

**PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2011**

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OF JEFFERSON COUNTY, MISSOURI
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**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Public Water Supply District No. 13
of Missouri

We have audited the accompanying basic financial statements of the business-type activities of Public Water Supply District No. 13 as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Public Water Supply District No. 13's management. Our responsibility is to express an opinion 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. 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 respective financial position of the business-type activities of the Public Water Supply District No. 13, as of December 31, 2011, and the respective changes in financial position, thereof for the years then ended in conformity with accounting standards generally accepted in the United States of America.

Public Water Supply District No. 13 has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America, as determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 14 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 supplementary 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Public Water Supply District No. 13's financial statements. 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 is the responsibility of management and we derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 21, 2012

BASIC FINANCIAL STATEMENTS

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS	
CURRENT ASSETS	
Cash funds - Unrestricted	\$ 22,327.64
Cash funds - Restricted	239,827.50
Customer Accounts Receivable	3,114.82
Prepaid Insurance	3,659.00
TOTAL CURRENT ASSETS	<u>268,928.96</u>
 CAPITAL ASSETS	
Non-Depreciable Capital Assets:	
Land	1,998.00
Construction in Progress	85,552.29
Total Non-Depreciable Capital Assets	<u>87,550.29</u>
 Depreciable Capital Assets:	
Infrastructure - Sewers	3,067,933.56
Total Depreciable Capital Assets	<u>3,067,933.56</u>
Less: Accumulated Depreciation and Amortization	(51,132.23)
Total Depreciable Capital Assets, Net	<u>3,016,801.33</u>
TOTAL CAPITAL ASSETS	<u>3,104,351.62</u>
 TOTAL ASSETS	 <u><u>\$ 3,373,280.58</u></u>
 LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 85,552.29
Accrued Interest	27,773.78
TOTAL CURRENT LIABILITIES	<u>113,326.07</u>
 LONG TERM LIABILITIES	
Loan Payable	1,630,648.24
TOTAL LONG TERM LIABILITIES	<u>1,630,648.24</u>
 TOTAL LIABILITIES	 1,743,974.31
 DISTRICT EQUITY	
Restricted	239,827.50
Unrestricted	1,389,478.77
TOTAL DISTRICT EQUITY	<u>1,629,306.27</u>
 TOTAL LIABILITIES AND DISTRICT EQUITY	 <u><u>\$ 3,373,280.58</u></u>

The accompanying notes are an integral part of the financial statements.

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN DISTRICT EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUE

User fees	\$ 33,025.52
TOTAL OPERATING REVENUE	<u>33,025.52</u>

OPERATING EXPENSES

Administrative expenses (Page 15)	34,509.09
TOTAL OPERATING EXPENSES	<u>34,509.09</u>

NET OPERATING REVENUE	<u>(1,483.57)</u>
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NON-OPERATING REVENUE AND EXPENSES

Revenue	
Interest income	2,041.46
Total revenue	<u>2,041.46</u>
Expenses	
Depreciation	51,132.23
Total Expense	<u>51,132.23</u>

EXCESS OF NON-OPERATING EXPENSES OVER REVENUE	<u>(49,090.77)</u>
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NET INCOME (LOSS)	<u><u>\$ (50,574.34)</u></u>
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The accompanying notes are an integral part of the financial statements.

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
STATEMENT OF DISTRICT EQUITY
DECEMBER 31, 2011

UNRESTRICTED:

SURPLUS

Balance - Beginning of Year	\$ 1,679,880.61
Net Income (loss)	<u>(50,574.34)</u>
Balance - End of Year	<u>1,629,306.27</u>

TOTAL DISTRICT EQUITY, END OF YEAR \$ 1,629,306.27

The accompanying notes are an integral part of the financial statements.

