

# Platte County Regional Sewer District

Financial Report

12.31.2009

**McGladrey & Pullen**

Certified Public Accountants

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Trustees  
Platte County Regional Sewer District  
Tracy, Missouri

We have audited the accompanying basic financial statements of Platte County Regional Sewer District as of and for the year ended December 31, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the management of Platte County Regional Sewer District. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Platte County Regional Sewer District as of December 31, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2010 on our consideration of Platte County Regional Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental 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 required supplementary information. However, we did not audit the information and express no opinion on it.

*McGladrey & Pullen, LLP*

Kansas City, Missouri  
March 17, 2010

## Platte County Regional Sewer District

### Management's Discussion and Analysis Year Ended December 31, 2009

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The management of Platte County Regional Sewer District, (the District) is pleased to offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2009.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) basic financial statements and 2) notes to basic financial statements.

Basic financial statements: The basic financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The District is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. These are followed by notes to basic financial statements.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets reports the operating revenues and expenses and nonoperating revenues and expenses of the District for the fiscal year with the difference being combined with capital contributions to determine the change in net assets for the fiscal year.

The statement of cash flows reports cash and cash equivalents for the fiscal year resulting from operating activities, capital and related financing activities and investing activities.

The basic financial statements include only Platte County Regional Sewer District. There are no other organizations or agencies whose financial statements should be combined and presented with the basic financial statements of the District.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

#### Financial Highlights

Assets exceeded liabilities (net assets) by \$13,084,973 and \$12,858,248 as of December 31, 2009 and 2008, respectively. Of this amount, \$3,265,993 and \$2,802,312 is unrestricted and available to meet current and future obligations of the District as of December 31, 2009 and 2008, respectively.

Investments in capital assets, net of related debt, were \$6,054,928 and \$6,157,471 and restricted net assets were \$3,764,052 and \$3,898,465 during the years ended December 31, 2009 and 2008, respectively. Total net assets increased by \$226,725 and \$139,619 during the years ended December 31, 2009 and 2008, respectively, primarily as a result of capital contributions.

## Platte County Regional Sewer District

### Management's Discussion and Analysis Year Ended December 31, 2009

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During the years ended December 31, 2009 and 2008, the District's cash used in operating activities was \$(273,788) and cash provided by operating activities was \$73,374, respectively. Net cash decreased \$1,942,808 and \$898,657 during the years ended December 31, 2009 and 2008, respectively.

#### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's total net assets have increased by \$226,725 from 2008.

<b>Table 1</b>	<b>2009</b>	<b>2008</b>
<b>Assets:</b>		
Current assets	\$ 8,177,942	\$ 10,046,029
Capital assets	24,374,683	23,303,100
Other noncurrent assets	2,423,820	2,678,783
<b>Total assets</b>	<b>34,976,445</b>	<b>36,027,912</b>
<b>Liabilities:</b>		
Current liabilities	1,658,392	2,156,378
Noncurrent liabilities	20,233,080	21,013,286
<b>Total liabilities</b>	<b>21,891,472</b>	<b>23,169,664</b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	6,054,928	6,157,471
Restricted	3,764,052	3,898,465
Unrestricted	3,265,993	2,802,312
<b>Total net assets</b>	<b>\$ 13,084,973</b>	<b>\$ 12,858,248</b>

The District's net assets reflect its investment in capital assets net of related debt of \$6,054,928 and \$6,157,471 as of December 31, 2009 and 2008, respectively. The District uses these capital assets to operate the District, consequently, these assets are not available for future spending.

