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**JEFFERSON COUNTY  
WATER AUTHORITY**

**FINANCIAL REPORT**  
(Audited)

Year Ended September 30, 2015

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**JEFFERSON COUNTY WATER AUTHORITY**  
**FINANCIAL REPORT**

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**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

## INDEPENDENT AUDITOR'S REPORT

February 23, 2016

The Board of Directors  
**JEFFERSON COUNTY WATER AUTHORITY**

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **JEFFERSON COUNTY WATER AUTHORITY** (the Authority) a nonprofit corporation, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2015, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2016 on our consideration of the Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Hochschild, Bloom + Company LLP*

**CERTIFIED PUBLIC ACCOUNTANTS**

# **JEFFERSON COUNTY WATER AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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As management of the Jefferson County Water Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended September 30, 2015, 2014, and 2013.

#### **FINANCIAL HIGHLIGHTS AND UPCOMING PROJECTS**

On June 20, 2013, the Authority executed a contract with Utility Service Co., Inc. for ice pigging services not to exceed \$120,000. However, the ice pigging has been delayed once again because the collector well and all of the pipeline east of the railroad tracks were above flood stage. When water receded it left behind 2 to 4 feet of mud, silt, and debris on the entrance road to the well. In late December 2015 the Mississippi River crested 2.5 feet lower than the 1993 flood. Therefore, ice pigging is not expected to be completed until April or May 2016 of this year.

Due to the recent flooding, the Authority is requesting FEMA assistance in the amount of \$461,555 to build up the access road to the Collector Well with shot rock to fill road base at 10 feet tall x 15 feet top x 75 feet wide base with 3:1 side slopes. It is yet to be determined if funding will become available.

This next fiscal year the Authority plans to replace four (4) turbidity monitors that are mandatory by state and federal regulations. The old units are outdated and the replacement parts are no longer available. Upgrades are also scheduled for the three meter vaults with new PLC cabinet lighting and meter vault lighting with new energy efficient LED lights, telemetry upgrades, and sump pump replacements for each meter vault. Two (2) river pump variable frequency drives are scheduled to be replaced once the ice pigging has been completed and an electrical amperage recording test is done to determine sizing needs on both pumps.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements presented in this report consist of the statement of net position; statement of revenues, expenses, and change in net position; and statement of cash flows. The statement of net position provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. The revenues and expenses are accounted for in the statement of revenues, expenses, and change in net position. This statement reports the revenues and expenses during the time period indicated, and can be used to determine whether the Authority has successfully recovered all of its costs through user fees and other charges. The primary purpose of the statement of cash flows is to provide information about the Authority's cash receipts and cash payments. This statement reports cash receipts, cash payments, and net changes in cash resulting from activities related to operations, capital and related financing, noncapital and related financing, and investing.

#### **STATEMENT OF NET POSITION**

The Authority's net position increased \$722,438 or 11%, which consisted of a \$877,940 decrease in total assets combined with a \$1,600,378 decrease in total liabilities. Net capital assets, which is discussed more in capital assets, decreased \$364,463 or 3%. Current assets increased by \$36,083 or 3%.

As of September 30, 2015, the Authority had net position of \$7,122,510.

