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**JEFFERSON COUNTY  
WATER AUTHORITY**

**FINANCIAL REPORT**  
(Audited)

Year Ended September 30, 2020

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

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## **INDEPENDENT AUDITOR'S REPORT**

February 11, 2021

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), as of and for the year ended September 30, 2020, 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.

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, 2020, 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 of the financial report, is presented for purposes of additional analysis and is 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 11, 2021 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.

*Sikich LLP*

**CERTIFIED PUBLIC ACCOUNTANTS**

*Washington, Missouri*

# **JEFFERSON COUNTY WATER AUTHORITY**

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

### **FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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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, 2020 and 2019.

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

On September 23, 2014, the Authority executed a contract with Utility Service Co., Inc. for collector well rehabilitation and maintenance services. This will be the 6th year for this service. The collector well laterals were cleaned in October 2019 and again in September 2020, which is normally cleaned annually in October. However, the board approved to move the cleaning up a month in hopes to produce more water since lateral No. 5 has been shut down because of poor water quality. An improvement in overall water quality has resulted in the past from these cleanings along with an increase in pumping level inside of the caisson. The reason for the sooner time was because water treatment plant was experiencing very low pumping levels inside of the collector well. The hope was to increase our water pumping level due to the low levels. This did help some for a time. For fiscal year 2019 - 2020 the cost of the collector well cleaning was \$130,460 (October 2019) and \$132,369 (September 2020). The next cleaning will be done in October or November 2021.

During the fiscal year 2019 - 2020, several items were budgeted for replacement and/or capital improvements and were funded through either the depreciation/replacement account or the reserve account:

#### **Depreciation/Replacement Account Items Replaced (cost):**

##### **Cl2 Building:**

The chlorine building had been an ongoing project. This project was a large undertaking and is for all intents and purposes complete. Except for a few minor items, the building has been approved by DNR.

##### **SCADA System Upgrade:**

The old servers and software for the facility were outdated and due for replacement. New servers could not be installed with the existing software because the software was no longer supportive. Under phase one of the SCADA system upgrade, new servers and SCADA software were installed. Phase two of this project, which includes replacing PLC's, will be completed in the upcoming fiscal year. During the phase one project, two monitors were added to improve better viewing of the SCADA control screens and the old monitors were relocated to the office and laboratory. Also, new Cat 6a cables were ran from the PLC cabinet in the control room and from the lower lime panel in the electrical room to solve a latency problem with the new servers.

##### **Replacement Clari-Cone Grit Valve:**

The Clari-Cone grit valve was replaced in November 2019 and has improved the grit blowdowns because it can now be controlled from the SCADA system and is also now a full port valve that permits smoother and more flow without major clogging.

##### **Collector Well:**

In March 2020, No. 2 river pump, motor, and column was replaced due to failure, at no cost to JCWA, since it is under a maintenance contract with SUEZ (Utility Services).

# **JEFFERSON COUNTY WATER AUTHORITY**

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

### **FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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Due to the probable failure of #5 lateral, more investigation was needed to determine the exact form of failure that happened. Board of Director's contracted with Layne to do a camera inspection of the lateral. This project proved to be problematic and was unable to be performed due to the cloudiness of the water and unable to see anything of value.

After the collection of data that was collected from the bathymetric survey the Directors have approved and classified this as an emergency project to fill in the scour hole that is located directly over lateral No. 5.

Engineering work for building a new collector well to solve low flow problems has started and is being performed by Burns & McDonnell. This project will prove to be greatly beneficial to JCWA.

#### **High Service Pump Motors No. 1 and No. 2:**

In April 2020 both No. 1 and No. 2 high service motors failed. Both motors are attached to the main distribution pumps that supply water to the respective cities. Both motors had to have complete rebuilds due to failure. It was deemed emergency repairs considering the nature of what both pumps do to bring water to both cities because without them we are unable to supply water.

