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1-1-2006

## Annual Financial Report, 2005

City of Herculaneum

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**CITY OF HERCULANEUM, MISSOURI**

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**ANNUAL FINANCIAL REPORT**

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**YEAR ENDED JUNE 30, 2005**

*Jeffrey J. Eftink, CPA, P.C.*  
CERTIFIED PUBLIC ACCOUNTANT

**CITY OF HERCULANEUM, MISSOURI**

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**ANNUAL FINANCIAL REPORT**

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**YEAR ENDED JUNE 30, 2005**

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## 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, 2005, 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, 2005, 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 opinions.

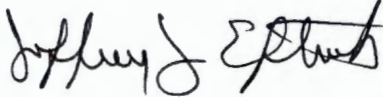
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Herculaneum, Missouri as of June 30, 2005, 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, 2005, 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.

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  
June 6, 2006

 CPA PC

**Management's Discussion and Analysis**  
**Year Ended June 30, 2005**  
**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, 2005. 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 \$6,148,443.
- The City's total net assets *increased* by \$1,252,106, primarily due to developer contributions of water, sewer, and street infrastructure.
- As of the close of the current fiscal year, the City of Herculaneum's governmental funds reported combined ending fund balances of \$1,434,991, a *decrease* of \$129,370 in comparison with the prior year. Approximately 20 percent of this total amount, or \$284,034, 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 \$284,034, or 14 percent of total general fund expenditures for the fiscal year.
- The City's primary source of general operating revenue is from tax revenues of \$1,763,334.

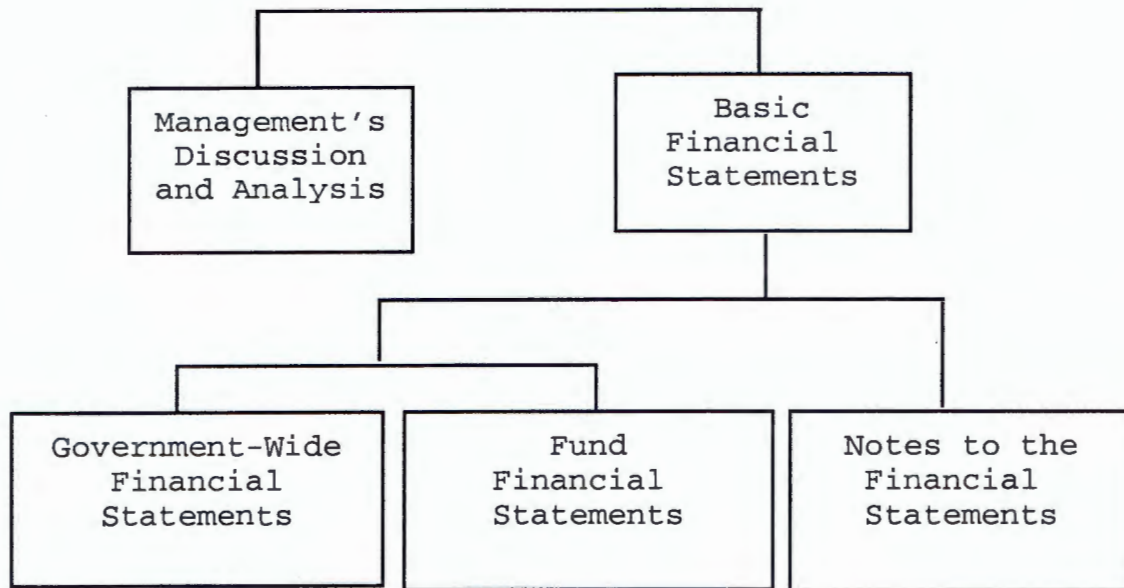
**Overview of the Financial Statements**

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.

Fiduciary Funds-Fiduciary funds such as the TIF Agency Funds are reported in the fiduciary financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

**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 14 of this report.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The following table presents a summary of net assets:

**The City of Herculaneum's Net Assets  
Figure 2**

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Current and other assets	\$ 3,384,194	\$ 2,076,806
Capital assets	<u>6,942,049</u>	<u>8,604,620</u>
Total assets	<u>10,326,253</u>	<u>10,681,426</u>
Long-term liabilities		
outstanding	3,873,472	3,817,278
Other liabilities	<u>1,566,444</u>	<u>715,705</u>
Total liabilities	<u>5,429,916</u>	<u>4,532,983</u>
Net assets:		
Invested in capital assets, net of related debt	2,547,728	3,801,924
Restricted	929,989	1,137,410
Unrestricted	<u>1,418,620</u>	<u>1,209,109</u>
Total net assets	<u>\$ 4,896,337</u>	<u>\$ 6,148,443</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 \$6,148,443 as of June 30, 2005. The City's net assets increased by \$1,252,106, from current operations, for the fiscal year ended June 30, 2005. The largest portion of net assets (63%)

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 \$1,209,109 is unrestricted.

Comparative data is accumulated and presented to assist analysis. the following table presents a summary of the City's change in net assets for the year ended June 30:

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

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Governmental Activities:		
Revenues:		
Program revenues:		
Charges for services	\$ 342,081	\$ 262,522
Specialty grants and contributions	584,553	113,522
General revenues:		
Property taxes	334,855	471,264
Other taxes	902,126	1,292,069
Other	<u>79,052</u>	<u>961,318</u>
Total revenues	<u>2,242,667</u>	<u>2,235,695</u>
Expenses:		
General government	402,385	368,763
Public safety	852,775	997,206
Highways/streets	569,035	717,462
Health and welfare	129,040	128,463
Debt service	627,276	0
Parks and recreation	<u>5,181</u>	<u>30,925</u>
Total expenses	<u>2,585,692</u>	<u>2,242,819</u>
Change in net assets	<u>\$ (343,025)</u>	<u>\$ ( 7,124)</u>

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
Business-Type Activities:		
Program revenues:		
Charges for services	\$ 910,366	\$1,123,855
Other	<u>101,385</u>	<u>53,071</u>
Total revenues	<u>1,011,751</u>	<u>1,176,926</u>
Expenses:		
Water and sewer	<u>1,031,239</u>	<u>1,254,893</u>
Change in net assets	<u>\$ (19,488)</u>	<u>\$ (77,967)</u>

**Governmental activities.** Governmental activities decreased the City's net assets by \$7,124.

**Business-type activities:** Business-type activities decreased the City of Herculaneum's net assets by (\$77,967). Key elements of this decrease are as follows:

The water and sewer system operated at a loss of (\$77,967) 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 \$284,034.

