SOUTH SANGAMON WATER COMMISSION
New Berlin, Illinois

ANNUAL FINANCIAL REPORT

For the Year Ended April 30, 2011

TABLE OF CONTENTS

ZUMBAHLEN, EYTH, SURRATT, FOOTE & FLYNN, LTD.
Certified Public Accountants

KENNETH H. ZUMBAHLEN, CPA
JOHN L. EYTH, CPA
NICK SURRATT, CPA
CYNTHIA S. FOOTE, CPA
VALERIE L. FLYNN, CPA

1395 Lincoln Avenue
Jacksonville, Illinois 62650
217-245-5121
Fax: 217-243-3356
E-mail: staff@zescpa.com

• MEMBERS •
ILLINOIS SOCIETY OF CPA
AMERICAN INSTITUTE OF CPA

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
South Sangamon Water
Commission
New Berlin, Illinois 62670

We have audited the statement of net assets of the South Sangamon Water Commission as of April 30, 2011 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended as listed in the table of contents. These financial statements are the responsibility of the South Sangamon Water Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Sangamon Water Commission as of April 30, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 2D 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data listed in the table of contents as the Schedule of Insurance is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions of the Commission's master bond ordinance number 10-21, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Zurnbrunnen, Eyth, Surratt, Foote & Flynn, Ltd.

August 30, 2011

SOUTH SANGAMON WATER COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
FOR
FISCAL YEAR ENDING
APRIL 30, 2011

INTRODUCTION

The South Sangamon Water Commission "SSWC" is organized and operating as a commission and public corporation under Division 135 of the Illinois Municipal Code, 65 ILCS 5/11-135-1, et seq. thereof ("Division 135")

SSWC was created by ordinance by the Villages of Chatham and New Berlin in early 2009 to jointly acquire, construct and operate a common source of supply of water and establish the SSWC by authority granted under Division 135.

There are three Commissioners governing the SSWC. One each is appointed by the Villages of Chatham and New Berlin, and the third by Sangamon County.

SSWC and the Villages of Chatham and New Berlin have jointly deemed it advisable, necessary and in the best interests of the Villages to develop and construct a common source of supply of potable water described as follows (the "Project"):

A new water well field and treatment plant to be located east of the Village of Rochester, Illinois.

The plant is designed to provide 1.25 gallons per day ("MGD") *on an average day and 2.2 MGD on a peak day at start up. At ultimate build out in year 2029, the plant is designed to provide and average daily use of 1.9 MGD with a peak demand of 3.3 MGD.*

The plant is being designed to enable it to be doubled in size if and when the need arises.

The well field is designed to supply this average and peak daily demands with one well out of service.

The Project also includes a new 18"/20" transmission line from the plant to the Village of Chatham, and a 10" transmission line from Chatham to the Village of New Berlin.

The Project includes all necessary engineering, design, land acquisition, connections, appurtenances, material, labor, and equipment incident thereto, all mechanical, electrical and other services necessary, useful or advisable to and incidental to such projects.

Finally, the Project includes all bonding discount, bond interest, bond reserve, account funding, legal, financing and administrative expenses.

SSWC bonded out $28,415,000 last September to fund the project ("Series 2010 Bonds").

The rate coverage covenant for the alternate bonds calls for the establishment of rates and revenues sufficient to pay in each year to final maturity of the Series 2010 Bonds all of the following:

- costs of operation and maintenance of the System, but not including depreciation,
- debt service on all outstanding revenue bonds payable from revenues of the System,
- all amounts required to meet any fund or account requirements with respect to outstanding revenue bonds,
- other contractual or tort liabilities obligations, if any, payable from such revenues of the System, and
- in each year, an amount not less than 1.10 times debt service of the Series 2010 Bonds.

A wholesale rate will be set when the project is substantially complete.

It is SSWC's intention to be a wholesale provider only. However taps will be made along the transmission line route to service retail customers. It is the intention of SSWC to work with local municipalities to read these meters and to bill accordingly.

