

JEFFERSON COUNTY WATER AUTHORITY

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended September 30, 2021

JEFFERSON COUNTY WATER AUTHORITY
FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

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), as of and for the year ended September 30, 2021, 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. 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.

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, 2021, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 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 supplemental information, as listed in the table of contents of the financial report, is presented for purposes of additional analysis and is 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 28, 2022 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.

Sikich LLP

Washington, Missouri
February 28, 2022

JEFFERSON COUNTY WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021 and 2020.

FINANCIAL HIGHLIGHTS AND UPCOMING PROJECTS

During this past fiscal year the Authority has been working with an engineering firm, Burns & McDonnell, to provide the Authority with a design and build of a new collector well. Our existing collector well has not been able to produce enough water for both cities that the Authority provides water due to low river levels. The new collector well will provide additional source of raw water. The project will provide backup power with a new generator that will supply power to both collector wells one at a time. Safety upgrades to the old collector well (Well #1) will include ladder access. Clearing of the new collector is tentatively scheduled to start in January 2022 or February 2022. The Authority issued a new Revenue Bond Series 2021AB to refinance the 2001C & 2002A Series and to finance the new collector well.

During the fiscal year 2020-2021, several items were budgeted for replacement and/or capital improvements and were funded through either the depreciation/replacement account or the reserve account:

SCADA System PLC's, Controls, and Telemetry Upgrade:

The old PLC (Programable Logic Controller) equipment at the treatment plant, all three-meter vaults, and the collector well will be replaced in 2021 and 2022. This was put out for formal bid via RFP and Durkin Inc. won the bid to do the project. Currently telemetry equipment has been replaced at Herculaneum meter vault #1 and #2. The reason for this is because the equipment was getting outdated, and Herculaneum was also doing an upgrade and replacement of their controls, plc's, and SCADA system. This has greatly improved the accuracy and communications to Herculaneum's tower levels. We have also installed a wireless network inside and outside of the facility, this will give us the capability to have a mobile tablet that we can use throughout the facility so we can do more efficient repair and diagnostic work. The entire overview of the plant control screens will also change to provide an actual visual flow throughout the plant and its systems so the operators can respond and adjust effectively. The plc's are the heart of communications with various equipment. These will all be replaced because they are aging and will no longer be supported, nor will there be parts available. With all these upgrades it will put the Authority into the future of controls systems for water treatment plants. Without SCADA and its equipment, the Jefferson County Water Authority water treatment plant could no longer function.

Collector Well Scour Hole project:

During the beginning of 2021 the Jefferson County Water Authority started repair work of the scour hole that had developed above collector well #1 laterals. This was a joint effort of Burns & McDonnell doing engineering and permitting and Gateway Dredging and Contracting, LLC doing the actual scour hole repair.

As has been stated in the past, the Authority had trouble with lateral #5 producing extremely poor-quality water and was isolated to prevent total shutdown of the water treatment plant. The Authority had a bathymetric study done and camera inspection of lateral #5. Bathymetric study showed very little material remained above lateral #5 which would cause a problem with water quality. It was then decided to have lateral #5 camera inspected, this proved to be problematic and was unable to properly be done to the minimum visual conditions.

The Authority then decided to proceed with filling in the scour hole. Luca DeAngelis from Burns & McDonnell was then contacted to proceed with the engineering of how to and what material to fill the scour hole with. Previously, before work was to be done on the scour hole, investigation of who could do the work was done. It was discovered considering the nature of the job that Gateway Dredging and Contracting, LCC was the best company to do the work and who could do it the cheapest. After many hours of work and engineering the scour hole was repaired. After the repair, lateral #5 was opened and flushed until treatable water was coming out. It was then, water was sent to the plant. Once flow was returned

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

to the treatment plant it was discovered that the Authority had a large increase in water capacity of the collector well and the project was successful. It was also discovered during the time between the original bathymetric survey and the time of repair work that more material had been washed away from lateral #5 completely exposing it to the river. Other laterals were also discovered to be getting dangerously close to also failing. This project was very much needed to prevent the Authority from complete shutdown for an extended period.

