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1-1-2005

## Comprehensive Annual Financial Report, 2004

Duckett Creek Sanitary District

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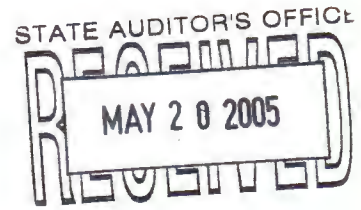
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**DUCKETT CREEK SANITARY DISTRICT**  
**ST. CHARLES COUNTY, MISSOURI**



**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**

**FISCAL YEAR: DECEMBER 31, 2004**

**DUCKETT CREEK SANITARY DISTRICT**

**Comprehensive Annual Financial Report  
For the Years Ended December 31, 2004 And 2003**

Prepared by the Finance Department

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# INTRODUCTORY SECTION





# Duckett Creek Sanitary District

3550 Hwy K, St. Charles, Missouri 63304

Ph: (636) 441-1244  
Customer Service Fax: (636) 498-8100  
Engineering Fax: (636) 498-8150

March 31, 2005

The Board of Trustees  
And Executive Director  
Duckett Creek Sanitary District

The Comprehensive Annual Financial Report (CAFR) of Duckett Creek Sanitary District for fiscal year ended December 31, 2004 is submitted herewith. The District is responsible for the accuracy of the data and the completeness and fairness of the presentation of the financial statements and other information presented herein. We believe the presentation is accurate in all material respects and includes all disclosures necessary to enable the reader to gain a reasonable understanding of the District's financial activities.

## **ORGANIZATION OF FINANCIAL REPORT**

### ***CAFR Explanation***

The Comprehensive Annual Financial Report has three sections:

#### **Section I - Introduction**

The introductory section includes this letter of transmittal, an organizational chart and a list of Duckett Creek Sanitary District principal officials. This section also includes the Certificate of Achievement for Excellence in Financial Reporting awarded to the District by the Government Finance Officers Association.

#### **Section II - Financial**

The financial section includes the independent auditors' report, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements are intended to provide an overview and broad perspective of the financial position and results of the operations of Duckett Creek Sanitary District. Management's discussion and analysis provides a narrative introduction, overview and analysis to accompany the basic financial statements and should be read in conjunction with this letter of transmittal.

### Section III - Statistical

The statistical section is designed to provide the user of the Comprehensive Annual Financial Report a more complete understanding of Duckett Creek Sanitary District. Where appropriate, ten-year comparative data is presented to indicate trends relating to the importance of various revenue sources, the composition of expenditures and debt coverages.

#### FINANCIAL INFORMATION

**ACCOUNTING SYSTEM AND BUDGETARY CONTROL** - In fulfilling its responsibilities for accurate and complete financial statements, management depends on the development and maintenance of a system of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The Board of Trustees adopts an annual budget in December each year. Appropriations lapse at the end of the fiscal year.

The financial records of the District are maintained in a manner consistent with enterprise funds. On a full-accrual basis, enterprise funds are used to account for the acquisition, operation and maintenance of facilities and services that are entirely or predominantly self-supporting for user charges. The operations are accounted for in such a manner as to show a profit or loss as in comparable private enterprises.

**REPORTING ENTITY** - The District was established by a resolution adopted by the St. Charles County Court (now referred to as the County Commission) in 1978. On January 1, 1993, St. Charles County became a first class county with a charter form of government. Pursuant to Section 249 Revised Statutes of Missouri for sewer districts within a first class county, the County Commission appointed the original five trustees, who were responsible for control and operation of the District. The St. Charles County Executive now appoints the trustees with concurrence of the County Council to staggered five-year terms. A minimum of three trustees must reside within the District boundaries.

An Executive Director who is responsible for implementing the Trustees' directive and policies and for administrative management and operations functions provides full-time management of the District's operation. The District employs 39 full-time employees and the Director.

The District occupies approximately 54 square miles, one quarter of the area of St. Charles County, and encompasses a portion of the cities of St. Charles, St. Peters, O'Fallon, Weldon Spring and Cottleville. St. Charles County is located on the western fringe of the St. Louis metropolitan area, approximately 18 miles northwest of the City of St. Louis, Missouri. The estimated population of St. Charles County is 320,000 and the estimated number of residents served by the District is 102,000. The average annual customer growth in the District for the last five years has been approximately 4%.

The District operates approximately 521 miles of sanitary sewers and 32 lift stations. The District's collection system is dedicated to the District by developers at the time of construction. Wastewater treatment is provided by two 6.25 million gallon per day (MGD) capacity activated-sludge secondary treatment facilities. The newest facility, completed in 1997, is located on the bluffs of the Missouri River. This state of the art facility is operated by an off-site supervisory control and data acquisition (SCADA) system. Funding for this \$17 million plant was provided by the State of Missouri Revolving Loan fund, Series 1994B.

In addition to the operation of the four treatment facilities, the District also provides various engineering-related review and inspection services for the construction of sanitary sewers by individuals, businesses and municipalities within its boundaries. The State of Missouri designated the District as a permitting authority. This designation allows the District to issue construction permits to builders for collection lines that will become tributary to the District's treatment plants.

## **CASH MANAGEMENT**

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, U.S. government securities and repurchase agreements. The yield on investments during the year ranged from 1.00% to 6.78% and the amount of interest income on these investments was \$1,767,366. The District's bond covenants require certain investment amounts be set aside in restricted accounts for current principal and interest amounts due. These requirements have been met for fiscal year 2004.

## **ECONOMIC CONDITION AND OUTLOOK**

St. Charles County where the District is located is the third largest county in the state of Missouri also ranked in the top 2% of the fastest growing areas in the United States. The city of O'Fallon, where the District's Administrative offices are located, is the 4<sup>th</sup> largest city in the state. We are a community of varied attributes that makes us an attractive place to live and work.

A full 60% of the homes in St. Charles County were built since 1980 making us a young community. The median age is 35.4 years and 37% of the population hold at least a Bachelor's degree. The median household income is \$57,258. The average commute time to St. Louis and the adjunct communities is 26.4 minutes.



We are the most technically proficient workforce in the state. By creating 12 new jobs a day for the past decade St. Charles enjoys a 4.1% unemployment rate. The lowest reported rate in the St. Louis metropolitan area. St. Charles County poverty level of 2.8% is the lowest percent in counties of 200,000 or more.

The most significant employment growth area of the District is along US Hwy 40/61. Marketed as a “high-tech” corridor, steady development has attracted numerous technology jobs for the residents of St. Charles County. The most significant employers located in the corridor are MasterCard International, Enterprise Leasing and Citicorp. Another significant development within the corridor served by the District is the Missouri Research Park. It is home of the Missouri Bluffs Golf Club that has been host to the Nike Tour classic golf tournament. The O’Fallon Corporate Centre also located within the corridor was the first “FibrePark” in eastern Missouri and is home to King Safety Products and Component Bar Products.

The largest residential development located in the District, Winghaven, “the City within a City”, is a planned, 1,100-acre, \$550 million development adjunct to the high-tech corridor. The development provides 1,700 housing units and 850 apartments, including 450 senior citizens units. There is an 18-hole Jack Nicklaus designed golf course and residential village located in the development. Several commercial sites are located in the development the largest being MasterCard International.

In summary, the economic outlook for the District is extremely positive. The District intends to continue its participation in the development west. This participation will allow the District to continue to experience growth in both size and diversity of its customer base.

