

**JEFFERSON COUNTY WATER AUTHORITY  
(A NOT-FOR-PROFIT CORPORATION)**

**JEFFERSON COUNTY, MISSOURI**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
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## **FINANCIAL SECTION**



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF  
MISSOURI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Jefferson County Water Authority

We have audited the accompanying statement of financial position of Jefferson County Water Authority (a Not-for-Profit Corporation) ("the Authority"), of Jefferson County, Missouri, as of September 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Water Authority as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Daniel Jones & Associates*

DANIEL JONES & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

January 14, 2011

## **FINANCIAL STATEMENTS**

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2010

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	412,943
Investments		597,500
Receivables:		
Service charges		154,380
Other		25,906
Prepaid Insurance		32,306
Inventory		13,681
Total Current Assets		1,236,716

**NONCURRENT ASSETS**

Capital assets not being depreciated:		
Land		373,444
Construction in process		4,422
Total Capital Assets Not Being Depreciated		377,866
Capital assets being depreciated:		
Land Improvements		7,998
Buildings		18,657
Water Plant		16,057,096
Vehicles		15,276
Computer Equipment & Software		12,106
Audio Visual Equipment		5,976
Total Capital Assets Being Depreciated		16,117,109
Less - Accumulated depreciation		(2,445,515)
Total Capital Assets Being Depreciated Net		13,671,594

Capital Assets, Net 14,049,460

Restricted assets:

Cash and Cash Equivalents		106,693
Investments		7,791,418
Receivables:		
Interest receivable		85,987
Total Restricted Assets		7,984,098

Other assets:

Bond issue costs, net of accumulated amortization of \$236,042		207,110
Due from City of Herculaneum		3,309,113
Total Other Assets		3,516,223

Total Noncurrent Assets 25,549,781

**TOTAL ASSETS** \$ 26,786,497

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
STATEMENT OF FINANCIAL POSITION (CONCLUDED)  
AS OF SEPTEMBER 30, 2010

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$	41,611
Accrued payroll liabilities		19,478
Payable from restricted assets:		
Current maturities of long-term debt		1,104,154
Accrued interest payable		204,963
Total Current Liabilities		1,370,206

**LONG-TERM DEBT**

Revenue bonds payable, less current maturities		15,608,643
Notes payable		6,357,377
Total Long-Term Debt		21,966,020
Total Liabilities		23,336,226

**NET ASSETS**

Invested in capital assets, net of related debt		(1,556,515)
Restricted for debt service		3,837,667
Unrestricted		1,169,119
Total Net Assets		3,450,271

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>26,786,497</b>
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The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<b>WATER SALES</b>	\$ 1,878,290
OPERATING AND MAINTENANCE EXPENSES	<u>(740,552)</u>
<b>OPERATING INCOME BEFORE DEPRECIATION EXPENSE</b>	1,137,738
DEPRECIATION EXPENSE	<u>(361,703)</u>
<b>OPERATING INCOME</b>	776,035
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Investment income	259,030
Interest expense	(657,491)
Net amortization	1,481
Other Capital Outlay	(18,139)
Insurance claims and refunds	-
Reimbursement	<u>46,452</u>
Total Nonoperating Revenues (Expenses)	<u>(368,667)</u>
<b>CHANGE IN NET ASSETS</b>	407,368
NET ASSETS, OCTOBER 1, 2009	3,042,903
	<hr/>
<b>NET ASSETS, SEPTEMBER 30, 2010</b>	<u><u>\$ 3,450,271</u></u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,866,710
Payments to Suppliers for Goods and Services	(726,809)
Net Cash Provided by Operating Activities	1,139,901
Cash Flows from Non-Capital Financing Activities:	
Decrease in due to City of Festus	-
Decrease in due from City of Herculaneum	178,699
Reimbursements	46,452
Net Cash Provided by Non-Capital Financing Activities	225,151
Cash Flows from Capital and Related Financing Activities:	
Payments on Notes Payable	(254,693)
Payments on Bonds Payable	(655,000)
Interest Paid on Debt	(657,491)
Amortization (Net)	1,481
Other Capital Outlay	(18,139)
Sale of Capital Assets	-
Purchase of Capital Assets	(24,165)
Net Cash Used by Capital and Related Financing Activities	(1,608,007)
Cash Flows from Investing Activities:	
Transfer from Investments	(91,355)
Interest on Investments	259,030
Insurance Claims and Refunds	-
Net Cash Provided by Investing Activities	167,675
Net increase (decrease) in Cash and Cash Equivalents	(75,280)
Cash and Cash Equivalents at October 1, 2009	594,916
Cash and Cash Equivalents at September 30, 2010	\$ 519,636
Reconciliation of Operating Profit to Net Cash Provided by Operating Activities:	
Operating Profit	\$ 776,035
Adjustments	
Depreciation Expense	361,703
Amortization (Net)	(1,481)
(Increase) Decrease in Assets and Liabilities:	
Service Charges Receivable	(11,580)
Other Receivables	(2,856)
Interest Receivable	959
Prepaid Insurance	3,241
Inventory	1,589
Increase (decrease) in:	
Accounts Payable	16,940
Accrued Interest Payable	(7,182)
Other Accrued Liabilities	2,533
Total Adjustments	363,866
Net Cash Provided by Operating Activities	\$ 1,139,901