<u>Statement of Net Assets</u>

SSWC ended FY 2011 with total assets of $30,838,465.

As of April 30, 2011 SSWC was well into the construction phase of building out the water plant, well field, and transmission lines. Construction began in the fall of 2010. Construction is assumed to be substantially complete by December 31, 2011. Shortly thereafter, SSWC should be taking in revenue.

Note 5.
Capital Assets include $534,844 of real estate that was purchased for well field sites. This was unanticipated but a net benefit to SSWC as it alleviated incurring further engineering and legal fees associated with environmental group's objections to placing well sites in "wetlands".

Note 7.
Risk Management in the form of insurance coverage's will be monitored closely as the project moves from construction to the operational phase. It's important to balance coverage versus cost.

Note 10.
The $5.2 million bonding includes $4 million in project cost overruns, the option of picking up the $200,000 operating line of credit noted under Note 8, and a $1 million project cost overrun contingency.

SSWC remains in negotiations with a local lender to bond out the $5.2 million. Some of the terms include:

- Line of credit until 7/1/2012
- 20 year amortization
- Semi-annual payment of principal and interest
- No pre-payment penalty in whole or in part.
- 2.78% fixed for the first ten years; re-prices at Prime - .75 BP; 7% lifetime cap.

This is expected to be completed and formalized by ordinance by August 30, 2011.

Statement of Revenues, Expenses, and Changes in Net Assets

As noted prior, SSWC is a newly created, start-up from the ground entity. As such, we are not and will not be taking in revenues until the plant is online. All expenses are being paid by borrowed funds.

Operating expenses of $18,860 include all "non-construction" related items. These include but are not necessarily limited to clerical, office supplies, legal fees, official's liability insurance, and so on.

Capital contributions of $285,973 relate to the Series B Build America Bond ("BAB") subsidy. This amount includes the $123,334 subsidy on the 01-01-2011 payment and the accrued interest amount to 04-30-2011 on the 07-01-2011 payment. ($697,022 / 6 * 4 = $464,681 * .35 = $162,639. $162,639 + $123,334 = $285,973.)

No operating budget, non-construction related expenses was prepared for FY 2011 for comparison purposes.

Operating revenues are anticipated in the last three months of FY 2012.

An Operating Budget was prepared and is in place for FY 2012.

Comparative Analysis

No comparative analysis is provided as this the first year for SSWC. A comparative analysis will be in future years when prior year information is available.

Summary

FY 2011 was the first year for SSWC as a corporate entity.

The project construction project is scheduled to be completed and water revenues being collected in January, 2012.

Wholesale rates will be structured to fund all operating expenses, capital placement, and bonding requirements.

SSWC will craft and abide by comprehensive budgeting and cost control procedures.

South Sangamon Water Commission

William M. Pfeffer

William M. Pfeffer
Commissioner and Treasurer

SOUTH SANGAMON WATER COMMISSION
New Berlin, Illinois

STATEMENT OF NET ASSETS

April 30, 2011

CURRENT ASSETS		
Cash	$	247
Total Current Assets		247
RESTRICTED ASSETS		
Cash		10,119,044
Investments		241,048
Total Restricted Assets		10,360,092
PROPERTY AND EQUIPMENT		
Land		534,844
Equipment		4,953
Construction in Progress		19,202,968
Less: Accumulated Depreciation		(413)
Net Property and Equipment		19,742,352
OTHER ASSETS		
Deferred Charges - Bond Issuance Costs		735,774
Total Other Assets		735,774
Total Assets	$	30,838,465
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$	2,130,883
Total Current Liabilities		2,130,883
NON-CURRENT LIABILITIES		
Line of Credit		8,500
Bond Principal Due After One (1) Year		28,415,000
Total Non-Current Liabilities		28,423,500
Total Liabilities		30,554,383
NET ASSETS		
Investment in Capital Assets, Net of Related Debt		-
Restricted For:		
Bond Covenants		10,360,092
Unrestricted		(10,076,010)
Total Net Assets		284,082
Total Liabilities and Net Assets	$	30,838,465