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 29,910.70
Payments to suppliers and employees	47,384.20
Interest received	2,041.46
Interest paid	<u>27,773.78</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	107,110.14
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of property and equipment	<u>(2,503,926.62)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,503,926.62)
CASH FLOWS FROM INVESTING ACTIVITIES	
Debt acquisition	<u>2,414,514.12</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>2,414,514.12</u>
NET INCREASE (DECREASE) IN UNRESTRICTED CASH	17,697.64
UNRESTRICTED CASH, BEGINNING OF YEAR	4,630.00
UNRESTRICTED CASH, END OF YEAR	<u><u>\$ 22,327.64</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (50,574.34)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation and Amortization	51,132.23
(Increase) or Decrease in accounts receivable	(3,114.82)
Increase or (Decrease) in payables	113,326.07
(Increase) or Decrease in prepaids	<u>(3,659.00)</u>
Total adjustments	<u>157,684.48</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 107,110.14</u></u>

The accompanying notes are an integral part of the financial statements.

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Public Water Supply District No. 13 of Jefferson County, Missouri (the "District") have been prepared in conformity with 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. In the business-type financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to generally accepted accounting principles, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the government's accounting policies are described below.

A. Principles Used to Determine Scope of Entity

The District's reporting entity includes the District's governing board and all related organizations for which the District exercises oversight responsibility.

The District has developed criteria to determine whether outside agencies with activities which benefit the customers of the District should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service and special financing relationships.

The District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity which would exercise such oversight which would result in the District being considered a component unit of the entity.

B. Basis of Presentation

The financial transactions of the District are recorded in a single enterprise fund. An enterprise fund is a type of proprietary government fund which is normally used by water and other utility districts. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

PUBLIC WATER SUPPLY DISTRICT NO. 13
OF JEFFERSON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net assets. Fund equity, (i.e., net total assets) is segregated into contributed capital and Reserved and/or Unreserved net Assets. Enterprise fund type statement of activities present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Enterprise funds such as this are accounted for using the accrual basis of accounting which is accepted under Generally Accepted Accounting Principles. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses normally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Investment income is reported as non-operating revenue.

D. Budgetary Information

The District annually adopts the Budget Resolution in order to comply with the budget guidelines for political subdivisions in the State of Missouri as provided in the Revised Missouri Statutes. Budgetary control is legally maintained by District management and the Board of Directors. Budget amounts are presented as part of the supplementary information strictly as a management tool for use by the Board of Directors and District management.

E. Cash and cash equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents.

F. Inventory

An actual count of materials was taken on or about December 31, 2011, which was the last working day of the fiscal year. The inventory on the balance sheet represents the actual total cost value of the materials counted on this date.

PUBLIC WATER SUPPLY DISTRICT NO. 13
OF JEFFERSON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

G. Capital Assets

All purchased capital assets are valued at cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method.

H. District Equity

District equity represents the difference between assets and liabilities. District equity is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other District equity is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted equity are available.

Restricted District equity represents the portion of equity that is not available for appropriation or is legally restricted for a specific purpose. Equity restrictions have been established for contributed capital.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PUBLIC WATER SUPPLY DISTRICT NO. 13
 OF JEFFERSON COUNTY, MISSOURI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

II. CASH AND INVESTMENTS

A. Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations if Missouri or its agencies and instrumentalities that have a market value of not less than the principle amount of the deposits. The District's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at December 31, 2011. At year-end, the carrying amount of the District's deposits was \$262,155.18 with respective bank balances totaling \$258,255.74. Of the total bank balance, all of the funds were covered by Federal Depository Insurance Corporation (FDIC) or covered by collateral held by the Federal Reserve Bank in the District's name under a joint safekeeping agreement with various banks.

B. Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2011, as follows:

Included in the following fund financial statement captions:

Unrestricted Deposits & Investments:

Checking	\$ 22,327.64
Total Unrestricted Deposits &	22,327.64

Restricted Deposits & Investments

Checking	239,827.50
Total Restricted Deposits & Investments	239,827.50

Total Cash & Investments as of December 31, 2011	\$ <u><u>262,155.14</u></u>
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Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's investment policy does not include custodial credit risk requirements. The District's deposits were not exposed to custodial credit risk for the year ended December 31, 2011.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the District or its agent but not in the government's name. The District does not have a policy for custodial credit risk relating to investments.

