
**JEFFERSON COUNTY
WATER AUTHORITY**

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2014

JEFFERSON COUNTY WATER AUTHORITY
FINANCIAL REPORT

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Revenues, Expenses, and Change in Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	13
SUPPLEMENTAL INFORMATION	
Schedule of Revenues and Expenses - Budget and Actual	22
Restricted Assets Breakdown	24
Board of Directors and Officers	25



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

INDEPENDENT AUDITOR'S REPORT

February 25, 2015

The Board of Directors
JEFFERSON COUNTY WATER AUTHORITY

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **JEFFERSON COUNTY WATER AUTHORITY** (the Authority) a nonprofit corporation, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

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

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

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, 2014, 2013, and 2012.

FINANCIAL HIGHLIGHTS AND UPCOMING PROJECTS

The Authority has finished all facility improvements as of October 2013 that was related to the 2012 Direct Loan with the Missouri Department of Natural Resources (DNR).

On June 20, 2013, the Authority executed a contract with Utility Service Co., Inc. for ice pigging services not to exceed \$120,000. As of February 24, 2015, this project was delayed again and is expected to be completed the summer of 2015. The Authority decided to hold off ice pigging until a feasibility study was completed and the laterals were cleaned. They also ran into some issues with accessing property easements. However, the ice pigging is still delayed because Utility Service Co. has purchased a new truck that will allow them to ice pig 3,400 feet in three shots instead of only 1,700 feet. The new truck is expected to be delivered this spring.

The Authority executed a contract with Utility Service Co. on September 23, 2014 for collector well rehabilitation and maintenance services over an eight (8) year period in the amount of \$125,000 for the first year and following years 2 - 8 not to exceed 5% PMI. First lateral cleaning was completed in January 2015 and proved to be very successful with 2.5 times more flow than prior to the cleaning.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements presented in this report consist of the statement of net position; statement of revenues, expenses, and change in net position; and statement of cash flows. The statement of net position provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the Authority. The revenues and expenses are accounted for in the statement of revenues, expenses, and change in net position. This statement reports the revenues and expenses during the time period indicated, and can be used to determine whether the Authority has successfully recovered all of its costs through user fees and other charges. The primary purpose of the statement of cash flows is to provide information about the Authority's cash receipts and cash payments. This statement reports cash receipts, cash payments, and net changes in cash resulting from activities related to operations, capital and related financing, noncapital and related financing, and investing.

STATEMENT OF NET POSITION

The Authority's net position increased \$837,328 or 15%, which consisted of a \$749,116 decrease in total assets combined with a \$1,586,444 decrease in total liabilities. Net capital assets, which is discussed more in capital assets, decreased \$300,010 or 2%. Current assets increased by \$59,936 or 6%.

As of September 30, 2014, the Authority had net position of \$6,400,072.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A summary of financial position follows:

	September 30			2014 Change	
	2014	2013	2012	Amount	Percent
ASSETS					
Current assets	\$ 1,084,575	1,024,639	749,071	59,936	6 %
Noncurrent assets - restricted	7,337,258	7,614,953	7,870,662	(277,695)	(4)
Noncurrent assets - other	2,450,067	2,681,414	2,901,003	(231,347)	(9)
Net capital assets	13,900,002	14,200,012	13,373,730	(300,010)	(2)
Total Assets	<u>24,771,902</u>	<u>25,521,018</u>	<u>24,894,466</u>	<u>(749,116)</u>	<u>(3)</u>
LIABILITIES					
Current liabilities payable from current assets	49,956	92,553	36,187	(42,597)	(46)
Current liabilities payable from restricted assets	1,781,523	1,719,003	1,650,670	62,520	4
Long-term debt, less current maturities	16,540,351	18,146,718	19,071,613	(1,606,367)	(9)
Total Liabilities	<u>18,371,830</u>	<u>19,958,274</u>	<u>20,758,470</u>	<u>(1,586,444)</u>	<u>(8)</u>
NET POSITION					
Net investment in capital assets	804,676	144,640	(1,219,610)	660,036	456
Restricted	4,560,777	4,608,067	4,642,722	(47,290)	(1)
Unrestricted	1,034,619	810,037	712,884	224,582	28
Total Net Position	<u>\$ 6,400,072</u>	<u>5,562,744</u>	<u>4,135,996</u>	<u>837,328</u>	<u>15 %</u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

Operating revenues increased by \$34,602 or 2%. This increase was due to the increase in wholesale water rate from \$3.90 to \$3.96.

