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Financial Report, 2007

Public Water Supply District #2 of Jefferson County

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

**PUBLIC WATER SUPPLY
DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
FINANCIAL REPORT
(Audited)
Year Ended December 31, 2007**

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
FINANCIAL REPORT**

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INDEPENDENT AUDITORS' REPORT

August 29, 2008

The Board of Directors
PUBLIC WATER SUPPLY DISTRICT NO. 2 OF JEFFERSON COUNTY, MISSOURI

We have audited the accompanying basic financial statements of **PUBLIC WATER SUPPLY DISTRICT NO. 2 OF JEFFERSON COUNTY, MISSOURI** (the District) as of and for the years ended December 31, 2007 and 2006, and the related statements of revenues, expenses, changes in net assets, and cash flows for the years then ended. 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 U.S. generally accepted auditing standards. 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 consideration of internal control 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 the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position at December 31, 2007 and 2006, and the respective changes in its financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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.

Our audits were made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

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**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

As management of the Public Water Supply District No. 2 of Jefferson County, Missouri (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented in this report consist of the balance sheets; statements of revenues, expenses, and changes in net assets; and statements of cash flows. The balance sheets provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of the District. The current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net assets. These statements report the revenues and expenses during the time periods indicated, and can be used to determine whether the District has successfully recovered all of its costs through user fees and other charges. The primary purpose of the statements of cash flows is to provide information about the District's cash receipts and cash payments. These statements report cash receipts, cash payments, and net changes in cash resulting from activities related to operations, noncapital financing, and capital and related financing.

BALANCE SHEETS

The District's net assets increased in 2007 by \$135,097 or 2%. Net capital assets, which is discussed more in capital assets, decreased \$238,668 or 3%. Current assets - other increased by \$118,065 or 15%.

As of December 31, 2007, the District had net assets of \$6,792,238.

A summary of financial position follows:

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>December 31</u>			<u>2007 Change</u>	
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Amount</u>	<u>Percent</u>
ASSETS					
Net capital assets	\$ 8,130,572	8,369,240	7,795,010	(238,668)	(3%)
Current assets - other	935,981	817,376	437,732	118,605	15
Current assets - restricted	367,290	343,089	314,849	24,201	7
Noncurrent assets - restricted	1,891,977	2,244,239	2,351,202	(352,262)	(16)
Noncurrent assets - other	<u>238,712</u>	<u>258,605</u>	<u>291,248</u>	<u>(19,893)</u>	<u>(8)</u>
Total Assets	<u>11,564,532</u>	<u>12,032,549</u>	<u>11,190,041</u>	<u>(468,017)</u>	<u>(4)</u>
LIABILITIES					
Long-term debt, less current portion	4,063,851	4,608,375	4,932,899	(544,524)	(12)
Current liabilities payable from current assets	51,153	58,274	96,248	(7,121)	(12)
Current liabilities payable from restricted assets	<u>657,290</u>	<u>708,759</u>	<u>691,655</u>	<u>(51,469)</u>	<u>(7)</u>
Total Liabilities	<u>4,772,294</u>	<u>5,375,408</u>	<u>5,720,802</u>	<u>(603,114)</u>	<u>(11)</u>
NET ASSETS					
Invested in capital assets, net of related debt	4,305,433	4,019,470	3,188,424	285,963	7
Restricted for debt service	1,891,977	1,878,569	1,939,331	13,408	1
Restricted for capital asset acquisition	-	-	35,065	-	-
Unrestricted	<u>594,828</u>	<u>759,102</u>	<u>306,419</u>	<u>(164,274)</u>	<u>(22)</u>
Net Assets	<u>\$ 6,792,238</u>	<u>6,657,141</u>	<u>5,469,239</u>	<u>135,097</u>	<u>2%</u>

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Water charges increased by \$54,498 or 2%.

Operating expenses increased by \$209,414 or 10% from the prior year. The change in net assets was \$135,097 in 2007.