See accompanying notes to financial statements

SOUTH SANGAMON WATER COMMISSION
New Berlin, Illinois

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended April 30, 2011

OPERATING REVENUES	
Charges for Services	$
Other Income	
Total Operating Revenues	0
OPERATING EXPENSES	
Contractual Services and Other	18,447
Depreciation	413
Total Operating Expenses	18,860
Operating Income (Loss)	(18,860)
NON-OPERATING REVENUE (EXPENSES)	
Interest Income	19,179
Interest Expense	(44)
Total Non-Operating Revenues (Expenses)	19,135
Net Income (Loss) Before Contributions	275
CAPITAL CONTRIBUTIONS	285,973
Change in Net Assets	286,248
Total Net Assets, Beginning	(2,166)
Total Net Assets, Ending	$ 284,082

See accompanying notes to financial statements

SOUTH SANGAMON WATER COMMISSION
New Berlin, Illinois

STATEMENT OF CASH FLOWS

Year Ended April 30, 2011

Cash Flows from Operating Activities:		
Cash Received from Customers	$	
Cash Received from Others		
Cash Payments to Suppliers for Goods and Services		(19,964)
Cash Payments to Employees and Related Benefits		
Net Cash Provided by (Used for) Operating Activities		(19,964)
Cash Flows from Capital and Related Financing Activities:		
Proceeds of Alternate Revenue Bonds		32,415,000
Proceeds of Line of Credit		8,500
Capital Contributions		285,973
Acquisition and Construction of Capital Assets		(17,576,977)
Repayment of Bond Principal		(4,000,000)
Repayment of Intergovernmental Loan		(2,000)
Payment of Bond Issuance Costs		(770,464)
Interest Paid on Line of Credit		(44)
Net Cash Provided by (Used for) Capital and Related Financing Activities		10,359,988
Cash Flows from Investing Activities:		
Purchase of Investments		(241,048)
Interest on Investments		19,179
Net Cash Provided by (Used for) Investing Activities		(221,869)
Net Increase (Decrease) in Cash and Cash Equivalents		10,118,155
CASH AND CASH EQUIVALENTS, BEGINNING		1,136
CASH AND CASH EQUIVALENTS, ENDING	$	10,119,291
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating Income (Loss)	$	(18,860)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation		413
Change in Assets and Liabilities:		
Decrease in Operating Accounts Payable		(1,517)
Total Adjustments		(1,104)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$	(19,964)

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The South Sangamon Water Commission, New Berlin, Illinois operates under the Illinois Compiled Statutes as a Special District, under a Board of Trustees form of Government and provides water service.

The more significant of the Commission's accounting policies are described below:

Reporting Entity

The Commissioners are appointed, one each, by Sangamon County, the Village of New Berlin and the Village of Chatham and has the authority to make decisions, hire employees, and significantly influence operations. The Commission also has the primary accountability for fiscal matters. There are no component units included within the reporting entity.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Commission is accounted for as a proprietary fund type (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the Commission are included on the statement of net assets.

Under the accrual basis of accounting, revenues are recorded when earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses relate to the primary, continuing operations of the Commission. Principal operating revenues are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America. The Commission applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported in current assets and current liabilities in the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets which include property, plant and equipment are reported in the statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Capital assets having a useful life greater than one year are capitalized when the asset cost is greater than $1,500 for equipment, $10,000 for buildings and improvements, and $10,000 for infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are not capitalized. The Commission uses the direct method to record expenses for planned major maintenance. Such expenditures are recorded as incurred. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Description	*Years*
Plant and Buildings	40
Improvements	10-20
Equipment	5-7

Investments

Investments consist of certificates of deposit and are carried at cost which approximates market value.

