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**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**BRET G. PRENGER**

**TIMBER CREEK SEWER COMPANY**

**FILE NO. SR-2010-0320**

*Jefferson City, MO  
December, 2010*

Exhibit No. 9  
Date 1-5-11 Reporter TU  
File No. SR-2010-0320

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BRET G. PRENGER  
TIMBER CREEK SEWER COMPANY  
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**REBUTTAL TESTIMONY OF**  
**BRET G. PRENGER**  
**TIMBER CREEK SEWER COMPANY**  
**FILE NO. SR-2010-0320**

Q. Please state your name and business address.

A. Bret G. Prenger, Fletcher Daniels State Office Building, 615 East 13th Street,  
Kansas City, Missouri 64106.

Q. By whom are you employed and in what capacity?

A. I am a Regulatory Auditor with the Missouri Public Service Commission  
(Commission).

Q. Are you the same Bret G. Prenger that filed Direct Testimony in  
File No. SR-2010-0320?

A. Yes. I provided Direct Testimony in this case, File No. SR-2010-0320.

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. The purpose of my rebuttal testimony is to respond to the direct testimony of  
Derek Sherry in regard to Timber Creek Sewer Company’s (Timber Creek or Company)  
payroll/compensation. Company and Staff of the Missouri Public Service Commission  
(Staff) disagree on the amount of total payroll including overtime to be included in this case.  
I will discuss why Staff believes it has included a sufficient and proper amount of payroll in  
the revenue requirement calculation for Timber Creek.

**PAYROLL**

Q. On page 5 lines 8 through 11 of Derek Sherry’s Direct Testimony he states  
that “The Company believes that the accumulated salaries for Timber Creek’s personnel are

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1 below market salary levels for similar positions in the Kansas City region and the salaries  
2 should be increased.” Does Staff believe the salaries for Timber Creek personnel are below  
3 market level?

4 A. No. Staff believes that Timber Creek salaries are sufficient, just and  
5 reasonable. Further, this is evident when compared to other small utilities other payroll  
6 compensation for similar positions in the Kansas City region.

7 Q. What level of payroll has Staff included in its case?

8 A. Timber Creek has four employees—a General Manager, an Office Manager,  
9 an Operations Manager (Plant Operator) and a Plant and Collection Systems Operator  
10 (Systems Operator or Assistant Operator). Staff has included a total payroll of \$238,441 plus  
11 overtime of \$7,000 resulting in a total of \$245,441. To this amount, Staff also included  
12 payroll taxes. The break out of each individual is shown on Schedule 1.

13 Q. Did Staff include a payroll increase for each employee?

14 A. Yes. Staff included a 3% payroll increase for each of Timber Creek’s  
15 employees. Staff included an additional 3% increase for the General Manager’s position—a  
16 6% total increase for that position. These payroll increases are reflected in the amount  
17 identified in Staff’s revenue requirement calculation and the amount shown later in my  
18 rebuttal testimony.

19 Q. How did Staff determine the payroll amounts included in this case?

20 A. First, Staff identified the existing level of compensation for each Timber  
21 Creek employee and the amount paid to each of those employees since the Company’s last  
22 rate case in 2007 looking at the reasonableness of the payroll increases granted during this  
23 time period. Staff compared the pay levels using a pay survey called the

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1 Missouri Economic Research and Information Center (MERIC). A comparison was also  
2 made for each Timber Creek employee's pay to recent rate cases evaluated by Staff. The  
3 analysis of salaries also includes a recent rate case which Staff determined payroll for a  
4 combination water and sewer utility. Finally, in discussions with the Company, Staff looked  
5 at the cost of living adjustments (COLA) that the federal government authorizes for social  
6 security. Timber Creek relied on this information in discussions with Staff regarding the  
7 payroll increases. Over the last two years—2009 and 2010-- there was no COLA  
8 increase granted.

9 Q. Has Staff done research to ensure that the salaries currently included for  
10 Timber Creek are just and reasonable?

11 A. Yes. Staff has researched multiple salary databases and various utility  
12 companies in the Kansas City region. In addition to the MERIC survey, Staff reviewed the  
13 salaries of comparable job positions of three local wastewater utilities: Platte County  
14 Regional Sewer District (Platte County), Johnson County Wastewater (Johnson County) and  
15 Wyandotte County Wastewater-Unified Government Wastewater Treatment Plants  
16 (Wyandotte County), (Collectively referred to as Regional Utilities). Expenses, specifically  
17 payroll, are reviewed in every rate case brought before the Commission. In addition, Staff  
18 relied on its experience with another small combination water and sewer company, where  
19 Staff witness Prenger reviewed payroll as a comparison of the salaries for Timber Creek.

20 Q. Are the Regional Utilities Staff researched the same Mr. Sherry included in  
21 his direct testimony?

22 A. Yes, Mr. Sherry attached a salary comparison for job positions of similar  
23 classifications to Timber Creek in its Direct Testimony, Schedule DS-2, Tables 4 through 7.

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1 Q. On page 7 of Mr. Sherry's Direct Testimony he references Staff's  
2 August 2, 2010 Memorandum on the subject of payroll, which is attached as Schedule DS-3  
3 of his testimony. Did you author this memorandum?

4 A. Yes, along with Staff witness V. William (Bill) Harris. This memorandum  
5 represents the audit findings and report regarding the recommendations for the revenue  
6 requirement calculation based on revenue, expenses and investment of Timber Creek through  
7 June 30, 2010.

8 Q. How did Timber Creek reference the August 2, 2010 Memorandum?

9 A. Mr. Sherry identified a section of Staff's August 2, 2010 Memorandum  
10 wherein Staff states "the salary levels paid to Timber Creek employees are conservatively  
11 priced in relationship to salaries paid for other similar positions for other entities."

12 Q. What was the reason Staff believed Timber Creek salaries were  
13 "conservatively price" compared to other salary levels for other companies?

14 A. Staff included in its direct testimony salaries according to the MERIC survey.  
15 As noted above, the MERIC survey was but one item used as basis to support the salary  
16 levels Staff did in its initial recommendation. As further noted, after discussion with the  
17 Company, Staff revised its recommendation on two of the four Timber Creek positions—the  
18 General Manager and the Systems Operator. Staff included an additional 3% increase, over  
19 the initial 3% recommendation, for the General Manager and included overtime for the  
20 Systems Operator position.

21 Mr. Sherry highlights in his Direct Testimony that the General Manager Position's  
22 median salary is \$94,529. However, Mr. Sherry fails to point out that this research is not  
23 specific to the utility industry; it is the result only of a general search for General Manager's

1 positions throughout the Kansas City region. A better representation of the appropriate  
2 salary level for Timber Creek's General Manager position is a comparison to a recent rate  
3 case and also a comparison to the three utility companies in the area Staff has researched.

4 Q. Mr. Sherry identifies at page 9 of his Direct Testimony a concern that his  
5 salary as General Manager is lower than the Operations Manager. Does Staff agree with  
6 Mr. Sherry's assessment of this situation?

7 A. Yes. This is one of the reasons Staff included an additional 3% increase in the  
8 General Manager's salary. What Mr. Sherry's Direct Testimony fails to address is the fact  
9 the Operations Manager salary is currently higher than the market. While Staff would agree  
10 the General Manager's job duties include more responsibilities for the overall operations of  
11 the Company, Staff does not believe it is appropriate to solve this problem in one rate case,  
12 particularly in light of the salary level of the Operations Manager.

13 Also, it is noteworthy that the Operations Manager must obtain and maintain a  
14 Class A operator's license. The General Manager's position does not have any such  
15 requirements. It is the requirement the Missouri Department of Natural Resources (DNR) to  
16 have a licensed operator to oversee the operations of a sewer company the size of  
17 Timber Creek. With this requirement, the General Manager does not possess the necessary  
18 credentials to operate Timber Creek. Considering the requirement to have this level of  
19 certification along with the overall responsibility to maintain Timber Creek's operations in a  
20 safe and reliable manner, it was reasonable that the Operations Manager should be paid more  
21 than the General Manager for the foreseeable future.

22 Q. Does Staff support narrowing the salary gap between the Operations Manager  
23 and General Manager?

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1           A.     Yes, over a period of time. However, Staff does not support moving the  
2 General Manager's salary level to the amount Timber Creek appears to be supporting in this  
3 case—the upper \$94,000 level. Staff believes this is far too high a salary for a company the  
4 size of Timber Creek. As an example, the existing and Staff proposed salary of the  
5 General Manager, on a per customer basis, is higher when compared to the utilities relied on  
6 by Mr. Sherry (referenced in his direct testimony) and other small utilities. The  
7 General Manager's salary is currently \$72,450, or \$47.48 per customer (based on 1,526  
8 customers) compared with Staff's proposed salary is \$76,862, or \$50.37 per customer.  
9 Timber Creek's proposal is \$94,529, or \$61.95 per customer.

10           Q.     What level of salary does Staff support for the General Manager?

11           A.     As stated previously, Staff supports an overall 6% salary increase for this  
12 position while supporting a 3% increase for the other three positions. The information Staff  
13 has reviewed and the knowledge Staff has relating to other small utility operations supports  
14 this level of salary for the General Manager's position.

15           Q.     Does Staff have payroll amounts for the aforementioned utility companies?

16           A.     Yes. Staff has the Annual Reports, customer number, employee number, and  
17 payroll scale for positions similar to that of Timber Creek. All the information necessary to  
18 do a comparison of Timber Creek Sewer to Johnson County Wastewater, Wyandotte County  
19 Wastewater, and Platte County Regional was obtained and reviewed. Attached as Schedules  
20 2, 3, and 4 are summaries of these utility operations.