Low Lift Pump #1:

In 2021 low lift (low service) #1 had a major failure of the bearing housing failure. It was evaluated to repair the existing pump would be very costly in comparison of replacing the entire pump and motor. This was deemed an emergency repair because without this pump we could no longer produce water to our clear well if the other pump was to fail. This in turn would have taken the water treatment plant offline until a new one could be installed or repaired. Due to lead times on components and parts this could take an extended period time and both cities would have to run their wells. It was decided because of the age of the existing pump already along with that it had been rebuilt several times in the past that it would be best to replace pump and motor as one. With the new pump it has improved efficiency, maintenance, and safety. The new pump is practically maintenance free. If a motor was to fail and had to be rebuilt there is no longer laser alignment, which can be costly, seal water has been eliminated and safety has improved because there are no longer any exposed moving components.

It is planned to replace low lift pump #2 in the new fiscal year due to the inevitable failure nearing due to its age.

Clari-Cone Cleaning and Recoating:

This project was started and completed in December 2020. SUEZ group performed the rehabilitation project of our Clari-Cone. This was a much needed project considering the Clari-Cone had never been properly cleaned out nor had it ever been recoated. This project took approximately 3 weeks to complete. This project will increase the life of the Clari-Cone along with improving our treatment because of the large amount of buildup that was removed. The Authority was offline during that time, but maintenance was done all over the facility that could normally not be done while online.

Co2 System components and failure:

The Co2 system is critical to operations to lower the pH levels after water has been treated in our Clari-Cone. Before bids could be taken to replace the cooling compressor unit for the liquid carbon dioxide storage tank failed. Without this unit the Co2 storage tank will continue to build pressure until the emergency blow off valves activate. This would expel all the Co2 gas and then we would be unable to lower our pH levels.

An emergency repair was decided to be done. Cryogas was contacted to do the proper repairs, during assessment of the extent of failure it was discovered the entire compressor had failed. An entire unit was ordered and installed by Cryogas. Reason for using this company because this is the company that we receive our liquid carbon dioxide from and does repair work for the equipment. There are very few companies that work on this form of system and Cryogas is the closest in proximity of the Authority.

Other equipment was also replaced during this time. The main Co2 actuation valve was replaced due to its age being original equipment and due to its slowing of accuracy. Simple wear and tear throughout the years. This item went out for bid and Durkin Equipment was the lowest. Durkin also did the install and calibration of equipment. The flow meter for the feed water for the system was also replaced. The Authority ordered the equipment and Durkin did the installation.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Lime Slurry Pump Replacements:

Both lime slurry pumps have went out for bid with (The Pump Shop/Missouri Machinery) being the winner. Both pumps have been ordered but have yet to be installed because of material shortages. Lead times are very long for these pumps. These new pumps will have far more efficiency then are existing pumps that are prone to failure. The current pumps have been rebuilt numerous times and have become maintenance intensive, so they have reached end of life.

The use of these pump is to pump lime slurry to the center of the Clari-Cone. Both pumps are critical to operations because without lime we are unable to increase our pH levels in the Clari-Cone to soften the water to help settle out heavy metals. It helps create what is called sludge blanket to help trap impurities.

Upcoming Budget Year 2021-2022:

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

- Process Chlorine analyzers
- Process Turbidity Meters
- Festus and Herculaneum #2-meter vault Electromagnetic flow meters
- Robo Control actuators for chlorine building Cl2 tons
- Air Scour Blow off valve
- Festus and Herculaneum #1 actuators
- Main PLC/Control Room UPS
- SCADA System
- New Collector Well Project
- Low Lift Pump No. 2

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 activities, and investing activities.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

STATEMENT OF NET POSITION

The Authority's net position increased \$502,255 or 4%, which consisted of a \$9,564,697 increase in total assets combined with a \$9,015,480 increase in total liabilities. Net capital assets, which is discussed more in capital assets, increased \$359,859, or 3%. Current assets decreased by \$209,555 or 10%. As of September 30, 2021, the Authority had net position of \$12,719,832.

