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Financial Statements, 2006/2007

Public Water Supply District #7 of Jefferson County

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PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI

MAPAVILLE, MISSOURI

MAY 31, 2007 and 2006

Louis J. Naeger & Associates, L.C.
CERTIFIED PUBLIC ACCOUNTANTS



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Public Water Supply District No. 7
of Jefferson County, Missouri
Mapaville, MO 63065

We have audited the accompanying financial statements of Public Water Supply District No. 7 of Jefferson County, Missouri, as of and for the years ended May 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

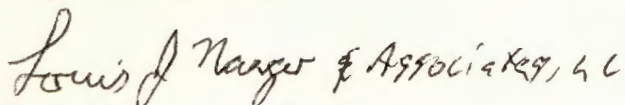
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Water Supply District No. 7 of Jefferson County, Missouri, as of May 31, 2007 and 2006, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of May 31, 2006.

The management's discussion and analysis on Pages 1 and 3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying schedules 1 thru 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Louis J. Naeger & Associates, L.C.
Certified Public Accountants

Festus, Missouri
July 12, 2007

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Management's Discussion and Analysis

May 31, 2007

This section of Public Water Supply District No. 7 of Jefferson County, Missouri's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended May 31, 2007. Please read it in conjunction with the District's financial statements, which follow this section:

FINANCIAL HIGHLIGHTS

- The District's net assets were \$4,019,861.
- Total revenues were \$894,018.
- Total expenses were \$746,513.
- The total cost incurred for fixed asset additions and construction in progress was \$261,384.
- The construction was completed of a 500,000 gallon water tank and well.
- On May 15, 2007 the District issued \$2,135,000 in Waterworks System Revenue Bonds – Series 2007 for the purpose of extending and improving the system.
- The District paid \$117,525 on long term debt.

USING THIS ANNUAL REPORT

The accompanying financial statements present the District as a proprietary fund utilizing the accrual method of accounting whereby revenues are recorded when earned and expenses are recorded when the liability is incurred. This proprietary fund accounts for services the District incurs by maintaining the water system for the Public Water Supply District No. 7 of Jefferson County, Missouri and the fees it charges for such services.

The annual report consists of the basic financial statements, notes to the financial statements, and supplemental information. The financial statements provide information about the District's assets, liabilities and equity, and the results of operations with changes to cash balances.

The notes to the financial statements are an integral part of the report and provide expanded explanation and detail regarding the information reported in the statements.

The supplemental information provides users of the report with additional data that supplements the basic financial statements.

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Management's Discussion and Analysis

May 31, 2007

FINANCIAL ANALYSIS OF THE DISTRICT

Following is a summary of the revenue and expenses with a comparison to the prior year and the amount of increase or decrease:

| | 2007 | 2006 | Increase (Decrease) | % of Increase (Decrease) |
|---------------------|--------------------------|--------------------------|-------------------------|--------------------------------|
| <u>Revenue</u> | <u>Amount</u> | <u>Amount</u> | <u>over 2006</u> | |
| Water Sales | \$ 800,221 | \$ 735,543 | \$ 64,678 | 9 |
| Labor | 20,683 | 22,011 | (1,328) | (6) |
| Tap Fees | 31,616 | 40,882 | (9,266) | (23) |
| Interest | 30,742 | 19,894 | 10,848 | 55 |
| Other | <u>10,756</u> | <u>8,738</u> | <u>2,018</u> | 23 |
| Total | <u>\$ 894,018</u> | <u>\$ 827,068</u> | <u>\$ 66,950</u> | |
| <u>Expenses</u> | | | | |
| Plant | \$ 387,404 | \$ 422,272 | \$(34,868) | (9) |
| Transportation | 18,246 | 17,597 | 649 | 4 |
| G & A | 315,778 | 296,502 | 19,276 | 7 |
| Interest | <u>25,085</u> | <u>394</u> | <u>24,691</u> | 630 |
| Total | <u>\$ 746,513</u> | <u>\$ 736,765</u> | <u>\$ 9,748</u> | |

Following is a budget comparison for actual revenue and expenses and the amount of increase or decrease.

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---------------------|--------------------------|--------------------------|--------------------------|
| <u>Revenue</u> | | | |
| Water Sales | \$ 856,265 | \$ 800,221 | \$(56,044) |
| Labor | 20,000 | 20,683 | 683 |
| Tap Fees | 50,000 | 31,616 | (18,384) |
| Interest | 17,000 | 30,742 | 13,742 |
| Other | <u>5,000</u> | <u>10,756</u> | <u>5,756</u> |
| Total | <u>\$ 948,265</u> | <u>\$ 894,018</u> | <u>\$(54,247)</u> |
| <u>Expenses</u> | | | |
| Plant | \$ 406,296 | \$ 387,404 | \$ 18,892 |
| Transportation | 24,000 | 18,246 | 5,754 |
| General & Administ. | 313,439 | 315,778 | (2,339) |
| Interest | <u>27,969</u> | <u>25,085</u> | <u>2,884</u> |
| Total | <u>\$ 771,704</u> | <u>\$ 746,513</u> | <u>\$ 25,191</u> |