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Jefferson County Water Authority (the Authority) is a nonprofit corporation organized in order to promote the 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, acquire, and sell potable water supply to sponsoring municipalities. The Jefferson County Water Authority was incorporated in January 2000 and began its activities in November 2001. The Jefferson County Water Authority began delivery of water to customers in September 2003.

The more significant of the Jefferson County Water Authority’s accounting policies are described below:

**A. Basis of Accounting**

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

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

**B. Capital Assets**

Capital assets are stated at cost and are defined as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value. All capital assets are depreciated except for land and construction work-in-progress.

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

<b>Asset</b>	<b>Years</b>
Land Improvements	20
Buildings	30
Water Plant	50
Vehicles	4
Computer Equipment & Software	15
Audio Visual Equipment	6

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Capital Assets (Concluded)**

Depreciation expense charged to operations for the year ended September 30, 2010, amounted to \$361,703.

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

**C. Accounts Receivable**

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

**D. Debt Premiums**

Net premiums on debt issues are presented as an addition to the face amount and are amortized on the straight-line method over the terms of the debt. Amortization of premiums recognized in operations for the year ending September 30, 2010, amounted to \$27,904.

**E. Bond Issue Costs**

Bond issue costs are amortized on the straight-line method over the term of the bonds. Amortization of the bond issue costs for the year ending September 30, 2010, amounted to \$17,148.

**F. Deferred Bond Issue Charge**

Deferred bond issue charges have resulted due to the advance refunding of the bond issues. The unamortized portion is presented as a reduction in the face amount of bonds payable and is being amortized on the straight-line method. Amortization of the deferred bond issue charge for the year ended September 30, 2010, amounted to \$9,276.

**G. Water Sales**

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

**H. Marketable Securities**

Investments are reported at cost which approximates fair value.

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**I. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Jefferson County Water Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**J. Budgets and Budgetary Accounting**

The annual budget is adopted on a basis that is substantially consistent with U.S. generally accepted accounting principles. Budgeted amounts lapse at fiscal year-end. The Jefferson County Water 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 exceed budgeted amounts on a line-item basis with Board approval. All amendments to fund totals must be approved by the Board.

**K. Inventory**

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

**II. DEPOSITS AND INVESTMENTS**

**SUMMARY OF CARRYING VALUES**

The carrying values of deposits and investments shown below are included in the financial statements at September 30, 2010, as follows:

Included in the following fund financial statement captions:

Statement of Financial Position

Cash & Cash Equivalents - Unrestricted	\$ 412,943
Cash & Cash Equivalents - Restricted	106,693
Investments - Unrestricted	597,500
Investments - Restricted	<u>7,791,418</u>
<b>Total Deposits &amp; Investments as of September 30, 2010</b>	<b><u>\$ 8,908,554</u></b>

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**II. DEPOSITS AND INVESTMENTS (CONTINUED)**

As of September 30, 2010, the Authority's investments were as follows:

<b>Investments 2010</b>			
<u>Fund</u>	<u>Type</u>	<u>Maturities</u>	<u>Cost</u>
Unrestricted	FNMA Discount Note	01/04/2011	\$ 597,500
	<b>Total Unrestricted Investments</b>		597,500
Restricted	FNMA Discount Note	01/07/2011	527,000
Restricted	FNMA Discount Note	08/19/2011	125,500
Restricted	Fixed Income Securities	12/30/2022	3,495,754
Restricted	Fixed Income Securities	12/30/2022	288,750
Restricted	Fixed Income Securities	12/30/2022	47,431
Restricted	Fixed Income Securities	06/30/2023	55,372
Restricted	Fixed Income Securities	06/30/2023	3,185,777
Restricted	Fixed Income Securities	06/30/2023	65,834
	<b>Total Restricted Investments</b>		7,791,418
	<b>Total Investments</b>		\$ 8,388,918

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's investment policy does not include custodial credit risk requirements. The Authority's deposits were not exposed to custodial credit risk for the fiscal year ended September 30, 2010.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the Authority or its agent but not in the government's name. The Authority does not have a policy for custodial credit risk relating to investments.

All investments, evidenced by individual securities, are registered in the name of the Authority or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**II. DEPOSITS AND INVESTMENTS (CONCLUDED)**

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the Authority for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The Authority has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. Authority deposits of \$ 255,000 were exposed to concentration of investment credit risk for the fiscal year ended September 30, 2010.

**III. CONCENTRATION**

The Jefferson County Water Authority entered into a water rate agreement to provide water to the City of Festus and the City of Herculaneum. The agreements are as follows:

On March 26, 2001, City of Herculaneum entered into a contract with Jefferson County Water Authority to purchase 480,000 gallons of water per day. On January 14, 2008, the Herculaneum Board of Alderman approved amending the water usage obligation to 630,000 gallons of water per day with the understanding that should the largest consumer of water from Herculaneum reduce its water usage significantly or should 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.

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

**IV. RISK MANAGEMENT**

The Jefferson County Water Authority carries commercial insurance for its risks of loss, including workman's 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  
JEFFERSON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**V. CAPITAL ASSETS**

Capital assets activity was as follows:

	<b>Balance September 30, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2010</b>
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 373,444	\$ -	\$ -	\$ 373,444
Construction in Process	-	4,422	-	4,422
Total Non-Depreciable Capital Assets	373,444	4,422	-	377,866
<b>Depreciable Capital Assets:</b>				
Land Improvements	7,998	-	-	7,998
Water Plant	16,042,659	14,437	-	16,057,096
Buildings & Building Improvements	13,350	5,307	-	18,657
Vehicles	15,276	-	-	15,276
Computer Equipment & Software	12,106	-	-	12,106
Audio Visual Equipment	5,976	-	-	5,976
Total Depreciable Capital Assets	16,097,365	19,744	-	16,117,109
<b>Less-Accumulated Depreciation for:</b>				
Land Improvements	(355)	(400)	-	(755)
Water Plant	(2,055,982)	(358,829)	-	(2,414,811)
Buildings & Building Improvements	(1,557)	(463)	-	(2,020)
Vehicles	(15,276)	-	-	(15,276)
Computer Equipment & Software	(5,662)	(1,015)	-	(6,677)
Audio Visual Equipment	(4,980)	(996)	-	(5,976)
Total Accumulated Depreciation	(2,083,812)	(361,703)	-	(2,445,515)
Total Depreciable Capital Assets, Net	14,013,553	(341,959)	-	13,671,594
Total Capital Assets, Net	\$ 14,386,997	\$ (337,537)	\$ -	\$ 14,049,460

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**VI. LONG-TERM DEBT**

Long-term debt consisted of the following:

**September 30,  
2010**

**Revenue Bonds Payable**

\$10,435,000 Revenue Bonds, Series 2001 C, due in annual installments through July 1, 2023, interest payable at 3% to 5.375%.	\$ 9,150,000
\$8,230,000 Revenue Bonds, Series 2002A, due in annual installments through January 2023, interest payable at 3% to 5.375%.	6,885,000
Subtotal	\$ 16,035,000
Less – Current maturities	(780,000)
Plus – Unamortized debt premiums, net (not included in schedule below)	353,643
Total	\$ 15,608,643

**Notes Payable**

State Revolving Fund – 2001C, no interest	\$ 3,185,777
State Revolving Fund – 2002A, no interest	3,495,754
Subtotal	\$ 6,681,531
Less – Current maturities	(324,154)
Total	\$ 6,357,377

