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1-1-2004

## Financial Statements, 2003

Consolidated North County Levee District

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**CONSOLIDATED NORTH COUNTY  
LEVEE DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2003**

**(With comparative totals for June 30, 2002)**

STATE AUDITOR'S OFFICE  
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## **Independent Auditor's Report**

Board of Supervisors  
Consolidated North County Levee District  
St. Charles, Missouri

We have audited the combined statement of assets, liabilities, and fund balances - cash basis of the Consolidated North County Levee District (the "District") as of June 30, 2003 and the related combined statement of revenue, expenditures, and changes in fund balances - cash basis for the year 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 audit. The prior year's summarized comparative information has been derived from the District's 2002 financial statements and, in our report dated December 19, 2002, we expressed an unqualified opinion on those cash basis financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined assets, liabilities, and fund balances - cash basis of the Consolidated North County Levee District as of June 30, 2003 and the combined revenue, expenditures, and changes in fund balances - cash basis for the year then ended, on the basis of accounting described in Note 2.

*Huber, Ring, Helm & Co., P.C.*

St. Louis, Missouri  
October 17, 2003



**CONSOLIDATED NORTH COUNTY LEVEE DISTRICT**  
**COMBINED STATEMENT OF ASSETS, LIABILITIES,**  
**AND FUND BALANCES - CASH BASIS**  
**ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUP**

**JUNE 30, 2003**  
**(With comparative totals for June 30, 2002)**

	Governmental Fund Types				
	Construction	Debt Service	Reserve A	Reserve B	Buyout
<b>ASSETS</b>					
Cash	\$ 11,922	\$ 15,719	\$ 244,485	\$ 227,026	\$ 17,230
Certificates of deposit			167,126		
Amount to be provided for retirement of long-term liabilities					
Total assets	<u>\$ 11,922</u>	<u>\$ 15,719</u>	<u>\$ 411,611</u>	<u>\$ 227,026</u>	<u>\$ 17,230</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Bonds payable					
<b>FUND BALANCES</b>					
Designated for debt service		\$ 15,719			
Undesignated	\$ 11,922		\$ 411,611	\$ 227,026	\$ 17,230
Total fund balances	<u>11,922</u>	<u>15,719</u>	<u>411,611</u>	<u>227,026</u>	<u>17,230</u>
Total liabilities and fund balances	<u>\$ 11,922</u>	<u>\$ 15,719</u>	<u>\$ 411,611</u>	<u>\$ 227,026</u>	<u>\$ 17,230</u>

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

L-15 Debt Service	L-15 Reserve A	L-15 Reserve B	L-15 Escrow	Account Group	Memorandum Only Total	
				Long-term Liabilities	2003	2002
\$ 47,752	\$ 224,774	\$ 558,594	\$ 1,153		\$ 1,348,655 167,126	\$ 1,982,916 163,774
				\$ 3,555,000	3,555,000	3,705,000
<u>\$ 47,752</u>	<u>\$ 224,774</u>	<u>\$ 558,594</u>	<u>\$ 1,153</u>	<u>\$ 3,555,000</u>	<u>\$ 5,070,781</u>	<u>\$ 5,851,690</u>
				\$ 3,555,000	\$ 3,555,000	\$ 3,705,000
\$ 47,752					63,471	47,343
	\$ 224,774	\$ 558,594	\$ 1,153		1,452,310	2,099,347
<u>47,752</u>	<u>224,774</u>	<u>558,594</u>	<u>1,153</u>		<u>1,515,781</u>	<u>2,146,690</u>
<u>\$ 47,752</u>	<u>\$ 224,774</u>	<u>\$ 558,594</u>	<u>\$ 1,153</u>	<u>\$ 3,555,000</u>	<u>\$ 5,070,781</u>	<u>\$ 5,851,690</u>

**CONSOLIDATED NORTH COUNTY LEVEE DISTRICT**  
**COMBINED STATEMENT OF REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - CASH BASIS**  
**ALL GOVERNMENTAL FUND TYPES**

