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Annual Financial Report, 2004

City of Herculaneum

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CLAIRE C. McCASKILL
Missouri State Auditor

June 29, 2005

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

Fiscal Period: One Year Ended June 30, 2004 ✓

Dear City Clerk:

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

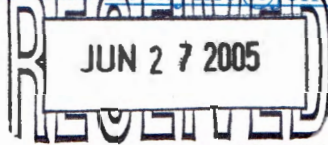
#1 Parkwood Court

Herculaneum, MO 63048

Phone: (636) 475-4447

STATE AUDITORS OFFICE
Email: herculaneum@stateauditors.com

Fax: (636) 475-6191



June 23, 2005

Missouri State Auditor
P.O. Box 869
Jefferson City, Missouri 65102

To Whom It May Concern:

Our audit for the fiscal year ending June 30, 2004 was just completed. I am forwarding a copy of the annual financial report as requested.

Sincerely,

Stephanie Gerard
City Clerk

CITY OF HERCULANEUM, MISSOURI

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

Jeffrey J. Eftink, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

CITY OF HERCULANEUM, MISSOURI

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

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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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Herculaneum, Missouri, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. I have also audited the combining and individual fund statements and schedules of the City of Herculaneum, Missouri as of and for the year ending June 30, 2004, 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 opinions 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Herculaneum, Missouri as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in my opinion, the combining and individual fund statements and schedules referred to above present fairly, in all material respects, the financial position of each of

Exhibit 1-1

the individual funds of the City of Herculaneum, Missouri, as of June 30, 2004, and the results of operations of such funds and cash flows of individual proprietary fund types of the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments, as of June 30, 2004.

The management's discussion and analysis information on Exhibit 2 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Marble Hill, Missouri
April 7, 2005

 CPA PC

Management's Discussion and Analysis
Year Ended June 30, 2004
Unaudited

As management of the City of Herculaneum, we offer readers of the City of Herculaneum's financial statements this narrative overview and analysis of the financial activities of the City of Herculaneum for the fiscal year ended June 30, 2004. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

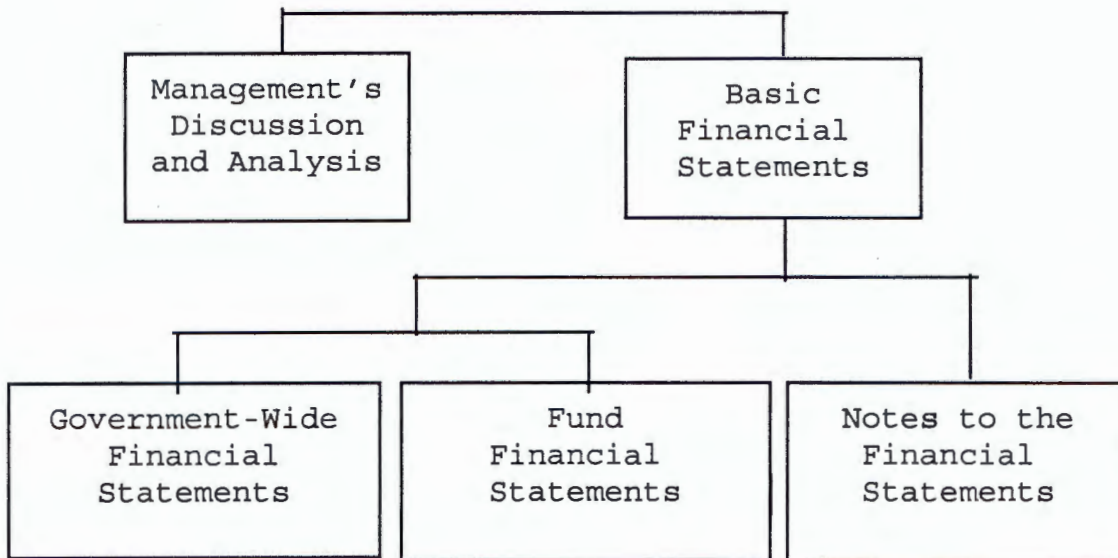
Financial Highlights

- The assets of the City of Herculaneum exceeded its liabilities at the close of the fiscal year by \$4,896,337.
- The City's total net assets decreased by \$362,513, primarily due to early debt retirement.
- As of the close of the current fiscal year, the City of Herculaneum's governmental funds reported combined ending fund balances of \$1,418,947, a decrease of \$280,759 in comparison with the prior year. Approximately 35 percent of this total amount, or \$488,958, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$488,958, or 30 percent of total general fund expenditures for the fiscal year.
- The City's primary source of general operating revenue is from tax revenues of \$1,762,417.
- As explained in Note 8 of the financial statements, the Herculaneum Sewer District dissolved and transferred net assets of \$1,546,541 to the City of Herculaneum.
- As explained in Note 5 of the financial statements, the City invested \$3,972,842 in water system improvements. The project is financed through the Jefferson County Water Authority.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Herculaneum's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Herculaneum.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits 3 and 4) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 5 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements

provide more detail than the government-wide statements.

There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, street, parks and recreation, and general administration. Sales taxes, franchise taxes, and property taxes finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Herculaneum.

The government-wide financial statements are on Exhibits 3 and 4 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Herculaneum, like all other governmental entities in Missouri, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Herculaneum can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual basis accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Herculaneum adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of

accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds - The City of Herculaneum has only one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Herculaneum uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begins on exhibit 13 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2004 are the beginning of a new era in financial reporting for the City of Herculaneum, and many other units of government across the United States. Prior to this year, the City of Herculaneum maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Herculaneum. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City of Herculaneum's financial reports as well as those of many other units of government. While other units of government were required to implement these changes for the fiscal year ended June 30, 2002 or 2003, City of Herculaneum was required to implement Statement 34 as of June 30, 2004.

Because of the new reporting model, comparative data for all facets of this report are not available. When comparative numbers are accessible, they have been included, such as with net assets. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

The City of Herculaneum's Net Assets
Figure 2

	Governmental Activities <u>2004</u>	Business-Type Activities <u>2004</u>	Total <u>2004</u>
Current and other assets	\$2,686,859	\$ 697,335	\$ 3,384,194
Capital assets	<u>297,915</u>	<u>6,644,144</u>	<u>6,942,059</u>
Total assets	<u>2,984,774</u>	<u>7,341,479</u>	<u>10,326,253</u>
Long-term liabilities outstanding	0	3,873,472	3,873,472
Other liabilities	<u>1,267,912</u>	<u>288,532</u>	<u>1,556,444</u>
Total liabilities	<u>1,267,912</u>	<u>4,162,004</u>	<u>5,429,916</u>
Net assets:			
Invested in capital assets, net of related debt	297,915	2,249,813	2,547,728
Restricted	929,989	0	929,989
Unrestricted	<u>488,958</u>	<u>929,662</u>	<u>1,418,620</u>
Total net assets	<u>\$1,716,862</u>	<u>\$3,179,475</u>	<u>\$4,896,337</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Herculaneum exceeded liabilities by \$4,896,337 as of June 30, 2004. The City's net assets decreased by \$362,513, from current operations, for the fiscal year ended June 30, 2004. The City also received net assets of \$1,546,541 from the dissolution of the Herculaneum Sewer District. The largest portion of net assets (52%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt

still outstanding that was issued to acquire those items. The City of Herculaneum uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,418,620 is unrestricted.

**City of Herculaneum Changes in Net Assets
Figure 3**

	<u>Governmental Activities</u> <u>2004</u>	<u>Business-type Activities</u> <u>2004</u>	<u>Total</u> <u>2004</u>
Revenues:			
Program revenues:			
Charges for services	\$ 342,081	\$910,366	\$1,252,447
Specialty grants and contributions	584,553	0	584,553
General revenues:			
Property taxes	334,855	0	334,855
Other taxes	902,126	0	902,126
Other	<u>79,052</u>	<u>101,385</u>	<u>180,437</u>
Total revenues	<u>2,242,667</u>	<u>1,011,751</u>	<u>3,254,418</u>
Expenses:			
General government	402,385	0	402,385
Public safety	852,775	0	852,775
Highways/streets	569,035	0	569,035
Health and welfare	129,040	0	129,040
Debt service	627,276	0	627,276
Parks and recreation	5,181	0	5,181
Water and sewer	<u>0</u>	<u>1,031,239</u>	<u>1,031,239</u>
Total expenses	<u>2,585,692</u>	<u>1,031,239</u>	<u>3,616,931</u>
(Decrease) in net assets	(343,025)	(19,488)	(362,513)
Net assets, July 1, 2003	2,196,152	3,198,963	5,395,115
Prior period adjustment	<u>(136,266)</u>	<u>0</u>	<u>(136,266)</u>
Net assets, June 30, 2004	<u>\$1,716,861</u>	<u>\$3,179,475</u>	<u>\$4,896,336</u>

Governmental activities. Governmental activities decreased the City's net assets by \$343,025, thereby accounting for 95% of the total decrease in the net assets of the City of Herculaneum. Key elements of this decrease are as follows:

Debt service funds were used for early retirement of the TIF revenue bonds.

Business-type activities: Business-type activities decreased the City of Herculaneum's net assets by \$19,488. Key elements of this decrease are as follows:

The water and sewer system operated at a loss of \$19,488 for the fiscal year.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City of Herculaneum's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Herculaneum's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Herculaneum. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$488,950.

At June 30, 2004, the governmental funds of the City of Herculaneum reported a combined fund balance of \$1,418,947, a 17 percent decrease from last year. Included in this change in fund balance are decreases in fund balance in both the General and Debt Service Funds. The decrease in fund balance of \$280,759 is primarily due to anticipated expenditures of early retirement of debt service.

General Fund Budgetary Highlights: During the fiscal year, the City adopted the budget on September 8, 2003. The budget was not amended during the year. The budget provided for continued operation of all city departments.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the

Water and Sewer Funds at the end of the fiscal year amounted to \$929,662. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Herculaneum's investment in capital assets for its governmental and business-type activities as of June 30, 2004, totals \$2,547,728 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Construction for water capital projects of \$4,041,488.
- Transfer of net capital assets of \$1,318,304 from the Herculaneum Sewer District.
- No major demolitions were recorded this year.