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Management's Discussion and Analysis

May 31, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets (Net of Depreciation)

At May 31, 2007, the district has \$3,473,024 invested in capital assets, net of depreciation as follows:

| | |
|---|-------------------------|
| Water source of supply | \$ 613,831 |
| Water pumping plant | 379,926 |
| Water transmission and distribution plant | 2,307,967 |
| General plant | <u>171,300</u> |
| Total | <u>\$ 3,473,024</u> |

This represents a net increase of \$85,224 or 2.5% over last year.

LONG TERM DEBT

At May 31, 2007, the District had \$2,716,638 in long term debt. Following is a summary of the transactions to long term debt:

| | <u>UMB Bank Capital Lease</u> | <u>Waterworks Revenue Bonds – Series 2007</u> | <u>Total</u> |
|---------------------------|-----------------------------------|---|-------------------------|
| Balance, June 1, 2006 | \$ 699,163 | \$ 0 | \$ 699,163 |
| Debt incurred | 0 | 2,135,000 | 2,135,000 |
| Payments | <u>(117,525)</u> | <u>0</u> | <u>(117,525)</u> |
| Balance, May 31, 2007 | <u>\$ 581,638</u> | <u>\$ 2,135,000</u> | <u>\$ 2,716,638</u> |

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Public Water Supply District No. 7 of Jefferson County, Missouri at 9784 Water District Road; P.O. Box 60; Mapaville, MO 63065.

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Balance Sheets

May 31, 2007 and 2006

ASSETS

CURRENT ASSETS

| | <u>2007</u> | <u>2006</u> |
|---|--------------|--------------|
| Cash - on hand and checking (Schedule 2) | \$ 247,963 | \$ 331,241 |
| Cash - savings (Schedule 2) | 275,984 | 272,255 |
| Accounts receivable, net of allowance for doubtful accounts of \$4,038 and \$3,816 | 97,190 | 91,589 |
| Interest receivable | 1,724 | 1,183 |
| Inventory | 34,164 | 30,866 |
| Prepaid expenses | 18,467 | 19,239 |
| Other receivables | 600 | 600 |
| Short term investments (Schedule 2) | 570,436 | 547,386 |
| | ----- | ----- |
| Total current assets | \$ 1,246,528 | \$ 1,294,359 |
| | ----- | ----- |

FIXED ASSETS

| | | |
|-------------------------------|--------------|--------------|
| Utility plant (Schedule 3) | \$ 5,300,017 | \$ 4,318,174 |
| General plant (Schedule 3) | 461,003 | 429,175 |
| Construction in progress | 0 | 752,287 |
| Less accumulated depreciation | (2,287,996) | (2,111,836) |
| | ----- | ----- |
| Net fixed assets | \$ 3,473,024 | \$ 3,387,800 |
| | ----- | ----- |

OTHER ASSETS

| | | |
|---------------------------------|-----------|-----------|
| Organizational costs | \$ 3,028 | \$ 3,028 |
| Capitalized customer list - net | 21,518 | 22,829 |
| Bond Discount | 20,283 | 0 |
| Bond Issuance Costs | 23,716 | 0 |
| | ----- | ----- |
| Total other assets | \$ 68,545 | \$ 25,857 |
| | ----- | ----- |

RESTRICTED ASSETS

| | | |
|---------------------|---------------------|---------------------|
| Cash (Schedule 2) | \$ 2,114,858 | \$ 0 |
| | ----- | ----- |
| Total Assets | \$ 6,902,955 | \$ 4,708,016 |
| | ===== | ===== |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**