#### **Upcoming Budget Year 2020 - 2021:**

The Authority has several replacement items and capital improvements that were not completed this past fiscal year that have been re-budgeted for the current fiscal year along with additional replacement items as per the replacement schedule, which include the following:

- Clari-Cone Cleaning Inside and Out
- Replace CO2 Components
- Replace 2 Lime Slurry Pumps
- Replace SCADA System Upgrade (PLC5, CPU's, Software, Cabling and Radio Controls for Meter Vaults)
- SEMS Software
- Office Upgrades (Computers and Printers)
- Design - Build Collector Well
- Electrical Audit

#### **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 activities, and investing activities.

**JEFFERSON COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**STATEMENT OF NET POSITION**

The Authority's net position increased \$1,223,384 or 11%, which consisted of a \$49,333 decrease in total assets combined with a \$1,272,717 decrease in total liabilities. Net capital assets, which is discussed more in capital assets, decreased \$329,209, or 37%. Current assets increased by \$371,097 or 22%. As of September 30, 2020, the Authority had net position of \$12,217,577.

A summary of financial position follows:

	<u>September 30</u>		<u>2020 Change</u>	
	<u>2020</u>	<u>Restated 2019</u>	<u>Amount</u>	<u>Percent</u>
<b>ASSETS</b>				
Current assets	\$ 2,038,952	1,667,855	371,097	22 %
Restricted assets	3,196,693	2,971,088	225,605	8
Noncurrent assets - other	772,077	1,088,903	(316,826)	(29)
Net capital assets	11,749,163	12,078,372	(329,209)	(3)
Total Assets	<u>17,756,885</u>	<u>17,806,218</u>	<u>(49,333)</u>	-
<b>LIABILITIES</b>				
Current liabilities payable from current assets	313,108	95,609	217,499	227
Current liabilities payable from restricted assets	1,569,301	1,521,713	47,588	3
Long-term debt, less current maturities	3,656,899	5,194,703	(1,537,804)	(30)
Total Liabilities	<u>5,539,308</u>	<u>6,812,025</u>	<u>(1,272,717)</u>	(19)
<b>NET POSITION</b>				
Net investment in capital assets	6,582,364	5,439,669	1,142,695	21
Restricted	3,909,369	3,982,278	(72,909)	(2)
Unrestricted	1,725,844	1,572,246	153,598	10
Total Net Position	<u>\$ 12,217,577</u>	<u>10,994,193</u>	<u>1,223,384</u>	11 %

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

Operating revenues increased by \$65,096 or 2%. This increase was due to the increase in the wholesale water rate from \$4.60 to \$4.70.

Operating expenses increased by \$162,164 or 12%. This increase is largely due to an increased need for maintenance and repairs.

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

**JEFFERSON COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	For The Years Ended September 30		2020 Change	
	2020	2019	Amount	Percent
<b>OPERATING REVENUES</b>	\$ 2,717,916	2,652,820	65,096	2 %
OPERATING EXPENSES	<u>1,532,527</u>	<u>1,370,373</u>	<u>162,154</u>	12
<b>OPERATING INCOME</b>	1,185,389	1,282,447	(97,058)	(8)
NONOPERATING (REVENUES) EXPENSES, NET	<u>62,101</u>	<u>13,353</u>	<u>48,748</u>	365
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	1,123,288	1,269,094	(145,806)	(11)
CAPITAL CONTRIBUTIONS	<u>100,096</u>	<u>-</u>	<u>100,096</u>	100
<b>CHANGE IN NET POSITION</b>	1,223,384	1,269,094	(45,710)	(4)
NET POSITION, BEGINNING OF YEAR	<u>10,994,193</u>	<u>9,725,099</u>	<u>1,269,094</u>	13
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 12,217,577</u></u>	<u><u>10,994,193</u></u>	<u><u>1,223,384</u></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 2020. The net cash provided by operating activities was used primarily for payment of debt, and capital improvements.

**CAPITAL ASSETS**

Net capital assets were \$11,749,163 at September 30, 2020 compared to \$12,078,372, a decrease of \$329,209, or 3%. The Authority's capital assets consist primarily of the water plant. The decrease is due to the plant and building improvements in the amount of \$183,875, which was offset by annual depreciation in the amount of \$414,821 and loss on disposal of assets in the amount of \$98,263.