PUBLIC WATER SUPPLY DISTRICT NO. 13
OF JEFFERSON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

II. CASH AND INVESTMENTS (CONCLUDED)

B. Summary of Carrying Values (concluded)

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the District or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The District has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The District's deposits were not exposed to concentration of investment credit risk for the year ended December 31, 2011.

III. CAPITAL ASSETS

The following estimated useful lives are used to compute depreciation:

Infrastructure	25 years
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PUBLIC WATER SUPPLY DISTRICT NO. 13
OF JEFFERSON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

III. CAPITAL ASSETS – PROPRIETARY FUND TYPES (CONCLUDED)

The following is a summary of proprietary fund-type capital assets at December 31, 2011:

	<u>Balances</u> 01/1/2011	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/2011
Non-Depreciable Assets				
Land and Land Rights	\$ 1,998.00	\$ -	\$ -	\$ 1,998.00
	<u>649,559.23</u>	<u>85,552.29</u>	<u>(649,559.23)</u>	<u>85,552.29</u>
Total Non-Depreciable Assets	651,557.23	85,552.29	(649,559.23)	87,550.29
Depreciable Assets				
Infrastructure	-	3,067,933.56	-	3,067,933.56
Total Depreciable Assets	-	3,067,933.56	-	3,067,933.56
Total Fixed Assets	651,557.23	3,153,485.83	(649,559.23)	3,155,483.85
Less Accumulated Depreciation	-	(51,132.23)	-	(51,132.23)
Net Fixed Assets	<u>\$ 651,557.23</u>	<u>\$ 3,102,353.62</u>	<u>\$ (649,559.23)</u>	<u>\$ 3,104,351.62</u>

IV. LONG TERM DEBT

The following is a summary of bond transactions for the year ended December 31, 2011:

	<u>Balance</u> January 1, 2011	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> December 31, 2011	<u>Amounts</u> Due Within One Year
Loan payable	\$193,627.39	\$ 1,437,020.85	\$ -	\$ 1,630,648.24	\$ -
Totals	<u>\$193,627.39</u>	<u>\$ 1,437,020.85</u>	<u>\$ -</u>	<u>\$ 1,630,648.24</u>	<u>\$ -</u>

Public Water Supply District No. 13 of Jefferson County, Missouri, entered into a loan with the United States Department of Agriculture, Rural Development, in the amount of \$2,094,000 as of August 3, 2010. The outstanding balance of the debt as of December 31, 2011, was \$1,630,648.24 with an annual interest rate of 4.0%. Interest shall be payable annually with the first payment due April 24, 2013, and April 24, 2014, and thereafter both principal and interest shall become due in installments of \$115,401 on April 24 until principal and interest are fully paid except that the final installment of the entire remaining principal and interest, if not sooner paid, shall be due and payable on April 24, 2047.

The loan was entered into for the purpose of the installation of acquiring, construction and equipping common sewer treatment facilities to serve properties within the District, the cost of operation and maintenance of said sewerage system and the principal of and interest on said debt is to be payable solely from the revenues derived by the District from the operation of its sewerage system, including all future improvements and extensions thereto.

PUBLIC WATER SUPPLY DISTRICT NO. 13
OF JEFFERSON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

IV. LONG TERM DEBT (CONCLUDED)

As of December 31, 2011, the Water District had not yet made their final draw from their available loan proceeds. Due to this, the future payment schedule was unable to be determined.

V. LITIGATION

The District is not a defendant in any litigation as of December 31, 2011.

VI. SUBSEQUENT EVENTS

Revenue bonds in the amount of \$8,000,000 were authorized as of August 3, 2010, for the purpose of constructing a sewerage system within the District. Of this amount the District had proposed to issue \$2,243,000 which whose principal and interest would be repaid through fees earned by the service of the sewerage treatment facility.

