

Jefferson County Water Authority

Independent Auditor's Report and Financial Statements

For the year ended September 30, 2024



**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, 2024, 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, 2024, 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

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 the management's discussion and analysis on pages 4-10 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 budgetary comparison schedule and schedule of restricted and designated assets are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule and schedule of restricted and designated assets 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. The 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 budgetary comparison schedule and schedule of restricted and designated assets are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Stopp & Varney

St. Louis, Missouri
February 21, 2025

**JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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 FY24 a three-pronged strategy to achieve long-term goals was implemented. First, the JCWA pressed on with correcting deteriorating infrastructure issues by using a proactive approach and identifying potential or probable deficiencies, then taking the steps of repairing or replacing antiquated equipment “before” mechanical failure could bring water production to a halt. Second, the JCWA continued to provide our work force with access to training opportunities required to maintain their respective Missouri Department of Natural Resources Water Treatment Plant Operator Certificates of Competency. Three operators were given the opportunity to attend a multi-day water and wastewater conference sponsored by the Missouri Rural Water Association. Our team members also leaped on multiple opportunities by attending a variety of free single-day training classes sponsored by the Missouri Department of Natural Resources which covered a whole array of relevant topics. The third prong relates to improving system reliability and minimizing unanticipated treatment plant shutdowns. The supply chain is not as dependable as it was in the past, and relatively common items may have turn-around times of up to several weeks or months between actual requisition dates and product delivery dates. Maintenance teams have been analyzing each individual stage throughout our entire process, and then have identified key components that would render the plant inoperable if they were to fail. As a result of their findings, we established a bench stock for spare parts. It is not feasible or practical to have a back-up on hand for every situation, but during FY23-24, we did procure a complete set of electronic components for the SCADA telemetry communications system, as well as motors, gear box units, and electrical control panel items for the lime slaking unit, and complete rebuild kits for the all-critical low-lift, high-service, and lime slurry pumps. The three-pronged strategy has proven to be a winning approach and will continue well into FY25.

COLLECTOR WELL NO. 2:

JCWA had been working with the engineering firm, Burns & McDonnell, throughout FY23 to provide JCWA with design and construction services to install a new horizontal collector well adjacent to the existing horizontal collector well. The project consisted of caisson and lateral construction to build the horizontal collector well, construction of a hardened pump house and control room, installation of an emergency power backup generator, and modifications at the original collector well facilitate commercial power and SCADA tele-communication systems to this well from the new well. Substantial completion on Well #2 was achieved on Monday, September 25, 2023, and it was put online as the primary sole source of raw water for the duration of FY24. The specific capacity of the original well has drastically decreased over its twenty-year life span, so it was taken offline and operated only occasionally to prevent seasonal damage due to freezing and to function check and exercise the pumps and various valves. The JCWA hired Layne to formulate an action plan and to mobilize a team to rehabilitate Well #1. The rehabilitation work is expected to be completed sometime in FY25 and will include a recommended path for any necessary repairs or modification if needed. On September 30, 2023, the JCWA accepted Well #2 with a list of (19) punch items which were deemed not critical to prevent using the new well. **The Jefferson County Water Authority Board formally accepted the project as being fully completed in accordance with the plans and specifications with the final date of completion on 5/28/24.** The final project cost was \$9,909,773.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

INFRASTRUCTION REPLACEMENT PROJECTS:

During the fiscal year 2023-2024, several items were budgeted for replacement and/or capital improvements and were funded through either the depreciation/replacement account or the reserve account:

Air Scour Valve & Actuator Replacement:

One of the carryover projects from FY23 was the removal and replacement of one (1) eight-inch air scour blowoff valve and the mechanical control actuator that operates the valve via SCADA command. The job was awarded to Environmental Consulting & Operations, Inc. (ECO) for \$12,600, and was postponed due to delays with obtaining the correct materials. ECO completed the project on 1/31/24. This valve is essential for the media air scour process during filter backwashing and generates the friction needed for the media to scour or scrub the outer surfaces of each other to remove any impurities encapsulated during filtration of the clarifier effluent. Maintaining a clean media helps guarantee the overall operational efficiency of each filter and greatly extends the useful life of the filter media itself. The existing valve was still fully functioning and operational but was due for replacement based on standard anticipated attrition.