Operating expenses increased by \$109,853 or 9%. This increase is largely due from engineering fees associated with a feasibility study and increase in depreciation expense from facility improvements made.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

	<u>For The Years Ended September 30</u>			<u>2014 Change</u>	
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Amount</u>	<u>Percent</u>
OPERATING REVENUES	\$ 2,283,732	2,249,130	2,209,650	34,602	2 %
OPERATING EXPENSES	<u>1,301,942</u>	<u>1,192,089</u>	<u>1,281,783</u>	<u>109,853</u>	9
OPERATING INCOME	981,790	1,057,041	927,867	(75,251)	(7)
NONOPERATING (REVENUES) EXPENSES, NET	<u>144,462</u>	<u>(369,707)</u>	<u>312,921</u>	<u>514,169</u>	139
CHANGE IN NET POSITION	837,328	1,426,748	614,946	(589,420)	(41)
NET POSITION, BEGINNING OF YEAR	<u>5,562,744</u>	<u>4,135,996</u>	<u>3,521,050</u>	<u>1,426,748</u>	34
NET POSITION, END OF YEAR	<u><u>\$ 6,400,072</u></u>	<u><u>5,562,744</u></u>	<u><u>4,135,996</u></u>	<u><u>837,328</u></u>	15 %

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 2014. The net cash used in operating activities was used primarily for payment of debt, and capital improvements.

CAPITAL ASSETS

Net capital assets were \$13,900,002 at September 30, 2014 compared to \$14,200,012, a decrease of \$300,010 or 2%. The Authority's capital assets consist primarily of the water plant. The decrease is due to the plant improvements in the amount of \$152,881, which was offset by annual depreciation in the amount of \$452,891.

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

LONG-TERM DEBT

The Authority's long-term liabilities of \$18,161,623 at September 30, 2014 decreased by \$1,530,071 from 2013. 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.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 maximum annual debt service calculated with respect to the Series 2001C Note, and any outstanding parity obligations (Series 2002A and 2012 Direct Loan). If the net revenues fall below the 1.10 rate covenant requirement, the Authority agrees to retain a consultant to make recommendations to increase the annual debt service coverage.

Debt service ratio calculation is as follows:

	For The Year Ended September 30 2014
REVENUE	
Water sales	\$ 2,283,732
Investment income	211,075
Other income (Herculaneum reimbursement and debt)	278,322
Total Revenue	2,773,129
 LESS - OPERATING EXPENSES	 849,051
 NET REVENUES FOR DEBT COVERAGE	 \$ 1,924,078
 ANNUAL DEBT SERVICE	 \$ 1,640,848
 DEBT SERVICE COVERAGE RATIO	 117.3 %

RESTRICTED ASSETS

Total restricted assets were \$7,337,258 at September 30, 2014 compared to \$7,614,953 at September 30, 2013. The Authority's debt covenants specify the manner in which monies on deposit in the various funds must be used. The depreciation and replacement account is used only for paying the cost of extensions, enlargements, replacements, or additions to the capital assets of the Authority. Restricted assets decreased \$277,695 or 4% primarily due to the decrease in the SRF Reserve accounts (debt service payments) in the amount of \$447,975.

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Authority's overall financial position in 2014 increased 15% as shown by the net position increase of \$837,328. 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

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 715,304
Investments	103,500
Receivables:	
Service charges	187,704
Other receivable	14,243
Prepaid insurance	39,998
Inventory	23,826
Total Current Assets	<u>1,084,575</u>

Noncurrent Assets

Restricted assets:	
Cash and cash equivalents	165,719
Investments	7,106,132
Receivables:	
Interest receivable	65,407
Total Restricted Assets	<u>7,337,258</u>

Other assets:

Due from City of Herculaneum	<u>2,450,067</u>
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Capital assets:

Land and construction in progress	373,444
Other capital assets, net of accumulated depreciation	13,526,558
Total Capital Assets	<u>13,900,002</u>
Total Noncurrent Assets	<u>23,687,327</u>
Total Assets	<u>24,771,902</u>

JEFFERSON COUNTY WATER AUTHORITY

STATEMENT OF NET POSITION (Continued)

SEPTEMBER 30, 2014

LIABILITIES

Current Liabilities

Accounts payable	35,393
Accrued payroll liabilities	14,563
Payable from restricted assets:	
Current maturities of long-term debt	1,621,272
Accrued interest payable	160,251
Total Current Liabilities	<u>1,831,479</u>

Long-term Debt, less current maturities

Revenue bonds payable	11,312,026
Notes payable	4,596,125
Loan payable	632,200
Total Long-term Liabilities	<u>16,540,351</u>
Total Liabilities	<u>18,371,830</u>

NET POSITION

Net investment in capital assets	804,676
Restricted for debt service	3,241,727
Restricted for depreciation and replacement	1,319,050
Unrestricted	1,034,619
Total Net Position	<u>\$ 6,400,072</u>

JEFFERSON COUNTY WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014

WATER SALES	\$ 2,283,732
OPERATING AND MAINTENANCE EXPENSES	<u>(849,051)</u>
OPERATING INCOME BEFORE DEPRECIATION EXPENSE	1,434,681
DEPRECIATION EXPENSE	<u>(452,891)</u>
OPERATING INCOME	<u>981,790</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	101,482
Investment income	211,075
Reimbursement and miscellaneous	45,801
Net amortization	27,904
Interest expense	<u>(530,724)</u>
Total Nonoperating Revenues (Expenses)	<u>(144,462)</u>
CHANGE IN NET POSITION	837,328
NET POSITION, OCTOBER 1, 2013	<u>5,562,744</u>
NET POSITION, SEPTEMBER 30, 2014	<u><u>\$ 6,400,072</u></u>

JEFFERSON COUNTY WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:

Cash received from customers	\$ 2,280,888
Cash payments to suppliers for goods and services	(903,341)
Net Cash Provided By Operating Activities	1,377,547

Cash flows from noncapital financing activities:

Intergovernmental	210,185
Decrease in due from City of Herculaneum	231,347
Reimbursements and miscellaneous	45,651
Net Cash Provided By Noncapital Financing Activities	487,183

Cash flows from capital and related financing activities:

Issuance of loan payable	164,206
Payments on notes payable	(447,976)
Payments on loan payable	(31,348)
Payments on bonds payable	(1,065,000)
Interest paid on debt	(544,500)
Purchase of capital assets	(152,881)
Net Cash Used In Capital And Related Financing Activities	(2,077,499)

Cash flows from investing activities:

Decrease in investments	155,899
Investment income	217,979
Net Cash Provided By Investing Activities	373,878

NET INCREASE IN CASH AND CASH EQUIVALENTS 161,109

CASH AND CASH EQUIVALENTS, OCTOBER 1, 2013 719,914

CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2014 **\$ 881,023**

JEFFERSON COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2014

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Cash flows from operating activities:

Operating income	\$ 981,790
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	452,891
(Increase) decrease in:	
Accounts receivable	(2,844)
Inventory	(10,815)
Prepaid insurance	(878)
Increase (decrease) in:	
Accounts payable	(43,780)
Accrued payroll liabilities	1,183
Total Adjustments	<u>395,757</u>
Net Cash Provided By Operating Activities	<u>\$ 1,377,547</u>

Supplemental disclosure of cash flow information:

Noncash financing activities:

Loan payable issued	\$ 42,157
Portion of loan included in prior year receivables	<u>122,049</u>
Net Cash Provided For Loan Payable	<u>\$ 164,206</u>

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The financial statements of the Authority include the financial activities of the Authority and any component units, entities which are financially accountable to the Authority. The Authority does not currently have any component units.

2. Basis of Accounting

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

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.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 value at the date of contribution.

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

Assets	Years
Land improvements	20
Buildings	30
Water plant and equipment	7 - 50
Vehicles	4
Computer equipment and software	3 - 15
Audio visual equipment	6

Depreciation expense charged to operations for the year ended September 30, 2014, amounted to \$452,891.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority does not currently have any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not currently have any deferred inflows.

