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Annual Financial Report, 2003

City of Herculaneum

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CLAIRE C. McCASKILL
Missouri State Auditor

April 20, 2004

Stephanie Gerard, City Clerk
City of Herculaneum
Jefferson County
#1 Parkwood Court
Herculaneum, MO 63048

Fiscal Period: One Year Ended June 30, 2003 ✓

Dear Ms. Gerard:

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

A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst

City of Herculaneum

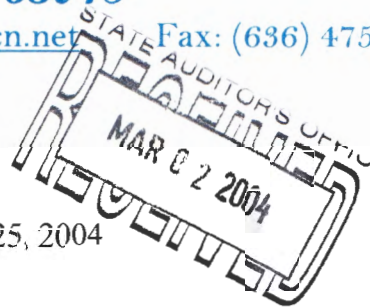
#1 Parkwood Court

Herculaneum, MO 63048

Phone: (636) 475-4447

Email: herkymo@jcn.net

Fax: (636) 475-6191



February 25, 2004

Claire C. McCaskill
Missouri State Auditor
224 State Capitol Building
Room 880
Jefferson City, Missouri 65101

Dear Ms. McCaskill:

Enclosed is the annual audit for the City of Herculaneum.

Sincerely,

Stephanie Gerard
City Clerk

**City of Herculaneum
All-Terrain Vehicle
Operator's License**

Permit # _____
Issued To: _____
License Fee: _____
Date Issued: _____
Issued By: Stephanie J. Leonard

CITY OF HERCULANEUM, MISSOURI

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2003

Jeffrey J. Eftink, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

CITY OF HERCULANEUM, MISSOURI

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2003

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Jeffrey J. Eftink, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 1130

Marble Hill, Missouri 63764

Telephone 573 / 238-3334

Fax 573 / 238-4762

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Honorable Mayor and Members of the City Council
City of Herculaneum, Missouri

I have audited the accompanying general purpose financial statements and the combining and individual fund and account group financial statements of the City of Herculaneum, Missouri, as of and for the year ending June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the City of Herculaneum, Missouri management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 8 to the financial statements, management has not recorded certain liabilities of the Tax Increment Financing District in the debt service funds and, accordingly, has not recorded the associated expenditures. Accounting principles generally accepted in the United States of America require that liabilities and associated expenditures should be recorded when the liability is incurred, which would increase the liabilities of the debt service fund, and would affect the revenues and expenditures of the general and debt service funds. The amount by which this departure would affect the liabilities, revenues, and expenditures of the general and debt service funds is not reasonably determinable.

In my opinion, except for the affects of not recording certain liabilities of the Tax Increment Financing District, the general purpose financial statements referred to above present fairly, in

Exhibit 1-1

all material respects, the financial position of the City of Herculaneum, Missouri as of June 30, 2003, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in my opinion, except for the affects of not recording certain liabilities of the Tax Increment Financing District, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Herculaneum, Missouri, as of June 30, 2003, and the results of operations of such funds and the cash flows of individual proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Marble Hill, Missouri
November 20, 2003

Jeffrey J. Eftand CPA PC

CITY OF IERCULANEUM, MISSOURI
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
ASSETS AND OTHER DEBITS				
Assets:				
Cash	\$143,135.34	\$234,358.60	\$53,651.53	\$17,782.75
Investments	760,239.11	22,543.13	0.00	0.00
Receivables:				
Taxes	155,641.42	462,986.34	84,721.26	0.00
Accounts	10,786.06	0.00	0.00	0.00
Due from other funds	0.00	81,783.34	278,134.17	0.00
Restricted assets:				
Cash	0.00	0.00	0.00	0.00
Investment - Jefferson County Water Authority	0.00	0.00	0.00	0.00
Fixed assets (net, where applicable of accumulated depreciation)	0.00	0.00	0.00	0.00
Other debits:				
Amount available in debt service fund	0.00	0.00	0.00	0.00
Total assets and other debits	<u>\$1,069,801.93</u>	<u>\$801,671.41</u>	<u>\$416,506.96</u>	<u>\$17,782.75</u>
LIABILITIES, EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$25,441.18	\$7,063.74	\$21,496.25	\$0.00
Payroll taxes and withholdings	4,399.70	0.00	0.00	0.00
Compensated absences payable	13,366.61	0.00	0.00	0.00
Construction escrow	0.00	0.00	0.00	0.00
Due to other funds	337,174.53	22,742.98	0.00	0.00
Escrow payable	5,098.28	0.00	0.00	0.00
Revenue bonds payable	0.00	0.00	0.00	0.00
Customer deposits	0.00	0.00	0.00	0.00
Deferred revenue	20,737.84	3,979.49	0.00	0.00
Accrued payroll	8,290.44	0.00	0.00	0.00
Total liabilities	<u>414,508.58</u>	<u>33,786.21</u>	<u>21,496.25</u>	<u>0.00</u>
Equity and other credits:				
Investment in general fixed assets	0.00	0.00	0.00	0.00
Contributed capital	0.00	0.00	0.00	0.00
Retained earnings:				
Reserved	0.00	0.00	0.00	0.00
Unreserved	0.00	0.00	0.00	0.00
Fund balances:				
Reserved	0.00	767,885.20	395,010.71	17,782.75
Unreserved, undesignated	655,293.35	0.00	0.00	0.00
Total equity and other credits	<u>655,293.35</u>	<u>767,885.20</u>	<u>395,010.71</u>	<u>17,782.75</u>
Total liabilities, equity, and other credits	<u>\$1,069,801.93</u>	<u>\$801,671.41</u>	<u>\$416,506.96</u>	<u>\$17,782.75</u>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type Enterprise	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-term Debt	
\$11,583.44	\$0.00	\$0.00	\$460,511.66
324,733.78	0.00	0.00	1,107,516.02
0.00	0.00	0.00	703,349.02
57,046.85	0.00	0.00	67,832.91
0.00	0.00	0.00	359,917.51
404,356.72	0.00	0.00	404,356.72
271,974.82	0.00	0.00	271,974.82
752,105.47	1,112,183.19	0.00	1,864,288.66
0.00	0.00	358,000.00	358,000.00
<u>\$1,821,801.08</u>	<u>\$1,112,183.19</u>	<u>\$358,000.00</u>	<u>\$5,597,747.32</u>
\$2,632.78	\$0.00	\$0.00	\$56,633.95
869.39	0.00	0.00	5,269.09
4,755.40	0.00	0.00	18,122.01
90,000.00	0.00	0.00	90,000.00
0.00	0.00	0.00	359,917.51
0.00	0.00	0.00	5,098.28
0.00	0.00	358,000.00	358,000.00
69,920.22	0.00	0.00	69,920.22
0.00	0.00	0.00	24,717.33
1,201.50	0.00	0.00	9,491.94
169,379.29	0.00	358,000.00	997,170.33
0.00	1,112,183.19	0.00	1,112,183.19
1,027,391.47	0.00	0.00	1,027,391.47
314,356.72	0.00	0.00	314,356.72
310,673.60	0.00	0.00	310,673.60
0.00	0.00	0.00	1,180,678.66
0.00	0.00	0.00	655,293.35
<u>1,652,421.79</u>	<u>1,112,183.19</u>	<u>0.00</u>	<u>4,600,576.99</u>
<u>\$1,821,801.08</u>	<u>\$1,112,183.19</u>	<u>\$358,000.00</u>	<u>\$5,597,747.32</u>