New Surge Protection on Main Service Feed:

Reinhold Electric, Inc. was awarded a contract in the amount of \$9,400 to provide for and replace a faulty surge protector for the existing 1200 amp 480/277V 3-phase 4-wire service. In the past, the Jefferson County Water Authority has consistently experienced many lengthy treatment-plant shutdowns and sustained costly damage to electronic components throughout the plant, and to remote facilities, due to lightning strikes or commercial power surges. The new surge protector was installed on July 1, 2024, and is one big step towards providing a long-term solution to shore up much needed protection of our complex electrical infrastructure.

Emergency Repairs to High Service Pump #1 and #2 (Rebuild & Motor Rewind):

The JCWA utilizes two high-service pumps, and these are alternated on a 50/50 ratio. These pumps are extremely critical assets. While we would technically still be capable of producing potable water in the event these pumps failed simultaneously, we would be incapable of conveying product water to the cities of Festus or Herculaneum, forcing a plant shutdown. Both pumps are aged and have been refurbished previously over the years. High Service pump #1 failed during the summer of 2023, and at the same time the VFD (Variable Frequency Drive) unit serving this pump also had to be replaced. There was an extended wait time for obtaining parts; however, The Pump Shop completed repairs and put this pump back in service in November 2023. While pump #1 was being refurbished, we went ahead and ordered rebuild materials for pump #2. The concept here was to reduce downtime while rebuilding pump #2. The Pump Shop extracted pump #2 for refurbishment in January 2024. It was returned to service in May 2024. Note that during this time, a second VFD controlling these pumps required replacement. The current status of the high service pump system is two newly refurbished pumps that are controlled by two new VFD controllers.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Backwash Pump VFD & Pump Motor Rebuild:

To extend the life of our two media filters, they must be periodically cleaned by a process called filter backwashing. Our sole backwash pump used for this purpose is designed to consistently deliver 15 gallons per square foot per minute to the filter being backwashed. Maintaining this rate is crucial for ensuring media the bed expands enough to remove accumulated solids from the media while also ensuring the media remains in the filter basin and is not washed away. The pump malfunctioned on February 25, 2024. The Pump Shop determined the cause was a faulty motor and the VFD controller. Their team removed the motor and transported it to a shop for rewinding. In the interim, we were able to backwash our filters utilizing gravity flow as a temporary measure, and potable water production remained uninterrupted. The Pump Shop replaced the VFD controller and returned the rewound motor to put the pump back in service on March 25, 2024.

Upcoming Budget Year 2024-2025:

The Authority approved the following replacement items and capital improvements that will be completed this upcoming fiscal year to include the following. These combined improvements total \$969,637, which will come from the depreciation and replacement account or reserve fund.

- New Bobcat or Tractor & Zero Turn - \$90,000
- New Set Aerator Trays (spare) - \$34,000
- Three-Stall Carport - \$16,000
- Patch & Seal Parking Lot (Carryover) - \$16,945
- Vault Surge Protection (Carryover) - \$7,512
- Power & Grounding Testing/Surge (Carryover) - \$62,908
- Festus SCADA Project - \$158,992
- Rehabilitation on Collector Well No. 1 (Carryover) - \$479,000
- Well No. 1 Valve Replacement - \$9,280
- Server for SCADA - \$80,000
- LED Lights throughout Plant - \$15,000

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; a statement of revenues, expenses, and change in net position; and a 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 expenditures 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, noncapital and related financing activities, capital and related financing, and investing activities.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

STATEMENT OF NET POSITION

The Authority's net position increased by \$841,882 or 6%, which consisted of a decrease of \$381,906 in total assets combined with a \$1,223,788 decrease in total liabilities. Net capital assets, which are discussed more in capital assets, decreased by \$499,805 or 2%. Current assets increased by \$919,208 or 22%. As of September 30, 2024, the Authority had a net position of \$15,407,613.