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>For The Years Ended December 31</u>			<u>2007 Change</u>	
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Amount</u>	<u>Percent</u>
WATER SALES	\$2,588,032	2,533,534	2,505,768	54,498	2%
OPERATING EXPENSES	<u>2,375,697</u>	<u>2,166,283</u>	<u>2,168,569</u>	<u>209,414</u>	10
OPERATING INCOME	212,335	367,251	337,199	(154,916)	(42)
NONOPERATING (INCOME) EXPENSES	<u>77,238</u>	<u>44,404</u>	<u>157,349</u>	<u>32,834</u>	74
INCOME BEFORE CAPITAL CON- TRIBUTIONS	135,097	322,847	179,850	(187,750)	(58)
CAPITAL CONTRIBU- TIONS - UTILITY LINES	<u>-</u>	<u>865,055</u>	<u>1,036,173</u>	<u>(865,055)</u>	(100)
CHANGES IN NET ASSETS	135,097	1,187,902	1,216,023	(1,052,805)	(89)
NET ASSETS, JANUARY 1	<u>6,657,141</u>	<u>5,469,239</u>	<u>4,253,216</u>	<u>1,187,902</u>	22
NET ASSETS, DECEMBER 31	<u>\$6,792,238</u>	<u>6,657,141</u>	<u>5,469,239</u>	<u>135,097</u>	2%

STATEMENTS OF CASH FLOWS

The District's rate structure is designed to collect sufficient revenues to pay debt service and to recover operating and maintenance expenses. The District accomplished that objective during 2007. The net cash provided by operating activities was used primarily for purchases of capital assets and normal operating items.

CAPITAL ASSETS

Net capital assets were \$8,130,572 at December 31, 2007 compared to \$8,369,240 at December 31, 2006 or a decrease of \$238,668 or 3%. Significant projects placed in service included utility plant constructed and purchased. The construction in progress account had an addition of \$112,692 at December 31, 2007 of which \$157,057 was capitalized, compared to \$49,869 at December 31, 2006.

Additional information on the District's capital assets can be found in Note D on pages 17 and 18.

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

LONG-TERM DEBT

The District was required to pay \$360,000 of principal on debt during 2007. In accordance with debt covenants, monthly transfers are made to the Sinking Fund, which are reflected on the balance sheets with "restricted assets".

Additional information on the District's long-term debt can be found in Note E on pages 18 through 20.

RESTRICTED ASSETS

Total restricted assets were \$2,259,267 at December 31, 2007 compared to \$2,587,328 at December 31, 2006. The District's debt covenants specify the manner in which monies on deposit in the various funds must be used. The Customer Deposit Fund is used for residential and commercial deposits for basic service. The Replacement and Extension Fund is used only for paying the cost of extensions, enlargements, replacements, or additions to the capital assets of the District. The Sinking Fund is used only to pay principal, if any, and interest on the bonds. Restricted assets decreased \$328,061 or 13% primarily because of construction and debt payments.

OVERALL ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's overall financial position in 2007 changed as shown by the net assets increase of \$135,097.

SUMMARY

This report is intended to provide our customers and other interested parties with a general overview of the financial position of the District and to indicate accountability for the revenues received. Questions about this report or requests for additional information should be directed to the District Clerk, 636-326-0200, or to our offices located at 195 Old Sugar Creek Road, High Ridge, MO 63049.

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006**

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 550,492	384,748
Accounts receivable - less allowance for doubtful accounts of \$7,706 in 2007 and \$8,177 in 2006	279,635	280,947
Inventories	93,102	93,224
Prepaid expenses	12,602	58,307
Deposits	150	150
	935,981	817,376
Cash and cash equivalents, restricted	367,290	343,089
Total Current Assets	1,303,271	1,160,465
Noncurrent Assets		
Restricted assets:		
Cash and cash equivalents	69,436	464,733
Investments	1,822,541	1,779,506
Total Restricted Assets	1,891,977	2,244,239
Bond issuance costs, net of accumulated amortization	238,712	258,605
Capital assets:		
Land and construction in progress	137,880	182,245
Other capital assets, net of accumulated depreciation	7,992,692	8,186,995
Total Capital Assets	8,130,572	8,369,240
Total Noncurrent Assets	10,261,261	10,872,084
Total Assets	\$ 11,564,532	12,032,549

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
LIABILITIES		
Current Liabilities		
Payable from current assets:		
Accounts payable	\$ 29,554	39,771
Accrued payroll	14,135	12,360
Accrued and withheld taxes	7,464	6,143
	<u>51,153</u>	<u>58,274</u>
Payable from restricted assets:		
Customer deposits	367,290	343,089
Current maturities of long-term debt	290,000	360,000
Accrued interest payable	-	5,670
	<u>657,290</u>	<u>708,759</u>
Total Current Liabilities	708,443	767,033
Long-term Debt		
Debt payable, less current maturities	<u>4,063,851</u>	<u>4,608,375</u>
Total Liabilities	<u>4,772,294</u>	<u>5,375,408</u>
Net Assets		
Invested in capital assets, net of related debt	<u>4,305,433</u>	<u>4,019,470</u>
Restricted for debt service:		
Reserve Fund	504,003	592,434
Replacement and Extension Fund	154,950	145,958
Sinking Fund	1,233,024	1,140,177
Total Restricted For Debt Service	<u>1,891,977</u>	<u>1,878,569</u>
Unrestricted	<u>594,828</u>	<u>759,102</u>
Total Net Assets	<u>6,792,238</u>	<u>6,657,141</u>
	<u>\$ 11,564,532</u>	<u>12,032,549</u>