Compensated Absences

Compensated absences are reported as accrued in the financial statements. At April 30, 2011 accrued vacation amounts to $0. The Commission is liable to pay accrued vacation to employees upon retirement or discontinued services. Sick leave is not offered to Commission employees.

Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Note 1. Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

The Statement of Net Assets presents the Commission's assets and liabilities with the difference reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the criteria of the two preceding categories.

Unbilled Services

Unbilled water utility service receivables are not recorded at year end.

Note 2. Deposits

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned or the Commission will not be able to recover collateral securities in the possession of an outside party. The Commission's policy requires deposits to be 110% secured by collateral valued at market or par whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC).

Deposited funds may be invested in certificates of deposit or in accordance with the investment policies adopted by the Commission Board. Collateral agreements must be approved prior to deposit of funds as provided by law. The Commission Board designates a list of authorized depository institutions.

Investments recorded on the Statement of Net Assets consist of certificates of deposit which are included as cash in this note due to their liquidity.

Note 2. Deposits (Continued)

At year-end the Commission's bank balances totaled $10,407,573. Of this balance, $567,229 is covered by federal depository insurance coverage and $9,840,344 is collateralized by securities held by the pledging institution's trust department or agent, but not in the name of the Commission.

Note 3. Accounts Receivable

Customer Receivables are recorded as receivables and revenues at their original invoice amount. Management regularly reviews the customer receivable accounts and has deemed no allowance for uncollectible accounts necessary as of April 30, 2011, as services are not yet being provided to customers.

Note 4. Restricted Cash, Investments and Net Assets

The following cash and investments are restricted:

Construction	$ 6,996,707
Capitalized Interest	1,671,318
Debt Service Reserve	1,559,222
Bond & Interest	132,845
	$ 10,360,092

This same amount is listed as Restricted Net Assets for bond covenants.

Note 5. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Beginning 4/30/10	*Additions*	*Retirements*	*Ending 4/30/11*
Land (Not Depreciated)	$	$ 534,844	$	$ 534,844
Equipment		4,953		4,953
Construction In Progress	794	19,202,174		19,202,968
Total	$ 794	$ 19,741,971	$	$ 19,742,765

Note 5. Capital Assets (Continued)

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Beginning 4/30/10	*Additions*	*Retirements*	*Ending 4/30/11*
Less Accumulated Depreciation for: Equipment	$	$ 413	$	$ 413
Capital Assets, Net.	$ 794	$19,741,558	$	$19,742,352

Current depreciation expense for the year ended April 30, 2011 is $413.

Note 6. Revenue Bond Ordinances

	Balance, Beginning	*Proceeds*	*Decreases*	*Balance, Ending*
Series 2010A	$	$ 4,000,000	$ 4,000,000	$
Series 2010B		23,505,000		23,505,000
Series 2010C		3,090,000		3,090,000
Series 2010D		1,820,000		1,820,000
TOTAL	$	$ 32,415,000	$ 4,000,000	$ 28,415,000

General Obligation Bonds (Alternate Revenue Source)

(a) Series 2010A Tax Exempt General Obligation Bonds

$4,000,000 of 2010 Serial Revenue Bonds issued May 4, 2010, due in a single installment on or before January 1, 2012, with interest of 1.89% due upon redemption. These bonds were issued as short-term financing of construction project costs, with the intention of refunding the bonds with long-term financing on or before maturity. The Commission refunded these bonds in whole during the year ended April 30, 2011.

(b) Series 2010B (Taxable) Build America Bonds-Direct Payment

$23,505,000 of 2010 Serial Revenue Bonds issued September 30, 2010, due in annual installments each January 1 beginning 2025 and extending through 2041, interest payable semi-annually each January 1 and July 1 beginning 2011 from 5.4% to 6.125% with a 35% federal interest subsidy. The annual debt service requirement of these bonds is as follows:

Note 6. Revenue Bond Ordinances (Continued)

(b) Series 2010B (Taxable) Build America Bonds-Direct Payment (Continued)