A summary of financial position as follows:

	September 30		2024 Change	
	2024	2023	Amount	Percent
ASSETS				
Current Assets	\$5,179,422	\$4,260,214	\$919,208	22%
Restricted Assets	218,724	1,020,033	(801,309)	(79)
Noncurrent Assets - Other	-	-	-	0
Net Capital Assets	<u>20,852,519</u>	<u>21,352,324</u>	<u>(499,805)</u>	(2)
Total Assets	<u>26,250,665</u>	<u>26,632,571</u>	<u>(381,906)</u>	(1)
LIABILITIES				
Current Liabilities – Payable from current assets	78,665	806,860	(728,195)	(90)
Current Liabilities – Payable from restricted assets	503,148	500,798	2,350	0
Long-term debt, less current maturities	<u>10,261,239</u>	<u>10,759,182</u>	<u>(497,943)</u>	(5)
Total Liabilities	<u>10,843,052</u>	<u>12,066,840</u>	<u>(1,223,788)</u>	(10)
NET POSITION				
Net investment in capital assets	10,178,480	10,189,186	(10,706)	0
Restricted	128,376	225,755	(97,379)	(43)
Unrestricted	<u>5,100,757</u>	<u>4,150,790</u>	<u>949,967</u>	23
Total Net Position	<u>\$15,407,613</u>	<u>\$14,565,731</u>	<u>\$841,882</u>	6%

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

Operating revenues have not changed since the wholesale water rate stayed the same as the prior year except for the extra day due to the leap year. Operating expenses increased by \$356,508 or 23%. This increase is due to the extra expense for chemicals and electricity for the new collector well that was in-service at the end of September 2023, which was able to produce the contractual obligation to each of the participating municipalities. Non-Operating (Revenue) Expenses decreased by \$509,961 or 88% largely due to a payment made to the City of Hercules in the prior fiscal year to release funds held in reserve for them until their share of the debt service was paid off for infrastructure used from the original bond series 2001C & 2002A, which was then offset by investment income and interest expenses.

	<u>For the years ending September 30</u>		<u>2024 Change</u>	
	<u>2024</u>	<u>2023</u>	<u>Amount</u>	<u>Percent</u>
OPERATING REVENUES	\$2,833,572	\$2,825,830	\$7,742	0%
OPERATING EXPENSES	<u>1,919,863</u>	<u>1,563,355</u>	<u>356,508</u>	23
OPERATING INCOME	913,709	1,262,475	(348,766)	(28)
NONOPERATING (REVENUES)				
EXPENSES, NET	<u>71,827</u>	<u>581,788</u>	<u>(509,961)</u>	(88)
CHANGE IN NET POSITION	841,882	680,687	161,195	24
NET POSITION, BEGINNING OF YEAR	14,565,731	13,885,044	680,687	5
NET POSITION, END OF YEAR	<u>\$15,407,613</u>	<u>\$14,565,731</u>	<u>\$841,882</u>	6%

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 2024. The net cash provided by operating activities was used primarily for payment of debt and capital improvements.

CAPITAL ASSETS

Net capital assets were \$20,852,519 on September 30, 2024, compared to \$21,352,324 in 2023, a decrease of \$499,805 or 2%. The Authority's capital assets consist primarily of the water plant. The decrease is due to capital additions less depreciation in the amount of \$741,892 offset by disposals and capital moved out of CIP in the amount of \$1,464,257 due to the final completion of the new collector well No. 2. As of 9/30/2024 there is no CIP at year-end.

**JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

LONG-TERM DEBT

The Authority's long-term liabilities of \$10,674,039 on September 30, 2024, decreased by \$492,943 from 2023. This decrease is due to debt service payments.

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 the 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, 2024
REVENUE	
Water Sales	\$2,833,572
Investment Income	216,773
Transfers from Water Replacement	7,074
Total Revenue	3,057,419
 LESS - OPERATING EX- PENSES	 1,177,971
 NET REVENUES FOR DEBT COVERAGE	 \$1,879,448
 ANNUAL DEBT SERVICE	 \$777,014
 DEBT SERVICE COVERAGE RATIO	 241.88%

**JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

RESTRICTED ASSETS

Total restricted assets were \$218,724 at September 30, 2024 compared to \$1,020,033 at September 30, 2023. The Authority's debt covenants specify the manner in which monies on deposit in the various funds must be Restricted assets decreased \$801,309 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 2024 increased 6% as shown by the net position increase of \$841,882. 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, 2024

Assets

Current Assets:

Cash and cash equivalents	\$	2,598,019
Restricted cash and cash equivalents		218,724
Investments		2,204,344
Receivables:		
Service charges		232,260
Interest		35,845
Other		-
Prepaid insurance		14,505
Inventory		94,449
Total Current Assets		5,398,146

Noncurrent Assets:

Land and construction in process		373,444
Other capital assets, net of depreciation		20,479,075
Total Noncurrent Assets		20,852,519

Liabilities

Current Liabilities:

Accounts payable		53,906
Accrued payroll liabilities		24,759
Payable from restricted assets:		
Current maturities of long-term debt		412,800
Accrued interest payable		90,348
Total Current Liabilities		581,813

Noncurrent Liabilities:

Revenue bonds payable		9,976,139
Loan payable		285,100
Total Noncurrent Liabilities		10,261,239

Net Position

Net investment in capital assets		10,178,480
Restricted for debt service		128,376
Unrestricted		5,100,757
Total Net Position		\$ 15,407,613

Jefferson County Water Authority
Statement of Revenues, Expenses, and Change in Net Position
For the year ended September 30, 2024

Revenues	
Water sales	\$ 2,833,572
Total Revenues	2,833,572
Operating Expenses	
Payroll expenses	489,437
Supplies and materials	251,613
Professional services	24,708
Utilities	193,146
Depreciation	741,892
Repairs and maintainance	64,147
Insurance	139,505
Office expenses	15,415
Total Operating Expenses	1,919,863
Operating Income (Loss)	913,709
Nonoperating Revenues (Expenses)	
Intergovernmental	-
Investment income	216,773
Reimbursement and miscellaneous	178
Gain (loss) on disposal of assets	(4,707)
Interest expense	(284,071)
Total Nonoperating Revenues (Expenses)	(71,827)
Change in Net Position	\$ 841,882
Net Position, October 1	14,565,731
Net Position, September 30	\$ 15,407,613

See Notes to the Financial Statements

Jefferson County Water Authority
Statement of Cash Flows
For the year ended September 30, 2024

Cash Flows from Operating Activities:	
Receipts from customers	\$ 2,833,572
Payments to suppliers	(1,326,197)
Payments to employees	(484,851)
Net Cash Flows from Operating Activities	1,022,524
Cash Flows from Noncapital Financing Activities:	
Intergovernmental	-
Reimbursements and miscellaneous	61,390
Net Cash Flows from Noncapital Financing Activities	61,390
Cash Flows from Capital and Related Financing Activities:	
Payments on long-term debt	(407,800)
Interest on debt	(371,864)
Proceeds from sale of capital assets	1,400
Acquisition and construction of capital assets	(248,192)
Net Cash Flows from Capital and Related Financing Activities	(1,026,456)
Cash Flows from Investing Activities:	
Proceeds from sale of investments	1,196,998
Purchase of investments	(2,204,342)
Interest on investments	199,633
Net Cash Flows from Investing Activities	(807,711)
Net Increase in Cash and Cash Equivalents	\$ (750,253)
Cash and Cash Equivalents, October 1	3,566,996
Cash and Cash Equivalents, September 30	\$ 2,816,743
Reconciliation with Statement of Net Position:	
Cash and cash equivalents	\$ 2,598,019
Restricted cash and cash equivalents	218,724
Total Cash and Cash Equivalents	\$ 2,816,743
Noncash Capital and Related Financing and/or Investing Activities:	
Capital assets included in accounts payable	\$ -

