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Financial Report, 2000

Herculaneum Sewer District

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HERCULANEUM SEWER DISTRICT
OF JEFFERSON COUNTY
FOR THE YEAR ENDED JUNE 30, 2000

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Accounting, Consulting, Tax Service

Deborah A. Lewis, CPA, MBA

INDEPENDENT AUDITORS' REPORT

Board of Directors
Herculaneum Sewer District of Jefferson County
Herculaneum, Missouri 63048

Dear Members of the Board:

I have audited the accompanying general purpose financial statements, listed in the table of contents, of Herculaneum Sewer District of Jefferson County, as of June 30, 2000 and for the year then ended. these general purpose financial statements are the responsibility of Herculaneum Sewer District of Jefferson County's management. My responsibility is to express an opinion on these general purpose financial statements based on our audits.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that our audits provide a reasonable basis for my opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Herculaneum Sewer District of Jefferson County at June 30, 2000 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles, except for the unverified Accounts Receivable as stated in footnote 4.



My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Herculaneum Sewer District of Jefferson County. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Deborah Lewis".

Deborah A. Lewis, CPA

September 20, 2001
Barnhart, Missouri

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2000

Operating Revenue:		
Sewer Fees	\$217,202	
Tap fees collected	<u>900</u>	
Total operating Revenue		\$218,102
Operating expenses other than Depreciation:		
Salaries	\$61,709	
Electric	27,916	
Employee Benefits	8,770	
Labor Charges	80,478	
Insurance	5,991	
Repair, parts, projects, & Excavating	32,532	
Payroll Tax	4,924	
Office expense	2,797	
Professional Fees	3,053	
Engineering	1,297	
Rent	2,300	
Gas & Oil	2,885	
Gas Heat	1,216	
Sewer	3,448	
Telephone	1,587	
Operating Permit	515	
Election Expense	661	
Bond Fees	120	
Water	429	
Cleaning	300	
Seminars	58	
Meetings	0	
Miscellaneous	304	
Safe Deposit Box Rental	<u>20</u>	
Total operating expenses without depreciation		<u>\$243,309</u>
Excess of operating revenue over expenses before depreciation		(25,207)
Depreciation		<u>53,514</u>
Net operating loss		(78,721)
Nonoperating revenue and (expenses):		
Gain on Sale of Generator	400	
Reimbursement for Insurance	51,585	
Interest earned	<u>3,464</u>	
Excess revenue over expenses		<u><u>(\$23,273)</u></u>

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
BALANCE SHEET
AS OF JUNE 30, 2000

ASSETS

Current Assets:

Cash on hand	\$30	
Cash in checking - general	79,568	
Cash in Checking - tax	770	
Cash in deposit account	7,516	
CD's - restricted funds	75,000	
Cash in savings	74,558	
Cash in savings - bond payment - general	<u>25,766</u>	\$263,208

Accounts Receivable - sewer fees 6,514

Prepaid insurance 497

Total current Assets \$270,219

	Cost	Accumulated Depreciation	Balance	
Fixed Assets:				
Land	\$8,000	\$0	\$8,000	
Truck	14,706	14,706	0	
Jet Cleaner	11,665	9,999	1,666	
Building	13,205	165	13,040	
Lift Station & Line Extension	236,317	145,524	90,793	
Treatment Plant & Storage Sheds	453,716	453,637	79	
Equipment	34,949	15,168	19,781	
Furniture & Fixtures	7,772	5,818	1,954	
Equipment & Plant	22,968	3,770	19,198	
New Construction- Step I, II, III	<u>1,568,344</u>	<u>300,599</u>	<u>1,267,745</u>	
Totals	<u>\$2,371,642</u>	<u>\$949,386</u>	<u>1,422,256</u>	1,422,256

Total Assets \$1,692,475

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
BALANCE SHEET
AS OF JUNE 30, 2000

LIABILITIES

Current Liabilities:

Accounts payable-general	\$3,058
Accrued interest payable	0
Accrued payroll taxes	528
Interest payable - truck	0
Deposits payable	7,516
Bonds payable - current portion	<u>0</u>

Total Current Liabilities \$11,102

Fund Balance - page 5 \$1,681,373

Total liabilities and fund balance \$1,692,475

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2000

Fund balance July 1, 1999	\$1,704,646
Add excess of revenue over expense - page 2	(23,273)
Fund balance June 30, 2000	<u>\$1,681,373</u>

