

University of Missouri, St. Louis

IRL @ UMSL

UMSLCAB - UMSL's Political Science Millennial
Era Saint Louis Local Curated Area Budgets

Political Science Department

1-1-2007

Financial Report, 2006

Earth City Levee District of St. Louis County

Follow this and additional works at: <https://irl.umsl.edu/cab>

Recommended Citation

Earth City Levee District of St. Louis County, "Financial Report, 2006" (2007). *UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets*. 437.
<https://irl.umsl.edu/cab/437>

This Book is brought to you for free and open access by the Political Science Department at IRL @ UMSL. It has been accepted for inclusion in UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets by an authorized administrator of IRL @ UMSL. For more information, please contact marvinh@umsl.edu.



SUSAN MONTEE, CPA

Missouri State Auditor

April 17, 2007

Daniel L. Human
Husch & Eppenberger, LLC
190 Carondelet Plaza, Suite 600
St. Louis, MO 63105-3441

RE: Earth City Levee District of St. Louis County

Fiscal Period: One Year Ended June 30, 2006 ✓

Dear Mr. Human:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

Thank you for your cooperation in sending this information.

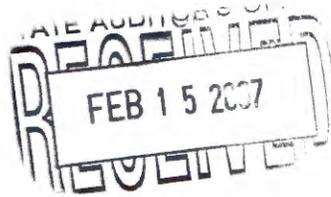
Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

A handwritten signature in black ink that reads "Judy Buerky".

Judy Buerky
Local Government Analyst

February 13, 2007



Ms. Judy Buerky
State Auditor's Office
P.O. Box 869
Jefferson City, MO 65102

RE: EARTH CITY LEVEE DISTRICT
Audited Financial Statements for Year Ending 06/30/2006

Dear Ms. Buerky:

Enclosed are the audited financial statements for EARTH CITY LEVEE DISTRICT for year ending June 30, 2006.

If anything further is required regarding the annual report filing, please do not hesitate to contact me.

Sincerely,

HUSCH & EPPENBERGER, LLC

By: 
Daniel L. Human

DLH:LJW:Enclosure

Copy to: John Basilico
111 Corporate Office Drive, Ste. 103
Earth City, MO 63045

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

EARTH CITY LEVEE DISTRICT

June 30, 2006

EARTH CITY LEVEE DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	14
Schedule of Current Expenditures	15 - 16
Notes to Financial Statements	17 - 23

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Earth City Levee District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Earth City Levee District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District as of June 30, 2006, and the respective changes in financial position for the year 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 the 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.

Mengwasser Martin Lall & Clark P.C.

St. Louis, Missouri
September 28, 2006

Earth City Levee District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2006

This section of the Earth City Levee District's (the District) financial report for the year ended June 30, 2006 presents an easily readable analysis of the District's financial activities based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the financial statements. For a comprehensive understanding of the financial statements, please review the District's financial statements, including the footnotes that follow the Management's Discussion and Analysis (MD&A).

Financial Highlights

On a government-wide basis, the District's total assets exceeded its liabilities by \$8,945,972 at June 30, 2006. The cost of the District's government activities was \$672,165 in fiscal year 2006.

As of June 30, 2006, the District's governmental funds reported combined ending fund balances of \$1,694,101. Of this amount, \$806,129 or 48% is unreserved funds, a significant portion of which is invested in long-term investments. Upon maturity, these funds are available for spending at the District's discretion.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements

The first set of financial statements are the government-wide statements which report information about the District as a whole using accounting methods similar to those used by private-sector businesses. The two government-wide statements, statement of net assets and statement of activities, report the District's net assets and how they have changed.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of timing of related cash flows.

The statement of activities presents the various functions of the District and the degree by which they are supported by charges for services, grants and contributions, tax revenues, and investment income.

The government activities of the District include administrative levee projects and debt service.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Earth City Levee District

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2006

Fund Financial Statements

The second set of statements are fund financial statements, which provide information about groupings of related accounts which are used to maintain control over resources for specific activities or objectives. The District uses fund accounting to demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. The funds of the District are classified as governmental funds. It should be noted that the District does not have any proprietary funds.

Governmental Funds

Governmental funds tell how general governmental services were financed in the short-term as well as what financial resources remain available for future spending to finance District programs.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The District maintains two individual governmental funds according to their type (General and Debt Service). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Debt Service Fund which are considered to be major funds.

The governmental fund financial statements can be found on pages 11 through 16 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the basic financial statements can be found on pages 17 through 23 of this report.