Aggregate maturities (principal and interest) required on long-term debt are as follows:

For The Years Ended September 30	Revenue Bonds Payable				SRF Loans Payable				Total	
	Series 2001C		Series 2002A		Series 2001C		Series 2002A			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	395,000	470,744	385,000	341,168	131,654	-	192,500	-	1,104,154	811,912
2012	575,000	454,944	405,000	324,520	210,897	-	202,500	-	1,393,397	779,464
2013	600,000	424,038	420,000	306,625	219,707	-	210,000	-	1,449,707	730,663
2014	625,000	391,788	440,000	285,613	227,976	-	220,000	-	1,512,976	677,401
2015	655,000	358,194	465,000	261,291	237,672	-	232,500	-	1,590,172	619,485
2016-2020	3,700,000	1,236,200	2,745,000	891,234	1,330,228	-	1,372,500	-	9,147,728	2,127,434
2021-2023	2,600,000	263,250	2,025,000	155,375	827,643	-	1,065,754	-	6,518,397	418,625
	9,150,000	3,599,158	6,885,000	2,565,826	3,185,777	-	3,495,754	-	22,716,531	6,164,984

JEFFERSON COUNTY WATER AUTHORITY  
 JEFFERSON COUNTY, MISSOURI  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**VI. LONG-TERM DEBT (CONCLUDED)**

In conjunction with SRF – 2001C and 2002A notes, a reserve account has been established with a no-interest loan funded with federal capitalization grants and matching funds from the State of Missouri.

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

Herculaneum is responsible for the 2001C and 2002A debt service payments for the amount of construction funds released from the investment account.

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

<b>2001C</b>				
Bond Payable	Herculaneum’s Share	Subtotal	Less: Reimbursements	Total
\$ 10,345,000	03.382332106%	\$ 352,946	(46,723)	\$ 306,223
<b>2002A</b>				
Bond Payable	Herculaneum’s Share	Subtotal	Less: Reimbursements	Total
\$ 8,230,000	45.766344165%	\$ 3,766,570	(763,680)	\$ 3,002,890
			<b>Grand Total</b>	<b>\$ 3,309,113</b>

**VII. INCOME TAXES**

The Jefferson County Water Authority is a non-for-profit corporation exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3), except on net income derived from unrelated business activities.

**VIII. 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 6 months of service. The Authority will match 50% of the participant’s elective deferral percentage up to 3%. Salary deferrals for each payroll period that exceed 6% will not be considered. 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, 2010 is \$6,632.75. The amount contributed by the Authority in 2010 is \$15,316.49.

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**IX. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 14, 2011, the date of the financial statements were available to be issued. Jefferson County Water Authority has applied for a drinking water state revolving fund loan for approximately \$1.2 million for various projects.

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**I. Financial Statement Findings – Current Year**

There were no financial statement findings for the year ended September 30, 2010.

**II. Financial Statement Findings – Prior Year**

**2009-01**

**Criteria:** All cash and investments held by financial institutions must be secured through the Federal Deposit Insurance Corporation (FDIC) or securities pledged by the financial institution.

**Condition:** Jefferson County Water Authority holds a bank account with a financial institution that was under collateralized by \$1,000.12.

**Cause:** Adequate oversight was not in place to ensure all bank accounts were secured through the FDIC or other pledged securities.

**Effect:** There is a risk that Jefferson County Water Authority's under collateralized balance may not be returned to the Authority because the balance is not covered under FDIC or other pledged securities.

**Recommendation:** We recommend that the Jefferson County Water Authority periodically review all account balances to ensure they are fully secured.

**Management's Response:** This issue has been resolved by moving under collateralized funds to a new CD through another financial institution, which is covered by FDIC.