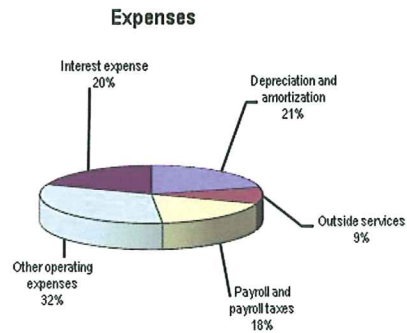
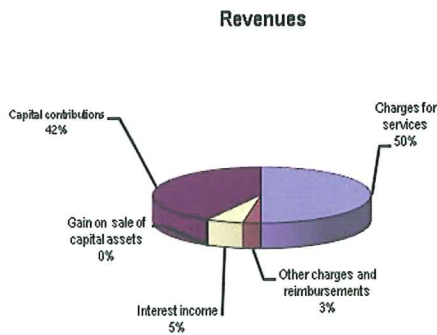
At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

**Platte County Regional Sewer District**

**Management's Discussion and Analysis  
Year Ended December 31, 2009**

Table 2 highlights the District's revenues and expenses for the years ended December 31, 2009 and 2008:

<b>Table 2 - Revenues and Expenses</b>	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>		
Charges for services	\$ 1,369,439	\$ 1,321,008
Other charges and reimbursements	73,001	94,869
Interest income	149,348	400,186
Gain on sale of capital assets	2,895	2,180
Capital contributions	1,143,532	669,263
<b>Total revenues</b>	<b>2,738,215</b>	<b>2,487,506</b>
<b>Expenses:</b>		
Depreciation and amortization	534,556	510,726
Outside services	234,257	212,575
Payroll and payroll taxes	446,791	406,189
Other operating expenses	808,335	634,198
Interest expense	487,551	584,199
<b>Total expenses</b>	<b>2,511,490</b>	<b>2,347,887</b>
<b>Increase in net assets</b>	<b>\$ 226,725</b>	<b>\$ 139,619</b>



The District's net operating loss was \$581,499 and \$347,811 for the years ended December 31, 2009 and 2008, respectively.

The District received the following types of contributed capital:

	<b>2009</b>	<b>2008</b>
Contributions of sewer lines	\$ -	\$ 64,869
Special assessment contributions	958,732	604,394
State grant revenue	184,800	-

## **Platte County Regional Sewer District**

### **Management's Discussion and Analysis Year Ended December 31, 2009**

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#### **Capital Assets**

Capital assets additions were \$2,615,039 and \$1,033,606 as of December 31, 2009 and 2008, respectively, in total which were primarily represented by state revolving loan project costs. Additional information regarding the District's capital assets is included in Note 3 to the financial statements.

#### **Noncurrent Liabilities**

The District had \$20,765,000 and \$21,485,000 of revenue bonds outstanding as of December 31, 2009 and 2008, respectively. Additional information regarding the District's debt can be found in Note 4 to the financial statements.

#### **Economic Factors**

Interest rates are expected to start increasing again which is expected to slightly increase anticipated sanitary sewer projects.

Additional Environmental Protection Agency (EPA) and Department of Natural Resources (DNR) guidelines will also impact the costs of sewer projects to meet regulatory demands.

#### **Requests for Information**

These financial statements and discussions are designed to provide interested users a complete disclosure of the District's finances. If you have questions about this report or need additional information, please write Mr. Chuck Reineke, Executive Director, Platte County Regional Sewer District, 414 State Route 273, Tracy, Missouri 64079.

Platte County Regional Sewer District

Statement of Net Assets  
December 31, 2009

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**Assets**

Current assets:

Cash and cash equivalents (Note 2)	\$ 1,041,484
Restricted cash and cash equivalents (Note 2)	6,596,285
Accounts receivable	185,407
Assessments receivable	340,369
Debt issuance costs (Note 4)	14,397
<b>Total current assets</b>	<u>8,177,942</u>

Noncurrent assets:

Assessments receivable	2,224,364
Debt issuance costs, net (Note 4)	199,456
Capital assets, nondepreciable (Note 3)	49,000
Capital assets, depreciable, net (Note 3)	24,325,683
<b>Total noncurrent assets</b>	<u>26,798,503</u>
<b>Total assets</b>	<u>34,976,445</u>

**Liabilities**

Current liabilities:

Accounts payable	34,215
Accrued liabilities	14,527
Revenue collected in advance	30,834
Interest payable	504,052
Customer deposits, restricted	138,701
Bond premiums (Note 4)	15,586
Bond discount (Note 4)	(379)
Arbitrage payable (Note 4)	155,856
Revenue bonds, payable, current (Note 4)	765,000
<b>Total current liabilities</b>	<u>1,658,392</u>

Noncurrent liabilities:

Revenue bonds payable (Note 4)	20,000,000
Bond premiums, net (Note 4)	236,394
Bond discount, net (Note 4)	(3,314)
<b>Total noncurrent liabilities</b>	<u>20,233,080</u>
<b>Total liabilities</b>	<u>21,891,472</u>

Net assets:

Invested in capital assets, net of related debt	6,054,928
Restricted for debt service	3,764,052
Unrestricted	3,265,993
	<u>\$ 13,084,973</u>

See Notes to Basic Financial Statements.



**Platte County Regional Sewer District**

**Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended December 31, 2009**

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Operating revenue:	
Charges for services	\$ 1,369,439
Other charges and reimbursements	73,001
<b>Total operating revenues</b>	<u>1,442,440</u>
Operating expenses:	
Depreciation	535,367
Amortization of discount (premium) and debt issue costs	(811)
Employee benefits	59,419
Engineering	7,988
Insurance	36,752
Legal and accounting	84,000
Miscellaneous	11,674
Office supplies	54,935
Outside services	234,257
Postage	8,380
Professional fees	238,618
Repairs and maintenance	134,539
Payroll and payroll taxes	446,791
Telephone	18,129
Travel	28,401
Utilities	125,500
<b>Total operating expenses</b>	<u>2,023,939</u>
<b>Operating loss</b>	<u>(581,499)</u>
Nonoperating income (expense):	
Interest (expense)	(487,551)
Gain on sale of capital assets	2,895
Interest income	149,348
<b>Total nonoperating income (expense)</b>	<u>(335,308)</u>
<b>Net loss before capital contributions</b>	<u>(916,807)</u>
Capital contributions:	
Bond retirement	619,547
Special assessment	339,185
Capital grant	184,800
<b>Total capital contributions</b>	<u>1,143,532</u>
<b>Change in net assets</b>	226,725
Net assets:	
Beginning of year	12,858,248
End of year	<u>\$ 13,084,973</u>

See Notes to Basic Financial Statements.

**Platte County Regional Sewer District**

**Statement of Cash Flows**  
**Year Ended December 31, 2009**

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Cash flows from operating activities:	
Cash received from charges for services and other charges and reimbursements	\$ 1,385,521
Cash paid to suppliers	(1,153,993)
Cash paid to employees	(505,316)
<b>Net cash used in operating activities</b>	<u>(273,788)</u>
Cash flows from investing activities, investment earnings proceeds	<u>149,348</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,977,052)
Proceeds from sale of capital assets	2,895
Payments on revenue bonds	(720,000)
Contributions revenue received	1,380,364
Interest payments	(504,575)
<b>Net cash used in capital and related financing activities</b>	<u>(1,818,368)</u>
<b>Net decrease in cash</b>	(1,942,808)
Cash and cash equivalents:	
Beginning of year	<u>9,580,577</u>
End of year	<u>\$ 7,637,769</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (581,499)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	535,367
Amortization	(811)
Increase in accounts receivable	(70,987)
Increase in accounts payable	1,420
Increase in accrued liabilities	894
Decrease in arbitrage payable	(172,240)
Increase in customer deposits	10,811
Increase in revenue collected in advance	3,257
<b>Net cash used in operating activities</b>	<u>\$ (273,788)</u>
Supplemental disclosure of noncash capital and related financing activities:	
Acquisition of capital assets - accounts payable	\$ (370,102)

See Notes to Basic Financial Statements.

## Platte County Regional Sewer District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations and Significant Accounting Policies

##### Nature of operations:

The Platte County Regional Sewer District (the District) was established by a vote of the people of Platte County, Missouri, on April 7, 1992 to administer and oversee present and future sanitary sewer requirements of the unincorporated areas of Platte County, Missouri. The District is fully administered and operated by its Board of Trustees. These financial statements present the data for all accounts of the Platte County Regional Sewer District.