## **MAJOR INITIATIVES**

Fiscal year 2004 was a pivotal year for development within the District and St. Charles County. The District in concert with a local school board placed into operation, the first of its kind, membrane bioreactor treatment plant (MBR). These MBR plants provide a sound treatment alternative in areas not particularly conducive to development in the southwestern portion of the county. This allows Duckett Creek to assist developers in continuing their expansion to accommodate the needs of its ever-growing population. The utilization of the MBR plants is expected to continue to increase the District’s customer base into the next decade. Based on current projections the District could realize an additional 3,500 to 6,000 customers by the year 2010.

In addition to the westward expansion, the District has identified projects within the existing boundaries. As an initial step in this process voter approval was obtained in 2002 for an additional \$18.8 million in revenue bonds. The District intends to utilize approximately \$8 million of this debt in 2005 for construction of membrane technology plants (3); upgrade of the original treatment plant to 7 million gallons per day (MGD) and relocation of a major system force main to accommodate highway system improvements.

## INDEPENDENT AUDIT

An independent audit of the District is required by the State of Missouri to be performed each year. During 2005, Botz, Deal and Company, P.C. performed the audit. Their opinion for the year ended December 31, 2004 is included in this report.

## AWARDS

***GFOA Certificate of Achievement*** - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to Duckett Creek Sanitary District for its comprehensive annual financial report for the fiscal year ended December 31, 2003. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The District has received this award for the last six years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility.

## ACKNOWLEDGEMENTS

Finally, I would like to say the preparation of the Comprehensive Annual Financial Report could not have been accomplished without the dedicated staff of the Administration Department, especially personnel in the Accounting Division. Appreciation is also extended to the Executive Director and Board of Trustees, for their part in planning and conducting the financial operations of the District in a responsible and progressive manner.

Respectfully,



Julie A. Bartch  
Director of Administration

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Duckett Creek Sanitary District,  
Missouri

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Zielle*

President

*Jeffrey R. Enen*

Executive Director



**DUCKETT CREEK SANITARY DISTRICT**

**LIST OF APPOINTED OFFICIALS  
DECEMBER 31, 2004**

Doug Steinmeyer, Chairperson  
Term Expires 2007

Leo Tigue, Vice Chairperson  
Term Expires 2005

Billy Collier  
Term Expires 2006

Tom Oxler  
Term Expires 2008

Ben Blanton  
Term Expires 2004

**DUCKETT CREEK DEPARTMENT DIRECTOR'S**

Tom Engle, Executive Director

Julie A. Barch  
Director of Administration

Keith Arbuckle  
Director of Engineering

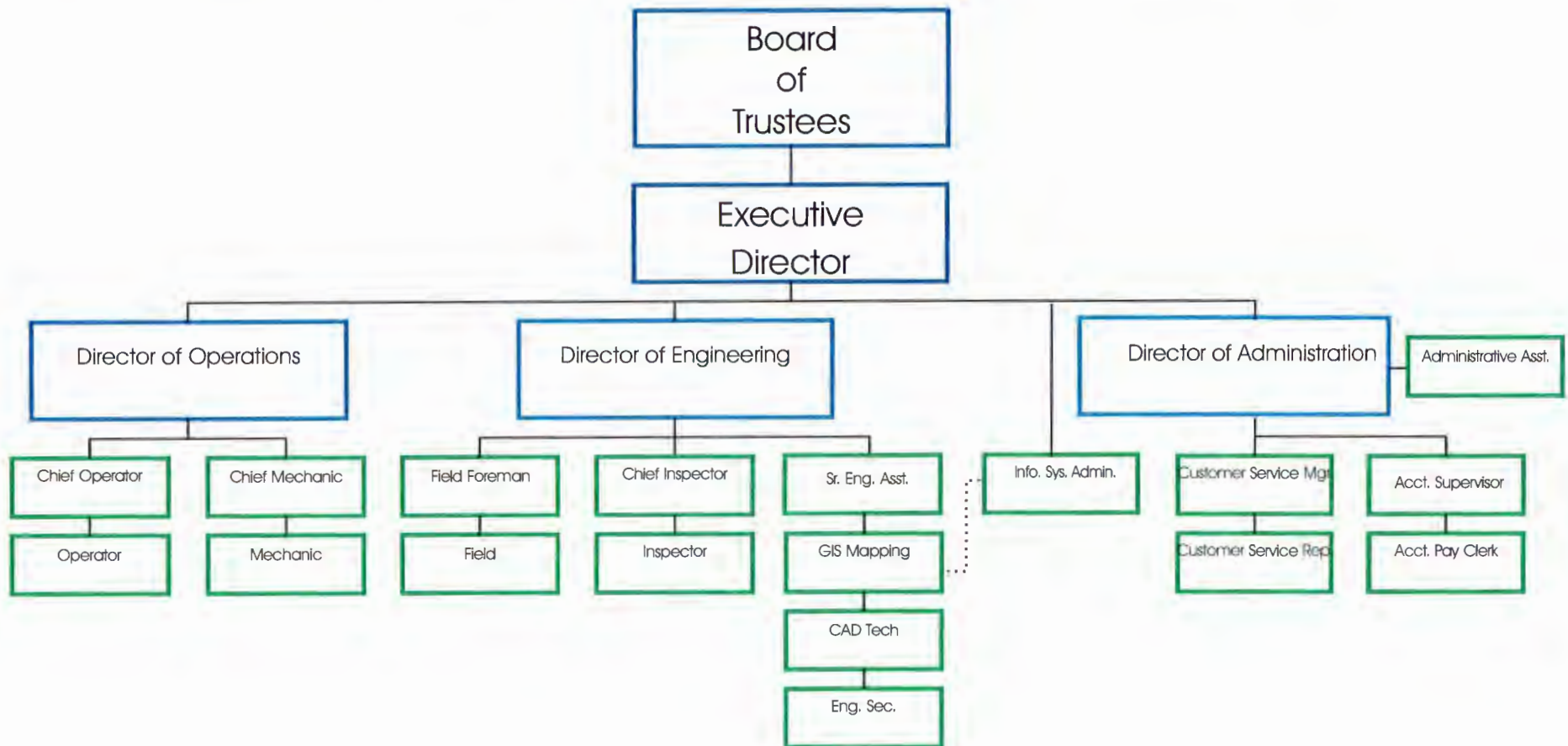
Rick Higgins  
Director of Operations

All appointed official terms expire December 31st.



# DUCKETT CREEK SANITARY DISTRICT

## Organizational Flow Chart



# FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT



Board of Trustees

### ***DUCKETT CREEK SANITARY DISTRICT***

We have audited the accompanying statements of net assets of Duckett Creek Sanitary District as of December 31, 2004 and 2003, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Duckett Creek Sanitary District as of December 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis presented on pages 11 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Duckett Creek Sanitary District's basic financial statement. The introductory section, selected financial information and the schedules on pages 29 and 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

TWO WESTBURY DRIVE  
ST. CHARLES, MO 63301  
(636) 946-2800  
FAX (636) 946-2975  
botzdeal@botzdeal.com

The introductory section, selected financial information and the schedules on pages 29 and 30 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Batz, Deal & Company*

March 9, 2005



## **Management's Discussion and Analysis**

This section of Duckett Creek Sanitary District's annual financial report presents our discussion and analysis of the financial performance during the fiscal year that ended December 31, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the financial statements, which follow this section.

