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Financial Statements, 2002

Consolidated North County Levee District

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**CONSOLIDATED NORTH COUNTY
LEVEE DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2002
(With comparative totals for June 30, 2001)

**HUBER
RING
HELM
& CO.**

A PROFESSIONAL CORPORATION
OF CERTIFIED PUBLIC ACCOUNTANTS

1600 S. Brentwood Blvd.
Suite 600
St. Louis, MO 63144
(314) 962-0300
(314) 962-9474 fax



3660 W. Clay
St. Charles, MO 63301
(636) 946-3366
fax (636) 946-0753

A PROFESSIONAL CORPORATION
OF CERTIFIED PUBLIC ACCOUNTANTS

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, 2002 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 2001 financial statements and, in our report dated January 25, 2002, we expressed an unqualified opinion on those 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, the financial statements were prepared on the 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 combined assets, liabilities and fund balances - cash basis of the Consolidated North County Levee District as of June 30, 2002 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
December 19, 2002

CONSOLIDATED NORTH COUNTY LEVEE DISTRICT

**COMBINED STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES - CASH BASIS
ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUP**

**JUNE 30, 2002
(With comparative totals for June 30, 2001)**

	Governmental Fund Types						L-15 General
	General	Construction	Debt Service	Reserve A	Reserve B	Buyout	
ASSETS							
Cash		\$ 165,880	\$ 193	\$ 226,049	\$ 224,936	\$ 17,042	
Certificates of deposit				163,774			
Amount to be provided for retirement of long-term liabilities							
Total assets	\$ -	\$ 165,880	\$ 193	\$ 389,823	\$ 224,936	\$ 17,042	\$ -
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Bonds payable							
FUND BALANCES							
Reserved for debt service			\$ 193				
Undesignated		\$ 165,880		\$ 389,823	\$ 224,936	\$ 17,042	
Total fund balances		165,880	193	389,823	224,936	17,042	
Total liabilities and fund balances	\$ -	\$ 165,880	\$ 193	\$ 389,823	\$ 224,936	\$ 17,042	\$ -

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 Long-term Liabilities	Memorandum Only Total	
					2002	2001
\$ 47,150	\$ 223,411	\$ 1,078,175	\$ 80		\$ 1,982,916 163,774	\$ 596,990 152,446
				\$ 3,705,000	3,705,000	1,620,000
<u>\$ 47,150</u>	<u>\$ 223,411</u>	<u>\$ 1,078,175</u>	<u>\$ 80</u>	<u>\$ 3,705,000</u>	<u>\$ 5,851,690</u>	<u>\$ 2,369,436</u>
				\$ 3,705,000	\$ 3,705,000	\$ 1,620,000
\$ 47,150	\$ 223,411	\$ 1,078,175	\$ 80		47,343 2,099,347	221 749,215
<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>\$ 47,150</u>	<u>\$ 223,411</u>	<u>\$ 1,078,175</u>	<u>\$ 80</u>	<u>\$ 3,705,000</u>	<u>\$ 5,851,690</u>	<u>\$ 2,369,436</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, 2002
(With comparative totals for June 30, 2001)

	Governmental Fund Types					
	General	Construction	Debt Service	Reserve A	Reserve B	Buyout
REVENUE						
Levee assessments		\$ 177,652		\$ 277,704	\$ 198,073	
Interest income	\$ 33	250	\$ 2	15,838	3,352	\$ 306
Governmental reimbursements/settlements	55					
Private contribution						
Total revenue	<u>88</u>	<u>177,902</u>	<u>2</u>	<u>293,542</u>	<u>201,425</u>	<u>306</u>
EXPENDITURES						
Debt service principal				140,000		
Debt service interest				96,503		
Construction		281,961				
Legal and accounting		108,458				
Levee maintenance		307,120				
Insurance		881				
Lobbying		37,672				
Bond underwriting fees						
Office expense		1,801	30	613		
Licenses and taxes		2,225				1,408
Total expenditures		<u>740,118</u>	<u>30</u>	<u>237,116</u>	<u>-</u>	<u>1,408</u>
Excess of revenue over (under) expenditures	88	(562,216)	(28)	56,426	201,425	(1,102)
TRANSFERS	(8,010)	724,624			(209,000)	
OTHER FINANCING SOURCES- PROCEEDS OF LEVEE IMPROVEMENTS BONDS						
FUND BALANCES						
BEGINNING OF YEAR	<u>7,922</u>	<u>3,472</u>	<u>221</u>	<u>333,397</u>	<u>232,511</u>	<u>18,144</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 165,880</u>	<u>\$ 193</u>	<u>\$ 389,823</u>	<u>\$ 224,936</u>	<u>\$ 17,042</u>