21           Q.     Please provide a brief summary of the findings regarding research into the  
22 other Kansas City Regional sewer utilities.



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1           A.     For comparison purposes Staff would like to provide general information  
2 regarding Timber Creek and its operations. As mentioned above, Timber Creek currently  
3 employs four (4) full time employees (the job positions are General Manager,  
4 Operations Manager, Plant and Collection Systems Operator and Office Manager). These  
5 employees are responsible for sewer service to roughly 1,526 customers in the Platte County  
6 region. The full time positions are compensated as follows:

7           **Timber Creek**

8 <b>Job Title</b>	<b>Current Salary</b>	<b>Staff Proposed Salary</b>
9           General Manager:	\$72,450	\$76,862
10          Office Manager:	\$40,349	\$41,559
11          Operations/Plant Manager:	\$78,660	\$81,020
12          Systems Operator:	\$40,980	\$46,000 (\$39,000 plus \$7,000)

13           The Johnson County Wastewater system is responsible for servicing over 133,000  
14 customers, and a city population of over 400,000. Currently, Johnson County employs  
15 approximately 218 individuals. The pay scale for job positions at Johnson County with  
16 similar duties to positions at Timber Creek are:

17

18 Continued on next page...

1 **Johnson County Wastewater**

Job Title	Johnson County	Salary per customer	Timber Creek Staff Proposed Salary	Salary per customer
	133,000 Customers 218 Employees		1,526 Customers 4 Employees	
General Manager	\$101,204 To \$146,184	\$0.76 to \$1.10 Per Customer	\$76,862 <div style="border: 1px solid black; padding: 2px; display: inline-block;">Company Proposed \$94,529</div>	\$50.37 per customer <div style="border: 1px solid black; padding: 2px; display: inline-block;">Company Proposed \$61.95 per Customer</div>
Office Manager	\$32,042 to 46,283		\$41,559	
Operations/Plant Manager	\$53,910 to \$87,870		\$81,020	
Assistant Operator	\$40,685 to \$58,787		\$46,000 (\$39,000 plus \$7,000 overtime)	

2 As demonstrated above, Johnson County is not a valid comparison for Timber Creek  
3 since it provides service to over 131,000 more customers and employs over 214 individuals  
4 - a much larger operation than Timber Creek. Comparably, the salaries for Timber Creek  
5 employees are quite close to a utility immensely bigger and more complex.

6 Q. Would Staff provide the information for Wyandotte County and Platte County  
7 Regional Sewer District?

8 A. Wyandotte County currently employs 100 individuals and services over  
9 43,000 sewer customers. The pay range for Wyandotte County is:

1 **Wyandotte County Wastewater-Unified Government Wastewater Treatment Plants**

Job Title	Wyandotte County	Salary per customer	Timber Creek Staff Proposed Salary	Salary per customer
	43,000 Customers 100 Employees		1,526 Customers 4 Employees	
General Manager	\$61,401 to \$103,812	\$1.43 to \$2.41 per customer	\$76,862  Company Proposed \$94,529	\$50.37 per customer Company Proposed \$61.95 per Customer
Office Manager	\$40,082 annualized (\$19.27 per hour based on 2080 hours)		\$41,559	
Operations/Plant Manager	\$54,142 to \$88,254		\$81,020	
Assistant Operator	\$55,682 annualized (\$26.77 per hour based on 2080 hours)		\$46,000 (\$39,000 plus \$7,000 overtime)	

2 Wyandotte County is also not a valid comparison for Timber Creek, as the size of the  
3 entities and responsibilities are vastly different. A system of much larger size and more  
4 customers will require much greater and increased responsibilities.

5 Mr. Sherry's local competition, Platte County Regional, is probably the most similar  
6 utility in terms of size and customers, although again Timber Creek is approximately half the  
7 size. Platte County Regional Sewer District services 3,200 customers and employs  
8 10 people, over twice as many as Timber Creek in both categories. The pay ranges for Platte  
9 County are very similar to what Timber Creek currently pays. However, Timber Creek pays  
10 its employees more in every job category despite being one-half the size of Platte County.

1 **Platte County Regional Sewer District**

Job Title	Platte County	Salary per customer	Timber Creek Staff Proposed Salary	Salary per customer
	3,200 Customers 10 Employees		1,526 Customers 4 Employees	
General Manager	\$74,500	\$23.28 per customer	\$76,862 <div style="border: 1px solid black; padding: 2px; display: inline-block;">Company Proposed \$94,529</div>	\$50.37 per customer <div style="border: 1px solid black; padding: 2px; display: inline-block;">Company Proposed \$61.95 per Customer</div>
Office Manager	\$40,017		\$41,559	
Operations/Plant Manager	\$55,798		\$81,020	
Assistant Operator	\$44,048		\$46,000 (\$39,000 plus \$7,000 overtime)	

2 Q. Does Staff know of any other sewer utilities that have recently filed rate cases  
3 to support similar payroll compensation to that included in this case?

4 A. Yes. Lake Region Water and Sewer Company (Lake Region) recently  
5 completed a formal rate case proceeding, Case Nos. WR-2010-0111 and SR-2010-0110.

6 Q. How many employees does Lake Region employ?

7 A. Lake Region and another regulated entity, Ozark Shores Water Company  
8 (Ozark Shores), on a contract basis, utilize the services of Camden County Public Water  
9 Supply District No. 4 (Supply District). These three entities provide service in the Lake  
10 Ozark, Missouri region and are collectively referred to hereafter as the Water District. The  
11 Water District currently employs 10 full time staff to serve all three entities. In contrast,  
12 Timber Creek has four (4) full time employees responsible for operating only one entity,  
13 roughly the size of Lake Region alone. The Water District provides both water and

1 wastewater treatment services to customers in and around the Lake Ozark, Missouri area.  
2 The Supply District is responsible for employing the 10 employees mentioned earlier, and  
3 those employees provide services for the Supply District, and on a contract basis to  
4 Lake Region and Ozark Shores, the two regulated utilities serving in the area.

5 Q. Does the Water District employ a General Manager?

6 A. Yes. The General Manager is responsible for oversight of all three utilities in  
7 the area. This position is compensated \$80,614 (base salary) to oversee the operations of the  
8 three entities. From this \$80,614, an equally allocated amount of payroll is made to each of  
9 the three entities. Comparing his total salary to the total customers (3,561) of the three  
10 Water District entities results in \$22.64 per customer (\$80,614 divided by 3,561 customers).

11 Q. Are there other positions similar between the Water District and  
12 Timber Creek?

13 A. Yes. The Water District has similar job positions, which in turn get allocated  
14 to the Lake Region entity. Both Timber Creek and the Water District have  
15 Plant Manager/Operators, Assistant Operators, and Office Managers. Staff compared the  
16 Water District compensation paid for comparable job positions of Timber Creek as an  
17 additional analysis to support its salary recommendation for Timber Creek.

18 In making a comparison of the Water District and Timber Creek salaries, Staff found  
19 significant difference between the two. For example, the Operations Manager for  
20 Timber Creek would earn approximately \$81,000 (base salary) based on Staff's proposed  
21 level; while the Water District's similar position is between \$55,000-\$59,000 (including  
22 payroll benefits, taxes, and overtime). Remember, the Water District employees allocate

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1 | time to the three entities so Lake Region gets only a portion of the Plant Managers salary  
2 | costs.

3 |         Another example of the salary differences between Timber Creek and the  
4 | Water District is the Assistant Operator position. The Water District pays a range for this  
5 | position of \$32,992-\$40,421 (including payroll benefits, taxes, and overtime) while  
6 | Timber Creek pays a Staff proposed salary of \$39,000 (base salary) with \$7,000 in overtime  
7 | for a total of \$46,000 for its Assistant System Operator.

8 |         Finally, the position of Office Manager can be compared between the two entities.  
9 | The Water District Office Manager is compensated between \$39,833-\$50,851  
10 | (including payroll taxes, benefits, and overtime) while at Timber Creek this position is paid a  
11 | Staff proposed salary of \$41,559 (base salary).

12 |         Q.     Is Staff suggesting Mr. Sherry earn the General Manager's Water District's  
13 | allocated salary?

14 |         A.     No.     Staff believes the \$76,862 amount proposed for the Timber  
15 | General Manager is reasonable compared to the amount of paid for the Water District's  
16 | General Manager. The Water Districts General Manager earns \$80,614 base salary, which in  
17 | turn is allocated between 3 entities, including Lake Region. Instead of each of these three  
18 | entities having a separate work force and three separate general managers, there is one work  
19 | group who provide services to all three systems.

20 |         Q.     How does Lake Region compare to Timber Creek?

21 |         A.     First, Timber Creek and Lake Region are utilities of "similar size".  
22 | Lake Region generated roughly \$675,000 dollars in annual revenues which is very similar to  
23 | the revenues generated by Timber Creek. Both utilities service around 1,500 customers. The

1 combined three entities operated by the Water District personnel require far greater  
2 operations than that of Timber Creek. The Water District staff has far greater work  
3 responsibilities providing combination water and sewer services to those three entities in the  
4 Lake region, with the Lake Region system has 645 water and 768 sewer customers (total of  
5 1,413), Ozark Shores has 1,852 water customers and Water District has 179 water and  
6 117 sewer customers with a total of the three entities of 3,561 customers.

