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1-1-2007

Annual Financial Statements, 2005/2006

Ste. Genevieve County Levee District #3

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CLAIRE C. McCASKILL
Missouri State Auditor

November 6, 2006

Herb Fallert, Treasurer

Ste. Genevieve County Levee District No. 3

460 Oak Street

Ste. Genevieve, MO 63670

Fiscal Period: Two Years Ended June 30, 2006 ✓

Dear Mr. Fallert:

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,

CLAIRE C. McCASKILL
STATE AUDITOR

Judy Buerky
Local Government Analyst

STE. GENEVIEVE COUNTY LEVEE DISTRICT NO. 3

Ste. Genevieve, Missouri

For the Years Ended June 30, 2006 and 2005

ANNUAL FINANCIAL STATEMENTS

**BEUSSINK, HEY, ROE,
SEABAUGH & STRODER, L.L.C.**

Certified Public Accountants

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BEUSSINK, HEY, ROE, SEABAUGH & STRODER, L.L.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Ste. Genevieve County
Levee District No. 3
Ste. Genevieve, Missouri

We have audited the accompanying financial statements of the governmental activities of Ste. Genevieve County Levee District No. 3 as of and for the years ended June 30, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Supervisors. Our responsibility is to express opinions on these financial statements based on our audits.

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

As discussed in Note 1, Ste. Genevieve County Levee District No. 3 prepares its financial statements on the modified cash basis, 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 respective financial position – modified cash basis of the governmental activities of Ste. Genevieve County Levee District No. 3 as of June 30, 2006 and 2005, and the changes in financial position – modified cash basis, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Ste. Genevieve County Levee District No. 3 has elected to omit the management's discussion and analysis from the required supplementary information. Although not a required part of the basic financial statements, they are required supplementary information required by accounting principles generally accepted in the United States of America.

BEUSSINK, HEY, ROE, SEABAUGH & STRODER, L.L.C.

Beussink, Hey, Roe, Sebaugh & Stroder, L.L.C.

Cape Girardeau, Missouri
August 3, 2006

STE. GENEVIEVE COUNTY LEVEE DISTRICT NO. 3STATEMENTS OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006
With Comparative Totals For 2005

	Governmental Activities	Business-Type Activities	Total	
			2006	2005
<u>ASSETS</u>				
<u>CURRENT ASSETS:</u>				
Cash in Bank - Regular Demand Account	\$ 74,981.53	\$ -	\$ 74,981.53	\$ 6,158.57
Cash in Bank - Money Market Account	5,779.53	-	5,779.53	56,153.96
Cash in Bank - Certificate of Deposit	345,000.00	-	345,000.00	300,000.00
Prepaid Expenses	-	-	-	61.69
Total Current Assets	<u>\$ 425,761.06</u>	<u>\$ -</u>	<u>\$ 425,761.06</u>	<u>\$ 362,374.22</u>
<u>CAPITAL ASSETS:</u>				
Building and Structures, Net	<u>\$ 5,922.93</u>	<u>\$ -</u>	<u>\$ 5,922.93</u>	<u>\$ 6,675.66</u>
TOTAL ASSETS	<u>\$ 431,683.99</u>	<u>\$ -</u>	<u>\$ 431,683.99</u>	<u>\$ 369,049.88</u>
<u>LIABILITIES</u>				
Accrued Payroll Taxes	<u>\$ 103.81</u>	<u>\$ -</u>	<u>\$ 103.81</u>	<u>\$ -</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt Unrestricted	<u>\$ 5,922.93</u> <u>425,657.25</u>	<u>\$ -</u> <u>-</u>	<u>\$ 5,922.93</u> <u>425,657.25</u>	<u>\$ 6,675.66</u> <u>362,374.22</u>
Total Net Assets	<u>\$ 431,580.18</u>	<u>\$ -</u>	<u>\$ 431,580.18</u>	<u>\$ 369,049.88</u>

See Accompanying Notes to the Basic Financial Statements.

STE. GENEVIEVE COUNTY LEVEE DISTRICT NO. 3

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	\$ 64,863.52	\$ -	\$ -	\$ -	\$ -	\$ (64,863.52)
Business-Type Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Primary Government	\$ 64,863.52	\$ -	\$ -	\$ -	\$ -	\$ (64,863.52)
General Revenues:						
Property Taxes				\$ 115,382.58	\$ -	\$ 115,382.58
Restitution				191.67	-	191.67
Unrestricted Investment Earnings				11,819.57	-	11,819.57
Total General Revenues				\$ 127,393.82	\$ -	\$ 127,393.82
Change in Net Assets				\$ 62,530.30	\$ -	\$ 62,530.30
Net Assets - July 1, 2005				369,049.88	-	369,049.88
Net Assets - June 30, 2006				\$ 431,580.18	\$ -	\$ 431,580.18

See Accompanying Notes to the Basic Financial Statements.