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, 2014, amounted to \$27,904.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Water Sales

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

10. Statement of Cash Flows

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

11. Income Taxes

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

12. Budgets and Budgetary Accounting

The annual budget is adopted on a basis that is substantially consistent with accounting principles generally accepted in the United States of America. Budgeted amounts lapse at fiscal year-end. The Authority is required to adopt an annual budget prior to the beginning of each fiscal year. Budgetary control is at the fund level. Management may not exceed budgeted amounts on a line-item basis without Board approval. All amendments to fund totals must be approved by the Board.

13. Restricted Assets

Certain resources set aside for the repayment of debt and depreciation and replacement accounts are classified as restricted assets on the statement of net position because their use is limited by applicable debt covenants.

14. Use of Estimates

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

NOTE B - CASH AND INVESTMENTS

The Authority's bank deposits are secured by the deposit of certain securities with the Authority or trustee institution. The value of the securities must amount to the total of the Authority's cash not insured by the Federal Deposit Insurance Corporation. As of September 30, 2014, 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.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

As of September 30, 2014, the Authority had the following investments:

Investments	Fair Value	Maturities				Credit Risk
		No Maturity	Less Than One Year	1 - 5 Years	6 - 10 Years	
Certificates of deposit	\$ 1,647,000	-	1,149,000	498,000	-	N/A
Guaranteed investment contract	5,562,632	-	-	-	5,562,632	Not rated
Money market funds	10,354	10,354	-	-	-	Not rated
Repurchase agreement	700,000	-	700,000	-	-	AAA
Total Investments	7,919,986	10,354	1,849,000	498,000	5,562,632	
Cash	170,669					
Total Cash And Investments	\$ 8,090,655					

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:

On March 26, 2001, the City of Herculaneum entered into a contract with the Authority to purchase 480,000 gallons of water per day. On August 16, 2011, the City of Herculaneum Board of Alderman approved amending the water usage obligation to 520,000 gallons of water per day as of October 1, 2011 with the understanding that should the largest consumer of water from the City of Herculaneum reduce its water usage significantly, or should the City of Herculaneum's usage decrease for any unforeseen reason by 20% over a consecutive three month period, then it would revert back to its original contract of 480,000 gallons per day. As of July 1, 2012, the City of Herculaneum reverted to the original 480,000 gallons per day.

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

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

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:

	For The Year Ended September 30, 2014			
	Balance September 30 2013	Transfers And Additions	Transfers And Deletions	
Capital assets not being depreciated:				
Land	\$ 373,444	-	-	373,444
Construction in progress	59,199	84,315	143,514	-
Total Capital Assets Not Being Depre- ciated	<u>432,643</u>	<u>84,315</u>	<u>143,514</u>	<u>373,444</u>
Capital assets being depreciated:				
Land improvements	7,998	-	-	7,998
Water plant	17,174,685	210,958	-	17,385,643
Buildings and building improvements	18,657	-	-	18,657
Vehicles	15,276	-	-	15,276
Computer equipment and software	27,306	1,122	-	28,428
Audio visual equipment	9,327	-	-	9,327
Total Capital Assets Being Depreciated	<u>17,253,249</u>	<u>212,080</u>	<u>-</u>	<u>17,465,329</u>
Less - Accumulated depreciation for:				
Land improvements	1,955	400	-	2,355
Water plant	3,440,149	447,287	-	3,887,436
Buildings and building improve- ments	3,886	622	-	4,508
Vehicles	15,276	-	-	15,276
Computer equipment and software	17,269	4,024	-	21,293
Audio visual equipment	7,345	558	-	7,903
Total Accumulated Depreciation	<u>3,485,880</u>	<u>452,891</u>	<u>-</u>	<u>3,938,771</u>
Total Capital Assets Being Depreciated, Net	<u>13,767,369</u>	<u>(240,811)</u>	<u>-</u>	<u>13,526,558</u>
Total Capital Assets, Net	<u>\$ 14,200,012</u>	<u>(156,496)</u>	<u>143,514</u>	<u>13,900,002</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:

	<u>For The Year Ended September 30, 2014</u>			<u>Balance September 30 2014</u>	<u>Amounts Due Within One Year</u>
	<u>Balance September 30 2013</u>	<u>Additions</u>	<u>Reductions</u>		
	Revenue bonds payable	\$ 13,255,000	-		
Notes payable	5,514,273	-	447,976	5,066,297	470,172
Loan payable	652,491	42,157	31,348	663,300	31,100
Total	<u>\$ 19,421,764</u>	<u>42,157</u>	<u>1,544,324</u>	<u>17,919,597</u>	<u>1,621,272</u>

Long-term debt consisted of the following:

	<u>September 30 2014</u>
Revenue Bonds Payable	
\$10,435,000 revenue bonds, Series 2001C, due in annual installments through July 1, 2023, interest payable at 3% to 5.375%.	\$ 6,955,000
\$8,230,000 revenue bonds, Series 2002A, due in annual installments through January 2023, interest payable at 3% to 5.375%.	<u>5,235,000</u>
Total	12,190,000
Less - Current maturities	1,120,000
Plus - Unamortized debt premiums, net	<u>242,026</u>
Total Revenue Bonds Payable	<u>\$11,312,026</u>
Notes Payable	
State Revolving Fund - 2001C, no interest	\$2,395,543
State Revolving Fund - 2002A, no interest	<u>2,670,754</u>
Total	5,066,297
Less - Current maturities	<u>470,172</u>
Total Notes Payable	<u>\$4,596,125</u>

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE F - LONG-TERM DEBT (Continued)

	<u>September 30</u> <u>2014</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%.	\$663,300
Less - Current maturities	<u>31,100</u>
Total Loan Payable	<u>\$632,200</u>

Annual debt service requirements to maturities are as follows:

<u>For The</u> <u>Years Ended</u> <u>September 30</u>	<u>Revenue Bonds</u>		<u>Notes Payable</u>	<u>Loan Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,120,000	619,484	470,172	31,100	8,918
2016	1,170,000	558,613	491,106	32,000	8,489
2017	1,230,000	494,919	515,827	32,000	8,054
2018	1,285,000	428,134	538,578	33,000	7,619
2019	1,350,000	358,125	546,641	34,000	7,163
2020 - 2024	6,035,000	706,269	2,503,973	178,300	28,744
2025 - 2029	-	-	-	195,400	16,082
2030 - 2032	-	-	-	127,500	3,062
Total	<u>\$ 12,190,000</u>	<u>3,165,544</u>	<u>5,066,297</u>	<u>663,300</u>	<u>88,131</u>

In conjunction with SRF - 2001C and 2002A notes, a reserve account has been established with a noninterest 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.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE F - LONG-TERM DEBT (Continued)

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

2001C				
Bond Payable	City Of Herculaneum's Share	Subtotal	Less - Reimbursements	Total
\$ 10,345,000	3.382332106%	\$ 352,946	\$ 123,164	\$ 229,782
2002A				
Bond Payable	City Of Herculaneum's Share	Subtotal	Less - Reimbursements	Total
\$ 8,230,000	45.766344165%	\$ 3,766,570	\$ 1,546,285	\$ 2,220,285

NOTE G - EMPLOYEES' PROFIT SHARING PLAN

The Authority contributes to a 401(k) Profit Sharing Plan, which is monitored by Nationwide Retirement Solutions. Employees are eligible to participate in the deferral compensation program at the end of six months of service. The Authority will match 50% of the participant's elective deferral percentage up to 3%. 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, 2014 is \$4,699. The amount contributed by the Authority in 2014 was \$11,849.

NOTE H - COMMITMENT

At September 30, 2014, the Authority had a commitment for collector well rehabilitation and maintenance services totaling \$1,193,639.

In 2014, the Authority entered into a multi-year agreement with a company to provide improvements and maintenance of certain capital assets of the Authority. Total amounts expected to be paid under the contract will be \$125,000 for the year ended September 30, 2015.

NOTE I - RELATED PARTIES

The Authority purchased repairs and maintenance services from a company owned by a board member. As of September 30, 2014, total payments amounted to \$340.

