

**JEFFERSON COUNTY WATER AUTHORITY**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**JEFFERSON COUNTY, MISSOURI**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
TABLE OF CONTENTS

	PAGE
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditor's Report .....	1-2
<b><u>FINANCIAL STATEMENTS</u></b>	
Statement of Financial Position .....	3-4
Statement of Activities .....	5
Statement of Cash Flows .....	6
Notes to the Financial Statements .....	7-14
<b><u>SUPPLEMENTAL INFORMATION</u></b>	
Report on Internal Controls Over Financial Reporting and Other Matters Based on an Audit of the Financial Statements in Accordance with Government Auditing Standards .....	15-16
Schedule of Revenues and Expenses – Budget and Actual .....	17
Board of Directors and Officers .....	18

## FINANCIAL SECTION

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**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF  
MISSOURI SOCIETY OF CPAs  
AMERICAN INSTITUTE OF CPAs

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**INDEPENDENT AUDITOR'S 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, 2007, 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 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 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 consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jefferson County Water Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

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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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2008 on our consideration of Jefferson County Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The supplemental information presented on pages 15 through 18 is presented for the purpose of additional analysis and is not a required part of the basic 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 22, 2008

# FINANCIAL STATEMENTS

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2007

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 644,035	\$ -	\$ -	\$ 644,035
Investments	8,501,679	-	-	8,501,679
Receivables:				
Service charges	132,720	-	-	132,720
Interest receivable	99,761	-	-	99,761
Other	-	-	-	-
Prepaid Insurance	62,469	-	-	62,469
Inventory	8,452	-	-	8,452
Total Current Assets	<u>9,449,117</u>	<u>-</u>	<u>-</u>	<u>9,449,117</u>
<b>NONCURRENT ASSETS</b>				
Non-depreciable capital assets:				
Work in Process	25,674	-	-	25,674
Land	298,083	-	-	298,083
Total Non-Depreciable Capital Assets	<u>323,757</u>	<u>-</u>	<u>-</u>	<u>323,757</u>
Depreciable capital assets:				
Buildings	13,350	-	-	13,350
Water Plant	15,600,984	-	-	15,600,984
Vehicles	15,276	-	-	15,276
Computer Equipment & Software	12,106	-	-	12,106
Audio Visual Equipment	5,976	-	-	5,976
Total Depreciable Capital Assets	<u>15,647,692</u>	<u>-</u>	<u>-</u>	<u>15,647,692</u>
Less - Accumulated depreciation	<u>(1,414,944)</u>	<u>-</u>	<u>-</u>	<u>(1,414,944)</u>
Total Depreciable Capital Assets, Net	<u>14,232,748</u>	<u>-</u>	<u>-</u>	<u>14,232,748</u>
Capital Assets, Net	14,556,505	-	-	14,556,505
Other assets:				
Bond issue costs, net of accumulated amortization of \$110,078	292,989	-	-	292,989
Due from City of Herculaneum	3,775,260	-	-	3,775,260
Total Other Assets	<u>4,068,249</u>	<u>-</u>	<u>-</u>	<u>4,068,249</u>
Total Noncurrent Assets	<u>18,624,753</u>	<u>-</u>	<u>-</u>	<u>18,624,753</u>
<b>TOTAL ASSETS</b>	<u>\$ 28,073,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,073,870</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)  
SEPTEMBER 30, 2007