		2010B Serial Revenue Bonds		
Fiscal Year Of Maturity	*Principal*	*Interest*	*B.A.B. 35% Rebate*	*Net Due*
2012	$	$ 1,394,045	$ 487,916	$ 906,129
2013		1,394,045	487,916	906,129
2014		1,394,045	487,916	906,129
2015		1,394,045	487,916	906,129
2016		1,394,045	487,916	906,129
2017		1,394,045	487,916	906,129
2018		1,394,045	487,916	906,129
2019		1,394,045	487,916	906,129
2020		1,394,045	487,916	906,129
2021		1,394,045	487,916	906,129
2022		1,394,045	487,916	906,129
2023		1,394,045	487,916	906,129
2024		1,394,045	487,916	906,129
2025	475,000	1,394,045	487,916	1,381,129
2026	970,000	1,368,395	478,938	1,859,457
2027	1,035,000	1,314,560	460,096	1,889,464
2028	1,100,000	1,256,083	439,629	1,916,454
2029	1,180,000	1,193,383	417,684	1,955,699
2030	1,245,000	1,126,123	394,143	1,976,980
2031	1,330,000	1,055,157	369,305	2,015,852
2032	1,405,000	976,687	341,840	2,039,847
2033	1,490,000	893,792	312,827	2,070,965
2034	1,560,000	805,883	282,059	2,083,824
2035	1,645,000	713,843	249,845	2,108,998
2036	1,725,000	616,787	215,875	2,125,912
2037	1,815,000	511,131	178,896	2,147,235
2038	1,910,000	399,963	139,987	2,169,976
2039	1,930,000	282,975	99,041	2,113,934
2040	2,020,000	164,763	57,667	2,127,096
2041	670,000	41,037	14,363	696,674
	$23,505,000	$32,237,192	$11,283,019	$44,459,173

(c) Series 2010C Tax Exempt General Obligation Bonds

$3,090,000 of 2010 Serial Revenue Bonds due in annual installments each January 1 beginning 2021 and extending through 2025, interest payable semi-annually each January 1 and July 1 beginning 2011 from 3.4% to 3.8%. The annual debt service requirement of these bonds is as follows:

Note 6. Revenue Bond Ordinances (Continued)

(c) Series 2010C Tax Exempt General Obligation Bonds (Continued)

Fiscal Year Of Maturity	2010C Serial Revenue Bonds		
	Principal	Interest	Total
2012	$	$ 111,005	$ 111,005
2013		111,005	111,005
2014		111,005	111,005
2015		111,005	111,005
2016		111,005	111,005
2017		111,005	111,005
2018		111,005	111,005
2019		111,005	111,005
2020		111,005	111,005
2021	580,000	111,005	691,005
2022	635,000	91,285	726,285
2023	705,000	69,060	774,060
2024	780,000	43,680	823,680
2025	390,000	14,820	404,820
	$ 3,090,000	$ 1,328,895	$ 4,418,895

(d) Series 2010D Taxable General Obligation Bonds

$1,820,000 of 2010 Serial Revenue Bonds due in annual installments each January 1 beginning 2015 and extending through 2020, interest payable semi-annually each January 1 and July 1 beginning 2011 from 3.0% to 4.5%. The annual debt service requirement of these bonds is as follows:

Fiscal Year Of Maturity	2010D Serial Revenue Bonds		
	Principal	Interest	Total
2012	$	$ 73,844	$ 73,844
2013		73,844	73,844
2014		73,844	73,844
2015	75,000	73,844	148,844
2016	185,000	71,593	256,593
2017	265,000	65,350	330,350
2018	360,000	55,412	415,412
2019	425,000	41,013	466,013
2020	510,000	22,950	532,950
	$ 1,820,000	$ 551,694	$ 2,371,694

Note 6. Revenue Bond Ordinances (Continued)

The revenue bond ordinances require that all monies held by the Commission be segregated and restricted in separate special accounts as follows:

1. Operations and Maintenance Account - A sufficient amount to pay reasonable expenses.

2. Construction Fund Account – Remaining funds available after all other bond covenants have been met, to be used for construction of the system.