At June 30, 2005, the governmental funds of the City of Herculaneum reported a combined fund balance of \$1,434,991.

**General Fund Budgetary Highlights:** During the fiscal year, the City adopted the budget on September 13, 2004. 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 \$911,528. 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, 2005, totals \$8,260,420 (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 \$1,260,910.
- No major demolitions were recorded this year.

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

	<u>2004</u>	<u>2005</u>
Governmental:		
Building and systems	\$ 301,810	\$ 301,810
Machinery and equipment	845,739	980,640
Infrastructure	0	0
Construction in progress	0	0
Accumulated depreciation	<u>(849,634)</u>	<u>(957,506)</u>
Total	<u>\$ 297,915</u>	<u>\$ 649,592</u>
	<u>2004</u>	<u>2005</u>
Business-type Activities:		
Building and systems	\$ 8,132,910	\$ 9,393,822
Machinery and equipment	229,267	261,767
Infrastructure	324,648	0
Construction in progress	219,149	416,896
Accumulated depreciation	<u>(2,304,922)</u>	<u>(2,521,250)</u>
Total	<u>\$ 6,276,406</u>	<u>\$ 7,551,235</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, 2005, the City of Herculaneum had total debt outstanding of \$3,892,008.

The following is a summary of long-term debt transactions of the City of Herculaneum, Missouri, for the year ending June 30, 2005.

	Due to JCWA
Balance June 30, 2004	3,936,592
Debt Retirement	<u>44,584</u>
Balance June 30, 2005	<u>\$3,892,008</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 hired an administrator and accounting assistance to address the growing administrative needs.

**Budget Highlights for the Fiscal Year Ending June 30, 2006**

- The City issued \$6 million of revenue bonds for construction of sewer facilities. The capital project is anticipated to cost \$7.8 million.
- The City anticipates continued operations of basic services for public safety, street, water and sewer utilities, and administration.



## **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, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$1,087,960.09	\$122,127.37	\$1,210,087.46
Receivables:			
Taxes	195,982.94	0.00	195,982.94
Accounts	9,895.91	80,805.61	90,701.52
Due from other funds	(19,501.57)	19,501.57	0.00
Due from Jefferson County	580,034.68	0.00	580,034.68
Total current assets	<u>1,854,372.05</u>	<u>222,434.55</u>	<u>2,076,806.60</u>
Non-current Assets:			
Investment in JCWA	0.00	403,792.43	403,792.43
Capital assets (net)	649,592.17	7,551,235.46	8,200,827.63
Total non-current assets	<u>649,592.17</u>	<u>7,955,027.89</u>	<u>8,604,620.06</u>
 Total Assets	 <u>2,503,964.22</u>	 <u>8,177,462.44</u>	 <u>10,681,426.66</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	42,231.57	45,480.31	87,711.88
Payroll taxes	8,846.00	0.00	8,846.00
Compensated absences	35,311.37	3,749.15	39,060.52
Customer deposits	0.00	82,365.34	82,365.34
Construction escrow	0.00	90,000.00	90,000.00
Bond escrow payable	4,284.00	0.00	4,284.00
Deferred revenue	11,343.29	0.00	11,343.29
Due to Jefferson County	317,364.74	0.00	317,364.74
Due to JCWA-2001C	0.00	5,073.50	5,073.50
Due to JCWA-2002A	0.00	69,656.05	69,656.05
Total current liabilities	<u>419,380.97</u>	<u>296,324.35</u>	<u>715,705.32</u>
Non-current Liabilities:			
Due in more than one year:			
Due to JCWA-2001C	0.00	337,894.98	337,894.98
Due to JCWA 2002A	0.00	3,479,383.40	3,479,383.40
Total non-current liabilities	<u>0.00</u>	<u>3,817,278.38</u>	<u>3,817,278.38</u>
 Total Liabilities and Non-current Liabilities	 <u>419,380.97</u>	 <u>4,113,602.73</u>	 <u>4,532,983.70</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	649,592.17	3,152,331.81	3,801,923.98
Restricted for:			
Street	639,343.45	0.00	639,343.45
Public safety	48,324.74	0.00	48,324.74
Water capital projects	449,742.39	0.00	449,742.39
Unrestricted	297,580.50	911,527.90	1,209,108.40
 Total Net Assets	 <u>\$2,084,583.25</u>	 <u>\$4,063,859.71</u>	 <u>\$6,148,442.96</u>

See accompanying notes to the basic financial statements.

CITY OF HERCULANUEM, MISSOURI  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 JUNE 30, 2005

	Program Revenues			
	Expenses	Fees, Fines Charges for Services	Specialty Grants & Contributions	Capital Grants & Contributions
Program Activities				
Governmental Activities				
General Government and Administration	\$368,763.34	\$41,430.68	\$0.00	\$0.00
Public Safety	997,205.82	97,713.67	6,088.47	0.00
Highway and Streets	717,461.74	0.00	107,433.53	0.00
Culture and Recreation	30,925.40	0.00	0.00	0.00
Health and Welfare	128,462.82	123,377.18	0.00	0.00
Total Governmental Activities	2,242,819.12	262,521.53	113,522.00	0.00
Business-type activities				
Water and sewer	1,254,893.84	1,123,855.38	0.00	0.00
Total Business-type Activities	1,254,893.84	1,123,855.38	0.00	0.00
Total Government	\$3,497,712.96	\$1,386,376.91	\$113,522.00	\$0.00

General revenues:

Taxes:

  General revenue

  Sales tax

  Franchise tax

Interest income

Reimbursements

Investment income

Miscellaneous

Extraordinary gain

Total general revenue and transfers

Change in net assets

Net assets at beginning of year, as adjusted

Developer contributions

Prior period adjustment

Net assets at end of year

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
(\$327,332.66)	\$0.00	(\$327,332.66)
(893,403.68)	0.00	(893,403.68)
(610,028.21)	0.00	(610,028.21)
(30,925.40)	0.00	(30,925.40)
(5,085.64)	0.00	(5,085.64)
(1,866,775.59)	0.00	(1,866,775.59)
0.00	(131,038.46)	(131,038.46)
0.00	(131,038.46)	(131,038.46)
(1,866,775.59)	(131,038.46)	(1,997,814.05)
471,264.37	0.00	471,264.37
898,038.29	0.00	898,038.29
394,030.94	0.00	394,030.94
22,671.97	12,830.06	35,502.03
10,968.13	0.00	10,968.13
0.00	40,241.26	40,241.26
47,762.20	0.00	47,762.20
14,915.31	0.00	14,915.31
1,859,651.21	53,071.32	1,912,722.53
(7,124.38)	(77,967.14)	(85,091.52)
1,716,861.50	3,179,475.16	4,896,336.66
229,432.38	962,351.69	1,191,784.07
145,413.75	0.00	145,413.75
\$2,084,583.25	\$4,063,859.71	\$6,148,442.96