See Notes to the Financial Statements

Jefferson County Water Authority
Statement of Cash Flows
For the year ended September 30, 2024

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ 913,709
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	741,892
Contributed capital	-
(Increase) decrease in:	
Accounts receivable	-
Inventories	(19,118)
Prepaid insurance	114,236
Increase (decrease) in:	
Accounts payable	(732,781)
Accrued payroll liabilities	4,586
	<hr/>
Net cash provided by (used in) operating activities	<u><u>\$ 1,022,524</u></u>

See Notes to the Financial Statements

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2024

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, 2024

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.

Water Sales

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

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.

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2024

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2024, 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.

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.

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2024

Note 2 - Deposits and Investments (continued)

Investments (continued)

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, 2024, 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.

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.

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2024

Note 5 - Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2024:

	Balance 9/30/23	Additions	Deletions	Balance 9/30/24
Capital assets not being depreciated:				
Land	\$ 373,444	\$ -	\$ -	\$ 373,444
Construction in progress	1,293,526	170,731	(1,464,257)	-
Total capital assets not being depreciated	\$ 1,666,970	\$ 170,731	\$ (1,464,257)	\$ 373,444
Capital assets being depreciated:				
Land improvements	\$ 44,063	\$ -	\$ -	\$ 44,063
Water plant	24,338,387	341,939	(40,713)	24,639,613
Buildings and building improvements	2,631,232	1,199,781	-	3,831,013
Vehicles	47,211	-	(15,276)	31,935
Computer equipment and software	20,951	-	-	20,951
Total capital assets being depreciated	27,081,844	1,541,720	(55,989)	28,567,575
Less: Accumulated depreciation				
Land improvements	(25,390)	(4,006)	-	(29,396)
Water plant	(7,254,535)	(608,739)	34,606	(7,828,668)
Buildings and building improvements	(70,056)	(123,874)	-	(193,930)
Vehicles	(32,840)	(3,193)	15,276	(20,757)
Computer equipment and software	(13,669)	(2,080)	-	(15,749)
Total accumulated depreciation	(7,396,490)	(741,892)	49,882	(8,088,500)
Total capital assets being depreciated, net	\$ 19,685,354	\$ 799,828	\$ (6,107)	\$ 20,479,075

Depreciation expense charged to operations for the year ended September 30, 2024 amounted to \$741,892.

Note 6 - Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2024:

	Balance 9/30/23	Additions	Reductions	Balance 9/30/24
Revenue bonds payable	\$ 9,295,000	\$ -	\$ (370,000)	\$ 8,925,000
Add: Premium	1,511,282	-	(85,143)	1,426,139
Loan payable	360,700	-	(37,800)	322,900
Total	\$ 11,166,982	\$ -	\$ (492,943)	\$ 10,674,039

Jefferson County Water Authority
Notes to the Financial Statements
For the year ended September 30, 2024

Note 6 - Long-Term Debt (continued)

Long-term debt consisted of the following:

	Balance 9/30/24
<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%	\$ 8,925,000
Less: current maturities	(375,000)
Add: Unamortized debt premiums, net	1,426,139
Total Revenue Bonds Payable	<u>\$ 9,976,139</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%	\$ 322,900
Less: current maturities	(37,800)
Total Loan Payable	<u>\$ 285,100</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
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	440,000	293,000	733,000	40,600	2,152	42,752
2030-2034	2,480,000	1,186,200	3,666,200	127,500	3,062	130,562
2035-2039	3,020,000	648,400	3,668,400	-	-	-
2040-2041	1,385,000	83,600	1,468,600	-	-	-
	<u>\$ 8,925,000</u>	<u>\$ 3,546,600</u>	<u>\$ 12,471,600</u>	<u>\$ 322,900</u>	<u>\$ 19,145</u>	<u>\$ 342,045</u>

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, 2024

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, 2024 is \$12,733. The amount contributed by the Authority for the year ended September 30, 2024 was \$30,481. The Authority uses forfeitures from nonvested employees to offset contributions related to the plan.

Note 8 - Commitments

At September 30, 2024, the Authority has contractual commitments for the following purposes:

	<u>Balance</u>
Other capital improvements	\$ 744,294
Professional services	<u>47,000</u>
Total contractual commitments	<u><u>\$ 791,294</u></u>

Note 9 - Subsequent Events

Management has evaluated events subsequent to September 30, 2024 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through February 21, 2025, 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. 101, *Compensated Absences*; GASB Statement No. 102, *Certain Risk Disclosures*; GASB Statement No. 103, *Financial Reporting Model Improvements*; or GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Water sales	\$ 2,825,830	\$ 2,825,830	\$ 2,833,572	\$ 7,742
Total Revenues	2,825,830	2,825,830	2,833,572	7,742
Operating and Maintenance Expenses				
Source of supply and pumping expenses:				
Chemicals	145,000	222,000	236,137	14,137
Engineering fees	5,000	-	-	-
Payroll expenses	514,818	504,418	489,437	(14,981)
Repairs and maintenance	763,200	564,802	64,147	(500,655)
Equipment rental	2,500	-	-	-
Supplies	25,500	18,500	15,476	(3,024)
Total source of supply and pumping expenses	1,456,018	1,309,720	805,197	(504,523)
Accounting, collection, and administrative expenses:				
Bank fees	6,039	6,039	6,039	-
Dues and subscriptions	1,500	1,500	717	(783)
Insurance and bonds	144,013	144,013	139,505	(4,508)
Miscellaneous	1,500	1,500	1,026	(474)
Office expenses	13,650	9,650	7,633	(2,017)
Professional services	45,871	25,871	24,708	(1,163)
Utilities	167,000	201,000	193,146	(7,854)
Total accounting, collection, and administrative expenses	379,573	389,573	372,774	(16,799)
Operating Income (Loss) before Depreciation Expense	990,239	1,126,537	1,655,601	529,064
Depreciation expense	-	-	741,892	741,892
Operating Income (Loss)	990,239	1,126,537	913,709	(212,828)
Nonoperating Revenues (Expenses)				
Intergovernmental	-	158,992	-	(158,992)
Investment income	114,083	114,083	216,773	102,690
Reimbursement and miscellaneous	150	150	178	28
Net amortization expense	85,143	85,143	85,143	-
Gain (loss) on disposal of assets	-	-	(4,707)	(4,707)
Interest expense	(371,865)	(371,865)	(369,214)	2,651
Total Nonoperating Revenues (Expenses)	(172,489)	(13,497)	(71,827)	(58,330)
Change in Net Position	<u>\$ 817,750</u>	<u>\$ 1,113,040</u>	<u>\$ 841,882</u>	<u>\$ (271,158)</u>

Jefferson County Water Authority
Schedule of Restricted/Designated Assets
For the year ended September 30, 2024

Accounts funded for specific debt service and construction:

	Balance 9/30/24
2021A Debt Service	\$ 218,557
2012 Principal	51
2012 Interest	116
	\$ 218,724

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 9/30/24
Replacement deposit account	\$ 80,018
Replacement investment account	1,795,279
	\$ 1,875,297