**City of Herculaneum's Capital Assets
Figure 4
(net of depreciation)**

	<u>Governmental Activities</u> <u>2004</u>	<u>Business-type Activities</u> <u>2004</u>	<u>Total</u> <u>2004</u>
Buildings and systems	\$ 301,810	\$8,132,912	\$8,434,722
Machinery and equipment	845,739	229,267	1,075,006
Infrastructure	0	0	0
Construction in progress	0	219,149	219,149
Accumulated depreciation	<u>(849,634)</u>	<u>(2,304,922)</u>	<u>(3,154,556)</u>
Total	<u>\$ 297,915</u>	<u>\$6,276,406</u>	<u>\$6,574,321</u>

Additional information on the City's capital assets can be found in note 3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2004, the City of Herculaneum had total debt outstanding of \$3,936,592.

The following is a summary of long-term debt transactions of the City of Herculaneum, Missouri, for the year ending June 30, 2004.

	TIF Revenue <u>Bonds</u>	Due to <u>JCWA</u>
Balance June 30, 2003	\$358,000	\$ 0
Debt Issued	0	3,972,842
Debt Retirement	<u>358,000</u>	<u>36,250</u>
Balance June 30, 2004	<u>\$ 0</u>	<u>\$3,936,592</u>

Additional information on the City's long-term debt can be found in note 3 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City.

- The City is incurring significant growth through expansion and annexation, in both residential and commercial establishments. This is primarily due to the City's location on a major interstate near St Louis, Missouri. This will generate additional revenues for the City, but will also increase the demands on the City's infrastructure.
- Through the Jefferson County Water Authority, the City has obtained an ample water supply for anticipated future growth.
- The City has received preliminary approval of a \$6 million loan through the Missouri Department of Natural Resources for sewer system plant expansion.
- The City also anticipates an increase in tax revenues available for general use. As the TIF debt is retired, those revenues are no longer restricted for debt service, and are available for general use. The Riverview TIF debt was retired in 2003, and the I-55 TIF agreement expires on January 1, 2005. The annual increase for the general fund would be approximately \$260,000 per year.
- The citizens also approved a one-half percent capital improvement sales tax which will become effective on October 1, 2004. This is anticipated to generate approximately \$260,000 per year for capital improvements.

- The City has approved a sale of 40 acres of real estate for \$750,000.00.

Budget Highlights for the Fiscal Year Ending June 30, 2005

The budget anticipates an increase of approximately 15% in revenues, with the primary increase in sales tax revenues.

The City anticipates continued operations of basic services for public safety, street, water and sewer utilities, and administration. The City anticipates an increase in expenditures of approximately 12%.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Stephanie Gerard, City Clerk at City of Herculaneum, #1 Parkwood Court, Herculaneum, Missouri 63048.

CITY OF HERCULANEUM, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash	\$358,649.29	\$166,681.78	\$525,331.07
Investments	922,289.77	381,070.67	1,303,360.44
Receivables:			
Taxes	719,252.38	0.00	719,252.38
Accounts	10,540.69	70,683.16	81,223.85
Due from other funds	555,514.34	78,899.72	634,414.06
Due from Jefferson County	120,612.45	0.00	120,612.45
Total current assets	2,686,858.92	697,335.33	3,384,194.25
Non-current Assets:			
Investment in JCWA	0.00	367,738.66	367,738.66
Capital assets (net)	297,914.57	6,276,405.50	6,574,320.07
Total non-current assets	297,914.57	6,644,144.16	6,942,058.73
Total Assets	2,984,773.49	7,341,479.49	10,326,252.98
LIABILITIES			
Current Liabilities:			
Accounts payable	31,327.94	44,651.17	75,979.11
Accrued payroll	14,306.49	1,647.86	15,954.35
Compensated absences	24,785.46	4,436.40	29,221.86
Due to other funds	633,111.00	1,303.06	634,414.06
Customer deposits	0.00	83,373.70	83,373.70
Construction escrow	0.00	90,000.00	90,000.00
Bond escrow payable	3,410.95	0.00	3,410.95
Deferred revenue	32,969.30	0.00	32,969.30
Due to developer	528,000.85	0.00	528,000.85
Due to JCWA-2001C	0.00	5,073.50	5,073.50
Due to JCWA-2002A	0.00	58,046.70	58,046.70
Total current liabilities	1,267,911.99	288,532.39	1,556,444.38
Non-current Liabilities:			
Due in more than one year:			
Due to JCWA-2001C	0.00	349,246.08	349,246.08
Due to JCWA 2002A	0.00	3,524,225.86	3,524,225.86
Total non-current liabilities	0.00	3,873,471.94	3,873,471.94
Total Liabilities and Non-current Liabilities	1,267,911.99	4,162,004.33	5,429,916.32
NET ASSETS			
Invested in capital assets, net of related debt	297,914.57	2,249,813.36	2,547,727.93
Restricted for:			
Street	522,207.27	0.00	522,207.27
Public safety	37,145.73	0.00	37,145.73
Water capital projects	370,635.53	0.00	370,635.53
Unrestricted	488,958.40	929,661.80	1,418,620.20
Total Net Assets	\$1,716,861.50	\$3,179,475.16	\$4,896,336.66

See accompanying notes to the basic financial statements.

CITY OF HERCULANUEM, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2004

	Expenses	Program Revenues		
		Fees, Fines Charges for Services	Specialty Grants & Contributions	Capital Grants & Contributions
Program Activities				
Governmental Activities				
General Government and Administration	\$402,385.12	\$18,295.85	\$0.00	\$0.00
Public Safety	852,774.73	193,478.09	40,273.19	0.00
Highway and Streets	569,035.21	0.00	264,759.83	0.00
Culture and Recreation	5,180.54	0.00	0.00	0.00
Health and Welfare	129,040.23	130,307.43	0.00	0.00
Debt-Service	627,276.06	0.00	213,976.30	0.00
Total Governmental Activities	2,585,691.89	342,081.37	519,009.32	0.00
Business-type activities				
Water and sewer	1,031,238.89	910,366.44	0.00	65,543.64
Total Business-type Activities	1,031,238.89	910,366.44	0.00	65,543.64
Total Government	\$3,616,930.78	\$1,252,447.81	\$519,009.32	\$65,543.64

General revenues:

Taxes:

 General revenue

 Sales tax

 Franchise tax

Interest income

Reimbursements

Investment income

Miscellaneous

Total general revenue and transfers

Change in net assets

Net assets at beginning of year, as adjusted

Prior period adjustment

Net assets at end of year

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
(\$384,089.27)	\$0.00	(\$384,089.27)
(619,023.45)	0.00	(619,023.45)
(304,275.38)	0.00	(304,275.38)
(5,180.54)	0.00	(5,180.54)
1,267.20	0.00	1,267.20
(413,299.76)	0.00	(413,299.76)
(1,724,601.20)	0.00	(1,724,601.20)
65,543.64	(120,872.45)	(55,328.81)
65,543.64	(120,872.45)	(55,328.81)
(\$1,659,057.56)	(\$120,872.45)	(\$1,779,930.01)
334,854.80	0.00	334,854.80
519,869.88	0.00	519,869.88
382,256.26	0.00	382,256.26
17,054.00	5,090.80	22,144.80
34,455.22	0.00	34,455.22
0.00	95,763.84	95,763.84
27,542.16	529.96	28,072.12
1,316,032.32	101,384.60	1,417,416.92
(343,025.24)	(19,487.85)	(362,513.09)
2,196,152.44	3,198,963.01	5,395,115.45
(136,265.70)	0.00	(136,265.70)
\$1,716,861.50	\$3,179,475.16	\$4,896,336.66

CITY OF HERCULANEUM MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Jefferson County Road Improvement Fund	Riverview TIF Fund	I-55 TIF Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash	\$114,745.64	\$0.00	\$0.00	\$0.00	\$243,903.65	\$358,649.29
Investments	911,378.43	0.00	0.00	0.00	10,911.34	922,289.77
Receivables						
Taxes	167,226.87	521,663.85	0.00	0.00	30,361.66	719,252.38
Other	10,540.69	0.00	0.00	0.00	0.00	10,540.69
Due from other funds	0.00	0.00	140,840.66	266,547.74	148,125.94	555,514.34
Due from Jefferson County	0.00	0.00	(140,840.66)	261,453.11	0.00	120,612.45
Total assets	\$1,203,891.63	\$521,663.85	\$0.00	\$528,000.85	\$433,302.59	\$2,686,858.92
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$24,782.98	\$0.00	\$0.00	\$0.00	\$6,544.96	\$31,327.94
Accrued payroll	14,306.49	0.00	0.00	0.00	0.00	14,306.49
Compensated absences	24,785.46	0.00	0.00	0.00	0.00	24,785.46
Due to other funds	620,158.95	12,952.05	0.00	0.00	0.00	633,111.00
Due to developer	0.00	0.00	0.00	528,000.85	0.00	528,000.85
Bond escrow payable	3,410.95	0.00	0.00	0.00	0.00	3,410.95
Deferred revenue	27,488.40	0.00	0.00	0.00	5,480.90	32,969.30
Total liabilities	714,933.23	12,952.05	0.00	528,000.85	12,025.86	1,267,911.99
Fund balances:						
Unreserved, reported in:						
General fund	488,958.40	0.00	0.00	0.00	0.00	488,958.40
Special revenue fund	0.00	508,711.80	0.00	0.00	421,276.73	929,988.53
Total fund balances	488,958.40	508,711.80	0.00	0.00	421,276.73	1,418,946.93
Total liabilities and fund balances	\$1,203,891.63	\$521,663.85	\$0.00	\$528,000.85	\$433,302.59	\$2,686,858.92

See accompanying notes to the basic financial statements.

