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Political Science Department

1-1-2003

Financial Report, 2002

Jefferson County Water Authority

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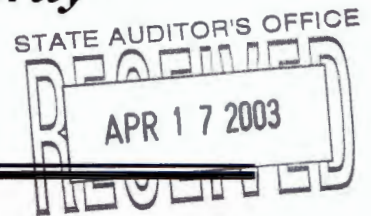
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Jefferson County Water Authority

711 West Main Street
Festus, Mo. 63028
(636) 937-4694



April 15, 2003

Claire C. McCaskill
Missouri State Auditor
P.O. Box 869
Jefferson City, Mo. 65102

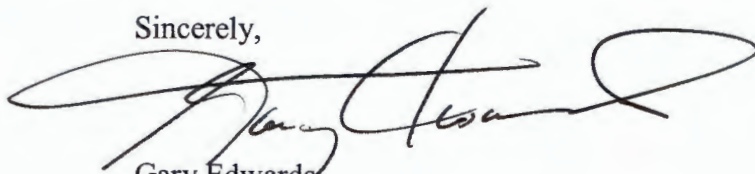
Re: Financial Report

Dear Mrs. McCaskill,

As you are aware, state law requires our political subdivision to file an annual financial report with your office each year. I have enclosed a copy of our financial report audited by a certified public accountant along with an audited report on the federal awards. For your reference, I have also enclosed a copy of the form SF-SAC that has been filed with the Federal Audit Clearinghouse.

If you have any questions regarding our financial report, please feel free to call me.


Sincerely,



Gary Edwards
Secretary

GE/mg

Enclosure

4/22/2003 File in City of
Festus 3/8 file per Tom
Kramer. 

**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates On or After January 1, 2001**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

RETURN TO Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

PART I GENERAL INFORMATION (To be completed by auditee, except for Item 7)

1. Fiscal period ending date for this submission
Month Day Year Fiscal Period End Dates Must Be On or After January 1, 2001
09 / 30 / 2002

2. Type of Circular A-133 audit
1 Single audit 2 Program-specific audit

3. Audit period covered
1 Annual 3 Other - Months
2 Biennial

FEDERAL GOVERNMENT USE ONLY
4. Date received by Federal clearinghouse

5. Employer Identification Number (EIN) a. Auditee EIN 0 3 0 4 0 7 8 2 6 b. Are multiple EINs covered in this report? 1 Yes 2 No

If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)

6. AUDITEE INFORMATION

a. Auditee name
JEFFERSON COUNTY WATER AUTHORITY

b. Auditee address (Number and street)
711 WEST MAIN STREET
City
FESTUS
State MO ZIP + 4 Code 6 3 0 2 8 -

c. Auditee contact Name
GARY EDWARDS
Title
SECRETARY

d. Auditee contact telephone
(636) 937 - 4694

e. Auditee contact FAX (Optional)
(636) 937 - 2140

f. Auditee contact E-mail (Optional)

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name
HOCHSCHILD, BLOOM & COMPANY LLP

b. Auditor address (Number and street)
1000 WASHINGTON SQUARE
City
WASHINGTON
State MO ZIP + 4 Code 6 3 0 9 0 -

c. Auditor contact Name
TAMBER M. ALSOP, CPA
Title
PARTNER

d. Auditor contact telephone
(636) 239 - 4785

e. Auditor contact FAX (Optional)
(636) 239 - 5448

f. Auditor contact E-mail (Optional)
TAMMY@HBCLP.COM

g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 8, 9, and 10, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is **not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of certifying official
Gary Edwards
Date Month Day Year
4 / 3 / 03
Printed Name/Title of certifying official
Gary Edwards / City Administrator

Signature of auditor
Hochschild, Bloom & Company LLP
Date Month Day Year
4 / 3 / 03

PART I GENERAL INFORMATION - Continued

8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (X) one box)
1 Yes - Identify Cognizant Agency in Part I, Item 9 2 No - SKIP to Part II, Item 1

9. Indicate which Federal awarding agency provided the predominant amount of direct funding in fiscal year 2000. (Mark (X) one box) However, if cognizance has been reassigned, see instructions.