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>Amount</u>		<u>Percent</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
WATER SALES	\$ 2,588,032	2,533,534	100.00 %	100.00
OPERATING EXPENSES	<u>2,375,697</u>	<u>2,166,283</u>	<u>91.80</u>	<u>85.50</u>
OPERATING INCOME	212,335	367,251	8.20	14.50
NONOPERATING (INCOME) EXPENSES	<u>77,238</u>	<u>44,404</u>	<u>2.98</u>	<u>1.76</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	135,097	322,847	5.22	12.74
CAPITAL CONTRIBUTIONS - UTILITY LINES	<u>-</u>	<u>865,055</u>	<u>-</u>	<u>34.14</u>
CHANGES IN NET ASSETS	135,097	1,187,902	<u>5.22 %</u>	<u>46.88</u>
NET ASSETS, JANUARY 1	<u>6,657,141</u>	<u>5,469,239</u>		
NET ASSETS, DECEMBER 31	<u><u>\$ 6,792,238</u></u>	<u><u>6,657,141</u></u>		

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities:		
Cash received from customers	\$ 2,613,545	2,534,889
Cash payments to suppliers for goods and services	(1,072,331)	(1,088,931)
Cash payments to employees	(837,173)	(764,542)
Net Cash Provided By Operating Activities	704,041	681,416
Cash flows from capital and related financing activities:		
Tap fees and other	98,070	150,695
Principal payment on revenue bonds	(360,000)	(265,000)
Cash paid to paying agent	(290,000)	-
Purchase/construction of utility plant	(177,312)	(80,890)
Purchase of furniture and equipment	(36,582)	(10,385)
Interest paid	(210,787)	(322,594)
Net Cash Used In Capital And Related Financing Activities	(976,611)	(528,174)
Cash flows from investing activities:		
Decrease in restricted assets	328,061	78,723
Investment income	110,253	95,046
Net Cash Provided By Investing Activities	438,314	173,769
NET INCREASE IN CASH AND CASH EQUIVALENTS	165,744	327,011
CASH AND CASH EQUIVALENTS, JANUARY 1	384,748	57,737
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 550,492	384,748

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Cash flows from operating activities:		
Operating income	\$ 212,335	367,251
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	407,487	396,532
(Increase) decrease in:		
Accounts receivable	1,312	(26,885)
Inventories	122	(23,831)
Prepaid expenses	45,705	(1,917)
Increase (decrease) in:		
Accounts payable	9,783	(58,152)
Accrued payroll	1,775	306
Accrued and withheld taxes	1,321	(128)
Customer deposits	24,201	28,240
Total Adjustments	491,706	314,165
Net Cash Provided By Operating Activities	\$ 704,041	681,416
 Supplemental disclosure of cash flow information:		
Schedule of noncash investing and financing activities:		
Contributed utility lines	\$ -	865,055
 Purchase/construction of utility plant was financed through accounts payable	\$ -	20,000

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the **PUBLIC WATER SUPPLY DISTRICT NO. 2 OF JEFFERSON COUNTY, MISSOURI** (the District), a grantor of credit to water customers within the District's boundaries, have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the District are described below:

1. Reporting Entity

The District was created in 1964 and operates under an elected Board of Directors form of government. The major operation is to provide water services to a specified area in Jefferson County, Missouri.

The District's financial statements include all funds, agencies, and boards for which the District is financially accountable. Under GASB Statement No. 14, the primary basis of determining whether outside agencies and organizations should be considered component units of the District and included in the District's financial statements is financial accountability. Financial accountability is defined as follows: A primary government has substantive authority to appoint a voting majority of a component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; and the component unit is fiscally dependent on the primary government. Based on the application of the above criteria for a component unit and the criteria for defining joint ventures, there are no component units or joint ventures.

2. 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 these funds are included on the balance sheets. 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.

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

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of Accounting (Continued)

investment income, amortization of debt issue costs, interest expense, tap fees, bad debt expense, and capital contributions.

As permitted by U.S. generally accepted accounting principles, the District 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.