CITY OF HERCULANEUM MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	General	Jefferson County Road Improvement Fund	CART Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and investments	\$123,684.93	\$0.00	\$0.00	\$646,910.42	\$770,595.35
Receivables					
Taxes	151,529.49	0.00	10,495.33	33,958.12	195,982.94
Other	9,895.91	0.00	0.00	0.00	9,895.91
Due from other funds	92,355.19	0.00	0.00	0.00	92,355.19
Due from Jefferson County	0.00	580,034.68	0.00	0.00	580,034.68
<b>Total assets</b>	<b>\$377,465.52</b>	<b>\$580,034.68</b>	<b>\$10,495.33</b>	<b>\$680,868.54</b>	<b>\$1,648,864.07</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$35,574.73	\$0.00	\$6,656.84	\$0.00	\$42,231.57
Payroll taxes and withholdings	8,846.00	0.00	0.00	0.00	8,846.00
Compensated absences	35,311.37	0.00	0.00	0.00	35,311.37
Due to other funds	0.00	108,018.27	3,838.49	0.00	111,856.76
Bond escrow payable	4,284.00	0.00	0.00	0.00	4,284.00
Deferred revenue	9,414.93	0.00	0.00	1,928.36	11,343.29
<b>Total liabilities</b>	<b>93,431.03</b>	<b>108,018.27</b>	<b>10,495.33</b>	<b>1,928.36</b>	<b>213,872.99</b>
<b>Fund balances:</b>					
<b>Unreserved, reported in:</b>					
General fund	284,034.49	0.00	0.00	0.00	284,034.49
Special revenue fund	0.00	472,016.41	0.00	678,940.18	1,150,956.59
<b>Total fund balances</b>	<b>284,034.49</b>	<b>472,016.41</b>	<b>0.00</b>	<b>678,940.18</b>	<b>1,434,991.08</b>
<b>Total liabilities and fund balances</b>	<b>\$377,465.52</b>	<b>\$580,034.68</b>	<b>\$10,495.33</b>	<b>\$680,868.54</b>	<b>\$1,648,864.07</b>

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, 2005

Total fund balance-total governmental funds	\$1,434,991.08
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>649,592.17</u>
Net assets of governmental activities	<u><u>\$2,084,583.25</u></u>

CITY OF HERCULANEUM, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005

	General Fund	Jefferson County Road Improvement Fund	CART Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
<b>Taxes:</b>					
General revenue	\$395,890.68	\$0.00	\$0.00	\$75,373.69	\$471,264.37
Sales tax	549,594.24	150,202.93	0.00	198,241.12	898,038.29
Franchise tax	394,030.94	0.00	0.00	0.00	394,030.94
Licenses and permits	41,430.68	0.00	0.00	0.00	41,430.68
Intergovernmental	6,088.47	0.00	107,433.53	0.00	113,522.00
<b>Charges for services:</b>					
Trash	123,377.18	0.00	0.00	0.00	123,377.18
Fines, costs, and forfeitures	95,097.67	0.00	0.00	2,616.00	97,713.67
Interest revenue	6,089.67	11,711.67	772.45	4,098.18	22,671.97
Reimbursements	10,968.13	0.00	0.00	0.00	10,968.13
Miscellaneous	46,337.30	0.00	0.00	1,424.90	47,762.20
<b>Total revenues</b>	<b>1,668,904.96</b>	<b>161,914.60</b>	<b>108,205.98</b>	<b>281,753.89</b>	<b>2,220,779.43</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	380,802.81	0.00	0.00	2,134.14	382,936.95
Public safety	908,159.02	0.00	71,730.25	8,460.83	988,350.10
Highways and streets	522,696.88	198,609.99	114,491.09	0.00	835,797.96
Culture and recreation	29,516.51	0.00	0.00	0.00	29,516.51
Health and welfare	128,462.82	0.00	0.00	0.00	128,462.82
<b>Total expenditures</b>	<b>1,969,638.04</b>	<b>198,609.99</b>	<b>186,221.34</b>	<b>10,594.97</b>	<b>2,365,064.34</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(300,733.08)</b>	<b>(36,695.39)</b>	<b>(78,015.36)</b>	<b>271,158.92</b>	<b>(144,284.91)</b>
<b>Other financing sources (uses):</b>					
Transfers	(64,519.89)	0.00	64,519.89	0.00	0.00
Extraordinary gain	14,915.31	0.00	0.00	0.00	14,915.31
<b>Total other financing sources (uses)</b>	<b>(49,604.58)</b>	<b>0.00</b>	<b>64,519.89</b>	<b>0.00</b>	<b>14,915.31</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</b>	<b>(350,337.66)</b>	<b>(36,695.39)</b>	<b>(13,495.47)</b>	<b>271,158.92</b>	<b>(129,369.60)</b>
<b>Fund balances at beginning of year</b>	<b>488,958.40</b>	<b>508,711.80</b>	<b>13,495.47</b>	<b>407,781.26</b>	<b>1,418,946.93</b>
<b>Prior period adjustment</b>	<b>145,413.75</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>145,413.75</b>
<b>Fund balances at end of year</b>	<b>\$284,034.49</b>	<b>\$472,016.41</b>	<b>(\$0.00)</b>	<b>\$678,940.18</b>	<b>\$1,434,991.08</b>

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, 2005

Net change in fund balances-total governmental funds	(\$129,369.60)
<p>Amounts reported for governmental activities in the statement  of activities are different because:</p>	
<p>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.</p>	
	230,116.84
<p>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.</p>	
	<u>(107,871.62)</u>
Change in net assets of governmental funds	<u><u>(\$7,124.38)</u></u>