**YEAR ENDED JUNE 30, 2003**  
**(With comparative totals for June 30, 2002)**

	Governmental Fund Types				
	Construction	Debt Service	Reserve A	Reserve B	Buyout
<b>REVENUE</b>					
Levee assessments			\$ 269,163	\$ 77,841	
Interest income	\$ 182	\$ 315	7,451	3,692	\$ 200
Governmental reimbursements/settlements	143				
Miscellaneous		20			
Private contribution					
Total revenue	<u>325</u>	<u>335</u>	<u>276,614</u>	<u>81,533</u>	<u>200</u>
<b>EXPENDITURES</b>					
Debt service principal			150,000		
Debt service interest		44,489	44,489		
Dues	400				
Construction	149,794				
Engineering	97,805				
Legal and accounting	37,281				
Levee maintenance	12,934				
Insurance	1,871				
Lobbying	33,200				
Bond underwriting fees		320	337		
Rent	300				
Office expense	141				12
Licenses and taxes					
Total expenditures	<u>333,726</u>	<u>44,809</u>	<u>194,826</u>	<u>81,533</u>	<u>12</u>
Excess of revenue over (under) expenditures	(333,401)	(44,474)	81,788	81,533	188
<b>TRANSFERS</b>	179,443	60,000	(60,000)	(79,443)	
<b>OTHER FINANCING SOURCES- PROCEEDS OF LEVEE IMPROVEMENT BONDS</b>					
<b>FUND BALANCES</b>					
BEGINNING OF YEAR	<u>165,880</u>	<u>193</u>	<u>389,823</u>	<u>224,936</u>	<u>17,042</u>
END OF YEAR	<u>\$ 11,922</u>	<u>\$ 15,719</u>	<u>\$ 411,611</u>	<u>\$ 227,026</u>	<u>\$ 17,230</u>

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

L-15 Debt Service	L-15 Reserve A	L-15 Reserve B	L-15 Escrow	Memorandum Only Total	
				2003	2002
\$ 614	\$ 104,567 3,469	\$ 13,819	\$ 1,113	\$ 451,571 30,855	\$ 653,429 30,024
				143 20	55
					350,000
<u>614</u>	<u>108,036</u>	<u>13,819</u>	<u>1,113</u>	<u>482,589</u>	<u>1,033,508</u>
			132,000	282,000	140,000
	106,408			195,386	96,503
		301,400		400	
				451,194	1,103,336
				97,805	
				37,281	108,458
				12,934	307,120
				1,871	881
				33,200	37,672
	250			907	61,187
				300	
12	15		40	220	2,464
					3,633
<u>12</u>	<u>106,673</u>	<u>301,400</u>	<u>132,040</u>	<u>1,113,498</u>	<u>1,861,254</u>
602	1,363	(287,581)	(130,927)	(630,909)	(827,746)
		(232,000)	132,000		
					2,225,000
<u>47,150</u>	<u>223,411</u>	<u>1,078,175</u>	<u>80</u>	<u>2,146,690</u>	<u>749,436</u>
<u>\$ 47,752</u>	<u>\$ 224,774</u>	<u>\$ 558,594</u>	<u>\$ 1,153</u>	<u>\$ 1,515,781</u>	<u>\$ 2,146,690</u>



**CONSOLIDATED NORTH COUNTY LEVEE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 – NATURE OF ORGANIZATION**

The Consolidated North County Levee District is a public corporation organized and existing under the laws of the State of Missouri. The District, located in eastern St. Charles County, was organized in 1987 as a result of the consolidation of the North County Levee District and the Cul-De-Sac Levee District.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The District's policy is to prepare its financial statements on the cash basis of accounting. Consequently, certain revenue is recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

The financial statements are presented on the basis of fund accounting whereby resources for various purposes are classified into funds appropriated for specified activities or objectives.

Public domain ("infrastructure") general fixed assets consisting of certain levee construction costs, as well as levee improvements, have not been capitalized. The District has no other general fixed assets.

*Fund Accounting*

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into generic types and broad fund categories as follows:

Governmental Funds

Construction Fund

The Construction Fund maintained the bond proceeds. These funds were used to finance levee construction. Since construction was completed, the fund has also been used for general maintenance of the levees.



