

Jefferson County Water Authority

Independent Auditor's Report and Financial Statements

For the year ended September 30, 2023



**Jefferson County Water Authority
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Independent Auditor's Report

To the Board of Directors
Jefferson County Water Authority

Opinions

We have audited the accompanying financial statements of Jefferson County Water Authority, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Jefferson County Water Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Jefferson County Water Authority, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jefferson County Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Jefferson County Water Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jefferson County Water Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jefferson County Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jefferson County Water Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

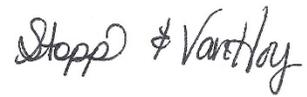
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, 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 supplementary 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County Water Authority's basic financial statements. The supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink, appearing to read "Stopp & VanHoy". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri
February 22, 2024

**JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

As management of the Jefferson County Water Authority (the "Authority") ("JCWA"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended.

PLANT MANAGER:

During this past fiscal year JCWA achieved its main goal of tackling deteriorating infrastructure issues while at the same time fostering an environment to provide better training opportunities for the workforce and enable them to receive certifications on their professional and operator skills. Self-paced study and hard work resulted in one employee obtaining their A-Level Water Plant Certification, two upgraded to a C-Level Certification and one of the newest employees obtained their D-Level Certification and then obtained C-Level in 2024. The new collector well went online in late September that nearly quadrupled plant production to eradicate a need for both cities to use their backup wells. All the time and training invested in our team of operators really paid off. There were so many things that could have gone wrong during the transition period of fine-tuning operations while breaking in the new well, but bumps in the road encountered were quickly eradicated and for the most part all went off without a hitch. We give our operator team great credit for this!

TREASURER (Non-Operating Activity):

Jefferson County Water Authority disbursed funds in the amount of \$596,962 to the City of Herculaneum for reserve funds that were held on their behalf through the life of bonds issued on the 2001C & 2002A Series. When the bonds were originally issued, part of the bond proceeds from each of these series were used to fund Herculaneum's infrastructure. Therefore, a percentage calculation was determined based on the funds used from each series to determine Herculaneum's portion of debt service they were responsible for. As payments were made, the payments were recorded as income, which included an additional 10% to cover their portion of the debt service coverage required by bond documents. The additional 10% was held and invested throughout the life of the bonds. The debt has been completely paid in full as of July 2023, which prompted a disbursement of funds to the City of Herculaneum.

COLLECTOR WELL NO. 2:

JCWA has been working with the engineering firm, Burns & McDonnell, to provide JCWA with design and construction services to install a new horizontal collector well adjacent to the existing horizontal collector well. The project consists of caisson and lateral construction to build the horizontal collector well, construction of pump house on top of the well, installation of a new backup generator, and modifications at existing collector well #1 to re-power this well from the new collector well #2. **Well #2 substantial completion was achieved on Monday, September 25, 2023.** JCWA accepted the systems with a list of (19) punch list items which were deemed not critical or not applicable to Well #2 operation. Four of the (19) items were completed prior to the end of the reporting period. Burns & McDonnell continues communicating with JCWA Plant Operations for ongoing work activities and punch list item signoffs. Any anticipated testing, potential outages or disruptions will be scheduled with operations in advance of planned activities to re-power at Well No. 1.

The project is being completed on a lump sum basis. The original contract value is \$10,289,630. The contract value contains an allowance fund of \$500,000. The allowance fund was established to provide a mechanism for JCWA to fund out of scope work. As of September 30, 2023, \$120,143 was used from the allowance fund leaving a fund balance of \$379,857. On December 21, 2023, the JCWA board approved amendment No. 2

**JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

to the original contract by reducing the contract price by (\$379,857) for unspent allowance funds. The revised contract price is \$9,909,773.

INFRASTRUCTION REPLACEMENT PROJECTS:

During the fiscal year 2022-2023, several items were budgeted for replacement and/or capital improvements and were funded through either the depreciation/replacement account or the reserve account:

Two (2) Robo-Actuator Controllers:

Chlorine gas is by far the most potentially dangerous chemical that JCWA will utilize during the production of potable water, and all precautions must be taken to minimize the degree of hazard. An integral part of that chlorine feed system is the robo-actuator controllers. These devices facilitate the automatic switchover feature from an empty one-ton chlorine container to the full one, plus provide the capability to immediately isolate each container by mechanical means in case a gas leak or other emergency conditions were to develop; just one touch of a button can prevent a catastrophic event from occurring. Normal wear and tear coupled with age has contributed to the automatic switchover feature not performing correctly and making it necessary for the operators to manually swap containers between an empty and a full one. Critical mandated disinfectant residual dosages could quickly be lost, and potential overtime expenditures could be accrued by the necessity to comply with the two-person policy for working with chlorine gas.