CITY OF HERCULANEUM, MISSOURI
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2003

	General	Special Revenue	Debt Service	Capital Project	Total (Memorandum Only)
Revenues:					
Taxes	\$1,061,596.95	\$230,072.10	\$257,572.46	\$0.00	\$1,549,241.51
Licenses and permits	22,377.16	0.00	0.00	0.00	22,377.16
Intergovernmental	4,592.81	112,686.32	198,999.04	0.00	316,278.17
Charges for services	130,815.04	0.00	0.00	0.00	130,815.04
Fines	174,715.75	7,957.42	0.00	0.00	182,673.17
Interest income	10,574.80	8,915.28	506.30	0.00	19,996.38
Miscellaneous	6,943.87	0.00	0.00	0.00	6,943.87
Reimbursements	78,164.94	0.00	0.00	0.00	78,164.94
Total revenues	1,489,781.32	359,631.12	457,077.80	0.00	2,306,490.24
Expenditures:					
General government	334,864.70	2,115.80	0.00	0.00	336,980.50
Public safety	697,491.28	45,975.11	0.00	0.00	743,466.39
Highways and streets	343,126.61	143,580.89	0.00	0.00	486,707.50
Health and welfare	131,039.27	0.00	0.00	0.00	131,039.27
Culture and recreation	8,899.99	0.00	0.00	0.00	8,899.99
Debt service	0.00	0.00	266,027.52	0.00	266,027.52
Total expenditures	1,515,421.85	191,671.80	266,027.52	0.00	1,973,121.17
Excess (deficiency) of revenues over expenditures	(25,640.53)	167,959.32	191,050.28	0.00	333,369.07
Other financing sources (uses):					
Transfers	(138,708.61)	0.00	0.00	0.00	(138,708.61)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(164,349.14)	167,959.32	191,050.28	0.00	194,660.46
Fund balance, beginning of year	819,642.49	599,925.88	203,960.43	17,782.75	1,641,311.55
Fund balance, end of year	<u>\$655,293.35</u>	<u>\$767,885.20</u>	<u>\$395,010.71</u>	<u>\$17,782.75</u>	<u>\$1,835,972.01</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
 COMBINED STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP) -
 ALL GOVERNMENTAL FUND TYPES
 YEAR ENDED JUNE 30, 2003

	General Fund			Special Revenue Funds			Debt Service Funds		
	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
Revenues:									
Taxes	\$1,051,416.86	\$1,140,621.00	(\$89,204.14)	\$230,460.16	\$226,600.00	\$3,860.16	\$257,572.46		\$257,572.46
License and permits	22,377.16	27,500.00	(5,122.84)	0.00	0.00	0.00	0.00		0.00
Intergovernmental	4,592.81	39,600.00	(35,007.19)	111,826.47	110,000.00	1,826.47	198,999.04		198,999.04
Charges for services	130,616.08	126,000.00	4,616.08	0.00	0.00	0.00	0.00		0.00
Fines	174,715.75	148,500.00	26,215.75	7,957.42	7,500.00	457.42	0.00		0.00
Interest income	10,574.80	29,500.00	(18,925.20)	8,915.28	5,500.00	3,415.28	506.30		506.30
Miscellaneous	6,943.87	15,000.00	(8,056.13)	0.00	0.00	0.00	0.00		0.00
Reimbursements	78,164.94	500.00	77,664.94	0.00	0.00	0.00	0.00		0.00
Total revenues	1,479,402.27	1,527,221.00	(47,818.73)	359,159.33	349,600.00	9,559.33	457,077.80	353,000.00	104,077.80
Expenditures:									
General government	331,739.42	365,809.00	34,069.58	1,963.82	0.00	(1,963.82)	0.00	0.00	0.00
Public safety	687,102.54	706,588.00	19,485.46	44,279.22	69,700.00	25,420.78	0.00	0.00	0.00
Highways and streets	336,454.32	235,213.00	(101,241.32)	160,173.55	103,500.00	(56,673.55)	0.00	0.00	0.00
Health and welfare	131,039.27	134,032.00	2,992.73	0.00	0.00	0.00	0.00	0.00	0.00
Culture and recreation	8,899.99	25,100.00	16,200.01	0.00	0.00	0.00	0.00	0.00	0.00
Water	0.00	0.00	0.00	0.00	91,500.00	91,500.00	0.00	0.00	0.00
Debt service	0.00	0.00	0.00	0.00	0.00	0.00	266,027.52	353,000.00	86,972.48
Total expenditures	1,495,235.54	1,466,742.00	(28,493.54)	206,416.59	264,700.00	58,283.41	266,027.52	353,000.00	86,972.48
Excess (deficit) of revenues over expenditures	(15,833.27)	60,479.00	(76,312.27)	152,742.74	84,900.00	67,842.74	191,050.28	0.00	191,050.28
Other financing sources	(138,708.61)	0.00	(138,708.61)	0.00	0.00	0.00	0.00	0.00	0.00
Excess (deficit) of revenues and other financing sources over expenditures	(\$154,541.88)	\$60,479.00	(215,020.88)	\$152,742.74	\$84,900.00	\$67,842.74	\$191,050.28	\$0.00	\$191,050.28

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 2003

Operating revenues:	
Charges for services	<u>\$648,036.16</u>
Total operating revenues	<u>648,036.16</u>
Operating expenses:	
Administrative expenses	54,302.46
Production expenses	350,887.29
Depreciation	<u>72,825.61</u>
Total operating expenses	<u>478,015.36</u>
Operating income (loss)	<u>170,020.80</u>
Nonoperating revenue (expense):	
Transfers	138,708.61
Interest revenue	6,279.38
Miscellaneous	3,605.60
Investment income - Jefferson County Water Authority	<u>242,873.82</u>
Total nonoperating	<u>391,467.41</u>
Net income (loss)	561,488.21
Retained earnings, beginning of year	<u>63,542.11</u>
Retained earnings, end of year	<u><u>\$625,030.32</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 2003

Cash flow from operating activities:	
Cash received from customers	\$637,173.37
Cash paid to suppliers and employees	(405,006.41)
Other operating revenues	<u>3,605.60</u>
Cash provided (used) by operations	<u>235,772.56</u>
Cash flow from capital and related financing activities:	
Purchase of fixed assets	(3,732.72)
Investment in Jefferson County Water Authority	<u>(29,101.00)</u>
Cash provided (used) by capital and related financing activities	<u>(32,833.72)</u>
Cash flow from noncapital financing activities:	
Interfund loans	<u>37,479.75</u>
Cash provided (used) by noncapital financing activities	<u>37,479.75</u>
Cash flows from investment activities:	
Interest income	<u>6,279.38</u>
Cash provided by investment activities	<u>6,279.38</u>
Net increase (decrease) in cash	246,697.97
Cash balance, beginning of year	<u>493,975.97</u>
Cash balance, end of year	<u><u>\$740,673.94</u></u>
Reconciliation of net income to cash provided by operations:	
Net income (loss)	\$561,488.21
Add: Noncash expenses:	
Depreciation	72,825.61
Changes in working capital:	
Accounts receivable	(16,953.07)
Accounts payable and accrued expenses	183.34
Customer deposits	6,090.28
Items not classified as operating:	
Interest revenue	(6,279.38)
Investment income	(242,873.82)
Transfers	<u>(138,708.61)</u>
Cash provided by operating activities	<u><u>\$235,772.56</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Herculaneum, Missouri are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Herculaneum, Missouri is a fourth class city, as described in Revised Missouri Statutes, in which the citizens elect the mayor at large and six council members by wards.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Included within the reporting entity:

Tax Increment Financing Districts

These districts are created to provide financing services for development of infrastructure and real property which is designated for economic development within the City. District officers are appointed by the City. City employees manage the assets of the districts. Also the City Council has significant influence over the approval of expenditures of the districts. The districts are blended into the City's financial statements and reported in the debt service and capital project funds.

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service fund).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of

others as their agent.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity, (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

The purchase method is used to account for insurance and material supplies. Under the purchase method, items are recorded as expenditures at the time of purchase, rather than charged to an expenditure account as used.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. Fines are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

In accordance with Missouri statutes, budgets are adopted on a cash basis. Annual appropriated budgets are adopted for the general, special revenue, debt service, and enterprise funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

E. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

F. Advances to Other Funds

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

G. Restricted Assets

Resources set aside for the replacement of the water and sewer system, as well as customer deposits, are classified as restricted assets on the balance sheet because their use is limited by City ordinances.

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Construction period interest of proprietary fund fixed assets is normally capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method.

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditures are reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

J. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results

of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2. Joint Venture

The City of Herculaneum, Missouri has entered into a cooperative agreement with the City of Festus, Missouri to establish The Jefferson County Water Authority (a Missouri nonprofit corporation). The purpose of the Authority is to acquire and construct a water supply system in Jefferson County, Missouri.

The anticipated cost of the project is \$18,760,000.00. Construction costs will be primarily funded through low interest loans through the Missouri Department of Natural Resources, Public Drinking Water Revolving Loan Program. However, to facilitate initial construction costs, the City of Festus issued combined Waterworks and Sewerage System Revenue Bonds in the amount of \$2,380,000.00. The City of Herculaneum also approved an agreement with the City of Festus which obligated the City of Herculaneum to pay 30.38% of the debt service requirements of the Festus Revenue Bond issue. The annual requirements of the City of Herculaneum to service the debt agreement are as follows:

Year ending June 30,	Revenue Bonds
2004	\$ 59,982.27
2005	60,382.53
2006	60,685.57
Thereafter	<u>904,152.48</u>
	<u>\$1,085,202.85</u>

It is anticipated that subsequent revolving loan proceeds will be available for debt service of the revenue bond issue. Subsequently, the revolving loan will be repaid through user charges of the water system. Initial construction has begun and is anticipated to be completed during 2004. The City of Festus is performing initial administrative services.

The water agreement obligates the City of Herculaneum to purchase 480,000 gallons of water per day, with credit options if water is sold to another entity, once the system is operational. The agreement will be pledged as security on subsequent bond issues of the Water Authority, and the City would be obligated for its pro-rata share, in the event of

default. The City estimates, that the cost of water purchases by the City, will be approximately \$39,000.00 per month.

The Jefferson County Water Authority's audited financial statements for the year ending September 30, 2002 may be obtained from the City of Festus, Missouri at 711 West Main, Festus, Missouri, 63028. An analysis of the City of Herculaneum's investment in the Water Authority based upon the September 30, 2002 audited financial statements is as follows:

Capital contributions	\$146,939.24
Allocation of Water Authority's income	<u>125,035.58</u>
Total investment	<u>\$271,974.82</u>

Note 3. Legal Compliance - Budgets

On August 12, 2002, the City adopted an ordinance authorizing the budget for the fiscal year ending June 30, 2003. The budget was prepared by fund, function, and activity for the general, special revenue, and enterprise funds. Budget hearings were held prior to the adoption of the budget. Authorized expenditures may not legally exceed budgeted appropriations during the year.

Note 4. Cash Deposits and Investments

It is the City's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the federal deposit insurance corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2003. The categories are described as follows:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uncollateralized

Deposits, categorized by level of risk, are:

	Bank	Category		
	Balance	1	2	3
General Fund	\$143,135.34	\$142,945.34	\$0.00	\$190.00
Special Revenue Fund	234,358.60	234,358.60	0.00	0.00
Debt Service Fund	53,651.53	53,651.53	0.00	0.00
Capital Project Fund	17,782.75	17,782.75	0.00	0.00
Proprietary Fund	415,940.16	415,940.16	0.00	0.00
	<u>\$864,868.38</u>	<u>\$864,678.38</u>	<u>\$0.00</u>	<u>\$190.00</u>

Investments

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end.

Category 1 - Insured or registered or for which the securities are held by the City or it's agent in the City's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the trust department or agent but not in the City's name.

Public Funds Repurchase Agreement

	Category			Fair Value/ Carrying Amount
	1	2	3	
General Fund	\$760,239.11	\$0.00	\$0.00	\$760,239.11
Special Revenue Fund	22,543.13	0.00	0.00	22,543.13
Enterprise Fund	324,733.78	0.00	0.00	324,733.78
	<u>\$1,107,516.02</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$1,107,516.02</u>

Note 5. Receivables

Receivables at June 30, 2003 consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>
Taxes	\$155,641.42	\$462,968.34	\$ 84,721.26	\$ 0.00
Accounts	10,786.06	0.00	0.00	57,046.85
Total	<u>\$166,427.48</u>	<u>\$462,968.34</u>	<u>\$ 84,721.26</u>	<u>\$57,046.85</u>
Deferred Taxes	<u>\$ 20,737.84</u>	<u>\$ 3,979.49</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

Property taxes are assessed upon property owned as of January 1, 2002. The tax rate was computed and levied by August 31, 2002. The tax bills were mailed by November 1, 2002. Taxes became delinquent after December 31, 2002.