Earth City Levee District

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2006

Net Assets

The condensed Statement of Net Assets as of June 30, 2006 and 2005 for governmental activities is as follows:

	<u>2006</u>	<u>2005</u>
ASSETS		
Current and other assets	\$ 1,735,069	\$ 1,580,911
Capital assets, net	<u>7,994,261</u>	<u>8,244,620</u>
Total Assets	<u>9,729,330</u>	<u>9,825,531</u>
LIABILITIES		
Long-term debt outstanding	770,000	1,015,000
Other liabilities	<u>13,358</u>	<u>17,541</u>
Total Liabilities	<u>783,358</u>	<u>1,032,541</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,224,262	7,229,620
Restricted	887,972	773,398
Unrestricted	<u>833,738</u>	<u>789,972</u>
Total Net Assets	<u>\$ 8,945,972</u>	<u>\$8,792,990</u>

Changes in Net Assets

The District's total revenue on a government-wide basis was \$825,147. Levee assessments represent 93% of the District's revenue. Investment income is 6% and the remainder is miscellaneous revenues.

The total cost of all programs and services was \$672,165. The District's expenses cover construction and maintenance of the levee and debt service.

The condensed Statement of Activities for the years ended June 30, 2006 and 2005 for governmental activities is as follows.

Earth City Levee District

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2006

	<u>2006</u>	<u>2005</u>
REVENUES		
Levee assessments	\$ 766,608	\$ 773,646
Investment income	52,249	32,759
Other income	<u>6,290</u>	<u>3,283</u>
Total Revenues	825,147	809,688
EXPENDITURES		
General	623,435	610,831
Interest on long-term debt	<u>48,730</u>	<u>60,767</u>
Total Expenditures	<u>672,165</u>	<u>671,598</u>
CHANGES IN NET ASSETS	152,982	138,090
NET ASSETS, BEGINNING OF YEAR	<u>8,792,990</u>	<u>8,654,900</u>
NET ASSETS, END OF YEAR	<u>\$ 8,945,972</u>	<u>\$8,792,990</u>

Governmental fund activities increased the District's total fund balances by \$166,253. The District's capital outlays were \$32,614. Investment income increased by \$19,490 in the current year.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus on the District's governmental funds is to provide information and balances of available spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$806,129.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2006, the District has invested \$10,862,650 in capital assets, including land and levee construction. This amount increased for the current fiscal year by \$32,614. The District has depreciated these capital assets in the amount of \$2,868,389 as of June 30, 2006. Depreciation expense for the current fiscal year ended June 30, 2006 amounted to \$282,974. Capital assets net of depreciation for governmental activities were as follows:

Earth City Levee District

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

For the year ended June 30, 2006

Capital Assets - Continued

	<u>2006</u>	<u>2005</u>
Improvements	\$ 3,594,334	\$3,730,465
Land improvements	3,320,708	3,434,936
Land	953,134	953,134
Easements	<u>126,085</u>	<u>126,085</u>
Total Capital Assets, Net of Depreciation	<u>\$ 7,994,261</u>	<u>\$8,244,620</u>

All depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Additional information on the District's capital assets can be found in Note B.

Long-term Debt

At the end of the fiscal year 2006, the District had outstanding revenue bond long-term debt obligations for governmental activities in the amount of \$770,000 compared to \$1,015,000 in fiscal year 2005. The 24.14% decrease reflects principal payments of \$245,000 made during the fiscal year ended 2006. Additional information on the District's long-term debt can be found in Note C.

Economic Factors and Next Year's Expenditures

The District expects some revenue growth in 2006-2007. The combined maintenance and installment tax assessments are expected to increase in the fiscal year 2007. Expenditures for levee system operations and maintenance are expected to increase.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Earth City Levee District, 111 Corporate Office Drive, Suite 103, Earth City, Missouri 63045.

Earth City Levee District
STATEMENT OF NET ASSETS
 June 30, 2006

		<u>Governmental Activities</u>
ASSETS		
Cash	\$ 1,707,459	
Prepaid expenses	15,163	
Bond issue costs, net of amortization (note D)	12,447	
Capital assets not being depreciated:		
Land	953,134	
Easements	126,085	
Capital assets net of accumulated depreciation:		
Land improvements	3,320,708	
Improvements	<u>3,594,334</u>	
Total Assets		<u>\$ 9,729,330</u>
 LIABILITIES		
Accrued interest	\$ 13,358	
Long-term liabilities:		
Due within one year	260,000	
Due in more than one year	<u>510,000</u>	
Total Liabilities		\$ 783,358
 NET ASSETS		
Invested in capital assets, net of related debt	7,224,262	
Restricted:		
Debt Service	887,972	
Unrestricted	<u>833,738</u>	
Total Net Assets		<u>8,945,972</u>
Total Liabilities and Net Assets		<u>\$ 9,729,330</u>