CITY OF HERCULANEUM, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Adjustment	Actual	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget Positive (Negative)
<b>Revenues:</b>						
<b>Taxes:</b>						
General revenue	\$346,168.32	\$346,168.32	\$395,890.68	\$447.06	\$396,337.74	\$50,169.42
Sales tax	490,000.00	490,000.00	549,594.24	(2,115.79)	547,478.45	57,478.45
Franchise tax	388,000.00	388,000.00	394,030.94	5,799.49	399,830.43	11,830.43
Licenses and permits	24,200.00	24,200.00	41,430.68	0.00	41,430.68	17,230.68
Intergovernmental	10,000.00	10,000.00	6,088.47	0.00	6,088.47	(3,911.53)
Charges for services	130,000.00	130,000.00	123,377.18	644.78	124,021.96	(5,978.04)
Fines, costs, and forfeitures	190,000.00	190,000.00	95,097.67	10,002.27	105,099.94	(84,900.06)
Interest revenue	15,000.00	15,000.00	6,089.67	0.00	6,089.67	(8,910.33)
Reimbursements	500.00	500.00	10,968.13	0.00	10,968.13	10,468.13
Miscellaneous	11,200.00	11,200.00	46,337.30	5,039.82	51,377.12	40,177.12
<b>Total revenues</b>	<b>1,605,068.32</b>	<b>1,605,068.32</b>	<b>1,668,904.96</b>	<b>19,817.63</b>	<b>1,688,722.59</b>	<b>83,654.27</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government and administration	473,587.00	473,587.00	380,802.81	4,805.33	385,608.14	87,978.86
Public safety	1,177,120.00	1,177,120.00	908,159.02	(13,165.68)	894,993.34	282,126.66
Highways and streets	509,287.00	509,287.00	522,696.88	(4,562.99)	518,133.89	(8,846.89)
Culture and recreation	40,800.00	40,800.00	29,516.51	(86.69)	29,429.82	11,370.18
Health and welfare	148,500.00	148,500.00	128,462.82	(263.06)	128,199.76	20,300.24
<b>Total expenditures</b>	<b>2,349,294.00</b>	<b>2,349,294.00</b>	<b>1,969,638.04</b>	<b>(13,273.09)</b>	<b>1,956,364.95</b>	<b>392,929.05</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(744,225.68)</b>	<b>(744,225.68)</b>	<b>(300,733.08)</b>	<b>33,090.72</b>	<b>(267,642.36)</b>	<b>476,583.32</b>
<b>Other financing sources (uses):</b>						
Transfers	0.00	0.00	(64,519.89)	0.00	(64,519.89)	(64,519.89)
Extraordinary gain	0.00	0.00	14,915.31	0.00	14,915.31	14,915.31
<b>Total other financing sources (uses)</b>	<b>0.00</b>	<b>0.00</b>	<b>(49,604.58)</b>	<b>0.00</b>	<b>(49,604.58)</b>	<b>(49,604.58)</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>(\$744,225.68)</b>	<b>(\$744,225.68)</b>	<b>(\$350,337.66)</b>	<b>\$33,090.72</b>	<b>(\$317,246.94)</b>	<b>\$426,978.74</b>

See accompanying notes to the basic financial statements.

CITY OF HERCULANEUM, MISSOURI  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	<u>Water and Sewer Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$122,127.37
Accounts receivable	80,805.61
Due from other funds	19,501.57
Total current assets	<u>222,434.55</u>
Noncurrent assets:	
Investment in JCWA	403,792.43
Construction in progress	416,895.72
Property, plant, and equipment	9,655,589.49
Less: Accumulated depreciation	<u>(2,521,249.75)</u>
Total noncurrent assets	<u>7,955,027.89</u>
Total Assets	<u>8,177,462.44</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	45,480.31
Compensated absences payable	3,749.15
Customer deposits	82,365.34
Construction escrow	90,000.00
Due to JCWA-2001C	5,073.50
Due to JCWA-2002A	69,656.05
Total current liabilities	<u>296,324.35</u>
Noncurrent liabilities:	
Due to JCWA-2001C	337,894.98
Due to JCWA-2002A	3,479,383.40
Total noncurrent liabilities	<u>3,817,278.38</u>
Total Liabilities	<u>4,113,602.73</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	3,152,331.81
Unrestricted	<u>911,527.90</u>
Total Net Assets	<u>\$4,063,859.71</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, 2005

	<u>Water and Sewer Enterprise Fund</u>
Operating revenues:	
Charges for services	<u>\$1,123,855.38</u>
Total operating revenues	<u>1,123,855.38</u>
Operating expenses:	
Personal services	228,093.66
System repairs, maintenance, and supplies	95,852.12
Utilities	41,996.45
Water purchases	481,728.00
Other expense	96,032.09
Depreciation	<u>216,623.58</u>
Total operating expenses	<u>1,160,325.90</u>
Operating (loss) from operations	<u>(36,470.52)</u>
Nonoperating revenues:	
Interest income	12,830.06
Interest and fees-JCWA	(94,567.94)
Investment income	<u>40,241.26</u>
Total nonoperating revenue	<u>(41,496.62)</u>
Extraordinary items:	
Developer contributions	<u>962,351.69</u>
Change in net assets	884,384.55
Net assets, at beginning of year	<u>3,179,475.16</u>
Net assets, at end of year	<u><u>\$4,063,859.71</u></u>

See accompanying notes to the basic financial statements.

CITY OF HERCULANEUM, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2005

	<u>Water and Sewer Enterprise Fund</u>
Cash flow from operating activities:	
Cash received from customers	\$1,157,665.88
Cash paid to suppliers and employees	<u>(990,445.62)</u>
Cash provided (used) by operations	<u>167,220.26</u>
Cash flow from noncapital financing activities:	
Interfund transfers	<u>58,095.09</u>
Cash provided (used) by noncapital financing activities	<u>58,095.09</u>
Cash flow from capital and related financing activities:	
Purchase of fixed assets	(1,491,157.52)
Due to JCWA	(40,396.72)
Developer contributions	<u>962,351.69</u>
Cash provided (used) by capital and related financing activities	<u>(569,202.55)</u>
Cash flow from investment activities:	
Interest income	12,830.06
Interest and fees-JCWA	<u>(94,567.94)</u>
Cash provided (used) by investment activities	<u>(81,737.88)</u>
Net increase (decrease) in cash	(425,625.08)
Cash balance, beginning of year	<u>547,752.45</u>
Cash balance, end of year	<u><u>\$122,127.37</u></u>
Reconciliation of net income to cash provided by operations:	
Net income (loss)	\$884,384.55
Add: Noncash expenses:	
Depreciation	216,623.58
Changes in working capital:	
Accounts receivable	(10,122.45)
Accounts payable and accrued expenses	(1,505.97)
Investments	(40,241.26)
Customer deposits	(1,008.36)
Items not classified as operating:	
Miscellaneous	(296.02)
Interest income	(12,830.06)
Interest and fees-JCWA	94,567.94
Developer contributions	<u>(962,351.69)</u>
Cash provided (used) by operating activities	<u><u>\$167,220.26</u></u>

See accompanying notes to the basic financial statements.