Note 6. Fixed Assets

General Fixed Assets:

The following is a summary of changes in general fixed assets for the year ending June 30, 2003:

	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Office equipment	\$ 61,265.86	\$ 3,674.66	\$ 0.00	\$ 64,940.52
Automotive equipment	377,111.00	66,787.75	0.00	443,898.75
Other equipment	287,813.24	13,721.00	0.00	301,534.24
Land and buildings	<u>301,809.68</u>	<u>0.00</u>	<u>0.00</u>	<u>301,809.68</u>
Total	<u>\$1,027,999.78</u>	<u>\$ 84,183.41</u>	<u>\$ 0.00</u>	<u>\$1,112,183.19</u>

Proprietary Fixed Assets:

The following is a summary of changes in proprietary fund-type fixed assets for the year ending June 30, 2003:

	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
System	\$1,781,150.70	\$ 0.00	\$ 0.00	\$ 1,781,150.70
Industrial equipment	24,528.37	3,732.72	0.00	28,261.09
Automotive equipment	33,630.00	0.00	0.00	33,630.00
Office equipment	2,110.98	0.00	0.00	2,110.98
Less: Accumulated depreciation	<u>(1,020,221.69)</u>	<u>(72,825.61)</u>	<u>0.00</u>	<u>\$(1,093,047.30)</u>
Net fixed assets	<u>\$ 821,198.36</u>	<u>\$(69,092.89)</u>	<u>\$ 0.00</u>	<u>\$ 752,105.47</u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

System	15 to 50 years
Industrial equipment	5 years
Automotive equipment	5 years
Office equipment	5 to 10 years

Note 7. Long-term Debt

The following is a summary of long-term debt transactions of the City of Herculaneum, Missouri, for the year ended June 30, 2003:

	General Long-term Debt
	<u>TIF Revenue Bonds</u>
Balance, June 30, 2002	\$544,000.00
Debt issued	0.00
Debt retired	186,000.00
Balance, June 30, 2003	<u>\$358,000.00</u>

The annual requirements to amortize the long-term debt outstanding including interest of \$34,853.00, are as follows:

	General Long-term Debt
	<u>TIF Revenue Bonds</u>
2004	\$202,218.00
2005	190,635.00
	<u>\$392,853.00</u>

Long-term debt outstanding at June 30, 2003 consists of the following issues:

Limited Debt Obligations-TIF Districts:

The City entered into various agreements for construction and development of infrastructure in accordance with the Missouri Real Property Tax Increment Allocation Redevelopment Act. Basically, the developer finances the construction and is

reimbursed for the cost, by the City. The increase in tax revenues received from the redevelopment area or tax district are restricted for payment of the redevelopment costs and related debt obligations. Missouri statutes state that "the obligations shall not be a general obligation of the municipality, county, state of Missouri, nor in any event shall such obligation be payable out of any funds or properties other than those specifically pledged as security. Therefore, The obligations shall not constitute indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction." The revenues and expenditures related to the obligations are reported in the debt service funds. Once the obligations are retired, the tax revenues applicable to the City will be available for general use. The agreements in effect at June 30, 2003 are as follows:

I-55 TIF District

On January 14, 1991, the City entered an agreement for the construction of public facilities in I-55 Interchange Redevelopment Project Area Tax Increment Finance District at an estimated cost of \$1,500,000.00. The agreement states that the increase in tax revenues in the district will be paid to the developer for reimbursement of costs incurred. The District will be dissolved on January 1, 2005. It is anticipated that tax revenues will not be sufficient to retire the obligation, which also terminates on January 1, 2005. The City has no obligation to pay any remaining unpaid balance. The balance at June 30, 2003 was not available.

Riverview TIF District

On February 17, 1992 the City issued \$1,250,000.00 Taxable Tax Increment Allocation Bonds, bearing interest at 9%, to finance the construction of public facilities in the Riverview TIF District. The bonds are payable solely from the increase in tax revenues of the District. On August 15, 1997, the City of Herculaneum issued \$745,000.00 "Tax Increment Refunding Revenue Bond (Riverview Redevelopment Project) Series 1997" to refinance the original bonds at a reduced rate of 6.2%. The City's obligation for payment of the bonds terminates on October 1, 2007, whether or not the principal amount has been paid in full. However, on August 17, 1999, the City issued \$1,260,000.00 Tax Increment Financing Revenue Bonds, Series 1999, bearing interest at 6.5%. The purpose of the 1999 Series Bonds is to refinance the 1997 Series Bonds as well as to provide additional funding for new development in the District. \$358,000.00

Note 8. Unrecorded Liabilities
I-55 TIF District

The audit disclosed that the City's computation of amounts due to the developer of the I-55 TIF District have been understated. The City is required to pay to the developer, an amount equal to one-half of the increase in the tax revenue generated in the TIF District, from March 1, 1992 through December 31, 2004. The City's computation has included the tax revenue from the businesses associated with the developer. However, additional businesses are located in the District, which have not been included in the computation. The City's liability, to the developer, as of June 30, 2003, would be an amount equal to one-half of the sales tax generated, from the additional businesses within the district, for the period March 1, 1992 to June 30, 2003. The amount due to the developer is not readily determinable, but is believed to be material to the financial statements. The City estimates that the liability will be less than \$200,000.00 and would be payable from the general fund.

Note 9. Construction Escrow

The City has received \$90,000.00, which has been designated for the construction of sewers in a specified area of the City. The amount is being held in escrow, pending actual construction of the sewer system.

Note 10. Risk Management

The City 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 City participates in public entity risk pools to manage liability risks of workmen's compensation and general liability exposure. The City pays annual premiums to the risk pools, which are anticipated to be self-sustaining through member premiums. As of June 30, 2003, the City has one open claim totaling \$38,733.67 through the public entity risk pools. The City also carries commercial insurance for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 11. Contingent Liabilities
Environmental

On August 21, 2001 the Missouri Department of Natural Resources detected extremely high levels of lead on City

streets and property near the Doe Run Lead Smelting Company. Doe Run has assumed full responsibility and is cooperating with the Missouri Department of Natural Resources in the cleanup process. In the event that the Doe Run Company's resources are not sufficient to settle any potential claims, the United States Environmental Protection Agency would be solicited for assistance. The City has not assumed any liability for the circumstances.

Note 12. Subsequent Events

On November 4, 2003, the citizen's of the Herculaneum Sewer District voted to dissolve the District and transfer all assets, liabilities, and operations to the City of Herculaneum, Missouri.

The Herculaneum Sewer District is located entirely within the City of Herculaneum, Missouri. However, the District has an independent board of directors and operates independently of the City of Herculaneum, Missouri.

It is anticipated that sewer operations will be more efficient by combining the operations of the District and the City. The transfer from the District to the City is anticipated to occur in January, 2004.

Financial information of the Sewer District as of June 30, 2003, is not readily available. Therefore, the net effect on the City of Herculaneum's financial statements is not readily determinable as of November 20, 2003.