**JEFFERSON COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A summary of financial position follows:

	<b>September 30</b>			<b>2015 Change</b>	
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Amount</b>	<b>Percent</b>
<b>ASSETS</b>					
Current assets	\$ 1,120,658	1,084,575	1,024,639	36,083	3 %
Noncurrent assets - restricted	7,031,458	7,337,258	7,614,953	(305,800)	(4)
Noncurrent assets - other	2,206,307	2,450,067	2,681,414	(243,760)	(10)
Net capital assets	13,535,539	13,900,002	14,200,012	(364,463)	(3)
Total Assets	<u>23,893,962</u>	<u>24,771,902</u>	<u>25,521,018</u>	<u>(877,940)</u>	<u>(4)</u>
<b>LIABILITIES</b>					
Current liabilities pay- able from current assets	113,911	49,956	92,553	63,955	128
Current liabilities pay- able from restricted assets	1,838,201	1,781,523	1,719,003	56,678	3
Long-term debt, less current maturities	14,819,340	16,540,351	18,146,718	(1,721,011)	(10)
Total Liabilities	<u>16,771,452</u>	<u>18,371,830</u>	<u>19,958,274</u>	<u>(1,600,378)</u>	<u>(9)</u>
<b>NET POSITION</b>					
Net investment in capital assets	1,619,218	804,676	144,640	814,542	101
Restricted	4,496,545	4,560,777	4,608,067	(64,232)	(1)
Unrestricted	1,006,747	1,034,619	810,037	(27,872)	(3)
Total Net Position	<u>\$ 7,122,510</u>	<u>6,400,072</u>	<u>5,562,744</u>	<u>722,438</u>	<u>11 %</u>

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**

Operating revenues increased by \$40,369 or 2%. This increase was due to the increase in wholesale water rate from \$3.96 to \$4.03.

Operating expenses increased by \$83,782 or 6%. This increase is largely due from contractual fees associated with cleaning and maintenance and increase in depreciation expense from facility improvements made.

**JEFFERSON COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A condensed version of the statements of revenues, expenses, and change in net position is as follows:

	<b>For The Years Ended September 30</b>			<b>2015 Change</b>	
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Amount</b>	<b>Percent</b>
<b>OPERATING REVENUES</b>	\$ 2,324,101	2,283,732	2,249,130	40,369	2 %
OPERATING EXPENSES	<u>1,385,724</u>	<u>1,301,942</u>	<u>1,192,089</u>	<u>83,782</u>	6
<b>OPERATING INCOME</b>	938,377	981,790	1,057,041	(43,413)	(4)
NONOPERATING (REVENUES) EXPENSES, NET	<u>215,939</u>	<u>144,462</u>	<u>(369,707)</u>	<u>71,477</u>	49
<b>CHANGE IN NET POSITION</b>	722,438	837,328	1,426,748	(114,890)	(14)
NET POSITION, BEGINNING OF YEAR	<u>6,400,072</u>	<u>5,562,744</u>	<u>4,135,996</u>	<u>837,328</u>	15
<b>NET POSITION, END OF YEAR</b>	<u>\$ 7,122,510</u>	<u>6,400,072</u>	<u>5,562,744</u>	<u>722,438</u>	11 %

**STATEMENT OF CASH FLOWS**

The Authority's rate structure is designed to collect sufficient revenues to cover operating expenses. The Authority accomplished that objective during 2015. The net cash used in operating activities was used primarily for payment of debt, and capital improvements.

**CAPITAL ASSETS**

Net capital assets were \$13,535,539 at September 30, 2015 compared to \$13,900,002, a decrease of \$364,463 or 3%. The Authority's capital assets consist primarily of the water plant. The decrease is due to the plant improvements in the amount of \$95,926, which was offset by annual depreciation in the amount of \$455,746 and loss on disposal of assets in the amount of \$4,643.

Additional information on the Authority's capital assets can be found in Note E in the notes to financial statements.

**LONG-TERM DEBT**

The Authority's long-term liabilities of \$16,512,446 at September 30, 2015 decreased by \$1,649,177 from 2014. This decrease was principally due to scheduled principal payments on the debt.

Additional information on the Authority's long-term debt can be found in Note F in the notes to financial statements.

**JEFFERSON COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**DEBT SERVICE COVERAGE**

Pursuant to Section 5A.8 of the Loan Agreement, the Authority is required to set the rates and charges at a level such that the net revenues available for debt service shall not be less than 1.10 times maximum annual debt service calculated with respect to the Series 2001C Note, and any outstanding parity obligations (Series 2002A and 2012 Direct Loan). If the net revenues fall below the 1.10 rate covenant requirement, the Authority agrees to retain a consultant to make recommendations to increase the annual debt service coverage.