STE. GENEVIEVE COUNTY LEVEE DISTRICT NO. 3
STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2005

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 100,661.79	\$ -	\$ -	\$ 1,598.10	\$ (99,063.69)	\$ -	\$ (99,063.69)
Business-Type Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Primary Government	\$ 100,661.79	\$ -	\$ -	\$ 1,598.10	\$ (99,063.69)	\$ -	\$ (99,063.69)
General Revenues:							
Property Taxes				\$ 115,675.14	\$ -		\$ 115,675.14
Rental Income				17,597.50	-		17,597.50
Unrestricted Investment Earnings				5,365.15	-		5,365.15
Total General Revenues				\$ 138,637.79	\$ -		\$ 138,637.79
Change in Net Assets				\$ 39,574.10	\$ -		\$ 39,574.10
Net Assets - July 1, 2004				329,475.78	-		329,475.78
Net Assets - June 30, 2005				\$ 369,049.88	\$ -		\$ 369,049.88

See Accompanying Notes to the Basic Financial Statements.

STE. GENEVIEVE COUNTY LEVEE DISTRICT NO. 3STATEMENTS OF ASSETS, LIABILITIES, AND FUND
BALANCE - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

June 30, 2006

With Comparative Totals for 2005

<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>	2006	2005
Cash in Bank - Regular Demand Account	\$ 74,981.53	\$ 6,158.57
Cash in Bank - Money Market Account	5,779.53	56,153.96
Cash in Bank - Certificate of Deposit	345,000.00	300,000.00
Prepaid Expenses	-	61.69
Total Current Assets	<u>\$ 425,761.06</u>	<u>\$ 362,374.22</u>
TOTAL ASSETS	<u>\$ 425,761.06</u>	<u>\$ 362,374.22</u>
 <u>LIABILITIES AND FUND BALANCE</u> 		
<u>LIABILITIES:</u>		
Accrued Payroll Taxes	\$ 103.81	\$ -
 <u>FUND BALANCE:</u>		
Unreserved	<u>\$ 425,657.25</u>	<u>\$ 362,374.22</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 425,761.06</u>	<u>\$ 362,374.22</u>
 Total Governmental Fund Balance	 \$ 425,657.25	 \$ 362,374.22
 Amounts reported in the governmental activities in the statement of net assets are different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental fund financial statements.	7,527.26	7,527.26
Accumulated depreciation has not been included in the governmental fund financial statements.	<u>(1,604.33)</u>	<u>(851.60)</u>
 Total Net Assets of Governmental Activities (Statement 1)	 <u>\$ 431,580.18</u>	 <u>\$ 369,049.88</u>

See Accompanying Notes to the Basic Financial Statements.

STE. GENEVIEVE COUNTY LEVEE DISTRICT NO. 3STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2006
With Comparative Totals for 2005

<u>REVENUES:</u>	<u>2006</u>	<u>2005</u>
Local tax collections	\$ 115,382.58	\$ 115,675.14
State emergency management agency	-	1,598.10
Rental income	-	17,597.50
Restitution	191.67	-
Interest income	<u>11,819.57</u>	<u>5,365.15</u>
 TOTAL REVENUES	 <u>\$ 127,393.82</u>	 <u>\$ 140,235.89</u>
 <u>EXPENDITURES:</u>		
Advertising	\$ 371.10	\$ 237.60
Commissioner fees	1,704.78	1,724.91
Insurance	10,621.50	10,669.50
Professional fees	8,904.56	24,913.66
Miscellaneous	783.91	732.50
Repairs and maintenance	28,353.32	38,927.94
Refund of prior year taxes	1,451.15	-
Supplies	428.56	597.31
Taxes - payroll	847.79	1,013.73
Telephone	533.40	773.71
Utilities	2,331.72	10,229.20
Wages	<u>7,779.00</u>	<u>10,089.00</u>
 Total General Government Expenditures	 <u>\$ 64,110.79</u>	 <u>\$ 99,909.06</u>
Capital Outlay	<u>-</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>\$ 64,110.79</u>	 <u>\$ 99,909.06</u>
 Total Revenues over Expenditures	 <u>\$ 63,283.03</u>	 <u>\$ 40,326.83</u>
 FUND BALANCE - July 1,	 <u>362,374.22</u>	 <u>322,047.39</u>
 FUND BALANCE - June 30,	 <u>\$ 425,657.25</u>	 <u>\$ 362,374.22</u>

See Accompanying Notes to the Basic Financial Statements.