As of April 24, 2012, Board of Trustees of Public Water Supply District #13 approved a resolution repealing the resolution passed on August 3, 2010 and in place thereof authorizing the issuance of \$2,094,000 of principal through the United States Department of Agriculture's Rural Development.

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
STATEMENT OF REVENUE AND EXPENSES - BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

	BUDGET	ACTUAL	VARIANCE OVER/(UNDER)
OPERATING REVENUE			
User Fees	\$ 28,184.00	\$ 33,025.52	\$ 4,841.52
TOTAL OPERATING REVENUE	28,184.00	33,025.52	4,841.52
OPERATING EXPENSES			
Administrative expenses (Page 15)	10,380.00	34,509.09	24,129.09
TOTAL OPERATING EXPENSES	10,380.00	34,509.09	24,129.09
NET OPERATING REVENUE	17,804.00	(1,483.57)	(19,287.57)
NON-OPERATING REVENUE AND EXPENSES			
Revenue			
Interest income	2,041.00	2,041.46	0.46
Total revenue	2,041.00	2,041.46	0.46
Expenses			
Depreciation	51,132.00	51,132.23	0.23
Total expense	51,132.00	51,132.23	0.23
EXCESS OF NON-OPERATING EXPENSES OVER REVENUE	(49,091.00)	(49,090.77)	0.23
NET INCOME (LOSS)	\$ (31,287.00)	\$ (50,574.34)	\$ (19,287.34)

SUPPLEMENTARY INFORMATION

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

ADMINISTRATIVE EXPENSES

Accounting	\$ 1,715.00
Bad Debt	14.40
Operator	775.00
Utilities	720.35
Legal	1,173.75
Postage	198.00
Office Expense	375.36
Advertising	125.00
Insurance	1,611.00
Interest Expense	27,773.78
Micellaneous	<u>27.45</u>
 TOTAL ADMINISTRATIVE EXPENSES	 <u><u>\$ 34,509.09</u></u>

The accompanying notes are an integral part of the financial statements.

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF OPERATING EXPENSES - BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING EXPENSES	BUDGET	ACTUAL	VARIANCE
Accounting	\$ 1,715.00	\$ 1,715.00	\$ -
Bad Debt	-	14.40	14.40
Operator	775.00	775.00	-
Utilities	720.00	720.35	0.35
Legal	1,174.00	1,173.75	(0.25)
Postage	-	198.00	198.00
Office Expense	-	375.36	375.36
Advertising	-	125.00	125.00
Insurance	5,270.00	1,611.00	(3,659.00)
Interest Expense	-	27,773.78	27,773.78
Micellaneous	726.00	27.45	(698.55)
TOTAL OPERATING EXPENSES	<u>\$ 10,380.00</u>	<u>\$ 34,509.09</u>	<u>\$ 24,129.09</u>

The accompanying notes are an integral part of the financial statements.

STATE COMPLIANCE SECTION

PUBLIC WATER SUPPLY DISTRICT NO. 13
OF JEFFERSON COUNTY
SCHEDULE OF STATE FINDINGS
DECEMBER 31, 2011

I. SCHEDULE OF STATE FINDINGS

For the year ended December 31, 2011, the District had budget overruns due to accruals of interest expense.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

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

Board of Trustees
Public Water Supply District No. 13
Jefferson County, Missouri

We have audited the financial statements of the business-type activities of Public Water Supply District No. 13, as of and for the year ended December 31, 2011, and have issued our report thereon dated August 21, 2012. 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.

Internal Control Over Financial Reporting

Management of Public Water Supply District No. 13 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Public Water Supply District No. 13's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Public Water Supply District No. 13's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Public Water Supply District No. 13's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (FS 2011-01, FS 2011-02 and FS 2011-03) A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Public Water Supply District No. 13's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Public Water Supply District No. 13 in a separate letter dated August 21, 2012.