##### Significant accounting policies:

Reporting entity: Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District's Board of Trustees is appointed by the Platte County Commission. The District is considered to be a stand-alone governmental entity and it is not included as a component unit of a primary government. There are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

Basis of presentation – fund accounting: The District is organized as a proprietary or business-type activity; therefore the accrual basis of accounting is used. The District's operations are financed and operated in a manner similar to private business enterprises – where the stated intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges and where the periodic determination of the revenues earned, expenses incurred and net income is necessary for management accountability.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not elected to follow FASB pronouncements issued subsequent to November 30, 1989.

Basis of accounting: The accrual basis of accounting is used by the District where the measurement focus is on the flow of economic resources. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when liabilities are incurred. Both current and noncurrent assets and liabilities are included on the statement of net assets.

Cash and cash equivalents: The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts and assessments receivable: Accounts receivable consist of amounts the District has earned in sewer service, penalty assessments, miscellaneous fees and the debt service payment currently due. Assessments receivable represent amounts due from customers for sewer installation, which bear interest at rates ranging from 1.30 percent to 6.14 percent and mature in 126 to 240 months. The District utilizes the direct write off method to account for uncollectible accounts. As of year-end, no allowance for doubtful accounts is considered necessary. The District may attach a lien to the customer's property for accounts that become past due.

## Platte County Regional Sewer District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Income taxes: The District is exempt from all federal, state and local income, sales and property taxes.

Capital assets: Capital assets of the District greater than \$1,000 with an estimated life greater than one year are recorded at cost. Major outlays for capital assets and improvements are capitalized as construction-in-progress until the project is completed. Interest incurred during the construction phase of the capital assets is reflected in the capitalized value of the asset constructed to the extent interest expense is in excess of interest income. There was no capitalized interest during fiscal year ended December 31, 2009. Capital projects are funded through a combination of contributions revenue and the issuance of bonds.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Equipment and vehicles are depreciated using the straight-line method over an estimated useful life of five years. Treatment plants, buildings and pumping stations are depreciated using the straight-line method over an estimated useful life of 15 to 40 years. Sewer distribution lines are depreciated using the straight-line method over an estimated useful life of 75 years.

Assets acquired from contributions: The District receives contributions of cash and capital assets from state, local government and private sources for the acquisition and future expansion of its capital assets. These contributions are recorded as capital contributions in the statement of revenues, expenses and changes in net assets with contributions of capital assets valued at fair value as of the date of the contribution.

Debt issuance costs: Costs incurred in connection with procuring long-term bond financing, consisting primarily of legal fees, are deferred and amortized to income over the life of the related bonds by a method which approximates the interest method.

Bond premiums and discounts: Premiums and discounts are incurred in connection with obtaining long-term bond financing. Premiums and discounts are deferred and amortized to income over the life of the related bonds by a method which approximates the interest method.

Compensated absences: Under terms of the District's personnel policy, District employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days up to the amount earned in one year. Unused vacation time does not carry over to the following year. Regular full-time employees who have completed no less than two years of service with the District and terminate their employment may receive compensation for up to 50 percent of accumulated unused sick leave time, in no case to exceed 25 percent of one month's regular salary. In addition, compensatory time may be earned by employees when time in excess of 40 hours is earned during a work week. In the event of termination, compensatory time is paid to employees, up to a maximum of 80 hours.

Revenue collected in advance: Revenue collected in advance are revenues collected for user fees in advance of the period in which they are due.

Customer deposits: Customer deposits are security deposits collected by the District in advance for sewer line connections. The deposits range from \$30 to \$60 depending on the district the resident resides in. These amounts are fully refundable upon the resident selling their home and remaining current on all their sewer fees.