Balance Sheets

May 31, 2007 and 2006

LIABILITIES & STOCKHOLDERS' EQUITY

| CURRENT LIABILITIES | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| Accounts payable | \$ 34,076 | \$ 22,891 |
| Accruals | | |
| Sales and payroll taxes | 2,024 | 2,174 |
| Employee benefits | 3,364 | 3,135 |
| Accrued interest | 2,149 | 0 |
| Primacy fee | 5,078 | 3,072 |
| Current portion of long term debt | 140,000 | 117,762 |
| | <hr/> | <hr/> |
| Total current liabilities | \$ 186,691 | \$ 149,034 |
| | <hr/> | <hr/> |
| LONG-TERM DEBT | | |
| Capital lease obligation | \$ 581,638 | \$ 699,163 |
| Waterworks System Revenue Bonds - Series 2007 | 2,135,000 | 0 |
| Current portion | (140,000) | (117,762) |
| | <hr/> | <hr/> |
| Net long-term debt | \$ 2,576,638 | \$ 581,401 |
| | <hr/> | <hr/> |
| OTHER LIABILITIES | | |
| Customer meter deposits | \$ 119,765 | \$ 105,225 |
| | <hr/> | <hr/> |
| Total liabilities | \$ 2,883,094 | \$ 835,660 |
| | <hr/> | <hr/> |
| EQUITY | | |
| Invested in capital assets, net of related debt | \$ 2,891,386 | \$ 2,688,637 |
| Restricted - project fund | 3,827 | 0 |
| Unrestricted | 1,124,648 | 1,183,719 |
| | <hr/> | <hr/> |
| Total equity | \$ 4,019,861 | \$ 3,872,356 |
| | <hr/> | <hr/> |
| Total Liabilities and Equity | <u>\$ 6,902,955</u> | <u>\$ 4,708,016</u> |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Statements of Revenues and Expenses

For the Years Ended May 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|------------------|
| OPERATING REVENUES | | |
| Water | \$ 800,221 | \$ 735,543 |
| Labor | 20,683 | 22,011 |
| Tap fees | 31,616 | 40,882 |
| Reconnection, inspection, other fees | 10,756 | 8,738 |
| | <hr/> | <hr/> |
| Gross operating revenues | \$ 863,276 | \$ 807,174 |
| | <hr/> | <hr/> |
| OPERATING EXPENSES | | |
| Plant | | |
| Chemicals | \$ 1,831 | \$ 3,201 |
| Depreciation - utility plant | 156,610 | 136,071 |
| Engineering | 1,008 | 799 |
| Insurance | 12,864 | 12,183 |
| Miscellaneous | 1,133 | 2,415 |
| Payroll taxes | 9,624 | 9,060 |
| Repairs and maintenance | 40,220 | 94,683 |
| Salaries | 121,508 | 115,683 |
| Small tools and supplies | 1,862 | 4,751 |
| Utilities | 40,744 | 43,426 |
| | <hr/> | <hr/> |
| Total plant | \$ 387,404 | \$ 422,272 |
| | <hr/> | <hr/> |
| Transportation | | |
| Gas, oil, maintenance, etc. | \$ 14,926 | \$ 14,476 |
| Insurance | 3,320 | 3,121 |
| | <hr/> | <hr/> |
| Total transportation | \$ 18,246 | \$ 17,597 |
| | <hr/> | <hr/> |
| General and administrative | | |
| Depreciation - general plant | \$ 19,549 | \$ 21,039 |
| Amortization | 1,311 | 1,311 |
| Other (Schedule 1) | 294,918 | 274,152 |
| | <hr/> | <hr/> |
| Total general and administrative | \$ 315,778 | \$ 296,502 |
| | <hr/> | <hr/> |
| Total operating expenses | \$ 721,428 | \$ 736,371 |
| | <hr/> | <hr/> |
| Excess of revenues over expense from operations | \$ 141,848 | \$ 70,803 |
| | <hr/> | <hr/> |
| OTHER REVENUES AND EXPENSES | | |
| Interest income | \$ 30,742 | \$ 19,894 |
| Interest expense | (25,085) | (394) |
| | <hr/> | <hr/> |
| Total other revenues and expenses | \$ 5,657 | \$ 19,500 |
| | <hr/> | <hr/> |
| Excess of revenues over expenses | \$ 147,505 | \$ 90,303 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI
Statements of Equity

For the Years Ended May 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|--------------|--------------|
| Equity, June 1, beginning of year | \$ 3,872,356 | \$ 3,606,053 |
| Contributed capital | 0 | 176,000 |
| Excess of revenues over expenses (Exhibit B) | 147,505 | 90,303 |
| | ----- | ----- |
| Equity, May 31, end of year | \$ 4,019,861 | \$ 3,872,356 |
| | ===== | ===== |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Statements of Cash Flows

For the Years Ended May 31, 2007 and 2006

| CASH FLOWS FROM OPERATING ACTIVITIES | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|
| Excess of revenues over expenses | \$ 147,505 | \$ 90,303 |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities | | |
| Depreciation | 176,159 | 157,109 |
| Amortization of customer list | 1,311 | 1,311 |
| (Increase) decrease in: | | |
| Net accounts receivable | (5,601) | 10,024 |
| Inventory | (3,298) | (4,354) |
| Interest receivable | (541) | 0 |
| Prepaid expenses | 772 | (1,624) |
| Other receivables | 0 | 0 |
| Increase (decrease) in: | | |
| Accounts payable | 11,185 | (34,256) |
| Accruals | 4,234 | 218 |
| Customer meter deposits | 14,540 | 5,745 |
| Net cash provided by operating activities | <u>\$ 346,266</u> | <u>\$ 224,476</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | \$ (102,478) | \$ (40,838) |
| Construction in progress | (158,906) | (86,615) |
| Net cash used in investing activities | <u>\$ (261,384)</u> | <u>\$ (127,453)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on capital lease obligation | \$ (117,525) | \$ (228,857) |
| Excess construction lease purchase funds | 0 | 248,225 |
| Contributed capital | 0 | 176,000 |
| Net proceeds from Waterworks Revenue Bonds | 2,091,002 | 0 |
| Net cash provided by financing activities | <u>\$ 1,973,477</u> | <u>\$ 195,368</u> |
| Net increase in cash | <u>\$ 2,058,359</u> | <u>\$ 292,391</u> |
| Cash and cash equivalents, June 1, beginning of year | 1,150,882 | 858,491 |
| Cash and cash equivalents, May 31, end of year | <u>\$ 3,209,241</u> | <u>\$ 1,150,882</u> |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Statements of Cash Flows