A summary of financial position follows:

	September 30		2021 Change	
	2021	2020	Amount	Percent
ASSETS				
Current assets	\$ 1,829,397	2,038,952	(209,555)	(10) %
Restricted assets	12,854,352	3,196,693	9,657,659	302
Noncurrent assets - other	528,811	772,077	(243,266)	(32)
Net capital assets	12,109,022	11,749,163	359,859	3
Total Assets	<u>27,321,582</u>	<u>17,756,885</u>	<u>9,564,697</u>	54
LIABILITIES				
Current liabilities payable from current assets	220,026	313,108	(93,082)	(30)
Current liabilities payable from restricted assets	1,386,695	1,569,301	(182,606)	(12)
Long-term debt, less current maturities	12,948,067	3,656,899	9,291,168	254
Total Liabilities	<u>14,554,788</u>	<u>5,539,308</u>	<u>9,015,480</u>	163
DEFERRED INFLOWS OF RESOURCES				
Deferred charge on refunding	46,962	-	46,962	100
NET POSITION				
Net investment in capital assets	7,773,992	6,582,364	1,191,628	18
Restricted	3,336,469	3,909,369	(572,900)	(15)
Unrestricted	1,609,371	1,725,844	(116,473)	(7)
Total Net Position	<u>\$ 12,719,832</u>	<u>12,217,577</u>	<u>502,255</u>	4 %

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION

Operating revenues increased by \$50,244 or 2%. This increase was due to the increase in the wholesale water rate from \$4.70 to \$4.80.

Operating expenses increased by \$252,303 or 16%. This increase is largely due to an increased need for maintenance and repairs.

JEFFERSON COUNTY WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

	For The Years		2021 Change	
	Ended September 30		Amount	Percent
	2021	2020		
OPERATING REVENUES	2,768,160	\$ 2,717,916	50,244	2 %
OPERATING EXPENSES	<u>1,784,830</u>	<u>1,532,527</u>	<u>252,303</u>	16
OPERATING INCOME	983,330	1,185,389	(202,059)	(17)
NONOPERATING (REVENUES) EXPENSES, NET	<u>481,075</u>	<u>62,101</u>	<u>418,974</u>	675
INCOME BEFORE CAPITAL CONTRIBUTIONS	502,255	1,123,288	(621,033)	(55)
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>100,096</u>	<u>(100,096)</u>	(100)
CHANGE IN NET POSITION	502,255	1,223,384	(721,129)	(59)
NET POSITION, BEGINNING OF YEAR	<u>12,217,577</u>	<u>10,994,193</u>	<u>1,223,384</u>	11
NET POSITION, END OF YEAR	<u>\$ 12,719,832</u>	<u>12,217,577</u>	<u>502,255</u>	4 %

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 2021. The net cash provided by operating activities was used primarily for payment of debt, and capital improvements.

CAPITAL ASSETS

Net capital assets were \$12,109,022 at September 30, 2021 compared to \$11,749,163, an increase of \$359,859, or 3%. The Authority's capital assets consist primarily of the water plant. The increase is due to the plant and building improvements in the amount of \$775,745 which was offset by annual depreciation in the amount of \$415,886.

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 \$14,208,867 at September 30, 2021 increased by \$9,042,068 from 2020. This increase was primarily due to new debt issued during the year.

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, 2021

DEBT SERVICE COVERAGE

Pursuant to Section 5A.8 of the Loan Agreement, the Authority is required to set the rates and charges at a level such that the net revenues available for debt service shall not be less than 1.10 times average annual debt service calculated with respect to the Series 2021 Bonds, and any outstanding parity obligations (Series 2002A, 2001C 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 2021
REVENUE	
Water sales	\$ 2,768,160
Intergovernmental interest subsidy	69,230
Investment income	36,622
Other income (Herculaneum reimbursement and debt)	304,949
Total Revenue	3,178,961
LESS - OPERATING EXPENSES	942,518
NET REVENUES FOR DEBT COVERAGE	\$ 2,236,443
ANNUAL DEBT SERVICE	\$ 1,731,388
DEBT SERVICE COVERAGE RATIO	129.2 %

RESTRICTED ASSETS

Total restricted assets were \$12,854,352 at September 30, 2021 compared to \$3,196,693 at September 30, 2020. 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 increased \$9,657,659 or 302% primarily due to the issuance of a bond in the current year for capital improvements.