<b>LIABILITIES AND NET ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 50,477	\$ -	\$ -	\$ 50,477
Current maturities of long-term debt	707,972	-	-	707,972
Accrued payroll liabilities	14,595	-	-	14,595
Accrued interest payable	223,832	-	-	223,832
Total Current Liabilities	<u>996,876</u>	<u>-</u>	<u>-</u>	<u>996,876</u>
<b>LONG-TERM DEBT</b>				
Revenue bonds payable, less current maturities	17,722,357	-	-	17,722,357
Notes payable, less current maturities	7,127,073	-	-	7,127,073
Total Long-Term Debt	<u>24,849,430</u>	<u>-</u>	<u>-</u>	<u>24,849,430</u>
Total Liabilities	<u>25,846,306</u>	<u>-</u>	<u>-</u>	<u>25,846,306</u>
<b>NET ASSETS</b>				
Unrestricted	2,227,564	-	-	2,227,564
Temporarily Restricted	-	-	-	-
Permanently Restricted	-	-	-	-
Total Net Assets	<u>2,227,564</u>	<u>-</u>	<u>-</u>	<u>2,227,564</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 28,073,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,073,870</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, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>
<b>REVENUES:</b>				
OPERATING REVENUES:				
WATER SALES	\$ 1,726,917	\$ -	\$ -	\$ 1,726,917
OTHER REVENUES:				
Investment income	324,379	-	-	324,379
Reimbursement	32,565	-	-	32,565
Insurance claims and refunds	2,599	-	-	2,599
<b>TOTAL REVENUES</b>	<u>2,086,460</u>	<u>-</u>	<u>-</u>	<u>2,086,460</u>
<b>EXPENSES:</b>				
Operating and Maintenance Expenses	(805,526)	-	-	(805,526)
Depreciation Expense	(318,428)	-	-	(318,428)
OTHER EXPENSES:				
Interest expense	(711,568)	-	-	(711,568)
Net amortization	(1,823)	-	-	(1,823)
<b>TOTAL EXPENSES</b>	<u>(1,837,345)</u>	<u>-</u>	<u>-</u>	<u>(1,837,345)</u>
CHANGE IN NEI ASSETS	249,115	-	-	249,115
NEI ASSETS, OCTOBER 1, 2006	1,978,449	-	-	1,978,449
<b>NEI ASSETS, SEPTEMBER 30, 2007</b>	<u>\$ 2,227,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,227,564</u>

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, 2007

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Receipts from Customers	\$ 1,726,918
Payments to Suppliers for Goods and Services	(726,011)
Net Cash Provided by Operating Activities	1,000,907

Cash Flows from Non-Capital Financing Activities:

Decrease in due to City of Festus	-
Decrease in due from City of Herculaneum	114,487
Reimbursements	32,565
Net Cash Provided by Non-Capital Financing Activities	147,052

Cash Flows from Capital and Related Financing Activities:

Payments on Notes Payable	(59,080)
Payments on Bonds Payable	(435,000)
Interest Paid on Debt	(711,568)
Amortization (Net)	(1,823)
Purchase of Capital Assets	(103,153)
Net Cash Used by Capital and Related Financing Activities	(1,310,623)

Cash Flows from Investing Activities:

Transfer from Investments	127,168
Interest on Investments	324,379
Insurance Claims and Refunds	2,599
Net Cash Provided by Investing Activities	454,146

Net increase in Cash and Cash Equivalents 291,482

Cash and Cash Equivalents at October 1, 2006 352,553  
Cash and Cash Equivalents at September 30, 2007 \$ 644,035

Reconciliation of Operating Profit to Net Cash

Provided by Operating Activities:

Operating Profit	\$ 602,963
Adjustments	
Depreciation Expense	318,428
Amortization (Net)	1,823
(Increase) Decrease in Assets and Liabilities:	
Service Charges Receivable	-
Other Receivables	32,508
Interest Receivable	(513)
Prepaid Insurance	(6,394)
Inventory	(261)
Increase (decrease) in:	
Accounts Payable	47,936
Accrued Interest Payable	(4,368)
Other Accrued Liabilities	8,785
Total Adjustments	397,944
Net Cash Provided by Operating Activities	\$ 1,000,907

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, 2007

**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 excluded 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, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting (Concluded)**

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:

Asset	Years
Water Plant	50
Vehicles	4
Computer Equipment & Software	15

Depreciation expense charged to operations for the year ended September 30, 2007 amounted to \$318,428.

~~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, 2007 amounted to \$27,904.

JEFFERSON COUNTY WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

**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, 2007, 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, 2007 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, 2007 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, 2007

**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, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet

Cash & Cash Equivalents	\$ 644,035
Investments	8,501,679
<b>Total Deposits &amp; Investments as of September 30, 2007</b>	<b>\$ <u>9,145,714</u></b>

As of September 30, 2007, the Authority's investments were as follows:

**Unrestricted Investments 2007**

<u>Fund</u>	<u>Type</u>	<u>Maturities</u>	<u>Cost</u>
Unrestricted	FNMA Discount Note	12/19/07	121
Unrestricted	FNMA Discount Note	12/19/07	412,800
Unrestricted	FNMA Discount Note	12/19/07	392,941
Unrestricted	FNMA Discount Note	12/19/07	48,204
Unrestricted	Guaranteed Investment Contract	12/30/2022	3,889,860
Unrestricted	Guaranteed Investment Contract	12/30/2022	124,404
Unrestricted	Guaranteed Investment Contract	12/30/2022	34,979
Unrestricted	Guaranteed Investment Contract	12/30/2022	76,788
Unrestricted	Guaranteed Investment Contract	6/30/2023	59,731
Unrestricted	Guaranteed Investment Contract	6/30/2023	3,430,184
Unrestricted	Guaranteed Investment Contract	6/30/2023	31,667
<b>Total Unrestricted Investments</b>			<b>\$ <u>8,501,679</u></b>

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, 2007.

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, 2007

**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.

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 \$ 7,720,297 were exposed to concentration of investment credit risk for the fiscal year ended September 30, 2007.

**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, 2007

**V. CAPITAL ASSETS**

Capital assets activity was as follows:

	<b>For The Year Ended September 30, 2007</b>			<b>Balance September 30, 2007</b>
	<b>Balance September 30, 2006</b>	<b>Additions</b>	<b>Deletions</b>	
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 298,083	\$ -	\$ -	\$ 298,083
Construction in Process	0	25,674	-	25,674
<b>Total Non-Depreciable Capital Assets</b>	<b>298,083</b>	<b>25,674</b>	<b>-</b>	<b>323,757</b>
<b>Depreciable Capital Assets:</b>				
Water Plant	15,523,505	77,479	-	15,600,984
Buildings & Building Improvements	13,350	-	-	13,350
Vehicles	15,276	-	-	15,276
Computer Equipment & Software	12,106	-	-	12,106
Audio Visual Equipment	5,976	-	-	5,976
<b>Total Depreciable Capital Assets</b>	<b>15,570,213</b>	<b>77,479</b>	<b>-</b>	<b>15,647,692</b>
<b>Less-Accumulated Depreciation for:</b>				
Water Plant	(1,078,473)	(314,063)	-	(1,392,536)
Buildings & Building Improvements	(223)	(445)	-	(668)
Vehicles	(13,367)	(1,910)	-	(15,277)
Computer Equipment & Software	(2,461)	(1,015)	-	(3,476)
Audio Visual Equipment	(1,992)	(995)	-	(2,987)
<b>Total Accumulated Depreciation</b>	<b>(1,096,516)</b>	<b>(318,428)</b>	<b>-</b>	<b>(1,414,944)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>14,473,697</b>	<b>(240,949)</b>	<b>-</b>	<b>14,232,748</b>
<b>Total Capital Assets, Net</b>	<b>\$ 14,771,780</b>	<b>\$ (215,275)</b>	<b>\$ -</b>	<b>\$ 14,556,505</b>

JEFFERSON COUNTY WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2007

**VI. LONG-TERM DEBT**

Long-term debt consisted of the following:

**Revenue Bonds Payable**

	<u>September 30 2007</u>
<b>\$10,435,000</b> Revenue Bonds, Series 2001 C, due in annual installments through July 1, 2023, interest payable at 3% to 5.375%.	\$ 9,825,000
<b>\$8,230,000</b> Revenue Bonds, Series 2002A, due in annual installments through January 2023, interest payable at 3% to 5.375%	7,750,000
<b>\$490,000</b> Revenue Bonds, Series 2003, due in annual installments through July 2010, interest payable at 3.036%.	<u>225,000</u>
Subtotal	\$ 17,800,000
Less – Current maturities	(515,000)
Plus – Unamortized debt premiums, net	<u>437,357</u>
Total	<u><u>\$ 17,722,357</u></u>

