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**JEFFERSON COUNTY  
WATER AUTHORITY**

**FINANCIAL REPORT**  
(Audited)

Year Ended September 30, 2011

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

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

## INDEPENDENT AUDITORS' REPORT

February 27, 2012

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

We have audited the accompanying basic financial statements of the business-type activities of the **JEFFERSON COUNTY WATER AUTHORITY** (a nonprofit corporation) (the Authority) as of and for the year ended September 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. 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 U.S. generally accepted auditing standards. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the Authority as of September 30, 2011, and the changes in its financial position and its cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers

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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 U.S. generally accepted auditing standards, 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.

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

*Hochschild, Bloom & Company LLP*  
**CERTIFIED PUBLIC ACCOUNTANTS**

**JEFFERSON COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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As management of the Jefferson County Water Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended September 30, 2011, 2010, and 2009.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements presented in this report consist of the balance sheet; statement of revenues, expenses, and changes in net assets; and statement of cash flows. The balance sheet 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 changes in net assets. This statement reports the revenues and expenses during the time period indicated, and can be used to determine whether the Authority has successfully recovered all of its costs through user fees and other charges. The primary purpose of the statement of cash flows is to provide information about the Authority's cash receipts and cash payments. This statement reports cash receipts, cash payments, and net changes in cash resulting from activities related to operations, capital and related financing, noncapital and related financing, and investing.

**BALANCE SHEETS**

The Authority's net assets increased \$261,376 or 8%, which consisted of an \$888,898 decrease in total assets combined with a \$1,150,274 decrease in total liabilities. Net capital assets, which is discussed more in capital assets, decreased \$355,832 or 3%. Current assets decreased by \$454,047 or 37%.

As of September 30, 2011, the Authority had net assets of \$3,711,647.

A summary of financial position follows:

**JEFFERSON COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	September 30			2011 Change	
	2011	2010	2009	Amount	Percent
<b>ASSETS</b>					
Current Assets	\$ 782,669	1,236,716	1,169,105	(454,047)	(37) %
Noncurrent assets - restricted	8,119,540	7,984,098	8,026,988	135,442	2
Noncurrent assets - other	3,301,762	3,516,223	3,721,346	(214,461)	(6)
Net capital assets	13,693,628	14,049,460	14,386,997	(355,832)	(3)
Total Assets	<u>25,897,599</u>	<u>26,786,497</u>	<u>27,304,436</u>	<u>(888,898)</u>	<u>(3)</u>
<b>LIABILITIES</b>					
Current liabilities payable from current assets	50,794	61,089	41,615	(10,295)	(17)
Current liabilities payable from restricted assets	1,590,440	1,309,117	1,121,839	281,323	21
Long-term debt, less current maturities	20,544,718	21,966,020	23,098,079	(1,421,302)	(6)
Total Liabilities	<u>22,185,952</u>	<u>23,336,226</u>	<u>24,261,533</u>	<u>(1,150,274)</u>	<u>(5)</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	(1,887,110)	(1,556,515)	(1,755,966)	(330,595)	(21)
Restricted	4,676,285	3,837,667	3,922,379	838,618	22
Unrestricted	922,472	1,169,119	876,490	(246,647)	(21)
Total Net Assets	<u>\$ 3,711,647</u>	<u>3,450,271</u>	<u>3,042,903</u>	<u>261,376</u>	<u>8 %</u>

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

Operating revenues increased by \$169,207 or 9%. This increase was due to an increase in water gallons sold.

Operating expenses increased by \$213,226 or 19%. This increase was due to major repairs.