The bid was awarded to Books & Associates in the amount of \$13,119 and both robo-actuators were put in service in or around February 2023.

Lagoon Sludge Pump No. 2 & 6-Inch Check Valve:

Replacement of the inoperative lime sludge lagoon pump #2 and 6-inch check valve assembly was completed during the fiscal year. This pump is required to facilitate the decanting of treatment plant filter backwash water to prevent uncontrolled lagoon overflows, and berm and dike structural damage due to exceedance of design capacities. The original pump size was a 10-HP with the option to pump water from the lagoon up the hill and into the influent line of the clarifier for treatment and processing through the plant. Since JCWA is not classified by the Missouri Department of Natural Resources as a surface water treatment plant, under no circumstances will JCWA send lagoon water to the clarifier. Therefore, the original requirement for a pump to provide a larger amount of extra head pressure was not needed. However, the replacement pump did need to provide about an eight-foot lift, then twenty-foot horizontal run before discharge. It was proposed to downsize and install a 5-HP pump. This smaller size will provide an adequate flow rate for decanting purposes and is much more economical and practical.

The bid was awarded to Equipment Pro, Inc. to provide equipment, labor, and material to replace the existing pump no. 2 and replace a 6-inch check valve (supplied by JCWA) in the amount of \$7,587 and both were put in service in or around June 2023.

Potble Water Storage Tank Painting:

JCWA budgeted for surface preparation and repainting of their 400,000 gallon on-site portable water storage tank (exterior only). This was a recommendation from the latest Missouri Department of Natural Resources

**JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

compliance inspection to address mildew growth and deteriorated paint issues on the tank's exterior surface. This tank is twenty (20) years old and still had its original paint. During on-site visits, all potential bidders concluded that sandblasting the tank would not be necessary and pressure washing with a treatment mildew for surface preparation would suffice. However, closer inspection of the tank also revealed that there were multiple rust bleed throughs causing spotty staining which was addressed at the time of painting.

The bid was awarded to Mongan Painting, LLC in the amount of \$48,400 and completed in or around August 2023.

Actuator Valves:

The budget allocated funds for the removal and replacement of one 6-inch actuator valve for Herculaneum meter vault no. 1 and replacement of one 8-inch actuator valve for Festus meter vault. Prior to replacement, both valves were still functional but have reached their twenty-year mark of being in use and are due for replacement based on normal expected wear and tear.

The bid was awarded to Environmental Consulting and Operations, Inc. in the amount of \$26,930 and was put in service in or around September 2023.

Dehumidifiers:

JCWA replaced three (3) industrial sized dehumidifiers which had brought severe condensation and corrosion problems throughout the treatment plant to a screeching halt. These three (3) dehumidifiers were purchased from Ressler & Associates, Inc. in the amount of \$9,655 and placed into service in or around February 2023.

SCADA Spare Parts:

During fiscal year 2021 and 2022, Durkin Process Controls, Inc. incrementally installed a new SCADA system. Integration of the lime slaking system was the last stage of this process in September 2022. The SCADA system directly impacts every treatment plant function beginning at the collector well and ending with the water storage facilities for each city. The bottom line is that without an operational SCADA system, JCWA cannot produce potable water and is essentially "out of business." While there are many good things about upgrading to a new system, one of the downsides is the fact that most of the spare parts that are on hand were for the old SCADA system and are no longer compatible with the new system; therefore, JCWA needed a new bench stock of spare parts. Current delays in receiving supplies, particularly with plumbing, electronics, and electrical items, validate having critical components readily available in the event of an equipment breakdown. Therefore, Durkin Process Controls provided JCWA with a list of recommended critical spare parts to have on hand. While Durkin did not have every item listed in stock, they did have some of the most critical items readily available. JCWA purchased \$14,815 in spare SCADA parts and has budgeted another \$16,000 to purchase more of those items from the recommended list.