- | | | | |
|--|---|---|---|
| 02 <input type="checkbox"/> Agency for International Development | 81 <input type="checkbox"/> Energy | 14 <input type="checkbox"/> Housing and Urban Development | 47 <input type="checkbox"/> National Science Foundation |
| 10 <input type="checkbox"/> Agriculture | 66 <input type="checkbox"/> Environmental Protection Agency | 15 <input type="checkbox"/> Interior | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice | <input type="checkbox"/> Other - Specify: |
| 12 <input type="checkbox"/> Defense | 93 <input type="checkbox"/> Health and Human Services | 17 <input type="checkbox"/> Labor | |
| 84 <input type="checkbox"/> Education | | | |

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)
1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 No

3. Is a reportable condition disclosed? 1 Yes 2 No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness? 1 Yes 2 No

5. Is a material noncompliance disclosed? 1 Yes 2 No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance
1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10) 1 Yes 2 No

3. What is the dollar threshold to distinguish Type A and Type B programs? (\$ __ .520(b)) \$ 300,000

4. Did the auditee qualify as a low-risk auditee? (\$ __ .530) 1 Yes 2 No

5. Is a reportable condition disclosed for any major program? (\$ __ .510(a)(1)) 1 Yes 2 No - SKIP to Item 7

6. Is any reportable condition reported as a material weakness? (\$ __ .510(a)(1)) 1 Yes 2 No

7. Are any known questioned costs reported? (\$ __ .510(a)(3) or (4)) 1 Yes 2 No

8. Was a Summary Schedule of Prior Audit Findings prepared? (\$ __ .315(b)) 1 Yes 2 No

9. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)

- | | | | |
|--|---|---|--|
| 02 <input type="checkbox"/> Agency for International Development | 83 <input type="checkbox"/> Federal Emergency Management Agency | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> State |
| 23 <input type="checkbox"/> Appalachian Regional Commission | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 14 <input type="checkbox"/> Housing and Urban Development | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 03 <input type="checkbox"/> Institute for Museum Services | 47 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense | 15 <input type="checkbox"/> Interior | 07 <input type="checkbox"/> Office of National Drug Control Policy | 64 <input type="checkbox"/> Veterans Affairs |
| 84 <input type="checkbox"/> Education | 16 <input type="checkbox"/> Justice | 59 <input type="checkbox"/> Small Business Administration | 00 <input checked="" type="checkbox"/> None |
| 81 <input type="checkbox"/> Energy | 17 <input type="checkbox"/> Labor | | <input type="checkbox"/> Other - Specify: |
| 66 <input type="checkbox"/> Environmental Protection Agency | 09 <input type="checkbox"/> Legal Services Corp | | |

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives
- and, if not marked above, the cognizant agency (if identified in Part I, Item 9)

Count total number of boxes marked above and submit this number of reporting packages

FORM SF-SAC (3-20-2001)

PART III FEDERAL PROGRAMS - Continued (Page 3 - #1 of 1)

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR

11. AUDIT FINDINGS

CFDA Number (a)		Research and development (b)	Name of Federal program (c)	Amount expended (d)	Direct award (e)	Major program (f)	Type(s) of compliance requirement(s) ³ (a)	Audit finding reference number(s) ⁴ (b)
Federal Agency Prefix ¹	Extension ²							
6	6 .458	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	STATE REVOLVING FUND	\$ 2,358,996 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	0	N/A
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		
TOTAL FEDERAL AWARDS EXPENDED →				\$ 2,358,996 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS			

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

³ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § __ .510(a)) reported for each Federal program.