**JEFFERSON COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

	<b>For The Years Ended September 30</b>			<b>2011 Change</b>	
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>Amount</b>	<b>Percent</b>
<b>OPERATING REVENUES</b>	\$ 2,047,497	1,878,290	1,760,332	169,207	9 %
OPERATING EXPENSES	<u>1,315,481</u>	<u>1,102,255</u>	<u>1,076,244</u>	<u>213,226</u>	19
<b>OPERATING INCOME</b>	732,016	776,035	684,088	(44,019)	(6)
NONOPERATING EXPENSES, NET	<u>470,640</u>	<u>368,667</u>	<u>346,895</u>	<u>101,973</u>	28
<b>CHANGE IN NET ASSETS</b>	261,376	407,368	337,193	(145,992)	(36)
NET ASSETS, BEGINNING OF YEAR	<u>3,450,271</u>	<u>3,042,903</u>	<u>2,705,710</u>	<u>407,368</u>	13
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 3,711,647</u></u>	<u><u>3,450,271</u></u>	<u><u>3,042,903</u></u>	<u><u>261,376</u></u>	8 %

**STATEMENTS OF CASH FLOWS**

The Authority's rate structure is designed to collect sufficient revenues to cover operating expenses. The Authority accomplished that objective during 2011. The net cash used in operating activities was used primarily for purchase of capital assets and payment of debt.

**CAPITAL ASSETS**

Net capital assets were \$13,693,628 at September 30, 2011 compared to \$14,049,460 at September 30, 2010, a decrease of \$355,832 or 3%. The Authority's capital assets consist primarily of the water plant constructed.

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

**JEFFERSON COUNTY WATER AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**LONG-TERM DEBT**

The Authority's long-term liabilities of \$21,938,115 at September 30, 2011 decreased by \$1,132,059 from 2010. This decrease was principally due to scheduled principal payments on the debt.

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

**RESTRICTED ASSETS**

Total restricted assets were \$8,119,540 at September 30, 2011 compared to \$7,984,098 at September 30, 2010. The Authority's debt covenants specify the manner in which monies on deposit in the various funds must be used. The Depreciation and Replacement account is used only for paying the cost of extensions, enlargements, replacements, or additions to the capital assets of the District. Restricted assets increased \$135,442 or 2% primarily because of the annual requirement to fund the Depreciation and Replacement account.

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

The Authority's overall financial position in 2011 increased 8% as shown by the net assets increase of \$261,376. The Authority continues to plan for future growth.

**REQUEST FOR INFORMATION**

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

# JEFFERSON COUNTY WATER AUTHORITY

BALANCE SHEET

SEPTEMBER 30, 2011

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## ASSETS

### Current Assets

Cash and cash equivalents	\$ 225,399
Investments	347,500
Receivables:	
Service charges	167,328
Other	75
Prepaid Insurance	32,744
Inventory	9,623
Total Current Assets	<u>782,669</u>

### Noncurrent Assets

#### Restricted assets:

Cash and cash equivalents	205,450
Investments	7,832,359
Receivables:	
Interest receivable	81,731
Total Restricted Assets	<u>8,119,540</u>

#### Other assets:

Bond issue costs, net of accumulated amortization of \$164,945	190,597
Due from City of Herculaneum	3,111,165
Total Other Assets	<u>3,301,762</u>

#### Capital assets:

Land and construction in progress	420,324
Other capital assets, net of accumulated depreciation	13,273,304
Total Capital Assets	<u>13,693,628</u>
Total Noncurrent Assets	<u>25,114,930</u>

Total Assets	<u>\$ 25,897,599</u>
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# JEFFERSON COUNTY WATER AUTHORITY

BALANCE SHEET

SEPTEMBER 30, 2011

## LIABILITIES

### Current Liabilities

Accounts payable	\$ 40,090
Accrued payroll liabilities	10,704
Payable from restricted assets:	
Current maturities of long-term debt	1,393,397
Accrued interest payable	197,043
Total Current Liabilities	<u>1,641,234</u>

### Long-term Debt, less current maturities

Revenue bonds payable	14,600,738
Notes payable	5,943,980
Total Long-term Liabilities	<u>20,544,718</u>
Total Liabilities	<u>22,185,952</u>