3. Capital Assets

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

Asset	Years
Utility plant constructed	10 - 40
Utility plant purchased	40
Furniture and equipment	3 - 10

Depreciation expense charged to operations for the years ending December 31, 2007 and 2006 amounted to \$407,487 and \$396,532, respectively.

4. Inventories and Prepaid Items

Inventories consist of materials and supplies and are valued at the lower of cost or market. Cost as applied to the inventory valuation represents current purchase cost applied on the first-in, first-out method.

Prepaid items consist of payments made to vendors for services that will benefit periods beyond the fiscal year-end.

5. Debt Discounts

Discounts on debt issues are presented as a reduction in the face amount and are amortized on the straight-line method over the terms of the debt. Amortization of discounts charged to operations for the years ending December 31, 2007 and 2006, amounted to \$621 each year.

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Debt Issuance Costs

Original issuance costs are recorded as bond issuance costs and are amortized on the straight-line method over the terms of the debt. Amortization of original issuance costs charged to operations for the years ending December 31, 2007 and 2006, amounted to \$19,893 and \$32,643, respectively.

7. Deferred Debt Issue Charges

Deferred debt issue charges have resulted due to the advance refunding of the debt issues. The unamortized portion is presented as a reduction in the face amount of debt payable and is being amortized on the straight-line method. Amortization of deferred debt issue charges charged to operations for the years ending December 31, 2007 and 2006, amounted to \$34,855 each year.

8. Water Sales

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

9. Interest Expense

In accordance with FASB Statement No. 34, the District capitalizes interest expense on major construction while in progress. In 2007 and 2006, total interest expense before amortization of discount was \$205,117 and \$216,458, respectively. There was no capitalized interest in either year.

10. Cash and Cash Equivalents

For purposes of the statements of cash flows, the District considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Restricted cash and investments are set aside as equity and their use is limited, therefore, they are excluded from cash and cash equivalents as reported in the statements of cash flows.

11. Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements.

Investments are reported at fair value.

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to allowance for doubtful accounts based on its assessment of the current status of individual accounts.

13. Budgets

The annual budget is adopted on a basis that is substantially consistent with GAAP. Budgeted amounts lapse at fiscal year-end. The District 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 without Board approval. All amendments to the fund totals must be approved by the Board. There were budget amendments during the year.

14. Compensated Absences

District employees generally earn vacation yearly based upon their length of service to the District and must be taken within the same year as earned. Upon termination, the employee will be paid for unused vacation earned through the date of separation. Sick leave is accumulated monthly based on length of service and is available only to provide compensation during periods of illness. No portion of sick leave is payable to the employee upon termination.

15. Use of Estimates

The preparation of the District's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

16. Capital Contributions

Contributions are recognized in the statements of revenues, expenses, and changes in net assets when earned. Capital contributions consist of developer contributed utility systems.

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the District or trustee institution. The value of the securities must amount to the total of the District's cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2007 and 2006, the District's bank balances were entirely secured or collateralized with securities held by the District or by its agent in the District's name.

2. Investments

As of December 31, 2007, the District had the following investments:

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	<u>Credit Risk</u>
Primary Government					
Government securities:					
Federal agency notes	\$1,822,541	-	714,250	1,108,291	AAA
Repurchase agreement	400,000	-	400,000	-	AAA
Money market funds	<u>9,003</u>	<u>9,003</u>	<u>-</u>	<u>-</u>	Not rated
Grand Total Investments	<u>\$2,231,544</u>	<u>9,003</u>	<u>1,114,250</u>	<u>1,108,291</u>	

As of December 31, 2006, the District had the following investments:

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	<u>Credit Risk</u>
Primary Government					
Government securities:					
Federal agency notes	\$1,745,744	-	681,342	1,064,402	AAA
Repurchase agreement	360,000	-	360,000	-	AAA
Money market funds	<u>422,572</u>	<u>422,572</u>	<u>-</u>	<u>-</u>	Not rated
Grand Total Investments	<u>\$2,528,316</u>	<u>422,572</u>	<u>1,041,342</u>	<u>1,064,402</u>	

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

Investments Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District minimizes credit risk by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the District will do business, and diversifying the portfolio so that potential losses on individual securities will be minimized.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a written investment policy covering concentration of credit risk.