Debt service ratio calculation is as follows:

	<b>For The Year Ended September 30 2015</b>
<b>REVENUE</b>	
Water sales	\$ 2,324,101
Investment income	200,418
Other income (Herculaneum reimbursement and debt)	288,418
Total Revenue	2,812,937
 <b>LESS - OPERATING EXPENSES</b>	 929,978
 <b>NET REVENUES FOR DEBT COVERAGE</b>	 \$ 1,882,959
 <b>ANNUAL DEBT SERVICE</b>	 \$ 1,650,962
 <b>DEBT SERVICE COVERAGE RATIO</b>	 114.1 %

**RESTRICTED ASSETS**

Total restricted assets were \$7,031,458 at September 30, 2015 compared to \$7,337,258 at September 30, 2014. The Authority's debt covenants specify the manner in which monies on deposit in the various funds must be used. The depreciation and replacement account is used only for paying the cost of extensions, enlargements, replacements, or additions to the capital assets of the Authority. Restricted assets decreased \$305,800 or 4% primarily due to the decrease in the SRF Reserve accounts (debt service payments) in the amount of \$470,172.

**OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

The Authority's overall financial position in 2015 increased 11% as shown by the net position increase of \$722,438. The Authority continues to plan for future growth.

**REQUEST FOR INFORMATION**

This report is intended to provide our customers and other interested parties with a general overview of the financial position of the Authority and to indicate accountability for the revenues received. Questions about this report or requests for additional information should be directed to the Treasurer, Michelle Guidicy, at 636-937-4694.

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 515,114
Investments	346,000
Receivables:	
Service charges	191,022
Other receivable	5,921
Prepaid insurance	42,643
Inventory	19,958
Total Current Assets	<u>1,120,658</u>

#### Noncurrent Assets

##### Restricted assets:

Cash and cash equivalents	293,092
Investments	6,677,079
Receivables:	
Interest receivable	61,287
Total Restricted Assets	<u>7,031,458</u>

##### Other assets:

Due from City of Herculanum	<u>2,206,307</u>
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##### Capital assets:

Land and construction in progress	373,444
Other capital assets, net of accumulated depreciation	13,162,095
Total Capital Assets	<u>13,535,539</u>
Total Noncurrent Assets	<u>22,773,304</u>
Total Assets	<u>23,893,962</u>

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF NET POSITION (Continued)

SEPTEMBER 30, 2015

### LIABILITIES

#### Current Liabilities

Accounts payable	100,902
Accrued payroll liabilities	13,009
Payable from restricted assets:	
Current maturities of long-term debt	1,693,106
Accrued interest payable	145,095
Total Current Liabilities	<u>1,952,112</u>

#### Long-term Debt, less current maturities

Revenue bonds payable	10,114,121
Notes payable	4,105,019
Loan payable	600,200
Total Long-term Liabilities	<u>14,819,340</u>
Total Liabilities	<u>16,771,452</u>

### NET POSITION

Net investment in capital assets	1,619,218
Restricted for debt service	3,055,809
Restricted for depreciation and replacement	1,440,736
Unrestricted	1,006,747
Total Net Position	<u>\$ 7,122,510</u>

**JEFFERSON COUNTY WATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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<b>WATER SALES</b>	\$ 2,324,101
OPERATING AND MAINTENANCE EXPENSES	<u>(929,978)</u>
<b>OPERATING INCOME BEFORE DEPRECIATION EXPENSE</b>	1,394,123
DEPRECIATION EXPENSE	<u>(455,746)</u>
<b>OPERATING INCOME</b>	<u>938,377</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	200,418
Reimbursement and miscellaneous	45,087
Net amortization	27,905
Loss on disposal	(4,643)
Interest expense	<u>(484,706)</u>
Total Nonoperating Revenues (Expenses)	<u>(215,939)</u>
<b>CHANGE IN NET POSITION</b>	722,438
NET POSITION, OCTOBER 1, 2014	<u>6,400,072</u>
<b>NET POSITION, SEPTEMBER 30, 2015</b>	<u><u>\$ 7,122,510</u></u>