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Authority's overall financial position in 2021 increased 4% as shown by the net position increase of \$502,255. 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 Vaughn, at 636-937-4694.

JEFFERSON COUNTY WATER AUTHORITY

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,077,369
Investments	409,000
Receivables:	
Service charges	227,520
Other	43
Prepaid expenses	76,529
Inventory	38,936
Total Current Assets	<u>1,829,397</u>

Restricted Assets

Cash and cash equivalents	12,164,049
Investments	689,000
Receivables:	
Interest receivable	1,303
Total Restricted Assets	<u>12,854,352</u>

Noncurrent Assets

Other assets:	
Due from City of Herculaneum	<u>528,811</u>
Capital assets:	
Land and construction in progress	1,107,746
Other capital assets, net of accumulated depreciation	11,001,276
Total Capital Assets	<u>12,109,022</u>
Total Noncurrent Assets	<u>12,637,833</u>
Total Assets	<u>27,321,582</u>

JEFFERSON COUNTY WATER AUTHORITY

STATEMENT OF NET POSITION (Continued)

SEPTEMBER 30, 2021

LIABILITIES

Current Liabilities

Accounts payable	166,668
Accrued payroll liabilities	28,358
Unearned revenue	25,000
Payable from restricted assets:	
Current maturities of long-term debt	1,260,800
Accrued interest payable	125,895
Total Current Liabilities	<u>1,606,721</u>

Long-term Debt, less current maturities

Revenue bonds payable	12,551,567
Loan payable	396,500
Total Long-term Liabilities	<u>12,948,067</u>
Total Liabilities	<u>14,554,788</u>

Deferred Inflows of Resources

Deferred amount on refunding	<u>46,962</u>
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NET POSITION

Net investment in capital assets	7,773,992
Restricted for debt service	1,389,795
Restricted for depreciation and replacement	1,946,674
Unrestricted	<u>1,609,371</u>
Total Net Position	<u><u>\$ 12,719,832</u></u>

JEFFERSON COUNTY WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

WATER SALES	<u>\$ 2,768,160</u>
OPERATING EXPENSES	
Payroll expenses	378,041
Supplies and materials	136,043
Professional services	91,600
Utilities	141,900
Depreciation	415,886
Repairs and maintenance	516,416
Insurance	60,630
Equipment Rental	3,530
Office expenses	40,784
Total Operating Expenses	<u>1,784,830</u>
OPERATING INCOME	<u>983,330</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	47,514
Investment income	36,622
Reimbursement and miscellaneous	73,660
Bond issue costs	(411,296)
Interest expense	(227,575)
Total Nonoperating Revenues (Expenses)	<u>(481,075)</u>
CHANGE IN NET POSITION	502,255
NET POSITION, OCTOBER 1	<u>12,217,577</u>
NET POSITION, SEPTEMBER 30	<u><u>\$ 12,719,832</u></u>

JEFFERSON COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:

Cash received from customers	\$ 2,763,420
Cash payments to employees	(376,732)
Cash payments to suppliers for goods and services	(1,035,155)
Net Cash Provided By Operating Activities	<u>1,351,533</u>

Cash flows from noncapital financing activities:

Decrease in due from City of Herculaneum	243,266
Intergovernmental	101,082
Reimbursements and miscellaneous	73,660
Net Cash Provided By Noncapital Financing Activities	<u>418,008</u>

Cash flows from capital and related financing activities:

Payments on loan payable	(34,900)
Payments on bonds payable	(640,000)
Proceeds from debt	13,644,901
Payment to refund debt	(4,101,229)
Bond issue costs	(274,593)
Interest paid on debt	(93,776)
Purchase of capital assets	(655,445)
Net Cash Provided By Capital And Related Financing Activities	<u>7,844,958</u>

Cash flows from investing activities:

Maturity of investments	2,676,599
Purchase of investments	(1,098,000)
Investment income	47,213
Net Cash Provided By Investing Activities	<u>1,625,812</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