7 Q. Please summarize the comparison of Lake Region with Timber Creek.

8 A. The following table provides a summary of the two companies:

9 **Lake Region Water & Sewer Company**

Job Title	Lake Region	Salary per customer	Water District Three Entities	Timber Creek Staff Proposed Salary	Salary per customer
	1,413 Customers 10 Employees (for all three entities)		3,561 Customers 10 Employees total	1,526 Customers 4 Employees	
General Manager	\$26,871 (Base Salary allocated share to Lake Region) (\$33,802, including benefits)	\$19.02 per customer	\$80,614 or \$22.64 per customer	\$76,862  Company Proposed \$94,529	\$50.37 per customer  Company Proposed \$61.95 per Customer
Office Manager	\$11,033-\$11,755 (Base Salary) \$15,255-\$15,535 (including benefits and Overtime) *allocated to Lake Region			\$41,559	
Operations/ Plant Manager	\$7,330-\$42,162 (Base Salary) \$10,625-\$53,413 (Including Benefits and Overtime) *allocated share to Lake Region			\$81,020	
Assistant Operator	\$3,967-\$26,134 (Base Salary) \$5,267-\$32,172 (Including Benefits and Overtime) *allocated to Lake Region			\$46,000 (\$39,000 plus \$7,000 overtime)	

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1 Q. How much do Timber Creek customer's pay on an individual basis for the  
2 General Manager's salary?

3 A. Company's existing General Manager salary of \$72,450 per customer is  
4 \$47.48. Staff's proposed General Manager salary of \$76,862 per customer is \$50.37.  
5 Company's proposed General Manager salary of \$94,529 per customer is \$61.95.

6 Q. On page 7, line 23 of Mr. Sherry's Direct Testimony, he states "A 3%  
7 cost-of-living increase over current salaries" was included in Staff's case. Is that an  
8 accurate statement?

9 A. No, it is not. Staff has proposed to include a minimum of 3% per employee,  
10 with a higher increase granted for two positions (General Manager and Systems Operator).  
11 These two positions have been provided greater compensation than the 3% level. The  
12 General Manager was allotted an additional 3% increase over the 3% level initially proposed  
13 by Staff—thus a total of 6% is being proposed for this position. Staff has included an  
14 overtime amount determined by the Company for the Systems Operator position. This  
15 position was allowed a base pay of \$39,000 plus \$7,000 of overtime for a total of \$46,000,  
16 approximately a 12% raise over existing pay for that position. (The proposed \$46,000  
17 including overtime divided by the existing salary \$40,980).

18 Q. Mr. Sherry states at page 9 of his Direct Testimony he has another job offer at  
19 greater salary than what he is currently making at Timber Creek. Does Staff believe this  
20 should influence the level of compensation included in the salary structure of this case?

21 A. No. Regardless of any pending job offers for the current General Manager,  
22 Staff has proposed a just and reasonable amount for the compensation of Timber Creek's  
23 General Manager position. Staff's knowledge of pay for this position at Lake Region, review



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1 of salary survey analysis, as well as compensation paid by other entities in and around the  
2 Kansas City region supports this position. The amount of money included in rates for the  
3 General Manager's compensation should be strictly based on the facts of this case and only  
4 on supportable information dealing with the salary levels relating to comparable size  
5 companies and comparable job duties. Timber Creek's payroll should be determined by  
6 thoughtful analysis for all its positions based on information that can be analyzed by all  
7 parties and not a claim that there are "greener pastures" awaiting those who seek it. It is  
8 important to properly determine all salaries including the General Manager's for the  
9 particular circumstances of the sewer operations of Timber Creek. The General Manager's  
10 salary should be determined by the size of the operations including number of customers  
11 served, the complexity of the operations and the number of employees responsible for  
12 providing oversight.

13 Q. Did Mr. Sherry identify what position he was being offered?

14 A. No. No information other than the statements made at page 9 of his direct  
15 testimony was identified. Neither the type of position, location of the position nor the type of  
16 entity involved were identified. Consequently, no comparison of the current salary paid the  
17 General Manager to the undisclosed potential job offer can be made. Nor would it be  
18 appropriate to do so. Staff is making its recommendation for Timber Creek's operations and  
19 the job duties of its General Manager—not some other type of job. Staff has compared the  
20 Company's size and nature of its operations to other entities and concluded the  
21 General Manager's position is properly compensated considering the pay increase being  
22 recommended in this case. Staff is supportive of moving the General Manager's pay higher  
23 over time and believes it has made the steps necessary to meet this goal in this case. As such,

1 Staff believes the salary recommendation it has made for not only the General Manager's  
2 position but the other three positions is sufficient at this time.

3 Q. Does Staff still support the level of salary proposed for the General Manager's  
4 position even though Mr. Sherry claims he has an outstanding offer to leave?

5 A. Yes. Regardless of any potential job offer to the General Manager, Staff  
6 continues to believe that a salary in the mid \$76,862 level is sufficient for this position  
7 considering the size and job responsibilities for a company the size of Timber Creek.

8 **OVERTIME**

9 Q. Did Staff include overtime in Lake Region's rate case?

10 A. Yes. Overtime was included for Lake Region. Please see the table above  
11 (page 17) to summarize payroll including benefits and overtime allocated to Lake Region.

12 Q. Did Staff include an amount for any Timber Creek employee to receive  
13 overtime compensation?

14 A. Yes. Staff has included \$7,000 dollars for the overtime of the  
15 Systems Operator.

16 Q. How was this amount determined?

17 A. Timber Creek provided an estimate of the amount of overtime it would have  
18 had to pay the Systems Operator if overtime were paid in 2009. It is important to understand  
19 that Timber Creek had a policy not to pay overtime. As such, no overtime was paid to any  
20 employee in 2009 or any year prior. Staff used the Company's overtime estimate and  
21 discussion with Company to include payroll costs for this case. Staff adjusted the  
22 Systems Operator's base pay to account for the addition of overtime pay. As such, this  
23 position's base pay was reduced to \$39,000 from the existing level of \$40,980

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1 (The \$39,000 base salary is still comparable to the Lake Region and MERIC analysis).  
2 Overtime of \$7,000 was added to the base pay resulting in a total payroll of \$46,000 for  
3 this position.

4 Q. Does Timber Creek want overtime for any other employee?

5 A. Yes. The Company requests overtime pay for the Office Manager. However,  
6 based on review of the job duties of this position and based on discussions with the  
7 Company, Staff does not believe this is appropriate. Comparisons made to other entities and  
8 the salary surveys indicate the amount of costs Staff has included for the Office Manager's  
9 position is the proper level.

10 Q. How did Staff determine overtime should not be paid for the  
11 Office Manager's position?

12 A. Timber Creek asks this question in a data request submitted to Staff. Attached  
13 to my Rebuttal Testimony as Schedule 5 is Staff's response to this data request. Staff's  
14 analysis for not allowing overtime for the Office Manager was based on the following  
15 information, as provided in response to the Company's Data Request 1:

- 16 1. Review of Company provided employee job descriptions, including the  
17 Office Manager;
- 18 2. Discussions with Company personnel, specifically the General Manager,  
19 regarding each Timber Creek employee and their related job duties and  
20 responsibilities;
- 21 3. Observation of the employee's daily duties through on-site visits;
- 22 4. Review of an opinion letter from Costello, Davey & Fera, LLC provided by  
23 the Company regarding the nature of employee work activities and need of  
24 Timber Creek to pay over time;
- 25 5. Staff's review/examination of salary surveys specific to each individual job  
26 description (consistent with the job duties of each individual Timber Creek  
27 job position and specific job responsibilities);

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1           6.     Staff's knowledge and experience regarding the area of salaries, wages and  
2                   benefits for small water and sewer companies. Specifically, information  
3                   concerning salaries, wages and benefits paid at several water and sewer  
4                   companies of various size, locations and combinations of water only, sewer  
5                   only and water and sewer only;

6           7.     Discussion with the Company on September 28, 2010 teleconference, where  
7                   the General Manager Mr. Sherry indicated Timber Creek's decision to pay  
8                   overtime only to the Assistant Plant Operator. The Company did not inform  
9                   Staff of any decision or intention to classify the Office Manager as an hourly  
10                  employee subject to overtime. Consequently, Staff included a reasonable  
11                  salary for the Office Manager. Mr. Sherry indicated that, regardless of the  
12                  outcome of the rate case, Timber Creek made the decision to pay the Assistant  
13                  Plant Operator overtime going forward. Staff understood this discussion with  
14                  Timber Creek identified the Company's decision to pay overtime to only one  
15                  of its employees, the Assistant Plant Operator, and not the Office Manager.  
16                  After being advised of Timber Creek's overtime decision, as discussed during  
17                  the September 28, 2010 teleconference Staff indicated it would include the  
18                  estimated overtime of the Assistant Plant Operator, but would adjust the base  
19                  salary to the level identified on the salary survey used by Staff to be consistent  
20                  with job duties of an employee who is entitled to overtime pay. Staff stated it  
21                  would include the Assistant Plant Operator base salary at \$39,000 plus the  
22                  \$7,000 of overtime Timber Creek identified it would have been obligated to  
23                  pay the Assistant Plant Operator for worked performed in 2009 had the  
24                  Company paid overtime to that position. Staff stated, during the September  
25                  28, 2010 meeting, that it would not include overtime for the Office Manager  
26                  position and would leave the recommendation of that salary at the level  
27                  previously included in the case.

28           Q.     Did Mr. Sherry make it clear Timber Creek intended to pay overtime to the  
29                   Systems Operator's position?

30           A.     Yes. During the discussion of September 28<sup>th</sup> Mr. Sherry stated more than  
31                   once of the Company's decision to pay overtime for this position. Equally clear was the  
32                   absence of discussion surrounding the overtime question for the Office Manager. While  
33                   Staff indicated its intention to include an amount of overtime for the Systems Operator's  
34                   position there was no such discussion to include overtime for the Office Manager.