**Auditor's Evaluation:** This finding was resolved by management in the prior year.

## **SUPPLEMENTARY INFORMATION**

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<b>Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over/(Under) Actual vs. Final Budget</b>
<b>WATER SALES</b>	\$ 1,878,290	\$ 1,878,290	\$ -
<b>SOURCE OF SUPPLY AND PUMPING EXPENSES</b>			
Chemicals	118,903	94,759	(24,144)
Engineering fees	2,500	-	(2,500)
Operation and management services	-	-	-
Payroll expenses	311,584	313,656	2,072
Repairs and maintenance	49,500	43,226	(6,274)
Supplies	15,600	14,032	(1,568)
Total Source of Supply and Pumping Expenses	<u>498,087</u>	<u>465,673</u>	<u>(32,414)</u>
<b>ACCOUNTING, COLLECTION, AND ADMINISTRATIVE EXPENSES</b>			
Bank fees	73,140	75,985	2,845
Dues and subscriptions	3,100	4,847	1,747
Insurance and bonds	41,574	42,284	710
Miscellaneous	2,500	1,900	(600)
Office supplies, postage, advertising, travel	9,475	6,558	(2,917)
Professional services	13,000	10,500	(2,500)
Utilities	132,380	132,805	425
Total Accounting, Collection, and Administrative Expenses	<u>275,169</u>	<u>274,879</u>	<u>(290)</u>
<b>OPERATING AND MAINTENANCE EXPENSES</b>	<u>773,256</u>	<u>740,552</u>	<u>(32,704)</u>
<b>OPERATING INCOME BEFORE DEPRECIATION EXPENSE</b>	1,105,034	1,137,738	32,704
<b>DEPRECIATION EXPENSE</b>	<u>-</u>	<u>(361,703)</u>	<u>(361,703)</u>
<b>OPERATING INCOME</b>	1,105,034	776,035	(328,999)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	332,688	259,030	(73,658)
Interest expense	(880,309)	(657,491)	222,818
Net amortization	(1,824)	1,481	3,305
Other Capital Outlay	(77,000)	(18,139)	58,861
Insurance Claims & Refunds	-	-	-
Reimbursement & Miscellaneous	296,111	46,452	(249,659)
Total Nonoperating Revenues (Expenses)	<u>(330,334)</u>	<u>(368,667)</u>	<u>(38,333)</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 774,700</u>	<u>\$ 407,368</u>	<u>\$ (367,332)</u>

JEFFERSON COUNTY WATER AUTHORITY  
 JEFFERSON COUNTY, MISSOURI  
 RESTRICTED ASSETS BREAKDOWN AT SEPTEMBER 30, 2010

**Breakdown of Restricted Assets at September 30, 2010:**

Assets Scheduled for Specific Debt within one-year:

2001C Interest.....	\$ 82,368.21
2001C Principal.....	\$ 98,750.05
2002A Interest.....	\$ 47,430.89
2002A Principal.....	\$ 288,750.01
Total.....	\$ 517,299.16

Reserve Account funded from State of Missouri (SRF):

2001C State Revolving Fund Reserve.....	\$ 3,185,777.07
2002A State Revolving Fund Reserve.....	\$ 3,495,754.03
Total.....	\$ 6,681,531.10

Annual Depreciation & Replacement Account Requirement:

Pursuant to the outstanding parity obligation documents, beginning January 1, 2004 JCWA needs to deposit \$6300 per month into a separate depreciation and replacement account requirement for the 2002A Series and then commencing on July 1, 2004 an additional monthly deposit of \$4,116.67 is required for the 2001C Series until the maximum requirement is met of \$776,000 which allows the maximum requirement to be spread over a six-year period.

Replacement Account Balance.....	\$ 42,050.25
Replacement Investment Account Balance.....	\$ 527,000.00
Total.....	\$ 569,050.25

Herculaneum's 110% Debt Coverage Ratio:

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

Herculaneum's Reserve Account.....	\$ 4,730.51
Herculaneum's Reserve Investment Account.....	\$ 125,500.00
Total.....	\$ 130,230.51

Total Restricted Cash & Investments at 9/30/10.....\$ 7,898,111.02

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
BOARD OF DIRECTORS AND OFFICERS

<u>Name</u>	<u>Position</u>	<u>Term</u>
Terry Draper, City of Festus	President	Appointed
Jim Kasten, City of Herculaneum	Vice-president	Appointed
William Gray, City of Festus	Director	Appointed
Gary Underwood, City of Festus	Director	Appointed
Mark Johnson, City of Herculaneum	Director	Appointed
Jim Sweet, City of Herculaneum	Director	Appointed
Michelle Guidicy, City of Festus	Treasurer	Appointed
Laurie Ferretti, City of Herculaneum	Secretary	Appointed