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Report on Federal Awards, 2002

Jefferson County Water Authority

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

**JEFFERSON COUNTY
WATER AUTHORITY**

REPORT ON FEDERAL AWARDS
(Audited)

Year Ended September 30, 2002

JEFFERSON COUNTY WATER AUTHORITY
REPORT ON FEDERAL AWARDS

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

March 21, 2003

The Board of Directors
JEFFERSON COUNTY WATER AUTHORITY

We have audited the financial statements of the **JEFFERSON COUNTY WATER AUTHORITY** (the Authority) as of and for the year ended September 30, 2002, and have issued our report thereon dated March 21, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

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reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hochschild, Bloom + Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON COUNTY WATER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Expenditures</u>
U.S. Environmental Protection Agency:			
Missouri Department of Natural Resources:			
Drinking Water State Revolving Fund	66.468	-	\$ <u>2,358,996</u>

NOTES:

1. General

The schedule of federal awards (schedule) presents the activity of all federal financial assistance programs of the Authority. The Authority's reporting entity is defined in Note A to the Authority's financial statements. Federal financial assistance received directly from federal agencies, as well as passed through other government agencies, is included on the schedule.

2. Basis of Accounting

The schedule is presented using the accrual basis of accounting, which is described in Note A of the Authority's financial statements.



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

March 21, 2003

The Board of Directors
JEFFERSON COUNTY WATER AUTHORITY

Compliance

We have audited the compliance of the **JEFFERSON COUNTY WATER AUTHORITY** (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2002. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2002.

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Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditure of Federal Awards

We have audited the financial statements of the Authority as of and for the year ended September 30, 2002, and have issued our report thereon dated March 21, 2003. Our audit was made for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hochschild, Bloom + Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

JEFFERSON COUNTY WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

- I. Summary of the auditors' results:
 - A. The type of report issued on the financial statements of the auditee: Unqualified opinion.
 - B. No reportable conditions in internal control were disclosed by the audit of the financial statements.
 - C. The audit did not disclose any noncompliance which is material to the financial statements of the auditee.
 - D. No reportable conditions in internal control over major programs were disclosed by the audit.
 - E. The type of report the auditors issued on compliance for major programs: Unqualified opinion.
 - F. The audit disclosed no audit findings which the auditors are required to report under §.510(a).
 - G. Identification of major programs: Drinking Water State Revolving Fund.
 - H. The dollar threshold used to distinguish between Type A and Type B programs, as described in §.520(b): \$300,000.
 - I. The auditee does not qualify as a low-risk auditee under §.530.
- II. Findings relating to the financial statements which are required to be reported in accordance with GAGAS: None
- III. Findings and questioned costs for federal awards which shall include audit findings as defined in §.510(a): None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Findings relating to financial statements which are required to be reported in accordance with *Government Auditing Standards*:

N/A