35           Q.     Is paying cash for overtime the only way overtime is compensated?

Rebuttal Testimony of  
Bret G. Prenger

1           A.     No. Timber Creek could provide time off for compensation of overtime. In  
2 fact, the Commission provides overtime to certain eligible employees in this fashion.  
3 Timber Creek could provide an hour of compensation time for every hour of overtime  
4 worked by the employee, similar to how the Commission reimburses its employees.

5           Q.     Is this a common approach?

6           A.     Yes it is. The state of Missouri for example allows overtime payment by  
7 awarding compensatory time, not monetary overtime to eligible employees.

8           Q.     Would Staff support such treatment in this case?

9           A.     Yes.

10          Q.     If overtime was to be included for the Office Manager's position in this case,  
11 would a reduction in base pay be warranted?

12          A.     Yes. Just as Staff reduced the base pay of the Systems Operator's position for  
13 payment of overtime, it would be necessary to reduce the Office Manager's base pay. Staff  
14 supports the level for this position of \$41,559 based on a 3% increase over existing pay.  
15 However, there are other entities that pay this position considerably less. Staff would support  
16 reducing the base pay to a level more in line with the other entities—somewhere in the  
17 mid-\$30,000 level. The Company identified an amount of overtime for the Office Manager  
18 had it been paid in 2009 of over \$3,000. Considering Timber Creek's size, a \$35,000 to  
19 \$38,000 salary amount for an Office Manager with job duties in line of that position that  
20 would command overtime would be in order.

21          Q.     Is Staff changing its position that the Office Manager's position should  
22 get overtime?

1           A.    No. Staff continues to believe based on the job duties expressed by Mr.  
2 Sherry and the job description of this position—identified on page 11 in my Direct  
3 Testimony—the payment of overtime is not necessary, nor appropriate.

4           **TIME REPORTING**

5           Q.    Does Staff believe there is a relationship to the requirement of time reporting  
6 and the payment of overtime?

7           A.    No. The payment of overtime is strictly based on the job activities and scope  
8 of the position—time reporting is a separate issue. Staff continues to support the time  
9 reporting recommendation it made in the August 2, 2010 Memorandum stating the following:

10                   The Auditing Staff recommends Timber Creek Sewer Company keep a  
11                   detailed time log, identifying the amount time each employee spends  
12                   working on activities strictly related to the regulated sewer utility  
13                   company. This recommendation would aid Staff in future payroll  
14                   analysis and discussions.

15                   [source: page 7, item 1 of the August 2, 2010 Memorandum]

16           Q.    At page 10 of his Direct Testimony, Mr. Sherry addresses the need to pay  
17 overtime to its employees “if Timber Creek is required to adopt time records...” Would all  
18 employees have to be paid overtime?

19           A.    No. Certainly, Mr. Sherry’s General Manager’s position would not qualify for  
20 overtime nor would the Operations Manager’s position. Staff is including an amount of  
21 overtime compensation for only one Timber Creek position, Plant and Collection  
22 Systems Operator.

23           Q.    Why is time reporting critical to small companies?

24           A.    The Commission has required time reporting of large and small companies  
25 under its jurisdiction to ensure that proper time is spent on appropriate activities. This was  
26 important for larger companies who engaged in non-regulated activities. It is equally, if not

Rebuttal Testimony of  
Bret G. Prenger

1 more critical, for smaller companies to time report to ensure that the proper amount of time  
2 is being spent to operate these companies and that non-utility functions are not being charged  
3 back to the regulated utility. Also, it is important to ensure that all full time employees are  
4 working full time only on the utility operations. Small companies many times have  
5 employees working on a variety of activities such as real estate and development companies,  
6 construction company operations, as well as many other similar type functions. Staff has  
7 seen small company utility operators work on non-utility activities ranging from owning and  
8 operating a car wash to having a horse farm. Time reporting is essential when employees  
9 have outside activities that could be part of the utility operations or overlap in the daily  
10 activities of the individual employee's job duties. Time reporting must be part of the daily  
11 activities of all the employees to satisfy the regulatory requirements that those working on  
12 utility operations are properly charging time.

13 Q. Is another Staff member addressing time reporting?

14 A. Yes. Staff witness Nila Hagemeyer is also addressing this issue in her direct  
15 and rebuttal testimony.

16 Q. Does this conclude your rebuttal testimony?

17 A. Yes.

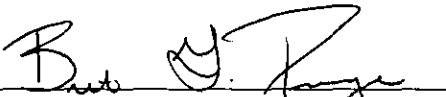
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of the Application of )  
Timber Creek Sewer Company Request for a )                      Case No. SR-2010-0320  
Rate Increase. )

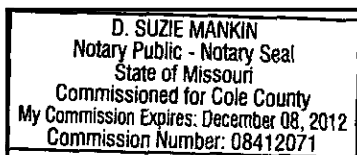
AFFIDAVIT OF BRET G. PRENGER

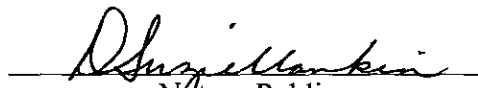
STATE OF MISSOURI     )  
                                  )           ss.  
COUNTY OF COLE     )

Bret G. Prenger, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 21 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
Bret G. Prenger

Subscribed and sworn to before me this 21<sup>st</sup> day of December, 2010.



  
Notary Public



**Timber Creek Schedule 1**

The history of the payroll amounts included in Case No. SR-2010-0320 from inception:

<b>Position</b>	<b>Starting Salary</b>	<b>May 10, 2010 Filing (3% COLA)</b>	<b>Payroll Changes Made September 28, 2010</b>	<b>Final Amount Included in Staff's EMS filed with November 23 Direct Testimony</b>
General Manager	\$72,450	\$74,624	Additional 3% was added for General Manager based on discussions with Company on September 28, 2010. Increasing this position to \$76,862	\$76,862
Plant Operator	\$78,660	\$81,020	--	\$81,020
Assistant Plant Operator	\$40,980	\$42,210	\$39,000 base plus \$7,000 overtime discussed with Company on September 28, 2010	\$46,000
Office Manager	\$40,349	\$41,559	--	\$41,559

- Total Annualized Base Salary Payroll: \$238,441
- Total Overtime Included: \$7,000
- Total Timber Creek Compensation: \$245,441

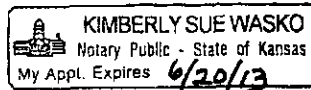
State of Kansas

County of Johnson

I certify that this is a true and correct copy of Johnson County Wastewater's 2009 Annual Report found on our website at [www.jcw.org](http://www.jcw.org) and is now in the possession of the Missouri Public Service Commission.

Dated: 12/2/10

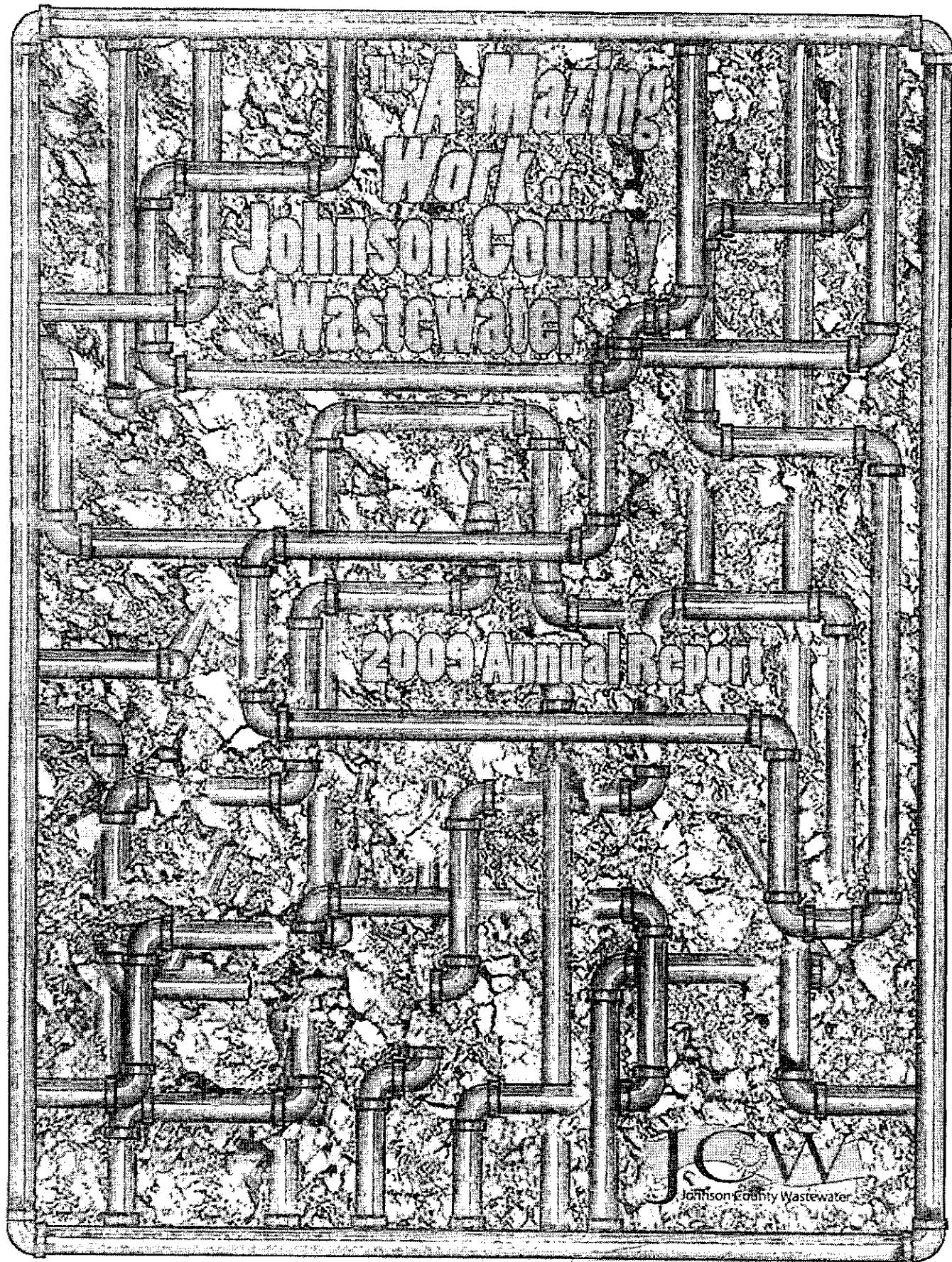
*Kimberly Sue Wasko, Executive Assistant*  
Notary Public



My Commission Expires: \_\_\_\_\_

RECEIVED  
DEC 07 2010

COMMISSION COUNSEL  
PUBLIC SERVICE COMMISSION



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## Johnson County Wastewater

Johnson County Wastewater is a public utility that provides wastewater treatment services to the residents of Johnson County, Kansas. The agency is committed to providing high-quality service to its customers while protecting the environment and promoting public health. The agency's mission is to provide safe and reliable wastewater treatment services to the community.