CITY OF HERCULANEUM MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2004

Total fund balance-total governmental funds	\$1,418,946.93
Amounts reported for governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheets	
Capital assets (net)	<u>297,914.57</u>
Net assets of governmental activities	<u>\$1,716,861.50</u>

CITY OF HERCULANEUM, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General Fund	Jefferson County Road Improvement Fund	Riverview TIF Fund	I-55 TIF Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
General revenue	\$334,854.80	\$0.00	\$0.00	\$0.00	\$65,543.64	\$400,398.44
Sales tax	519,869.88	148,205.76	51,222.33	125,929.92	17,980.22	863,208.11
Franchise tax	382,256.26	0.00	0.00	0.00	0.00	382,256.26
Licenses and permits	18,295.85	0.00	0.00	0.00	0.00	18,295.85
Intergovernmental	22,292.97	0.00	3,095.23	33,728.82	118,182.83	177,299.85
Charges for services:						
Trash	130,307.43	0.00	0.00	0.00	0.00	130,307.43
Fines, costs, and forfeitures	182,980.33	0.00	0.00	0.00	8,869.00	191,849.33
Interest revenue	8,939.82	5,618.64	506.30	0.00	1,989.24	17,054.00
Reimbursements	34,455.22	0.00	0.00	0.00	0.00	34,455.22
Miscellaneous	27,542.16	0.00	0.00	0.00	0.00	27,542.16
Total revenues	1,661,794.72	153,824.40	54,823.86	159,658.74	212,564.93	2,242,666.65
Expenditures:						
Current:						
General government	379,172.50	0.00	0.00	0.00	1,143.00	380,315.50
Public safety	737,201.80	0.00	0.00	0.00	49,810.45	787,012.25
Highways and streets	419,366.35	68,786.00	0.00	0.00	105,490.49	593,642.84
Culture and recreation	6,139.15	0.00	0.00	0.00	0.00	6,139.15
Health and welfare	129,040.23	0.00	0.00	0.00	0.00	129,040.23
Debt service	0.00	0.00	378,967.50	248,308.56	0.00	627,276.06
Total expenditures	1,670,920.03	68,786.00	378,967.50	248,308.56	156,443.94	2,523,426.03
Excess (deficiency) of revenues over expenditures	(9,125.31)	85,038.40	(324,143.64)	(88,649.82)	56,120.99	(280,759.38)
Other financing sources (uses):						
Transfers	(20,943.94)	0.00	17,782.75	0.00	3,161.19	0.00
Total other financing sources (users)	(20,943.94)	0.00	17,782.75	0.00	3,161.19	0.00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(30,069.25)	85,038.40	(306,360.89)	(88,649.82)	59,282.18	(280,759.38)
Fund balances at beginning of year	655,293.35	423,673.40	306,360.89	88,649.82	361,994.55	1,835,972.01
Prior period adjustment	(136,265.70)	0.00	0.00	0.00	0.00	(136,265.70)
Fund balances at end of year	\$488,958.40	\$508,711.80	\$0.00	\$0.00	\$421,276.73	\$1,418,946.93

See accompanying notes to the basic financial statements.

CITY OF HERCULANEUM, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2004

Net change in fund balances-total governmental funds	(\$280,759.38)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and charges in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
	35,365.82
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	
	<u>(97,631.68)</u>
Change in net assets of governmental funds	<u><u>(\$343,025.24)</u></u>

CITY OF HERCULANEUM, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
Revenues:						
Taxes:						
General revenue	\$378,140.00	\$378,140.00	\$329,125.95	\$4,265.17	\$333,391.12	(\$44,748.88)
Sales tax	408,000.00	408,000.00	519,869.88	(3,386.51)	516,483.37	108,483.37
Franchise tax	371,000.00	371,000.00	387,985.11	(5,713.55)	382,271.56	11,271.56
Licenses and permits	15,900.00	15,900.00	18,295.85	0.00	18,295.85	2,395.85
Intergovernmental	25,000.00	25,000.00	22,292.97	0.00	22,292.97	(2,707.03)
Charges for services	130,000.00	130,000.00	130,307.43	245.37	130,552.80	552.80
Fines, costs, and forfeitures	165,000.00	165,000.00	182,980.33	0.00	182,980.33	17,980.33
Interest revenue	15,000.00	15,000.00	8,939.82	0.00	8,939.82	(6,060.18)
Reimbursements	500.00	500.00	34,455.22	0.00	34,455.22	33,955.22
Miscellaneous	11,500.00	11,500.00	27,542.16	0.00	27,542.16	16,042.16
Total revenues	1,520,040.00	1,520,040.00	1,661,794.72	(4,589.52)	1,657,205.20	137,165.20
Expenditures:						
Current:						
General government and administration	421,730.60	421,730.60	399,604.75	(11,123.47)	388,481.28	33,249.32
Public safety	732,251.00	732,251.00	721,708.56	(2,123.94)	719,584.62	12,666.38
Highways and streets	278,310.41	278,310.41	419,366.35	(2,480.28)	416,886.07	(138,575.66)
Culture and recreation	8,000.00	8,000.00	1,200.14	0.00	1,200.14	6,799.86
Health and welfare	133,500.00	133,500.00	129,040.23	0.00	129,040.23	4,459.77
Total expenditures	1,573,792.01	1,573,792.01	1,670,920.03	(15,727.69)	1,655,192.34	(81,400.33)
Excess (deficiency) of revenues over expenditures	(53,752.01)	(53,752.01)	(9,125.31)	11,138.17	2,012.86	55,764.87
Other financing sources (uses):						
Transfers	0.00	0.00	(20,943.94)	0.00	(20,943.94)	(20,943.94)
Total other financing sources (users)	0.00	0.00	(20,943.94)	0.00	(20,943.94)	(20,943.94)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(\$53,752.01)	(\$53,752.01)	(\$30,069.25)	\$11,138.17	(\$18,931.08)	\$34,820.93

See accompanying notes to the basic financial statements.

CITY OF HERCULANEUM, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	<u>Water and Sewer Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and investments	\$547,752.45
Accounts receivable	70,683.16
Due from other funds	78,899.72
Total current assets	<u>697,335.33</u>
Noncurrent assets:	
Investment in JCWA	367,738.66
Construction in progress	219,148.54
Property, plant, and equipment	8,362,179.15
Less: Accumulated depreciation	<u>(2,304,922.19)</u>
Total noncurrent assets	<u>6,644,144.16</u>
Total Assets	<u>7,341,479.49</u>
LIABILITIES	
Current liabilities:	
Accounts payable	44,651.17
Accrued payroll	1,647.86
Compensated absences payable	4,436.40
Customer deposits	83,373.70
Due to other funds	1,303.06
Construction escrow	90,000.00
Due to JCWA-2001C	5,073.50
Due to JCWA-2002A	58,046.70
Total current liabilities	<u>288,532.39</u>
Noncurrent liabilities:	
Due to JCWA-2001C	349,246.08
Due to JCWA-2002A	<u>3,524,225.86</u>
Total noncurrent liabilities	<u>3,873,471.94</u>
Total Liabilities	<u>4,162,004.33</u>
NET ASSETS	
Investment in capital assets, net of related debt	2,249,813.36
Unrestricted	<u>929,661.80</u>
Total Net Assets	<u><u>\$3,179,475.16</u></u>

See accompanying notes to the basic financial statements.

CITY OF HERCULANEUM, MISSOURI
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Water and Sewer Enterprise Fund</u>
Operating revenues:	
Charges for services	\$873,820.82
Miscellaneous fees	<u>36,545.62</u>
Total operating revenues	<u>910,366.44</u>
Operating expenses:	
Personal services	232,011.95
System repairs, maintenance, and supplies	100,866.81
Utilities	62,818.27
Water purchases	383,136.00
Other expense	98,822.16
Depreciation	<u>121,289.01</u>
Total operating expenses	<u>998,944.20</u>
Operating (loss) from operations	<u>(88,577.76)</u>
Nonoperating revenues:	
Interest income	5,090.80
Miscellaneous	529.96
Interest and fees-JCWA	(32,294.69)
Investment income	<u>95,763.84</u>
Total nonoperating revenue	<u>69,089.91</u>
Change in net assets	(19,487.85)
Equity transfer from Herculaneum Sewer District	1,546,541.22
Net assets, at beginning of year	<u>1,652,421.79</u>
Net assets, at end of year	<u><u>\$3,179,475.16</u></u>

CITY OF HERCULANEUM, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Water and Sewer Enterprise Fund</u>
Cash flow from operating activities:	
Cash received from customers	\$912,878.78
Cash paid to suppliers and employees	<u>(914,664.16)</u>
Cash provided (used) by operations	<u>(1,785.38)</u>
Cash flow from noncapital financing activities:	
Interfund transfers	<u>(77,596.66)</u>
Cash provided (used) by noncapital financing activities	<u>(77,596.66)</u>
Cash flow from capital and related financing activities:	
Purchase of fixed assets	(4,284,611.72)
Due to JCWA	<u>3,936,592.14</u>
Cash provided (used) by capital and related financing activities	<u>(348,019.58)</u>
Cash flow from investment activities:	
Interest income	5,090.80
Interest and fees-JCWA	<u>(32,294.69)</u>
Cash provided (used) by investment activities	<u>(27,203.89)</u>
Net increase (decrease) in cash	(454,605.51)
Cash balance, beginning of year	<u>1,002,357.96</u>
Cash balance, end of year	<u><u>\$547,752.45</u></u>
Reconciliation of net income to cash provided by operations:	
Net income (loss)	(\$19,487.85)
Add: Noncash expenses:	
Depreciation	121,289.01
Changes in working capital:	
Accounts receivable	(1,495.35)
Accounts payable and accrued expenses	(41,997.23)
Prepaid expenses	4,458.30
Investments	(95,763.84)
Customer deposits	4,007.69
Items not classified as operating:	
Interest income	(5,090.80)
Interest and fees-JCWA	<u>32,294.69</u>
Cash provided (used) by operating activities	<u><u>(\$1,785.38)</u></u>

See accompanying notes to the basic financial statements.

City of Herculaneum, Missouri
Notes to the Financial Statements
June 30, 2004

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). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note. For the fiscal year ended June 30, 2004, the City has implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result an entirely new financial presentation format has been implemented.

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.

On November 11, 2003, the voters of the Herculaneum Sewer District approved a plan of dissolution that transferred all assets, liabilities, and operations to the City of Herculaneum, Missouri. The final plan of dissolution was approved by the Circuit Court of Jefferson County, and became effective on January 26, 2004. Current year activity is discretely presented in Exhibit 37 of the financial statements. Assets and liabilities are combined with the Sewer Fund as explained in Note 9 of the financial statements.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No 14, "The Financial Reporting Entity," and would include all component units in which the City appointed a voting majority of their board, or in which the City is either able to impose its will on the unit, or a financial benefit or burden relationship exists.