### Net Assets

Invested in capital assets, net of related debt	(1,887,110)
Restricted for debt service	3,732,235
Restricted for depreciation and replacement	944,050
Unrestricted	922,472
Total Net Assets	<u>3,711,647</u>

Total Liabilities And Net Assets	<u>\$ 25,897,599</u>
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**JEFFERSON COUNTY WATER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<b>WATER SALES</b>	\$ 2,047,497
<b>OPERATING AND MAINTENANCE EXPENSES</b>	<u>(973,146)</u>
<b>OPERATING INCOME BEFORE DEPRECIATION EXPENSE</b>	1,074,351
<b>DEPRECIATION EXPENSE</b>	<u>(342,335)</u>
<b>OPERATING INCOME</b>	<u>732,016</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>	
Investment income	255,848
Reimbursement	46,850
Net amortization	11,392
Interest expense	(633,880)
Loss on disposal of capital assets	(134,367)
Other capital outlay	<u>(16,483)</u>
Total Nonoperating Revenues (Expenses)	<u>(470,640)</u>
<b>CHANGES IN NET ASSETS</b>	261,376
<b>NET ASSETS, OCTOBER 1, 2010</b>	<u>3,450,271</u>
<b>NET ASSETS, SEPTEMBER 30, 2011</b>	<u><u>\$ 3,711,647</u></u>

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

#### Cash flows from operating activities:

Cash received from customers	\$ 2,060,380
Cash payments to suppliers for goods and services	(979,821)
Net Cash Provided By Operating Activities	<u>1,080,559</u>

#### Cash flows from noncapital financing activities:

Decrease in due from City of Herculaneum	197,948
Reimbursements	46,850
Net Cash Provided By Noncapital Financing Activities	<u>244,798</u>

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

Payments on notes payable	(324,154)
Payments on bonds payable	(780,000)
Interest paid on debt	(641,800)
Other capital outlay	(16,483)
Purchase of capital assets	(120,870)
Net Cash Used In Capital And Related Financing Activities	<u>(1,883,307)</u>

#### Cash flows from investing activities:

(Increase) decrease in investments	209,059
Investment income	260,104
Net Cash Provided By Investing Activities	<u>469,163</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (88,787)

CASH AND CASH EQUIVALENTS, OCTOBER 1, 2010 519,636

CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2011 \$ 430,849

# JEFFERSON COUNTY WATER AUTHORITY

## STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

#### Cash flows from operating activities:

Operating income	\$ 732,016
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	342,335
(Increase) decrease in:	
Accounts receivable	12,883
Inventory	4,058
Prepaid insurance	(438)
Increase (decrease) in:	
Accounts payable	(1,521)
Accrued payroll liabilities	(8,774)
Total Adjustments	<u>348,543</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,080,559</u></u>

# JEFFERSON COUNTY WATER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 1. Reporting Entity - Related Party

The financial statements of the Authority include the financial activities of the Authority and any component units. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - an Amendment of GASB 14*. The Authority is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the Authority appoints a voting majority of the component unit's governing body or because the component unit will provide a financial benefit or impose a financial burden on the Authority. Based upon the application of these criteria, there are no component units to be included in the Authority's.

#### 2. Basis of Accounting

The financial statements of the 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.

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

#### 3. Investments

Investments are reported at cost which approximates fair value.

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

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

**4. Accounts Receivable**

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

**5. Inventory**

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

**6. Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value at the date of contribution.

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

<b>Assets</b>	<b>Years</b>
Land improvements	20
Buildings	30
Water plant	50
Vehicles	4
Computer equipment and software	15
Audio visual equipment	6

Depreciation expense charged to operations for the year ended September 30, 2011, amounted to \$342,335.

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

**7. Bond Issue Costs**

Bond issue costs are amortized on the straight-line method over the terms of the bonds. Amortization of the bond issue costs for the year ending September 30, 2011, amounted to \$17,148.