The agency's services include the collection, treatment, and disposal of wastewater. The agency also provides technical assistance to other local governments in the region. The agency's facilities are designed to meet the highest standards of performance and efficiency.

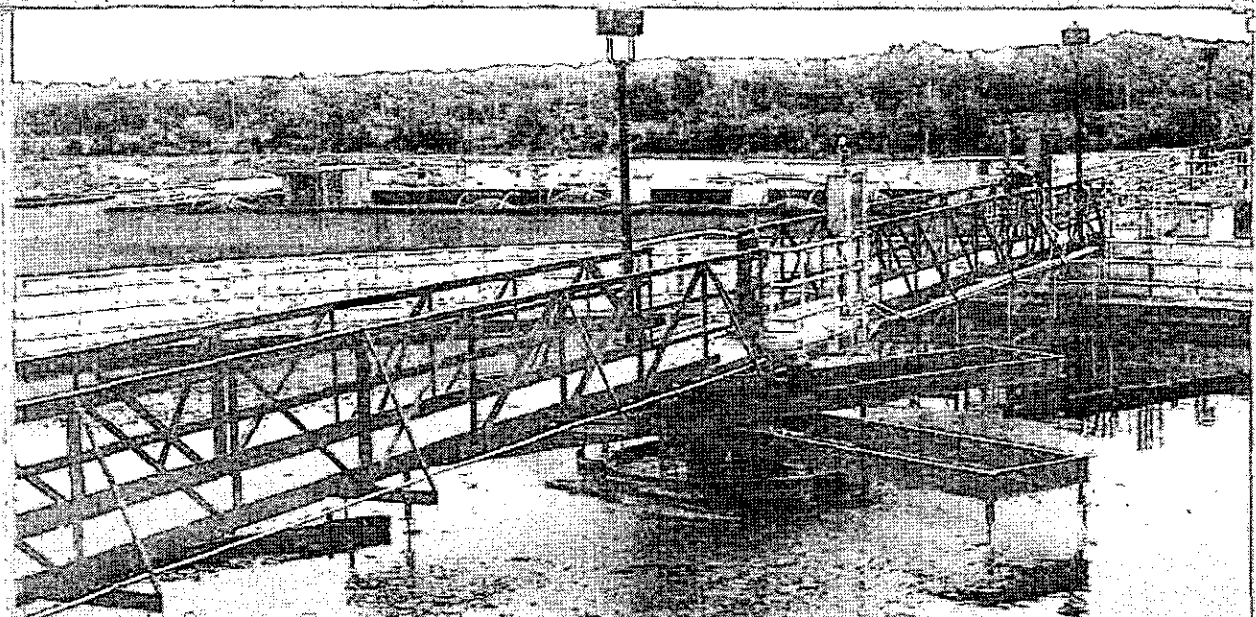
The agency's commitment to customer service is reflected in its many awards and recognitions. The agency has been recognized for its outstanding performance in a number of areas, including customer satisfaction, operational efficiency, and environmental stewardship.

The agency's dedication to the community is also reflected in its many volunteer and outreach programs. The agency works closely with other local organizations to address the needs of the community and to promote a better quality of life for all.

Johnson County Wastewater is proud to be a part of the Johnson County community and to provide the highest quality of service to its customers. We are committed to protecting the environment and promoting public health for generations to come.

*John P. O'Mel*  
 John P. O'Mel

Johnson County Wastewater  
 1000 West 10th Street  
 Topeka, Kansas 66604



## Johnson County Wastewater An Introduction to an A-Mazing Place

### What We Do

Johnson County Wastewater (JCW) is responsible for the safe collection, transportation, and treatment of wastewater generated by residential, industrial, and commercial customers.

*Two basic tenets are the foundation of JCW's work:*

### Mission Statement

**Protecting our environment**

**Serving our customers**

**Enhancing our communities**

### Vision Statement

Johnson County Wastewater seeks to be locally respected and nationally recognized for leadership and excellence in:

- ☐ **Water quality**
- ☐ **Customer service and stakeholder satisfaction**
- ☐ **Responsible and sustainable use of resources**
  - ✘ *Natural*
  - ✘ *Human*
  - ✘ *Financial*

We pride ourselves on maintaining a positive work environment that:

- ☐ **Provides training and education.**
- ☐ **Empowers employee productivity, innovation, and transfer of knowledge.**
- ☐ **Emphasizes safe work habits and practices.**

## An A-mazing Place

While the department's treatment plants and pump stations are visible in area neighborhoods, a large infrastructure runs underground throughout the neighborhoods as well, providing service to more than 90,000 properties and approximately 440,000 people.

JCW's customer base of slightly more than 133,000 is:

<b>Single Family</b>	<b>= 110,952</b>	<b>(83.3%)</b>
<b>Multi-Family</b>	<b>= 16,322</b>	<b>(12.2%)</b>
<b>Non-Residential</b>	<b>= 6,027</b>	<b>(4.5%)</b>
<b>Total</b>	<b>= 133,301</b>	<b>(as of 12/31/2009)</b>

JCW annually processes an average of 23 billion gallons of wastewater — equivalent to filling the Sprint Center 110 times.

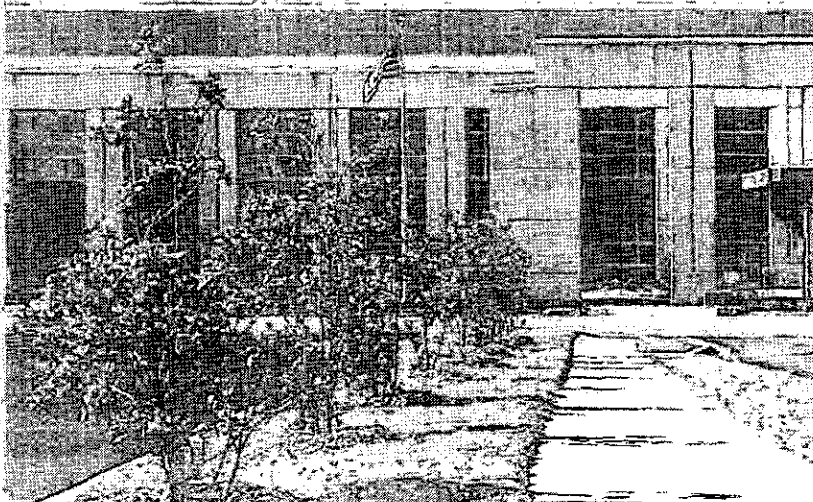
The wastewater system covers a service area of more than 158 square miles and 2,181 miles of active sewer line. That mileage is roughly equivalent to the distance, roundtrip, between Kansas City and Washington, D.C.

JCW operates and maintains six major treatment plants and one small lagoon facility; 30 stand alone pump stations, two combined pump and remote wet weather treatment facilities, and two remote wet weather treatment facilities.

The active sewer system is comprised of 2,119 miles of gravity sewers as well as 42.14 miles of force mains and 19.52 miles of low pressure sewers.

JCW operates a total treatment capacity of 61.37 million gallons per day.

Because JCW has a fiduciary responsibility to its Johnson County ratepayers, the department publishes an annual report which documents the highlights and summarizes the department's statistical picture of the past year.



John Beery • Clifton Bencha • John Berka • James Gills • Mike Bokki • Kevin Boggs • Heather Bolander • Tony Brack • Elizabeth Brandel • Linsey The

## Core Values

### Creativity

We encourage employee innovation, seek continuous improvement, and embrace learning opportunities.

### Humor

We will laugh with one another, use humor in a sensitive manner, and recognize and celebrate our accomplishments.

### Diversity

We value our diverse backgrounds and cultures, each other's contributions, and ideas from various perspectives.

### Integrity

We demonstrate trustworthiness by being truthful, openly sharing information, and taking responsibility for our actions.

### Service

We embrace public service as a personal commitment of our talents to the benefit of the people we serve.

# The A-Mazing People of Johnson County Wastewater

## Who We Are

### The Johnson County Board of Commissioners

Johnson County Wastewater (JCW) operates as a department in Johnson County government, reporting directly to the deputy county manager under the direction of the county manager and the Board of County Commissioners. The County Commissioners hold their regular business sessions, open to the public, every Thursday at 9:30 a.m., except on observable holidays, in the Board Hearing Room, 111 South Cherry, Third Floor, Olathe, Kansas.



Front row: David A. Lindstrom, commissioner, Third District; Annabeth Surbaugh, chairman of the Board; Ed Ellert, commissioner, Fourth District.