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. 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 nonexchange 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 separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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 City 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 the 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 City 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.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the city other than debt service payments made by enterprise funds.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Funds:	Brief Description
General Fund	See above for description
Special Revenue Fund: Jefferson County Road Improvement Fund	Accounts for revenues and expenditures of the county sales tax designated for street and road improvements.
<i>Debt Service Fund:</i> Riverview TIF Fund	Accounts for tax revenues restricted for payment of TIF debt.
I-55 TIF Fund	Accounts for tax revenues restricted for payment of TIF debt.

Proprietary Fund:

Water and Sewer
Enterprise Fund

Accounts for operating activities of the City's water and sewerage utility service.

Nonmajor Funds:

Special Revenue Funds:
CART Fund

Accounts for tax revenues and expenditures that are legally restricted for street expenditures.

Water Improvement Tax
Fund

Accounts for tax revenues and expenditures that are legally restricted for water improvements.

Training Fund

Accounts for fine revenues and expenditures for court and police training.

911 Fund

Accounts for utility tax revenues and expenditures restricted for 911 improvement and services.

Capital Project Funds:

Riverview TIF
Redevelopment Fund

Accounts for construction expenditures of TIF District.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" 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 as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. 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.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less,. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 3.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, and

property taxes. Business-type activities report utility earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and property taxes and other similar intergovernmental revenues since they are usually both measurable and available.

Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at historical cost.

Depreciation of all exhaustible fixed assets 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:

Building	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable to the Jefferson County Water Authority.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The

accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Equity Classifications

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 improvement 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 or 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."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Proprietary fund equity is classified the same as in the government-wide statements.

E. REVENUES, EXPENDITURES AND EXPENSES

TIF District Revenues

One-half of the increase in sales tax, franchise tax, and property taxes within the Tax Increment Financing Districts is restricted for debt service of the TIF obligations and is reported in the debt service funds. The remaining one-half of the revenues are reported in the general fund and are unrestricted.

Sales Tax

The City currently levies a one cent general sales tax. The City also levies a one-half cent transportation sales tax, through the Jefferson County Road Improvement Program, which is reported in special revenue fund, and is restricted for street purposes. The sales tax is collected by the Missouri Department of Revenue and remitted to the City in the month following receipt by the State. Sales tax collected by the State which is due to the City is reported as taxes receivable in the financial statements.

Property Tax

The City levies a property tax on real and personal property within the City limits at the following rates per \$100.00 valuation:

General Fund	\$.6889
Water Improvement Fund	<u>.1322</u>
Total	<u>\$.8211</u>

Property taxes are assessed upon property owned as of January 1, 2003. The tax rate was computed and levied by August 31, 2003. The tax bills were mailed by November 1, 2003. Taxes become delinquent after December 31, 2003.

Franchise Tax

The City has levied a 5 percent tax upon the gross receipts from the sale of utility service within the City. The tax is

levied on sales of electricity, natural gas, telephone service, and cable television service.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds-By Character:	Current (further classified by function) Debt Service Capital Outlay
Proprietary Fund-By Operating and Nonoperating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Note 2. Stewardship Compliance and Accountability

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its

stewardship over City resources follows.

A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the city include the following:

Fund	Required By
Jefferson County Road Improvement Fund	Intergovernmental Agreement
Riverview TIF Fund	State Law
I-55 TIF Fund	State Law
CART Fund	State Law
Water and Sewer Enterprise Fund	State Law

B. Deposit and Investment Laws and Regulations

In accordance with Missouri Statute Chapter 110, deposits of public funds, in excess of FDIC insurance, must be secured with collateral securities, as described in Missouri Statute Section 30.270. Collateral securities and investments are generally limited to bonds or other obligations issued by or guaranteed by the United States, and bonds or obligations of the State of Missouri or political subdivisions therein.

C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
TIF District Revenues	See Note 1E
Sales Tax	See Note 1E
Motor Vehicle Taxes	Street Purposes
Property Taxes	See Note 1E
Water and Sewer Revenue	Utility Operations

As explained in Note 4, the computation of I-55 TIF District

revenues was inadvertently understated in previous years. The City has recorded a prior period adjustment to recognize additional revenue of the District.

For the year ended June 30, 2004, the City complied, in all material respects, with these revenue restrictions.

D. Budget, Practice and Compliance

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.

On September 8, 2003, the City adopted an ordinance authorizing the budget for the fiscal year ending June 30, 2004. The budget was prepared by fund, function, and activity of 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.

E. Debt Restrictions and Covenants

The City entered into various agreements for construction and development in accordance with the Missouri Real Property Tax Increment Allocation Redevelopment Act (TIF). Consequently, the City issued bonds and notes to the developer to finance the construction. The agreements require that the City restrict 50% of the increase in tax revenues from the district for debt service. As explained in Note 4, the computation of the I-55 TIF district revenues was inadvertently understated in previous years. The City has recorded a prior period adjustment to recognize additional revenue and associated liability of the District.

As explained in Note 5, the City has a debt obligation to the Jefferson County Water Authority for water system improvements. The agreement requires that the City maintain utility rates sufficient to retire the debt service. The agreement also requires that the City maintain commercial insurance on the improvements. For the year ending June 30, 2004, the City complied, in all material respects with these

debt restrictions.

Note 3. Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

A. Cash and Investments

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.D. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2004. The categories of credit risk are defined as follows:

Category 1-Insured by FDIC or collateralized with securities held by the City or by its agent in its name.

Category 2-Uninsured but collateralized with securities held by the pledging financial institutions's trust department or agent in the City's name.

Category 3-Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the city's name; or collateralized with no written or approved collateral agreement.

	Bank Balance	1	Category 2	3
General Fund	\$114,745.64	\$114,556.64	\$0.00	\$190.00
Special Revenue Fund	243,903.65	243,903.65	0.00	0.00
Proprietary Fund	166,681.78	166,681.78	0.00	0.00
	<u>\$525,331.07</u>	<u>\$525,142.07</u>	<u>\$0.00</u>	<u>\$190.00</u>

Investments

The City's policies and applicable laws regarding investments

are discussed in Notes 1.D. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the City based upon whether the investments are insured or registered and upon who holds the security at June 30, 2004. The categories of credit risk are defined as follows:

Category 1-Insured or registered with securities held by the entity or its agent in the entity's name

Category 2-Uninsured and unregistered with securities held by counterparty's trust department or agent in the entity's name

Category 3-Uninsured and unregistered with securities held by the counter party or by its 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	\$911,378.43	\$0.00	\$0.00	\$911,378.43
Special Revenue Fund	10,911.34	0.00	0.00	10,911.34
Enterprise Fund	381,070.67	0.00	0.00	381,070.67
	<u>\$1,303,360.44</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$1,303,360.44</u>

B. Receivables

Receivables are recorded at the net amount receivable, and management estimates that there are not any material amounts uncollectible at June 30, 2004. Receivables at June 30, 2004 consist of the following:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Taxes Receivable:			
Sales tax	\$569,366.08	\$0.00	\$569,366.08
General revenue tax	35,839.98	0.00	35,839.98
Motor vehicle taxes	20,040.43	0.00	20,040.43
Franchise taxes	89,644.10	0.00	89,644.10
911 tax	4,361.79	0.00	4,361.79
	<u>\$719,252.38</u>	<u>\$0.00</u>	<u>\$719,252.38</u>

Accounts Receivable:			
Water and sewer utility	\$0.00	\$70,683.16	\$70,683.16
Sanitation	<u>10,540.69</u>	<u>0.00</u>	<u>10,540.09</u>
	<u>\$10,540.69</u>	<u>\$70,683.16</u>	<u>\$81,223.85</u>
Deferred Revenue:			
General revenue tax	<u>\$32,969.30</u>	<u>\$ 0.00</u>	<u>\$32,969.30</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance			Balance
	July 1, 2003	Additions	Disposals	June 30, 2004
Governmental Activities:				
Land and buildings	\$301,809.68	\$0.00	\$0.00	\$301,809.68
Equipment	810,373.51	102,177.71	(66,811.89)	845,739.33
Less: Accumulated Depreciation	(752,002.76)	(97,631.68)	0.00	(849,634.44)
	<u>\$360,180.43</u>	<u>\$4,546.03</u>	<u>(\$66,811.89)</u>	<u>\$297,914.57</u>

	Balance	Transfers from Herculaneum Sewer District	Additions	Disposals	Balance
	July 1, 2003				June 30, 2004
Business-type activities:					
Construction in progress	\$0.00	\$0.00	\$219,148.54	\$0.00	\$219,148.54
Land and Buildings	13,630.00	36,805.00	0.00	0.00	50,435.00
System	1,767,520.70	2,273,467.80	4,041,488.18	0.00	8,082,476.68
Equipment	64,002.07	147,715.40	17,550.00	0.00	229,267.47
Less: Accumulated depreciation	(1,093,047.30)	(1,139,684.59)	(72,190.30)	0.00	(2,304,922.19)
	<u>\$752,105.47</u>	<u>\$1,318,303.61</u>	<u>\$4,205,996.42</u>	<u>\$0.00</u>	<u>\$6,276,405.50</u>

Depreciation was charged to governmental activities as follows:

General government	\$12,756.24
Public safety	49,451.48
Streets	33,217.57
Culture and recreation	<u>2,206.39</u>
	<u>\$97,631.68</u>

D. 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, 2004:

	<u>General Long-term Debt</u>	
	<u>Governmental Activities</u>	<u>Enterprise Activities</u>
	TIF Revenue	Due to
	<u>Bonds</u>	<u>JCWA</u>
Balance, June 30, 2003	\$358,000.00	\$0.00
Debt issued	0.00	3,972,841.78
Debt retired	<u>358,000.00</u>	<u>36,249.64</u>
Balance, June 30, 2004	<u>\$ 0.00</u>	<u>\$3,936,592.14</u>

The annual requirements to amortize the long-term debt outstanding including interest of \$2,473,515.77, are as follows:

	<u>Governmental Activities</u>	<u>Enterprise Activities</u>
	TIF Revenue	Due to
	<u>Bonds</u>	<u>JCWA</u>
2005	\$0.00	\$265,112.89
2006	0.00	274,552.91
2007	0.00	295,244.83
2008	0.00	315,204.80
2009	0.00	332,116.02
Thereafter	<u>0.00</u>	<u>4,927,876.46</u>
	<u>\$0.00</u>	<u>\$6,410,107.91</u>

Long-term debt outstanding at June 30, 2004 consists of the following issues:

Governmental Activities:

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. One-half of 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, 2004 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, 2004 was not available. Current year activity is reported in the debt service fund.

