

JEFFERSON COUNTY WATER AUTHORITY
(A NOT-FOR-PROFIT CORPORATION)
JEFFERSON COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2006

JEFFERSON COUNTY WATER AUTHORITY
JEFFERSON COUNTY, MISSOURI
TABLE OF CONTENTS

	PAGE
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
<u>FINANCIAL STATEMENTS</u>	
Statement of Financial Position	2-3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-13
<u>NONACCOUNTING INFORMATION</u>	
Schedule of Revenues and Expenses – Budget and Actual	14
Board of Directors and Officers	15

FINANCIAL SECTION



Daniel Jones & Associates

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

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Jefferson County Water Authority

We have audited the accompanying Statement of Financial Position of Jefferson County Water Authority (a Not-for-Profit Corporation) (the Authority) of Jefferson County, Missouri as of September 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Jefferson County Water Authority as of September 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying nonaccounting information on pages 14 and 15 are not a required part of the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Daniel Jones & Associates

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

February 13, 2007

FINANCIAL STATEMENTS

JEFFERSON COUNTY WATER AUTHORITY
JEFFERSON COUNTY, MISSOURI
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2006

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2006 Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 352,553	\$ -	\$ -	\$ 352,553
Investments	8,628,847	-	-	8,628,847
Receivables:				
Service charges	132,720	-	-	132,720
Interest receivable	99,248	-	-	99,248
Other	32,508	-	-	32,508
Prepaid Insurance	56,075	-	-	56,075
Inventory	8,190	-	-	8,190
Total Current Assets	<u>9,310,141</u>	<u>-</u>	<u>-</u>	<u>9,310,141</u>
NONCURRENT ASSETS				
Non-depreciable capital assets:				
Land	298,083	-	-	298,083
Total Non-Depreciable Capital Assets	<u>298,083</u>	<u>-</u>	<u>-</u>	<u>298,083</u>
Depreciable capital assets:				
Buildings	13,350	-	-	13,350
Water Plant	15,523,505	-	-	15,523,505
Vehicles	15,276	-	-	15,276
Computer Equipment & Software	12,106	-	-	12,106
Audio Visual Equipment	5,976	-	-	5,976
Total Depreciable Capital Assets	<u>15,570,213</u>	<u>-</u>	<u>-</u>	<u>15,570,213</u>
Less - Accumulated depreciation	<u>(1,096,516)</u>	<u>-</u>	<u>-</u>	<u>(1,096,516)</u>
Total Depreciable Capital Assets, Net	<u>14,473,697</u>	<u>-</u>	<u>-</u>	<u>14,473,697</u>
Capital Assets, Net	14,771,780	-	-	14,771,780
Other assets:				
Bond issue costs, net of accumulated amortization of \$120,435	322,717	-	-	322,717
Due from City of Herculaneum	3,889,748	-	-	3,889,748
Total Other Assets	<u>4,212,465</u>	<u>-</u>	<u>-</u>	<u>4,212,465</u>
Total Noncurrent Assets	<u>18,984,245</u>	<u>-</u>	<u>-</u>	<u>18,984,245</u>
TOTAL ASSETS	<u>\$ 28,294,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,294,386</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER AUTHORITY
JEFFERSON COUNTY, MISSOURI
STATEMENT OF FINANCIAL POSITION (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