GENERAL FUND

CITY OF HERCULANEUM, MISSOURI
 GENERAL FUND
 BALANCE SHEET
 JUNE 30, 2003

ASSETS	
Cash	\$143,135.34
Investments	760,239.11
Accounts receivable (Net of allowance for uncollectibles)	
Taxes	155,641.42
Other	<u>10,786.06</u>
Total assets	<u><u>\$1,069,801.93</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$25,441.18
Payroll taxes and withholdings	4,399.70
Compensated absences payable	13,366.61
Accrued payroll	8,290.44
Bond escrow payable	5,098.28
Deferred tax revenue	20,737.84
Due to other funds	<u>337,174.53</u>
Total liabilities	<u>414,508.58</u>
Fund balance:	
Fund balance - undesignated	<u>655,293.35</u>
Total fund balance	<u>655,293.35</u>
Total liabilities and fund balance	<u><u>\$1,069,801.93</u></u>

CITY OF HERCULANEUM, MISSOURI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2003

Revenues:	
Taxes:	
General revenue	\$353,468.25
Franchise tax	365,973.94
Sales tax	342,154.76
Intergovernmental:	
Grants	4,592.81
License and permits	22,377.16
Charges for services:	
Trash	130,815.04
Fines, costs, and forfeitures	174,715.75
Interest income	10,574.80
Miscellaneous revenue	6,943.87
Reimbursements	78,164.94
	<hr/>
Total revenues	1,489,781.32
	<hr/>
Expenditures:	
General government	334,864.70
Public safety	697,491.28
Highways and streets	343,126.61
Health and welfare	131,039.27
Culture and recreation	8,899.99
	<hr/>
Total expenditures	1,515,421.85
	<hr/>
Excess of revenues over expenditures	(25,640.53)
Other financing sources (uses):	
Transfers	(138,708.61)
	<hr/>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(164,349.14)
Fund balance, beginning of year	819,642.49
	<hr/>
Fund balance, end of year	\$655,293.35
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
 GENERAL FUND
 STATEMENT OF EXPENDITURES
 YEAR ENDED JUNE 30, 2003

General Government:

City Hall:

Salaries and wages	\$92,264.19
Payroll taxes	5,881.60
Employee insurance	10,141.77
Pension expense	1,623.27
Repairs and maintenance	7,091.43
Telephone and utilities	8,894.34
Insurance	35,386.89
Legal fees	35,831.54
Accounting services	7,200.00
Membership and dues	3,836.48
Printing and advertising	2,801.80
Office supplies and postage	6,094.54
Capital outlay	3,824.61
Miscellaneous	8,433.14
Travel	1,117.94
Training	2,230.83
Engineering fees	4,987.50
Citizens program	824.90
Election expenses	1,139.01
Books & publications	387.00
Contractual services	25,381.46
City celebration	4,500.00

Total City Hall	<u>269,874.24</u>
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Municipal Court and Prosecuting Attorney

Salaries and wages	12,368.80
Payroll taxes	1,080.89
Employee insurance	3,078.31
Pension expense	916.30
Advertising & printing	1,577.73
Insurance	5,422.04
Telephone and utilities	69.65
Office supplies and postage	2,467.88
Miscellaneous	990.20
Legal fees	35,734.50
Contractual services	1,284.16

Total Municipal Court and Prosecuting Attorney	<u>64,990.46</u>
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Total General Government	<u>334,864.70</u>
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(Continued)

CITY OF HERCULANEUM, MISSOURI
 GENERAL FUND
 STATEMENT OF EXPENDITURES
 YEAR ENDED JUNE 30, 2003

Public Safety:	
Police:	
Salaries and wages	347,671.71
Payroll taxes	22,331.07
Pension expense	9,386.66
Employee insurance	45,644.72
Repairs and maintenance	21,560.62
Telephone and utilities	6,605.23
Insurance	52,628.33
Printing and advertising	484.30
Dispatching	36,671.25
Office supplies and postage	2,577.85
Uniforms	8,350.96
Supplies	4,084.73
Capital outlay	14,834.37
Miscellaneous	17,629.21
Training	4,287.90
Citizens program	594.87
Travel	1,148.66
Membership and dues	1,303.00
Contractual services	<u>1,368.14</u>
Total Police	<u>599,163.58</u>
Building Commission:	
Salaries and wages	18,089.20
Payroll taxes	1,468.52
Pension expense	683.31
Repairs and maintenance	111.59
Supplies	425.58
Membership and dues	120.00
Office supplies and postage	283.22
Miscellaneous	2,295.29
Insurance	6,279.36
Uniforms	<u>1,071.63</u>
Total Building Commission	<u>30,827.70</u>
Fire Department:	
Contractual services	<u>67,500.00</u>
Total Fire Department	<u>67,500.00</u>
Total Public Safety	<u>697,491.28</u>

(Continued)

CITY OF HERCULANEUM, MISSOURI
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2003

Highways and streets:	
Street Department:	
Salaries and wages	202,878.77
Payroll taxes	15,894.47
Pension expense	3,603.19
Travel	249.99
Employee insurance	27,075.92
Repairs and maintenance	20,997.53
Equipment rental	1,317.57
Snow removal	18,550.66
Telephone and utilities	4,789.56
Insurance	20,428.14
Engineering fees	9,632.81
Office supplies and postage	2,227.87
Supplies	6,489.96
Capital outlay	5,421.46
Miscellaneous	39.38
Uniforms	3,232.25
Drainage	147.83
Contractual services	149.25
	<hr/>
Total Highways and Streets	343,126.61
	<hr/>
Health and Welfare:	
Sanitation	114,522.88
Animal control	5,961.10
Mosquito control	10,375.29
Miscellaneous	180.00
	<hr/>
Total Health and Welfare	131,039.27
	<hr/>
Culture and Recreation:	
Park and Cemetery:	
Miscellaneous	103.71
Improvements	1,968.33
Historical society	920.68
	<hr/>
Total Park and Cemetery	2,992.72
	<hr/>
Library:	
Salaries and wages	4,156.40
Payroll taxes	318.02
Miscellaneous	1,171.44
Books and publications	98.91
Repairs and maintenance	162.50
	<hr/>
Total Library	5,907.27
	<hr/>
Total Culture and Recreation	8,899.99
	<hr/>
Total Expenditures	\$1,515,421.85
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
GENERAL FUND
STATEMENT OF REVENUE AND EXPENDITURES -
BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
YEAR ENDED JUNE 30, 2003

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes	\$1,061,596.95	(\$10,180.09)	\$1,051,416.86	\$1,140,621.00	(\$89,204.14)
License and permits	22,377.16	0.00	22,377.16	27,500.00	(5,122.84)
Intergovernmental	4,592.81	0.00	4,592.81	39,600.00	(35,007.19)
Charges for services	130,815.04	(198.96)	130,616.08	126,000.00	4,616.08
Fines	174,715.75	0.00	174,715.75	148,500.00	26,215.75
Interest income	10,574.80	0.00	10,574.80	29,500.00	(18,925.20)
Miscellaneous revenue	6,943.87	0.00	6,943.87	15,000.00	(8,056.13)
Reimbursements	78,164.94	0.00	78,164.94	500.00	77,664.94
Total revenues	1,489,781.32	(10,379.05)	1,479,402.27	1,527,221.00	(47,818.73)
Expenditures:					
City hall	269,874.24	(1,005.18)	268,869.06	285,390.00	16,520.94
Municipal court	64,990.46	(2,120.10)	62,870.36	80,419.00	17,548.64
Police	599,163.58	(10,542.57)	588,621.01	539,975.00	(48,646.01)
Building commission	30,827.70	153.83	30,981.53	76,613.00	45,631.47
Fire department	67,500.00	0.00	67,500.00	90,000.00	22,500.00
Street department	343,126.61	(6,672.29)	336,454.32	235,213.00	(101,241.32)
Health and welfare	131,039.27	0.00	131,039.27	134,032.00	2,992.73
Park and cemetery	2,992.72	0.00	2,992.72	18,700.00	15,707.28
Library	5,907.27	0.00	5,907.27	6,400.00	492.73
Total expenditures	1,515,421.85	(20,186.31)	1,495,235.54	1,466,742.00	(28,493.54)
Excess of revenues over expenditures	(25,640.53)	9,807.26	(15,833.27)	60,479.00	(76,312.27)
Other financing sources (uses):					
Transfers	(138,708.61)	0.00	(138,708.61)	0.00	(138,708.61)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(\$164,349.14)	\$9,807.26	(\$154,541.88)	\$60,479.00	(\$215,020.88)