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 \$5,166,799 at September 30, 2020 decreased by \$1,471,904 from 2019. This decrease was primarily 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, 2020**

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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 average annual debt service calculated with respect to the Series 2001C Bonds, 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 2020</b>
<b>REVENUE</b>	
Water sales	\$ 2,717,916
Intergovernmental interest subsidy	80,969
Investment income	99,725
Other income (Herculaneum reimbursement and debt)	357,926
Total Revenue	3,256,536
LESS - OPERATING EXPENSES	1,117,706
<b>NET REVENUES FOR DEBT COVERAGE</b>	<b>\$ 2,138,830</b>
<b>ANNUAL DEBT SERVICE</b>	<b>\$ 1,682,842</b>
<b>DEBT SERVICE COVERAGE RATIO</b>	<b>127.1 %</b>

**RESTRICTED ASSETS**

Total restricted assets were \$3,196,693 at September 30, 2020 compared to \$2,971,088 at September 30, 2019. 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 increased \$225,605 or 8% primarily due to the increase in the Replacement reserve in the amount of \$199,590.

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

The Authority's overall financial position in 2020 increased 11% as shown by the net position increase of \$1,223,384. 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 Vaughn, at 636-937-4694.

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 1,156,123
Investments	358,500
Receivables:	
Service charges	222,780
Other	215,378
Prepaid insurance	45,055
Inventory	41,116
Total Current Assets	<u>2,038,952</u>

#### Restricted Assets

Cash and cash equivalents	844,984
Investments	2,318,099
Receivables:	
Interest receivable	33,610
Total Restricted Assets	<u>3,196,693</u>

#### Noncurrent Assets

Other assets:	
Due from City of Herculaneum	<u>772,077</u>
Capital assets:	
Land and construction in progress	373,444
Other capital assets, net of accumulated depreciation	11,375,719
Total Capital Assets	<u>11,749,163</u>
Total Noncurrent Assets	<u>12,521,240</u>
Total Assets	<u>17,756,885</u>

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF NET POSITION (Continued)

SEPTEMBER 30, 2020

### LIABILITIES

#### Current Liabilities

Accounts payable	286,059
Accrued payroll liabilities	27,049
Payable from restricted assets:	
Current maturities of long-term debt	1,509,900
Accrued interest payable	59,401
Total Current Liabilities	<u>1,882,409</u>

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

Revenue bonds payable	3,224,599
Loan payable	432,300
Total Long-term Liabilities	<u>3,656,899</u>
Total Liabilities	<u>5,539,308</u>

### NET POSITION

Net investment in capital assets	6,582,364
Restricted for debt service	1,979,907
Restricted for depreciation and replacement	1,929,462
Unrestricted	<u>1,725,844</u>
Total Net Position	<u>\$ 12,217,577</u>

**JEFFERSON COUNTY WATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<b>WATER SALES</b>	<u>\$ 2,717,916</u>
<b>OPERATING EXPENSES</b>	
Payroll expenses	329,220
Supplies and materials	142,849
Professional services	28,394
Utilities	134,906
Depreciation	414,821
Repairs and maintenance	405,372
Insurance	34,946
Office expenses	42,019
Total Operating Expenses	<u>1,532,527</u>
<b>OPERATING INCOME</b>	<u>1,185,389</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Intergovernmental	87,821
Investment income	99,725
Reimbursement and miscellaneous	41,242
Loss on disposal	(98,263)
Interest expense	(192,626)
Total Nonoperating Revenues (Expenses)	<u>(62,101)</u>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	1,123,288
<b>CAPITAL CONTRIBUTIONS</b>	<u>100,096</u>
<b>CHANGE IN NET POSITION</b>	1,223,384
<b>NET POSITION, OCTOBER 1</b>	<u>10,994,193</u>
<b>NET POSITION, SEPTEMBER 30</b>	<u><u>\$ 12,217,577</u></u>

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

#### Cash flows from operating activities:

Cash received from customers	\$ 2,713,176
Cash payments to suppliers for goods and services	(1,118,361)
Net Cash Provided By Operating Activities	<u>1,594,815</u>