Riverview TIF District

On August 15, 1997, the City issued \$745,000.00 Tax Increment Revenue Bonds for development of the Riverview area. Tax revenues were sufficient that the bonds were retired during the year ending June 30, 2004.

Enterprise Activities:

Due to JCWA

Due to Jefferson County Water Authority for water system improvements which specifically benefit the City of Herculaneum. The intergovernmental agreement requires that the City pay for the pro-rata share of revenue bonds issued by the Water Authority. The City's obligation for debt service of the Jefferson County Water Authority is as follows:

Pro-rata share of JCWA 2001C revenue bonds, 3% to 5%, monthly debt service payments of 1/12 principal and 1/6 interest due, through July 1, 2003, secured by water purchase agreement with the City. \$354,319.58

Pro-rata share of JCWA 2002A revenue bonds, 3% to 5%, monthly debt service payments of 1/12 principal and 1/6 interest due through July 1, 2023 security by water purchase agreement with the City. \$3,582,272.56

Note 4. Prior Period Adjustment/TIF Liability

A. General Fund and I-55 TIF District

The audit disclosed that the computation of the TIF revenues and associated balance due to the developer had been inadvertently understated. The development agreement requires that the City reimburse the developer for construction improvements made by the developer. The computation requires that the City reimburse one-half of the increase in local tax revenues of the district for the period March 1, 1992 through January 1, 2005. The original computation was based on tax revenues generated by businesses associated with the developer. However, other businesses are also within the district, and the tax revenues from those businesses was inadvertently omitted from the original computation.

A corrected computation indicates that the City understated the liability as of June 30, 2003, by \$136,265.70. This is recorded as a debit to the general fund balance, since prior years unrestricted revenues are recorded in the general fund. The correction is included in the balance due to the developer in the debt service fund.

Also, a review of Jefferson County, Missouri's TIF computation indicated that the computation was also understated for the same reasons as listed above. An "estimate" of the balance due from Jefferson County to the developer at June 30, 2004 is \$261,453.11. This amount is also reported in the debt service fund.

Note 5. Joint Venture-Jefferson County Water Authority

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.

Condensed financial information of the Jefferson County Water Authority reported from the Authority's audited financial report as of September 30, 2003, is as follows:

Assets:

Current assets	\$176,536
Restricted assets	9,278,877
Capital assets	15,350,316
Receivable from Herculaneum	3,123,470
Other assets	<u>328,461</u>
Total assets	<u>\$28,257,660</u>

Liabilities:

Current liabilities	\$ 1,416,825
Long-term debt	<u>25,630,372</u>
	27,047,197

Equity

	<u>1,210,463</u>
Total liabilities and equity	<u>\$28,257,660</u>

Operating revenue	\$ 147,004
Operating expenses	<u>106,289</u>
Operating income	40,715
Nonoperating revenue	327,590
Beginning equity	<u>842,158</u>
Ending equity	<u>\$1,210,463</u>

The initial cooperative agreement obligates the City of Herculaneum to pay 30.38% of the initial costs of the Water Authority, whenever funds are not available from the

Authority.

It is currently anticipated that user charges will be sufficient, that additional contributions will not be necessary from the City of Herculaneum. The investment in the Authority is recorded as an asset of the City, in which the ownership percentage is multiplied by the equity as follows:

JCWA equity	\$1,210,463
Ownership %	<u>30.38%</u>
Investment in JCWA	<u>\$367,738.66</u>

The City has also signed a water purchase agreement with the Water Authority. The agreement obligates the City to purchase 480,000 gallons of water per day, with credit options if water is sold to another entity. The anticipated annual cost of the commitment to purchase water from the Water Authority is approximately \$460,000.00 per year. The water purchase agreement is also used to secure revenue bonds by the Authority.

The water purchase agreement also authorizes the Water Authority to construct a water tank and lines, which specifically are located in the City of Herculaneum, and which specifically benefit the citizens of the City of Herculaneum. The agreement also requires that the City reimburse the Water Authority for it's prorata share of the debt service used to construct the improvements. As of June 30, 2004, the improvements were substantially completed. The asset and corresponding debt is reported in the Water Enterprise Fund as follows:

Water System additions	<u>\$3,972,841.78</u>
Due to JCWA - 2001C	<u>\$ 354,319.58</u>
Due to JCWA - 2002A	<u>\$3,582,272.56</u>

The Water Authority records the cost of construction as a receivable from Herculaneum, on their financial statements.

The Jefferson County Water Authority's audited financial statements for the year ending September 30, 2003 may be obtained from the City of Festus, Missouri at 711 West Main, Festus, Missouri, 63028.

Note 6. 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 7. 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. 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 8. Herculaneum Sewer District

As explained in Note 1, the voters of the Herculaneum Sewer District approved a plan of dissolution that transferred all assets, liabilities, and operations to the City of Herculaneum. The final plan of approval became effective on January 26, 2004.

The assets and liabilities of the Herculaneum Sewer District were combined with the Sewer fund of the City. The combination was recorded as of July 1, 2003 to facilitate annual reporting of revenues and expenses. As shown on financial statement Exhibit 37, revenues and expenses between the City and the District for the year ending June 30, 2004 have been eliminated. The following is a condensed summary of the combination of assets and liabilities as of July 1, 2003:

	Herculaneum Sewer District	City Sewer Fund	Total
Assets			
Cash and investments	\$252,238.23	\$0.00	\$252,238.23
Receivables	16,599.26	12,144.76	28,744.02
Restricted assets	9,445.79	325,767.54	335,213.33
Sewer system (net)	1,360,977.07	341,151.55	1,702,128.62
Total assets	<u>1,639,260.35</u>	<u>679,063.85</u>	<u>2,318,324.20</u>

Liabilities			
Current liabilities	83,273.34	2,152.40	85,425.74
Current liabilities payable from restricted assets	9,445.79	90,000.00	99,445.79
Total liabilities	<u>92,719.13</u>	<u>92,152.40</u>	<u>184,871.53</u>
Net Assets	<u>\$1,546,541.22</u>	<u>\$586,911.45</u>	<u>\$2,133,452.67</u>

The above amounts does not include a contingent environmental liability as discussed in Note 9.

Note 9. Environmental Violations and Contingencies

On January 8, 2003, the Missouri Department of Natural Resources issued a notice of violation of the Missouri Clean Water Law and related regulations to the Herculaneum Sewer District. Also, on October 23, 2003, the U.S. Environmental Protection Agency issued a notice of violation of the Clean Water Act to the Herculaneum Sewer District. The violations stated in the notices included multiple failures to comply with effluent limits; failure to remove sludge from the sludge holding lagoon; failure to submit a closure plan for approval prior to closure of a sludge storage lagoon; and failure to operate and maintain facilities to comply with the Missouri Clean Water Law and applicable permit conditions. The Missouri Department of Natural Resources letter of findings listed numerous instances, in which the system had not been properly maintained. Furthermore, the facilities State Operating Permit expired on December 18, 2002 and is in the process of renewal.

The Herculaneum Sewer District and subsequently the City of Herculaneum, Missouri have diligently worked to resolve the findings. The City does not anticipate any environmental fines as a result of the findings. Due to the population growth of the City of Herculaneum and the age of the existing sewer plant, the City of Herculaneum is studying the feasibility of renovation and expansion of the sewer plant. The improvements are specifically designed to alleviate deficiencies noted in the notice of violation, as well as provide for anticipated growth of the City.

On April 6, 2004, the voters approved the issuance of \$6 million of sewerage system revenue bonds for sewerage system plant expansion.

The City has also received preliminary approval of a \$6 million loan through the Missouri Department of Natural Resources for sewer system plant expansion. The City has approved an engineering firm to design and plan the system modifications.

CITY OF HERCULANEUM, MISSOURI
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	CART Fund	Water Improvement Tax Fund	Training Fund	911 Fund	Riverview TIF Redevelopment Fund	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments	\$0.00	\$222,031.05	\$21,872.60	\$10,911.34	\$0.00	\$254,814.99
Receivables:						
Taxes	20,040.43	5,959.44	0.00	4,361.79	0.00	30,361.66
Due from other funds	0.00	148,125.94	0.00	0.00	0.00	148,125.94
Total Assets	\$20,040.43	\$376,116.43	\$21,872.60	\$15,273.13	\$0.00	\$433,302.59
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$6,544.96	\$0.00	\$0.00	\$0.00	\$0.00	\$6,544.96
Total liabilities	6,544.96	0.00	0.00	0.00	0.00	6,544.96
FUND BALANCE						
Reserved	13,495.47	376,116.43	21,872.60	15,273.13	0.00	426,757.63
Total fund balance	13,495.47	376,116.43	21,872.60	15,273.13	0.00	426,757.63
Total Liabilities and Fund Balance	\$20,040.43	\$376,116.43	\$21,872.60	\$15,273.13	\$0.00	\$433,302.59

CITY OF HERCULANEUM, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	CART Fund	Water Improvement Tax Fund	Training Fund	911 Fund	Riverview TIF Redevelopment Fund	Total Nonmajor Governmental Funds
Revenues:						
Taxes	\$0.00	\$65,543.64	\$0.00	\$17,980.22	\$0.00	\$83,523.86
Intergovernmental	116,554.07	0.00	1,628.76	0.00	0.00	118,182.83
Fines, costs, forfeitures	0.00	0.00	8,869.00	0.00	0.00	8,869.00
Interest revenue	0.00	1,868.59	0.00	120.65	0.00	1,989.24
Total revenues	116,554.07	67,412.23	10,497.76	18,100.87	0.00	212,564.93
Expenditures:						
General government	0.00	0.00	1,143.00	0.00	0.00	1,143.00
Highways and streets	105,490.49	0.00	0.00	0.00	0.00	105,490.49
Public safety	18,787.09	0.00	1,678.30	29,345.06	0.00	49,810.45
Total expenditures	124,277.58	0.00	2,821.30	29,345.06	0.00	156,443.94
Excess (deficiency) of revenues over expenditures	(7,723.51)	67,412.23	7,676.46	(11,244.19)	0.00	56,120.99
Other financing sources (uses):						
Transfers	20,943.94	0.00	0.00	0.00	(17,782.75)	3,161.19
Excess (deficiency) of revenues and other financing sources over expenditures	13,220.43	67,412.23	7,676.46	(11,244.19)	(17,782.75)	59,282.18
Fund balance, beginning of year	275.04	303,223.30	14,196.14	26,517.32	17,782.75	361,994.55
Fund balance, end of year	\$13,495.47	\$370,635.53	\$21,872.60	\$15,273.13	\$0.00	\$421,276.73