### **Financial Highlights**

- The primary revenue source of the District is charges for services. Total operating revenue for the year was \$8,300,059 of which \$6,955,433 was charges for services.
- Operating expenses were \$6,161,438 for the maintenance and operation activities of the systems. Acquisition and construction of fixed assets were \$3,479,667 primarily due to construction of a system lift station to service an area designated for future District growth.

### **The Comprehensive Annual Financial Report**

The implementation of GASB 34 has changed the presentation and content of the financial statements from prior statements issued. This comprehensive annual report consists of five parts:

- Introductory section, which includes the transmittal letter and general information,
- Management's discussion and analysis (this part),
- The basic financial statements including the notes to the financial statements,
- Supplementary information and
- Statistical information.

The District maintains a single business-type activity fund. The operations derive revenues from charges for services that are intended to recoup the full cost of operations. These statements report information about the district prepared on a full accrual basis to present information in a more corporate-like presentation.

## Schedule of Net Assets

	2004	2003	2002
Current and other assets	\$ 14,045,199	\$ 15,706,990	\$ 17,564,156
Capital assets	93,720,758	89,755,410	86,029,463
<b>Total assets</b>	<u>107,765,957</u>	<u>105,462,400</u>	<u>103,593,619</u>
Current and other liabilities	3,878,769	3,524,731	3,482,570
Long-term liabilities	30,881,169	33,217,546	35,316,923
<b>Total liabilities</b>	<u>34,759,938</u>	<u>36,742,277</u>	<u>38,799,493</u>
Net assets:			
Invested in capital assets, net of related debt	62,884,758	56,585,410	48,709,463
Restricted	3,178,814	5,003,468	6,753,884
Unrestricted	6,942,447	7,131,245	9,330,778
<b>Total net assets</b>	<u>\$ 73,006,019</u>	<u>\$ 68,720,123</u>	<u>\$ 64,794,125</u>

The total net capital assets increased \$3,965,348 or approximately 4% due to completion of the renovation of a primary system lift station. Long-term liabilities decreased by \$2,336,377 due to current retirements.

## Schedules of Activities

	2004	2003	2002
Revenues:			
Program revenues:			
Charges for service	\$ 6,955,433	\$ 6,672,809	\$ 6,238,768
Connection fees	1,006,836	807,092	561,411
Other	337,790	160,923	69,516
General Revenues:			
Grants	382,654	-	-
Investment income	1,767,366	1,755,316	2,336,448
<b>Total revenues</b>	<u>10,450,079</u>	<u>9,396,140</u>	<u>9,206,143</u>
Expenses:			
Operating	2,233,275	1,913,506	1,988,638
Engineering	1,028,936	940,168	744,317
General and administration	1,239,178	1,122,259	1,140,227
Depreciation	1,660,049	1,552,571	1,543,006
Interest on long-term debt	2,014,967	2,206,380	2,437,011
Other	137,509	285,006	25,345
<b>Total expenses</b>	<u>8,313,914</u>	<u>8,019,890</u>	<u>7,878,544</u>
Increase in assets	2,136,165	1,376,250	1,327,599
Capital contributions	2,149,731	2,549,748	1,286,633
Net assets, beginning of year	68,720,123	64,794,125	62,179,893
Net assets, end of year	<u>\$ 73,006,019</u>	<u>\$ 68,720,123</u>	<u>\$ 64,794,125</u>

The district's primary revenue source is program revenue from billing activities and connection fees. The district experienced an increase in charges for services of approximately \$282,624 or 4% during fiscal year 2004 and an increase of \$434,041 or 7% in fiscal year 2003. These increases are the result of customer growth. The District experienced no significant variance from projected revenues for FY 2004. The connection fees, which are an indicator of future growth in our customer base, increased approximately 24% and 44% in 2004 and 2003, respectively. In 2003 interest income decreased \$388,984 or 18% which was a direct reflection of the market conditions in 2003, as opposed to 2002. Interest rates stabilized in 2004.

The program expenses for 2004 were \$8,313,914, an increase of approximately 3%. The decrease in the interest on long-term debt reflects the bond refinancing during FY 2002.

The District did not have any special or extraordinary items in FY 2004.

## Capital Asset and Debt Administration

### Capital Assets (net of depreciation)

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Land	\$ 1,003,008	\$ 922,956	\$ 889,463
Plant and equipment	66,745,465	66,065,785	59,362,338
Infrastructure	37,151,582	34,982,925	33,969,328
Equipment	2,317,545	1,947,572	2,283,768
Construction in progress	3,026,506	781,233	2,461,194
Total cost	<u>\$ 110,244,106</u>	<u>\$ 104,700,471</u>	<u>\$ 98,966,091</u>

### Major Capital Asset Events FY 2004

- The District completed construction of its first membrane technology plant (MBR). The MBR plants provide a key development tool for future District growth in areas where traditional collection systems are not economically feasible. This plant is the first of its kind in operation in the state of Missouri and the midwestern United States.
- The District began acquiring easements for developing a collection system in the southwestern portion of the county. This project is being partially financed by the State of Missouri, Department of Natural Resources loan.

Additional information on the District's capital assets can be found in the footnotes to the financial statements.

## **Debt Administration**

The District issues revenue bonds to pay for treatment plant construction and upgrades and expansion of the system when necessary. The revenue from the sewer system and the various special funds established by bond ordinances collateralizes the revenue bonds. Debt outstanding was reduced in FY 2004 by \$2,097,000 through program revenues. The debt issues are discussed in Note 7 of the Notes to the Financial Statements.

## **Financial Contact**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with the general overview of the District's finances and to demonstrate the District's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact Duckett Creek Sanitary District, Julie Barch, Director of Administration, 3550 Highway K, and Saint Charles, MO 63304.

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**DUCKETT CREEK SANITARY DISTRICT**

STATEMENTS OF NET ASSETS

DECEMBER 31, 2004 AND 2003

**ASSETS**

	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 548,108	\$ 789,122
Accounts receivable:		
Trade	597,384	473,105
Other	-	33,386
Interest receivable	37,795	45,597
Prepaid expenses	-	1,496
Unbilled revenue	970,557	933,037
Restricted assets:		
Cash and cash equivalents	1,149,252	950,584
Investments	2,535,706	4,401,462
<b>TOTAL CURRENT ASSETS</b>	<u>5,838,802</u>	<u>7,627,789</u>
<b>NON-CURRENT ASSETS</b>		
Investments	6,606,117	6,452,061
Restricted assets:		
Investments	812,920	763,651
Interest receivable	8,372	5,471
Deferred charges	778,988	858,018
<b>TOTAL NON-CURRENT ASSETS</b>	<u>8,206,397</u>	<u>8,079,201</u>
<b>CAPITAL ASSETS</b>		
Land	1,003,008	922,956
Plant and equipment	66,745,465	66,065,785
Infrastructure	37,151,582	34,982,925
Equipment	2,317,545	1,947,572
Total Cost	107,217,600	103,919,238
Less: accumulated depreciation	(16,523,348)	(14,945,061)
Net fixed assets	90,694,252	88,974,177
Construction in progress	3,026,506	781,233
<b>TOTAL CAPITAL ASSETS</b>	<u>93,720,758</u>	<u>89,755,410</u>
<b>TOTAL ASSETS</b>	<u>\$ 107,765,957</u>	<u>\$ 105,462,400</u>