SPECIAL REVENUE FUNDS

CITY OF HERCULANEUM, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2003

	C.A.R.T. Fund	Water Improvement Tax Fund	Training Fund	911 Fund	Jefferson County Road Improvement Program	Total
<u>ASSETS</u>						
Cash	\$0.00	\$220,162.46	\$14,196.14	\$0.00	\$0.00	\$234,358.60
Investments	0.00	0.00	0.00	22,543.13	0.00	22,543.13
Taxes receivable	19,756.15	5,256.99	0.00	4,597.75	433,375.45	462,986.34
Due from other funds	0.00	81,783.34	0.00	0.00	0.00	81,783.34
Total assets	\$19,756.15	\$307,202.79	\$14,196.14	\$27,140.88	\$433,375.45	\$801,671.41
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts payable	\$6,440.18	\$0.00	\$0.00	\$623.56	\$0.00	\$7,063.74
Deferred revenue	0.00	3,979.49	0.00	0.00	0.00	3,979.49
Due to other funds	13,040.93	0.00	0.00	0.00	9,702.05	22,742.98
Total liabilities	19,481.11	3,979.49	0.00	623.56	9,702.05	33,786.21
Fund balance	275.04	303,223.30	14,196.14	26,517.32	423,673.40	767,885.20
Total liabilities and fund balance	\$19,756.15	\$307,202.79	\$14,196.14	\$27,140.88	\$433,375.45	\$801,671.41

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2003

	C.A.R.T. Fund	Water Improvement Tax Fund	Training Fund	911 Fund	Jefferson County Road Improvement Program	Total
Revenues:						
Taxes	\$0.00	\$68,611.26	\$0.00	\$18,531.93	\$142,928.91	\$230,072.10
Intergovernmental	112,686.32	0.00	0.00	0.00	0.00	112,686.32
Court fines	0.00	0.00	7,957.42	0.00	0.00	7,957.42
Interest income	0.00	3,064.13	0.00	167.84	5,683.31	8,915.28
Total revenues	112,686.32	71,675.39	7,957.42	18,699.77	148,612.22	359,631.12
Expenditures:						
General government	151.98	0.00	1,963.82	0.00	0.00	2,115.80
Public safety	34,355.90	0.00	3,515.00	8,104.21	0.00	45,975.11
Highways and streets	75,010.21	0.00	0.00	0.00	68,570.68	143,580.89
Total expenditures	109,518.09	0.00	5,478.82	8,104.21	68,570.68	191,671.80
Excess (deficiency) of revenues over expenditures	3,168.23	71,675.39	2,478.60	10,595.56	80,041.54	167,959.32
Fund balance, beginning of year	(2,893.19)	231,547.91	11,717.54	15,921.76	343,631.86	599,925.88
Fund balance, end of year	<u>\$275.04</u>	<u>\$303,223.30</u>	<u>\$14,196.14</u>	<u>\$26,517.32</u>	<u>\$423,673.40</u>	<u>\$767,885.20</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
SPECIAL REVENUE FUNDS
C.A.R.T. FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
YEAR ENDED JUNE 30, 2003

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Intergovernmental	\$112,686.32	(\$859.85)	\$111,826.47	\$110,000.00	\$1,826.47
Total revenues	112,686.32	(859.85)	111,826.47	110,000.00	1,826.47
Expenditures:					
Public Safety:					
Police:					
Gas and oil	15,809.38	(1,262.41)	14,546.97	15,500.00	953.03
Vehicles	15,000.00	0.00	15,000.00	15,000.00	0.00
Equipment	3,546.52	0.00	3,546.52	4,000.00	453.48
Building Commission:					
Gas and oil	151.98	38.10	190.08	0.00	(190.08)
Highways and streets					
Street repairs	1,129.76	18,480.80	19,610.56	50,000.00	30,389.44
Street lighting	51,938.25	(1,976.14)	49,962.11	29,000.00	(20,962.11)
Gas and oil	13,185.22	88.00	13,273.22	12,000.00	(1,273.22)
Equipment	8,756.98	0.00	8,756.98	12,500.00	3,743.02
Total expenditures	109,518.09	15,368.35	124,886.44	138,000.00	13,113.56
Excess of revenues over expenditures	\$3,168.23	(\$16,228.20)	(\$13,059.97)	(\$28,000.00)	\$14,940.03

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
SPECIAL REVENUE FUNDS
WATER IMPROVEMENT TAX FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
YEAR ENDED JUNE 30, 2003

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
General revenue	\$68,611.26	\$255.95	\$68,867.21	\$53,600.00	\$15,267.21
Interest income	3,064.13	0.00	3,064.13	4,300.00	(1,235.87)
Total revenues	71,675.39	255.95	71,931.34	57,900.00	14,031.34
Expenditures:					
Water					
Capital outlay	0.00	0.00	0.00	1,500.00	1,500.00
Principal and interest - Water Authority	0.00	0.00	0.00	90,000.00	90,000.00
Total expenditures	0.00	0.00	0.00	91,500.00	91,500.00
Excess of revenues over expenditures	\$71,675.39	\$255.95	\$71,931.34	(\$33,600.00)	\$105,531.34

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
SPECIAL REVENUE FUNDS
TRAINING FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
YEAR ENDED JUNE 30, 2003

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Court fines, costs, and forfeitures	\$7,957.42	\$0.00	\$7,957.42	\$7,500.00	\$457.42
Total revenues	<u>7,957.42</u>	<u>0.00</u>	<u>7,957.42</u>	<u>7,500.00</u>	<u>457.42</u>
Expenditures:					
General government:					
Municipal court:					
Travel	58.09	0.00	58.09	0.00	(58.09)
Training	1,870.73	0.00	1,870.73	0.00	(1,870.73)
Dues and miscellaneous	35.00	0.00	35.00	0.00	(35.00)
Public safety:					
Police:					
Training	1,595.00	0.00	1,595.00	0.00	(1,595.00)
Travel	345.00	0.00	345.00	0.00	(345.00)
Dues and miscellaneous	1,575.00	0.00	1,575.00	0.00	(1,575.00)
Total expenditures	<u>5,478.82</u>	<u>0.00</u>	<u>5,478.82</u>	<u>0.00</u>	<u>(5,478.82)</u>
Excess of revenues over expenditures	<u>\$2,478.60</u>	<u>\$0.00</u>	<u>\$2,478.60</u>	<u>\$7,500.00</u>	<u>(\$5,021.40)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
SPECIAL REVENUE FUNDS
911 FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
YEAR ENDED JUNE 30, 2003

