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Financial Report, 2004

Town of Augusta

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CLAIRE C. McCASKILL
Missouri State Auditor

June 27, 2006

Board of Directors
St. Clair Sewer District
Franklin County
502 Parkland Drive
St. Clair, MO 63077

Fiscal Period: One Year Ended March 31, 2006 ✓

Dear Directors:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

Thank you for your cooperation in sending this information.

Sincerely,

CLAIRE C. McCASKILL
STATE AUDITOR

A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst

STATE AUDITOR'S OFFICE
RECEIVED
MAY 26 2006
RECEIVED

ST. CLAIR SEWER DISTRICT

OF FRANKLIN COUNTY

ANNUAL REPORT

YEAR ENDED

MARCH 31, 2006

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ROSS, SPINNER & KUMMER, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

MISSOURI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. Clair Sewer District of Franklin County
502 Parklane Drive
St. Clair, Missouri 63077

We have audited the accompanying financial statements of the governmental activities, and the major fund of

ST. CLAIR SEWER DISTRICT OF FRANKLIN COUNTY

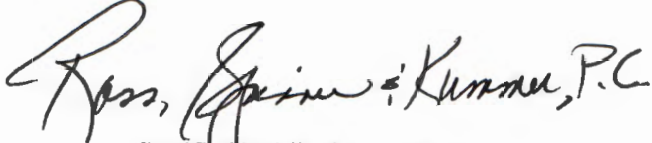
as of and for the year ended March 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Clair Sewer District of Franklin County management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1 (C), St. Clair Sewer District of Franklin County prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the business-type activities of St. Clair Sewer District of Franklin County as of March 31, 2006 and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1(C).

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. 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.


Certified Public Accountants

May 4, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

An objective and easily readable analysis of the District's financial activities. The Management's Discussion and Analysis presents an analytical overview of both short-term and long-term financial information.

ST. CLAIR SEWER DISTRICT OF FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2006

The discussion and analysis of the St. Clair Sewer District's financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2006, within the limitations of the modified cash basis of accounting. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ending March 31, 2006 are as follows:

- The District provided sewerage and maintenance services for approximately 275 users.
- Over the years, the District has provided cash reserves for major contingencies that may arise in the future.
- Seventeen new users were acquired during the year.
- The District has an agreement with the City of St. Clair to provide to the District sewerage treatment services.
- The District anticipates future growth and has the available capacity to maintain the growth.

USING THIS ANNUAL FINANCIAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities provide information about the activities of the District's government-wide (or "as a whole") and present a longer-term view of the District's finances.

Fund Financial Statements: Fund financial statements focus on the individual parts of the District's government. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant ("major") funds.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management Discussion and Analysis represents financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Basis of Accounting

The District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the District's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (*such as accounts receivable and revenue for billed or provided services not yet collected*) and certain liabilities and their related expenses (*such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities*) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the District as a Whole

The District's Reporting Entity Presentation

This annual report includes all activities for which the St. Clair Sewer District of Franklin County is fiscally responsible.

The primary government includes the following legal entity:

- The St. Clair Sewer District of Franklin County

The Government-wide Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the District's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the District's net assets - the difference between assets and liabilities - as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You may need to consider other non-financial factors.

In the Statement of Net Assets and the Statement of Activities, we have one kind of activity:

Business-type activities - The District charges a fee to customers to help it cover all or most of the cost of certain services it provides. The District's sewer system is reported here.

Reporting the District's Most Significant Funds

The Fund Financial Statements

Proprietary funds - When the District charges customers for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are

reported in the Statement of Net Assets and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the District's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information.

The District currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements and similar arrangements.

A FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets - Modified Cash Basis

The District's combined net assets, resulting from modified cash basis transactions, decreased from \$1,262,182 to \$1,260,931 between fiscal years 2006 and 2005.

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>March 31, 2006</u>	<u>March 31, 2005</u>	<u>Percentage Change</u>
			<u>2006 - 2005</u>
Current and other assets	\$ 587,168.	\$ 558,084.	5%
Capital assets	<u>674,073.</u>	<u>704,352.</u>	(4%)
Total assets	<u>\$ 1,261,241.</u>	<u>\$ 1,262,436.</u>	(0%)
Long-term debt outstanding	\$ 0.	\$ 0.	0%
Other liabilities	<u>310.</u>	<u>254.</u>	44%
Total liabilities	<u>\$ 310.</u>	<u>\$ 254.</u>	44%
Net assets			
Invested in capital assets, net of related debt	\$ 674,072.	\$ 704,352.	(4%)
Unrestricted	<u>586,859.</u>	<u>557,830.</u>	5%
Total net assets	<u>\$ 1,260,931.</u>	<u>\$ 1,262,182.</u>	(0%)

Net assets of the District's business type activities decreased slightly to \$1,260,931. However, \$674,072 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, vehicles and so on). Consequently, unrestricted net assets showed \$586,859 at the end of this year. Changes between 2006 to 2005 reflect a slight decrease.

