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Financial Report, 2001

Herculaneum Sewer District

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HERCULANEUM SEWER DISTRICT
OF JEFFERSON COUNTY
FOR THE YEAR ENDED JUNE 30, 2001

TABLE OF CONTENTS

	<u>Page number</u>
Independent auditors' report	1
<u>General Purpose Financial Statements</u>	
Statement of operations	2
Balance Sheet	3-4
Statement of fund balance	5
Statement of cash flows	6
Notes to the financial statements	7-9
<u>Supplemental Information</u>	
Comparative statement of operations	10
Comparative balance sheet	11-12
Comparative statement of fund balance	13
Comparative statement of Cash Flows	14
Independent auditors' report on compliance with laws and regulations based on an audit of financial statements performed in accordance with government auditing standards	15
Independent auditors' report on internal control structure related matters noted in a financial statement audit conducted in accordance with government auditing standards	16-17



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, 2001 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, 2001 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 dark ink, reading "Deborah A. Lewis". The signature is written in a cursive style with a large initial 'D' and 'L'.

Deborah A. Lewis, CPA

January 24, 2002
Barnhart, Missouri

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2001

Operating Revenue:		
Sewer Fees	\$235,908	
Tap fees collected	<u>900</u>	
Total operating Revenue		\$236,808
Operating expenses other than Depreciation:		
Salaries	\$80,060	
Electric	27,528	
Employee Benefits	10,140	
Labor Charges	18,072	
Insurance	5,024	
Repair, parts, projects, & Excavating	27,956	
Payroll Tax	6,150	
Office expense	2,183	
Professional Fees	1,281	
Engineering	3,390	
Rent	2,700	
Gas & Oil	3,140	
Gas Heat	1,964	
Sewer	3,406	
Telephone	1,882	
Operating Permit	0	
Election Expense	515	
Bond Fees	100	
Water	1,159	
Cleaning	300	
Seminars	87	
Meetings	0	
Miscellaneous	165	
Safe Deposit Box Rental	<u>20</u>	
Total operating expenses without depreciation		<u>\$197,222</u>
Excess of operating revenue over expenses before depreciation		39,586
Depreciation		<u>44,845</u>
Net operating loss		(5,259)
Nonoperating revenue and (expenses):		
Misc		105
Interest earned		<u>2,487</u>
Excess revenue over expenses		(\$2,667)

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
BALANCE SHEET
AS OF JUNE 30, 2001

ASSETS

Current Assets:

Cash on hand	\$24	
Cash in checking - general	93,193	
Cash in Checking - tax	2,996	
Cash in deposit account	7,718	
CD's - restricted funds	45,000	
CD's - Unrestricted funds	80,000	
Cash in savings - bond payment - general	60,264	\$289,195

Accounts Receivable - sewer fees 4,678

Prepaid insurance 2,356

Total current Assets \$296,229

	Cost	Accumulated Depreciation	Balance	
Fixed Assets:				
Land	\$8,000	\$0	\$8,000	
Truck	14,706	14,706	0	
Jet Cleaner	11,665	11,665	0	
Building	13,205	495	12,710	
Lift Station & Line Extension	236,317	149,745	86,572	
Treatment Plant & Storage Sheds	453,716	453,716	0	
Equipment	56,695	18,859	37,836	
Furniture & Fixtures	7,772	6,795	977	
Equipment & Plant	22,968	6,283	16,685	
New Construction- Step I, II, III	1,568,344	331,966	1,236,378	
Totals	\$2,393,388	\$994,230	1,399,158	1,399,158

Total Assets \$1,695,387

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
BALANCE SHEET
AS OF JUNE 30, 2001

LIABILITIES

Current Liabilities:

Accounts payable-general	\$0
Accrued interest payable	6,168
Accrued payroll taxes	2,795
Interest payable - truck	0
Deposits payable	7,718
Bonds payable - current portion	<u>0</u>

Total Current Liabilities \$16,681

Fund Balance - page 5 \$1,678,706

Total liabilities and fund balance \$1,695,387

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2001

Fund balance July 1, 2000	\$1,681,373
Add excess of revenue over expense - page 2	(2,667)
Fund balance June 30, 2001	\$1,678,706

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

Operating Activities		
Net income (loss) from operations		(\$2,667)
Depreciation and amortization		44,845
Net change in working capital:		
Increase in accounts payable	3,110	
Increase in accrued payroll taxes	2,267	
Decrease in Accounts Receivable	1,836	
Increase in prepaid insurance	(1,859)	
Increase in Deposits Payable	202	5,556
Net cash provided by operating activities		<u>47,734</u>
Financing Activities:		
		0
Net cash used in financing activities		<u>0</u>
Investing Activities:		
Purchase Machinery		(18,810)
Purchase Various Equipment		(2,936)
Net cash used in Investing activities		<u>(21,746)</u>
Increase in cash and cash equivalents		25,988
Cash and cash equivalents at beginning of year		<u>263,208</u>
Cash and cash equivalents at end of year June 30, 2001		\$289,196

See Accountant Footnotes

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

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, 2001

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, 2001

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 and a balance from the report with balances verified by negative confirmations.