LIABILITIES AND NET ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2006 Total</u>
CURRENT LIABILITIES				
Accounts payable	\$ 2,541	\$ -	\$ -	\$ 2,541
Current maturities of long-term debt	594,080	-	-	594,080
Accrued payroll liabilities	5,810	-	-	5,810
Accrued interest payable	228,200	-	-	228,200
Total Current Liabilities	<u>830,631</u>	<u>-</u>	<u>-</u>	<u>830,631</u>
LONG-TERM DEBT				
Revenue bonds payable, less current maturities	18,265,261	-	-	18,265,261
Notes payable, less current maturities	7,220,045	-	-	7,220,045
Total Long-Term Debt	<u>25,485,306</u>	<u>-</u>	<u>-</u>	<u>25,485,306</u>
Total Liabilities	<u>26,315,937</u>	<u>-</u>	<u>-</u>	<u>26,315,937</u>
NET ASSETS				
Unrestricted	1,978,449	-	-	1,978,449
Temporarily Restricted	0	-	-	-
Permanently Restricted	0	-	-	-
Total Net Assets	<u>1,978,449</u>	<u>-</u>	<u>-</u>	<u>1,978,449</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,294,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,294,386</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER AUTHORITY
JEFFERSON COUNTY, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Total
REVENUES:				
OPERATING REVENUES:				
WATER SALES	\$ 1,614,760	\$ -	\$ -	\$ 1,614,760
OTHER REVENUES:				
Investment income	296,071	-	-	296,071
Reimbursement	(21,181)	-	-	(21,181)
Insurance claims and refunds	7,556	-	-	7,556
TOTAL REVENUES	1,897,206	-	-	1,897,206
EXPENSES:				
OPERATING AND MAINTENANCE EXPENSES				
DEPRECIATION EXPENSE	(663,714)	-	-	(663,714)
OTHER EXPENSES:				
Interest expense	(317,468)	-	-	(317,468)
Net amortization	(755,588)	-	-	(755,588)
	(1,823)	-	-	(1,823)
TOTAL EXPENSES	(1,738,593)	-	-	(1,738,593)
CHANGE IN NET ASSETS	158,613	-	-	158,613
NET ASSETS, OCTOBER 1, 2005	1,819,836	-	-	1,819,836
NET ASSETS, SEPTEMBER 30, 2006	\$ 1,978,449	\$ -	\$ -	\$ 1,978,449

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER AUTHORITY
JEFFERSON COUNTY, MISSOURI
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,614,760
Payments to Suppliers for Goods and Services	<u>(739,961)</u>
Net Cash Provided by Operating Activities	874,799
Cash Flows from Non-Capital Financing Activities:	
Decrease in due to City of Festus	-
Decrease in due from City of Herculaneum	161,137
Reimbursements	<u>(21,181)</u>
Net Cash Provided by Non-Capital Financing Activities	139,956
Cash Flows from Capital and Related Financing Activities:	
Payments on Notes Payable	(122,120)
Payments on Bonds Payable	(370,000)
Interest Paid on Debt	(755,588)
Amortization (Net)	(1,823)
Purchase of Capital Assets	<u>(30,576)</u>
Net Cash Used by Capital and Related Financing Activities	(1,280,107)
Cash Flows from Investing Activities:	
Interest on Investments	296,071
Insurance Claims and Refunds	<u>7,556</u>
Net Cash Provided by Investing Activities	<u>303,627</u>
Net increase in Cash and Cash Equivalents	38,275
Cash and Cash Equivalents at October 1, 2005	<u>8,943,125</u>
Cash and Cash Equivalents at September 30, 2006	<u>\$ 8,981,400</u>
Reconciliation of Operating Profit to Net Cash Provided by Operating Activities:	
Operating Profit	\$ 633,578
Adjustments	
Depreciation Expense	317,468
Amortization (Net)	1,823
(Increase) Decrease in Assets and Liabilities:	
Service Charges Receivable	-
Other Receivables	(32,508)
Interest Receivable	(5,263)
Prepaid Insurance	(17,403)
Inventory	189
Increase (decrease) in:	
Accounts Payable	(25,269)
Accrued Interest Payable	(3,625)
Other Accrued Liabilities	5,809
Total Adjustments	<u>241,221</u>
Net Cash Provided by Operating Activities	<u>\$ 874,799</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2006

I. 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 to sponsoring municipalities. The Jefferson County Water Authority was incorporated in January 2000 and began its activities in November 2001. The Jefferson County Water Authority began delivery of water to customers in September 2003.

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

A. Reporting Entity – Related Party

In evaluating how to define the Jefferson County Water Authority 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. One of the criteria for including a potential component unit within a reporting entity is if the organizations are “financially interrelated.” To be “financially interrelated” both of the following characteristics are present in the relationship between the organizations:

1. One has the ability to influence the operating and financial decisions of the other. For example: (1) they are affiliates, (2) one has considerable representation on the governing board of the other.
2. One has an ongoing economic interest in the net asset of the other.