Back row: Calvin Hayden, commissioner, Sixth District; Douglas E. Wood, commissioner, Fifth District; Jim Allen, commissioner Second District; C. Edward Peterson, commissioner, First District.

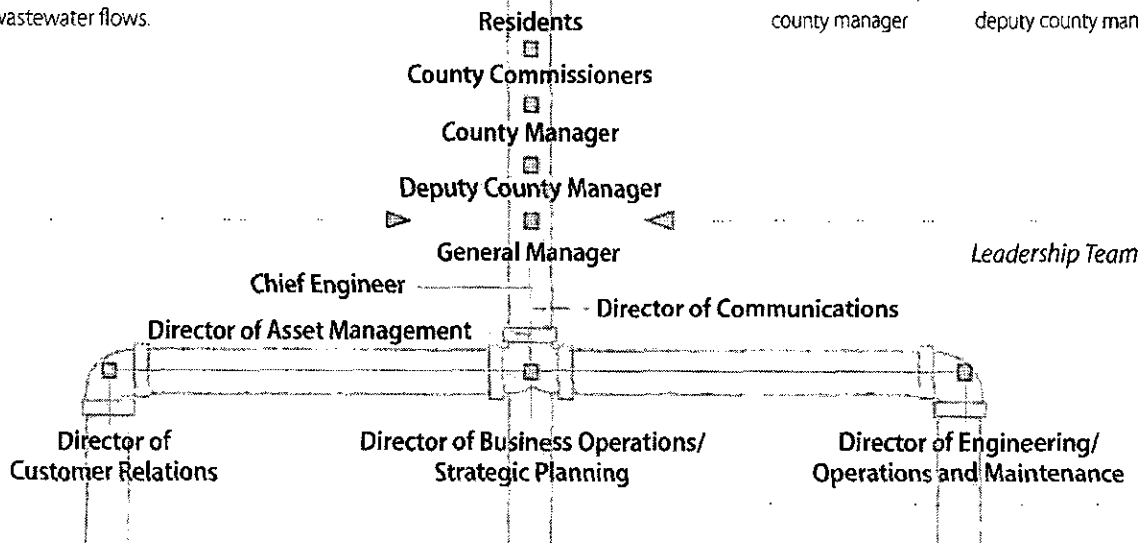
As of 12/31/09: 224.5 approved positions; 209.5 filled positions. More than 75 percent of JCW employees work in the Operations and Maintenance Division, with the remainder supporting the division's responsibilities of collecting, transporting, and treating wastewater flows.



Hannes Zacharias,  
county manager



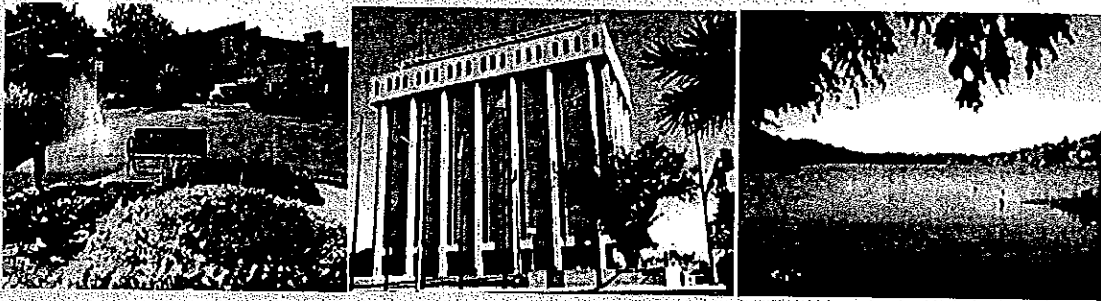
Bernice Duletski,  
deputy county manager



Brashears • Lugenia Branson • Ramona Brooks • Bob Brunner • Jesse Bustamante • Kenneth Cadue • David Carr • Michael Carr • Wesley Carroll



**UNIFIED GOVERNMENT OF  
WYANDOTTE COUNTY/KANSAS CITY, KANSAS**



*"Wyandotte County a great place to Live, Work, and Play"*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the fiscal year ended December 31, 2009**



UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS

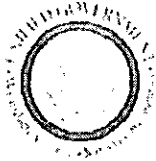
COMPREHENSIVE ANNUAL FINANCIAL REPORT      For the year ended DECEMBER 31, 2009



Prepared by:

Finance Department of the Unified Government of Wyandotte County/Kansas City, Kansas

REASONABLE ACCOMMODATIONS WILL BE MADE TO QUALIFIED INDIVIDUALS WITH  
DISABILITIES ON AN AS NEEDED BASIS, PROVIDED ADEQUATE NOTICE IS GIVEN.



# Wyandotte County

Kansas City, Kansas



[VENDOR](#)   [RESIDENTS](#)   [BUSINESS](#)   [GOVERNMENT](#)   [DEPARTMENTS](#)   [EMPLOYMENT](#)



[Home > Departments](#)

## Water Pollution Control

WPC Documents

## Public Works

### Water Pollution Control

Jim Larkin, Director  
50 Market Street  
913-573-1300  
Fax: 913-551-0488  
Email: [jlarkin@wycokck.org](mailto:jlarkin@wycokck.org)

Office Hours: Monday – Friday 8:00 am to 5:00 pm



The Water Pollution Control Division is charged with helping to protect public health and the environment of the community by treating approximately 30 million gallons per day (MGD) of raw sewage, also called wastewater, with an overall capacity of 66 MGD.

The wastewater is generated by residential, commercial and industrial customers. The Division operates 75 lift stations and 5 wastewater treatment facilities, servicing an area of approximately 158 square miles, and a population of over 150,000 people.

In order to meet all federal and state regulatory requirements and most to provide 24-hour per day wastewater service to our customers, the system is closely managed through our Water Pollution Control Division staff of approximately 115 employees. Since wastewater is 98% water and 2% pollutants, the Water Pollution Control Division must meet such stringent water quality standards that essentially they are removing over 95-99% of those 2% pollutants in the water.

Included in those 115 employees is our Sewer Maintenance Division which is responsible for overseeing the sewer infrastructure that spans throughout the county and city. Sewer Maintenance maintains over 800 miles of sanitary sewer and 400 miles of storm sewer, and inspects all of these sewer lines within a 3-year cycle. These responsibilities include both minor and major sewer repairs cleaning sewer lines, televising and inspecting sewer lines, along with rebuilding catch basins, manholes and repairing line breaks during emergencies.

The Unified Government's Conner Creek Treatment Plant and Kaw Point Plant were presented the Plant of the Year award during the annual Kansas Water Environment Association (KWEA) conference held in Topeka, Kansas in September of 2009.

#### "A Guide to Understanding the Combined Sewer System"



UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS

SCHEDULE OF BUDGETARY ACCOUNTS  
BUDGET AND ACTUAL - BUDGETARY BASIS (NON-GAAP)

ENTERPRISE FUND: SEWER SYSTEM  
Year ended December 31, 2009

	2008	2009			Variance with Final Budget - Positive (Negative)
	Actual Amounts	Budgeted Amounts		Actual Amounts	
		Original	Final Amended		
<b>OPERATING REVENUES</b>					
Charges for services	\$19,328,417	\$19,412,300	\$20,213,100	\$19,646,695	(\$566,405)
Permits and licenses	273,996	780,600	414,000	313,989	(100,011)
Miscellaneous	177,232	49,500	37,500	55,840	18,340
<b>TOTAL OPERATING REVENUES</b>	<b>19,779,645</b>	<b>20,242,400</b>	<b>20,664,600</b>	<b>20,016,524</b>	<b>(648,076)</b>
<b>OPERATING EXPENSES</b>					
Personnel costs	7,526,908	7,813,874	7,435,098	7,514,440	(79,342)
Contractual services	1,486,828	1,674,055	1,801,992	1,601,233	200,759
Commodities	2,506,267	2,797,836	2,617,761	2,369,281	248,480
Capital outlay	2,288,401	2,522,000	2,051,622	1,611,774	439,848
Grants, claims and shared revenue	2,402,105	3,438,254	4,659,580	4,603,760	55,820
Other	91,000	296,000	296,000	91,000	205,000
<b>TOTAL OPERATING EXPENSES</b>	<b>18,401,507</b>	<b>18,542,019</b>	<b>18,862,053</b>	<b>17,791,488</b>	<b>1,070,565</b>
Net operating income (loss)	3,378,138	1,700,381	1,802,547	2,225,036	422,489
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Tax revenue	7,484	7,500	7,500	6,073	(1,427)
Interest earnings	317,849	170,000	114,600	255,722	141,122
Debt service	(1,964,672)	(1,964,673)	(1,984,673)	(1,964,673)	0
Transfers out	(985,578)	(1,009,446)	(1,589,850)	(1,369,850)	200,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(2,604,917)</b>	<b>(2,796,619)</b>	<b>(3,412,423)</b>	<b>(3,072,728)</b>	<b>339,695</b>
<b>NET INCOME (LOSS)</b>	<b>773,221</b>	<b>(1,096,238)</b>	<b>(1,609,876)</b>	<b>(847,692)</b>	<b>782,184</b>
<b>UNENCUMBERED FUND BALANCE</b>					
Beginning of year	2,847,926	3,621,147	3,621,147	3,621,147	0
End of year	\$3,621,147	\$2,524,909	\$2,011,271	\$2,773,455	\$782,184

**Dan Koch**

---

**From:** Melloway, Cassie [Cassie.Melloway@psc.mo.gov]  
**Sent:** Wednesday, December 01, 2010 1:10 PM  
**To:** 'Dan Koch'  
**Subject:** RE: 2009 Sewer District Financials From Audit

Dan-

Thank you so much for doing this for us. You have been great to work with!