Emergency Repair for High Service Pump VFD No. 2:

On Sunday, September 10, 2023, the remaining high service pump tripped itself out and it got to the point that JCWA was unable to reset or start up the pump. Even though they were able to treat water at the plant, they were unable to pump any product to either city. With a quick response and troubleshooting, the Pump Shop and

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Guarantee Electrical Co. pinpointed the problem with a malfunctioning variable frequency drive (VFD). The Pump Shop was able to obtain a new VFD of a different brand and install it within the same day. The plant was able to supply water to both cities early Monday evening. The new High Service Pump VFD No. 2 cost \$17,625.

Upcoming Budget Year 2023-2024:

The Authority has several replacement items and capital improvements that will be completed this fiscal year that include the following:

- Meter Vault Surge Protection - \$20,000
- Rehab Collector Well No. 1 - \$450,000
- SCADA and PLC Panels
 - Surge Protection - \$73,200
 - Electrical Components - \$6,000
- Lime Slacker Bench Stock
 - Three Load Cells - \$16,000
 - Tank Level Ultra Sensor - \$3,000
 - Upper Tank Gearbox & Motor - \$3,000
 - Lime Slurry Pump & Rebuild - \$15,000
- Treatment Plant Surge Protection - \$25,000
- SCADA Spare Parts - \$16,000
- Dive Team and Inspect/Clean - \$9,000
- Patch and Seal Parking lot - \$20,000
- Air Scour Valve - \$8,000 – Budget Rollover

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements presented in this report consist of a 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 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 activities, noncapital and related financing activities, and investing activities.

STATEMENT OF NET POSITION

The Authority's net position increased by \$680,687 or 5%, which consisted of a decrease of \$1,049,113 in total assets combined with a \$1,079,673 decrease in total liabilities. Net capital assets, which is discussed in more detail in capital assets, increased \$4,935,739 or 30%. Current assets increased by \$154,633 or 7%. As of September 30, 2023, the Authority had a new position of \$14,565,731.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A summary of financial position as follows:

	<u>September 30</u>		<u>2023 Change</u>		
	<u>2023</u>	<u>2022</u>	<u>Amount</u>	<u>Percent</u>	
ASSETS					
Current Assets	\$ 4,260,214	2,243,811	2,016,403	90	%
Restricted Assets	1,020,033	9,021,288	(8,001,255)	(89)	
Noncurrent Assets – Other					
Net Capital Assets	<u>21,352,324</u>	<u>16,416,585</u>	<u>4,935,739</u>	30	
Total Assets	<u>26,632,571</u>	<u>27,681,684</u>	<u>(1,049,113)</u>	(4)	
LIABILITIES					
Current Liabilities payable					
from current assets	806,860	804,718	2,142	0	
Current Liabilities payable					
from restricted assets	500,798	1,719,670	(1,218,872)	(71)	
Long-term debt, less					
current maturities	<u>10,759,182</u>	<u>11,252,125</u>	<u>(492,943)</u>	(4)	
Total Liabilities	<u>12,066,840</u>	<u>13,776,513</u>	<u>(1,709,673)</u>	(12)	
DEFERRED INFLOWS OF RESOURCES					
Deferred Charge on Refunding	<u>-</u>	<u>20,127</u>	<u>(20,127)</u>	(100)	
NET POSITION					
Net Investment in capital					
assets	10,189,186	9,604,404	584,782	6	
Restricted	225,755	3,101,085	(2,875,330)	(93)	
Unrestricted	<u>4,150,790</u>	<u>1,719,555</u>	<u>2,431,235</u>	141	
	<u>\$ 14,565,731</u>	<u>13,885,044</u>	<u>680,687</u>	5	%

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

Operating revenues had no change since the wholesale water rate stayed the same as the prior year. Operating expenses increased by \$152,167 or 10%. This increase is due to the depreciation of a new collector well that was in service at year-end. Nonoperating (Revenue) Expenses increased \$332,360 or 133% largely due to a payment made to the City of Herculaneum to release funds held in reserve for them until their share of the debt

**JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

service was paid off for infrastructure used from the original bond series 2001C & 2002A and offset by investment income.