NOTE C - RESTRICTED ASSETS

Restricted assets consisted of the following:

	December 31	
	2007	2006
Customer Deposits		
Cash and investments	\$ 367,290	343,089
Bond Reserve Fund		
Cash and investments	504,003	592,434
Replacement and Extension Fund		
Cash and investments	154,950	145,958
Sinking Fund		
Cash and investments	<u>1,233,024</u>	<u>1,505,847</u>
Total	<u>\$2,259,267</u>	<u>2,587,328</u>

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE D - CAPITAL ASSETS

Capital asset activity was as follows:

	<u>For The Year Ended December 31, 2007</u>			
	<u>Balance December 31 2006</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Balance December 31 2007</u>
Capital assets not being depreciated:				
Land	\$ 132,376	-	-	132,376
Construction in progress	<u>49,869</u>	<u>112,692</u>	<u>157,057</u>	<u>5,504</u>
Total Capital Assets Not Being Depreciated	<u>182,245</u>	<u>112,692</u>	<u>157,057</u>	<u>137,880</u>
Capital assets being depreciated:				
Utility plant constructed	13,519,528	200,827	44,347	13,676,008
Utility plant purchased	468,214	850	-	469,064
Furniture and equipment	<u>590,755</u>	<u>36,582</u>	<u>16,851</u>	<u>610,486</u>
Total Capital Assets Being Depreciated	<u>14,578,497</u>	<u>238,259</u>	<u>61,198</u>	<u>14,755,558</u>
Less - Accumulated depreciation for:				
Utility plant constructed	5,861,947	334,993	20,856	6,176,084
Utility plant purchased	134,450	11,831	-	146,281
Furniture and equipment	<u>395,105</u>	<u>60,663</u>	<u>15,267</u>	<u>440,501</u>
Total Accumulated Depreciation	<u>6,391,502</u>	<u>407,487</u>	<u>36,123</u>	<u>6,762,866</u>
Total Capital Assets Being Depreciated, Net	<u>8,186,995</u>	<u>(169,228)</u>	<u>25,075</u>	<u>7,992,692</u>
 Total Capital Assets, Net	 <u>\$ 8,369,240</u>	 <u>(56,536)</u>	 <u>182,132</u>	 <u>8,130,572</u>

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE D - CAPITAL ASSETS (Continued)

	<u>For The Year Ended December 31, 2006</u>			
	<u>Balance</u> <u>December 31</u> <u>2005</u>	<u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Deletions</u>	<u>Balance</u> <u>December 31</u> <u>2006</u>
Capital assets not being depreciated:				
Land	\$ 132,376	-	-	132,376
Construction in progress	<u>-</u>	<u>49,869</u>	<u>-</u>	<u>49,869</u>
Total Capital Assets Not Being Depreciated	<u>132,376</u>	<u>49,869</u>	<u>-</u>	<u>182,245</u>
Capital assets being depreciated:				
Utility plant constructed	12,609,258	913,226	2,956	13,519,528
Utility plant purchased	466,740	2,850	1,376	468,214
Furniture and equipment	<u>652,588</u>	<u>10,385</u>	<u>72,218</u>	<u>590,755</u>
Total Capital Assets Being Depreciated	<u>13,728,586</u>	<u>926,461</u>	<u>76,550</u>	<u>14,578,497</u>
Less - Accumulated depre- ciation for:				
Utility plant constructed	5,540,851	321,746	650	5,861,947
Utility plant purchased	122,873	11,802	225	134,450
Furniture and equipment	<u>402,228</u>	<u>62,984</u>	<u>70,107</u>	<u>395,105</u>
Total Accumulated Depreciation	<u>6,065,952</u>	<u>396,532</u>	<u>70,982</u>	<u>6,391,502</u>
Total Capital Assets Being Depreciated, Net	<u>7,662,634</u>	<u>529,929</u>	<u>5,568</u>	<u>8,186,995</u>
Total Capital Assets, Net	<u>\$ 7,795,010</u>	<u>579,798</u>	<u>5,568</u>	<u>8,369,240</u>

NOTE E - LONG-TERM DEBT

Long-term debt consisted of the following:

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE E - LONG-TERM DEBT (Continued)

	December 31	
	2007	2006
\$4,965,000 Refunding Revenue Bonds, Series 2003A, due in annual installments through January 1, 2020, interest payable at 3.5% to 4.6%.	\$4,965,000	4,965,000
\$360,000 Certificates of Participation, Series 2003B, due in annual installments through January 1, 2007, interest payable at 2.25% to 3.15%.	-	360,000
Subtotal	4,965,000	5,325,000
Less - Current maturities	290,000	360,000
Less - Unamortized discount	7,450	8,071
Less - Unamortized deferred charges	313,699	348,554
Less - Cash with paying agent	290,000	-
	<u>\$4,063,851</u>	<u>4,608,375</u>