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

### INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

#### Cash flows from operating activities:

Cash received from customers	\$ 2,320,783
Cash payments to suppliers for goods and services	(944,946)
Net Cash Provided By Operating Activities	<u>1,375,837</u>

#### Cash flows from noncapital financing activities:

Intergovernmental	14,093
Decrease in due from City of Herculaneum	243,760
Reimbursements and miscellaneous	39,316
Net Cash Provided By Noncapital Financing Activities	<u>297,169</u>

#### Cash flows from capital and related financing activities:

Payments on notes payable	(470,172)
Payments on loan payable	(31,100)
Payments on bonds payable	(1,120,000)
Interest paid on debt	(499,862)
Purchase of capital assets	(15,780)
Net Cash Used In Capital And Related Financing Activities	<u>(2,136,914)</u>

#### Cash flows from investing activities:

Decrease in investments	186,553
Investment income	204,538
Net Cash Provided By Investing Activities	<u>391,091</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (72,817)

CASH AND CASH EQUIVALENTS, OCTOBER 1, 2014 881,023

CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2015 \$ 808,206

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2015

### RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

#### Cash flows from operating activities:

Operating income	<u>\$ 938,377</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	455,746
(Increase) decrease in:	
Accounts receivable	(3,318)
Inventory	3,868
Prepaid insurance	(2,645)
Increase (decrease) in:	
Accounts payable	(14,637)
Accrued payroll liabilities	(1,554)
Total Adjustments	<u>437,460</u>
 Net Cash Provided By Operating Activities	 <u><u>\$ 1,375,837</u></u>

#### Supplemental disclosure of cash flow information:

##### Noncash capital and related financing activities:

Capital asset included in accounts payable	<u><u>\$ 80,146</u></u>
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**JEFFERSON COUNTY WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**JEFFERSON COUNTY WATER AUTHORITY** (the Authority) is a nonprofit corporation organized in order to promote health and general welfare of the inhabitants residing within those municipalities and public water supply districts (collectively, the “Governmental Entities”) who subscribe to the membership of the Authority, by taking appropriate action to acquire by purchase, develop, and sell potable water supply to sponsoring municipalities. The Authority was incorporated in January 2000 and began its activities in November 2001. The Authority began delivery of water to customers in September 2003. The more significant accounting policies consistently applied by the Authority in the preparation of the accompanying financial statements are summarized below:

**1. Reporting Entity**

The financial statements of the Authority include the financial activities of the Authority and any component units, entities which are financially accountable to the Authority. The Authority does not currently have any component units.

**2. Basis of Accounting**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Revenues and expenses are categorized as either operating or nonoperating. Operating revenues and expenses include charges that are assessed to the beneficiaries of the service and the cost of providing the service. Nonoperating and other activities primarily include investment income, interest expense, and capital contributions.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

**3. Investments**

Investments are reported at cost which approximates fair value.

**4. Accounts Receivable**

In the opinion of management, all receivables are collectible in full; therefore, no allowance for doubtful accounts is provided.

**5. Inventory**

Inventory is valued at cost (first-in, first-out) and the expense is recognized when inventories are consumed in operations.

**JEFFERSON COUNTY WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. Prepaid Insurance**

Prepaid insurance consist of payments that will benefit periods beyond the fiscal year-end.

**7. Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 for machinery & equipment, \$25,000 for buildings and building improvements, and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair value at the date of contribution.

Depreciation is being computed on the straight-line method, using assets lives as follows:

<b>Assets</b>	<b>Years</b>
Land improvements	20
Buildings	30
Water plant and equipment	7 - 50
Vehicles	5 - 10
Computer equipment and software	3 - 15

Depreciation expense charged to operations for the year ended September 30, 2015 amounted to \$455,746.

