ 2,806,572
		\$ 2,054,948		\$ 1,973,433		\$ 1,885,690
		116,212		109,348		114,984
		20,109		20,277		22,058
		81,545		60,163		-
		398,129		501,148		756,622
		\$ 2,670,943		\$ 2,664,369		\$ 2,779,354
		\$ 63,333		\$ 68,309		\$ 30,357
		2,395		2,630		805
		412		482	*	(117)
		149		1,551	*	-
		10,339		13,133		(3,827)
		\$ 76,628		\$ 86,105		\$ 27,218
		\$ -		\$ -		\$ -
		-		-		-
		-		-		-
		-		-		-
		-		-		-
		-		-		-
		\$ -		\$ -		\$ -
		-		-		-
		\$ -		\$ -		\$ -
		\$684,043,717		\$654,404,591		\$614,117,622