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2000

Operating Activities		
Net income (loss) from operations	(\$23,273)	
Depreciation and amortization	53,514	
Net change in working capital:		
Decrease in accounts payable	(232)	
Decrease in accrued payroll taxes	(1,187)	
Decrease in prepaid insurance	3,008	
Increase in Deposits Payable	1,033	2,622
Net cash provided by operating activities	<u>32,863</u>	
Financing Activities:		
		0
Net cash used in financing activities	<u>0</u>	
Investing Activities:		
Purchase Building	(13,205)	
Purchase Generator	(13,600)	
Net cash used in Investing activities	<u>(26,805)</u>	
Increase in cash and cash equivalents		6,058
Cash and cash equivalents at beginning of year	<u>257,150</u>	
Cash and cash equivalents at end of year June 30, 2000	<u><u>\$263,208</u></u>	

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Principles Used to Determine Scope of Entity

The district's reporting entity includes the district's governing board and all related organizations for which the district exercises oversight responsibility.

The district has developed criteria to determine whether outside agencies with activities which benefit the customers of the district should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the district exercises oversight responsibility (which includes financial interdependency, selection of governing authority, and accountability for fiscal matters), scope of public service and special financing relationships.

The district has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the district's financial statements. In addition, the district is not aware of any entity which would exercise such oversight which would result in the district being considered a component unit of the entity.

B. Basis of Presentation

The financial transactions of the district are recorded in a single enterprise fund. An enterprise fund is a type of proprietary government fund which is normally used by sewer and other utility districts. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

Enterprise funds such as this are accounted for using the accrual basis of accounting which is accepted under Generally Accepted Accounting Principles. their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000

2. FIXED ASSETS

Fixed assets are carried at historical cost, less accumulated depreciation. Depreciation has been provided over the estimated useful lives using the straight line method. the estimated useful lives are as follows:

Treatment Plant & Lift Stations	10-50 years
Structures and improvements	25-35 years
Transportation Equipment	5-10 years
Miscellaneous Equipment	3-15 years
Office Furniture and Fixtures	3-15 years

3. BONDS PAYABLE

The district issued revenue bonds in the amount of \$266,000.00 on September 1, 1972, for the purpose of constructing a sewage treatment plant, lift station, and line extensions. The bonds mature in varying amounts through 1998 and bear interest at rates ranging from 7 1/4% to 7 3/4%. The bonds are callable on or after September 1, 1978, at par and accrued interest to date to redemption, together with a premium of one year's interest thereon.

the bond ordinance requires that all Moines be segregated and restricted in separate accounts within the revenue fund, in the sequence indicated by the following:

<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>NATURE OF AUTHORIZED EXPENDITURES</u>
A. Operations and Maintenance	Amount sufficient to pay the estimated cost of operating and maintaining the system for two months	All disbursements for operations and maintenance of the system.
B. Sinking Fund for Sewerage System Revenue bonds of 1972	Amount sufficient to pay current bond and interest maturities.	Paying principal and interest on bonds.
C. Reserve Fund for Sewerage System Revenue Bonds of 1972	\$100 monthly until \$25,000 is accumulated	Payment of principal and interest due only when and to the extent other funds are not available
D. Depreciation and Replacement	All remaining Moines in Sewerage System Revenue Fund until \$20,000 is accumulated	Payments of operating and maintenance of system only when and to the extent other funds are not available.

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000

Under the terms of the bond indenture the district agreed to establish the accounts specified above and beginning on the tenth day of the month following one month's operation of the plant to pay the aforementioned accounts the amounts specified above.

In accordance with the terms of the bond indenture the following amounts are restricted to the various accounts as specified above:

Sinking fund for Sewerage System Revenue bonds of 1972	\$0
Reserve Fund for Sewerage System Revenue Bond of 1972	\$25,000
Depreciation and Replacement	\$20,000

The Sewer District has sufficient funds earmarked to meet their obligation as required by the bond covenant; these funds are not separated into individual accounts. The final bonds were paid in the 97/98 fiscal year.

4. Receivables have not been able to be audited due to the new computer software program that was implemented. It was a specialized program written for the sewer district all modules were not installed when the person who wrote the program passed away. The Sewer Use Revenues are based on actual cash received with the balance of Accounts Receivable carried forward from the prior year.