**Notes Payable**

State Revolving Fund – 2001C, no interest	\$ 3,430,185
State Revolving Fund – 2002A, no interest	<u>3,889,860</u>
Subtotal	\$ 7,320,045
Less – Current maturities	<u>(192,972)</u>
Total	<u><u>\$ 7,127,073</u></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
2008	190,000	505,706	250,000	378,101	75,000	6,831	67,971	-	100,000	-	682,971	890,638
2009	225,000	496,206	295,000	367,663	75,000	4,554	81,743	-	125,000	-	801,743	868,423
2010	260,000	484,394	320,000	355,509	75,000	2,277	94,694	-	147,500	-	897,194	842,180
2011	395,000	474,074	385,000	341,168	-	-	131,654	-	160,000	-	1,071,654	815,242
2012	575,000	454,944	405,000	324,520	-	-	210,897	-	192,500	-	1,383,397	779,464
2013-2017	3,270,000	1,783,444	2,335,000	1,297,634	-	-	1,187,287	-	1,110,000	-	7,902,287	3,081,078
2018-2022	4,010,000	845,025	3,050,000	584,754	-	-	1,355,969	-	1,447,500	-	9,863,469	1,429,779
2023	900,000	45,000	710,000	17,750	-	-	299,970	-	607,360	-	2,517,330	62,750
	<u>9,825,000</u>	<u>5,088,793</u>	<u>7,750,000</u>	<u>3,668,099</u>	<u>225,000</u>	<u>13,662</u>	<u>3,430,185</u>	<u>-</u>	<u>3,889,860</u>	<u>-</u>	<u>25,120,045</u>	<u>8,770,554</u>

JEFFERSON COUNTY WATER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING SEPTEMBER 30, 2007

**VI. LONG-TERM DEBT (CONCLUDED)**

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 01C 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. INCOME TAXES**

The Jefferson County Water Authority is a non-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.

## SUPPLEMENTAL INFORMATION

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**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the Board of Directors  
Jefferson County Water Authority

We have audited the financial statements of Jefferson County Water Authority (a not-for-profit organization) as of and for the year ended September 30, 2007, and have issued our report thereon dated February 22, 2008. 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

In planning and performing our audit, we considered Jefferson County Water Authority'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 the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County Water Authority'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*

This report is intended solely for the information and use of the Board of Directors, management, other audit agencies and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Daniel Jones & Associates*

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

February 22, 2008

JEFFERSON COUNTY WATER AUTHORITY  
JEFFERSON COUNTY, MISSOURI  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over/(Under) Actual vs. Final Budget</u>
<b>WATER SALES</b>	\$ 1,726,917	\$ 1,726,917	\$ 0
<b>SOURCE OF SUPPLY AND PUMPING EXPENSES</b>			
Chemicals	97,500	98,629	1,129
Engineering fees	10,000	6,258	(3,742)
Operation and management services	323,090	91,942	(231,148)
Payroll expenses	247,550	234,931	(12,619)
Repairs and maintenance	70,000	55,966	(14,034)
Supplies	16,750	15,178	(1,572)
Total Source of Supply and Pumping Expenses	<u>764,890</u>	<u>502,904</u>	<u>(261,986)</u>
<b>ACCOUNTING, COLLECTION, AND ADMINISTRATIVE EXPENSES</b>			
Bank fees	80,050	80,041	(9)
Dues and subscriptions	500	391	(109)
Insurance and bonds	63,050	64,177	1,127
Miscellaneous	4,000	4,199	199
Office supplies, postage, advertising, travel	20,150	18,042	(2,108)
Professional services	4,000	7,359	3,359
Utilities	128,700	128,413	(287)
Total Accounting, Collection, and Administrative Expenses	<u>300,450</u>	<u>302,622</u>	<u>2,172</u>
<b>OPERATING AND MAINTENANCE EXPENSES</b>	<u>1,065,340</u>	<u>805,526</u>	<u>(259,814)</u>
<b>OPERATING INCOME BEFORE DEPRECIATION EXPENSE</b>	661,577	921,391	259,814
<b>DEPRECIATION EXPENSE</b>	<u>(125,000)</u>	<u>(318,428)</u>	<u>(193,428)</u>
<b>OPERATING INCOME</b>	536,577	602,963	66,386
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment income	416,650	324,379	(92,271)
Interest expense	(909,251)	(711,568)	197,683
Net amortization	0	(1,823)	(1,823)
Insurance Claims & Refunds	0	2,599	2,599
Reimbursement	152,617	32,565	(120,052)
Total Nonoperating Revenues (Expenses)	<u>(339,984)</u>	<u>(353,848)</u>	<u>(13,864)</u>
<b>CHANGE IN NET ASSETS</b>	<u>196,593</u>	<u>\$ 249,115</u>	<u>\$ 52,522</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