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

L-15 General	L-15 Debt Service	L-15 Reserve A	L-15 Reserve B	L-15 Escrow	Memorandum Only Total	
					2002	2001
\$ 3,945	\$ 40	\$ 911	\$ 5,347		\$ 653,429 30,024	\$ 430,752 29,910
350,000					55 350,000	9,811 150,000
<u>353,945</u>	<u>40</u>	<u>911</u>	<u>5,347</u>		<u>1,033,508</u>	<u>620,473</u>
					140,000	135,000
					96,503	103,523
			551,375	\$ 270,000	1,103,336	
					108,458	26,573
					307,120	72,975
					881	1,241
					37,672	32,798
	1,333	6,290	53,564		61,187	
				20	2,464	6,140
					3,633	1,531
	<u>1,333</u>	<u>6,290</u>	<u>604,939</u>	<u>270,020</u>	<u>1,861,254</u>	<u>379,781</u>
353,945	(1,293)	(5,379)	(599,592)	(270,020)	(827,746)	240,692
(507,714)			(270,000)	270,100		
	48,443	228,790	1,947,767		2,225,000	
<u>153,769</u>					<u>749,436</u>	<u>508,744</u>
<u>\$ -</u>	<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>

CONSOLIDATED NORTH COUNTY LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

The Consolidated North County Levee District (the “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.

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

General Fund

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

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.

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 & 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.

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

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

Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND CERTIFICATES OF DEPOSIT

As of June 30, 2002 and 2001, cash in banks consisted of checking accounts and certificates of deposit totaling \$2,146,690 and \$749,436, respectively.

Risk Category (Bank Balances)

	<u>2002</u>	<u>2001</u>
1. Insured or collateralized with securities held by the District, or by its agent, in the District's name.	\$ 100,000	\$ 100,000
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.	<u>2,046,690</u>	<u>649,509</u>
Total	<u>\$2,146,690</u>	<u>\$ 749,509</u>

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.

NOTE 4 – BOND ISSUE AND DEFEASED DEBT (CONTINUED)

The debt service schedule for these bonds as of June 30, 2002 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>
10/15/02			\$ 44,488.75	\$ 44,488.75
04/15/03	\$ 150,000.00	5.60	44,488.75	194,488.75
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>\$ 1,480,000.00</u>		<u>\$ 435,600.00</u>	<u>\$ 1,915,600.00</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, 2002 the District paid \$270,000 towards this commitment.

NOTE 4 – BOND ISSUE AND DEFEASED DEBT (CONTINUED)

The debt service schedule for these bonds as of June 30, 2002 is as follows:

Date	Principal	Coupon Rate	Interest	Period Total
09/01/02			\$ 47,109.56	\$ 47,109.56
03/01/03			59,298.75	59,298.75
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
09/01/20			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>\$ 1,588,112.07</u>	<u>\$ 3,813,112.07</u>

NOTE 5 – RELATED PARTY TRANSACTIONS

For the years ended June 30, 2002 and 2001, cash disbursements of \$4,305 and \$2,520, respectively, were paid for levee maintenance to related parties.

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; and natural disasters. The District has obtained commercial insurance to indemnify itself against these risks.