SUPPLEMENTARY INFORMATION

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE STATEMENT OF OPERATIONS

	Years Ended June 30,	
	2000	1999
Operating Revenue:	<u>\$217,202</u>	<u>\$209,641</u>
Sewer fees	<u>900</u>	<u>0</u>
Tap fees collected		
Total operating revenue	\$218,102	\$209,641
Operating Revenue		
Salaries	\$61,709	\$58,592
Electric	27,916	28,555
Employee Benefits	8,770	12,123
Labor Charges	80,478	20,389
Insurance	5,991	6,062
Repair, parts, projects & Exca.	32,532	31,612
Payroll Tax	4,924	4,512
Office expense	2,797	2,316
Professional Fees	3,053	1,475
Rent	2,300	2,100
Gas & Oil	2,885	2,292
Gas Heat	1,216	1,389
Sewer	3,448	2,281
Telephone	1,587	1,343
Operating Permit	515	490
Election Expense	661	221
Bond Fees	120	320
Water	429	398
Cleaning	300	300
Seminars	58	29
Engineering	1,297	0
Meetings	0	0
Miscellaneous	304	898
Safe Deposit Box Rental	<u>20</u>	<u>20</u>
Total operating expenses without depreciation	<u>\$243,310</u>	<u>\$177,717</u>
Excess of operating revenue over expenses before depreciation	(25,208)	31,924
Depreciation	<u>53,514</u>	<u>62,522</u>
Net operating (loss) Income	(78,722)	(30,598)
Nonoperating revenue and (expenses):		
Interest earned	3,464	3,113
Gain on Sale of Generator	400	0
Reimbursement for Insurance	51,585	0
Excess revenue over expenses	<u>(\$23,273)</u>	<u>(\$27,485)</u>

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE BALANCE SHEET

	ASSETS	
	Years Ended June 30,	
	2000	1999
Current Assets:		
Cash on hand	\$30	\$30
Cash in checking - general	79,568	77,894
Cash in Checking - tax	770	1,957
Cash in deposit account	7,516	6,483
CD's - restricted funds	75,000	45,000
Cash in savings	74,558	101,572
Cash in savings - bond payment - general	25,766	24,214
	<u>263,208</u>	<u>257,150</u>
Accounts Receivable - sewer fees	6,514	6,514
Accounts receivable - tap on fees	0	0
Prepaid insurance	<u>497</u>	<u>3,505</u>
Total current Assets	<u>270,219</u>	<u>267,169</u>
Fixed Assets:		
Land	\$8,000	\$8,000
Truck	14,706	14,706
Jet Cleaner	11,665	11,665
Building	13,205	0
Lift Station & Line Extension	236,317	236,317
Treatment Plant & Storage Sheds	453,716	453,716
Equipment	34,949	21,349
Equipment & Plant	22,968	22,968
Furniture & Fixtures	7,772	7,772
New Construction-Steps I, II, III	<u>1,568,344</u>	<u>1,568,344</u>
	<u>2,371,642</u>	<u>2,344,837</u>
Less accumulated depreciation	<u>(949,386)</u>	<u>(895,872)</u>
Total Fixed Assets	<u>1,422,256</u>	<u>1,448,965</u>
Total Assets	<u><u>\$1,692,475</u></u>	<u><u>\$1,716,134</u></u>

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE BALANCE SHEET

	LIABILITIES	
	<u>Years Ended June 30,</u>	
	<u>2000</u>	<u>1999</u>
Current Liabilities:		
Accounts payable-general	\$3,058	\$3,290
Accrued payroll taxes	528	1,715
Deposits payable	<u>7,516</u>	<u>6,483</u>
Total Current Liabilities	<u>\$11,102</u>	<u>\$11,488</u>
 Fund Balance - page 13	 <u>\$1,681,373</u>	 <u>\$1,704,646</u>
Total liabilities and fund balance	<u>\$1,692,475</u>	<u>\$1,716,134</u>

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE STATEMENT OF FUND BALANCE

	<u>Years Ended June 30,</u>	
	<u>2000</u>	<u>1999</u>
Fund balance Beginning July 1, 1999	<u>\$1,704,646</u>	<u>\$1,732,131</u>
Add excess of Revenue over Expense- page 10	(23,273)	(27,485)
Fund balance Ending June 30, 2000	<u><u>\$1,681,373</u></u>	<u><u>\$1,704,646</u></u>