Long-term debt activity was as follows:

	For The Year Ended December 31, 2007			Amounts Due Within One Year	
	Balance December 31 2006	Additions	Payments		Balance December 31 2007
	Refunding revenue bonds	\$4,965,000	-		-
Certificates of participation	<u>360,000</u>	<u>-</u>	<u>360,000</u>	<u>-</u>	
	<u>\$5,325,000</u>	<u>-</u>	<u>360,000</u>	<u>4,965,000</u>	

	For The Year Ended December 31, 2006			Amounts Due Within One Year	
	Balance December 31 2005	Additions	Payments		Balance December 31 2006
	Refunding revenue bonds	\$4,965,000	-		-
Certificates of participation	<u>625,000</u>	<u>-</u>	<u>265,000</u>	<u>360,000</u>	
	<u>\$5,590,000</u>	<u>-</u>	<u>265,000</u>	<u>5,325,000</u>	

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE E - LONG-TERM DEBT (Continued)

The bond issues are payable solely from revenues of the District's waterworks system. Under the terms of the bond indentures, the District established a segregated "Series 2003 Sinking Fund Account". Various other reserve accounts are specified for bond retirement and system improvements. Allocations have been made as prescribed. Payments to these accounts are to be out of the first available net income of the District after providing for current operating expenses. Bond interest and principal payments are disbursed by the District as billed by the paying agents.

Annual debt service requirements to maturities are as follows:

For The Years Ended December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 290,000	199,318	489,318
2009	300,000	187,892	487,892
2010	315,000	176,755	491,755
2011	315,000	165,533	480,533
2012	335,000	153,333	488,333
2013 - 2017	1,880,000	549,421	2,429,421
2018 - 2020	<u>1,530,000</u>	<u>116,585</u>	<u>1,646,585</u>
	<u>\$4,965,000</u>	<u>1,548,837</u>	<u>6,513,837</u>

Series 2003 Refunding Revenue Bonds are subject to redemption and payment prior to maturity, at the option of the District, on or after January 1, 2013, at a redemption price of 100%.

Series 2003 Certificates of Participation are not subject to redemption and payment prior to maturity.

NOTE F - EMPLOYEES' PENSION PLAN

1. Plan Description

The District 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.

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE F - EMPLOYEES' PENSION PLAN (Continued)

1. Plan Description (Continued)

LAGERS was created and is governed by state statute, Section RSMo 70.600 - 70.555. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under Internal Revenue Code Section 401a and it is tax exempt.

LAGERS 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.

2. Funding Policy

The District's full-time employees contribute 4% of their gross pay to the pension plan. The District is required to contribute at an actuarially determined rate; the current rate is 7% of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the District are established by state statute.

3. Annual Pension Cost

For the plan year ended June 30, 2007, the District's annual pension cost of \$74,024 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions 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% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6% 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 one year for men and seven years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 2007 was 16 years.

Three-year trend information follows:

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE F - EMPLOYEES' PENSION PLAN (Continued)

3. Annual Pension Cost (Continued)

For The Plan Years Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2007	\$74,024	100%	\$ -
2006	77,652	100	-
2005	64,728	100	-

Schedule of funding progress follows:

For The Actuarial Valuation Years Ended February 28/29	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)/Excess Assets
2007	\$1,017,167	\$1,060,349	(\$43,182)
2006	899,390	952,601	(53,211)
2005	757,958	847,799	(89,841)

For The Actuarial Valuation Years Ended February 28	Funded Ratio	Annual Covered Payroll	Excess Assets (UAL) As A Percentage Of Covered Payroll
2007	96%	\$667,082	(6%)
2006	94	622,902	(9)
2005	89	582,564	(15)

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact LAGERS' office in Jefferson City, MO.

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS**

NOTE G - NONOPERATING (INCOME) EXPENSES

Included in Nonoperating (Income) Expenses are the following:

	For The Years	
	Ended December 31	
	<u>2007</u>	<u>2006</u>
Amortization - issuance costs	\$ 19,893	32,643
Interest expense	240,593	251,934
Loss on disposition of assets	25,075	5,568
Bad debts (net)	(1,105)	4,396
Investment income	(110,253)	(95,046)
Other income	(17,450)	(31,771)
Tap fees	<u>(79,515)</u>	<u>(123,320)</u>
	<u>\$ 77,238</u>	<u>44,404</u>

NOTE H - COMMITMENTS

The District had a commitment to purchase construction and engineering services in the amounts of \$0 and \$98,731 at December 31, 2007 and 2006, respectively.