The mailing address to send the notarized 2009 Annual Report to is as follows:

Jaime Ott  
Legal Counsel  
Office of Chief Staff Counsel  
Missouri Public Service Commission  
200 Madison Street, 8th floor  
P.O. Box 360  
Jefferson City, MO 65102

**RECEIVED**  
DEC 07 2010  
COMMISSION COUNSEL  
PUBLIC SERVICE COMMISSION

Should you have questions, please do not hesitate to contact me.

Cassie Melloway  
Paralegal  
Missouri Public Service Commission  
Office of Chief Staff Counsel  
Telephone: 573-751-8377  
Fax: 573-751-9285  
[cassie.melloway@psc.mo.gov](mailto:cassie.melloway@psc.mo.gov)

---

**From:** Dan Koch [mailto:DKoch@pcrsd.com]  
**Sent:** Wednesday, December 01, 2010 11:54 AM  
**To:** Melloway, Cassie  
**Subject:** FW: 2009 Sewer District Financials From Audit

---

**From:** Dan Koch [mailto:DKoch@pcrsd.com]  
**Sent:** Wednesday, December 01, 2010 11:45 AM  
**To:** 'Cassie.melloway@psc.mo.gov'  
**Subject:** 2009 Sewer District Financials From Audit

Cassie,

Attached is a pdf with a cover letter and the attached Financials from the Audit.

Dan Koch

Dan Koch  
Executive Director

SCHEDULE 4-1

**Platte County Regional Sewer District**

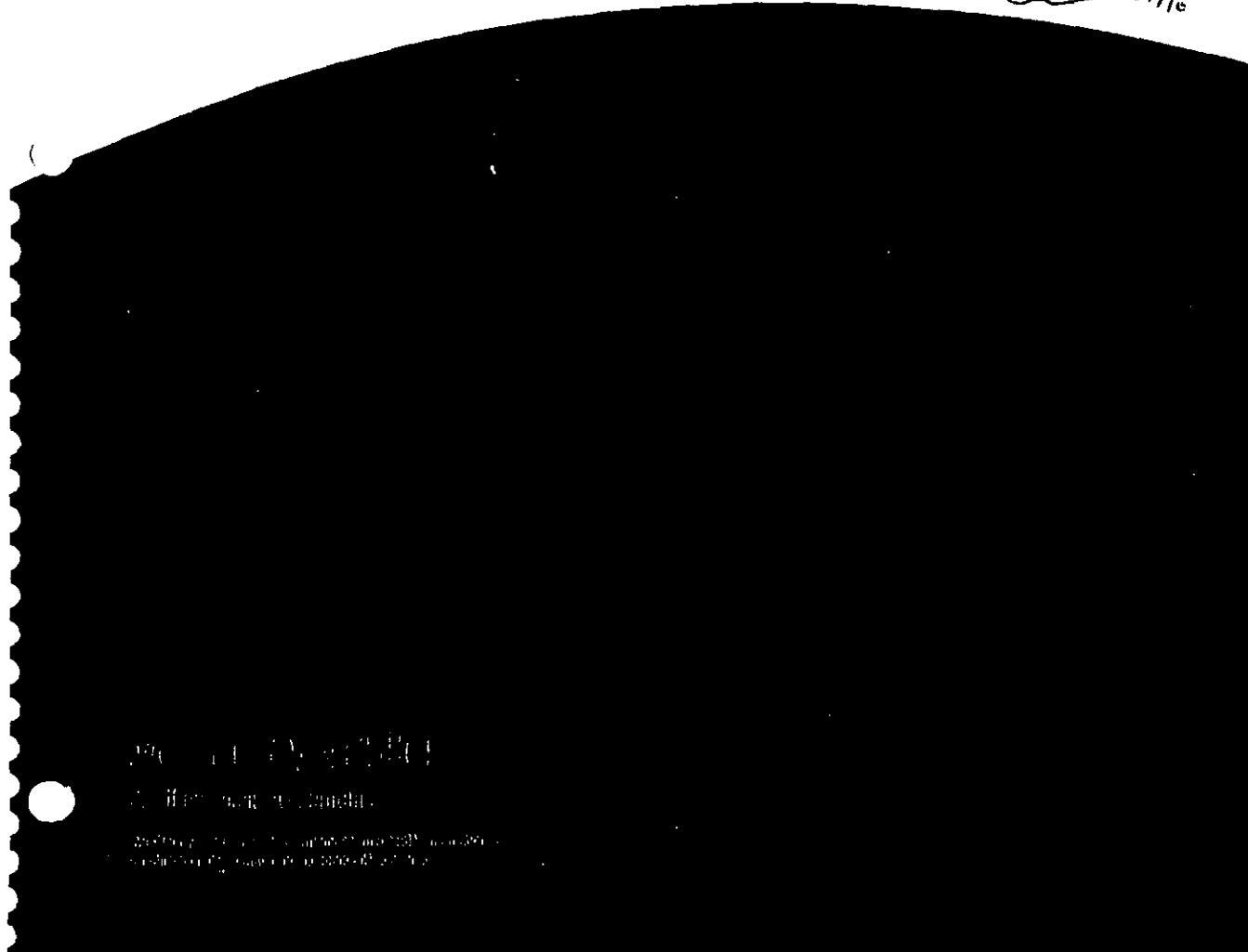
Financial Report

12.31.2009

BRENDA L. HEUTON  
NOTARY PUBLIC - NOTARY SEAL  
STATE OF MISSOURI  
Platte County  
My Commission expires 03/07/2014  
Commission # 10843790

*Brenda L. Heuton*

*Draft 12/1/10*



*[Faint, illegible text visible through the redaction]*

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Statement of cash flows	8
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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

McGladrey & Pullen, LLP is a member firm of RSM International -  
an affiliation of separate and independent legal entities.

## 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**

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	24,374,883	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.

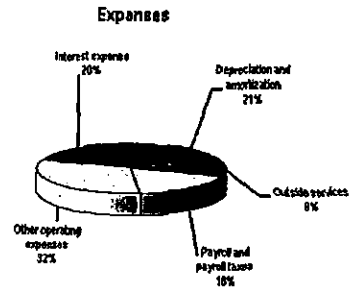
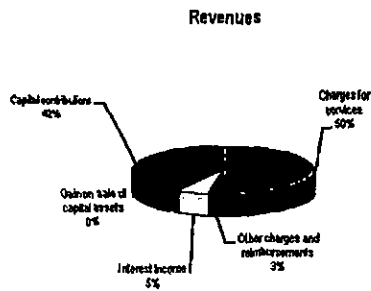
At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

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:

Table 2 - Revenues and Expenses	2009	2008
<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	408,189
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:

	2009	2008
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>

**Total assets**

34,976,445

**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>

**Total liabilities**

21,891,472

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

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>	<u>226,725</u>
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**

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>	<b>1,083,467</b>	<b>-</b>	<b>1,008,089</b>	<b>(26,378)</b>	<b>49,000</b>
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>	<b>25,269,521</b>	<b>2,615,039</b>	<b>19,730</b>	<b>26,378</b>	<b>27,891,208</b>
Less accumulated depreciation for:					
Building	92,517	15,860	-	-	108,377
Treatment plant	1,306,848	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	8,835	-	-	29,912
<b>Total accumulated depreciation</b>	<b>3,049,888</b>	<b>535,367</b>	<b>19,730</b>	<b>-</b>	<b>3,585,525</b>
<b>Total capital assets being depreciated</b>	<b>22,219,633</b>	<b>2,079,672</b>	<b>-</b>	<b>26,378</b>	<b>24,325,683</b>
<b>Capital assets, net</b>	<b>\$ 23,303,100</b>	<b>\$ 2,079,672</b>	<b>\$ 1,008,089</b>	<b>\$ -</b>	<b>\$ 24,374,683</b>

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 Total	11,910,000	07/01/2027	4.00% - 5.50%	11,885,000 <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

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 (EIERA) 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**

**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:

	Issuance Costs	Premium
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:

Year Ending December 31,	Principal	Interest
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.

## Timber Creek Schedule 5

### Staff Response to Timber Creek Sewer Company Data Request 1

#### Timber Creek Question:

With respect to the Staff's classification of Timber Creek's Office Manager as salaried and not hourly, on what basis did Staff conclude that the position's duties were beyond that of clerical support and not eligible for overtime?

#### Staff Response:

Without waiving Staff's previously filed objection, Staff provides the following response to Timber Creek's question. In evaluating each position at Timber Creek, including the Office Manager, Staff looked at the following items:

- 1) Review of Company provided employee job descriptions, including the Office Manager;
- 2) Discussions with Company personnel, specifically the General Manager, regarding each Timber Creek employee and their related job duties and responsibilities;
- 3) Observation of the employee's daily duties through on-site visits;
- 4) Review of an opinion letter from Costello, Davey & Fera, LLC provided by the Company regarding the nature of employee work activities and need of Timber Creek to pay over time;
- 5) Staff's review/examination of salary surveys specific to each individual job description (consistent with the job duties of each individual Timber Creek job position and specific job responsibilities)
- 6) Staff's knowledge and experience regarding the area of salaries, wages and benefits for small water and sewer companies. Specifically, information concerning salaries, wages and benefits paid at several water and sewer companies of various sizes, locations and combinations of water only, sewer only and water and sewer only.
- 7) Discussion with the Company on September 28, 2010 teleconference, where the General Manager Mr. Sherry indicated Timber Creek's decision to pay overtime only to the Assistant Plant Operator. The Company did not inform Staff of any decision or intention to classify the Office Manager as an hourly employee subject to overtime. Consequently, Staff included a reasonable salary for the Office Manager. Mr. Sherry indicated that, regardless of the outcome of the rate case, Timber Creek made the decision to pay the Assistant Plant Operator overtime going forward. Staff understood this discussion with Timber Creek identified the Company's decision to pay overtime to only one of its employees, the Assistant Plant Operator, and not the Office Manager. After being advised of Timber Creek's overtime decision, as discussed during the September 28, 2010 teleconference Staff indicated it would include the estimated overtime of the Assistant Plant Operator, but would adjust the base salary to the level identified on the salary survey used by Staff to be consistent with job duties of an employee who is entitled to overtime pay. Staff stated it would include the Assistant Plant Operator base salary at \$39,000



plus the \$7,000 of overtime Timber Creek identified it would have been obligated to pay the Assistant Plant Operator for worked performed in 2009 had the Company paid overtime to that position. Staff stated, during the September 28, 2010 meeting, that it would not include overtime for the Office Manager position and would leave the recommendation of that salary at the level previously included in the case.