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE STATEMENT OF CASH FLOWS

	Years Ended June 30,	
	<u>2000</u>	<u>1999</u>
Operating Activities		
Net income from operations	(\$23,273)	(\$27,485)
Depreciation and amortization	53,514	62,522
Net change in working capital:		
Net change in accounts payable	(232)	3
Net change in accrued payroll taxes	(1,187)	(26)
Net change in prepaid insurance	3,008	(126)
Net change in deposits payable	1,033	995
Net cash provided by operating activities	<u>32,863</u>	<u>35,883</u>
Financing Activities:		
Net cash provided by (used in) financing activities	<u>0</u>	<u>0</u>
Investing Activities:		
Purchase Control Panel		(3,124)
Purchase Pump & Motor		(1,368)
Purchase Pump		(14,932)
Purchase Transmitter		(1,380)
Purchase Transmission		(2,164)
Purchase Building	(13,205)	
Purchase Generator	(13,600)	
Net cash provided by (used in) Investing activities	<u>(26,805)</u>	<u>(22,968)</u>
Increase (decrease) in cash and cash equivalents	6,058	12,915
Cash and cash equivalents at beginning of year	<u>257,150</u>	<u>244,235</u>
Cash and cash equivalents at end of year	<u><u>\$263,208</u></u>	<u><u>\$257,150</u></u>

NDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors

Herculaneum Sewer District of Jefferson County, Missouri

I have audited the general purpose financial statements of Herculaneum Sewer District of Jefferson County as of and for the year ended June 30, 2000 and have issued my report thereon dated September 20, 2001.

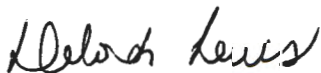
I conducted my audit in accordance with general accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that I plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Herculaneum Sewer District of Jefferson County is the responsibility of Herculaneum Sewer District of Jefferson County's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of my audit of the financial statements was not to provide and opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

the results of my tests indicate that , with respect to the items tested, Herculaneum Sewer District of Jefferson County complied, in all material respects, with the provisions referred to in the preceding paragraph except as stated in footnote 4. With respect to items not tested, nothing came to my attention that caused me to believe that the District had not complied, in all material respects, with those provisions.

I noted certain immaterial instances on noncompliance that I have reported to the management of Herculaneum Sewer District of Jefferson County in a separate letter dated September 20, 2001.

This report is intended for the information of the Board of Directors, management, the cognizant federal audit agency and other audit agencies. However, this report is a matter of public record and its distribution is not limited.



Deborah A. Lewis, CPA

September 20, 2001 Barnhart, Missouri 15

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT
CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

Board of Directors
Herculaneum Sewer District
of Jefferson County, Missouri

I have audited the general purpose financial statements of Herculaneum Sewer District of Jefferson County as of and for the year ended June 30, 2000 and have issued my report thereon dated September 20, 2001.

I have conducted my audit in accordance with general accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments". those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing my audits of the general purpose financial statements of Herculaneum Sewer District of Jefferson County for the year ended June 30, 1998, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of Herculaneum Sewer District of Jefferson County is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. the objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

Cycles of the District's Activity

Revenues/accounts receivable/cash receipts

Purchases/accounts payable/cash disbursements

Payroll
External Financial reporting

Controls Used in Administering Compliance With Laws and Regulations-General Requirements

Political Activity
Davis-Bacon Act
Civil Rights
Cash management
Relocation assistance and real property acquisition
Federal Financial reports
Allowable costs/cost principles
Drug-Free Workplace Act
Administrative requirements

Specific Requirements

Types of services allowed or not allowed
Eligibility
Matching, level of effort, or earmarking
Reporting
Cost allocation
Special requirements, if any
Claims for advances and reimbursements
Amounts claimed or used for matching

For all of the control categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above, except for as stated in footnote 4.

However, I noted certain matters involving the internal control structure and its operation that I have reported to the management of Herculaneum Sewer District of Jefferson County in a separate letter dated September 20, 2001.

This report is intended for the information of the Board of Directors, management, the cognizant federal audit agency and other audit agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Deborah Lewis", written over a light gray rectangular background.

Deborah A. Lewis, CPA

September 20, 2001
Barnhart, Missouri