CITY OF HERCULANUEM, MISSOURI  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2005

	<u>AGENCY FUNDS</u>		
	<u>Riveriew TIF</u>	<u>I-55 TIF</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$132,818.99	\$184,545.75	\$317,364.74
Total Assets	<u>\$132,818.99</u>	<u>\$184,545.75</u>	<u>\$317,364.74</u>
<u>LIABILITIES</u>			
Due to Jefferson County	\$132,818.99	\$184,545.75	\$317,364.74
Total Liabilities	<u>\$132,818.99</u>	<u>\$184,545.75</u>	<u>\$317,364.74</u>

See accompanying notes to the basic financial statements.

CITY OF HERCULANEUM, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005

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.

**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.

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 agency 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.

*Agency Fund*

The Agency Fund accounts for the fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. The City's agency fund is used to account for various deposits, bail bonds, performance bonds, and escrow monies.

**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:

<b>Major Funds:</b>	<b>Brief Description</b>
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.
CART Fund	Accounts for tax revenues and expenditures that are legally restricted for street expenditures.
<i>Proprietary Fund:</i> Water and Sewer Enterprise Fund	Accounts for operating activities of the City's water and sewerage utility service.
<b>Nonmajor Funds:</b>	
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.
<i>Agency Funds:</i> Riverview TIF Fund	Accounts for TIF tax revenues held in escrow.
I-55 TIF Fund	Accounts for TIF tax revenues held in escrow.

## **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 agency 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	\$ .7454
Water Improvement Fund	<u>.1400</u>
Total	<u>\$ .8854</u>

Property taxes are assessed upon property owned as of January 1, 2004. The tax rate was computed and levied by August 31, 2004. The tax bills were mailed by November 1, 2004. Taxes become delinquent after December 31, 2004.

## **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:

<b>Fund</b>	<b>Required By</b>
Jefferson County Road Improvement Fund	Intergovernmental Agreement
Sewer Capital Improvement Sales Tax	State Law
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:

<b><u>Revenue Source</u></b>	<b><u>Legal Restrictions of Use</u></b>
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

For the year ended June 30, 2005, 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 13, 2004, the City adopted an ordinance authorizing the budget for the fiscal year ending June 30, 2005. 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 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.

#### 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, 2005. 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	\$85,732.61	\$85,542.61	\$0.00	\$190.00
Special Revenue Fund	249,293.58	249,293.58	0.00	0.00
Proprietary Fund	59,061.27	40,272.99	18,788.28	0.00
	<u>\$394,087.46</u>	<u>\$375,109.18</u>	<u>\$18,788.28</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, 2005. 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	\$37,952.52	\$0.00	\$0.00	\$37,952.52
Special Revenue Funds	397,616.84	0.00	0.00	10,911.34
Agency Funds	317,364.74	0.00	0.00	317,364.74
Enterprise Fund	63,066.10	0.00	0.00	63,066.10
	<u>\$816,000.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$816,000.00</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, 2005. Receivables at June 30, 2005 consist of the following:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Taxes Receivable:			
Sales tax	\$ 82,237.77	\$0.00	\$ 82,237.77
General revenue tax	13,686.76	0.00	13,686.76
Motor vehicle taxes	10,495.33	0.00	10,495.33
Franchise taxes	85,238.56	0.00	85,238.56
911 tax	<u>4,324.52</u>	<u>0.00</u>	<u>4,324.52</u>
	<u>\$195,982.94</u>	<u>\$0.00</u>	<u>\$195,982.94</u>
Accounts Receivable:			
Water and sewer utility	\$0.00	\$80,805.61	\$80,805.61
Sanitation	<u>9,859.91</u>	<u>0.00</u>	<u>9,859.91</u>
	<u>\$ 9,859.91</u>	<u>\$80,805.61</u>	<u>\$90,665.52</u>
Deferred Revenue:			
General revenue tax	<u>\$11,343.29</u>	<u>\$ 0.00</u>	<u>\$11,343.29</u>

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance			Balance June 30, 2005
	July 1, 2004	Additions	Disposals	
Governmental Activities				
Land and buildings	\$301,809.68	\$0.00	\$0.00	\$301,809.68
Equipment	845,739.33	205,604.09	(70,703.00)	980,640.42
Infrastructure	0.00	324,648.13	0.00	324,648.13
Less: Accumulated Depreciation	<u>(849,634.44)</u>	<u>(107,871.62)</u>	<u>0.00</u>	<u>(957,506.06)</u>
	<u>\$297,914.57</u>	<u>\$422,380.60</u>	<u>(\$70,703.00)</u>	<u>\$649,592.17</u>

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Business-type activities:				
Construction in progress	\$219,148.54	\$425,913.74	(\$228,166.56)	\$416,895.72
Land and Buildings	50,435.00	0.00	0.00	50,435.00
System	8,082,476.68	1,260,910.34	0.00	9,343,387.02
Equipment	229,267.47	32,500.00	0.00	261,767.47
Less: Accumulated depreciation	(2,304,922.19)	(216,623.58)	296.02	(2,521,249.75)
	<u>\$6,276,405.50</u>	<u>\$1,502,700.50</u>	<u>(\$227,870.54)</u>	<u>\$7,551,235.46</u>

Depreciation was charged to governmental activities as follows:

General government	\$ 12,797.69
Public safety	43,837.25
Streets	49,827.79
Culture and recreation	1,408.89
	<u>\$107,871.62</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, 2005:

	<u>General Long-term Debt</u> <u>Governmental</u> <u>Activities</u> <u>Due to</u> <u>JCWA</u>
Balance, June 30, 2004	\$3,936,592.14
Debt retired	44,584.21
Balance, June 30, 2005	<u>\$3,892,007.93</u>

The annual requirements to amortize the long-term debt outstanding including interest of \$2,271,523.08, are as follows:

	<u>Enterprise</u> <u>Activities</u> <u>Due to</u> <u>JCWA</u>
2006	\$274,552.91
2007	295,244.83
2008	315,204.80
2009	332,116.02

2010  
Thereafter

338,867.56  
4,589,008.90  
\$6,144,995.02

Long-term debt outstanding at June 30, 2005 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. The liability related to the obligations are reported in the agency funds. The agreements in effect at June 30, 2005 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 TIF agreement expired on January 1, 2005. The City has \$184,545.75 cash available at June 30, 2005, which will be refunded to the tax districts, from which it originated.