Changes in Net Assets - Modified Cash Basis

For the year ended March 31, 2006, net assets of the primary government (resulting from modified cash basis transactions) changed as follows:

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>March 31, 2006</u>	<u>March 31, 2005</u>	<u>Percentage Change</u> <u>2006 - 2005</u>
Revenues -			
Program revenues			
Charges for services	\$ 94,950.	\$ 67,105.	41%
General revenues			
Taxes	22,780.	20,778.	10%
Interest revenue	<u>10,971.</u>	<u>8,001.</u>	37%
Total revenues	<u>\$ 128,701.</u>	<u>\$ 95,884.</u>	34%
Expenses -			
Sewer expenses	<u>\$ 129,952.</u>	<u>\$ 120,300.</u>	8%
Total expenses	<u>\$ 129,952.</u>	<u>\$ 120,300.</u>	8%
Increase (Decrease) in net assets	<u>\$ (1,251.)</u>	<u>\$ (24,416.)</u>	95%

Business-type Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed first with revenues from that particular program following. The result is a Net, (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the District's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended March 31, 2006, total expenses for business-type activities, resulting from modified cash basis transactions, amounted to \$129,952. Of these total expenses, taxpayers and other general revenues funded only \$33,751, while those directly benefiting from the program funded \$94,950 from charges for services.

A FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- The Proprietary Fund reported revenues of \$128,701 and expenditures of \$129,952, resulting in a decrease of net assets of \$1,251.

General Fund Budgetary Highlights

The Board of Supervisors revised the budget as needed. The final adjusted budget, however, was consistent with the prior year budget.

For the year ended March 31, 2006, the expenditures were \$2,148 below final appropriations, while actual resources available for appropriation were \$13,701 above the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - Modified Cash Basis

At the end of March 31, 2006, the District had \$674,073 invested in capital assets, net of depreciation. This represents a net decrease of \$30,279, or 4% under last year.

PRIMARY GOVERNMENT CAPITAL ASSETS - MODIFIED CASH BASIS
(Net of accumulated depreciation)

<u>Business-Type Activities</u>	<u>March 31, 2006</u>	<u>March 31, 2005</u>
Land	\$ 2,800.	\$ 2,800.
Sewer line and improvements	653,083.	680,543.
Maintenance building	10,089.	10,488.
Equipment	<u>8,101.</u>	<u>10,521.</u>
TOTALS	<u>\$ 674,073.</u>	<u>\$ 704,352.</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the year ending March 31, 2007, the District's budget is fairly consistent with the March 31, 2006 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions concerning this report or need additional financial information, contact: Nancy Braun, St. Clair Sewer District of Franklin County, 502 Parklane Drive, St. Clair, Missouri 63077.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements
 - Proprietary (enterprise) funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

ST. CLAIR SEWER DISTRICT OF FRANKLIN COUNTY

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
MARCH 31, 2006**

ASSETS

Cash and cash equivalents	\$ 587,168.55
Capital assets:	
Land	2,800.00
Other capital assets, net of accumulated depreciation	<u>671,272.84</u>
TOTAL ASSETS	\$ <u>1,261,241.39</u>

LIABILITIES

Payroll taxes	\$ <u>309.93</u>
TOTAL LIABILITIES	\$ <u>309.93</u>

NET ASSETS

Invested in capital assets	\$ 674,072.84
Unrestricted	<u>586,858.62</u>
TOTAL NET ASSETS	\$ <u>1,260,931.46</u>

See accompanying notes to the basic financial statements.

ST. CLAIR SEWER DISTRICT OF FRANKLIN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED MARCH 31, 2006

EXPENSES

Sewer expenses	\$ 129,951.63
TOTAL PROGRAM EXPENSES	\$ 129,951.63

PROGRAM REVENUES

Charges for services	\$ 94,949.50
NET (EXPENSE) REVENUE	\$ 35,002.13

GENERAL REVENUES

Tax revenue	\$ 22,780.30
Interest income	10,971.22
TOTAL GENERAL REVENUES	\$ 33,751.52

CHANGE IN NET ASSETS \$ (1,250.61)

NET ASSETS - Beginning of year 1,262,182.07

NET ASSETS - End of year \$ 1,260,931.46

See accompanying notes to the basic financial statements.