	For the Years Ending September 30		2023 Change		
	2023	2022	Amount	Percent	
OPERATING REVENUES	\$ 2,825,830	2,825,830	-	0	%
OPERATING EXPENSES	<u>1,563,355</u>	<u>1,411,188</u>	<u>152,167</u>	10	
OPERATING INCOME	1,262,475	1,414,642	(152,167)	(11)	
NONOPERATING (REVENUES)					
EXPENSES, NET	<u>581,788</u>	<u>249,430</u>	<u>332,360</u>	133	
CHANGE IN NET POSITION	680,687	1,165,212	(484,525)	(42)	
NET POSITION, BEGINNING OF YEAR	13,885,044	12,719,832	1,165,212	9	
NET POSITION, END OF YEAR	<u>\$ 14,565,731</u>	<u>13,885,044</u>	<u>680,685</u>	5	%

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 2023. The net cash provided by operating activities was used primarily for payment of debt and capital improvements.

CAPITAL ASSETS

Net capital assets were \$21,352,324 on September 30, 2023, compared to \$16,416,585 in 2022, an increase of \$4,935,739, or 30%. The Authority's capital assets consist primarily of the water plant. The increase is due to the construction of the new collector well No. 2 and water replacement additions along with remaining construction in progress in the amount of \$1,293,526 on September 30, 2023.

**JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

LONG-TERM DEBT

The Authority's long-term liabilities of \$11,166,982 on September 30, 2023, decreased by \$1,695,942 from 2022. This decrease was primarily due to payments on debt throughout the year. Additional information on the Authority's long-term debt can be found in Note 6 in the notes of the financial statements.

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 2021 Bonds, and any outstanding parity obligations (2012 Direct Loan). If 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:

	For the Year Ended September 30 2023
REVENUE	
Water Sales	\$ 2,825,830
Irrevocable deposit – surplus	375,000
Investment income	298,267
Transfers from water replacement account	48,400
Other income (Herculaneum reimbursement and debt service)	259,498
Total Revenue	3,806,995
 LESS - OPERATING EXPENSES	
	1,003,137
 NET REVENUES FOR DEBT COVERAGE	2,803,858
 ANNUAL DEBT SERVICE	2,104,961
 DEBT SERVICE COVERAGE RATIO	133.20 %

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

RESTRICTED ASSETS

Total restricted assets were \$1,020,033 at September 30, 2023 compared to \$9,021,288 at September 30, 2022. The Authority's debt covenants specify the manner in which monies on deposit in the various funds must be used. Restricted assets decreased \$8,001,255 due to the use of bond funds for capital improvement projects and restructuring of debt covenants due to the previous refunding of the 2002A and 2001C Series revenue bonds.

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Authority's financial position in 2023 increased 5% as shown by the net position increase of \$680,687. 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 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, 2023

Assets

Current Assets:

Cash and cash equivalents	\$	2,546,963
Restricted cash and cash equivalents		1,020,033
Investments		1,197,000
Receivables:		
Service charges		232,260
Interest		18,706
Other		61,213
Due from City of Herculaneum		-
Prepaid insurance		128,741
Inventory		75,331
Total Current Assets		5,280,247

Noncurrent Assets:

Land and construction in process		1,666,970
Other capital assets, net of depreciation		19,685,354
Total Noncurrent Assets		21,352,324

Liabilities

Current Liabilities:

Accounts payable		786,687
Accrued payroll liabilities		20,173
Payable from restricted assets:		
Current maturities of long-term debt		407,800
Accrued interest payable		92,998
Total Current Liabilities		1,307,658

Noncurrent Liabilities:

Revenue bonds payable		10,436,282
Loan payable		322,900
Total Noncurrent Liabilities		10,759,182

Net Position

Net investment in capital assets		10,189,186
Restricted for debt service		225,755
Unrestricted		4,150,790
Total Net Position		\$ 14,565,731

Jefferson County Water Authority
Statement of Revenues, Expenses, and Change in Net Position
For the year ended September 30, 2023

Revenues	
Water sales	\$ 2,825,830
Total Revenues	2,825,830
Operating Expenses	
Payroll expenses	426,722
Supplies and materials	108,666
Professional services	19,916
Utilities	139,383
Depreciation	560,218
Repairs and maintainance	199,076
Insurance	92,493
Office expenses	16,881
Total Operating Expenses	1,563,355
Operating Income (Loss)	1,262,475
Nonoperating Revenues (Expenses)	
Intergovernmental	(596,962)
Investment income	298,267
Reimbursement and miscellaneous	39,375
Gain (loss) on disposal of assets	-
Interest expense	(322,468)
Total Nonoperating Revenues (Expenses)	(581,788)
Change in Net Position	\$ 680,687
Net Position, October 1	13,885,044
Net Position, September 30	\$ 14,565,731