11,240,311

CASH AND CASH EQUIVALENTS, OCTOBER 1

2,001,107

CASH AND CASH EQUIVALENTS, SEPTEMBER 30

\$ 13,241,418

RECONCILIATION WITH STATEMENT OF NET POSITION

Cash and cash equivalents	\$ 1,077,369
Cash and cash equivalents - restricted	12,164,049
Total Reconciliation With Statement Of Net Position	<u>\$ 13,241,418</u>

JEFFERSON COUNTY WATER AUTHORITY

STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2021

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Cash flows from operating activities:

Operating income	\$ 983,330
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	415,886
(Increase) decrease in:	
Accounts receivable	203,743
Inventory	2,180
Prepaid insurance	(15,224)
Increase (decrease) in:	
Accounts payable	(239,691)
Accrued payroll liabilities	1,309
Total Adjustments	<u>368,203</u>
Net Cash Provided By Operating Activities	<u>\$ 1,351,533</u>

Schedule of noncash capital and related financing activities:

Capital asset included in accounts payable	<u>\$ 120,300</u>
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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 Board of Directors is appointed by the governing body of each member of the Authority. The Authority was incorporated in January 2000 and began its activities in November 2001. The Authority began delivery of water to customers in September 2003. The more significant accounting policies consistently applied by the Authority in the preparation of the accompanying financial statements are summarized below:

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 as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Under this method, 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 with a maturity of one year or less when purchased are reported at cost or amortized cost.

4. Accounts Receivable

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

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Inventory

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

6. Prepaid Expenses

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

7. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 for machinery and equipment, \$25,000 for buildings and building improvements, and an estimated useful life greater than one year. Such assets are recorded at historical cost if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at their estimated acquisition value at the date of contribution.

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

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

Depreciation expense charged to operations for the year ended September 30, 2021 amounted to \$415,886.

8. Unearned revenue

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

9. 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, 2021, amounted to \$42,215.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Deferred Charge on Refunding

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized on the straight-line method over the shorter of the life of the refunded or refunding debt. Amortization of the deferred charge on refunding for the years ended September 30, 2021 amounted to \$6,709.

11. Deferred Inflows of Resources

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

12. Water Sales

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

13. 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.

14. Income Taxes

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

15. 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.

16. Restricted Assets

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

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. 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.

18. Adopted Accounting Pronouncement

During the current year, the Authority adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 87, *Leases* has been postponed 18 months and GASB Statement No. 91, *Conduit Debt Obligations* have been postponed one year.

The Authority also adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of Construction*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset.

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS

1. Deposits

The Authority's bank deposits are secured by the deposit of certain securities with the Authority or trustee institution. The value of the securities must amount to the total of the Authority's cash not insured by the Federal Deposit Insurance Corporation. As of September 30, 2021, 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.

2. Investments

As of September 30, 2021, the Authority only has certificates of deposit and money market funds, which are not subject to the fair value measurement.

The Authority's formal investment policies are as follows:

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

JEFFERSON COUNTY WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

2. Investments (Continued)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing primarily in shorter term securities.

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

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

3. Fair Value Measurements

The Authority classifies its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are prices quoted in active markets for those securities; Level 2 inputs are significant other observable inputs using a matrix pricing technique; and Level 3 inputs are significant unobservable inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The inputs and methodologies used for valuing investment securities are not necessarily an indication of risk associated with investing in those securities.

The Authority only has certificates of deposits and money market funds as of September 30, 2021, which are not measured at fair value and are excluded from the fair value hierarchy.

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

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 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.

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, 2021			Balance September 30 2021
	Balance September 30 2020	Increases	Decreases	
	Capital assets not being depreciated:			
Land	\$ 373,444	-	-	373,444
Construction in progress	-	734,302	-	734,302
Total Capital Assets Not Being Depreciated	373,444	734,302	-	1,107,746
Capital assets being depreciated:				
Land improvements	44,063	-	-	44,063
Water plant	17,121,780	41,443	8,085	17,155,138
Buildings and building improvements	167,353	-	-	167,353
Vehicles	47,211	-	-	47,211
Computer equipment and software	26,328	-	-	26,328
Total Capital Assets Being Depreciated	17,406,735	41,443	8,085	17,440,093
Less - Accumulated depreciation for:				
Land improvements	13,770	3,607	-	17,377
Water plant	5,955,356	399,763	8,085	6,347,034
Buildings and building improvements	18,613	7,745	-	26,358
Vehicles	23,260	3,193	-	26,453
Computer equipment and software	20,017	1,578	-	21,595
Total Accumulated Depreciation	6,031,016	415,886	8,085	6,438,817
Total Capital Assets Being Depreciated, Net	11,375,719	(374,443)	-	11,001,276
Total Capital Assets, Net	\$ 11,749,163	359,859	-	12,109,022