#### Cash flows from noncapital financing activities:

Decrease in due from City of Herculaneum	316,826
Intergovernmental	80,969
Reimbursements and miscellaneous	41,242
Net Cash Provided By Noncapital Financing Activities	<u>439,037</u>

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

Payments on loan payable	(34,000)
Payments on bonds payable	(1,410,000)
Interest paid on debt	(238,842)
Purchase of capital assets	(83,779)
Net Cash Used In Capital And Related Financing Activities	<u>(1,766,621)</u>

#### Cash flows from investing activities:

Decrease in investments	551,275
Investment income	113,094
Net Cash Provided By Investing Activities	<u>664,369</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 931,600

CASH AND CASH EQUIVALENTS, OCTOBER 1 1,069,507

**CASH AND CASH EQUIVALENTS, SEPTEMBER 30** \$ 2,001,107

### RECONCILIATION WITH STATEMENT OF NET POSITION

Cash and cash equivalents	\$ 1,156,123
Cash and cash equivalents - restricted	844,984
Total Reconciliation With Statement Of Net Position	<u><u>\$ 2,001,107</u></u>

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

#### Cash flows from operating activities:

Operating income	<u>\$ 1,185,389</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	414,821
(Increase) decrease in:	
Accounts receivable	(210,262)
Inventory	(12,243)
Prepaid insurance	(389)
Increase (decrease) in:	
Accounts payable	211,992
Accrued payroll liabilities	5,507
Total Adjustments	<u>409,426</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,594,815</u></u>

#### Schedule of noncash capital and related financing activities:

Contribution of capital assets	<u><u>\$ 100,096</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 Board of Directors is appointed by the governing body of each member of the Authority. 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 as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. 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 with a maturity of one year or less when purchased are reported at cost or amortized cost.

**4. Accounts Receivable**

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

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

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

**5. Inventory**

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

**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 and equipment, \$25,000 for buildings and building improvements, and an estimated useful life greater than one year. Such assets are recorded at historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated acquisition 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 and building improvements	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, 2020 amounted to \$414,821.

**8. 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, 2020, amounted to \$27,904.

**9. Water Sales**

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

**10. 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.

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

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

**11. Income Taxes**

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

**12. 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.

**13. 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.

**14. 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.

**NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**1. Deposits**

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, 2020, 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.

**2. Investments**

As of September 30, 2020, the Authority had the following investments:

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

**NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

<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>	
Nonnegotiable certificates of deposit	\$ 2,070,000	-	2,070,000	-	N/A
Guaranteed investment contract	606,599	-	-	606,599	Not rated
Money market funds	10,089	-	10,089	-	Not rated
Total Investments	<u>2,686,688</u>	<u>-</u>	<u>2,080,089</u>	<u>606,599</u>	
Cash and cash equivalents	<u>1,991,018</u>				
Total Cash, Cash Equivalents, And Investments	<u>\$ 4,677,706</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.

Concentration of credit risk is required to be disclosed by the Authority for investments in any one issuer that represent 5% or more of total investments (investments issued by or explicitly guaranteed by the United States Government, investments in mutual funds, investments in external investment pools, and investments in other pooled investments are exempt). At September 30, 2020, the Authority had the following investment concentrations:

<u>Investments</u>	<u>Fair Value</u>	<u>Percent Of Total Investments</u>
Nonnegotiable certificates of deposit - certain banks greater than 5%	\$ 2,070,000	77.05 %
Guaranteed investment contracts	606,599	22.58

# JEFFERSON COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

#### 3. Fair Value Measurements

The Authority classifies its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are prices quoted in active markets for those securities; Level 2 inputs are significant other observable inputs using a matrix pricing technique; and Level 3 inputs are significant unobservable inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The inputs and methodologies used for valuing investment securities are not necessarily an indication of risk associated with investing in those securities.

The Authority has the following recurring fair value measurements as of September 30, 2020:

- Money market funds of \$10,089 are not subject to fair value level classification
- Guaranteed investment contracts of \$606,599 are not subject to fair value level classification
- Nonnegotiable certificates of deposit of \$2,070,000 are not subject to fair value level classification

### 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.

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.