Interest is capitalized on the Authority’s assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority does not currently have any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not currently have any deferred inflows.

**JEFFERSON COUNTY WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. Debt Premiums**

Net premiums on debt issues are presented as an addition to the face amount and are amortized on the straight-line method over the terms of the debt. Amortization of premiums recognized in operations for the year ending September 30, 2015, amounted to \$27,905.

**10. Water Sales**

Water revenue is recorded when earned. Billings are rendered on a monthly basis.

**11. Statement of Cash Flows**

For the purpose of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**12. Income Taxes**

The Authority is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**13. Budgets and Budgetary Accounting**

The annual budget is adopted on a basis that is substantially consistent with accounting principles generally accepted in the United States of America. Budgeted amounts lapse at fiscal year-end. The Authority is required to adopt an annual budget prior to the beginning of each fiscal year. Budgetary control is at the fund level. Management may not exceed budgeted amounts on a line-item basis without Board approval. All amendments to fund totals must be approved by the Board.

**14. Restricted Assets**

Certain resources set aside for the repayment of debt and depreciation and replacement accounts are classified as restricted assets on the statement of net position because their use is limited by applicable debt covenants.

**15. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly actual results could differ from those estimates.

**JEFFERSON COUNTY WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - CASH AND INVESTMENTS**

The Authority’s bank deposits are secured by the deposit of certain securities with the Authority or trustee institution. The value of the securities must amount to the total of the Authority’s cash not insured by the Federal Deposit Insurance Corporation. As of September 30, 2015, the Authority’s bank balances were entirely secured or collateralized with securities held by the Authority or by its agent in the Authority’s name.

As of September 30, 2015, the Authority had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Maturities</u>			<u>Credit Risk</u>	
		<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>		<u>6 - 10 Years</u>
Certificates of deposit	\$ 1,792,000	-	746,000	1,046,000	-	N/A
Guaranteed investment contract	5,231,079	-	-	-	5,231,079	Not rated
Money market funds	10,149	10,149	-	-	-	Not rated
Repurchase agreement	777,499	-	777,499	-	-	AAA
Total Investments	<u>7,810,727</u>	<u>10,149</u>	<u>1,523,499</u>	<u>1,046,000</u>	<u>5,231,079</u>	
Cash	<u>20,558</u>					
Total Cash And Investments	<u>\$ 7,831,285</u>					

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority does not have a written investment policy covering credit risk.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority does not have a written investment policy covering interest rate risk.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the Authority’s investment in a single issuer. The Authority does not have a written investment policy covering concentration of credit risk.

**NOTE C - CONCENTRATION**

The Authority entered into a water rate agreement to provide water to the City of Festus and the City of Herculaneum. The Board of Directors and officers of the Authority are made up of individuals associated with the two noted cities, thus making them related parties. The agreements are as follows:

On March 26, 2001, the City of Herculaneum entered into a contract with the Authority to purchase 480,000 gallons of water per day. On August 16, 2011, the City of Herculaneum Board of Alderman approved amending the water usage obligation to 520,000 gallons of water per day as of October 1, 2011 with the understanding that should the largest consumer of water from the City of Herculaneum reduce its water usage significantly, or should the City of Herculaneum’s usage decrease for any unforeseen reason by 20% over a consecutive three month period, then it would revert back to its original contract of 480,000 gallons per day. As of July 1, 2012, the City of Herculaneum reverted to the original 480,000 gallons per day.

**JEFFERSON COUNTY WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - CONCENTRATION (Continued)**

On March 28, 2001, the City of Festus entered into a similar contract with the Authority to purchase 1,100,000 gallons of water per day.