3. Capitalized Interest Account – A sufficient amount to pay interest of the bonds through the placed in service date.

4. Bond and Interest Account – An amount equal to the next annual tax levy to pay the current bond and interest maturities, until which time enough funds have accumulated to abate such tax levy.

5. Debt Service Reserve Account – Used to pay principal and interest costs during which times the bond and interest account contains insufficient funds to pay bond and interest requirements.

6. Rebate Fund Account – Interest earned on Federal monies which must be rebated to the United States of America.

7. Bond Reserve and Depreciation Account – Monthly deposits are required until which point the depreciation, repair, and replacement requirement has been met.

8. Surplus Account - Any surplus remaining after making the above deposits.

Note 7. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. Significant losses are covered by commercial insurance for all major programs: workers' compensation, liability and property. For these programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 8. Operating Line of Credit

The Commission has an unsecured line of credit dated December 22, 2010 with Illinois National Bank for up to $200,000. The line of credit carries an interest rate of 2.5% and matures December 23, 2013. Interest payments are due quarterly based on the outstanding principal. Principal is due in one lump sum upon maturity. The line of credit is backed 90% by the Village of Chatham, Illinois and 10% by the Village of New Berlin, Illinois. In the event that the Commission could not repay the loan, the Villages would be responsible for repayment. As of April 30, 2011, the Commission has drawn $8,500 on the line of credit.

Note 9. Construction in Progress

Construction in progress consists of costs associated with the construction of water holding and transmission facilities to be used to furnish potable water to the Villages of Chatham, Illinois and New Berlin, Illinois. The project is expected to cost a total of $28.5 million and be completed by January, 2012.

Construction in progress includes a total of $858,851 of construction-period interest associated with the Commission's bonds and amortization of deferred bond issuance charges.

Note 10. Subsequent Events

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management evaluated the activity of the Village through August 30, 2011, the date which the financial statements were available to be issued, and concluded that the following subsequent event would require disclosure in the notes to the financial statements.

The Commission was informed subsequent to year end that the total cost of construction was expected to exceed original estimates by $4.5 million. As of the date of the auditors' report, the Commission is in negotiations for the issuance of an additional $5.2 million bond to cover the overrun.

SOUTH SANGAMON WATER COMMISSION
New Berlin, Illinois

SCHEDULE OF INSURANCE

April 30, 2011

	Amount of Coverage
PROPERTY OWNERS POLICY	
Package Policy	
Cincinnati Insurance Company: # ENP007070657	
Liability, Property, etc.	
Per Occurrence	$ 1,000,000
Aggregate	$ 2,000,000
Liability Umbrella # ENP007070657	$ 5,000,000
Various Items	
Business Auto # ENP007070657	
Hired/Non-Owned	$ 1,000,000
Crime #ENP007070657	$ 250,000
Expires May 1, 2011	
BUILDERS RISK	
Travelers Insurance Company #QT660-4849N34ATIL10	
Installation of Water Piping	$ 7,000,000
Expires May 1, 2011	
WORKERS COMPENSATION LIABILITY	
Cincinnati Insurance Company #WC2116690-01	
Each Accident, Employee	$ 1,000,000
Policy Limit	$ 1,000,000
Expires May 1, 2011	
FIDELITY BONDS	
Ohio Casualty Group #5077153	
Treasurer	$30,000,000
Expires May 1, 2014	

SOUTH SANGAMON WATER COMMISSION
New Berlin, Illinois

SCHEDULE OF INSURANCE

April 30, 2011

DIRECTOR, OFFICER, & EMPLOYEE LIABILITY

United States Liability Ins. Co. #P01000789

Director and Officer Liability	
Per Occurrence	$ 2,000,000
Aggregate	$ 2,000,000
Employment Practices Liability	
Per Occurrence	$ 1,000,000
Aggregate	$ 1,000,000

Expires August 3, 2011