For the Years Ended May 31, 2007 and 2006

| Supplemental Disclosures for Statement of Cash Flows: | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------|
| Cash paid for interest | \$ 27,675 | \$ 30,778 |
| Cash paid for Federal and State income taxes | \$ 0 | \$ 0 |
| | | |
| Non-Cash Investing and Financing Activities: | | |
| Fixed assets placed in service | \$ 102,478 | \$ 40,838 |
| Less amount financed | 0 | 0 |
| Cash used for purchase of fixed assets | \$ 102,478 | \$ 40,838 |
| | | |
| Construction in process costs incurred | \$ 158,906 | \$ 643,381 |
| Less amount paid thru lease purchase agreement | 0 | (556,766) |
| Cash used for construction in progress | \$ 158,906 | \$ 86,615 |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Notes to Financial Statements

May 31, 2007

Note 1 Summary of Significant Accounting Policies

Nature of Operations

The Public Water Supply District No. 7 of Jefferson County, Missouri is a political subdivision of the State of Missouri organized under the provisions of section RSMo. 247.010 - 247.220. The Water District provides water to commercial and residential consumers for a fee within its boundaries.

Basis of Presentation

The accompanying financial statements present the financial position and results of operations of the Water District as an enterprise fund utilizing the accrual method of accounting.

For the year ended May 31, 2006, the District implemented GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34).

GASB No. 34 established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis and required supplementary information.

Inventories

Inventories are stated at cost, (first-in, first-out) and consist of items held for the maintenance and expansion of the District’s water distribution system.

Fixed Assets

Fixed assets are stated at cost as of the date of acquisition or completion and include cost of installation, if any, or fair value as of the date of receipt in the case of gifts. Installation costs consist of outside contractors and direct labor for installation time by the District’s employees.

Depreciation is computed using the straight-line method over the estimated useful life of the assets. Schedule 3 provides a summary of fixed assets as of May 31, 2007 and 2006.

Capitalization of Interest

Interest is capitalized applying the provision of SFAS No. 62 applicable to enterprise funds, which requires the capitalization of the “net effect” of interest revenue and interest expense during the capitalization period. The net interest of \$2,589.55 and \$19,331.54 was capitalized and added to construction in progress for the years ended May 31, 2007 and 2006.

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Notes to Financial Statements

May 31, 2007

Note 1 Summary of Significant Accounting Policies (continued)

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents consist of cash on hand, bank demand accounts and certificates of deposit. At May 31, 2007 and 2006 cash equivalents amount to \$3,209,241 and \$1,150,882 respectively.

Short-Term Investments

Short-term investments consisting of certificates of deposit at local area financial institutions are stated at cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Capitalized Customer List

Capitalized customer list represents the value assigned to four customers received in 1974 in settlement of a receivable. This receivable was obtained in the sale of Pevely Water Company. The original value assigned to the four customers was the expected gross service charges to the customers over a four-year period. This amount is being amortized over a fifty-year period using the straight-line method.

Note 3 Concentrations of Credit Risk

The Water District provides water to the general public in its service area. Credit is extended to these customers and its ability to collect the amounts due it is effected by general economic conditions of its service area. Credit losses, if any, have been provided for in the financial statements and have been generally within management's expectations.

Note 4 Cash and Investments

At May 31, 2007 and 2006, the Water District's bank demand accounts and certificates of deposit book balances were \$3,209,066 and \$1,150,707 respectively, while the bank balances were \$3,220,974 and \$1,161,939. Of the bank balances, Federal Depository Insurance (FDIC) covered \$400,000 and \$300,000 at May 31, 2007 and 2006 with the depository banks. The remaining balances were secured by collateral held in safekeeping at correspondent banks of the Water District's depository banks. The collateral consists of U.S. Treasury Notes and/or U.S. Government Agency Issues.