## Platte County Regional Sewer District

### Notes to Basic Financial Statements

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#### Note 1. Nature of Operations and Significant Accounting Policies (Continued)

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation. As of December 31, 2009, the District had \$2,693,532 of unspent bond proceeds.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

Classification of revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as charges for services. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as interest income. Operating expenses generally result from providing services in connection with the principal operations. All expenses not meeting this definition are nonoperating.

#### Note 2. Deposits

Authorized investments: State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of state and local governments, certificates of deposits and repurchase agreements. The District has not adopted a formal investment policy that would further limit its investment choices. As of December 31, 2009, the District's funds were in depository accounts.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2009, the District did not have any investments.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District has no investment policy that would limit its investment choices. As of December 31, 2009, the District did not have investments required to be rated.

Concentration of credit risk: The District places no limit on the amount the District may invest in any one issuer. As of December 31, 2009, the District did not have any investments.

## Platte County Regional Sewer District

### Notes to Basic Financial Statements

#### Note 2. Deposits (Continued)

**Custodial credit risk:** Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of December 31, 2009, the District's bank balances of deposits with financial institutions were \$7,746,639, of which \$2,710,797 is uninsured and uncollateralized. As of December 31, 2009, the District did not have investments.

Cash and cash equivalents reported as restricted on the District's statement of net assets were restricted for the following purposes:

Debt service	\$ 3,764,052
Construction - unspent bond proceeds	2,693,532
Customer deposits	138,701
	<u>\$ 6,596,285</u>

#### Note 3. Capital Assets

Capital assets consisted of the following as of December 31, 2009:

	Beginning	Additions	Dispositions	Reclassification	Ending
Land	\$ 75,378	\$ -	\$ -	\$ (26,378)	\$ 49,000
Construction-in-process	1,008,089	-	1,008,089	-	-
<b>Total capital assets not being depreciated</b>	<u>1,083,467</u>	<u>-</u>	<u>1,008,089</u>	<u>(26,378)</u>	<u>49,000</u>
Capital assets being depreciated:					
Building	608,022	-	-	26,378	634,400
Treatment plant	11,097,084	-	-	-	11,097,084
Sewer distribution lines	13,024,780	2,602,154	-	-	15,626,934
Pumping stations	384,984	-	-	-	384,984
Vehicles	120,535	-	19,730	-	100,805
Equipment	34,116	12,885	-	-	47,001
<b>Total capital assets being depreciated</b>	<u>25,269,521</u>	<u>2,615,039</u>	<u>19,730</u>	<u>26,378</u>	<u>27,891,208</u>
Less accumulated depreciation for:					
Building	92,517	15,860	-	-	108,377
Treatment plant	1,306,948	277,427	-	-	1,584,375
Sewer distribution lines	1,364,313	190,285	-	-	1,554,598
Pumping stations	199,696	24,999	-	-	224,695
Vehicles	63,137	20,161	19,730	-	63,568
Equipment	23,277	6,635	-	-	29,912
<b>Total accumulated depreciation</b>	<u>3,049,888</u>	<u>535,367</u>	<u>19,730</u>	<u>-</u>	<u>3,565,525</u>
<b>Total capital assets being depreciated</b>	<u>22,219,633</u>	<u>2,079,672</u>	<u>-</u>	<u>26,378</u>	<u>24,325,683</u>
<b>Capital assets, net</b>	<u>\$ 23,303,100</u>	<u>\$ 2,079,672</u>	<u>\$ 1,008,089</u>	<u>\$ -</u>	<u>\$ 24,374,683</u>

**Platte County Regional Sewer District**

**Notes to Basic Financial Statements**

**Note 4. Noncurrent Liabilities**

A summary of changes in noncurrent liabilities for the year ended December 31, 2009 are follows:

Type	Balance December 31, 2008	Additions	Deletions	Balance December 31, 2009	Amount Due Within One Year
Revenue bonds	\$ 21,485,000	\$ -	\$ 720,000	\$ 20,765,000	\$ 765,000
Compensated absences	13,633	14,527	13,633	14,527	14,527