*Riverview TIF District*

The Riverview TIF Revenue Bonds were fully retired during the year ending June 30, 2004. The remaining cash balance of \$132,818.99 will be refunded to the tax district, from which it originated.

## **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. \$342,968.48

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. \$3,549,039.45

### Note 4. Prior Period Adjustment

The prior period adjustment is a result of a change in accounting method, for the computation of amounts due to the developer, of the I-55 TIF District. The adjustment reflected actual City taxes remitted to the developer, verses long-term accrual of taxes due. As per the development agreement, the obligation expired on January 1, 2005, and the developer has acknowledged that no further amounts are due under the agreement. The adjustment resulted in an increase in the general fund balance of \$145,413.75.

### 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, 2004, is as follows:

Assets:	
Current assets	\$293,555
Restricted assets	8,679,837
Capital assets	15,291,448
Receivable from Herculaneum	3,993,559
Other assets	<u>311,053</u>
Total assets	<u>\$28,569,452</u>

Liabilities:	
Current liabilities	\$ 642,958
Long-term debt	<u>26,597,355</u>
	27,240,313
Equity	<u>1,329,139</u>
Total liabilities and equity	<u>\$28,569,452</u>

Operating revenue	\$1,516,765
Operating expenses	<u>872,925</u>
Operating income	643,840
Nonoperating revenue	(403,032)
Beginning equity	<u>1,088,331</u>
Ending equity	<u>\$1,329,139</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	\$1,329,139
Ownership %	<u>30.38%</u>
Investment in JCWA	<u>\$403,792.43</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 \$519,000.00 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 pro-rata share of the debt service used to construct the improvements. As of June 30, 2005, the improvements were substantially completed. The asset and corresponding debt is reported in the Water Enterprise Fund as follows:

Water System additions	<u>\$3,997,182.44</u>
Due to JCWA - 2001C	<u>\$ 342,968.48</u>
Due to JCWA - 2002A	<u>\$3,549,039.45</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, 2004 may be obtained from the City of Festus, Missouri at 711 West Main, Festus, Missouri, 63028.

Note 6. 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 7. 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.

Note 8. Subsequent Events and Commitments

**Wastewater Treatment Plant**

The City has made various commitments for the design and construction of a wastewater treatment plant and collection system. The estimated cost of the project is as follows:

Treatment plant	\$6.0 million
Sewer lines	<u>1.8</u> million
Total	<u>\$7.8</u> million

The design of the project is completed and the City is actively seeking bids for construction.

**2005 Sewerage System Revenue Bonds**

On November 30, 2005, the City issued \$6 million of sewerage system revenue bonds to fund construction of the wastewater treatment plant and collection system. The bonds authorize the City to establish sewer rates sufficient for debt service of the bond issue. However, it is anticipated that the debt service will be paid from a sewer capital improvement sales tax approved by the citizens on April 6, 2004. Annual requirements to amortize the long-term debt outstanding including interest of \$3,325,218.98 are as follows:

2006	\$	0.00
2007		289,428.25
2008		473,068.76
2009		476,081.26
2010		473,793.76
2011 Through 2015		2,378,575.05
2016 Through 2020		2,377,740.65
2021 Through 2025		2,380,487.50
2026		476,043.75
		<u>\$9,325,218.98</u>

**Joachim Creek Bridge Replacement**

The City is actively pursuing the replacement of the City bridge on Joachim Creek at an estimated cost of \$1.2 million. The City has been awarded a grant from the Missouri Department of Transportation of \$1,020,000.00 with the remaining funding from the Jefferson County Road Improvement Sales Tax. Design of the project is in progress. The City has not made any firm commitments for construction.

**Land Sale**

On April 19, 2005, the City approved the sale of 40 acres real estate for a sales price of \$750,000.00. Closing had not occurred by June 30, 2005, but is anticipated in the subsequent year.

CITY OF HERCULANEUM, MISSOURI  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

	Water Improvement Tax Fund	Training Fund	911 Fund	Sewer Capital Improvement Sales Tax	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$449,344.00	\$23,529.36	\$20,470.86	\$153,566.20	\$646,910.42
Receivables:					
Taxes	2,326.75	0.00	4,324.52	27,306.85	33,958.12
Total Assets	<u>\$451,670.75</u>	<u>\$23,529.36</u>	<u>\$24,795.38</u>	<u>\$180,873.05</u>	<u>\$680,868.54</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Deferred revenue	\$1,928.36	\$0.00	\$0.00	\$0.00	\$1,928.36
Total liabilities	<u>1,928.36</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,928.36</u>
<b>FUND BALANCE</b>					
Reserved	449,742.39	23,529.36	24,795.38	180,873.05	678,940.18
Total fund balance	<u>449,742.39</u>	<u>23,529.36</u>	<u>24,795.38</u>	<u>180,873.05</u>	<u>678,940.18</u>
Total Liabilities and Fund Balance	<u>\$451,670.75</u>	<u>\$23,529.36</u>	<u>\$24,795.38</u>	<u>\$180,873.05</u>	<u>\$680,868.54</u>

CITY OF HERCULANEUM, MISSOURI  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

	Water Improvement Tax Fund	Training Fund	911 Fund	Sewer Capital Improvement Sales Tax	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$75,373.69	\$0.00	\$17,368.07	\$180,873.05	\$273,614.81
Fines, costs, forfeitures	0.00	2,616.00	0.00	0.00	2,616.00
Interest revenue	3,733.17	0.00	365.01	0.00	4,098.18
Miscellaneous	0.00	1,424.90	0.00	0.00	1,424.90
Total revenues	<u>79,106.86</u>	<u>4,040.90</u>	<u>17,733.08</u>	<u>180,873.05</u>	<u>281,753.89</u>
Expenditures:					
General government	0.00	2,134.14	0.00	0.00	2,134.14
Public safety	0.00	250.00	8,210.83	0.00	8,460.83
Total expenditures	<u>0.00</u>	<u>2,384.14</u>	<u>8,210.83</u>	<u>0.00</u>	<u>10,594.97</u>
Excess (deficiency) of revenues over expenditures	79,106.86	1,656.76	9,522.25	180,873.05	271,158.92
Fund balance, beginning of year	<u>370,635.53</u>	<u>21,872.60</u>	<u>15,273.13</u>	<u>0.00</u>	<u>407,781.26</u>
Fund balance, end of year	<u>\$449,742.39</u>	<u>\$23,529.36</u>	<u>\$24,795.38</u>	<u>\$180,873.05</u>	<u>\$678,940.18</u>