- | | | | |
|------------------------------------|---|--|----------|
| A. Activities allowed or unallowed | F. Equipment and real property management | K. Real property acquisition and relocation assistance | O. None |
| B. Allowable costs/cost principles | G. Matching, level of effort, earmarking | L. Reporting | P. Other |
| C. Cash management | H. Period of availability of Federal funds | M. Subrecipient monitoring | |
| D. Davis - Bacon Act | I. Procurement and suspension and debarment | N. Special tests and provisions | |
| E. Eligibility | J. Program income | | |

⁴ N/A for NONE

PART I Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

1	N / A	16	31	46	61
2		17	32	47	62
3		18	33	48	63
4		19	34	49	64
5		20	35	50	65
6		21	36	51	66
7		22	37	52	67
8		23	38	53	68
9		24	39	54	69
10		25	40	55	70
11		26	41	56	71
12		27	42	57	72
13		28	43	58	73
14		29	44	59	74
15		30	45	60	75

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.



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

**JEFFERSON COUNTY
WATER AUTHORITY**

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2002

JEFFERSON COUNTY WATER AUTHORITY
FINANCIAL REPORT

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Revenues, Expenses and Changes in Retained Earnings	3
Statement of Cash Flows	4
Notes to Financial Statements	5



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

INDEPENDENT AUDITORS' REPORT

March 21, 2003

The Board of Directors
JEFFERSON COUNTY WATER AUTHORITY

We have audited the accompanying balance sheet of **JEFFERSON COUNTY WATER AUTHORITY** (the Authority) as of September 30, 2002, and the related statements of revenues, expenses, changes in retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority at September 30, 2002, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2003, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448



Member: Independent Accountants International with Member Offices in Principal U.S. and International Cities.

JEFFERSON COUNTY WATER AUTHORITY

BALANCE SHEET
SEPTEMBER 30, 2002

ASSETS

Restricted Assets

Cash and investments	\$15,577,009
Interest receivable	<u>214,228</u>
Total Restricted Assets	<u>15,791,237</u>

Fixed Assets

Land	298,000
Construction in progress	<u>7,884,001</u>
Total Fixed Assets	<u>8,182,001</u>

Other Assets

Bond issue costs, net of accumulated amortization of \$12,361	<u>370,474</u>
---	----------------

\$24,343,712

LIABILITIES AND AUTHORITY'S EQUITY

Long-Term Debt

Revenue bonds payable, less current maturities	\$19,853,524
Notes payable	<u>1,715,288</u>
Total Long-Term Debt	<u>21,568,812</u>

Current Liabilities

Payable From Restricted Assets:	
Accounts payable	1,027,814
Retainage payable	479,798
Current maturities of long-term debt	75,000
Accrued interest payable	<u>297,045</u>
Total Current Liabilities	<u>1,879,657</u>
Total Liabilities	<u>23,448,469</u>

Authority's Equity

Retained earnings	<u>895,243</u>
-------------------	----------------

\$24,343,712

JEFFERSON COUNTY WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

NONOPERATING REVENUES (EXPENSES)	
Interest income	\$406,924
Net amortization	<u>4,648</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	411,572
CAPITAL CONTRIBUTIONS	<u>483,671</u>
NET INCOME	895,243
RETAINED EARNINGS, OCTOBER 1	<u>-</u>
RETAINED EARNINGS, SEPTEMBER 30	<u>\$895,243</u>

JEFFERSON COUNTY WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from capital and related financing activities:

Transfer from City of Festus	\$ 512,578
Proceeds from revenue bonds	18,941,439
Proceeds from notes payable	1,715,288
Payment to escrow agent for partial refunding bonds	(1,273,316)
Purchase of fixed assets	<u>(4,511,676)</u>
Net Cash Provided By Capital And Related Financing Activities	<u>15,384,313</u>

Cash flows from investing activities:

Interest on investments	192,696
Purchase of investments	<u>(206,760)</u>
Net Cash Used In Investing Activities	<u>(14,064)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS **15,370,249**

CASH AND CASH EQUIVALENTS, OCTOBER 1 -

CASH AND CASH EQUIVALENTS, SEPTEMBER 30 **\$15,370,249**

Supplemental disclosure of cash flow information:

Noncash investing, capital and financing activities:

Debt financing:

Par value of debt issued	\$18,665,000
Net premium recorded	625,984
Costs of issuance	<u>(349,545)</u>

Net Cash Received **\$18,941,439**

Assets and liabilities transferred, see Note F.