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

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

**8. Debt Premiums**

Net premiums on debt issues are presented as an addition to the face amount and are amortized on the straight-line method over the terms of the debt. Amortization of premiums recognized in operations for the year ending September 30, 2011, amounted to \$27,905.

**9. 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, 2011, amounted to \$9,276.

**10. Water Sales**

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

**11. Statement of Cash Flows**

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

**12. Income Taxes**

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

**13. Budgets and Budgetary Accounting**

The annual budget is adopted on a basis that is substantially consistent with U.S. generally accepted accounting principles. 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 with Board approval. All amendments to fund totals must be approved by the Board.

**14. Restricted Assets**

Certain resources set aside for the repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants.

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

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

**15. Use of Estimates**

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

**NOTE B - CASH AND INVESTMENTS**

The Authority's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the Authority or trustee institution. The value of the securities must amount to the total of the Authority's cash not insured by the Federal Deposit Insurance Corporation

As of September 30, 2011, the Authority's bank balances were entirely secured or collateralized with securities held by the Authority or by its agent in the Authority's name.

As of September 30, 2011, the Authority had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Maturities</u>			<u>Credit Risk</u>
		<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	
Fixed income securities	\$ 6,929,859	-	-	6,929,859	AAA
Certificate of deposit	1,250,000	-	1,250,000	-	N/A
Total Investments	<u>\$ 8,179,859</u>	<u>-</u>	<u>1,250,000</u>	<u>6,929,859</u>	

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

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

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

**NOTE C - CONCENTRATION**

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

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

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**NOTE C - CONCENTRATION (Continued)**

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 January 14, 2008, the City of 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 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.

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

**NOTE D - RISK MANAGEMENT**

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

**NOTE E - CAPITAL ASSETS**

The following is a summary of changes in capital assets:

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

**NOTE E - CAPITAL ASSETS (Continued)**

	For The Year Ended September 30, 2011			
	Balance September 30 2010	Transfers And Additions	Transfers And Deletions	Balance September 30 2011
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 373,444	-	-	373,444
Construction in progress	4,422	95,079	52,621	46,880
Total Capital Assets Not Being Depreciated	<u>377,866</u>	<u>95,079</u>	<u>52,621</u>	<u>420,324</u>
Capital assets being depreciated:				
Land improvements	7,998	-	-	7,998
Water plant	16,057,096	59,861	171,998	15,944,959
Buildings and building improvements	18,657	-	-	18,657
Vehicles	15,276	-	-	15,276
Computer equipment and software	12,106	15,200	-	27,306
Audio visual equipment	5,976	3,351	-	9,327
Total Capital Assets Being Depreciated	<u>16,117,109</u>	<u>78,412</u>	<u>171,998</u>	<u>16,023,523</u>
Less - Accumulated depreciation for:				
Land improvements	755	400	-	1,155
Water plant	2,414,811	339,156	37,631	2,716,336
Buildings and building improvements	2,020	622	-	2,642
Vehicles	15,276	-	-	15,276
Computer equipment and software	6,677	1,906	-	8,583
Audio visual equipment	5,976	251	-	6,227
Total Accumulated Depreciation	<u>2,445,515</u>	<u>342,335</u>	<u>37,631</u>	<u>2,750,219</u>
Total Capital Assets Being Depreciated, Net	<u>13,671,594</u>	<u>(263,923)</u>	<u>134,367</u>	<u>13,273,304</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 14,049,460</u>	<u>(168,844)</u>	<u>186,988</u>	<u>13,693,628</u>

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

**NOTE F - LONG-TERM DEBT**

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

	<b>For The Year Ended September 30, 2011</b>			<b>Balance September 30 2011</b>	<b>Amounts Due Within One Year</b>
	<b>Balance September 30 2010</b>	<b>Additions</b>	<b>Reductions</b>		
Revenue bonds payable	\$16,035,000	-	780,000	15,255,000	980,000
Notes payable	<u>6,681,531</u>	<u>-</u>	<u>324,154</u>	<u>6,357,377</u>	<u>413,397</u>
Total	<u>\$22,716,531</u>	<u>-</u>	<u>1,104,154</u>	<u>21,612,377</u>	<u>1,393,397</u>