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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Accounting (Continued)*

Debt Service Fund

The Debt Service Fund was established to pay the principal and interest on the bond liability.

Reserve Funds A and B

The Reserve Funds hold all money of the District not needed for debt service or construction. The Funds include money raised by the levee assessment. The Funds therein can be used to cover shortfalls in the Debt Service Fund, for operations and maintenance of the District, and for any other lawful use of the District including paying agent fees. Voluntary payments by property owners are recorded here.

Buyout Fund

The Buyout Fund holds funds received related to assessments on properties that are part of the St. Charles County Buyout Program.

L-15 Project and Related L-15 Funds

The L-15 Project consists of repairs and improvements provided for by the Plan for Reclamation of the District, including levee raise and land side and river side enlargement of the levee to the 20-year nominal level of protection from the Missouri River from approximately river mile 28 to approximately river mile 15.

*Levee Assessment*

In 1991, a court appointed commission set up an assessment factor based on the amount of protection afforded by the levee to residents of the District. Factors used in the formula are property value, elevation of the property with respect to the river, and height of the levee in the area. This factor is multiplied by the bond liability to determine individual resident's assessment. The residents may pay the assessment immediately or over the term of the bond issue. If the assessment is not paid in the first year then interest will accrue at 6%.

In addition to the regular assessment, the District has the authority to issue a special assessment not to exceed 10% of the regular assessment.

Assessments are recorded as revenue when received.

*Budget*

The District is not required by statute to prepare a budget. Therefore, none has been presented.

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**NOTE 3 – CASH AND CERTIFICATES OF DEPOSIT**

As of June 30, 2003 and 2002, cash in banks consisted of checking accounts and certificates of deposit totaling \$1,515,781 and \$2,146,690, respectively.

Risk Category (Bank Balances)

	<u>2003</u>	<u>2002</u>
Insured or collateralized with securities held by the District, or by its agent, in the District's name.	\$ 100,000	\$ 100,000
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.	<u>1,415,781</u>	<u>2,046,690</u>
Total	<u>\$ 1,515,781</u>	<u>\$ 2,146,690</u>

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**NOTE 4 – BOND ISSUE AND DEFEASED DEBT**

In September 1995, the District issued \$2,330,000 in Levee District Improvement Bonds through Mark Twain Bank, N.A. with interest rates from 4.0% to 6.25% in order to advance refund \$2,330,000 of outstanding 1991 Levee District Improvement Bonds, with interest rates from 5.5% to 7.0%. The District advance refunded the 1991 Series bonds in order to take advantage of the lower interest rates and reduce interest expense. The net proceeds of \$2,281,197 (after payment of \$48,803 in underwriting fees and other costs) were used to purchase \$1,792,800 in U.S. Government securities, with the remaining \$488,397 deposited in the Construction Fund. An additional \$649,699 in U.S. Government securities were purchased with existing funds. The U.S. Government securities totaling \$2,442,499 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series bonds. As a result, the 1991 Series bonds are considered to be defeased and the liability for those bonds has been removed.

The bonds are special limited obligations of the District payable solely from a special tax levied and assessed against certain property within the District in proportion to the benefits conferred on each parcel of such property by the planned construction project.

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**NOTE 4 – BOND ISSUE AND DEFEASED DEBT (CONTINUED)**

The debt service schedule for these bonds as of June 30, 2003 is as follows:

Levee District Improvement Bonds, Series 1995B:

<u>Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Period Total</u>
10/15/03			\$ 40,288.75	\$ 40,288.75
04/15/04	\$ 160,000.00	5.70	40,288.75	200,288.75
10/15/04			35,728.75	35,728.75
04/15/05	165,000.00	5.80	35,728.75	200,728.75
10/15/05			30,943.75	30,943.75
04/15/06	175,000.00	6.00	30,943.75	205,943.75
10/15/06			25,693.75	25,693.75
04/15/07	190,000.00	6.13	25,693.75	215,693.75
10/15/07			19,875.00	19,875.00
04/15/08	200,000.00	6.13	19,875.00	219,875.00
10/15/08			13,750.00	13,750.00
04/15/09	215,000.00	6.25	13,750.00	228,750.00
10/15/09			7,031.25	7,031.25
04/15/10	225,000.00	6.25	7,031.25	232,031.25
	<u>\$ 1,330,000.00</u>		<u>\$ 346,622.50</u>	<u>\$ 1,676,622.50</u>