Public Water Supply District No. 13's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Public Water Supply District No. 13's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

August 21, 2012



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Independent Auditor's Report

Board of Trustees
Public Water Supply District No. 13
of Jefferson County, Missouri

Compliance

We have audited the Public Water Supply District No. 13's, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Public Water Supply District No. 13's major federal programs for the years ended December 31, 2011. Public Water Supply District No. 13's major federal programs are identified in the summary of auditor's 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 Public Water Supply District No. 13's management. Our responsibility is to express an opinion on Public Water Supply District No. 13's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Public Water Supply District No. 13'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 of Public Water Supply District No. 13's compliance with those requirements.

In our opinion, Public Water Supply District No. 13 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2011.

Internal Control Over Compliance

Management of Public Water Supply District No. 13 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Public Water Supply District No. 13's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Public Water Supply District No. 13's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, management, others within the entity 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.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 21, 2012

PUBLIC WATER SUPPLY DISTRICT NO. 13
 OF JEFFERSON COUNTY MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED
 DECEMBER 31, 2011

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	EXPENDITURES
<u>U.S. Department of Agriculture</u>			
Dirct Program			
Water and Waste Disposal Systems for Rural Communities	10.760	-	\$ 1,630,648.24
Total U.S. Department of Agriculture			<u>1,630,648.24</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,630,648.24</u>

PUBLIC WATER SUPPLY DISTRICT NO. 13
OF JEFFERSON COUNTY
NOTES TO EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each major program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Public Water Supply District No. 13, of Jefferson County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

The schedule is presented in accordance with generally accepted accounting principals, which recognizes amounts as they are measurable.

NOTE 2 – NON-CASH PROGRAM

The Water District received no non-cash federal awards during the fiscal year.

NOTE 3 – SUBRECIPIENTS

The Water District provided no federal awards to subrecipients during the years ended December 30, 2011.

PUBLIC WATER SUPPLY DISTRICT NO. 13
OF JEFFERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unqualified
2. Internal control over financial reporting:
 - a. Any material weakness(es) identified? Yes No
 - b. Any significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported
3. Any noncompliance material to financial statements noted? Yes No

B. Federal Awards

1. Internal control over major programs:

Any material weakness(es) identified? Yes No
2. Any significant deficiencies identified that are not considered to be material weaknesses? Yes No
3. Type of auditor's report issued on compliance for major programs: - Unqualified
4. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of *Circular A-133*? Yes No

5. Identification of major programs:

Year	CFDA Number(s)	Name of Federal Program or Cluster
2011	10.760	Water and Waste Disposal Systems for Rural Communities

6. Dollar threshold used to distinguish between type A and type B programs: \$ 300,000
7. Auditee qualified as low-risk auditee? Yes No

PUBLIC WATER SUPPLY DISTRICT NO. 13
OF JEFFERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011

II. FINANCIAL FINDINGS

FS 2011-01 Criteria: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency. SAS No. 115 supersedes SAS No. 112.

Condition: During the current year, auditors of the Water District assisted with the preparation of the financial statements and the notes to financial statements.

Context: During discussions with management, we noted that we will be assisting the Water District with the preparation of their audited financial statements and footnotes.

Effect: Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 115 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

Cause: Management did not prepare the financial statements or the notes to financial statements.

Recommendation: Due to the changing standards, the Water District may wish to consider alternatives available that would eliminate this situation.

Views of responsible officials and planned corrective actions: The Water District will consider taking corrective action in future years.

FS 2011-02 Criteria: Statements on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters identified in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the District's internal controls has not been prepared.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the District may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The District did not prepare the required documentation.

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
COMBINED SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

II. FINANCIAL FINDINGS (CONCLUDED)

Recommendation: We recommend that the District develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: The District is in the process of preparing the needed documentation to document their internal control structure in conformity with the COSO framework.

FS 2011-03

Criteria: Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by District's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the District address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of Responsible Officials and Planned Corrective Actions: The District is in the process of preparing the needed documentation to document their internal control structure in conformity with the COSO framework.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings noted.

PUBLIC WATER SUPPLY DISTRICT NO. 13
JEFFERSON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. FINDINGS – PRIOR YEAR

No prior year audit, therefore there are no prior year audit findings.