See Notes to the Financial Statements

Jefferson County Water Authority
Statement of Cash Flows
For the year ended September 30, 2023

Cash Flows from Operating Activities:	
Receipts from customers	\$ 2,825,830
Payments to suppliers	(684,806)
Payments to employees	(426,678)
Net Cash Flows from Operating Activities	1,714,346
Cash Flows from Noncapital Financing Activities:	
Decrease in due from City of Herculaneum	259,498
Intergovernmental	(596,962)
Reimbursements and miscellaneous	39,375
Net Cash Flows from Noncapital Financing Activities	(298,089)
Cash Flows from Capital and Related Financing Activities:	
Payments on long-term debt	(1,610,800)
Interest on debt	(443,610)
Proceeds from sale of capital assets	-
Acquisition and construction of capital assets	(5,495,957)
Net Cash Flows from Capital and Related Financing Activities	(7,550,367)
Cash Flows from Investing Activities:	
Proceeds from sale of investments	2,021,000
Purchase of investments	(951,000)
Interest on investments	301,414
Net Cash Flows from Investing Activities	1,371,414
Net Increase in Cash and Cash Equivalents	\$ (4,762,696)
Cash and Cash Equivalents, October 1	8,329,692
Cash and Cash Equivalents, September 30	\$ 3,566,996
Reconciliation with Statement of Net Position:	
Cash and cash equivalents	\$ 2,546,963
Restricted cash and cash equivalents	1,020,033
Total Cash and Cash Equivalents	\$ 3,566,996
Noncash Capital and Related Financing and/or Investing Activities:	
Capital assets included in accounts payable	\$ 697,436

See Notes to the Financial Statements

Jefferson County Water Authority
Statement of Cash Flows
For the year ended September 30, 2023

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ 1,262,475
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	560,218
(Increase) decrease in:	
Accounts receivable	(52,552)
Inventories	(23,997)
Prepaid insurance	(33,940)
Increase (decrease) in:	
Accounts payable	2,098
Accrued payroll liabilities	44
	<hr/>
Net cash provided by (used in) operating activities	<u><u>\$ 1,714,346</u></u>

See Notes to the Financial Statements

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2023

Note 1 - 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:

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.

Measurement Focus and 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, the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

Investments

Investments with a maturity of one year or less when purchased and non-negotiable certificates of deposits are reported at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounts Receivable

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

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 the Financial Statements
For the year ended September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Prepaid Expenses

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

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 and \$25,000 for buildings and building improvements, and with an estimated useful life of 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 asset lives as follows:

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

Unearned Revenue

Unearned revenues arise when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures.

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.

Deferred Charge on Refunding

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized on the straight-line method over the short of the life of the refunded or refunding debt.

Deferred Inflows of Resources

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows related to the deferred charge on refunding.

Water Sales

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

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Income Taxes

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

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.

Restricted Assets

Certain resources set aside for the construction costs, 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.

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 2 - Deposits and Investments

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 (FDIC). As of September 30, 2023, 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.

Investments

The Authority's formal investment policies are as follows:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority minimizes credit risk by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Authority will do business and diversifying the portfolio so that potential losses on individual securities will be minimized.

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2023

Note 2 - Deposits and Investments (continued)

Investments (continued)

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 minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing primarily in shorter term securities

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority minimizes concentration of credit risk by diversifying the investment portfolio.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure, the Authority's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investment held by a third party acting as the District's agent separate from where the investment was purchased or by the trust department of the bank where purchased, in the District's name.

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. The inputs and methodologies used for valuing the investment securities are not necessarily an indication of risk associated with investing in those securities.

The Authority only has non-negotiable certificates of deposits and money market funds as of September 30, 2023, which are not measured at fair value and are excluded from the fair value hierarchy.

Note 3 - 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's Board of Aldermen 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.