**NOTE D - RISK MANAGEMENT**

The Authority carries commercial insurance for its risks of loss, including workers' compensation, property, general umbrella, and public officials' liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE E - CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	<b>For The Year Ended September 30, 2015</b>			
	<b>Balance September 30 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30 2015</b>
Capital assets not being depreciated:				
Land	\$ 373,444	-	-	373,444
Capital assets being depreciated:				
Land improvements	7,998	-	-	7,998
Water plant	17,385,643	89,473	89,302	17,385,814
Buildings and building improvements	18,657	-	-	18,657
Vehicles	15,276	-	-	15,276
Computer equipment and software	28,428	15,780	1,558	42,650
Audio visual equipment	9,327	-	9,327	-
Total Capital Assets				
Being Depreciated	17,465,329	105,253	100,187	17,470,395
Less - Accumulated depreciation for:				
Land improvements	2,355	400	-	2,755
Water plant	3,887,436	457,982	84,659	4,260,759
Buildings and building improvements	4,508	622	-	5,130
Vehicles	15,276	-	-	15,276
Computer equipment and software	21,293	4,645	1,558	24,380
Audio visual equipment	7,903	-	7,903	-
Total Accumulated				
Depreciation	3,938,771	463,649	94,120	4,308,300
Total Capital Assets Being Depreciated, Net	13,526,558	(358,396)	6,067	13,162,095
Total Capital Assets, Net	\$ 13,900,002	(358,396)	6,067	13,535,539

**JEFFERSON COUNTY WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - LONG-TERM DEBT**

A summary of changes in long-term debt is as follows:

	<b>For The Year Ended September 30, 2015</b>			<b>Balance September 30 2015</b>	<b>Amounts Due Within One Year</b>
	<b>Balance September 30 2014</b>	<b>Additions</b>	<b>Reductions</b>		
Revenue bonds payable	\$ 12,190,000	-	1,120,000	11,070,000	1,170,000
Notes payable	5,066,297	-	470,172	4,596,125	491,106
Loan payable	663,300	-	31,100	632,200	32,000
Total	<u>\$ 17,919,597</u>	<u>-</u>	<u>1,621,272</u>	<u>16,298,325</u>	<u>1,693,106</u>

Long-term debt consisted of the following:

	<b>September 30 2015</b>
<b>Revenue Bonds Payable</b>	
\$10,435,000 revenue bonds, Series 2001C, due in annual installments through July 1, 2023, interest payable at 3% to 5.375%.	\$ 6,300,000
\$8,230,000 revenue bonds, Series 2002A, due in annual installments through January 2023, interest payable at 3% to 5.375%.	<u>4,770,000</u>
Total	11,070,000
Less - Current maturities	1,170,000
Plus - Unamortized debt premiums, net	<u>214,121</u>
Total Revenue Bonds Payable	<u>\$ 10,114,121</u>
<b>Notes Payable</b>	
State Revolving Fund - 2001C, no interest	\$ 2,157,871
State Revolving Fund - 2002A, no interest	<u>2,438,254</u>
Total	4,596,125
Less - Current maturities	<u>491,106</u>
Total Notes Payable	<u>\$ 4,105,019</u>

**JEFFERSON COUNTY WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - LONG-TERM DEBT (Continued)**

	<b>September 30</b> <b>2015</b>
<b>Loan Payable</b>	
\$751,000 loan from the Missouri Department of Natural Resources, due in installments through July 1, 2032, interest payable at 1.36%.	\$ 632,200
Less - Current maturities	<u>32,000</u>
Total Loan Payable	<u>\$ 600,200</u>

Annual debt service requirements to maturities are as follows:

<b>For The Years Ending September 30</b>	<b>Revenue Bonds</b>		<b>Notes Payable</b>	<b>Loan Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 1,170,000	558,613	491,106	32,000	8,489
2017	1,230,000	494,919	515,827	32,000	8,054
2018	1,285,000	428,134	538,578	33,000	7,619
2019	1,350,000	358,125	546,641	34,000	7,163
2020	1,410,000	287,644	624,894	34,000	6,700
2021 - 2025	4,625,000	418,625	1,879,079	182,100	26,307
2026 - 2030	-	-	-	199,200	13,412
2031 - 2032	-	-	-	85,900	1,469
Total	\$ 11,070,000	2,546,060	4,596,125	632,200	79,213

In conjunction with SRF - 2001C and 2002A notes, a reserve account has been established with a noninterest loan funded with federal capitalization grants and matching funds from the State of Missouri.