NOTE F - LONG-TERM DEBT

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

	For The Year Ended September 30, 2021			Balance September 30 2021	Amounts Due Within One Year
	Balance September 30 2020	Additions	Reductions		
Revenue bonds payable	\$ 4,625,000	12,095,000	4,625,000	12,095,000	1,225,000
Plus: Premium	74,599	1,702,853	95,885	1,681,567	-
Loan payable	467,200	-	34,900	432,300	35,800
Total	\$ 5,166,799	13,797,853	4,755,785	14,208,867	1,260,800

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE F - LONG-TERM DEBT (Continued)

Long-term debt consisted of the following:

	September 30 2021
Revenue Bonds Payable	
\$12,095,000 revenue bonds, Series 2021A & B, due in annual installments through July 1, 2041, interest payable at 4%.	\$ 12,095,000
Less - Current maturities	1,225,000
Plus - Unamortized debt premiums, net	1,681,567
Total Long-term Revenue Bonds Payable	\$ 12,551,567

Loan Payable

\$751,000 loan from the Missouri Department of Natural Resources, due in installments through July 1, 2032, interest payable at 1.36%.	\$ 432,300
Less - Current maturities	35,800
Total Long-term Loan Payable	\$ 396,500

Annual debt service requirements to maturities are as follows:

For The Years Ending September 30	Bonds		Loan Payable	
	Principal	Interest	Principal	Interest
2022	\$ 1,225,000	488,403	35,800	5,758
2023	1,575,000	430,088	35,800	5,271
2024	370,000	367,088	37,800	4,777
2025	375,000	357,000	37,800	4,263
2026	390,000	342,000	199,200	13,412
2027 - 2031	2,210,000	1,461,800	85,900	1,469
2032 - 2036	2,685,000	983,800	-	-
2037 - 2041	3,265,000	402,000	-	-
Total	\$ 12,095,000	4,832,179	432,300	34,950

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

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE F - LONG-TERM DEBT (Continued)

In June 2021, the Authority issued \$12,095,000 Series 2021 to revenue bonds partially to refund via a current refunding, the outstanding 2001C and 2002A Series debt (the old debt). The net proceeds (plus reserve funds and after payment of underwriting fees and other issuance costs) were used to purchase securities for deposit in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old debt. As a result, the old debt is considered to be defeased and the liability for this debt issue has been removed from the Authority’s financial statements. As of September 30, 2021, \$3,985,000 of debt is considered defeased. The Authority decreased its aggregated debt service payments by \$49,849 over 2 years which resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$56,359.

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

2021 Refunding (2001C)				
Bond Payable	City Of Herculaneum's Share	Subtotal	Less - Reimbursements	Total
\$ 10,435,000	3.382332106%	\$ 352,946	\$ 293,410	\$ 59,536
2021 Refunding (2002A)				
Bond Payable	City Of Herculaneum's Share	Subtotal	Less - Reimbursements	Total
\$ 8,230,000	45.766344165%	\$ 3,766,570	\$ 3,297,295	\$ 469,275
			Grand Total	\$ 528,811

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%. 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, 2021 is \$2,492. The amount contributed by the Authority in 2021 was \$17,500. The Authority uses forfeitures from nonvested employees to offset contributions related to the plan.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE H - COMMITMENTS

At September 30, 2021, the Authority has a commitment for Collector Well Phase 3 in the amount of \$120,300, a commitment for a fluoride injection system for \$42,577, a commitment for 2 slurry pumps for \$48,700 and a commitment for scada upgrade for \$94,351.