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 the health and general welfare of the inhabitants residing within those municipalities and public water supply districts (collectively, the "Governmental Entities") who subscribe to the membership of the Authority, by taking appropriate action to acquire by purchase, develop, acquire and sell potable water supply. The Authority was incorporated in January 2000 and began its activities in November 2001.

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

1. Reporting Entity - Related Party

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to impose its will over the component unit or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. Based upon the application of these criteria, the Authority is not a component unit and has been excluded from the primary governments (City of Festus and City of Herculaneum) financial reporting.

2. Fund Accounting

The Authority uses a single fund with a self-balancing set of accounts to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Government funds are classified generally into three categories: governmental, proprietary and fiduciary. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. When goods or services from such activities are provided to outside parties, the proprietary fund is called an Enterprise Fund. The Authority consists of a single Enterprise Fund.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities as-

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Accounting (Continued)

sociated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital, if any, and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is utilized by Proprietary Funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

As permitted by U.S. generally accepted accounting principles, the Authority has elected to apply only applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, in its accounting and reporting practices for its proprietary operations.

4. Fixed Assets

Fixed assets are stated at cost. Depreciation will be computed on the straight-line method starting the date placed into service, using asset lives as follows:

Asset	Years
Water plant constructed	50

There was no depreciation charged to operations for the year ended September 30, 2002.

Interest is capitalized on Proprietary Fund 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. For the year ended September 30, 2002, debt-financed construction was undertaken and interest in the amount of \$658,931 was capitalized.

5. 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, 2002 amounted to \$20,310.

6. Unamortized Bond Issue Costs

Bond issue costs are amortized on the straight-line method over the term of the bonds. Amortization of the bond issue costs for the year ending September 30, 2002, amounted to \$12,361.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Deferred Bond Issue Charge

Deferred bond issue charges have resulted due to the advance refunding of the bond issues. The unamortized portion is presented as a reduction in the face amount of bonds payable and is being amortized on the straight-line method. Amortization of the deferred bond issue charge for the year ended September 30, 2002, amounted to \$3,301.

8. Marketable Securities

Investments are reported at fair value.

9. Cash and Cash Equivalents

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

10. Pending Accounting Pronouncements

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. In July 2001, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. These Statements provide significant new accounting and financial reporting requirements for governments. The Authority is required to adopt GASB Statement No.'s 34, 37 and 38 in fiscal year 2004.

The Authority has not completed the varied analyses required to estimate the financial statement impact of these new Statements.

NOTE B - CASH AND INVESTMENTS

As of September 30, 2002, the Authority's bank deposits with a book value of \$69,968 were fully insured or collateralized with securities held by the Authority or its agent in the Authority's name.

The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority at year-end. Category one includes investments that are insured or registered with securities held by the Authority or its agent in the Authority's name. Category two includes uninsured and unregistered investments for which the securities are held by the counterparty trust department or agent in the Authority's name. Category three includes uninsured and unregistered investments for which the securities are held by the counterparty in its trust department or agent, but not in the Authority's name.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

	September 30, 2002			Carrying Value/Fair Value
	Categories			
	1	2	3	
U.S. Government securities	\$455,770	-	-	455,770
Money market funds				15,051,271
				<u>\$15,507,041</u>

NOTE C - RESTRICTED ASSETS

Certain amounts are classified as restricted assets on the balance sheet because their use is limited by the revenue bond agreements.

NOTE D - COMMITMENTS

The Authority is under contract to complete the water treatment plant in the amount of \$6,469,208 at September 30, 2002.