Long-term debt consisted of the following:

	<b>September 30 2011</b>
<b>Revenue Bonds Payable</b>	
\$10,435,000 revenue bonds, Series 2001C, due in annual installments through July 1, 2033, interest payable at 3% to 5.375%	\$ 8,755,000
\$8,230,000 revenue bonds, Series 2002A, due in annual installments through January 2023, interest payable at 3% to 5.375%.	<u>6,500,000</u>
Total	15,255,000
Less - Current maturities	(980,000)
Plus - Unamortized debt premiums, net	<u>325,738</u>
Total Revenue Bonds Payable	<u>\$14,600,738</u>
<b>Notes Payable</b>	
State Revolving Fund - 2001C, no interest	\$3,054,123
State Revolving Fund - 2002A, no interest	<u>3,303,254</u>
Total	6,357,377
Less - Current maturities	<u>(413,397)</u>
Total Notes Payable	<u>\$5,943,980</u>

Annual debt service requirements to maturities are as follows:

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

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

<u>For The Years Ended September 30</u>	<u>Revenue Bonds</u>		<u>Notes Payable</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2012	\$ 980,000	779,464	413,397
2013	1,020,000	730,663	429,707
2014	1,065,000	677,400	447,976
2015	1,120,000	619,484	470,172
2016	1,170,000	558,613	491,106
2017 - 2021	6,750,000	1,784,072	2,824,245
2022 - 2023	3,150,000	203,375	1,280,774
Total	<u>\$ 15,255,000</u>	<u>5,353,071</u>	<u>6,357,377</u>

In conjunction with SRF - 2001C and 2002A notes, a reserve account has been established with a non-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 33.3% for the 2001C and 50% for the Series 2002A of the outstanding principal amount of such bonds. The reserve account is held in trust. As the principal amount of such bonds is repaid, the amounts held in the reserve account will be reduced such that the reserve account will equal 33.33% and 50%, respectively, of the remaining principal balance of such bonds.

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

<b>2001C</b>				
<u>Bond Payable</u>	<u>City Of Herculaneum's Share</u>	<u>Subtotal</u>	<u>Less - Reimbursements</u>	<u>Total</u>
\$ 10,345,000	3.382332106%	\$ 352,946	\$ 61,605	\$ 291,341
<b>2002A</b>				
<u>Bond Payable</u>	<u>City Of Herculaneum's Share</u>	<u>Subtotal</u>	<u>Less - Reimbursements</u>	<u>Total</u>
\$ 8,230,000	45.766344165%	\$ 3,766,570	\$ 946,746	\$ 2,819,824

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

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

The Authority contributes to a 401(K) Profit Sharing Plan, which is monitored by nationwide Retirement Solutions. Employees are eligible to participate in the Deferral Compensation program at the end of 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, 2011 is \$5,397. The amount contributed by the Authority in 2011 was \$14,699.

**NOTE H - SUBSEQUENT EVENTS**

The Authority has applied for a drinking water state revolving fund loan for approximately \$1.2 million for various projects.