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2023

Note 4 - Risk Management

The Authority purchases 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 5 - Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2023:

	Balance 9/30/22	Additions	Deletions	Balance 9/30/23
Capital assets not being depreciated:				
Land	\$ 373,444	\$ -	\$ -	\$ 373,444
Construction in progress	5,147,410	5,430,696	(9,284,580)	1,293,526
Total capital assets not being depreciated	<u>\$ 5,520,854</u>	<u>\$ 5,430,696</u>	<u>\$ (9,284,580)</u>	<u>\$ 1,666,970</u>
Capital assets being depreciated:				
Land improvements	\$ 44,063	\$ -	\$ -	\$ 44,063
Water plant	17,452,425	6,885,962	-	24,338,387
Buildings and building improvements	167,353	2,463,879	-	2,631,232
Vehicles	47,211	-	-	47,211
Computer equipment and software	20,951	-	-	20,951
Total capital assets being depreciated	<u>17,732,003</u>	<u>9,349,841</u>	<u>-</u>	<u>27,081,844</u>
Less: Accumulated depreciation				
Land improvements	(21,383)	(4,007)	-	(25,390)
Water plant	(6,739,550)	(514,985)	-	(7,254,535)
Buildings and building improvements	(34,103)	(35,953)	-	(70,056)
Vehicles	(29,647)	(3,193)	-	(32,840)
Computer equipment and software	(11,589)	(2,080)	-	(13,669)
Total accumulated depreciation	<u>(6,836,272)</u>	<u>(560,218)</u>	<u>-</u>	<u>(7,396,490)</u>
Total capital assets being depreciated, net	<u>\$ 10,895,731</u>	<u>\$ 8,789,623</u>	<u>\$ -</u>	<u>\$ 19,685,354</u>

Depreciation expense charged to operations for the year ended September 30, 2023 amounted to \$560,218.

Note 6 - Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2023:

	Balance 9/30/22	Additions	Reductions	Balance 9/30/23
Revenue bonds payable	\$ 10,870,000	\$ -	\$ (1,575,000)	\$ 9,295,000
Add: Premium	1,596,425	-	(85,143)	1,511,282
Loan payable	396,500	-	(35,800)	360,700
	<u>\$ 12,862,925</u>	<u>\$ -</u>	<u>\$ (1,695,943)</u>	<u>\$ 11,166,982</u>

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2023

Note 6 - Long-Term Debt (continued)

Long-term debt consisted of the following:

	Balance 9/30/23
<u>Revenue Bonds Payable</u>	
\$12,095,000 revenue bonds, Series 2021 A&B, due in annual installments through July 1, 2041, interest payable at 4.00%	\$ 9,295,000
Less: current maturities	(370,000)
Add: Unamortized debt premiums, net	1,511,282
Total Revenue Bonds Payable	<u>\$ 10,436,282</u>

Loan Payable

\$751,000 loan from the Missouri Department of Natural Resources, due in installments through July 1, 2032, interest payable at 1.36%	\$ 360,700
Less: current maturities	(37,800)
Total Loan Payable	<u>\$ 322,900</u>

Annual debt service requirements to maturities are as follows:

For the years ending September 30	Revenue Bonds Payable			Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 370,000	\$ 367,088	\$ 737,088	\$ 37,800	\$ 4,777	\$ 42,577
2025	375,000	357,000	732,000	37,800	4,263	42,063
2026	390,000	342,000	732,000	37,800	3,749	41,549
2027	410,000	326,400	736,400	39,600	3,229	42,829
2028	425,000	310,000	735,000	39,600	2,690	42,290
2029-2033	2,385,000	1,281,600	3,666,600	168,100	5,213	173,313
2034-2038	2,905,000	764,600	3,669,600	-	-	-
2039-2041	2,035,000	165,000	2,200,000	-	-	-
	\$ 9,295,000	\$ 3,913,688	\$ 13,208,688	\$ 360,700	\$ 23,921	\$ 384,621

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

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2023

Note 7 - 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, 2023 is \$10,077. The amount contributed by the Authority for the year ended September 30, 2023 was \$16,368. The Authority uses forfeitures from nonvested employees to offset contributions related to the plan.

Note 8 - Commitments

At September 30, 2023, the Authority has contractual commitments for the following purposes:

	<u>Balance</u>
Collector well construction	\$ 168,366
Other capital improvements	12,600
Professional services	<u>58,500</u>
Total contractual commitments	<u><u>\$ 239,466</u></u>

Note 9 - Subsequent Events

Management has evaluated events subsequent to September 30, 2023 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through February 22, 2024, the date the financial statements were available to be issued.