Based upon the application of these criteria, the Jefferson County Water Authority is a component unit of the City of Festus and has been included from the primary government’s financial reporting.

B. 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 associated with the operation of this fund are included on the statement of financial position. 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.

JEFFERSON COUNTY WATER AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Continued)

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.

As permitted by U.S. generally accepted accounting principles, the Jefferson County Water 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.

C. Capital Assets

Capital assets are stated at cost and are defined as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Assets acquired through contributions from developers or other customers are capitalized at their estimated fair market value. All capital assets are depreciated except for land and construction work-in-progress. Depreciation is computed on the straight-line method, using asset lives as follows:

<u>Asset</u>	<u>Years</u>
Water Plant	50
Vehicles	4
Computer Equipment & Software	15

Depreciation expense charged to operations for the year ended September 30, 2006 amounted to \$317,468.

Interest is capitalized on the Jefferson County Water Authority's assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

D. Accounts Receivable

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

E. 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, 2006 amounted to \$27,904.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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, 2006, amounted to \$17,359.

G. 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, 2006 amounted to \$12,369.

H. Water Sales

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

I. Marketable Securities

Investments are reported at cost which approximates fair value.

J. Cash and Cash Equivalents

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

K. Budgets and Budgetary Accounting

The annual budget is adopted on a basis that is substantially consistent with U.S. generally accepted accounting principles. Budgeted amounts lapse at fiscal year-end.

The Jefferson County Water 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 exceed budgeted amounts on a line-item basis with Board approval. All amendments to fund totals must be approved by the Board.

There was one budget amendment during the year approved at the September 21, 2006 regular meeting of the Board of Directors.

L. Inventory

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

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2006

II. DEPOSITS AND INVESTMENTS

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown below are included in the financial statements at September 30, 2006, as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet</u>	
Cash & Cash Equivalents	\$ 352,553
Investments	8,628,847
Total Deposits & Investments as of September 30, 2006	\$ <u>8,981,400</u>

As of September 30, 2006, the Authority's investments were as follows:

Unrestricted Investments 2006			
Fund	Type	Maturities	Cost
Unrestricted	FNMA Discount Note	12/29/2006	\$ 100,402
Unrestricted	FNMA Discount Note	12/29/2006	\$ 287,800
Unrestricted	FNMA Discount Note	12/29/2006	280,416
Unrestricted	FNMA Discount Note	12/29/2006	37,091
Unrestricted	Guaranteed Investment Contract	12/30/2022	3,889,860
Unrestricted	Guaranteed Investment Contract	12/30/2022	100,000
Unrestricted	Guaranteed Investment Contract	12/30/2022	35,743
Unrestricted	Guaranteed Investment Contract	12/30/2022	276,787
Unrestricted	Guaranteed Investment Contract	6/30/2023	90,233
Unrestricted	Guaranteed Investment Contract	6/30/2023	3,489,265
Unrestricted	Guaranteed Investment Contract	6/30/2023	41,250
Total Restricted Investments			\$ <u>8,628,847</u>

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 Authority's investment policy does not include custodial credit risk requirements. The Authority's deposits were not exposed to custodial credit risk for the fiscal year ended September 30, 2006.

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 Authority or its agent but

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2006

II. DEPOSITS AND INVESTMENTS (concluded)

Custodial Credit Risk – Investments (concluded)

not in the government's name. The Authority does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the Authority 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 Authority does not have a formal investment policy that limits investments 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 County 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 Authority 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. Authority deposits of \$7,938,411 were exposed to concentration of investment credit risk for the fiscal year ended September 30, 2006.

III. CONCENTRATION

The Jefferson County Water Authority entered into a water rate agreement to provide water to the City of Festus and the City of Herculaneum.

IV. RISK MANAGEMENT

The Jefferson County Water Authority carries commercial insurance for its risks of loss, including workman's 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.