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

Earth City Levee District
 STATEMENT OF ACTIVITIES
 For the year ended June 30, 2006

		Program Revenues		Net Revenues, (Expenditures) and Changes in Net Assets
Expenditures	Charges for Services	Operating Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities:				
General government	\$ 623,435	\$ -	\$ -	\$ (623,435)
Interest on long-term debt	<u>48,730</u>	<u>-</u>	<u>-</u>	<u>(48,730)</u>
Total Governmental Activities	<u>\$ 672,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(672,165)</u>
General Revenues				
Levee assessments				766,608
Investment income				52,249
Other income				<u>6,290</u>
Total General Revenues				<u>825,147</u>
CHANGE IN NET ASSETS				152,982
NET ASSETS AT BEGINNING OF YEAR				<u>8,792,990</u>
NET ASSETS AT END OF YEAR				<u>\$ 8,945,972</u>

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

Earth City Levee District

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 819,487	\$ 887,972	\$ 1,707,459
Total Assets	<u>\$ 819,487</u>	<u>\$ 887,972</u>	<u>\$ 1,707,459</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accrued interest	\$ 13,358	\$ -	\$ 13,358
Total Liabilities	13,358	-	13,358
 Fund Balances			
Reserved:			
Debt service	-	887,972	887,972
Unreserved	<u>806,129</u>	<u>-</u>	<u>806,129</u>
Total Fund Balances	<u>806,129</u>	<u>887,972</u>	<u>1,694,101</u>
Total Liabilities and Fund Balances	<u>\$ 819,487</u>	<u>\$ 887,972</u>	<u>\$ 1,707,459</u>

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

Earth City Levee District

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Funds		\$ 1,694,101
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. The cost of the assets is \$10,862,650 and the accumulated depreciation is \$2,868,389.	\$ 7,994,261	
Prepaid expenses are not required to be recorded in the fund statements.	15,163	
Bond issuance costs are not financial resources and, therefore, not reported in the fund financial statements. The issuance costs were \$435,939 and the accumulated amortization is \$54,928.	12,447	
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of bonds payable.	<u>(770,000)</u>	<u>7,251,871</u>
Total Net Assets of Governmental Activities		<u>\$ 8,945,972</u>

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

Earth City Levee District

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES

For the year ended June 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Levee assessments	\$ 517,709	\$ 248,899	\$ 766,608
Investment income	12,278	39,971	52,249
Other income	<u>6,290</u>	<u>-</u>	<u>6,290</u>
Total Revenues	<u>536,277</u>	<u>288,870</u>	<u>825,147</u>
EXPENDITURES			
Current -			
Administrative	95,369	-	95,369
Electricity	6,554	-	6,554
Fuel	2,409	-	2,409
Insurance	27,017	-	27,017
Maintenance and repairs	136,233	-	136,233
Professional fees	64,968	-	64,968
Debt service:			
Principal	-	245,000	245,000
Interest	-	48,730	48,730
Capital outlays:			
Property and equipment	<u>32,614</u>	<u>-</u>	<u>32,614</u>
Total Expenditures	<u>365,164</u>	<u>293,730</u>	<u>658,894</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>171,113</u>	<u>(4,860)</u>	<u>166,253</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	119,434	119,434
Transfers out	<u>(119,434)</u>	<u>-</u>	<u>(119,434)</u>
Total Other Financing Sources (Uses)	<u>(119,434)</u>	<u>119,434</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	51,679	114,574	166,253
FUND BALANCE AT BEGINNING OF YEAR	<u>754,450</u>	<u>773,398</u>	<u>1,527,848</u>
FUND BALANCE AT END OF YEAR	<u>\$ 806,129</u>	<u>\$ 887,972</u>	<u>\$ 1,694,101</u>

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

Earth City Levee District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

Net Change in Fund Balances – Governmental Funds \$ 166,253

Amounts reported for governmental activities in the statement of
activities are different because:

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which depreciation of
\$282,974 exceeds capital outlays of \$32,614 in the current year.

\$ (250,358)

Bond issue costs are reported in governmental fund expenditures.
However, in the statement of activities, the cost of those assets is
allocated over the life of the bonds as amortization expense. This
amount represents current amortization on bond issuance costs.