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Notes to Financial Statements

May 31, 2007

Note 5 Restricted Cash

The District has established the various funds called for in the Bond Resolution for the issuance of Waterworks System Revenue Bonds – Series 2007. These include the following funds:

Debt Service Reserve Fund for Waterworks System Revenue Bonds – Series 2007 (Debt Service Reserve Fund)

The sum of \$190,645 from the proceeds of the Bonds shall be deposited in the Debt Service Reserve Fund and shall be used by the district solely to prevent any default in the payment of interest on or principal of the Bonds on any maturity date or interest payment date if the monies in the Debt Service Fund are insufficient to pay the interest on or the principal of such Bonds as they become due.

Waterworks System Project Fund (Project Fund)

The remaining balance of the proceeds of the Bonds shall be deposited in the Project Fund to be used solely for the purpose of (a) paying the cost of extending and improving the System as hereinbefore provided, in accordance with the plans and specifications therefore prepared by the Consultant, heretofore approved by the Board of Directors of the district and on file in the office of the District Clerk, including any alterations in or amendments to said plans and specifications deemed advisable by the Consultant and approved by the Board of Directors of the district, and (b) for paying the costs and expenses incident to the issuance of the Bonds.

Note 6 Pension Plan

A. Plan Description

Jefferson County Public Water Supply District No. 7 participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Notes to Financial Statements

May 31, 2007

Note 6 Pension Plan (continued)

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Status

Jefferson County Public Water Supply District No. 7's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 18.5% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2006, the political subdivision's annual pension cost of \$37,854 was equal to the required and actual contributions. The required contribution was determined as part of the February 29, 2004 and/or February 28, 2005 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2006 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2006 was 15 years.

Three-Year Trend Information

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|----------------------------------|---------------------------|
| 06/30/2004 | \$ 29,983 | 100% | \$0 |
| 06/30/2005 | 35,765 | 100 | 0 |
| 06/30/2006 | 37,854 | 100 | 0 |

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Notes to Financial Statements

May 31, 2007

Note 6 Pension Plan (continued)

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

| | (a) | (b) | (b-a) | (a/b) | (c) | [(b-a)/c] |
|--------------------------|---------------------------|---------------------------------------|----------------------------------|--------------|------------------------|--|
| Actuarial Valuation Date | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability | Unfunded Accrued Liability (UAL) | Funded Ratio | Annual Covered Payroll | UAL as a Percentage of Covered Payroll |
| 02/28/2004 | \$ 17,368 | \$ 223,719 | \$ 206,351 | 8 % | \$ 176,998 | 117% |
| 02/29/2005 | 56,857 | 253,024 | 196,167 | 22 | 180,492 | 109 |
| 02/28/2006 | 105,334 | 296,710 | 191,376 | 36 | 171,622 | 112 |

Note 7 Self-Insurance Risk Pool

The Water District provides for its workers compensation insurance through a retrospectively rated policy from Missouri Rural Services Workers' Compensation Insurance Trust, a self-insured risk pool. The Water District is liable for its share of the pool's losses and receives its share of the pool's gains. During the years ended May 31, 2007 and 2006, a dividend of \$544 and \$522 respectively was received on prior year risk pool gains and are used to offset the current annual premium. No liability for future potential liabilities has been accrued, as any amount that may be due cannot be estimated.

Note 8 Long Term Debt

The following is a summary of the transactions affecting long term debt of the District for the year ended May 31, 2007:

| | <u>UMB Bank Capital Lease</u> | <u>Waterworks Revenue Bonds – Series 2007</u> | <u>Total</u> |
|-----------------------|-----------------------------------|---|---------------------|
| Balance, June 1, 2006 | \$ 699,163 | \$ 0 | \$ 699,163 |
| Debt incurred | 0 | 2,135,000 | 2,135,000 |
| Payments | <u>(117,525)</u> | <u>0</u> | <u>(117,525)</u> |
| Balance, May 31, 2007 | <u>\$ 581,638</u> | <u>\$ 2,135,000</u> | <u>\$ 2,716,638</u> |

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Notes to Financial Statements

May 31, 2007

Note 8 Long Term Debt (continued)

UMB Bank Capital Lease --

On July 1, 2005, the district entered into an agreement with UMB Bank, N.A. for the construction of a 500,000 gallon water tank, a new well, and improvements to enable a scata system to be installed. The construction was financed under the provisions of a lease/purchase agreement with an initial term to expire on May 31, 2006, subject to the District's option to extend the term of the lease for six (6) consecutive one year renewal terms, commencing June 1, 2006. During the current year, the construction was completed and the total construction cost of \$911,193 was transferred to the fixed asset accounts.

On June 12, 2007, the District issued \$590,000 in Waterworks Revenue Refunding Bonds – Series 2007B with an average interest rate of 4.02%. The Bonds were issued to advance pay off the UMB Bank Capital Lease with an average interest rate of 4.25%. As a result, the refunded bonds are considered to be defeased and was undertaken to extend the maturity date of the debt. On May 31, 2007, the outstanding balance was \$581,638 for the defeased UMB Bank debt.