If Staff's understanding of the Timber Creek Office Manager's position is incorrect based on the information stated above, and this position should be eligible for overtime, based on what the Company defines as the job duties of this position, then Staff will need to reevaluate this job position in this case. In doing so, Staff would recommend to the Commission that the job position of the Office Manager would be identified as an employee eligible for overtime, instead of a salaried employee exempt from overtime. Staff would include a level of overtime for this position but would no longer support the salary currently in the case for this position. Staff would recommend a lower salary based on the job duties of someone who essentially performs no managerial duties and performs tasks more in line with clerical support functions and general book keeping activities. This position would not be a role in line with an Office Manager position and should not be compensated at the same level as a salary employee, and instead, the Office Manager, would now be identified as an employee compensated at a lower level than the \$41,559 currently recommended or the existing level of \$40,349 amount. The probable range for the newly defined clerical position would fall between \$31,000 to \$36,326 per year level based on the MERIC. Staff would include a level of overtime of approximately \$3,000 for the lesser job position.

#### **Staff Response to Timber Creek Sewer Company Data Request 2**

Timber Creek Question:

Was compensation for the Office Manager determined by comparison to salary surveys? If so, what surveys were used and what was the classification of the positions used in the surveys?

Staff Response:

Yes, salary surveys were used but not exclusively. Initially, the MERIC survey was used by searching the occupation of job positions entitled "Executive Secretaries and Administrative Assistant." Following discussions with the Company raising concerns about employee compensation, Staff researched the salary support for this position further. Staff used the schedules provided by Timber Creek (Mr. Sherry), who later attached this information to his direct testimony. This information compared Timber Creek to other local utilities. For comparison purposes, Staff contacted the following utilities regarding payroll matched to the same positions offered at Timber Creek: a). Johnson County Wastewater for the job position of Office Manager/Administrative Office Manager, b). Platte County Regional Sewer District for the job position of Office Manager/ Administrative Assistant and c). Wyandotte County Wastewater for the job position of office secretary.

#### **Staff Response to Timber Creek Sewer Company Data Request 3**

Timber Creek Question:

Please provide the amounts in salaries for each of the four Timber Creek Employees that Staff is using as the base amount for the rate case?

Staff Response:

Staff included the following amounts for payroll in its initial case and updated subsequent to the initial disposition agreement:

Position	Starting Salary	May 10, 2010 Filing (3% COLA)	Payroll Changes made September 28, 2010	Final Amount Included in Staff's EMS filed with November 23 Direct Testimony
General Manager	\$72,450	\$74,624	Additional 3% was added for General Manager based on discussions with Company on September 28, 2010. Increasing this position to \$76,862	\$76,862
Plant Operator	\$78,660	\$81,020	--	\$81,020
Assistant Plant Operator	\$40,980	\$42,210	\$39,000 base plus \$7,000 overtime discussed with Company on September 28, 2010	\$46,000
Office Manager	\$40,349	\$41,559	--	\$41,559

**Staff Response to Timber Creek Sewer Company Data Request 4**

Timber Creek Question:

Is the assistant plant operator the only position that Staff determined was eligible for overtime? If not, which other positions were deemed eligible for overtime?

Staff Response:

Without waiving Staff's previously filed objection, Staff provides the following response to Timber Creek's question. Yes.

**Staff Response to Timber Creek Sewer Company Data Request 5**

Timber Creek Question:

What is the amount of overtime included in the payroll amount and reflected in the revenue requirement calculation, in the latest EMS run for each position the Staff allowed overtime and on what basis was it calculated?

Staff Response:

Staff included \$7,000 of overtime compensation for the Assistant Plant Operator. The basis for the amount of overtime included in the case was per the discussion held on September 28, 2010 with Timber Creek General Manager Derek Sherry. Mr. Sherry provided information concerning salaries for each of the Company's employees as part of the audit process. Timber Creek also provided a schedule attached to the direct testimony of Mr. Sherry which included an estimate for the level of overtime to be included for the Assistant Plant Operator position.

Staff calculated the compensation for the Assistant Plant Operator position by including a base salary of \$39,000 plus the Company estimate for overtime of \$7,000 that it claimed would have been paid in 2009, thus making the position's final salary total \$46,000. The \$46,000 is the level that is included in the latest EMS run dated November 22, 2010. The base salary falls in between the MERIC survey for wastewater plant operators for the Kansas City and or Northwest Missouri region. (This job title could be more descriptive of Mr. Jochim's position however.) The salary range on MERIC is \$22,530 to \$48,765.

**Staff Response to Timber Creek Sewer Company Data Request 6**

Timber Creek Question:

Please provide the percentage increase and dollar amounts that Staff is proposing an increase in salaries for each of the four Timber Creek Employees?

Staff Response:

Please see Staff response to Timber Creek Data Request 3

**Staff Response to Timber Creek Sewer Company Data Request 7**

Timber Creek Question:

With respect to the dollar amounts that Staff is proposing for overtime for the assistant operator, what is the amount? And, is that amount included in the base payroll amount for such employee or is it to be added to his base salary as the employee works overtime? In other words, is such an amount in

addition to his base salary as increased by 3% or is it included in his salary and not separately paid to him as he earns it?

Staff Response:

The amount of overtime included for the Assistant Plant Operator this case is \$7,000. That amount is included in his base salary.

**Staff Response to Timber Creek Sewer Company Data Request 8**

Timber Creek Question:

With respect to the dollar amounts that Staff is proposing for overtime for the assistant operator, Staff Witness Prenger says it "agreed to include overtime for the assistant operator based on the level of overtime worked in 2009." What was the level of overtime worked in 2009 by the assistant operator? And, had the assistant operator been paid overtime in 2009, what would that amount have been and how was that amount calculated?

Staff Response:

Without waiving Staff's previously filed objection, Staff provides the following response to Timber Creek's question. Using the Company estimate provided by Timber Creek's General Manager (this information was provided as a schedule to the direct testimony of Mr. Sherry), Staff included \$7,000 for the overtime compensation. The amount of overtime paid to the Assistant Plant Operator included by Staff was \$7,000. However in 2009, the Assistant Plant Operator was not paid overtime by Timber Creek. Thus, Staff is unable to make an accurate determination as to the overtime worked in 2009 by this employee. Using the Company estimate provided by General Manager (Mr. Sherry included this as a schedule in his direct testimony); Staff included \$7,000 of overtime compensation for the Assistant Plant Operator position.

**Staff Response to Timber Creek Sewer Company Data Request 9:**

Timber Creek Question:

Are all of the Staff's proposed increases in salaries and overtime payments included in the Staff's Accounting Schedules dated 11/22/2010? If not, what items are missing and how much is each item and what would be the impact on the Gross Revenue Requirement?

Staff Response:

Yes, all compensation is included.

The EMS run for the 2009 test year identifies payroll costs as \$251,658 which includes payroll taxes based on how the Company accounts for these costs on its books. However, Staff has annualized payroll separately from payroll taxes in the EMS run. The amount of 2009 test year payroll of \$251,658 is broken down by \$232,439 for payroll and \$19,219 for payroll taxes.

Staff's adjusted final compensation identifies the annualized payroll level of \$245,441 which includes overtime of \$7,000 for the Assistant Plant Operator plus payroll taxes of \$20,263 for a total of \$265,704 (which now compares to the 2009 test year amount of \$251,658. The difference between the two totals represents the increase Staff is proposing for salaries and related payroll taxes.

The annualized payroll (excluding payroll taxes) Staff has included in its case is an increase of \$13,003 determined by comparing the annualized amount of \$245,441 to the 2009 test year payroll amount of \$232,439.

**Staff Response to Timber Creek Sewer Company Data Request 10:**

Timber Creek Question:

If Timber Creek had been successful in finding natural gas and was able to generate electricity at a reduced cost during the test year for its operations as a sewer company, would the PSC Staff have reduced Timber Creek's electricity cost expense?

Staff Response:

Without waiving Staff's previously filed objection, Staff states as follows: PSC Staff would use reasonable and prudently incurred cost for electricity in this rate case or any future rate making. This is the approach taken in this and previous Timber Creek rate cases. It is noteworthy that Staff has not made any negative adjustment proposing to disallow costs for electricity in this or other previous Timber Creek rate cases. Staff questions the prudence exhibited by the Company in proceeding with a major, speculative project without first discussing its feasibility and the expected ratemaking treatment with Staff. Staff's primary focus is on actual costs that are reasonable and prudently incurred, not on whether the cost increases or decreases the overall expense. Prudently incurred costs may reflect either an increase or a decrease in the overall cost of electricity regardless of the cause of the change in cost. Possible causes of a decrease in the cost of electricity may include: a renegotiated (reduced) rate, in-plant process improvements that reduce necessary consumption, onsite generation from solar, wind, methane from sludge digestion, or natural gas.