NOTE I - FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

- GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.
- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with: 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

The effects on the Authority's financial statements as a result of the adoption of these new pronouncements are unknown.

NOTE J - SUBSEQUENT EVENTS

In November 2021, the Authority signed a contract for the collector well construction services in the amount of \$10,289,630.

SUPPLEMENTAL INFORMATION SECTION

JEFFERSON COUNTY WATER AUTHORITY
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES
AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
WATER SALES	\$ 2,768,160	2,768,160	2,768,160	-
SOURCE OF SUPPLY AND PUMPING EXPENSES				
Chemicals	130,000	130,000	116,086	(13,914)
Engineering fees	5,000	75,000	75,758	758
Payroll expenses	408,440	408,440	378,041	(30,399)
Repairs and maintenance	741,650	724,836	516,416	(208,420)
Equipment Rental	5,000	5,000	3,530	(1,470)
Supplies	24,200	24,200	19,957	(4,243)
Total Source Of Supply And Pumping Expenses	<u>1,314,290</u>	<u>1,367,476</u>	<u>1,109,788</u>	<u>(257,688)</u>
ACCOUNTING, COLLECTION, AND ADMINISTRATIVE EXPENSES				
Bank fees	24,683	31,000	30,911	(89)
Dues and subscriptions	1,800	1,800	1,067	(733)
Insurance and bonds	62,000	62,000	60,630	(1,370)
Miscellaneous	1,000	1,000	491	(509)
Office supplies, postage, advertising, travel	14,150	14,150	8,315	(5,835)
Professional services	16,300	18,300	15,842	(2,458)
Utilities	157,550	158,300	141,900	(16,400)
Total Accounting, Collection, And Administrative Expenses	<u>277,483</u>	<u>286,550</u>	<u>259,156</u>	<u>(27,394)</u>
OPERATING AND MAINTENANCE EXPENSES	<u>1,591,773</u>	<u>1,654,026</u>	<u>1,368,944</u>	<u>(285,082)</u>

(Continued)

JEFFERSON COUNTY WATER AUTHORITY
SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES
AND EXPENSES - BUDGET AND ACTUAL (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual	Over (Under) Budget
OPERATING INCOME BEFORE DEPRECIATION EXPENSE	1,176,387	1,114,134	1,399,216	285,082
DEPRECIATION EXPENSE	-	-	(415,886)	415,886
OPERATING INCOME	1,176,387	1,114,134	983,330	(130,804)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	79,314	79,314	47,514	(31,800)
Investment income	29,637	29,637	36,622	6,985
Reimbursement and miscellaneous	384,691	384,691	73,660	(311,031)
Net amortization	26,194	26,194	48,924	22,730
Bond issue costs	-	-	(411,296)	(411,296)
Interest expense	(221,488)	(221,488)	(276,499)	(55,011)
Total Nonoperating Revenues (Expenses)	298,348	298,348	(481,075)	(779,423)
CHANGE IN NET POSITION	<u>\$ 1,474,735</u>	<u>1,412,482</u>	<u>502,255</u>	<u>(910,227)</u>

JEFFERSON COUNTY WATER AUTHORITY
SUPPLEMENTAL INFORMATION - RESTRICTED ASSETS BREAKDOWN
SEPTEMBER 30, 2021

Accounts funded for specific debt and construction:

2001C interest	\$ 1
2001C principal	28
2002A interest	11
2021A cost of issuance	2,405
2021A debt service	430,405
2021B cost of issuance	4,356
2021B debt service	12,367
2021 project fund	9,920,799
2012 interest	1,470
2012 principal	<u>8,950</u>
Total	<u>\$ 10,380,792</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. For the 2021 Series there is no longer a depreciation and replacement account requirement.

Replacement account balance	\$ 1,347,674
Replacement investment account balance	<u>599,000</u>
Total	<u>\$ 1,946,674</u>

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

The Authority 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	\$ 435,583
City of Herculaneum's reserve investment account	<u>90,000</u>
Total	<u>\$ 525,583</u>
Total Restricted Cash, Cash Equivalents, And Investments At September 30, 2021	<u>\$ 12,853,049</u>