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

CITY OF HERCULANEUM, MISSOURI
GENERAL FUND
BALANCE SHEET
JUNE 30, 2004

ASSETS	
Cash	\$114,745.64
Investments	911,378.43
Accounts receivable (Net of allowance for uncollectibles)	
Taxes	167,226.87
Other	<u>10,540.69</u>
Total assets	<u><u>\$1,203,891.63</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$23,733.97
Payroll taxes and withholdings	1,049.01
Compensated absences payable	24,785.46
Accrued payroll	14,306.49
Bond escrow payable	3,410.95
Deferred tax revenue	27,488.40
Due to other funds	<u>620,158.95</u>
Total liabilities	<u>714,933.23</u>
Fund balance:	
Fund balance - undesignated	<u>488,958.40</u>
Total fund balance	<u>488,958.40</u>
Total liabilities and fund balance	<u><u>\$1,203,891.63</u></u>

CITY OF HERCULANEUM, MISSOURI
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2004

Revenues:	
Taxes:	
General revenue	\$334,854.80
Franchise tax	382,256.26
Sales tax	519,869.88
Intergovernmental:	
Grants	22,292.97
License and permits	18,295.85
Charges for services:	
Trash	130,307.43
Fines, costs, and forfeitures	182,980.33
Interest income	8,939.82
Miscellaneous revenue	27,542.16
Reimbursements	<u>34,455.22</u>
Total revenues	<u>1,661,794.72</u>
Expenditures:	
General government	379,172.50
Public safety	737,201.80
Highways and streets	419,366.35
Health and welfare	129,040.23
Culture and recreation	<u>6,139.15</u>
Total expenditures	<u>1,670,920.03</u>
Excess of revenues over expenditures	(9,125.31)
Other financing sources (uses):	
Transfers	<u>(20,943.94)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(30,069.25)
Fund balance, beginning of year	655,293.35
Prior period adjustment	<u>(136,265.70)</u>
Fund balance, end of year	<u><u>\$488,958.40</u></u>

CITY OF HERCULANEUM, MISSOURI
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2004

General Government:

City Hall:

Salaries and wages	\$73,078.17
Payroll taxes	14,856.46
Employee insurance	12,478.52
Pension expense	2,583.23
Repairs and maintenance	7,245.85
Telephone and utilities	9,964.93
Insurance	22,899.65
Legal fees	68,087.47
Accounting services	14,007.50
Membership and dues	3,396.48
Printing and advertising	4,097.83
Office supplies and postage	6,486.36
Capital outlay	4,974.98
Miscellaneous	12,365.72
Travel	2,044.34
Training	1,779.30
Citizens program	1,086.73
Election expenses	1,498.60
Books & publications	589.06
Contractual services	3,397.59
City celebration	5,273.58

Total City Hall

272,192.35

Municipal Court and Prosecuting Attorney

Salaries and wages	40,959.59
Payroll taxes	2,849.12
Employee insurance	4,751.98
Pension expense	1,083.29
Advertising & printing	1,220.00
Insurance	8,888.57
Telephone and utilities	329.56
Office supplies and postage	2,726.65
Miscellaneous	1,148.29
Legal fees	41,441.00
Contractual services	1,582.10

Total Municipal Court and Prosecuting Attorney

106,980.15

Total General Government

379,172.50

(Continued)

CITY OF HERCULANEUM, MISSOURI
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2004

Public Safety:	
Police:	
Salaries and wages	371,862.36
Payroll taxes	28,110.03
Pension expense	10,416.24
Employee insurance	50,097.53
Repairs and maintenance	15,076.65
Telephone and utilities	8,927.32
Insurance	58,893.58
Printing and advertising	606.35
Office supplies and postage	2,902.33
Uniforms	10,450.10
Supplies	4,465.92
Capital outlay	44,907.32
Miscellaneous	5,038.95
Training	3,295.00
Citizens program	198.37
Travel	535.05
Membership and dues	5,760.00
Contractual services	<u>10,165.46</u>
 Total Police	 <u>631,708.56</u>
Building Commission:	
Salaries and wages	11,408.22
Payroll taxes	559.67
Pension expense	166.66
Supplies	675.69
Office supplies and postage	1,305.68
Miscellaneous	1,022.20
Uniforms	<u>355.12</u>
 Total Building Commission	 <u>15,493.24</u>
Fire Department:	
Contractual services	<u>90,000.00</u>
 Total Fire Department	 <u>90,000.00</u>
 Total Public Safety	 <u>737,201.80</u>

(Continued)

CITY OF HERCULANEUM, MISSOURI
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2004

Highways and streets:	
Street Department:	
Salaries and wages	236,955.10
Payroll taxes	16,933.14
Pension expense	4,749.85
Employee insurance	49,557.02
Repairs and maintenance	21,858.05
Equipment rental	3,242.64
Snow removal	19,330.70
Telephone and utilities	7,111.83
Insurance	31,611.54
Office supplies and postage	1,742.86
Supplies	5,854.94
Capital outlay	5,282.96
Miscellaneous	2,464.00
Uniforms	5,108.50
Drainage	5,574.87
Contractual services	1,941.35
Travel	47.00
	<hr/>
Total Highways and Streets	419,366.35
	<hr/>
Health and Welfare:	
Sanitation	117,970.73
Animal control	117.27
Mosquito control	10,424.18
Miscellaneous	528.05
	<hr/>
Total Health and Welfare	129,040.23
	<hr/>
Culture and Recreation:	
Park and Cemetery:	
Miscellaneous	397.79
Improvements	488.80
Historical society	313.55
	<hr/>
Total Park and Cemetery	1,200.14
	<hr/>
Library:	
Salaries and wages	4,100.00
Payroll taxes	313.69
Miscellaneous	290.84
Books and publications	234.48
	<hr/>
Total Library	4,939.01
	<hr/>
Total Culture and Recreation	6,139.15
	<hr/>
Total Expenditures	\$1,670,920.03
	<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, 2004

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes	\$1,236,980.94	(\$4,834.89)	\$1,232,146.05	\$1,157,140.00	\$75,006.05
License and permits	18,295.85	0.00	18,295.85	15,900.00	2,395.85
Intergovernmental	22,292.97	0.00	22,292.97	25,000.00	(2,707.03)
Charges for services	130,307.43	245.37	130,552.80	130,000.00	552.80
Fines	182,980.33	0.00	182,980.33	165,000.00	17,980.33
Interest income	8,939.82	0.00	8,939.82	15,000.00	(6,060.18)
Miscellaneous revenue	27,542.16	0.00	27,542.16	11,500.00	16,042.16
Reimbursements	34,455.22	0.00	34,455.22	500.00	33,955.22
Total revenues	1,661,794.72	(4,589.52)	1,657,205.20	1,520,040.00	137,165.20
Expenditures:					
City hall	272,192.35	(4,622.42)	267,569.93	232,448.20	(35,121.73)
Municipal court	106,980.15	(3,419.50)	103,560.65	87,682.00	(15,878.65)
Police	631,708.56	(2,123.94)	629,584.62	642,251.00	12,666.38
Building commission	15,493.24	(3,081.55)	12,411.69	95,200.40	82,788.71
Fire department	90,000.00	0.00	90,000.00	90,000.00	0.00
Street department	419,366.35	(2,480.28)	416,886.07	278,310.41	(138,575.66)
Health and welfare	129,040.23	0.00	129,040.23	133,500.00	4,459.77
Park and cemetery	1,200.14	0.00	1,200.14	8,000.00	6,799.86
Library	4,939.01	0.00	4,939.01	6,400.00	1,460.99
Total expenditures	1,670,920.03	(15,727.69)	1,655,192.34	1,573,792.01	(81,400.33)
Excess of revenues over expenditures	(9,125.31)	11,138.17	2,012.86	(53,752.01)	55,764.87
Other financing sources (uses):					
Transfers	(20,943.94)	0.00	(20,943.94)	0.00	(20,943.94)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(\$30,069.25)	\$11,138.17	(\$18,931.08)	(\$53,752.01)	\$34,820.93

CITY OF HERCULANEUM, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	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	\$222,031.05	\$21,872.60	\$0.00	\$0.00	\$243,903.65
Investments	0.00	0.00	0.00	10,911.34	0.00	10,911.34
Taxes receivable	20,040.93	5,959.44	0.00	4,361.79	521,663.85	552,026.01
Due from other funds	0.00	148,125.94	0.00	0.00	0.00	148,125.94
Total assets	\$20,040.93	\$376,116.43	\$21,872.60	\$15,273.13	\$521,663.85	\$954,966.94
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts payable	\$6,544.96	\$0.00	\$0.00	\$0.00	\$0.00	\$6,544.96
Deferred revenue	0.00	5,480.90	0.00	0.00	0.00	5,480.90
Due to other funds	0.00	0.00	0.00	0.00	12,952.05	12,952.05
Total liabilities	6,544.96	5,480.90	0.00	0.00	12,952.05	24,977.91
Fund balance	13,495.97	370,635.53	21,872.60	15,273.13	508,711.80	929,989.03
Total liabilities and fund balance	\$20,040.93	\$376,116.43	\$21,872.60	\$15,273.13	\$521,663.85	\$954,966.94