STATEMENT 4-A

STE. GENEVIEVE COUNTY LEVEE DISTRICT NO. 3RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ending June 30, 2006
With Comparative Totals for 2005

	<u>2006</u>	<u>2005</u>
Net Change in Governmental Fund Balances	\$ 63,283.03	\$ 40,326.83
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is shown as an increase in capital assets.</p>		
	-	-
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.</p>		
	<u>(752.73)</u>	<u>(752.73)</u>
Change in Net Assets of Governmental Activities (Statement 2)	<u>\$ 62,530.30</u>	<u>\$ 39,574.10</u>

See Accompanying Notes to the Basic Financial Statements.

STE. GENEVIEVE COUNTY LEVEE DISTRICT NO. 3

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on the modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Nature of Operations and Financial Reporting Entity

Ste. Genevieve County Levee District No. 3 ("Levee District") was organized on August 7, 1974 by decree of the Circuit Court of Ste. Genevieve County under provisions of Chapter 245 RSMo.1969, as amended. The Levee District as formed for the primary purpose of protecting agricultural lands that were subject to effects and overflow of floodwaters of the Mississippi River and Gabouri Creeks.

Subsequent to the flood of 1993, the Levee District entered into a cooperative agreement with the City of Ste. Genevieve to assist the City in fulfilling the contract with the United States Corps of Engineers to construct the Ste. Genevieve Urban Design Levee and flood control facilities located in or around the City of Ste. Genevieve. Once the levee was substantially completed, the responsibility for maintenance of the levee was granted to the Levee District. The Levee District, in order to fulfill its maintenance obligation, began assessing a tax levy on the properties benefited from the levee under authority of section 245.175 RSMo. The tax levy set by the Board of Supervisors was 1.0% and 1.0% of assessed valuation for the fiscal years ending June 30, 2006 and 2005, respectively.

B. Basis of Presentation:

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories, governmental and proprietary. The District presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund -The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

C. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types should use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Assets, Liabilities, and Equity:

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, restricted cash, and certificates of deposit.

Capital Assets

The District's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) is as follows:

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and structures	10 years
--------------------------	----------

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity Classification

Government-Wide Statements – Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the District's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements - Governmental fund equity is classified as fund balance.

E. Revenues, Expenditures, and Expenses:

Program Revenues

In the Statement of Activities – modified cash basis, revenues that are derived directly from each activity or from parties outside the District’s taxpayers are reported as program revenues. The District had no program revenues for the year ending June 30, 2006. For the June 30, 2005 year, the District had the following program revenues in each activity:

General Government	SEMA Grant
--------------------	------------

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. Use of Estimates:

The preparation of financial statements in conformity with an other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS

At June 30, 2006 deposits in financial institutions reported as components of cash had a carrying amount of \$425,761.06 and a bank balance of \$426,285.67 that was fully insured by depository insurance or secured with collateral held by the District in the District’s name.

At June 30, 2005 the carrying amount of the District’s deposits was \$362,312.53; the bank balance was \$362,712.14. The deposits are categorized in accordance with risk factors created by governmental reporting standards.

Custodial Credit Risk - Deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2006 and 2005, none of the District’s bank balances were exposed to custodial credit risk.

3. CAPITAL ASSETS

Capital assets activity, resulting from modified cash basis transactions, for the fiscal year ended June 30, 2006 was as follows:

	Balance at July 1, <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance at June 30, <u>2006</u>
Governmental Activities				
Capital Assets:				
Buildings and structures	\$7,527.26	\$ -0-	\$-0-	\$7,527.26
Less Accumulated Depreciation For:				
Buildings and structures	<u>851.60</u>	<u>752.73</u>	<u>-0-</u>	<u>1,604.33</u>
Governmental Activities Capital Assets, Net	<u>\$6,675.66</u>	<u>\$(752.73)</u>	<u>\$-0-</u>	<u>\$5,922.93</u>

4. PROPERTY TAX

The annual installment of taxes levied on property are ordered and certified by the board of supervisors no later than October 31 of each year and presented to the county collector of revenue. The assessed taxes became due and collectible at the same time state and county taxes are due and collectible, which is December 31 of each year. If taxes are not paid by December 31 they become delinquent and a lien can be filed on the land or other property against which it is assessed.

The tax levy set by the Board of Supervisors was 1.0% and 1.0% of assessed valuation for the fiscal years ending June 30, 2006 and 2005, respectively.

5. RISK OF LOSS

The Levee District, due to maintenance responsibility of the levee and flood control facilities, is exposed to risks of loss through damage to property, official and employee liability, and general liability claims. The Levee District handles these risks of loss through the purchase of commercial insurance policies. No significant reduction in insurance coverage in the prior years.

6. CONTINGENCIES

The District is involved in various legal actions. The results of these actions may result in the District being responsible for a portion of any loss sustained by the petitioning parties. No estimate of loss, if any, can be determined at this time.

7. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2006, the District purchased maintenance and repair services from a local construction company, a shareholder of which is a member of the District's Board of Supervisors. During the year, the transactions resulted in the District making payments \$6,089.82 for these services.