Waterworks Revenue Bonds – Series 2007 –

On May 15, 2007, the district issued \$2,135,000 in Waterworks System Revenue Bonds – Series 2007 for the purpose of extending and improving the system. The Bonds will be paid from the Debt Service Fund with a maturity date from June 1, 2013 to June 1, 2027, and interest from 4.05% to 4.80%.

The following is a summary of the District's future annual debt service requirements for the Waterworks System Revenue Bonds - Series 2007 and the Waterworks Revenue Refunding Bonds – Series 2007 B, the proceeds of which were used to pay off the remaining balance of the UMB Bank Capital Lease:

| Year Ending May 31 | <u>Waterworks System Revenue Bonds – Series 2007</u> | | <u>Waterworks Revenue Refunding Bonds – Series 2007 B</u> | | <u>Total</u> |
|-----------------------|--|----------------------------|---|-------------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2008 | \$ 0 | \$ 50,498 | \$ 140,000 | \$ 10,606 | \$ 201,104 |
| 2009 | 0 | 96,698 | 85,000 | 18,255 | 199,953 |
| 2010 | 0 | 96,698 | 85,000 | 14,898 | 196,596 |
| 2011 | 0 | 96,698 | 90,000 | 11,498 | 198,196 |
| 2012 | 0 | 96,698 | 95,000 | 7,852 | 199,550 |
| 2013-2017 | 435,000 | 443,982 | 95,000 | 5,217 | 979,199 |
| 2018-2022 | 600,000 | 328,912 | 0 | 0 | 928,912 |
| 2023-2027 | 750,000 | 175,522 | 0 | 0 | 925,522 |
| After 2027 | <u>350,000</u> | <u>8,400</u> | <u>0</u> | <u>0</u> | <u>358,400</u> |
| Total | \$ <u>2,135,000</u> | \$ <u>1,394,106</u> | \$ <u>590,000</u> | \$ <u>68,326</u> | \$ <u>4,187,432</u> |

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Schedules of General & Administrative Expenses

For the Years Ended May 31, 2007 and 2006

| GENERAL & ADMINISTRATIVE EXPENSES | <u>2007</u> | <u>2006</u> |
|--|-------------------|-------------------|
| Salaries | | |
| Supervisory | \$ 36,856 | \$ 34,661 |
| Clerical | 58,854 | 54,213 |
| Accounting | 8,707 | 9,421 |
| Bad debts | 2,120 | 2,007 |
| Dues and subscriptions | 2,365 | 3,759 |
| Election cost | 6,365 | (502) |
| Insurance - general | 11,108 | 10,449 |
| Insurance - employee benefits | 78,309 | 72,622 |
| Legal | 6,587 | 6,358 |
| Miscellaneous | 704 | 1,164 |
| Payroll taxes | 7,752 | 7,177 |
| Postage, printing and general office | 23,265 | 19,515 |
| Rent | 225 | 0 |
| Repairs and maintenance | 1,779 | 3,129 |
| Retirement benefits | 38,933 | 38,410 |
| Uniform rental | 5,471 | 6,368 |
| Utilities and telephone | 5,518 | 5,401 |
| | ----- | ----- |
| Total general and administrative expenses | \$ 294,918 | \$ 274,152 |
| | ===== | ===== |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Analysis of Cash Holdings

May 31, 2007 and 2006

UNRESTRICTED CASH**CASH ON HAND AND CHECKING**

| | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------|
| Change and petty cash fund | \$ 175 | \$ 175 |
| Bank of America | | |
| Water revenue checking #6011 0009 0468 | 500 | 500 |
| Operation and maintenance checking #6011 0009 0190 | 181,445 | 82,342 |
| UMB Bank - Construction Lease Acct #98-7157-046-0 | 65,843 | 248,224 |
| | ----- | ----- |
| Total cash on hand and checking | \$ 247,963 | \$ 331,241 |
| | ----- | ----- |

CASH IN SAVINGS

| | | |
|--------------------------------------|------------|------------|
| Eagle Bank and Trust Company | | |
| Construction/savings account #666578 | \$ 150,997 | \$ 149,495 |
| Bank of Hillsboro | | |
| Savings account #52881 | 124,987 | 122,760 |
| | ----- | ----- |
| Total cash in savings | \$ 275,984 | \$ 272,255 |
| | ----- | ----- |