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

## LIABILITIES AND NET ASSETS

	2004	2003
<b>CURRENT LIABILITIES</b>		
Revenue bonds payable - current maturities	\$ 1,457,000	\$ 1,426,000
Payable from restricted assets:		
Revenue bonds payable - current maturities	877,000	671,000
Interest payable	442,064	440,817
Accounts payable	414,274	163,020
Interest payable	574,286	618,496
Retainage payable	1,500	25,000
Accrued wages and vacation	68,722	113,147
Due to others	24,000	24,000
Deferred revenues	15,811	33,708
Payroll withholdings and taxes payable	4,112	9,543
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,878,769</b>	<b>3,524,731</b>
<b>LONG-TERM LIABILITIES</b>		
Net premium on bond issuance	45,169	47,546
Revenue bonds payable	33,170,000	35,267,000
Less: current maturities	2,334,000	2,097,000
<b>NET LONG-TERM LIABILITIES</b>	<b>30,881,169</b>	<b>33,217,546</b>
<b>TOTAL LIABILITIES</b>	<b>34,759,938</b>	<b>36,742,277</b>
<b>NET ASSETS</b>		
Invested in capital asset, net of related debt	62,884,758	56,585,410
Restricted:		
Revenue bond construction	1,668,911	3,528,673
Revenue bond debt service reserve	1,254,970	1,222,303
Revenue bond depreciation and replacement reserve	254,933	252,492
Unrestricted	6,942,447	7,131,245
<b>TOTAL NET ASSETS</b>	<b>73,006,019</b>	<b>68,720,123</b>
<b>TOTAL LIABILITIES AND     NET ASSETS</b>	<b>\$ 107,765,957</b>	<b>\$ 105,462,400</b>

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

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**DUCKETT CREEK SANITARY DISTRICT**  
**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
<b>REVENUE</b>		
Sewer charges	\$ 6,955,433	\$ 6,672,809
Connection fees	1,006,836	807,092
Other	337,790	160,923
TOTAL REVENUE	8,300,059	7,640,824
<b>EXPENSES</b>		
Operating	2,233,275	1,913,506
Engineering	1,028,936	940,168
General and administrative	1,239,178	1,122,259
Depreciation	1,660,049	1,552,571
TOTAL EXPENSES	6,161,438	5,528,504
<b>NET OPERATING INCOME</b>	2,138,621	2,112,320
<b>NON-OPERATING REVENUE (EXPENSE)</b>		
Grants	382,654	-
Investment income	1,767,366	1,755,316
Interest expense	(2,014,967)	(2,206,380)
Amortization of bond costs	(79,031)	(65,496)
Gain (loss) on investments	(58,478)	(219,510)
TOTAL NON-OPERATING REVENUE (EXPENSE)	(2,456)	(736,070)
<b>NET INCOME BEFORE CONTRIBUTIONS</b>	2,136,165	1,376,250
Capital contributions	2,149,731	2,549,748
<b>CHANGE IN NET ASSETS</b>	4,285,896	3,925,998
<b>NET ASSETS - BEGINNING OF YEAR</b>	68,720,123	64,794,125
<b>NET ASSETS - END OF YEAR</b>	\$ 73,006,019	\$ 68,720,123

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

**DUCKETT CREEK SANITARY DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 8,120,363	\$ 7,584,248
Cash paid to suppliers	(2,206,843)	(2,322,100)
Cash paid to employees	(2,081,766)	(1,751,872)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,831,754	3,510,276
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of fixed assets	(3,482,063)	(2,915,073)
Principal paid on revenue bond maturities	(2,097,000)	(2,303,000)
Contributed cash	-	444,428
Grants	382,654	-
Interest paid on revenue bonds	(2,060,306)	(2,169,976)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(7,256,715)	(6,943,621)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(9,986,201)	(9,882,516)
Proceeds from the sale of investments	11,596,549	10,970,289
Interest received	1,772,267	1,806,508
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,382,615	2,894,281
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(42,346)	(539,064)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	1,739,706	2,278,770
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,697,360	\$ 1,739,706

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

**RECONCILIATION OF NET OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

	2004	2003
<b>NET OPERATING INCOME</b>	<b>\$ 2,138,621</b>	<b>\$ 2,112,320</b>
 <b>ADJUSTMENTS TO RECONCILE NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	1,660,049	1,552,571
(Increase) decrease in assets:		
Accounts receivable - trade	(161,799)	(62,804)
Accounts receivable - other	33,386	(33,386)
Prepaid expenses	1,496	16,072
Increase (decrease) in liabilities:		
Accounts payable	251,254	11,410
Retainage payable	(23,500)	(147,324)
Accrued wages and vacation	(44,425)	27,297
Deferred revenues	(17,897)	6,218
Due to others	-	24,000
Payroll withholdings and taxes payable	(5,431)	3,902
<b>TOTAL ADJUSTMENTS</b>	<b>1,693,133</b>	<b>1,397,956</b>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <b>\$ 3,831,754</b>	 <b>\$ 3,510,276</b>

**SUPPLEMENTAL DISCLOSURES:**

Unrealized gain (loss) on investments	\$ (16,094)	\$ (205,418)
Contributed capital assets	2,149,731	2,549,748

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

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**DUCKETT CREEK SANITARY DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003

1. **DESCRIPTION OF OPERATIONS**

Duckett Creek Sanitary District (the District) began operation January 1, 1978 as a sewer district and political subdivision of the State of Missouri. The District owns and operates a revenue producing sewerage system serving the District and its inhabitants. The District occupies approximately one quarter of the total area of St. Charles County, Missouri, and serves over 30,000 households.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** - The District is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public and a periodic determination of revenue earned, expenses incurred and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The District has elected not to follow FASB Standards issued after November 30, 1989.

**Measurement Focus and Basis of Accounting** - Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services 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. The District also recognizes as operating revenue tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds 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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

GASB Statement 14 has been applied in determining the financial reporting entity of the District. Statement 14 requires the financial reporting entity to include the following:

- the primary government
- other organizations for which the primary government is financially accountable;
- any for-profit corporations of which the primary government holds majority ownership for the purpose of directly facilitating provision of government services; and
- any other organization whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's reporting entity based on the above criteria.

The District had determined that there were no other agencies or entities which came under the criteria for inclusion.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

**Investments** - The District is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United States Treasury and United States Government Agencies. Investments are stated at fair value.

**Budgets** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for depreciation and interest, which are not budgeted. All annual appropriations lapse at fiscal year end. The appropriated budget is prepared by department. All budget adjustments require the approval of the executive director. There were no adjustments to the original budget during the year. The legal level of control is at the entity level. The District's budget for fixed asset purchases is not reflected in the supplementary schedules since these items are capitalized and depreciated.

**Concentration of Credit Risk** - The District grants credit for sewer bills to the residential and commercial consumers it serves in St. Charles County.

**Concentration of Cash and Investments** - The District has cash and investments in several Missouri banks, which are FDIC insured or secured by collateral. Account balances, at the balance sheet date, were entirely covered by FDIC insurance or collateralized with securities held by the District's agent in the District's name.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

**Accounts Receivable** - Consumer accounts receivable consist of balances owed for services billed. The District does not record an allowance for doubtful accounts because properties with unpaid balances have a lien placed on them. Any unpaid balance is subsequently paid when the property is sold. The District charges late fees of 3.5% per month for balances over 30 days past due.