(7,913)

Repayment of debt principal is recorded as an expenditure in the
governmental funds, but the repayment reduces long-term liabilities
in the statement of net assets.

The following adjustments have been made for debt service:
Principal payments

245,000

(13,271)

Change in Net Assets of Governmental Activities

\$ 152,982

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

Earth City Levee District
 SCHEDULE OF CURRENT EXPENDITURES
 Year ended June 30, 2006

Administrative:

A.M.C.I. management fee	\$	45,000	
Consulting fee - Leigh		6,985	
Consulting fee - Basilico		35,600	
Consulting - other		1,870	
Office supplies		71	
Office equipment usage		600	
Membership dues		250	
Postage/delivery service		1,116	
Printing and stationery		2,386	
Telephone - long-distance		3	
Telephone - pump station		1,144	
Aerials/miscellaneous		239	
Labor - manager		<u>105</u>	
			<u>\$ 95,369</u>

Electricity

Double-box culvert	\$	238	
Primary pumps		6,141	
Relief wells		<u>175</u>	
			<u>\$ 6,554</u>

Fuel

General diesel			<u>\$ 2,409</u>
----------------	--	--	-----------------

Insurance

Surety bonds	\$	100	
D & O liability		-	
Pump station structure		21,508	
Pump station equipment		2,168	
Flood		<u>3,241</u>	
			<u>\$ 27,017</u>

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

Earth City Levee District

SCHEDULE OF CURRENT EXPENDITURES - CONTINUED

Year ended June 30, 2006

Maintenance and repairs		
Maintenance - labor	\$	23,605
Relief well maintenance		4,565
Generator maintenance		1,367
Pump maintenance		1,047
Pump station maintenance		6,551
General maintenance and repairs		-
Relief wells - cleaning		8,240
Relief wells - pump test		-
Relief wells - testing		26,570
Construction/repairs - double-box culvert		-
Construction/repairs - fence		12,894
Construction/repairs - rail embankment		262
Mowing - other		14,022
Mowing - primary levee		23,650
Mowing - rail embankment		1,596
Spraying and seeding		507
Miscellaneous		3,772
Relief wells - drilling		<u>7,585</u>
		<u>\$ 136,233</u>
Professional fees		
Accounting	\$	5,470
Engineers		28,711
Plan review		-
Legal - general		20,980
Commissioner's fee		-
County tax collection fee - maintenance		5,182
County tax collection fee - installment		2,491
Web site		<u>2,134</u>
		<u>\$ 64,968</u>

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

Earth City Levee District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Operations

The Earth City Levee District was formed in the State of Missouri in January, 1994. The District assumed control of the flood control system protecting the 1,152 acre Earth City Business Park and 739 acres north of St. Charles Rock Road in February, 1995.

The District is governed by a five member Board of Supervisors who are responsible for the operation, maintenance and repair of the flood control system. An annual maintenance tax is levied by the Board of Supervisors to support the operations of the District. In addition, the Board of Supervisors appoints a qualified administrator responsible for conducting the day-to-day business operations of the District.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

2. Reporting Entity

The financial statements of the District include the financial activities of the District and its component units. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14. The District is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the District appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the District. The District does not have any component units or fiduciary funds.

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Assessments and other items not properly included among program revenues are reported instead as general revenues.

Earth City Levee District

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

3. Government-wide and Fund Financial Statements, Continued

The fund financial statements of the District are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances, revenues 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 summarized by type in the basic financial statements. The District uses only governmental fund types.

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition uses and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the District's governmental major funds:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

4. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Levee assessments are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term "available" is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the District, available is defined as expected to be received within sixty days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due (i.e. matured).

Earth City Levee District

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

4. Measurement Focus and Basis of Accounting, Continued

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

The District has no statutory requirement to adopt an annual budget, but has done so for District Management purposes.

6. Cash and Investments

The District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

7. Allowance for Doubtful Accounts

Management believes amounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is needed.

8. Restricted Assets

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

9. Capital Assets

Capital assets, which include improvements, land improvements, land, and easements, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

Depreciation is being computed on the straight-line method, using asset lives as follows:

<u>Asset</u>	<u>Years</u>
Improvements	15 - 50
Land improvements	Nondepreciable
Land	Nondepreciable
Easements	Nondepreciable

Earth City Levee District

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

10. Long-term Obligations

In the government-wide financial statements and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of net assets. Bond premiums and discount, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount, if any. Bond issuance costs are reported and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

12. Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers. Such transfers are reported as other financing resources (uses) in the governmental fund types.