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
911 Telephone tax	\$18,531.93	\$132.11	\$18,664.04	\$34,000.00	(\$15,335.96)
Interest income	167.84	0.00	167.84	1,200.00	(1,032.16)
Total revenues	<u>18,699.77</u>	<u>132.11</u>	<u>18,831.88</u>	<u>35,200.00</u>	<u>(16,368.12)</u>
Expenditures:					
Public Safety:					
Emergency response:					
Contractual services	8,104.21	(623.56)	7,480.65	35,200.00	27,719.35
Total expenditures	<u>8,104.21</u>	<u>(623.56)</u>	<u>7,480.65</u>	<u>35,200.00</u>	<u>27,719.35</u>
Excess of revenues over expenditures	<u>\$10,595.56</u>	<u>\$755.67</u>	<u>\$11,351.23</u>	<u>\$0.00</u>	<u>\$11,351.23</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
SPECIAL REVENUE FUNDS
JEFFERSON COUNTY ROAD IMPROVEMENT PROGRAM
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
YEAR ENDED JUNE 30, 2003

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
Sales tax	\$142,928.91	\$0.00	\$142,928.91	\$139,000.00	\$3,928.91
Interest income	5,683.31	0.00	5,683.31	0.00	5,683.31
Total revenues	<u>148,612.22</u>	<u>0.00</u>	<u>148,612.22</u>	<u>139,000.00</u>	<u>9,612.22</u>
Expenditures:					
Street:					
Street improvements	68,570.68	0.00	68,570.68	0.00	(68,570.68)
Total expenditures	<u>68,570.68</u>	<u>0.00</u>	<u>68,570.68</u>	<u>0.00</u>	<u>(68,570.68)</u>
Excess (deficiency) of revenues over expenditures	<u>\$80,041.54</u>	<u>\$0.00</u>	<u>\$80,041.54</u>	<u>\$139,000.00</u>	<u>(\$58,958.46)</u>

The notes to the financial statements are an integral part of this statement.

DEBT SERVICE FUNDS

CITY OF HERCULANEUM, MISSOURI
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2003

	Riverview TIF Fund	I-55 TIF Fund	Total
<u>ASSETS</u>			
Cash	\$53,651.53	\$0.00	\$53,651.53
Taxes receivable	76,379.59	8,341.67	84,721.26
Due from other funds	176,329.77	101,804.40	278,134.17
 Total assets	 \$306,360.89	 \$110,146.07	 \$416,506.96
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Due to developer	\$0.00	\$21,496.25	\$21,496.25
Fund balance	306,360.89	88,649.82	395,010.71
 Total liabilities and fund balance	 \$306,360.89	 \$110,146.07	 \$416,506.96

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2003

	Riverview TIF Fund	I-55 TIF Fund	Total
Revenues:			
Taxes	\$159,290.89	\$98,281.57	\$257,572.46
Intergovernmental	167,296.54	31,702.50	198,999.04
Interest income	506.30	0.00	506.30
Total revenues	327,093.73	129,984.07	457,077.80
Expenditures:			
Debt service	217,427.50	48,300.02	265,727.52
Legal fees	300.00	0.00	300.00
Total expenditures	217,727.50	48,300.02	266,027.52
Excess (deficiency) of revenues over expenditures	109,366.23	81,684.05	191,050.28
Fund balance, beginning of year	196,994.66	6,965.77	203,960.43
Fund balance, end of year	<u>\$306,360.89</u>	<u>\$88,649.82</u>	<u>\$395,010.71</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
DEBT SERVICE FUNDS
RIVERVIEW TIF FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
YEAR ENDED JUNE 30, 2003

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
Property taxes	\$43,374.26	\$0.00	\$43,374.26		
Sales tax	113,556.56	0.00	113,556.56		
Franchise tax	2,360.07	0.00	2,360.07		
Intergovernmental	167,296.54	0.00	167,296.54		
Interest income	506.30	0.00	506.30		
Total revenues	327,093.73	0.00	327,093.73	250,000.00	77,093.73
Expenditures:					
Debt service:					
Bond payments	186,000.00	0.00	186,000.00		
Bond interest expense	31,427.50	0.00	31,427.50		
Legal fees	300.00	0.00	300.00		
Total expenditures	217,727.50	0.00	217,727.50	247,100.00	29,372.50
Excess (deficiency) of revenues over expenditures	\$109,366.23	\$0.00	\$109,366.23	\$2,900.00	\$106,466.23

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
 DEBT SERVICE FUNDS
 I-55 INTERCHANGE TIF FUND
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
 YEAR ENDED JUNE 30, 2003

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
Property taxes	\$72,756.29	\$0.00	\$72,756.29		
Sales tax	23,518.87	0.00	23,518.87		
Franchise tax	2,006.41	0.00	2,006.41		
Intergovernmental	31,702.50	0.00	31,702.50		
Total revenues	129,984.07	0.00	129,984.07	103,000.00	26,984.07
Expenditures:					
Debt service	48,300.02	0.00	48,300.02	105,900.00	57,599.98
Total expenditures	48,300.02	0.00	48,300.02	105,900.00	57,599.98
Excess (deficiency) of revenues over expenditures	\$81,684.05	\$0.00	\$81,684.05	(\$2,900.00)	\$84,584.05

The notes to the financial statements are an integral part of this statement.

CAPITAL PROJECT FUND

CITY OF HERCULANEUM, MISSOURI
CAPITAL PROJECT FUND
RIVERVIEW TIF REDEVELOPMENT FUND
BALANCE SHEET
JUNE 30, 2003

<u>ASSETS</u>	
Cash	<u>\$17,782.75</u>
Total assets	<u><u>\$17,782.75</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Fund balance	<u>\$17,782.75</u>
Total liabilities and fund balance	<u><u>\$17,782.75</u></u>

The notes to the financial statements are an integral part of this statement.

WATER AND SEWER ENTERPRISE FUNDS

CITY OF HERCULANEUM, MISSOURI
WATER AND SEWER ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2003

ASSETS	Water Fund	Sewer Fund	Total
Current assets:			
Cash	\$11,583.44	\$0.00	\$11,583.44
Investments	324,733.78	0.00	324,733.78
Accounts receivable	44,902.09	12,144.76	57,046.85
Total current assets	381,219.31	12,144.76	393,364.07
Restricted assets, cash and investments:			
System replacement account	78,589.18	325,767.54	404,356.72
Total restricted assets	78,589.18	325,767.54	404,356.72
Non-current assets:			
Investment in Jefferson County Water Authority	271,974.82	0.00	271,974.82
Fixed assets:			
System	1,258,580.70	522,570.00	1,781,150.70
Industrial equipment	28,261.09	0.00	28,261.09
Automotive equipment	33,630.00	0.00	33,630.00
Office equipment	2,110.98	0.00	2,110.98
Less: Accumulated depreciation	(911,628.85)	(181,418.45)	(1,093,047.30)
Total fixed assets	410,953.92	341,151.55	752,105.47
Total non-current assets	682,928.74	341,151.55	1,024,080.29
Total assets	\$1,142,737.23	\$679,063.85	\$1,821,801.08

The notes to the financial statements are an integral part of this statement.