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

**NOTE E - CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	For The Year Ended September 30, 2020			Balance September 30 2020
	Balance September 30 2019	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 373,444	-	-	373,444
Construction in progress	114,075	2,121	116,196	-
Total Capital Assets Not Being Depreciated	487,519	2,121	116,196	373,444
Capital assets being depreciated:				
Land improvements	44,063	-	-	44,063
Water plant	17,068,769	181,754	128,743	17,121,780
Buildings and building improvements	51,157	116,196	-	167,353
Vehicles	47,211	-	-	47,211
Computer equipment and software	37,028	-	10,700	26,328
Total Capital Assets Being Depreciated	17,248,228	297,950	139,443	17,406,735
Less - Accumulated depreciation for:				
Land improvements	9,764	4,006	-	13,770
Water plant	5,587,537	398,299	30,480	5,955,356
Buildings and building improve- ments	10,868	7,745	-	18,613
Vehicles	20,067	3,193	-	23,260
Computer equipment and software	29,139	1,578	10,700	20,017
Total Accumulated Depreciation	5,657,375	414,821	41,180	6,031,016
Total Capital Assets Being Depreciated, Net	11,590,853	(116,871)	98,263	11,375,719
Total Capital Assets, Net	\$ 12,078,372	(114,750)	214,459	11,749,163

**NOTE F - LONG-TERM DEBT**

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

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

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

	For The Year Ended September 30, 2020			Balance September 30 2020	Amounts Due Within One Year
	Balance September 30 2019	Additions	Reductions		
Revenue bonds payable	\$ 6,035,000	-	1,410,000	4,625,000	1,475,000
Plus: Premium	102,503	-	27,904	74,599	-
Loan payable	501,200	-	34,000	467,200	34,900
Total	\$ 6,638,703	-	1,471,904	5,166,799	1,509,900

Long-term debt consisted of the following:

	September 30 2020
<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%.	\$ 2,600,000
\$8,230,000 revenue bonds, Series 2002A, due in annual installments through January 2023, interest payable at 3% to 5.375%.	2,025,000
Total	4,625,000
Less - Current maturities	1,475,000
Plus - Unamortized debt premiums, net	74,599
Total Long-term Revenue Bonds Payable	\$ 3,224,599
<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%.	\$ 467,200
Less - Current maturities	34,900
Total Long-term Loan Payable	\$ 432,300

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

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

Annual debt service requirements to maturities are as follows:

<b>For The Years Ending September 30</b>	<b>Revenue Bonds</b>		<b>Loan Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 1,475,000	215,250	34,900	6,238
2022	1,540,000	140,625	35,800	5,758
2023	1,610,000	62,750	35,800	5,271
2024	-	-	37,800	4,777
2025	-	-	37,800	4,263
2026 - 2030	-	-	199,200	13,412
2031 - 2032	-	-	85,900	1,469
<b>Total</b>	<b>\$ 4,625,000</b>	<b>418,625</b>	<b>467,200</b>	<b>41,188</b>

The debt issues are payable solely from revenues of the Authority. Default provisions for the debt comprise various requirements including amounts becoming due and payable. In addition, remedies comprise various provisions including taking possession of the facility.

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>
\$ 10,435,000	3.382332106%	\$ 352,946	\$ 271,986	\$ 80,960
<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	\$ 3,075,453	\$ 691,117

**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 sub-

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

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**NOTE G - EMPLOYEES' PROFIT SHARING PLAN (Continued)**

mitted by the Authority directly to Nationwide on behalf of the employees for the year ended September 30, 2020 is \$1,883. The amount contributed by the Authority in 2020 was \$18,000. The Authority uses forfeitures from nonvested employees to offset contributions related to the plan. In 2020, forfeitures used to offset contributions totaled \$4,285.

**NOTE H - COMMITMENTS**

At September 30, 2020, the Authority has a commitment for Clari-Cone recoating in the amount of \$220,000 and a commitment for planning and assessing for a horizontal collector well in the amount of \$60,000.

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 \$175,888 for the year ended September 30, 2021.