SHORT TERM INVESTMENTS

| | | |
|--------------------------------|------------|------------|
| Bank of Hillsboro | | |
| Certificate of deposit #90026 | \$ 58,402 | \$ 56,123 |
| Certificate of deposit #90027 | 58,402 | 56,123 |
| Certificate of deposit #90028 | 58,402 | 56,123 |
| Certificate of deposit #90029 | 58,402 | 56,123 |
| Certificate of deposit #90030 | 58,402 | 56,123 |
| Certificate of deposit #300374 | 33,774 | 32,442 |
| Certificate of deposit #300392 | 76,667 | 73,676 |
| Eagle Bank and Trust Company | | |
| Certificate of deposit #49398 | 55,995 | 53,551 |
| Certificate of deposit #49399 | 55,995 | 53,551 |
| Certificate of deposit #49400 | 55,995 | 53,551 |
| | ----- | ----- |
| Total short term investments | \$ 570,436 | \$ 547,386 |
| | ----- | ----- |

| | | |
|--|--------------|--------------|
| Total unrestricted cash and cash equivalents | \$ 1,094,383 | \$ 1,150,882 |
| | ===== | ===== |

RESTRICTED CASH

| | | |
|---|--------------|-------|
| UMB Bank - Waterworks System Project Fund | \$ 1,924,037 | \$ 0 |
| UMB Bank - Debt Service Reserve Fund | 190,821 | 0 |
| | ----- | ----- |
| Total restricted cash | \$ 2,114,858 | \$ 0 |
| | ===== | ===== |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Fixed Assets

May 31, 2007

UTILITY PLANT

| WATER SOURCE OF SUPPLY | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|-------------------------------|-------------|-------------------------------------|---------------------------|
| Land and land rights | \$ 14,101 | \$ 0 | \$ 14,101 |
| Wells | 778,661 | 178,966 | 599,695 |
| Other water sources | 502 | 467 | 35 |
| | ----- | ----- | ----- |
| Total | \$ 793,264 | \$ 179,433 | \$ 613,831 |
| | ----- | ----- | ----- |

WATER PUMPING PLANT

| | | | |
|----------------------------------|------------|------------|------------|
| Land and land rights | \$ 1,675 | \$ 0 | \$ 1,675 |
| Structures and improvements | 569,287 | 219,830 | 349,457 |
| Electrical and pumping equipment | 107,236 | 78,442 | 28,794 |
| | ----- | ----- | ----- |
| Total | \$ 678,198 | \$ 298,272 | \$ 379,926 |
| | ----- | ----- | ----- |

WATER TRANSMISSION AND DISTRIBUTION PLANT

| | | | |
|-------------------------|--------------|--------------|--------------|
| Land and land rights | \$ 44,688 | \$ 0 | \$ 44,688 |
| Distribution reservoirs | 808,158 | 236,400 | 571,758 |
| Mains and standpipes | 2,061,375 | 811,579 | 1,249,796 |
| Meters and installation | 824,494 | 444,494 | 380,000 |
| Hydrants | 89,840 | 28,115 | 61,725 |
| | ----- | ----- | ----- |
| Total | \$ 3,828,555 | \$ 1,520,588 | \$ 2,307,967 |
| | ----- | ----- | ----- |
| Total utility plant | \$ 5,300,017 | \$ 1,998,293 | \$ 3,301,724 |
| | ----- | ----- | ----- |

GENERAL PLANT

| | | | |
|-----------------------------------|---------------------|---------------------|---------------------|
| Land and land rights | \$ 19,103 | \$ 0 | \$ 19,103 |
| Buildings and structures | 244,503 | 114,462 | 130,041 |
| Equipment, furniture and vehicles | 197,397 | 175,241 | 22,156 |
| | ----- | ----- | ----- |
| Total general plant | \$ 461,003 | \$ 289,703 | \$ 171,300 |
| | ----- | ----- | ----- |
| Total fixed assets | \$ 5,761,020 | \$ 2,287,996 | \$ 3,473,024 |
| | ===== | ===== | ===== |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**

Fixed Assets

May 31, 2006

UTILITY PLANT

WATER SOURCE OF SUPPLY

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|----------------------|-------------|-------------------------------------|---------------------------|
| Land and land rights | \$ 14,101 | \$ 0 | \$ 14,101 |
| Wells | 231,149 | 159,343 | 71,806 |
| Other water sources | 502 | 457 | 45 |
| | ----- | ----- | ----- |
| Total | \$ 245,752 | \$ 159,800 | \$ 85,952 |
| | ----- | ----- | ----- |

WATER PUMPING PLANT

| | | | |
|----------------------------------|------------|------------|------------|
| Land and land rights | \$ 1,675 | \$ 0 | \$ 1,675 |
| Structures and improvements | 536,815 | 195,782 | 341,033 |
| Electrical and pumping equipment | 107,236 | 73,434 | 33,802 |
| | ----- | ----- | ----- |
| Total | \$ 645,726 | \$ 269,216 | \$ 376,510 |
| | ----- | ----- | ----- |