**SUPPLEMENTAL INFORMATION SECTION**

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES**  
**AND EXPENSES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>WATER SALES</b>	\$ 2,035,824	2,035,824	2,047,497	11,673
<b>SOURCE OF SUPPLY AND PUMPING EXPENSES</b>				
Chemicals	106,678	106,678	95,786	(10,892)
Engineering fees	2,500	46,890	48,240	1,350
Payroll expenses	334,267	334,267	326,933	(7,334)
Repairs and maintenance	45,500	213,800	199,805	(13,995)
Supplies	17,600	17,600	15,449	(2,151)
Total Source Of Supply And Pumping Expenses	<u>506,545</u>	<u>719,235</u>	<u>686,213</u>	<u>(33,022)</u>
<b>ACCOUNTING, COLLECTION, AND ADMINISTRATIVE EXPENSES</b>				
Bank fees	76,753	76,753	72,736	(4,017)
Dues and subscriptions	4,450	4,450	2,820	(1,630)
Insurance and bonds	40,975	40,975	41,353	378
Miscellaneous	2,500	2,500	2,486	(14)
Office supplies, postage, advertising, travel	6,600	6,600	4,303	(2,297)
Professional services	13,000	13,000	10,936	(2,064)
Utilities	145,725	145,725	152,299	6,574
Total Accounting, Collection, And Administrative Expenses	<u>290,003</u>	<u>290,003</u>	<u>286,933</u>	<u>(3,070)</u>
<b>OPERATING AND MAINTENANCE EXPENSES</b>	<u>796,548</u>	<u>1,009,238</u>	<u>973,146</u>	<u>(36,092)</u>

(Continued)

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES**  
**AND EXPENSES - BUDGET AND ACTUAL (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>OPERATING INCOME BEFORE DEPRECIATION EXPENSE</b>	1,239,276	1,026,586	1,074,351	47,765
<b>DEPRECIATION EXPENSE</b>	-	-	(342,335)	(342,335)
<b>OPERATING INCOME</b>	<u>1,239,276</u>	<u>1,026,586</u>	<u>732,016</u>	<u>(294,570)</u>
<b>NONOPERATING INCOME (EXPENSES)</b>				
Investment income	320,290	320,290	255,848	(64,442)
Reimbursement and miscellaneous	329,854	329,854	46,850	(283,004)
Net amortization	(1,824)	(1,824)	11,392	13,216
Interest expense	(833,332)	(833,332)	(633,880)	(199,452)
Loss on disposal of capital assets	-	-	(134,367)	(134,367)
Other capital outlay	(30,000)	(30,000)	(16,483)	(13,517)
Total Nonoperating Income (Expenses)	<u>(215,012)</u>	<u>(215,012)</u>	<u>(470,640)</u>	<u>255,628</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ 1,024,264</u>	<u>811,574</u>	<u>261,376</u>	<u>550,198</u>

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - RESTRICTED ASSETS BREAKDOWN**  
**SEPTEMBER 30, 2011**

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Accounts funded for specific debt within one-year:

2001C interest	\$ 79,216
2001C principal	143,750
2002A interest	45,765
2002A principal	<u>303,750</u>
Total	<u>\$572,481</u>

Reserve account funded from State of Missouri (SRF):

2001C State Revolving Fund Reserve	\$3,054,123
2002A State Revolving Fund Reserve	<u>3,303,254</u>
Total	<u>\$6,357,377</u>

Annual depreciation and replacement account requirement:

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

Replacement account balance	\$167,050
Replacement investment account balance	<u>777,000</u>
Total	<u>\$944,050</u>

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

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

City of Herculaneum's reserve account	\$ 38,401
City of Herculaneum's reserve investment account	<u>125,500</u>
Total	<u>\$163,901</u>
Total Restricted Cash And Investments At September 30, 2011	<u>\$8,037,809</u>

**JEFFERSON COUNTY WATER AUTHORITY**  
**SUPPLEMENTAL INFORMATION - BOARD OF**  
**DIRECTORS AND OFFICERS**  
**SEPTEMBER 30, 2011**

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<u>Name</u>	<u>Position</u>	<u>Term</u>
Jim Kasten, City of Herculaneum	President	Appointed
Bill Gray, City of Festus	Vice President	Appointed
Mark Johnson, City of Herculaneum	Director	Appointed
Timothy Montgomery, City of Festus	Director	Appointed
Terry Thomas, City of Herculaneum	Director	Appointed
Gary Underwood, City of Festus	Director	Appointed
Michelle Guidicy, City of Festus	Treasurer	Appointed
Laurie Ferretti, City of Herculaneum	Secretary	Appointed