CITY OF HERCULANEUM, MISSOURI  
 GENERAL FUND  
 BALANCE SHEET  
 JUNE 30, 2005

ASSETS	
Cash	\$85,732.61
Investments	37,952.32
Accounts receivable (Net of allowance for uncollectibles)	
Taxes	151,529.49
Other	9,895.91
Due from other funds	92,355.19
Total assets	\$377,465.52
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$35,574.73
Payroll taxes and withholdings	8,846.00
Compensated absences payable	35,311.37
Bond escrow payable	4,284.00
Deferred tax revenue	9,414.93
Total liabilities	93,431.03
Fund balance:	
Fund balance - undesignated	284,034.49
Total fund balance	284,034.49
Total liabilities and fund balance	\$377,465.52

CITY OF HERCULANEUM, MISSOURI  
 GENERAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 YEAR ENDED JUNE 30, 2005

Revenues:	
Taxes:	
General revenue	\$395,890.68
Franchise tax	394,030.94
Sales tax	549,594.24
Intergovernmental:	
Grants	6,088.47
License and permits	41,430.68
Charges for services:	
Trash	123,377.18
Fines, costs, and forfeitures	95,097.67
Interest income	6,089.67
Miscellaneous revenue	46,337.30
Reimbursements	<u>10,968.13</u>
Total revenues	<u>1,668,904.96</u>
Expenditures:	
General government	380,802.81
Public safety	908,159.02
Highways and streets	522,696.88
Health and welfare	128,462.82
Culture and recreation	<u>29,516.51</u>
Total expenditures	<u>1,969,638.04</u>
Excess of revenues over expenditures	(300,733.08)
Other financing sources (uses):	
Transfers	(64,519.89)
Extraordinary gain	<u>14,915.31</u>
Total other financing sources (uses)	<u>(49,604.58)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(350,337.66)
Fund balance, beginning of year	488,958.40
Prior period adjustment	<u>145,413.75</u>
Fund balance, end of year	<u><u>\$284,034.49</u></u>

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

CITY OF HERCULANEUM, MISSOURI  
GENERAL FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED JUNE 30, 2005

## General Government:

## City Hall:

Salaries and wages	\$95,847.10
Payroll taxes	8,898.40
Employee insurance	12,482.92
Pension expense	3,116.14
Repairs and maintenance	10,010.76
Telephone and utilities	16,341.69
Insurance	8,507.49
Legal fees	67,997.82
Accounting services	18,540.00
Membership and dues	5,276.74
Printing and advertising	4,001.40
Office supplies and postage	5,507.30
Miscellaneous	18,179.02
Travel	1,621.62
Training	1,875.97
Engineering fees	5,100.00
Election expenses	4,439.71
Books & publications	465.36
Contractual services	4,672.77
City celebration	5,884.08

Total City Hall	298,766.29
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## Municipal Court and Prosecuting Attorney

Salaries and wages	39,290.98
Payroll taxes	3,362.15
Employee insurance	4,964.52
Pension expense	999.96
Advertising & printing	1,294.00
Insurance	9,429.86
Telephone and utilities	156.48
Office supplies and postage	1,487.53
Miscellaneous	740.54
Legal fees	18,650.50
Contractual services	1,660.00

Total Municipal Court and Prosecuting Attorney	82,036.52
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Total General Government	380,802.81
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(Continued)



CITY OF HERCULANEUM, MISSOURI  
GENERAL FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED JUNE 30, 2005

<b>Public Safety:</b>	
Police:	
Salaries and wages	419,302.72
Payroll taxes	41,192.65
Pension expense	9,231.41
Employee insurance	64,755.87
Repairs and maintenance	18,220.19
Telephone and utilities	10,259.23
Insurance	57,016.26
Printing and advertising	1,461.34
Office supplies and postage	2,731.75
Uniforms	18,333.78
Supplies	3,554.39
Capital outlay	54,808.17
Miscellaneous	6,098.01
Training	8,393.54
Citizens program	625.18
Travel	1,740.09
Membership and dues	1,431.00
Contractual services	5,562.32
Dispatching	<u>30,000.00</u>
<b>Total Police</b>	<u>754,717.90</u>
Building Commission:	
Salaries and wages	12,531.45
Payroll taxes	1,377.58
Insurance	11,492.77
Supplies	90.79
Office supplies and postage	638.62
Miscellaneous	6,695.59
Engineering fees	9,136.45
Training	<u>1,477.87</u>
<b>Total Building Commission</b>	<u>43,441.12</u>
Fire Department:	
Contractual services	<u>110,000.00</u>
<b>Total Fire Department</b>	<u>110,000.00</u>
<b>Total Public Safety</b>	<u>908,159.02</u>

(Continued)

CITY OF HERCULANEUM, MISSOURI  
GENERAL FUND  
STATEMENT OF EXPENDITURES  
YEAR ENDED JUNE 30, 2005

Highways and streets:	
Street Department:	
Salaries and wages	249,596.02
Payroll taxes	35,375.91
Pension expense	7,073.31
Employee insurance	64,908.10
Repairs and maintenance	46,532.00
Equipment rental	4,392.09
Snow removal	17,311.38
Telephone and utilities	7,399.33
Insurance	31,408.04
Office supplies and postage	29.53
Supplies	4,969.22
Capital outlay	7,055.21
Miscellaneous	7,125.42
Uniforms	10,029.23
Drainage	21,539.40
Contractual services	2,022.24
Engineering fees	5,930.45
	<hr/>
Total Highways and Streets	522,696.88
	<hr/>
Health and Welfare:	
Sanitation	115,350.64
Animal control	153.08
Mosquito control	12,959.10
	<hr/>
Total Health and Welfare	128,462.82
	<hr/>
Culture and Recreation:	
Park and Cemetery:	
Miscellaneous	1,059.17
Improvements	616.13
Historical society	1,373.26
	<hr/>
Total Park and Cemetery	3,048.56
	<hr/>
Library:	
Salaries and wages	4,590.00
Payroll taxes	382.16
Miscellaneous	2,942.56
Books and publications	11,902.51
Repairs and maintenance	6,650.72
	<hr/>
Total Library	26,467.95
	<hr/>
Total Culture and Recreation	29,516.51
	<hr/>
Total Expenditures	\$1,969,638.04
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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, 2005