	Water Fund	Sewer Fund	Total
LIABILITIES AND FUND EQUITY			
Current liabilities (payable from current assets):			
Accounts payable	\$2,078.63	\$554.15	\$2,632.78
Compensated absences payable	3,701.40	1,054.00	4,755.40
Accrued payroll	829.50	372.00	1,201.50
Payroll taxes	697.14	172.25	869.39
Total	7,306.67	2,152.40	9,459.07
Current liabilities (payable from restricted assets):			
Construction escrow	0.00	90,000.00	90,000.00
Total	0.00	90,000.00	90,000.00
Long-term liabilities			
Customer deposits	69,920.22	0.00	69,920.22
Total	69,920.22	0.00	69,920.22
Total liabilities	77,226.89	92,152.40	169,379.29
Fund equity			
Contributed capital:			
Customers	0.00	365,000.00	365,000.00
Interfund	662,391.47	0.00	662,391.47
Total contributed capital	662,391.47	365,000.00	1,027,391.47
Retained earnings:			
Reserved for system replacement	78,589.18	235,767.54	314,356.72
Unreserved	324,529.69	(13,856.09)	310,673.60
Total retained earnings	403,118.87	221,911.45	625,030.32
Total fund equity	1,065,510.34	586,911.45	1,652,421.79
Total liabilities and fund equity	\$1,142,737.23	\$679,063.85	\$1,821,801.08

CITY OF HERCULANEUM, MISSOURI
 WATER AND SEWER ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 YEAR ENDED JUNE 30, 2003

	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services:			
Water sales	\$448,113.79	\$0.00	\$448,113.79
Sewer fees	0.00	128,729.98	128,729.98
Tap fees and late charges	17,990.29	53,202.10	71,192.39
Total operating revenues	<u>466,104.08</u>	<u>181,932.08</u>	<u>648,036.16</u>
Operating expenses:			
Administrative expenses	54,302.46	0.00	54,302.46
Production expenses	170,405.62	180,481.67	350,887.29
Depreciation	47,250.77	25,574.84	72,825.61
Total operating expenses	<u>271,958.85</u>	<u>206,056.51</u>	<u>478,015.36</u>
Operating income (loss)	<u>194,145.23</u>	<u>(24,124.43)</u>	<u>170,020.80</u>
Nonoperating revenue (expense):			
Transfers	0.00	138,708.61	138,708.61
Interest revenue	2,929.84	3,349.54	6,279.38
Miscellaneous	200.00	3,405.60	3,605.60
Investment income - Jefferson County Water Authority	242,873.82	0.00	242,873.82
Total nonoperating	<u>246,003.66</u>	<u>145,463.75</u>	<u>391,467.41</u>
Net income (loss)	440,148.89	121,339.32	561,488.21
Retained earnings, beginning of year	<u>(37,030.02)</u>	<u>100,572.13</u>	<u>63,542.11</u>
Retained earnings, end of year	<u>\$403,118.87</u>	<u>\$221,911.45</u>	<u>\$625,030.32</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
 WATER AND SEWER ENTERPRISE FUNDS
 COMBINING STATEMENT OF OPERATING EXPENSES
 YEAR ENDED JUNE 30, 2003

	Water Fund	Sewer Fund	Total
Administrative expenses:			
Salaries and wages	\$25,193.73	\$0.00	\$25,193.73
Payroll taxes	1,975.16	0.00	1,975.16
Pension expense	956.63	0.00	956.63
Employee insurance	3,039.13	0.00	3,039.13
Printing and advertising	3,799.81	0.00	3,799.81
Telephone	396.95	0.00	396.95
Training	120.00	0.00	120.00
Office supplies and postage	5,333.27	0.00	5,333.27
Miscellaneous	3,575.27	0.00	3,575.27
Sales tax	7,032.66	0.00	7,032.66
Insurance	2,879.85	0.00	2,879.85
	<u>54,302.46</u>	<u>0.00</u>	<u>54,302.46</u>
Total administrative expenses			
Production expenses:			
Salaries and wages	66,312.05	28,059.70	94,371.75
Payroll taxes	3,250.84	1,908.36	5,159.20
Pension expense	1,846.60	974.79	2,821.39
Employee insurance	5,389.27	0.00	5,389.27
Contractual services	0.00	111,816.00	111,816.00
Engineering fees	8,945.50	20,165.00	29,110.50
Repairs and maintenance	21,734.96	6,249.97	27,984.93
Utilities	31,603.22	6,139.80	37,743.02
Insurance	4,911.33	2,879.85	7,791.18
Equipment rental	318.24	0.00	318.24
Supplies	6,817.82	1,394.40	8,212.22
Miscellaneous	19,275.79	893.80	20,169.59
	<u>170,405.62</u>	<u>180,481.67</u>	<u>350,887.29</u>
Total production expenses			
Depreciation	47,250.77	25,574.84	72,825.61
	<u>\$271,958.85</u>	<u>\$206,056.51</u>	<u>\$478,015.36</u>
Total operating expenses			

The notes to the financial statements are an integral part of this statement.

CITY OF HERCULANEUM, MISSOURI
 WATER AND SEWER ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2003

	Water Fund	Sewer Fund	Total
Cash flow from operating activities:			
Cash received from customers	\$457,668.03	\$179,505.34	\$637,173.37
Cash paid to suppliers and employees	(225,750.62)	(179,255.79)	(405,006.41)
Other operating revenues	200.00	3,405.60	3,605.60
Cash provided (used) by operations	232,117.41	3,655.15	235,772.56
Cash flow from capital and related financing activities:			
Purchase of fixed assets	(3,732.72)	0.00	(3,732.72)
Investment in Jefferson County Water Authority	(29,101.00)	0.00	(29,101.00)
Cash provided (used) by capital and related financing activities	(32,833.72)	0.00	(32,833.72)
Cash flow from noncapital financing activities:			
Interfund loans	41,134.90	(3,655.15)	37,479.75
Cash provided (used) by noncapital financing activities	41,134.90	(3,655.15)	37,479.75
Cash flows from investment activities:			
Interest income	2,929.84	3,349.54	6,279.38
Cash provided by investment activities	2,929.84	3,349.54	6,279.38
Net increase (decrease) in cash	243,348.43	3,349.54	246,697.97
Cash balance, beginning of year	171,557.97	322,418.00	493,975.97
Cash balance, end of year	\$414,906.40	\$325,767.54	\$740,673.94
Reconciliation of net income to cash provided by operations:			
Net income (loss)	\$440,148.89	\$121,339.32	\$561,488.21
Add: Noncash expenses:			
Depreciation	47,250.77	25,574.84	72,825.61
Changes in working capital:			
Accounts receivable	(14,526.33)	(2,426.74)	(16,953.07)
Accounts payable and accrued expenses	(1,042.54)	1,225.88	183.34
Customer deposits	6,090.28		6,090.28
Items not classified as operating:			
Interest revenue	(2,929.84)	(3,349.54)	(6,279.38)
Investment income	(242,873.82)	0.00	(242,873.82)
Transfers	0.00	(138,708.61)	(138,708.61)
Cash provided by operating activities	\$232,117.41	\$3,655.15	\$235,772.56

The notes to the financial statements are an integral part of this statement.