ST. CLAIR SEWER DISTRICT OF FRANKLIN COUNTY

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
MARCH 31, 2006**

ASSETS

Current Assets:

Cash and cash equivalents \$ 587,168.55

TOTAL CURRENT ASSETS \$ 587,168.55

Noncurrent Assets:

Capital assets, net of accumulated depreciation \$ 674,072.84

TOTAL NONCURRENT ASSETS \$ 674,072.84

TOTAL ASSETS \$ 1,261,241.39

LIABILITIES

Current Liabilities:

Payroll taxes \$ 309.93

TOTAL CURRENT LIABILITIES \$ 309.93

NET ASSETS

Invested in capital assets \$ 674,072.84

Unrestricted 586,858.62

TOTAL NET ASSETS \$ 1,260,931.46

See accompanying notes to the basic financial statements.

ST. CLAIR SEWER DISTRICT OF FRANKLIN COUNTY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED MARCH 31, 2006**

OPERATING REVENUES

Charges for services:	
Assessments	\$ 11,705.23
Sewer usage charges	66,344.27
Sewer hookup fees	<u>16,900.00</u>
TOTAL OPERATING REVENUES	\$ <u>94,949.50</u>

OPERATING EXPENSES

Salary	\$ 18,601.55
Insurance	2,855.00
Repairs and maintenance	13,004.80
Professional fees	3,382.75
Sewer usage charges	52,842.85
Office supplies and postage	2,353.48
Telephone and utilities	1,415.86
Supplies	3,277.68
Taxes	1,938.02
Depreciation expense	<u>30,279.64</u>

TOTAL OPERATING EXPENSES \$ 129,951.63

OPERATING INCOME (LOSS) \$ (35,002.13)

NON-OPERATING REVENUES (EXPENSES)

Tax revenues	\$ 22,780.30
Interest income	<u>10,971.22</u>

TOTAL NON-OPERATING REVENUES (EXPENSES) \$ 33,751.52

CHANGE IN NET ASSETS \$ (1,250.61)

TOTAL NET ASSETS - Beginning of year 1,262,182.07

TOTAL NET ASSETS - End of year \$ 1,260,931.46

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

ST. CLAIR SEWER DISTRICT OF FRANKLIN COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

MARCH 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1 (C), these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity

The District's financial reporting entity is comprised of the following:

Primary Government: St. Clair Sewer District of Franklin County

Component Units: None

In determining the financial reporting entity, the District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements represent the District's business-type activities, which are financed through taxes and fees charged to external parties for goods or service.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial report entity are described as follows:

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities that are primarily financed by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the enterprise fund, which provides sewer services.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, the “economic resources” measurement focus as applied to the modified cash basis of accounting is used as appropriate:

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

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

“Cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit.

Capital Assets

The District’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- Maintenance Building	40 years
- Sewer Line and Improvements	40 years
- Equipment	5 - 10 years

Fund Financial Statements

Proprietary fund equity is classified the same as in the government-wide statements.

Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use by either (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the District's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Property Tax

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on November 1st, and payable by December 31st to the Franklin County Collector. Taxes paid after December 31st are subject to penalties. Franklin County bills and collects the property taxes which are then distributed to the District.

F. Revenues, Expenditures and Expenses

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

G. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense): accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The District has determined that interest-bearing checking accounts, certificates of deposit, repurchase agreements, United States Government Obligations, bonds, notes or other obligations of the State of Missouri, and any other securities or investments that are lawful for the investment of monies held in such funds or accounts under the law of the State of Missouri are appropriate types of deposits and investments for its needs.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 587,733.20
Collateralized:	
Collateral held by District's agent in the District's name	0.00
Collateral held by pledging bank's trust department in the District's name	0.00
Collateral held by pledging bank's trust department not in the District's name	0.00
Uninsured and uncollateralized	0.00
Total	<u>\$ 587,733.20</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of March 31, 2006, \$0.00 of the District's bank balance of \$587,733.20 was exposed to credit risk as follows:

<u>Type of Deposit</u>	<u>Custody Credit Risk Amount</u>
Uninsured and uncollateralized	\$ 0.00
Uninsured and collateralized by pledging bank's trust department not in the District's name	<u>0.00</u>
Total	<u>\$ 0.00</u>

3. CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended March 31, 2006 was as follows:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
Land	\$ 2,800.00	\$ 0.00	\$ 0.00	\$ 2,800.00
Sewer Line & improvements	1,098,412.58	0.00	0.00	1,098,412.58
Maintenance building	15,972.01	0.00	0.00	15,972.01
Equipment	<u>16,249.99</u>	<u>0.00</u>	<u>0.00</u>	<u>16,249.99</u>
Totals at historical cost	<u>\$ 1,133,434.58</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 1,133,434.58</u>
Less - accumulated depreciation:				
Sewer Line & improvements	\$ 417,868.82	\$ 27,460.33	\$ 0.00	\$ 445,329.15
Maintenance building	5,484.09	399.31	0.00	5,883.40
Equipment	<u>5,729.19</u>	<u>2,420.00</u>	<u>0.00</u>	<u>8,149.19</u>
Total accumulated depreciation	<u>\$ 429,082.10</u>	<u>\$ 30,279.64</u>	<u>\$ 0.00</u>	<u>\$ 459,361.74</u>
Capital assets, net	<u>\$ 704,352.48</u>	<u>\$ (30,279.64)</u>	<u>\$ 0.00</u>	<u>\$ 674,072.84</u>

Depreciation expense totaled \$30,279.64 for fiscal year end March 31, 2006.

4. RISK MANAGEMENT

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

The District manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
a. Torts, errors, and omissions	Purchased commercial insurance	None
b. Workers compensation, health and life	Purchased commercial insurance	None
c. Physical property loss and natural disasters	Purchased commercial insurance	None

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

5. ASSESSED VALUATION AND TAX LEVY

2005 total assessed valuation	\$ 6,804,648.00
Tax levy	<u> .3392/100</u>
	\$ 23,081.37
Less: Collections and assessment fee	<u> 369.30</u>
	<u>\$ 22,712.07</u>
Actual collections	<u>\$ 22,780.07</u>

The receipts of current and delinquent property taxes during the fiscal year ended March 31, 2006 aggregated approximately 100% of the current assessed taxes.

6. DISTRICT OFFICIALS

Lou Hutson	Chairman
Jim Leroney	Board Member
James Cottingham	Board Member
Phillip Pfeiffer	Board Member
Anthony Randazzo	Board Member
Nancy Braun	Office Secretary

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor is it a part of the basic financial statements, but are presented for the purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedule - Modified Cash Basis - Proprietary Fund
- Notes to Budgetary Comparison Schedule - Modified Cash Basis - Proprietary Fund

ST. CLAIR SEWER DISTRICT OF FRANKLIN COUNTY

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 PROPRIETARY FUND
 YEAR ENDED MARCH 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>BEGINNING BUDGETARY FUND BALANCE</u>	\$ 1,262,182.07	\$ 1,262,182.07	\$ 1,262,182.07
<u>RESOURCES (inflows):</u>			
Assessments	20,000.00	15,000.00	11,705.23
Sewer - Usage charge	32,000.00	45,000.00	66,344.27
Sewer - Hookup fees	9,000.00	24,000.00	16,900.00
Tax and revenues	18,000.00	21,000.00	22,780.30
Interest revenue	<u>20,000.00</u>	<u>10,000.00</u>	<u>10,971.22</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ <u>1,361,182.07</u>	\$ <u>1,377,182.07</u>	\$ <u>1,390,883.09</u>
<u>CHARGES TO APPROPRIATIONS (outflows):</u>			
Salary	\$ 14,000.00	\$ 18,000.00	\$ 18,601.55
Insurance	3,000.00	3,000.00	2,855.00
Repairs and maintenance	24,600.00	24,600.00	13,004.80
Professional fees	5,500.00	5,500.00	3,382.75
Sewer usage charges	30,500.00	40,000.00	52,842.85
Office supplies and postage	4,500.00	3,500.00	2,353.48
Telephone and utilities	2,000.00	2,000.00	1,415.86
Supplies	600.00	1,500.00	3,277.68
Taxes	1,500.00	1,500.00	1,938.02
Depreciation	28,500.00	28,500.00	30,279.64
Miscellaneous	<u>4,000.00</u>	<u>4,000.00</u>	<u>0.00</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>118,700.00</u>	\$ <u>132,100.00</u>	\$ <u>129,951.63</u>
<u>ENDING BUDGETARY FUND BALANCE</u>	\$ <u>1,242,482.07</u>	\$ <u>1,245,082.07</u>	\$ <u>1,260,931.46</u>

See accompanying notes to the Budgetary Comparison Schedule.

ST. CLAIR SEWER DISTRICT OF FRANKLIN COUNTY

**NOTES TO OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MARCH 31, 2006**

Budgets and Budgetary Practices

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the secretary submits to the Board of Supervisors a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenses and the means of financing them.
- b. Open meetings of the Board of Supervisors are held to obtain taxpayer comments.
- c. Prior to April 1, the budget is adopted by the Board of Supervisors.
- d. Budgets are adopted on a basis consistent with the modified cash basis of accounting.
- e. Any revisions that alter the total expenses must be approved by the Board of Supervisors.
- f. The board of Supervisors adopts an amended budget (if necessary) approving any additional expenses.
- g. All annual appropriations lapse at fiscal year-end.