Note 10 - New Accounting Pronouncements

The effect on the Authority's financial statements of the following statements issued, but not yet adopted, has not yet been determined.

This report does not incorporate GASB Statement No. 99, *Omnibus 2022*, as applicable to future periods; GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*; GASB Statement No. 101, *Compensated Absences*; or GASB Statement No. 102, *Certain Risk Disclosures*.

The effects of the Authority's financial statements as a result of adoption of these new pronouncements are unknown. The Authority will adopt and implement these statements at the required time.

Supplementary Information

Jefferson County Water Authority
Schedule of Revenues, Expenses, and Changes in Net Position - Budget to Actual
For the year ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Water sales	\$ 2,825,830	\$ 2,825,830	\$ 2,825,830	\$ -
Total Revenues	2,825,830	2,825,830	2,825,830	-
Operating and Maintenance Expenses				
Source of supply and pumping expenses:				
Chemicals	136,500	136,500	89,743	(46,757)
Engineering fees	5,000	5,000	-	(5,000)
Payroll expenses	456,487	462,530	426,722	(35,808)
Repairs and maintenance	449,415	896,827	197,923	(698,904)
Equipment rental	2,500	2,500	1,153	(1,347)
Supplies	24,500	24,500	18,923	(5,577)
Total source of supply and pumping expenses	1,074,402	1,527,857	734,464	(793,393)
Accounting, collection, and administrative expenses:				
Bank fees	6,624	6,624	6,221	(403)
Dues and subscriptions	1,800	1,800	623	(1,177)
Insurance and bonds	105,015	105,015	92,493	(12,522)
Miscellaneous	1,000	1,000	665	(335)
Office expenses	14,450	14,450	9,372	(5,078)
Professional services	22,050	22,050	19,916	(2,134)
Utilities	157,500	157,500	139,383	(18,117)
Total accounting, collection, and administrative expenses	308,439	308,439	268,673	(39,766)
Operating Income (Loss) before Depreciation Expense	1,442,989	989,534	1,822,693	833,159
Depreciation expense	-	-	560,218	560,218
Operating Income (Loss)	1,442,989	989,534	1,262,475	272,941
Nonoperating Revenues (Expenses)				
Intergovernmental	-	-	(596,962)	(596,962)
Investment income	49,898	49,898	298,267	248,369
Reimbursement and miscellaneous	298,597	298,597	39,375	(259,222)
Net amortization expense	111,978	111,978	105,270	(6,708)
Gain (loss) on disposal of assets	-	-	-	-
Interest expense	(435,359)	(435,359)	(427,738)	7,621
Total Nonoperating Revenues (Expenses)	25,114	25,114	(581,788)	(606,902)
Change in Net Position	\$ 1,468,103	\$ 1,014,648	\$ 680,687	\$ (333,961)

**Jefferson County Water Authority
Schedule of Restricted/Designated Assets
For the year ended September 30, 2023**

Accounts funded for specific debt service and construction:

	Balance 9/30/23
2021A Debt Service	\$ 191,027
2021B Debt Service	116,962
2021 Project Fund	701,280
2012 Principal	9,509
2012 Interest	1,255
	\$ 1,020,033

Annual depreciation and replacement account requirements:

Pursuant to the outstanding parity obligation documents, beginning January 1, 2004, the Authority is required to deposit \$6,300 per month into a separate depreciation and replacement account for the 2002A Series revenue bonds. Additionally, beginning July 1, 2004, the Authority is required to deposit an additional \$4,117 monthly for the 2001C Series revenue bonds. These deposits are to be made until the maximum requirement of \$1,034,700 is met.

As of June 24, 2021, the outstanding parity obligation for both the 2002A and 2001C Series revenue bonds have been paid in full and refunded with the issuance of the 2021A and 2021B Series revenue bonds. Therefore, the annual depreciation and replacement account is no longer a required obligation. However, the Board of Directors will continue to deposit or add additional funds as designated for future replacement costs.

	Balance 9/30/23
Replacement deposit account	\$ 646,064
Replacement investment account	1,197,000
	\$ 1,843,064