In April 2002, the District issued \$2,225,000 in Levee District Improvement Bonds through The Depository Trust Company with interest rates from 3.5% to 5.8% in order to fund the District's share of the cost of the L-15 Project. The net proceeds of \$2,163,813 (after payment of \$61,182 in underwriting fees and other costs) were deposited into the following funds: L-15 Debt Service Fund - \$47,110; L-15 Reserve Fund A - \$1,894,203; and L-15 Reserve Fund B - \$222,500.

The District and the United States Department of the Army have entered into a Project Cooperation Agreement and a Project Management Agreement that will govern the federal and non-federal cost-sharing arrangement for the Project. It is estimated that the District's local share of the total project costs will be \$2,440,000, of which 5% must be a cash contribution. As of June 30, 2003, the District has paid \$402,000 towards this commitment.



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**NOTE 4 – BOND ISSUE AND DEFEASED DEBT (CONTINUED)**

The debt service schedule for these bonds as of June 30, 2003 is as follows:

<u>Date</u>	<u>Principal</u>	<u>Coupon Rate</u>	<u>Interest</u>	<u>Period Total</u>
09/01/03			\$ 59,298.75	\$ 59,298.75
03/01/04			59,298.75	59,298.75
09/01/04			59,298.75	59,298.75
03/01/05	\$ 80,000.00	3.500	59,298.75	139,298.75
09/01/05			57,898.75	57,898.75
03/01/06	80,000.00	3.875	57,898.75	137,898.75
09/01/06			56,348.75	56,348.75
03/01/07	85,000.00	4.100	56,348.75	141,348.75
09/01/07			54,606.25	54,606.25
03/01/08	90,000.00	4.350	54,606.25	144,606.25
09/01/08			52,648.75	52,648.75
03/01/09	90,000.00	4.600	52,648.75	142,648.75
09/01/09			50,578.75	50,578.75
03/01/10	95,000.00	4.850	50,578.75	145,578.75
09/01/10			48,275.00	48,275.00
03/01/11	100,000.00	5.000	48,275.00	148,275.00
09/01/11			45,775.00	45,775.00
03/01/12	105,000.00	5.150	45,775.00	150,775.00
09/01/12			43,071.25	43,071.25
03/01/13	110,000.00	5.625	43,071.25	153,071.25
09/01/13			39,977.50	39,977.50
03/01/14	120,000.00	5.625	39,977.50	159,977.50
09/01/14			36,602.50	36,602.50
03/01/15	125,000.00	5.625	36,602.50	161,602.50
09/01/15			33,086.88	33,086.88
03/01/16	135,000.00	5.625	33,086.88	168,086.88
09/01/16			29,290.00	29,290.00
03/01/17	140,000.00	5.800	29,290.00	169,290.00
09/01/17			25,230.00	25,230.00
03/01/18	150,000.00	5.800	25,230.00	175,230.00
09/01/18			20,880.00	20,880.00
03/01/19	155,000.00	5.800	20,880.00	175,880.00
09/01/19			16,385.00	16,385.00
03/01/20	165,000.00	5.800	16,385.00	181,385.00
09/01/20			11,600.00	11,600.00
03/01/21	400,000.00	5.800	11,600.00	411,600.00
	<u>\$ 2,225,000.00</u>		<u>\$ 1,481,703.76</u>	<u>\$ 3,706,703.76</u>

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**NOTE 5 – RELATED PARTY TRANSACTIONS**

For the years ended June 30, 2003 and 2002, cash disbursements of \$2,820 and \$4,305, respectively, were paid for levee maintenance to related parties.

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**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to:

- torts, theft of, damage to, and destruction of assets;
- errors and omissions;
- injuries to employees;
- natural disasters.

The District has obtained commercial insurance to indemnify itself against these risks.