WATER TRANSMISSION AND DISTRIBUTION PLANT

| | | | |
|-------------------------|--------------|--------------|--------------|
| Land and land rights | \$ 44,655 | \$ 0 | \$ 44,655 |
| Distribution reservoirs | 451,547 | 207,211 | 244,336 |
| Mains and standpipes | 2,061,375 | 770,392 | 1,290,983 |
| Meters and installation | 779,279 | 408,745 | 370,534 |
| Hydrants | 89,840 | 26,319 | 63,521 |
| | ----- | ----- | ----- |
| Total | \$ 3,426,696 | \$ 1,412,667 | \$ 2,014,029 |
| | ----- | ----- | ----- |
| Total utility plant | \$ 4,318,174 | \$ 1,841,683 | \$ 2,476,491 |
| | ----- | ----- | ----- |

GENERAL PLANT

| | | | |
|-----------------------------------|--------------|--------------|--------------|
| Land and land rights | \$ 19,103 | \$ 0 | \$ 19,103 |
| Buildings and structures | 222,496 | 106,622 | 115,874 |
| Equipment, furniture and vehicles | 187,576 | 163,531 | 24,045 |
| | ----- | ----- | ----- |
| Total general plant | \$ 429,175 | \$ 270,153 | \$ 159,022 |
| | ----- | ----- | ----- |
| Total fixed assets | \$ 4,747,349 | \$ 2,111,836 | \$ 2,635,513 |
| | ===== | ===== | ===== |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Schedule of Insurance in Force

May 31, 2007

| | | |
|---|--|---|
| Special multi-peril policy: property & inland marine - #CP0001205 | <u>Policy Period</u> Feb. 1, 2007 to Feb. 1, 2008 | <p>Location: Hwy. Z, Mapaville, MO Office building Contents therein Ground well house Water tank and standpipe Pole barn/storage building with contents Fence</p> <p>Location: Highland Springs Rd, Hillsboro, MO Water tank and generator Ground well house #6 and standpipe Fence</p> <p>Location: Cherry Lane & Church Dr, Horine, MO Ground well house #4 Fence</p> <p>Location: Front St. & Lone Oak Dr, Horine, MO Ground well house #5 and fence</p> <p>Location: Sandy Creek Rd, Mapaville, MO Osage Village well house Pressure reducing station and fence</p> <p>Location: Hwy. A, Sandy Valley & Plass Rd. Mapaville, MO Water storage tank Booster pump station, generators, fence</p> <p>Location: Hwy. A & Old Hwy. A Pebble Creek ground well house and fence</p> <p>Miscellaneous Equipment</p> |
| Comprehensive general liability | Feb. 1, 2007 to Feb. 1, 2008 | C.S.L. including broadened coverage endorsement & products |
| Public officials & employees error & omissions | Feb. 1, 2007 to Feb. 1, 2008 | |
| Automobile Policy #CA0001205 | Feb. 1, 2007 to Feb. 1, 2008 | 1994 GMC pickup 1998 Dodge 1500 pickup 2002 Dodge D2500 pickup 2002 Dodge D1500 pickup 2004 Chevrolet pickup |
| Workers' compensation employers liability #7290460 | Apr. 1, 2007 to Apr. 1, 2008 | Work related injuries to employees |
| Public officials bond #CCP001900309 and #RP00556839 | Dec. 23, 2006 to Dec. 23, 2007 | Secretary Clerk Service man |
| | Apr. 1, 2007 to Apr. 1, 2008 | Treasurer |

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

**PUBLIC WATER SUPPLY DISTRICT NO. 7
OF JEFFERSON COUNTY, MISSOURI**
Schedule of Insurance in Force

May 31, 2007

| <u>Coinsurance</u> | <u>Amount of Coverage</u> | |
|--------------------|---------------------------|--|
| 80% | 200,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 15,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 67,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 170,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 82,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 8,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 301,090 | \$1,000 Deductible/10% Earthquake |
| 80% | 417,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 6,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 178,500 | \$1,000 Deductible/10% Earthquake |
| 80% | 10,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 188,500 | \$1,000 Deductible/10% Earthquake |
| 80% | 141,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 22,600 | \$1,000 Deductible/10% Earthquake |
| 80% | 260,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 304,180 | \$1,000 Deductible/10% Earthquake |
| 80% | 141,000 | \$1,000 Deductible/10% Earthquake |
| 80% | 102,887 | \$250 Deductible |
| | 2,000,000 | Per Occurrence - \$1,000 deductible |
| | 4,000,000 | General Aggregate |
| | 1,000,000 | Per Occurrence & Aggregate \$1,000 Deductible |
| | 2,000,000 | \$250 Deductible - Comprehensive \$500 Deductible - Collision |
| | 500,000 | Per Occurrence |
| | 500,000 | Policy Limit |
| | 500,000 | Per Disease |
| | 50,000 | Number of: 1 - \$500 Deductible |
| | 50,000 | Number of: 1 - \$500 Deductible |
| | 50,000 | Number of: 3 - \$500 Deductible |
| | 150,000 | Number of: 1 |

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