**Supplemental Cash Flow Information** - A summary of the cash and cash equivalents is as follows:

	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash and cash equivalents	\$ 548,108	\$ 789,122
Revenue Bond Construction:		
Cash and cash equivalents	48,614	89,827
Revenue Bond Debt Service:		
Cash and cash equivalents	403,655	149,681
Revenue Bond Debt Service Reserve		
Cash and cash equivalents	689,650	706,907
Depreciation and Replacement Reserve:		
Cash and cash equivalents	7,333	4,169
TOTAL	<u>\$ 1,697,360</u>	<u>\$ 1,739,706</u>

**Capital Assets** - The costs of additions and betterments are capitalized at cost. Donated assets including dedicated sewer lines are recorded at their fair value on the date of donation as a capital contribution. Interest cost of restricted tax exempt borrowings less any interest earned on investment of the proceeds of these borrowings during construction are capitalized as part of the cost of the asset. No interest costs were incurred or capitalized in the construction of assets in 2004 and 2003. 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. The capitalization threshold for capital assets is \$5,000. Depreciation is calculated basis over estimated service lives as follows:

<u>Major Group</u>	<u>Method</u>	<u>Life</u>
Plant and equipment	Straight-line	7 - 75 years
Infrastructure	Straight-line	75 years
Equipment	Straight-line	3 -15 years

Depreciation expense at December 31, 2004 and 2003 was \$1,660,049 and \$1,552,571, respectively.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

**Bond Issuance Costs** - Bond issuance costs are recorded as deferred charges and amortized over the lives of the bonds using the straight-line method.

**Bond Premium** - Premiums received over the face value of debt when it is issued is amortized against interest expense over the lives of the bonds.

**Compensated Absences** - The District permits employees to accumulate earned but unused vacation. Vacation pay is accrued when earned and reported as a liability.

**Estimates** - The preparation of financial statements in conformity with 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.

3. **DEPOSITS AND INVESTMENTS**

**Deposits** - At December 31, 2004, the carrying amount of the District's deposits was \$1,697,360 and the institutional balance was \$1,883,400. Institutional balances were entirely covered by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or collateralized with securities held by the District's agent in the District's name.

**Investments** - The District's investments are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name.

	Category		
	1	2	3
U.S. Government Securities	\$9,954,743	\$ _____ -	\$ _____ -

4. **RESTRICTED ASSETS**

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond debt service" accounts are used to segregate resources accumulated for principal and interest payments over the next twelve months. Retained earnings are reserved for debt service to the extent that restricted assets required by revenue bonds exceed the liabilities payable from restricted assets. The "revenue bond debt service reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond debt service accounts. Investment income in excess of reserve requirements is used to fund current debt service payments.



4. **RESTRICTED ASSETS - continued**

The "revenue bond depreciation and replacement" accounts are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The "revenue bond depreciation and replacement" account is also being used to fulfill various grant requirements. Cash monies in each of the accounts are deposited in banks insured by the FDIC, the SIPC or in direct obligations of the federal government in accordance with the bond resolution.

5. **CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

	Balance, Beginning Of Year	Additions	Reclassifications/ Retirements	Contributed Assets	Balance, End Of Year
Capital assets, not being depreciated:					
Land	\$ 922,956	\$ 80,052	\$ -	\$ -	\$ 1,003,008
Construction in progress	781,233	2,342,350	(97,077)	-	3,026,506
Total capital assets, not being depreciated	<u>1,704,189</u>	<u>2,422,402</u>	<u>(97,077)</u>	<u>-</u>	<u>4,029,514</u>
Capital assets, being depreciated:					
Plant and equipment	66,065,785	582,603	97,077	-	66,745,465
Infrastructure	34,982,925	18,926	-	2,149,731	37,151,582
Equipment	1,947,572	455,736	(85,763)	-	2,317,545
Total capital asset being depreciated	<u>102,996,282</u>	<u>1,057,265</u>	<u>11,314</u>	<u>2,149,731</u>	<u>106,214,592</u>
Less accumulated depreciation for:					
Plant and equipment	(9,269,950)	(957,335)	-	-	(10,227,285)
Infrastructure	(4,412,189)	(486,096)	-	-	(4,898,285)
Equipment	(1,262,922)	(216,618)	81,762	-	(1,397,778)
Total accumulated depreciation	<u>(14,945,061)</u>	<u>(1,660,049)</u>	<u>81,762</u>	<u>-</u>	<u>(16,523,348)</u>
Total capital assets, being depreciated, net	<u>88,051,221</u>	<u>(602,784)</u>	<u>93,076</u>	<u>2,149,731</u>	<u>89,691,244</u>
Total capital assets, net	<u>\$ 89,755,410</u>	<u>\$ 1,819,618</u>	<u>\$ (4,001)</u>	<u>\$ 2,149,731</u>	<u>\$ 93,720,758</u>

6. **DEFERRED CHARGES**

At December 31, deferred charges consisted of the following:

	<u>2004</u>	<u>2003</u>
Bond issuance costs	\$ 1,322,920	\$ 1,330,444
Less: accumulated amortization	<u>543,932</u>	<u>472,426</u>
DEFERRED CHARGES	<u>\$ 778,988</u>	<u>\$ 858,018</u>

7. **REVENUE BONDS PAYABLE**

**Sewerage System Revenue Bonds - Series 1992A** - The Sewerage System Revenue Bonds - Series 1992A totaling \$1,935,000 were issued to finance the expansion of the sanitary sewer system to areas within the District as approved by voters in 1991. The Bonds, dated June 1, 1992, are a part of the State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds (State Revolving Fund Program - Multiple Participant Series). The Bonds bear interest at 4.25% - 6.55% per annum with interest payable on January 1 and July 1 in each year. The bonds mature on January 1 in the years and amounts as shown on the following page. Pursuant to the bond ordinances the following accounts are funded by or on the behalf of each participant in the program:

Debt Service Accounts - Used to accumulate the monthly payments made by the District. Accounts are then used to fund the semi-annual principal and interest payments.

Reserve Account - Used to make up any deficiencies of principal and interest when debt service is due. The account is funded through the State Wastewater Loan Fund. When fully funded the account will equal 50% of the unpaid principal on the bonds. Interest on the account is used for the semi-annual debt service payments.

**Sewerage System Revenue Bonds - Series 1994B** - The Sewerage System Revenue Bonds - Series 1994B totaling \$43,230,000 were issued to finance the construction of a new treatment plant. The bonds, dated November 1, 1994, are a part of the State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds (State Revolving Fund Program - Multiple Participant Series). The bonds bear interest at 5.25% - 7.2% per annum with interest payable on January 1 and July 1 in each year. The bonds mature on July 1 in the years and amounts as shown on the following page. Pursuant to the bond ordinances, the following accounts are funded by or on the behalf of each participant in the program:

Debt Service Account - Used to accumulate the monthly payments made by the District. These amounts are then used to fund the semi-annual principal and interest payments.

Reserve Account - This account was established to make up any deficiencies of principal and interest when debt service is due. The account is funded through the Wastewater Loan Fund. Interest earned on the account is used for the semi-annual debt service payments.