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, 2004

	C.A.R.T. Fund	Water Improvement Tax Fund	Training Fund	911 Fund	Jefferson County Road Improvement Program	Total
Revenues:						
Taxes	\$0.00	\$65,543.64	\$0.00	\$17,980.22	\$148,205.76	\$231,729.62
Intergovernmental	116,554.07	0.00	1,628.76	0.00	0.00	118,182.83
Court fines	0.00	0.00	8,869.00	0.00	0.00	8,869.00
Interest income	0.00	1,868.59	0.00	120.65	5,618.64	7,607.88
Total revenues	116,554.07	67,412.23	10,497.76	18,100.87	153,824.40	366,389.33
Expenditures:						
General government	0.00	0.00	1,143.00	0.00	0.00	1,143.00
Public safety	18,787.09	0.00	1,678.30	29,345.06	0.00	49,810.45
Highways and streets	105,490.49	0.00	0.00	0.00	68,786.00	174,276.49
Total expenditures	124,277.58	0.00	2,821.30	29,345.06	68,786.00	225,229.94
Excess (deficiency) of revenues over expenditures	(7,723.51)	67,412.23	7,676.46	(11,244.19)	85,038.40	141,159.39
Other financing sources:						
Transfers	20,943.94	0.00	0.00	0.00	0.00	20,943.94
Excess (deficiency) of revenues and other financing sources over expenditures	13,220.43	67,412.23	7,676.46	(11,244.19)	85,038.40	162,103.33
Fund balance, beginning of year	275.04	303,223.30	14,196.14	26,517.32	423,673.40	767,885.20
Fund balance, end of year	\$13,495.47	\$370,635.53	\$21,872.60	\$15,273.13	\$508,711.80	\$929,988.53

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, 2004

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Intergovernmental	\$116,554.07	(\$284.28)	\$116,269.79		
Total revenues	116,554.07	(284.28)	116,269.79	\$110,000.00	\$6,269.79
Expenditures:					
Public Safety:					
Police:					
Gas and oil	17,563.70	1,262.41	18,826.11		
Equipment	1,223.39	0.00	1,223.39		
Highways and streets					
Street repairs	46,754.99	(885.91)	45,869.08		
Street lighting	31,288.62	1,491.22	32,779.84		
Gas and oil	16,818.51	(1,972.50)	14,846.01		
Equipment	10,628.37	0.00	10,628.37		
Total expenditures	124,277.58	(104.78)	124,172.80	194,000.00	69,827.20
Excess of revenues over expenditures	(7,723.51)	(179.50)	(7,903.01)	(84,000.00)	76,096.99
Other financing sources:					
Transfers	20,943.94	0.00	20,943.94	0.00	20,943.94
Excess (deficiency) of revenues and other financing sources over expenditures	\$13,220.43	(\$179.50)	\$13,040.93	(\$84,000.00)	\$97,040.93

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, 2004

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
General revenue	\$65,543.64	\$798.96	\$66,342.60		
Interest income	1,868.59	0.00	1,868.59		
Total revenues	67,412.23	798.96	68,211.19	\$57,000.00	\$11,211.19
Expenditures:					
Water					
Capital outlay	0.00	0.00	0.00	0.00	0.00
Total expenditures	0.00	0.00	0.00	0.00	0.00
Excess of revenues over expenditures	\$67,412.23	\$798.96	\$68,211.19	\$57,000.00	\$11,211.19

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, 2004

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Court fines, costs, and forfeitures	\$10,497.76	\$0.00	\$10,497.76	\$11,000.00	(\$502.24)
Total revenues	10,497.76	0.00	10,497.76	11,000.00	(502.24)
Expenditures:					
General government:					
Municipal court:					
Training	908.00	0.00	908.00		
Dues and miscellaneous	235.00	0.00	235.00		
Public safety:					
Police:					
Training	1,050.00	0.00	1,050.00		
Travel	628.30	0.00	628.30		
Total expenditures	2,821.30	0.00	2,821.30	3,100.00	278.70
Excess of revenues over expenditures	\$7,676.46	\$0.00	\$7,676.46	\$7,900.00	(\$223.54)

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, 2004

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
911 Telephone tax	\$17,980.22	(\$235.96)	\$17,744.26		
Interest income	120.65	0.00	120.65		
Total revenues	18,100.87	(235.96)	17,864.91	\$20,000.00	(\$2,135.09)
Expenditures:					
Public Safety:					
Emergency response: Contractual services	29,345.06	623.56	29,968.62		
Total expenditures	29,345.06	623.56	29,968.62	37,000.00	7,031.38
Excess of revenues over expenditures	(\$11,244.19)	(\$859.52)	(\$12,103.71)	(\$17,000.00)	\$4,896.29

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, 2004

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
Sales tax	\$148,205.76	\$0.00	\$148,205.76		
Interest income	5,618.64	0.00	5,618.64		
Total revenues	153,824.40	0.00	153,824.40	\$125,000.00	\$28,824.40
Expenditures:					
Street:					
Capital outlay	68,786.00	0.00	68,786.00		
Total expenditures	68,786.00	0.00	68,786.00	0.00	(68,786.00)
Excess (deficiency) of revenues over expenditures	\$85,038.40	\$0.00	\$85,038.40	\$125,000.00	(\$39,961.60)

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

CITY OF HERCULANEUM, MISSOURI
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004

	Riverview TIF Fund	I-55 TIF Fund	Total
<u>ASSETS</u>			
Due from Jefferson County	(\$140,840.66)	\$261,453.11	\$120,612.45
Due from other funds	140,840.66	266,547.74	407,388.40
 Total assets	 \$0.00	 \$528,000.85	 \$528,000.85
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Due to developer	\$0.00	\$528,000.85	\$528,000.85
 Fund balance	 0.00	 0.00	 0.00
 Total liabilities and fund balance	 \$0.00	 \$528,000.85	 \$528,000.85

CITY OF HERCULANEUM, MISSOURI
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2004

	Riverview TIF Fund	I-55 TIF Fund	Total
Revenues:			
Taxes	\$51,222.33	\$125,929.92	\$177,152.25
Intergovernmental	3,095.23	33,728.82	36,824.05
Interest income	506.30	0.00	506.30
Total revenues	<u>54,823.86</u>	<u>159,658.74</u>	<u>214,482.60</u>
Expenditures:			
Debt service	<u>378,967.50</u>	<u>248,308.56</u>	<u>627,276.06</u>
Total expenditures	<u>378,967.50</u>	<u>248,308.56</u>	<u>627,276.06</u>
Excess (deficiency) of revenues over expenditures	(324,143.64)	(88,649.82)	(412,793.46)
Other financing sources:			
Transfers	<u>17,782.75</u>	<u>0.00</u>	<u>17,782.75</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(306,360.89)	(88,649.82)	(395,010.71)
Fund balance, beginning of year	<u>306,360.89</u>	<u>88,649.82</u>	<u>395,010.71</u>
Fund balance, end of year	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>	<u><u>\$0.00</u></u>

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, 2004

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
Property taxes	\$49,036.19	\$0.00	\$49,036.19		
Sales tax	2,046.12	12,705.71	14,751.83		
Franchise tax	140.02	716.52	856.54		
Intergovernmental	3,095.23	62,957.36	66,052.59		
Interest income	506.30	0.00	506.30		
Total revenues	54,823.86	76,379.59	131,203.45	200,000.00	(68,796.55)
Expenditures:					
Debt service:					
Bond payments	358,000.00	0.00	358,000.00		
Bond interest expense	20,967.50	0.00	20,967.50		
Total expenditures	378,967.50	0.00	378,967.50	200,000.00	(178,967.50)
Excess (deficiency) of revenues over expenditures	(324,143.64)	76,379.59	(247,764.05)	0.00	(247,764.05)
Other financing sources:					
Transfers	17,782.75	0.00	17,782.75	0.00	17,782.75
Excess (deficiency) of revenues other financing sources over expenditures	(\$306,360.89)	\$76,379.59	(\$229,981.30)	\$0.00	(\$229,981.30)

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, 2004

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
Property taxes	\$81,446.81	\$0.00	\$81,446.81		
Sales tax	42,500.06	2,132.38	44,632.44		
Franchise tax	1,983.05	403.06	2,386.11		
Intergovernmental	33,728.82	5,806.23	39,535.05		
Total revenues	159,658.74	8,341.67	168,000.41	100,000.00	68,000.41
Expenditures:					
Debt service	248,308.56	(117,542.46)	130,766.10		
Total expenditures	248,308.56	(117,542.46)	130,766.10	100,000.00	(30,766.10)
Excess (deficiency) of revenues over expenditures	(\$88,649.82)	\$125,884.13	\$37,234.31	\$0.00	\$37,234.31

CITY OF HERCULANEUM, MISSOURI
 CAPITAL PROJECT FUND
 RIVERVIEW TIF REDEVELOPMENT FUND
 BALANCE SHEET
 JUNE 30, 2004

<u>ASSETS</u>	
Cash	\$0.00
Total assets	\$0.00
<u>LIABILITIES AND FUND BALANCE</u>	
Fund balance	\$0.00
Total liabilities and fund balance	\$0.00

CITY OF HERCULANEUM, MISSOURI
 CAPITAL PROJECT FUND
 RIVERVIEW TIF REDEVELOPMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 JUNE 30, 2004

Transfers	(\$17,782.75)
Excess (deficiency) of revenues over expenditures	(17,782.75)
Fund balance, beginning of year	17,782.75
Fund balance, end of year	\$0.00