NOTE I - RISK MANAGEMENT

The District is exposed to various risks of loss related to natural disasters; errors and omissions; and loss of assets, torts, etc. The District has chosen to cover such losses through the purchase of commercial insurance. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION**

SUPPLEMENTAL INFORMATION SECTION

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION -
BOARD OF DIRECTORS AND OFFICERS
DECEMBER 31, 2007**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Steve Conley	Director - President	2011
Richard Benner	Director - Vice President	2010
Thomas Thornton	Director	2012
David Hutchings	Director	2011
Walter Lee	Director	2010
Leslie Atchley	Clerk	Appointed

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION -
SCHEDULE OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007			2006	
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
WATER SALES	\$ 3,000,000	2,500,000	2,588,032	88,032	2,533,534
SOURCE OF SUPPLY AND PUMPING EXPENSES					
Treatment plant salaries	357,100	357,100	327,439	(29,661)	307,579
Power	130,000	133,000	122,054	(10,946)	132,890
Chemicals	172,250	191,200	182,778	(8,422)	140,908
Repairs and maintenance	396,861	332,650	117,115	(215,535)	123,008
Insurance	78,500	78,500	107,683	29,183	90,147
Other expenses	57,600	65,000	47,777	(17,223)	41,492
Payroll taxes	24,200	24,200	24,840	640	23,356
Equipment rental	10,000	10,000	4,595	(5,405)	10,560
Pension	25,200	25,200	21,935	(3,265)	23,426
	<u>1,251,711</u>	<u>1,216,850</u>	<u>956,216</u>	<u>(260,634)</u>	<u>893,366</u>
TRANSMISSION AND DISTRIBUTION EXPENSES (NET)	<u>664,450</u>	<u>788,100</u>	<u>694,058</u>	<u>(94,042)</u>	<u>522,473</u>
ACCOUNTING, COLLEC- TION, AND ADMINI- STRATIVE EXPENSES					
Salaries	143,750	139,550	126,368	(13,182)	119,387
Office supplies and postage	40,500	36,000	34,163	(1,837)	31,564
Other expenses	50,700	24,700	26,719	2,019	45,586
Insurance	44,650	44,650	53,841	9,191	45,931
Professional services	88,100	31,500	29,791	(1,709)	54,984
Payroll taxes	13,500	11,000	9,501	(1,499)	9,016
Maintenance agreements and repairs	17,000	15,000	17,942	2,942	21,202
Utilities	12,900	10,900	8,644	(2,256)	14,500
Pension	13,000	13,000	10,967	(2,033)	11,742
	<u>424,100</u>	<u>326,300</u>	<u>317,936</u>	<u>(8,364)</u>	<u>353,912</u>
OPERATING AND MAINTENANCE EXPENSES	<u>2,340,261</u>	<u>2,331,250</u>	<u>1,968,210</u>	<u>(363,040)</u>	<u>1,769,751</u>

(Continued)

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION -
SCHEDULE OF OPERATIONS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007			2006	
	Original Budget	Final Budget	Actual	Over (Under) Budget	Actual
OPERATING INCOME BEFORE DEPRECI- ATION EXPENSE	659,739	168,750	619,822	451,072	763,783
DEPRECIATION EXPENSE	-	-	407,487	407,487	396,532
OPERATING INCOME	659,739	168,750	212,335	43,585	367,251
NONOPERATING (INCOME) EXPENSES					
Amortization - issuance costs	-	-	19,893	19,893	32,643
Interest expense	300,000	-	240,593	240,593	251,934
Loss on disposition of assets	-	-	25,075	25,075	5,568
Bad debts (net)	-	-	(1,105)	(1,105)	4,396
Investment income	-	-	(110,253)	(110,253)	(95,046)
Other income	(36,600)	(132,100)	(17,450)	114,650	(31,771)
Tap fees	(250,000)	(80,000)	(79,515)	485	(123,320)
	13,400	(212,100)	77,238	289,338	44,404
INCOME BEFORE CAPITAL CONTRIBUTIONS	646,339	380,850	135,097	(245,753)	322,847
CAPITAL CONTRIBU- TIONS - UTILITY LINES	-	-	-	-	865,055
CHANGE IN NET ASSETS	\$ 646,339	380,850	135,097	(245,753)	1,187,902