SUPPLEMENTAL INFORMATION SECTION

JEFFERSON COUNTY WATER AUTHORITY
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES
AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
WATER SALES	\$ 2,283,732	2,283,732	2,283,732	-
SOURCE OF SUPPLY AND PUMPING EXPENSES				
Chemicals	114,000	114,000	86,755	(27,245)
Engineering fees	2,500	69,511	65,917	(3,594)
Payroll expenses	341,670	341,670	320,079	(21,591)
Repairs and maintenance	184,500	102,494	64,192	(38,302)
Supplies	20,835	20,835	17,490	(3,345)
Total Source Of Supply And Pumping Expenses	<u>663,505</u>	<u>648,510</u>	<u>554,433</u>	<u>(94,077)</u>
ACCOUNTING, COLLECTION, AND ADMINISTRATIVE EXPENSES				
Bank fees	64,138	64,138	64,673	535
Dues and subscriptions	2,400	2,400	1,527	(873)
Insurance and bonds	53,474	53,474	50,540	(2,934)
Miscellaneous	1,000	1,000	777	(223)
Office supplies, postage, advertising, travel	5,870	5,870	4,885	(985)
Professional services	15,800	15,800	13,300	(2,500)
Utilities	183,020	183,020	158,916	(24,104)
Total Accounting, Collection, And Administrative Expenses	<u>325,702</u>	<u>325,702</u>	<u>294,618</u>	<u>(31,084)</u>
OPERATING AND MAINTENANCE EXPENSES	<u>989,207</u>	<u>974,212</u>	<u>849,051</u>	<u>(125,161)</u>

(Continued)

JEFFERSON COUNTY WATER AUTHORITY
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES
AND EXPENSES - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
OPERATING INCOME BEFORE DEPRECIATION EXPENSE	1,294,525	1,309,520	1,434,681	125,161
DEPRECIATION EXPENSE	-	-	(452,891)	452,891
OPERATING INCOME	<u>1,294,525</u>	<u>1,309,520</u>	<u>981,790</u>	<u>(327,730)</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	97,467	101,482	4,015
Investment income	254,200	254,200	211,075	(43,125)
Reimbursement and miscellaneous	347,663	347,663	45,801	(301,862)
Net amortization	10,367	27,905	27,904	(1)
Interest expense	<u>(687,288)</u>	<u>(687,288)</u>	<u>(530,724)</u>	<u>(156,564)</u>
Total Nonoperating Revenues (Expenses)	<u>(75,058)</u>	<u>39,947</u>	<u>(144,462)</u>	<u>(184,409)</u>
CHANGE IN NET POSITION	<u>\$ 1,219,467</u>	<u>1,349,467</u>	<u>837,328</u>	<u>(512,139)</u>

JEFFERSON COUNTY WATER AUTHORITY
SUPPLEMENTAL INFORMATION - RESTRICTED ASSETS BREAKDOWN
SEPTEMBER 30, 2014

Accounts funded for specific debt within one-year:

2001C interest	\$ 68,547
2001C principal	163,750
2002A interest	39,153
2002A principal	348,750
2012 interest	2,255
2012 principal	7,550
2012 administrative expense	<u>549</u>
Total	<u>\$ 630,554</u>

Reserve account funded from State of Missouri (SRF):

2001C State Revolving Fund Reserve	\$2,395,544
2002A State Revolving Fund Reserve	<u>2,670,754</u>
Total	<u>\$5,066,298</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	\$ 26,050
Replacement investment account balance	<u>1,293,000</u>
Total	<u>\$1,319,050</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	\$ 5,449
City of Herculaneum's reserve investment account	<u>250,500</u>
Total	<u>\$ 255,949</u>
Total Restricted Cash And Investments At September 30, 2014	<u>\$7,271,851</u>

JEFFERSON COUNTY WATER AUTHORITY
SUPPLEMENTAL INFORMATION - BOARD OF
DIRECTORS AND OFFICERS
SEPTEMBER 30, 2014

<u>Name</u>	<u>Position</u>	<u>Term</u>
Timothy Montgomery, City of Festus	President	Appointed
Mark Johnson, City of Herculaneum	Vice President	Appointed
Jim Kasten, City of Herculaneum	Director	Appointed
Brent Adams, 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
Kerry Patek, City of Festus	Secretary	Appointed