As of December 31, 2009, the bonds outstanding for the District consisted of the following:

Description and Purpose	Amount of Original Issue	Range of Maturity Dates	Range of Interest Rates	Amount Outstanding as of December 31, 2009
<b>Revenue</b>				
2006A Refunding Bonds	\$ 830,000	04/01/2019	4.20% - 4.65%	\$ 725,000
<b>State Revolving Loan Fund</b>				
1996E - Brush Creek	7,220,000	01/01/1999- 01/01/2018	4.05% - 6.00%	4,305,000
1997D - Platte Hills	1,455,000	01/01/2000- 01/01/2019	4.50% - 6.00%	830,000
1998A - Red Rock, Misty Springs, Shelter Haven	1,205,000	01/01/2000- 01/01/2019	3.90% - 5.25%	655,000
2000B Platte County RSD	2,965,000	01/07/2002- 01/07/2021	4.35% - 5.63%	2,035,000
2002B Platte County	465,000	07/01/2003- 07/01/2022	2.00% - 5.50%	330,000
2006A Platte County RSD	11,910,000	07/01/2027	4.00% - 5.50%	11,885,000
<b>Total</b>				<u>\$ 20,765,000</u>

Each of the revenue bonds and state revolving loans have general covenants that require the District to establish and collect rates sufficient to pay expenses of the system, pay principal and interest on the bonds and loans and provide adequate reserves for payment of principal and interest. The District has also covenanted to not mortgage or encumber the system.

The Series 2006A Sewerage System Refunding Revenue Bonds require:

- a. Debt service account – each month a deposit will be made for 1/6 of the amount of interest that will become due on the next succeeding interest payment date and 1/12 of the amount of principal that will become due on the next succeeding maturity.

**Platte County Regional Sewer District**

**Notes to Basic Financial Statements**

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**Note 4. Noncurrent Liabilities (Continued)**

- b. Debt service reserve account – monthly deposits of \$740 will be required in the event the Debt Service Account does not have sufficient funds for debt service payments so long as the reserve account balance is less than \$83,000.
- c. Depreciation and replacement account – each month \$740 will be deposited as long as any bonds remain outstanding.

The State Revolving Loans require:

- a. Principal account – each month a payment will be made for 1/12 of the amount of principal that will become due on the next succeeding maturity to the bond trustee.
- b. Interest account – each month a payment will be made for 1/6 of the amount of interest that will become due on the next succeeding interest payment date to the bond trustee.
- c. Depreciation and replacement account – will be used by the District for the purpose of making replacements and repairs to the System in order to keep the System in good repair and working order and to assure the continued effective and efficient operation of the System.

The District further covenants and agrees that rates and charges will be sufficient to have net revenues not less than 110 percent of the debt service requirement of each year.

As of December 31, 2009, the District had the following reserve balances, which are reported as restricted cash and cash equivalents on the Statement of Net Assets:

Debt service reserve and replacement accounts, 2006A Sewerage System Refunding Bonds	\$ 911,233
Debt service reserve and replacement accounts, State Revolving Loans	1,936,080
Reserves for arbitrage rebate liabilities	916,739
	<u>\$ 3,764,052</u>

State revolving loan: In 1996, 1997, 1998, 2000, 2002 and 2006, the District issued \$7,220,000 (Series 1996E), \$1,455,000 (Series 1997D), \$1,205,000 (Series 1998A), \$2,965,000 (Series 2000B), \$465,000 (Series 2002B), and \$11,910,000 (Series 2006A) in State Environmental Improvement and Energy Resources Authority (EI ERA) Water Pollution Control Revenue Bonds, for the purpose of financing construction of certain wastewater treatment or sanitary sewerage facilities. In connection with the District's issuance of these revenue bonds, the District participates in a revolving loan program established by the Missouri Department of Natural Resources (DNR). The state of Missouri manages and invests the bond proceeds account on behalf of the District. As the District incurs approved capital expenditures, funds are released from restriction by DNR, to the District, for the expenditure from the construction fund. Additionally, approximately 70 percent of the construction costs (83.33 percent of which is federal) is deposited into a bond reserve fund in the District's name and is held as a guarantee against the debt. Interest earned from this reserve fund can be used by the District to fund interest payments on the revenue bonds. The reserve fund is transferred back to the state once the bond issue is retired. There was a total of \$6,074,454 in reserve accounts as of December 31, 2009. The costs of operation and maintenance of the wastewater treatment and sewerage facilities and the debt service is payable from operating revenues.