CITY OF HERCULANEUM, MISSOURI
 WATER AND SEWER ENTERPRISE FUND
 COMBINING BALANCE SHEET
 JUNE 30, 2004

	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$283,018.63	\$264,733.82	\$547,752.45
Accounts receivable	41,382.13	29,301.03	70,683.16
Due from other funds	78,899.72	0.00	78,899.72
Total current assets	<u>403,300.48</u>	<u>294,034.85</u>	<u>697,335.33</u>
Noncurrent assets:			
Investment in JCWA	367,738.66	0.00	367,738.66
Total noncurrent assets	<u>367,738.66</u>	<u>0.00</u>	<u>367,738.66</u>
Fixed assets:			
Construction in progress	0.00	219,148.54	219,148.54
Property, plant, and equipment	5,319,620.95	3,042,558.20	8,362,179.15
Less: Accumulated depreciation	(956,340.26)	(1,348,581.93)	(2,304,922.19)
Total fixed assets	<u>4,363,280.69</u>	<u>1,913,124.81</u>	<u>6,276,405.50</u>
Total Assets	<u>\$5,134,319.83</u>	<u>\$2,207,159.66</u>	<u>\$7,341,479.49</u>
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Accounts payable	\$43,661.57	\$989.60	\$44,651.17
Accrued payroll	0.00	1,647.86	1,647.86
Compensated absences payable	3,090.80	1,345.60	4,436.40
Customer deposits	73,967.91	9,405.79	83,373.70
Due to other funds	0.00	1,303.06	1,303.06
Construction escrow	0.00	90,000.00	90,000.00
Due to JCWA-2001C	5,073.50	0.00	5,073.50
Due to JCWA-2002A	58,046.70	0.00	58,046.70
Total current liabilities	<u>183,840.48</u>	<u>104,691.91</u>	<u>288,532.39</u>
Noncurrent liabilities:			
Due to JCWA-2001C	349,246.08	0.00	349,246.08
Due to JCWA-2002A	3,524,225.86	0.00	3,524,225.86
Total noncurrent liabilities	<u>3,873,471.94</u>	<u>0.00</u>	<u>3,873,471.94</u>
Total Liabilities	<u>4,057,312.42</u>	<u>104,691.91</u>	<u>4,162,004.33</u>
Fund equity:			
Contributed capital:			
Governmental	662,391.47	365,000.00	1,027,391.47
Total contributed capital	<u>662,391.47</u>	<u>365,000.00</u>	<u>1,027,391.47</u>
Retained Earnings:			
Unreserved	414,615.94	1,737,467.75	2,152,083.69
Total retained earnings	<u>414,615.94</u>	<u>1,737,467.75</u>	<u>2,152,083.69</u>
Total Fund Equity	<u>1,077,007.41</u>	<u>2,102,467.75</u>	<u>3,179,475.16</u>
Total Liabilities and Fund Equity	<u>\$5,134,319.83</u>	<u>\$2,207,159.66</u>	<u>\$7,341,479.49</u>

CITY OF HERCULANEUM, MISSOURI
 WATER AND SEWER ENTERPRISE FUND
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 YEAR ENDED JUNE 30, 2004

	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services:			
Water and sewer charges	\$569,560.94	\$304,259.88	\$873,820.82
Tap fees and late charges	7,796.68	28,748.94	36,545.62
Total operating revenues	<u>577,357.62</u>	<u>333,008.82</u>	<u>910,366.44</u>
Operating expenses:			
Personal services	88,388.29	143,623.66	232,011.95
System repairs, maintenance, and supplies	48,248.04	52,618.77	100,866.81
Water purchases	383,136.00	0.00	383,136.00
Utilities	22,640.27	40,178.00	62,818.27
Other expense	44,750.43	54,071.73	98,822.16
Depreciation	44,711.41	76,577.60	121,289.01
Total operating expenses	<u>631,874.44</u>	<u>367,069.76</u>	<u>998,944.20</u>
Operating income (loss)	<u>(54,516.82)</u>	<u>(34,060.94)</u>	<u>(88,577.76)</u>
Nonoperating revenue (expense):			
Interest income	2,544.74	2,546.06	5,090.80
Miscellaneous	0.00	529.96	529.96
Interest and fees-JCWA	(32,294.69)	0.00	(32,294.69)
Investment income	95,763.84	0.00	95,763.84
Total nonoperating revenue	<u>66,013.89</u>	<u>3,076.02</u>	<u>69,089.91</u>
Net income (loss)	11,497.07	(30,984.92)	(19,487.85)
Equity transfer from Herculaneum Sewer District	0.00	1,546,541.22	1,546,541.22
Retained earnings, beginning of year	403,118.87	221,911.45	625,030.32
Retained earnings, end of year	<u>\$414,615.94</u>	<u>\$1,737,467.75</u>	<u>\$2,152,083.69</u>

CITY OF HERCULANEUM, MISSOURI
WATER AND SEWER ENTERPRISE FUND
COMBINING STATEMENT OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2004

	Water Fund	Sewer Fund	Total
Personal services:			
Salaries and wages	\$77,034.10	\$120,457.42	\$197,491.52
Payroll taxes	5,015.90	7,979.17	12,995.07
Employee benefits	6,338.29	15,187.07	21,525.36
Total personal services	88,388.29	143,623.66	232,011.95
System repairs, maintenance, and supplies:			
Materials and supplies	11,074.42	11,400.42	22,474.84
Repairs and maintenance	36,292.38	41,218.35	77,510.73
Chemicals	881.24	0.00	881.24
Total system repairs and maintenance	48,248.04	52,618.77	100,866.81
Water purchases	383,136.00	0.00	383,136.00
Utilities	22,640.27	40,178.00	62,818.27
Other expenses:			
Contractual services	2,199.06	4,117.50	6,316.56
Sales tax	18,075.22	0.00	18,075.22
Insurance	7,005.50	9,216.90	16,222.40
Miscellaneous	4,147.87	18,107.35	22,255.22
Legal and accounting	0.00	4,976.50	4,976.50
Election expenses	0.00	5,524.53	5,524.53
Dues and subscriptions	772.90	0.00	772.90
Auto expenses	289.47	2,676.45	2,965.92
Engineering fees	0.00	8,249.33	8,249.33
Office supplies and postage	10,402.30	0.00	10,402.30
Uniforms	1,344.11	1,203.17	2,547.28
Training	514.00	0.00	514.00
Total other expenses	44,750.43	54,071.73	98,822.16
Depreciation	44,711.41	76,577.60	121,289.01
Total operating expenses	\$631,874.44	\$367,069.76	\$998,944.20

CITY OF HERCULANEUM, MISSOURI
WATER AND SEWER ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

	Water Fund	Sewer Fund	Total
Cash flow from operating activities:			
Cash received from customers	\$584,925.27	\$327,953.51	\$912,878.78
Cash paid to suppliers and employees	(547,716.73)	(366,947.43)	(914,664.16)
Cash provided (used) by operations	37,208.54	(38,993.92)	(1,785.38)
Cash flow from capital and related financing activities:			
Purchase of fixed assets	(3,997,038.18)	(287,573.54)	(4,284,611.72)
Due to Jefferson County Water Authority	3,936,592.14	0.00	3,936,592.14
Cash provided (used) by capital and related financing activities	(60,446.04)	(287,573.54)	(348,019.58)
Cash flow from noncapital financing activities:			
Interfund loans	(78,899.72)	1,303.06	(77,596.66)
Cash provided (used) by noncapital financing activities	(78,899.72)	1,303.06	(77,596.66)
Cash flows from investment activities:			
Interest income	2,544.74	2,546.06	5,090.80
Interest and fees-JCWA	(32,294.69)	0.00	(32,294.69)
Cash provided by investment activities	(29,749.95)	2,546.06	(27,203.89)
Net increase (decrease) in cash	(131,887.17)	(322,718.34)	(454,605.51)
Cash balance, beginning of year	414,905.80	587,452.16	1,002,357.96
Cash balance, end of year	\$283,018.63	\$264,733.82	\$547,752.45
Reconciliation of net income to cash provided by operations:			
Net income (loss)	\$11,497.07	(\$30,984.92)	(\$19,487.85)
Add: Noncash expenses:			
Depreciation	44,711.41	76,577.60	121,289.01
Investment income	(95,763.84)	0.00	(95,763.84)
Changes in working capital:			
Accounts receivable	3,519.96	(5,015.31)	(1,495.35)
Accounts payable and accrued expenses	39,446.30	(81,443.53)	(41,997.23)
Customer deposits	4,047.69	(40.00)	4,007.69
Prepaid expenses	0.00	4,458.30	4,458.30
Items not classified as operating:			
Interest revenue	(2,544.74)	(2,546.06)	(5,090.80)
Interest and fees-JCWA	32,294.69	0.00	32,294.69
Cash provided by operating activities	\$37,208.54	(\$38,993.92)	(\$1,785.38)

CITY OF HERCULANEUM, MISSOURI
 WATER AND SEWER ENTERPRISE FUNDS
 COMBINING STATEMENT OF SEWER REVENUES AND EXPENSES
 YEAR ENDED JUNE 30, 2004

	City Sewer Department	Herculaneum Sewer District	Interfund Eliminations	Total
Operating revenues:				
Sewer fees	\$224,023.13	\$149,071.25	(\$68,834.50)	\$304,259.88
Tap fees and late charges	27,174.90	1,574.04	0.00	28,748.94
Total operating revenues	251,198.03	150,645.29	(68,834.50)	333,008.82
Operating expenses:				
Salaries and wages	69,408.53	51,048.89	0.00	120,457.42
Payroll taxes	3,140.68	4,838.49	0.00	7,979.17
Pension expense	1,259.20	0.00	0.00	1,259.20
Employee insurance	4,204.82	9,723.05	0.00	13,927.87
System repairs	15,482.26	25,736.09	0.00	41,218.35
Contractual services	4,117.50	0.00	0.00	4,117.50
Engineering fees	475.00	7,774.33	0.00	8,249.33
Utilities	17,452.79	22,725.21	0.00	40,178.00
Election expenses	0.00	5,524.53	0.00	5,524.53
Legal and accounting	30.00	4,946.50	0.00	4,976.50
Insurance	4,295.20	4,921.70	0.00	9,216.90
Supplies	5,810.94	5,589.48	0.00	11,400.42
Auto expenses	226.73	2,449.72	0.00	2,676.45
Miscellaneous	15,976.85	2,130.50	0.00	18,107.35
Sewer district fees	68,834.50	0.00	(68,834.50)	0.00
Uniforms	1,203.17	0.00	0.00	1,203.17
Depreciation	27,479.33	49,098.27	0.00	76,577.60
Total operating expenses	239,397.50	196,506.76	(68,834.50)	367,069.76
Operating income	11,800.53	(45,861.47)	0.00	(34,060.94)
Nonoperating revenues (expenses):				
Interest income	0.00	2,546.06	0.00	2,546.06
Miscellaneous income	529.96	0.00	0.00	529.96
Tap fee settlement	(59,500.00)	59,500.00	0.00	0.00
Interfund transfer to City	177,146.17	(177,146.17)	0.00	0.00
Total nonoperating revenues (expenses)	118,176.13	(115,100.11)	0.00	3,076.02
Net income (loss)	\$129,976.66	(\$160,961.58)	\$0.00	(\$30,984.92)