7. **REVENUE BONDS PAYABLE** - continued

**Revenue Bonds - Series 2002A** - The District issued \$5,045,000 in Revenue Bonds - Series 2002A to advance refund outstanding Series 1983, 1985, 1986 and 1992C Revenue Bond Issues. The bonds dated September 27, 2002 bear interest at 2.0% - 4.0% per annum with interest payable on March 1 and September 1 in each year. The bonds mature on September 1 in the years and amounts as shown on the following page.

Debt Service Accounts - Used to accumulate the monthly payments made by the District. The amounts are then used to fund the semi-annual principal and interest payments.

Reserve Account - Used to accumulate funds to be expended for authorized purposes.

**Sewerage System Revenue Bonds - Series 2002A** - The Sewerage System Revenue Bonds - Series 2002A totaling \$29,545,000 were issued to finance the construction of sewer lines and a pump station. The bonds, dated May 1, 2002, are a part of the State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds (State Revolving Fund Program - Multiple Participant Series). The bonds bear interest at 3.0% - 5.15% per annum with interest payable on January 1 and July 1 in each year. The bonds mature on January 1 in the years and amounts as shown below. A premium of \$52,300 will be amortized over the life of the bonds, which is 22 years. Amortization of the premium reduced interest expense by \$2,377 in 2004 and 2003. Pursuant to the bond ordinances, the following accounts are funded by or on the behalf of each participant in the program:

Debt Service Account - Used to accumulate the monthly payments made by the District. These amounts are then used to fund the semi-annual principal and interest payments.

Construction Account - The proceeds from the sale of the bonds were deposited in this account. Monies in this account are disbursed to pay eligible project costs or after completion of disbursements, the principal and interest on the bonds.

Reserve Account - This account was established to make up any deficiencies of principal and interest when debt service is due. The account is funded through the Wastewater Loan Fund. Interest earned on the account is used for the semi-annual debt service payments.

The following is a summary of long-term debt transactions for the year ended December 31, 2004:

	Balance, Beginning <u>Of Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End <u>Of Year</u>	Amounts Due Within <u>One Year</u>
Net premium on bond issuance	\$ 47,546	\$ -	\$( 2,377)	\$ 45,169	\$ 2,377
Sewerage System Revenue Bonds:					
Series 1992A	1,270,000	-	( 90,000)	1,180,000	100,000
Series 1994B	25,812,000	-	( 1,152,000)	24,660,000	1,194,000
Series 2002A	3,985,000	-	( 5,000)	3,980,000	180,000
Revenue Bonds - Series 2002A	<u>4,200,000</u>	<u>-</u>	<u>( 850,000)</u>	<u>3,350,000</u>	<u>860,000</u>
TOTAL LONG-TERM LIABILITIES	<u>\$35,314,546</u>	<u>\$ -</u>	<u>\$( 2,099,377)</u>	<u>\$33,215,169</u>	<u>\$ 2,336,377</u>

7. **REVENUE BONDS PAYABLE** - continued

The following is a schedule of the principal and interest requirements:

YEAR	SRF SERIES 1992A	SRF SERIES 1994B	SERIES SERIES 2002A	SRF SERIES 2002A	TOTAL
2005	\$ 173,625	\$ 2,935,394	\$ 947,625	\$ 362,504	\$ 4,419,148
2006	172,014	3,039,187	710,425	361,753	4,283,379
2007	174,919	3,063,683	706,345	325,462	4,270,409
2008	172,340	3,421,973	195,095	348,710	4,138,118
2009	174,213	3,439,329	195,832	346,536	4,155,910
2010	175,370	3,353,240	191,032	339,032	4,058,674
2011	171,036	3,250,576	175,832	331,313	3,928,757
2012	171,211	3,161,096	155,957	328,201	3,816,465
2013	175,568	3,075,576	141,367	324,633	3,717,144
2014	-	2,973,368	126,992	314,883	3,415,243
2015	-	2,873,264	112,737	313,865	3,299,866
2016	-	2,765,760	98,800	307,444	3,172,004
2017	-	-	-	300,753	300,753
2018	-	-	-	293,793	293,793
2019	-	-	-	286,565	286,565
2020	-	-	-	279,068	279,068
2021	-	-	-	271,692	271,692
2022	-	-	-	269,382	269,382
2023	-	-	-	261,566	261,566
Total principal and interest	1,560,296	37,352,446	3,758,039	5,967,155	48,637,936
Less:					
Interest	( 380,296)	(12,692,446)	( 408,039)	( 1,987,155)	(15,467,936)
Liability as of December 31, 2004	<u>\$ 1,180,000</u>	<u>\$24,660,000</u>	<u>\$ 3,350,000</u>	<u>\$ 3,980,000</u>	<u>\$33,170,000</u>

The revenue bonds are collateralized by the revenue from the sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. Deposits in the revenue bond funds are to be made by the first day of each month. The ordinances also contain certain provisions which require the District to maintain pledged revenues, as defined in the ordinances, for each year of at least 120% of the annual debt service requirements. For fiscal year 2004, the revenue bond coverage is 135%.

8. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District purchases commercial insurance to cover risks related to building and other District property, crimes, business, travel, earthquakes, and employee blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

9. **QUALIFIED RETIREMENT PLAN**

The District adopted a 401(k) retirement plan as of April 1, 1984. The plan is a defined contribution plan. The plan covers all employees who are 21 years of age with at least one year of service prior to the plan anniversary date of January 1st. The Board of Trustee has the sole ability to amend or terminate the plan. The Plan is administered by South Side National Bank. The District matches employee contributions 100% up to a 6% contribution limit. The District's plan contribution and administrative expenses for 2004 and 2003 were \$77,964 and \$60,191, respectively. Employee contributions were \$93,417 and \$73,433 for 2004 and 2003, respectively.

10. **COMMITMENTS**

The District has contracts for pump station improvements. The total amount outstanding for work yet to be performed is \$401,000.

The District has a contract for engineering services related to a sewer project. The total amount outstanding for work yet to be performed is \$66,722.

**SUPPLEMENTARY INFORMATION**

**DUCKETT CREEK SANITARY DISTRICT**  
**SCHEDULES OF OPERATING AND ENGINEERING EXPENSES -**  
**BUDGET AND ACTUAL - FOR THE YEAR ENDED DECEMBER 31, 2004**  
**WITH COMPARATIVE ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2003**

	2004		2003	
	BUDGET	OVER (UNDER) BUDGET	ACTUAL	ACTUAL
<b>OPERATING EXPENSES</b>				
Field operation wages	\$ 628,541	\$ 16,632	\$ 645,173	\$ 602,805
Employee benefits	124,026	2,863	126,889	145,864
Backup reimbursement	29,600	30,189	59,789	34,957
Bio-solid polymer and removal	70,000	27,999	97,999	58,460
Communications	17,070	19,960	37,030	27,330
Conventions, education and seminars	6,500	(50)	6,450	3,502
Dues and publications	1,075	218	1,293	1,175
Insurance	92,810	22,574	115,384	100,277
Janitorial	40,000	3,481	43,481	44,316
Lab consumable supplies	20,000	5,602	25,602	31,817
Lift station repairs	82,708	(11,859)	70,849	57,395
Maintenance	180,400	10,624	191,024	154,135
Odor control	14,000	(447)	13,553	9,342
Operating permits	24,000	(3,266)	20,734	22,368
Professional services	5,900	(376)	5,524	4,530
Small tools and equipment	13,500	3,572	17,072	7,259
Utilities	542,850	120,749	663,599	536,181
Uniforms	10,025	(1,221)	8,804	8,208
Vehicle	48,490	34,536	83,026	63,585
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,951,495</b>	<b>\$ 281,780</b>	<b>\$ 2,233,275</b>	<b>\$ 1,913,506</b>
<b>ENGINEERING EXPENSES</b>				
Engineering wages	\$ 810,380	\$ 31,468	\$ 841,848	\$ 802,140
Employee benefits	169,092	(17,331)	151,761	107,820
Conventions, education and seminars	5,000	(37)	4,963	3,511
Dues and publications	500	(136)	364	577
Easements and land acquisitions	5,000	(4,308)	692	2,180
Equipment and tools	19,000	(8,058)	10,942	9,880
Legal expense	-	-	-	495
Miscellaneous	2,500	(878)	1,622	1,437
Professional services	5,500	(3,773)	1,727	1,422
Supplies	5,105	732	5,837	4,262
Vehicle	5,000	4,180	9,180	6,444
<b>TOTAL ENGINEERING EXPENSES</b>	<b>\$ 1,027,077</b>	<b>\$ 1,859</b>	<b>\$ 1,028,936</b>	<b>\$ 940,168</b>