When fully funded, this loan (reserve account) will be funded in an amount equal to 33.3% for the 2001C and 50% for the Series 2002A of the outstanding principal amount of such bonds. The reserve account is held in trust. As the principal amount of such bonds is repaid, the amounts held in the reserve account will be reduced such that the reserve account will equal 33.33% and 50%, respectively, of the remaining principal balance of such bonds.

**JEFFERSON COUNTY WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - LONG-TERM DEBT (Continued)**

The City of Herculaneum’s share of long-term debt is as follows:

<b>2001C</b>				
<b>Bond Payable</b>	<b>City Of Herculaneum's Share</b>	<b>Subtotal</b>	<b>Less - Reimbursements</b>	<b>Total</b>
\$ 10,345,000	3.382332106%	\$ 352,946	\$ 145,529	\$ 207,417

  

<b>2002A</b>				
<b>Bond Payable</b>	<b>City Of Herculaneum's Share</b>	<b>Subtotal</b>	<b>Less - Reimbursements</b>	<b>Total</b>
\$ 8,230,000	45.766344165%	\$ 3,766,570	\$ 1,767,680	\$ 1,998,890

**NOTE G - EMPLOYEES’ PROFIT SHARING PLAN**

The Authority contributes to a 401(k) Profit Sharing Plan, which is monitored by Nationwide Retirement Solutions. Employees are eligible to participate in the deferral compensation program at the end of six months of service. The Authority will match 50% of the participant’s elective deferral percentage up to 3%. The Authority may also make discretionary contributions throughout the year which are allocated among all employees even if they are not a participant in the profit sharing plan. The amounts withheld from each paycheck and submitted by the Authority directly to Nationwide on behalf of the employees for the year ended September 30, 2015 is \$2,036. The amount contributed by the Authority in 2015 was \$12,018.

**NOTE H - COMMITMENT**

At September 30, 2015, the Authority had a commitment for collector well rehabilitation and maintenance services totaling \$1,068,639.

In 2014, the Authority entered into a multi-year agreement with a company to provide improvements and maintenance of certain capital assets of the Authority. Total amounts expected to be paid under the contract will be \$131,250 for the year ended September 30, 2016.

**NOTE I - RELATED PARTIES**

The Authority purchased repairs and maintenance services from a company owned by a board member. As of September 30, 2015, total payments amounted to \$850.

**SUPPLEMENTAL INFORMATION SECTION**

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES**  
**AND EXPENSES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>WATER SALES</b>	\$ 2,324,101	2,324,101	2,324,101	-
<b>SOURCE OF SUPPLY AND PUMPING EXPENSES</b>				
Chemicals	120,000	120,000	109,096	(10,904)
Payroll expenses	341,076	341,076	307,789	(33,287)
Repairs and maintenance	357,380	237,380	201,022	(36,358)
Supplies	21,050	21,050	15,528	(5,522)
Total Source Of Supply And Pumping Expenses	<u>839,506</u>	<u>719,506</u>	<u>633,435</u>	<u>(86,071)</u>
<b>ACCOUNTING, COLLECTION, AND ADMINISTRATIVE EXPENSES</b>				
Bank fees	59,464	59,464	60,300	836
Dues and subscriptions	2,100	2,100	1,696	(404)
Insurance and bonds	53,194	53,194	51,431	(1,763)
Miscellaneous	1,000	1,000	626	(374)
Office supplies, postage, advertising, travel	6,025	7,775	6,580	(1,195)
Professional services	14,400	14,400	14,414	14
Utilities	185,340	185,340	161,496	(23,844)
Total Accounting, Collection, And Administrative Expenses	<u>321,523</u>	<u>323,273</u>	<u>296,543</u>	<u>(26,730)</u>
<b>OPERATING AND MAINTENANCE EXPENSES</b>	<u>1,161,029</u>	<u>1,042,779</u>	<u>929,978</u>	<u>(112,801)</u>