NOTE E - LONG-TERM DEBT

Long-term debt consisted of the following:

	September 30 2002
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%.	\$10,435,000
\$8,230,000 Revenue Bonds, Series 2002A, due in annual installments through January 2023, interest payable at 3% to 5.375%.	8,230,000
\$2,380,000 Revenue Bonds, Series 2000, \$1,485,000 called March 2002, due in annual installments through September 2011, interest payable at 4.6% to 5.5%.	750,000
Total	19,415,000
Less - Current maturities	75,000
Less - Unamortized deferred loss	50,940
Plus - Unamortized debt premiums, net	564,464
	<u>\$19,853,524</u>

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM DEBT (Continued)

	<u>September 30</u> <u>2002</u>
Notes Payable	
State Revolving Fund - 2001C, no interest.	\$1,623,504
State Revolving Fund - 2002A, no interest.	<u>91,784</u>
	<u>\$1,715,288</u>

The debt maturity of the bonds (principal and interest), excluding amounts maturing after September 30, 2002, which were remitted prior to the current fiscal year-end and the SRF note, are as follows:

<u>For The</u> <u>Years Ended</u> <u>September 30</u>	<u>Revenue Bonds Payable</u>			<u>Total</u>
	<u>Series</u> <u>2000</u>	<u>Series</u> <u>2002A</u>	<u>Series</u> <u>2001C</u>	
2003	\$113,130	457,428	530,306	1,100,864
2004	114,605	403,651	675,306	1,193,562
2005	115,765	521,670	675,956	1,313,391
2006	116,600	542,326	671,456	1,330,382
2007	117,100	586,339	678,956	1,382,395
2008 - 2012	361,350	3,421,959	4,056,994	7,840,303
2013 - 2017	-	3,632,634	5,053,444	8,686,078
2018 - 2022	-	3,634,754	4,855,025	8,489,779
2023	-	727,750	945,000	1,672,750
	<u>\$938,550</u>	<u>13,928,511</u>	<u>18,142,443</u>	<u>33,009,504</u>

The series 2000 Revenue Bonds are in the name of the City of Festus. The Authority is using the debt proceeds for construction costs and intends to pay the future debt service payments. Therefore, the debt has been recorded on the books of the Authority.

In 2002 the Authority partial refunded the Series 2000 Revenue Bonds in the amount of \$1,485,000. The proceeds (after payment of underwriting fees and issuance costs) were used to purchase securities for deposit in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2000 Revenue Bonds. As a result, \$1,485,000 Revenue Bonds are considered to be defeased and the liability for this debt has been removed from the Authority's financial statement.

In conjunction with SRF - 2001C and 2002A notes, a reserve account has been established with a no-interest loan funded with federal capitalization grants and matching funds from the State of Missouri. When fully funded, this loan (reserve account) will be funded in an amount equal to 33.33% 2001C and 50% 2002A of the outstanding principal amount of such bonds. The reserve account is held in trust. As

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NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM DEBT (Continued)

the principal amount of such bonds is repaid, the amounts held in the reserve account will be reduced such that the reserve account will equal 33.33% and 50%, respectively, of the remaining principal balance of such bonds.

The Authority is in compliance with significant requirements regarding deposits and debt service payments.

NOTE F - INTERGOVERNMENTAL AGREEMENT

Pursuant to a "Memorandum of Understanding" and an "Intergovernmental Agreement", the cities transferred assets and related liabilities to the Authority during the year as follows:

	<u>City Of Festus</u>	<u>City Of Herculaneum</u>
Cash and investments	\$ 512,578	-
Fixed assets	1,921,512	39,738
Accrued interest payable	(10,638)	-
Revenue bonds payable	(2,100,856)	-
Contributed capital	(146,266)	26,264
City payments of debt for Authority bonds	<u>147,514</u>	<u>33,825</u>
Capital Contribution	<u>\$ 323,844</u>	<u>99,827</u>