SUPPLEMENTARY INFORMATION

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE STATEMENT OF OPERATIONS

	Years Ended June 30,	
	2000	2001
Operating Revenue:	\$217,202	\$235,908
Sewer fees	900	900
Tap fees collected		
Total operating revenue	\$218,102	\$236,808
Operating Revenue		
Salaries	\$61,709	\$80,060
Electric	27,916	27,528
Employee Benefits	8,770	10,140
Labor Charges	80,478	18,072
Insurance	5,991	5,024
Repair, parts, projects & Exca.	32,532	27,956
Payroll Tax	4,924	6,150
Office expense	2,797	2,183
Professional Fees	3,053	1,281
Rent	2,300	2,700
Gas & Oil	2,885	3,140
Gas Heat	1,216	1,964
Sewer	3,448	3,406
Telephone	1,587	1,882
Operating Permit	515	0
Election Expense	661	515
Bond Fees	120	100
Water	429	1,159
Cleaning	300	300
Seminars	58	87
Engineering	1,297	3,390
Meetings	0	0
Miscellaneous	304	165
Safe Deposit Box Rental	20	20
Total operating expenses without depreciation	\$243,310	\$197,222
Excess of operating revenue over expenses before depreciation	(25,208)	39,586
Depreciation	53,514	44,845
Net operating (loss) Income	(78,722)	(5,259)
Nonoperating revenue and (expenses):		
Interest earned	3,464	2,487
Gain on Sale of Generator	400	0
Reimbursement for Insurance	51,585	0
Misc.		105
Excess revenue over expenses	(\$23,273)	(\$2,667)

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE BALANCE SHEET

ASSETS		
	Years Ended June 30,	
	<u>2000</u>	2001
Current Assets:		
Cash on hand	\$30	\$24
Cash in checking - general	79,568	93,193
Cash in Checking - tax	770	2,996
Cash in deposit account	7,516	7,718
CD's - restricted funds	75,000	45,000
CD's - Unrestricted funds		80,000
Cash in savings	74,558	0
Cash in savings - bond payment - general	25,766	60,264
	<u>263,208</u>	289,195
Accounts Receivable - sewer fees	6,514	4,678
Accounts receivable - tap on fees	0	0
Prepaid insurance	<u>497</u>	2,356
Total current Assets	<u>270,219</u>	296,229
Fixed Assets:		
Land	\$8,000	\$8,000
Truck	14,706	14,706
Jet Cleaner	11,665	11,665
Building	13,205	13,205
Lift Station & Line Extension	236,317	236,317
Treatment Plant & Storage Sheds	453,716	453,716
Equipment	34,949	56,695
Equipment & Plant	22,968	22,968
Furniture & Fixtures	7,772	7,772
New Construction-Steps I, II, III	<u>1,568,344</u>	1,568,344
	2,371,642	2,393,388
Less accumulated depreciation	<u>(949,386)</u>	(994,230)
Total Fixed Assets	<u>1,422,256</u>	1,399,158
Total Assets	\$1,692,475	\$1,695,387

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE BALANCE SHEET

LIABILITIES

Years Ended June 30,

	<u>2000</u>	2001
Current Liabilities:		
Accounts payable-general	\$3,058	\$6,168
Accrued payroll taxes	528	2,795
Deposits payable	<u>7,516</u>	7,718
Total Current Liabilities	<u>\$11,102</u>	\$16,681
 Fund Balance - page 13	 <u>\$1,681,373</u>	 \$1,678,706
Total liabilities and fund balance	\$1,692,475	\$1,695,387

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE STATEMENT OF FUND BALANCE

	Years Ended June 30,	
	2000	2001
Fund balance Beginning July 1, 2000	<u>\$1,704,646</u>	\$1,681,373
Add excess of Revenue over Expense- page 10	(23,273)	(2,667)
Fund balance Ending June 30, 2001	\$1,681,373	\$1,678,706

HERCULANEUM SEWER DISTRICT OF JEFFERSON COUNTY
COMPARATIVE STATEMENT OF CASH FLOWS

	Years Ended June 30,	
	<u>2000</u>	2001
Operating Activities		
Net income from operations	(\$23,273)	(\$2,667)
Depreciation and amortization	53,514	44,845
Net change in working capital:		
Net change in accounts payable	(232)	3,110
Net change in accrued payroll taxes	(1,187)	2,267
Net change in Accounts Receivable		1,836
Net change in prepaid insurance	3,008	(1,859)
Net change in deposits payable	1,033	202
Net cash provided by operating activities	<u>32,863</u>	47,734
Financing Activities:		
Net cash provided by (used in) financing activities	<u>0</u>	0
Investing Activities:		
Purchase Machinery		(18,810)
Purchase Various Equipment		(2,936)
Purchase Building	(13,205)	
Purchase Generator	(13,600)	
Net cash provided by (used in) Investing activities	<u>(26,805)</u>	(21,746)
Increase (decrease) in cash and cash equivalents	6,058	25,988
Cash and cash equivalents at beginning of year	<u>257,150</u>	263,208
Cash and cash equivalents at end of year	\$263,208	\$289,196

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, 2001 and have issued my report thereon dated January 24, 2002.

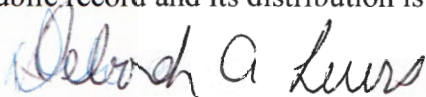
I conducted my audit in accordance with general accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of management and Budget Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular 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 no 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 January 24, 2002.

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

January 24, 2002 Barnhart, Missouri

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, 2001 and have issued my report thereon dated January 24, 2002.

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, 2001, 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 January 24, 2002.

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 dark ink, appearing to read "Deborah A. Lewis". The signature is fluid and cursive, with the first name "Deborah" being more prominent and the last name "Lewis" following in a similar style.

Deborah A. Lewis, CPA

January 24, 2002
Barnhart, Missouri