(Continued)

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES**  
**AND EXPENSES - BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>OPERATING INCOME BEFORE DEPRECIATION EXPENSE</b>	1,163,072	1,281,322	1,394,123	112,801
<b>DEPRECIATION EXPENSE</b>	-	-	(455,746)	455,746
<b>OPERATING INCOME</b>	<u>1,163,072</u>	<u>1,281,322</u>	<u>938,377</u>	<u>(342,945)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	232,574	232,574	200,418	(32,156)
Reimbursement and miscellaneous	352,480	352,480	45,087	(307,393)
Net amortization	27,905	27,905	27,905	-
Loss on sale of assets	-	-	(4,643)	4,643
Interest expense	(628,403)	(628,403)	(484,706)	(143,697)
Total Nonoperating Revenues (Expenses)	<u>(15,444)</u>	<u>(15,444)</u>	<u>(215,939)</u>	<u>200,495</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 1,147,628</u>	<u>1,265,878</u>	<u>722,438</u>	<u>543,440</u>

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - RESTRICTED ASSETS BREAKDOWN**  
**SEPTEMBER 30, 2015**

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Accounts funded for specific debt within one-year:

2001C interest	\$ 62,473
2001C principal	170,000
2002A interest	34,980
2002A principal	367,500
2012 interest	2,150
2012 principal	<u>8,000</u>
Total	<u>\$645,103</u>

Reserve account funded from State of Missouri (SRF):

2001C State Revolving Fund Reserve	\$2,157,871
2002A State Revolving Fund Reserve	<u>2,438,254</u>
Total	<u>\$4,596,125</u>

Annual depreciation and replacement account requirement:

Pursuant to the outstanding parity obligation documents, beginning January 1, 2004 the Authority needs to deposit \$6,300 per month into a separate depreciation and replacement account requirement for the 2002A Series and then commencing on July 1, 2004 an additional monthly deposit of \$4,117 is required for the 2001C Series until the maximum requirement is met of \$1,034,700 which allows the maximum requirement to be spread over a six-year period.

Replacement account balance	\$ 272,736
Replacement investment account balance	<u>1,168,000</u>
Total	<u>\$1,440,736</u>

The City of Herculaneum's 110% Debt Coverage Ratio:

The City of Herculaneum is responsible for covering the 110% debt service ratio based on their share of debt service payments on the 2001C Series or 3.382332106% and debt service payments on the 2002A Series or 45.766344165%, which was based on construction funds released from the investment account to cover their infrastructure projects. It was agreed that the additional 10% paid to the Authority would be deposited into a separate reserve account until their share of the bonds have been paid in full or applied to the final debt service payment.

City of Herculaneum's reserve account	\$ 10,207
City of Herculaneum's reserve investment account	<u>278,000</u>
Total	<u>\$ 288,207</u>

Total Restricted Cash And Investments At September 30, 2015	<u>\$6,970,171</u>
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**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - BOARD OF**  
**DIRECTORS AND OFFICERS**  
**SEPTEMBER 30, 2015**

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<u>Name</u>	<u>Position</u>	<u>Term</u>
Timothy Montgomery, City of Festus	President	Appointed
Mark Johnson, City of Herculaneum	Vice President	Appointed
Jim Kasten, City of Herculaneum	Director	Appointed
Brent Adams, City of Festus	Director	Appointed
Terry Thomas, City of Herculaneum	Director	Appointed
Gary Underwood, City of Festus	Director	Appointed
Michelle Guidicy, City of Festus	Treasurer	Appointed
Kerry Patek, City of Festus	Secretary	Appointed