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

**DUCKETT CREEK SANITARY DISTRICT**  
**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES -**  
**BUDGET AND ACTUAL - FOR THE YEAR ENDED DECEMBER 31, 2004**  
**WITH COMPARATIVE ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2003**

	2004		2003	
	BUDGET	OVER (UNDER) BUDGET	ACTUAL	ACTUAL
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Salaries and wages	\$ 553,478	\$ (3,158)	\$ 550,320	\$ 511,836
Employee benefits	72,520	7,728	80,248	62,304
Annual bond fees	150,000	(2,030)	147,970	153,125
Community affairs	20,000	(9,468)	10,532	22,027
Collection expense	22,300	36,093	58,393	18,961
Computer equipment and maintenance	51,138	13,231	64,369	53,591
Conventions, education and seminars	34,300	11,124	45,424	27,015
Dues and publications	2,230	(1,091)	1,139	943
Equipment leases	6,825	(210)	6,615	6,989
Equipment maintenance	22,890	89	22,979	18,826
Small equipment and tools	14,249	(14,249)	-	-
Director and officer insurance	18,000	(7,506)	10,494	14,574
Intergovernment treatment fee	52,000	3,422	55,422	46,967
Legal	4,800	4,041	8,841	12,074
Office supplies	35,000	3,548	38,548	38,527
Postage	49,000	(3,446)	45,554	44,369
Professional services	21,200	(5,873)	15,327	27,668
Programming and software	38,315	(4,349)	33,966	16,511
Telephone	55,900	(23,839)	32,061	32,887
Vehicle	12,000	(1,024)	10,976	13,065
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>\$ 1,236,145</u>	<u>\$ 3,033</u>	<u>\$ 1,239,178</u>	<u>\$ 1,122,259</u>

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



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# STATISTICAL SECTION



**DUCKETT CREEK SANITARY DISTRICT**  
**OPERATING EXPENSES BY TYPE**  
**FOR THE LAST TEN FISCAL YEARS**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Wages	\$ 2,037,341	\$ 1,916,781	\$ 1,701,755	\$ 1,544,326	\$ 1,365,475	\$ 1,252,256	\$ 1,187,331	\$ 1,038,207	\$ 997,531	\$ 847,294
Benefits	358,898	315,988	304,650	240,331	193,309	179,862	162,155	215,862	227,296	210,680
Utilities	732,690	596,398	632,473	543,614	458,216	430,392	409,623	442,538	342,426	297,337
Repair/Maintenance	284,852	230,356	211,093	150,508	194,034	131,143	137,820	90,944	99,749	106,883
Supplies	241,222	217,401	401,173	174,865	207,024	192,915	151,756	178,745	115,778	90,496
Treatment Supplies	25,602	31,817	16,001	6,719	5,725	11,698	7,495	13,729	6,082	7,520
Insurance	125,878	114,851	89,791	67,918	55,656	51,859	50,371	52,450	30,033	30,450
Vehicle Expense	103,182	83,094	61,868	70,457	82,320	67,825	42,510	38,928	33,155	48,529
Bond and Administration Fees on Bonds	147,970	153,125	157,468	164,170	173,091	163,015	163,753	158,425	24,711	7,555
Contractual Services	290,752	196,430	195,757	471,063	516,052	380,818	298,297	245,200	142,112	122,313
Other	153,002	119,692	101,153	75,200	60,754	70,586	82,043	103,716	108,619	71,521
Emergency Reserve	-	-	-	-	-	23,000	-	3,150	25,000	16,567
Depreciation (1) (2)	<u>1,660,049</u>	<u>1,552,571</u>	<u>1,543,006</u>	<u>1,099,681</u>	<u>1,132,430</u>	<u>979,306</u>	<u>930,565</u>	<u>921,566</u>	<u>534,144</u>	<u>515,224</u>
	<u>\$ 6,161,438</u>	<u>\$ 5,528,504</u>	<u>\$ 5,416,188</u>	<u>\$ 4,608,852</u>	<u>\$ 4,444,086</u>	<u>\$ 3,934,675</u>	<u>\$ 3,623,719</u>	<u>\$ 3,503,460</u>	<u>\$ 2,686,636</u>	<u>\$ 2,372,369</u>

(1) Treatment Plant #2 began operations in April 1997.

(2) Includes infrastructure beginning in 2002.

***DUCKETT CREEK SANITARY DISTRICT***  
**REVENUES AND EXPENSES BY FUNCTION**  
**FOR THE LAST TEN FISCAL YEARS**

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
<b>OPERATING REVENUES:</b>										
Sewer Charges	\$ 6,955,433	\$ 6,672,809	\$ 6,238,768	\$ 5,908,290	\$ 5,560,687	\$ 5,280,703	\$ 4,856,671	\$ 4,767,443	\$ 4,226,501	\$ 4,041,802
Connection Fees	1,006,836	807,092	561,411	760,658	584,550	848,924	887,609	742,309	824,902	765,771
Other	337,790	160,923	69,516	50,739	76,467	83,638	80,333	74,522	178,862	183,289
	<u>8,300,059</u>	<u>7,640,824</u>	<u>6,869,695</u>	<u>6,719,687</u>	<u>6,221,704</u>	<u>6,213,265</u>	<u>5,824,613</u>	<u>5,584,274</u>	<u>5,230,265</u>	<u>4,990,862</u>
<b>OPERATING EXPENSES</b>										
Operating	2,233,275	1,913,506	1,988,638	1,839,423	1,686,695	1,506,702	1,402,612	1,445,895	1,160,615	1,039,277
Engineering	1,028,936	940,168	744,317	598,451	535,984	511,851	433,429	358,485	310,213	274,076
General and Administrative	1,239,178	1,122,259	1,140,227	1,071,297	1,088,977	936,816	857,113	777,514	681,664	543,792
Deprcciation	1,660,049	1,552,571	1,543,006	1,099,681	1,132,430	979,306	930,565	921,566	534,144	515,224
	<u>6,161,438</u>	<u>5,528,504</u>	<u>5,416,188</u>	<u>4,608,852</u>	<u>4,444,086</u>	<u>3,934,675</u>	<u>3,623,719</u>	<u>3,503,460</u>	<u>2,686,636</u>	<u>2,372,369</u>
<b>NET OPERATING INCOME</b>	<u>\$ 2,138,621</u>	<u>\$ 2,112,320</u>	<u>\$ 1,453,507</u>	<u>\$ 2,110,835</u>	<u>\$ 1,777,618</u>	<u>\$ 2,278,590</u>	<u>\$ 2,200,894</u>	<u>\$ 2,080,814</u>	<u>\$ 2,543,629</u>	<u>\$ 2,618,493</u>

***DUCKETT CREEK SANITARY DISTRICT***  
**SEWER RATES**  
**FOR THE LAST TEN FISCAL YEARS**

	<u>Commercial (1)</u>	<u>Residential (2)</u>
2004	\$ 2.10	\$ 15.00
2003	2.10	15.00
2002	2.10	15.00
2001	2.10	15.00
2000	2.10	15.00
1999	2.10	15.00
1998	2.10	15.00
1997	2.10	15.00
1996	2.10	15.00
1995	2.10	15.00

(1) Commercial rate is per thousand gallons of water usage.