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2006

V. CAPITAL ASSETS

Capital assets activity was as follows:

	<u>For The Year Ended September 30, 2006</u>			
	<u>Balance September 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2006</u>
Non-Depreciable Capital Assets:				
Land	\$ 298,083	\$ -	\$ -	\$ 298,083
Construction in Process	13,130	-	(13,130)	-
Total Non-Depreciable Capital Assets	311,213	-	(13,130)	298,083
Depreciable Capital Assets:				
Water Plant	15,494,707	28,798	-	15,523,505
Buildings & Building Improvements	-	13,350	-	13,350
Vehicles	15,276	-	-	15,276
Computer Equipment & Software	10,549	1,557	-	12,106
Audio Visual Equipment	5,976	-	-	5,976
Total Depreciable Capital Assets	15,526,508	43,705	-	15,570,213
Less-Accumulated Depreciation for:				
Water Plant	(766,746)	(311,727)	-	(1,078,473)
Buildings & Building Improvements	-	(223)	-	(223)
Vehicles	(9,548)	(3,819)	-	(13,367)
Computer Equipment & Software	(1,758)	(703)	-	(2,461)
Audio Visual Equipment	(996)	(996)	-	(1,992)
Total Accumulated Depreciation	(779,048)	(317,468)	-	(1,096,516)
Total Depreciable Capital Assets, Net	14,747,460	(273,763)	-	14,473,697
 Total Capital Assets, Net	 \$ 15,058,673	 \$ (273,763)	 \$ (13,130)	 \$ 14,771,780

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2006

VI. LONG-TERM DEBT

Long-term debt consisted of the following:

Revenue Bonds Payable

	September 30 2006
\$10,435,000 Revenue Bonds, Series 2001 C, due in annual installments through July 1, 2023, interest payable at 3% to 5.375%.	\$ 9,990,000
\$8,230,000 Revenue Bonds, Series 2002A, due in annual installments through January 2023, interest payable at 3% to 5.375%.	7,950,000
\$490,000 Revenue Bonds, Series 2003, due in annual installments through July 2010, interest payable at 3.036%.	295,000
Subtotal	\$ 18,235,000
Less – Current maturities	(435,000)
Plus – Unamortized debt premiums, net	465,261
Total	<u>\$ 18,265,261</u>

Notes Payable

State Revolving Fund – 2001C, no interest	\$ 3,489,265
State Revolving Fund – 2002A, no interest	3,889,860
Subtotal	\$ 7,379,125
Less – Current maturities	(159,080)
Total	<u>\$ 7,220,045</u>

Aggregate maturities (principal and interest) required on long-term debt are as follows:

For The Years Ended September 30	Revenue Bonds Payable						SRF Loans Payable				Total	
	Series 2001C		Series 2002A		Series 2003		Series 2001C		Series 2002A			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	165,000	513,956	200,000	386,339	70,000	8,956	59,080	-	100,000	-	594,080	909,251
2008	190,000	505,706	250,000	378,101	75,000	6,831	67,971	-	125,000	-	707,971	890,638
2009	225,000	496,206	295,000	367,663	75,000	4,554	81,743	-	147,500	-	824,243	868,424
2010	260,000	484,394	320,000	355,509	75,000	2,277	94,694	-	160,000	-	909,694	842,180
2011	395,000	474,074	385,000	341,168	-	-	131,654	-	192,500	-	1,104,154	815,242
2012-2016	3,135,000	1,951,950	2,220,000	1,413,673	-	-	1,142,357	-	1,110,000	-	7,607,357	3,365,623
2017-2021	3,855,000	1,043,213	2,895,000	740,860	-	-	1,285,000	-	1,447,500	-	9,482,500	1,784,072
2022-2023	1,765,000	133,250	1,385,000	70,125	-	-	626,766	-	607,360	-	4,384,126	203,375
	<u>9,990,000</u>	<u>5,602,749</u>	<u>7,950,000</u>	<u>4,053,438</u>	<u>295,000</u>	<u>22,618</u>	<u>3,489,265</u>	<u>-</u>	<u>3,889,860</u>	<u>-</u>	<u>25,614,125</u>	<u>9,678,805</u>

JEFFERSON COUNTY WATER AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2006

VI. LONG-TERM DEBT (CONTINUED)

The series 2003 Revenue Bonds are in the name of the City of Festus. The Jefferson County Water Authority is using 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 Jefferson County Water Authority.