**NOTE I - RESTATEMENT**

The restricted assets and related notes payable have been reduced by \$2,503,974 because this is not the Authority's obligation. This restatement has no effect on the net position of the Authority.

**NOTE J - SUBSEQUENT EVENTS**

In November 2020, the Authority signed a contract for a SCADA upgrade in the amount of \$121,251. In January 2020, the Authority signed a contract for materials for scour hole in the amount of \$217,466.

**SUPPLEMENTAL INFORMATION SECTION**

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES**  
**AND EXPENSES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>WATER SALES</b>	\$ 2,710,490	2,710,490	2,717,916	7,426
<b>SOURCE OF SUPPLY AND PUMPING EXPENSES</b>				
Chemicals	120,000	126,000	124,179	(1,821)
Engineering fees	20,000	16,000	12,800	(3,200)
Payroll expenses	399,840	360,101	329,220	(30,881)
Repairs and maintenance	597,908	496,236	405,372	(90,864)
Supplies	24,000	24,000	18,670	(5,330)
Total Source Of Supply And Pumping Expenses	<u>1,161,748</u>	<u>1,022,337</u>	<u>890,241</u>	<u>(132,096)</u>
<b>ACCOUNTING, COLLECTION, AND ADMINISTRATIVE EXPENSES</b>				
Bank fees	31,597	31,597	31,127	(470)
Dues and subscriptions	1,800	1,800	1,354	(446)
Insurance and bonds	65,063	173,000	34,946	(138,054)
Miscellaneous	1,000	1,000	1,071	71
Office supplies, postage, advertising, travel	13,450	13,950	8,467	(5,483)
Professional services	18,300	18,300	15,594	(2,706)
Utilities	167,650	167,650	134,906	(32,744)
Total Accounting, Collection, And Administrative Expenses	<u>298,860</u>	<u>407,297</u>	<u>227,465</u>	<u>(179,832)</u>
<b>OPERATING AND MAINTENANCE EXPENSES</b>	<u>1,460,608</u>	<u>1,429,634</u>	<u>1,117,706</u>	<u>(311,928)</u>

(Continued)

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES**  
**AND EXPENSES - BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>OPERATING INCOME BEFORE DEPRECIATION EXPENSE</b>	1,249,882	1,280,856	1,600,210	319,354
<b>DEPRECIATION EXPENSE</b>	-	-	(414,821)	414,821
<b>OPERATING INCOME</b>	1,249,882	1,280,856	1,185,389	(95,467)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental	80,969	80,969	87,821	6,852
Investment income	97,880	97,880	99,725	1,845
Reimbursement and miscellaneous	379,450	379,450	41,242	(338,208)
Net amortization	27,905	27,905	27,904	(1)
Loss on sale of assets	-	-	(98,263)	(98,263)
Interest expense	(294,345)	(294,345)	(220,530)	73,815
Total Nonoperating Revenues (Expenses)	291,859	291,859	(62,101)	(353,960)
<b>INCOME BEFOR CAPITAL CONTRIBUTIONS</b>	1,541,741	1,572,715	1,123,288	(449,427)
<b>CAPITAL CONTRIBUTIONS</b>	-	-	100,096	(100,096)
<b>CHANGE IN NET POSITION</b>	<u>\$ 1,541,741</u>	<u>1,572,715</u>	<u>1,223,384</u>	<u>(349,331)</u>

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - RESTRICTED ASSETS BREAKDOWN**  
**SEPTEMBER 30, 2020**

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Accounts funded for specific debt within one-year:

2001C interest	\$ 29,800
2001C principal	208,750
2002A interest	18,856
2002A principal	480,000
2012 interest	1,589
2012 principal	<u>8,500</u>
Total	<u>\$ 747,495</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	\$ 632,962
Replacement investment account balance	<u>1,296,500</u>
Total	<u>\$ 1,929,462</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	\$ 71,126
City of Herculaneum's reserve investment account	<u>415,000</u>
Total	<u>\$ 486,126</u>
Total Restricted Cash, Cash Equivalents, And Investments At September 30, 2020	<u>\$ 3,163,083</u>