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION -
OPERATING AND MAINTENANCE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>Amount</u>		<u>Percent</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Source of Supply and Pumping Expenses				
Treatment plant salaries	\$ 327,439	307,579		
Power	122,054	132,890		
Chemicals	182,778	140,908		
Repairs and maintenance	117,115	123,008		
Insurance	107,683	90,147		
Other expenses	47,777	41,492		
Payroll taxes	24,840	23,356		
Equipment rental	4,595	10,560		
Pension	21,935	23,426		
	<u>956,216</u>	<u>893,366</u>	36.95 %	35.26
Transmission and Distribution Expenses				
Distribution salaries	283,015	236,425		
Maintenance of storage, transmission lines, and meters	250,471	157,226		
Insurance	86,837	59,673		
Payroll taxes	21,422	17,964		
Other expense	57,961	56,350		
Pension	14,782	15,825		
	<u>714,488</u>	<u>543,463</u>		
Less - Service, materials, installation, and inspection billed to users	20,430	20,990		
	<u>694,058</u>	<u>522,473</u>	26.82	20.62
Accounting, Collection, and Administrative Expenses				
Salaries	126,368	119,387		
Office supplies and postage	34,163	31,564		
Other expenses	26,719	45,586		
Insurance	53,841	45,931		
Professional services	29,791	54,984		
Payroll taxes	9,501	9,016		
Maintenance agreements and repairs	17,942	21,202		
Utilities	8,644	14,500		
Pension	10,967	11,742		
	<u>317,936</u>	<u>353,912</u>	12.28	13.97
	<u>\$ 1,968,210</u>	<u>1,769,751</u>	<u>76.05 %</u>	<u>69.85</u>

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION -
TOTAL NUMBER OF GALLONS BILLED - IN THOUSANDS (000)
FOR THE YEARS ENDED DECEMBER 31**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
January	34,696	29,654	36,051	36,690	31,717	35,353
February	34,113	33,049	28,889	35,229	33,547	39,337
March	27,660	28,937	31,833	31,351	29,607	27,366
April	32,750	34,550	38,281	33,584	33,105	31,483
May	35,139	35,975	35,052	36,813	32,745	45,406
June	49,208	47,020	47,682	44,588	34,402	41,229
July	46,365	47,249	55,202	40,337	48,848	49,227
August	51,060	51,441	49,723	39,171	45,643	55,918
September	52,409	48,487	44,317	42,913	45,411	48,735
October	41,018	33,958	36,959	43,380	36,510	39,290
November	36,427	33,013	32,851	32,910	32,633	35,713
December	<u>32,997</u>	<u>33,662</u>	<u>35,855</u>	<u>32,536</u>	<u>32,284</u>	<u>37,794</u>
	<u>473,842</u>	<u>456,995</u>	<u>472,695</u>	<u>449,502</u>	<u>436,452</u>	<u>486,851</u>

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION -
GROWTH OF CUSTOMERS
DECEMBER 31**

<u>December 31</u>	<u>Total</u>
2007	6,254
2006	6,168
2005	6,019
2004	5,950
2003	5,875
2002	5,762

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION -
AVERAGE COST PER MONTH PER CUSTOMER
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Source of supply and pumping	\$ 12.74	12.07
Transmission and distribution	9.25	7.06
Accounting, collection, and administrative	<u>4.24</u>	<u>4.78</u>
Total	<u>\$ 26.23</u>	<u>23.91</u>

**PUBLIC WATER SUPPLY DISTRICT NO. 2 OF
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION -
SUMMARY OF INSURANCE COVERAGE
DECEMBER 31, 2007**

<u>Type Of Coverage</u>	<u>Amount Of Coverage</u>	<u>Policy Expiration Date</u>
Multi-Peril Package Policy		January 1, 2008
All risk:		
Building and contents	\$6,340,540	
Commercial general liability:		
General aggregate	2,000,000	
Automobile policies:		
Bodily injury and property damage	2,000,000	
Uninsured motorist	50,000	
Underinsured motorist	50,000	
Electronic data processing equipment	77,600	
Contractors equipment	77,000	
Other equipment	183,564	
Business income	56,000	
Crime	50,000	
Public officials, directors, and officer liability:		
General aggregate	2,000,000	
Workers' Compensation	Statutory	April 1, 2008
Umbrella Liability		January 1, 2008
General aggregate limit	2,000,000	
Employee Dishonesty Bond	100,000	January 1, 2008
Public Employees Blanket Bond	2,000,000	April 1, 2008
Boiler and Machinery		January 1, 2008
Property damage	6,647,411	
Flood Insurance		December 4, 2008
Building	500,000	
Contents	173,271	