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% for the Series 2001C and 50% for the Series 2002A of the outstanding principal amount of such bonds. The reserve account is held in trust. As the principal amount of such bonds is repaid, the amounts held in the reserve account will be reduced such that the reserve account will equal 33.33% and 50%, respectively, of the remaining principal balance of such bonds.

Herculaneum is responsible for the 2001C and 2002A debt service payments for the amount of construction funds released from the investment account.

VII. CHANGE IN ACCOUNTING ESTIMATE

A pay request was made from the State Revolving Fund 2002A reserve account in fiscal year 2005/2006 that benefited only the Jefferson County Water Authority and not the City of Herculaneum. This transaction caused the relative percentage share of the 2002A debt service that the City of Herculaneum is responsible for to decrease from approximately 46.44% to approximately 45.77%. This change resulted in a \$58,862 decrease in change in net assets for the Statement of Activities for the fiscal year ended September 30, 2006.

VIII. INCOME TAXES

The Jefferson County Water Authority is a not-for-profit corporation exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3), except on net income derived from unrelated business activities.

NONACCOUNTING INFORMATION

JEFFERSON COUNTY WATER AUTHORITY
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over/(Under) Actual vs. Final Budget</u>
WATER SALES	\$ 1,670,760	\$ 1,614,760	\$ (56,000)
SOURCE OF SUPPLY AND PUMPING EXPENSES			
Chemicals	85,000	88,024	3,024
Engineering fees	22,000	7,338	(14,662)
Operation and management services	279,926	299,666	19,740
Payroll expenses	7,161	5,926	(1,235)
Repairs and maintenance	51,500	55,434	3,934
Supplies	600	157	(443)
Total Source of Supply and Pumping Expenses	<u>446,187</u>	<u>456,545</u>	<u>10,358</u>
ACCOUNTING, COLLECTION, AND ADMINISTRATIVE EXPENSES			
Bank fees	76,191	81,779	5,588
Dues and subscriptions	65	160	95
Insurance and bonds	44,849	44,849	0
Miscellaneous	5,000	4,096	(904)
Office supplies, postage, advertising, travel	2,750	1,679	(1,071)
Professional services	17,766	7,766	(10,000)
Utilities	125,000	66,840	(58,160)
Total Accounting, Collection, and Administrative Expenses	<u>271,621</u>	<u>207,169</u>	<u>(64,452)</u>
OPERATING AND MAINTENANCE EXPENSES	<u>717,808</u>	<u>663,714</u>	<u>(54,094)</u>
OPERATING INCOME BEFORE DEPRECIATION EXPENSE	952,952	951,046	(1,906)
DEPRECIATION EXPENSE	<u>0</u>	<u>(317,468)</u>	<u>(317,468)</u>
OPERATING INCOME	952,952	633,578	(319,374)
NONOPERATING REVENUES (EXPENSES)			
Investment income	358,093	296,071	(62,022)
Interest expense	(924,863)	(755,588)	169,275
Net amortization	(75,834)	(1,823)	74,011
Insurance Claims & Refunds	0	7,556	7,556
Reimbursement	214,242	(21,181)	(235,423)
Total Nonoperating Revenues (Expenses)	<u>(428,362)</u>	<u>(474,965)</u>	<u>(46,603)</u>
CHANGE IN NET ASSETS	<u>524,590</u>	<u>\$ 158,613</u>	<u>\$ (365,977)</u>

JEFFERSON COUNTY WATER AUTHORITY
JEFFERSON COUNTY, MISSOURI
BOARD OF DIRECTORS AND OFFICERS

<u>Name</u>	<u>Position</u>	<u>Term</u>
Earl Cook, City of Festus	President	Appointed
Jerry Martin, City of Herculaneum	Vice-president	Appointed
Steve Stoll, City of Festus	Director	Appointed
Jim Sweet, City of Herculaneum	Director	Appointed
Bill Gray, City of Festus	Director	Appointed
Mike Abram, City of Herculaneum	Director	Appointed
Michelle Guidicy, City of Festus	Treasurer	Appointed
Laurie Ferretti, City of Herculaneum	Secretary	Appointed