(2) Residential rate is monthly.

***DUCKETT CREEK SANITARY DISTRICT***  
**REVENUE BOND COVERAGE**  
**FOR THE LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Expense (1)</u>	<u>Available for Debt Service</u>	<u>Debt Service Principal</u>	<u>Debt Service Interest</u>	<u>Total Debt Service</u>	<u>Coverage</u>
2004	\$ 10,450,079	\$ 4,501,389	\$ 5,948,690	\$ 2,334,000	\$ 2,085,148	\$ 4,419,148	135 %
2003	9,396,140	3,975,933	5,420,207	2,097,000	2,185,399	4,282,399	127
2002	9,206,143	3,873,182	5,332,961	2,053,000	2,297,845	4,350,845	123
2001	9,326,151	3,509,171	5,816,980	1,852,000	2,496,857	4,348,857	134
2000	9,211,294	3,311,656	5,899,638	1,754,000	2,718,169	4,472,169	132
1999	8,540,997	3,003,801	5,537,196	1,636,000	2,686,057	4,322,057	124
1998	8,188,220	2,750,295	5,437,925	1,471,000	2,765,452	4,236,452	126
1997	7,990,110	2,640,278	5,349,832	1,312,000	2,741,285	4,053,285	126
1996	6,414,465	2,212,136	4,202,329	550,000	646,559	1,196,559	104
1995	5,583,509	1,916,789	3,666,720	530,000	675,461	1,205,461	306
1994	4,783,991	1,813,360	2,970,631	495,000	699,009	1,194,009	246

(1) Excludes depreciation, interest, and unrealized and realized gains and losses on investments and disposition of fixed assets.

***DUCKETT CREEK SANITARY DISTRICT***  
**PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS**  
**ST. CHARLES COUNTY**  
**FOR THE LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Number of Units</u>	<u>Commercial Assessed Value</u>	<u>Commercial Market Value</u>	<u>Residential Assessed Value</u>	<u>Residential Market Value</u>	<u>Agriculture Assessed Value</u>	<u>Agriculture Market Value</u>	<u>Bank Deposits</u>
2004	10,221	\$ 991,654,880	\$ 3,098,921,500	\$ 3,270,802,200	\$ 17,214,748,421	\$ 23,337,970	\$ 194,483,083	\$ 199,074,000
2003	9,855	964,163,360	3,013,010,500	3,085,423,580	16,233,808,316	24,718,360	205,986,333	188,439,000
2002	7,684	849,985,090	2,656,203,406	2,596,847,150	13,667,616,579	22,377,920	186,482,667	162,239,000
2001	9,515	802,103,520	2,506,573,500	2,459,915,820	12,946,925,368	22,361,910	186,349,250	207,221,000
2000	11,587	681,004,040	2,128,137,625	2,128,786,140	11,204,137,579	21,489,260	179,077,167	162,969,000
1999	8,475	625,820,180	1,955,688,063	1,990,975,300	10,478,817,368	22,922,110	191,017,583	161,541,000 (1)
1998	9,498	563,897,640	1,762,180,125	1,736,823,470	9,141,176,158	20,488,950	170,741,250	158,596,000
1997	9,012	533,967,930	1,668,649,781	1,641,601,220	8,640,006,421	20,681,590	172,346,583	145,455,000
1996	8,702	463,053,640	1,447,042,625	1,397,093,490	7,353,123,632	20,112,240	167,602,000	213,398,000
1995	8,528	448,368,900	1,401,152,813	1,314,644,070	6,919,179,316	19,795,180	164,959,833	195,661,000

(1) Reflects banking industry consolidation.

Source: Federal Reserve Bank of St. Louis and the St. Charles County Assessor's Office.

***DUCKETT CREEK SANITARY DISTRICT***  
**TEN LARGEST CUSTOMERS BY GALLONS BILLED**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

<u>Customer</u>	<u>Gallons</u>	<u>Type of Business</u>	<u>Percent of Total</u>
Francis Howell Schools	18,811,300	School District	5.40%
Ashwood Apartments	15,024,500	Residential Apartments	4.32%
Gables at Breeze Park	10,787,300	Residential Apartments	3.10%
Tee-Kay Mobile Manor	10,685,800	Mobile Home Park	3.07%
St. Louis Enclave Apartments	9,172,700	Residential Apartments	2.63%
Pheasant Point Apartments	7,067,400	Residential Apartments	2.03%
Mallards Landing	6,853,000	Residential Apartments	1.97%
Citi Group	6,193,800	Corporate Office	1.78%
Mastercard Building #1	5,545,600	Corporate Office	1.59%
Country Club	5,380,800	Gas Station/Car Wash	1.55%
	<u>95,522,200</u>		<u>27.44%</u>



***DUCKETT CREEK SANITARY DISTRICT***  
 MISCELLANEOUS STATISTICS AND OTHER INFORMATION  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

Date of Incorporation	1978
Board of Trustees	5 Members
Number of Employees:	
Maintenance and Operations	12
Inspection	7
General and Administration	11
Engineering	10
Area in Square Miles	54
Population Served	101,924
Persons per Household (1)	2.8
Number of Customers:	
Residential	32,492
Commercial	987
Sewerage System:	
Miles of Sanitary Sewer	521
Number of Service Connections	38,581
Number of Lift Stations	32
Number of Treatment Plants	4
Daily Average Treatment (Gallons):	
Plant #1	4.8 MGD
Plant #2	3.3 MGC
Augusta Shores Plant	13,500 GPD
Steven A. Rogers MBR Plant	11,063 GPD
Maximum Capacity of Treatment Plants:	
Plant #1	5.0 MGD
Plant #2	7.0 MGD
Augusta Shores Plant	60,000 GPD
Steven A. Rogers MBR Plant	25,000 GPD

(1) Source: U.S. Census Bureau

***DUCKETT CREEK SANITARY DISTRICT***  
NUMBER OF CUSTOMERS  
FOR THE LAST TEN FISCAL YEARS

	<u>Commercial</u>	<u>Residential</u>	<u>Total Customers</u>
2004	987	32,492	33,479
2003	742	31,882	32,624
2002	660	29,535	30,195
2001	609	27,458	28,067
2000	613	27,547	28,160
1999	536	25,775	26,311
1998	468	24,172	24,640
1997	484	23,474	23,958
1996	423	22,016	22,439
1995	371	20,456	20,827