**Platte County Regional Sewer District**

**Notes to Basic Financial Statements**

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**Note 4. Noncurrent Liabilities (Continued)**

In connection with the EIERA bonds, an account has been established by the State Revolving Fund trustee in which interest earnings in excess of the coupon rate are recorded. This amount (\$155,856 as of December 31, 2009) is shown as arbitrage payable on the District's balance sheet because it represents a potential liability of the District.

The costs incurred by the District associated with the issuance of bonds is shown as an asset on the District's statement of net assets and the bond premium is shown as a liability on the District's statement of net assets. These are amortized by a method which approximates the interest method over the term of the debt. Bond issuance costs and bond premium as of December 31, 2009 consisted of the following:

	<u>Issuance Costs</u>	<u>Premium</u>
Original amount	\$ 274,050	\$ 311,716
Less accumulated amortization	60,197	59,736
	<u>\$ 213,853</u>	<u>\$ 251,980</u>

Annual debt service requirements to maturity for revenue bonds and state revolving loan funds for the District are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 765,000	\$ 1,010,218
2011	780,000	971,538
2012	820,000	929,828
2013	900,000	885,607
2014	930,000	839,312
2015-2019	6,255,000	3,399,715
2020-2024	6,420,000	1,793,301
2025-2027	3,895,000	356,206
<b>Total</b>	<u>\$ 20,765,000</u>	<u>\$ 10,185,725</u>

**Note 5. Risk Management**

The District's insurance coverage consists of policies maintained with various carriers for commercial liability, property, public officers, fidelity bond, workers compensation, medical and life insurance. There have been no settlements in excess of insurance coverage during any of the prior three fiscal years.

## Platte County Regional Sewer District

### Notes to Basic Financial Statements

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#### Note 6. Commitments and Contingent Liabilities

Litigation: The District is periodically a defendant in various lawsuits concerning property and contract disputes. Management and the District's counsel are of the opinion these suits are without substantial merit and should not result in judgments which in the aggregate would have a material adverse effect on the District's financial statements.

Grants: Intergovernmental grant awards are subject to audit and adjustments by funding agencies. Award revenues received for expenditures that are disallowed are repayable to the funding agency. In the opinion of management, any amounts that may ultimately be refunded would not have a material impact on these basic financial statements.

Park Hill School District Intergovernmental Agreement: In September 2009, the District entered into an intergovernmental project with the Park Hill School District. The School District will construct sanitary sewer facilities at an estimated cost of \$1 million (excluding land acquisition), and upon completion, contribute them to the District. The District has agreed to pay all connection fees collected from users applying for connection to these specific facilities, plus interest, to the School District for a period of up to 20 years, or until the project cost has been reimbursed. If, at the end of the 20 year term, the School District still has not received full cost reimbursement, the District is under no obligation to pay any additional fees to the School District.

#### Note 7. New Governmental Accounting Standards Board (GASB) Statements

The District adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. This Statement had no effect on the financial statements.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income. This Statement had no effect on the financial statements.

As of December 31, 2009, the GASB had issued several statements not yet implemented by Platte County Regional Sewer District. The statements which might impact the District are as follows:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the District beginning with its year ending December 31, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

**Platte County Regional Sewer District**

**Notes to Basic Financial Statements**

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**Note 7. New Governmental Accounting Standards Board (GASB) Statements (Continued)**

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the District beginning with its year ending December 31, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

Management has not yet determined the effect, if any, these Statements will have on the District's future financial statements.