13. Levee Assessments

Levee assessments attach as an enforceable lien on property as of January 1. Assessments are levied on October 1 and are due and payable on or before December 31. All unpaid assessments become delinquent January 1 of the following year. The District contracts with St. Louis County to bill and collect their levee assessments. St. Louis County charges a collection fee for these services.

District levee assessment revenues are recognized when levied to the extent that they result in current receivables.

14. Concentration of Credit Risk

This District maintains its cash in both bank deposit accounts and money market accounts at high credit, quality financial institutions. The balances in the bank accounts at times may exceed federally insured limits.

This District has not experienced any losses in either type of account. The District believes it is not exposed to any significant credit risk on cash and cash equivalents.

Earth City Levee District

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE A - SUMMARY OF ACCOUNTING POLICIES - Continued

15. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from these estimates.

NOTE B - PROPERTY AND EQUIPMENT

The Levee District is depreciating and amortizing its property and equipment in accordance with GASB Statement 34.

At the time of formation, the District was given property and equipment by the previous owners of the flood control system. This donated property and equipment was recorded at the estimated replacement value and depreciated over the estimated useful lives of the related assets using the straight-line method.

All other property and equipment is recorded at cost and is depreciated over the estimated useful lives of the related assets using the straight-line method. Upon the sale or retirement of property and equipment, the related cost and accumulated depreciation are eliminated from the accounts and the resulting gains or losses are recorded. Repairs and maintenance expenditures, not anticipated to extend asset lives, are expensed as incurred.

Amortization of land easements is included in depreciation expense. The land easements are being amortized for 40 years using the straight-line method.

	General Fixed Assets <u>July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	General Fixed Assets <u>June 30, 2006</u>
Maintenance equipment	\$ 3,783	\$ -	\$ -	\$ 3,783
Double-box culvert	11,446	-	-	11,446
Levee improvements	4,569,132	-	-	4,569,132
Relief wells	2,026,137	32,613	-	2,058,750
Pumping station equipment	1,872,039	-	-	1,872,039
Pumping station	1,209,251	-	-	1,209,251
Storm water drainage easement	54,565	-	-	54,565
Land easement	126,083	-	-	126,083
Land and improvements	953,134	-	-	953,134
Storage building	4,467	-	-	4,467
	<u>\$10,830,037</u>	<u>\$ 32,613</u>	<u>\$ -</u>	<u>\$10,862,650</u>

Earth City Levee District

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE B - PROPERTY AND EQUIPMENT - Continued

Depreciation and amortization were charged to operations as follows:

	Estimated life	June 30, 2006
Maintenance equipment	7 years	\$ -
Double-box culvert	15 years	763
Levee improvements	40 years	114,227
Relief wells	10-40 years	51,962
Pumping station equipment	15-50 years	75,496
Pumping station	5-30 years	36,171
Storm water drainage easement	40 years	980
Land easement	40 years	3,152
Storage building	20 years	<u>223</u>
		<u>\$ 282,974</u>

NOTE C - LONG-TERM DEBT

On December 19, 1997, the District issued \$2,435,000 in Levee District Funding and Improvement Bonds. The Bonds bear interest at various rates ranging from 4.20% to 5.25% and become due beginning March 1, 1999 and each year thereafter until paid.

	General Fund	Debt Service Fund
Balance, July 1, 2005	\$ -	\$ 1,015,000
Transfer from Debt Service Fund to General Fund	245,000	(245,000)
Payoff of long-term debt	<u>(245,000)</u>	<u>-</u>
Balance, June 30, 2006	<u>\$ -</u>	<u>\$ 770,000</u>

Earth City Levee District

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2006

NOTE C - LONG-TERM DEBT - CONTINUED

The annual debt service requirements for maturity of the Levee District Funding and Improvement Bonds as of June 30, 2006 are as follows:

Year ending June 30,	
2007	\$ 260,000
2008 and thereafter	<u>510,000</u>
	770,000
Less current maturities	<u>260,000</u>
Long-term debt	<u>\$ 510,000</u>

NOTE D - BOND ISSUE COSTS

The bond issue costs consist of legal and other professional fees necessary to prepare for sale of the bonds. These costs are being amortized by the straight-line method over ten (10) years, which is the life of the bond issue.

NOTE E - FUND BALANCE - DEBT SERVICE

Reserved fund balance includes the following:

Funds available for the repayment of the principal and interest of the Levee District refunding and improvement bonds	\$ 350,353
Funds available for levee improvement expenditures	<u>537,619</u>
	<u>\$ 887,972</u>