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
<b>Revenues:</b>					
Taxes	\$1,339,515.86	\$4,130.76	\$1,343,646.62	\$1,224,168.32	\$119,478.30
License and permits	41,430.68	0.00	41,430.68	24,200.00	17,230.68
Intergovernmental	6,088.47	0.00	6,088.47	10,000.00	(3,911.53)
Charges for services	123,377.18	644.78	124,021.96	130,000.00	(5,978.04)
Fines	95,097.67	10,002.27	105,099.94	190,000.00	(84,900.06)
Interest income	6,089.67	0.00	6,089.67	15,000.00	(8,910.33)
Miscellaneous revenue	46,337.30	5,039.82	51,377.12	11,200.00	40,177.12
Reimbursements	10,968.13	0.00	10,968.13	500.00	10,468.13
<b>Total revenues</b>	<b>1,668,904.96</b>	<b>19,817.63</b>	<b>1,688,722.59</b>	<b>1,605,068.32</b>	<b>83,654.27</b>
<b>Expenditures:</b>					
City hall	298,766.29	(803.56)	297,962.73	366,202.00	68,239.27
Municipal court	82,036.52	5,608.89	87,645.41	107,385.00	19,739.59
Police	754,717.90	(13,831.23)	740,886.67	909,873.00	168,986.33
Building commission	43,441.12	665.55	44,106.67	157,247.00	113,140.33
Fire department	110,000.00	0.00	110,000.00	110,000.00	0.00
Street department	522,696.88	(4,562.99)	518,133.89	509,287.00	(8,846.89)
Health and welfare	128,462.82	(263.06)	128,199.76	148,500.00	20,300.24
Park and cemetery	3,048.56	(9.54)	3,039.02	15,500.00	12,460.98
Library	26,467.95	(77.15)	26,390.80	25,300.00	(1,090.80)
<b>Total expenditures</b>	<b>1,969,638.04</b>	<b>(13,273.09)</b>	<b>1,956,364.95</b>	<b>2,349,294.00</b>	<b>392,929.05</b>
<b>Excess of revenues over expenditures</b>	<b>(300,733.08)</b>	<b>33,090.72</b>	<b>(267,642.36)</b>	<b>(744,225.68)</b>	<b>476,583.32</b>
<b>Other financing sources (uses):</b>					
Transfers	(64,519.89)	0.00	(64,519.89)	0.00	(64,519.89)
Extraordinary gain	14,915.31	0.00	14,915.31	0.00	14,915.31
<b>Total other financing (uses)</b>	<b>(49,604.58)</b>	<b>0.00</b>	<b>(49,604.58)</b>	<b>0.00</b>	<b>(49,604.58)</b>
<b>Excess (deficiency) of revenues and other financing sources (uses) over expenditures</b>	<b>(\$350,337.66)</b>	<b>\$33,090.72</b>	<b>(\$317,246.94)</b>	<b>(\$744,225.68)</b>	<b>\$426,978.74</b>

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

CITY OF HERCULANEUM, MISSOURI  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2005

	C.A.R.T. Fund	Water Improvement Tax Fund	Training Fund	911 Fund	Jefferson County Road Improvement Program	Sewer Capital Improvement Sales Tax	Total
<b>ASSETS</b>							
Cash and investments	\$0.00	\$449,344.00	\$23,529.36	\$20,470.86	\$0.00	\$153,566.20	\$646,910.42
Taxes receivable	10,495.33	2,326.75	0.00	4,324.52	0.00	27,306.85	44,453.45
Due from Jefferson County	0.00	0.00	0.00	0.00	580,034.68	0.00	580,034.68
<b>Total assets</b>	<b>\$10,495.33</b>	<b>\$451,670.75</b>	<b>\$23,529.36</b>	<b>\$24,795.38</b>	<b>\$580,034.68</b>	<b>\$180,873.05</b>	<b>\$1,271,398.55</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities:</b>							
Accounts payable	\$6,656.84	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,656.84
Deferred revenue	0.00	1,928.36	0.00	0.00	0.00	0.00	1,928.36
Due to other funds	3,838.49	0.00	0.00	0.00	108,018.27	0.00	111,856.76
<b>Total liabilities</b>	<b>10,495.33</b>	<b>1,928.36</b>	<b>0.00</b>	<b>0.00</b>	<b>108,018.27</b>	<b>0.00</b>	<b>120,441.96</b>
Fund balance	0.00	449,742.39	23,529.36	24,795.38	472,016.41	180,873.05	1,150,956.59
<b>Total liabilities and fund balance</b>	<b>\$10,495.33</b>	<b>\$451,670.75</b>	<b>\$23,529.36</b>	<b>\$24,795.38</b>	<b>\$580,034.68</b>	<b>\$180,873.05</b>	<b>\$1,271,398.55</b>

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, 2005

	C.A.R.T. Fund	Water Improvement Tax Fund	Training Fund	911 Fund	Jefferson County Road Improvement Program	Sewer Capital Improvement Sales Tax	Total
<b>Revenues:</b>							
Taxes	\$0.00	\$75,373.69	\$0.00	\$17,368.07	\$150,202.93	\$180,873.05	\$423,817.74
Intergovernmental	107,433.53	0.00	0.00	0.00	0.00	0.00	107,433.53
Court fines	0.00	0.00	2,616.00	0.00	0.00	0.00	2,616.00
Interest income	772.45	3,733.17	0.00	365.01	11,711.67	0.00	16,582.30
Miscellaneous	0.00	0.00	1,424.90	0.00	0.00	0.00	1,424.90
<b>Total revenues</b>	<b>108,205.98</b>	<b>79,106.86</b>	<b>4,040.90</b>	<b>17,733.08</b>	<b>161,914.60</b>	<b>180,873.05</b>	<b>551,874.47</b>
<b>Expenditures:</b>							
General government	0.00	0.00	2,134.14	0.00	0.00	0.00	2,134.14
Public safety	71,730.25	0.00	250.00	8,210.83	0.00	0.00	80,191.08
Highways and streets	114,491.09	0.00	0.00	0.00	198,609.99	0.00	313,101.08
<b>Total expenditures</b>	<b>186,221.34</b>	<b>0.00</b>	<b>2,384.14</b>	<b>8,210.83</b>	<b>198,609.99</b>	<b>0.00</b>	<b>395,426.30</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(78,015.36)</b>	<b>79,106.86</b>	<b>1,656.76</b>	<b>9,522.25</b>	<b>(36,695.39)</b>	<b>180,873.05</b>	<b>156,448.17</b>
<b>Other financing sources (uses):</b>							
Transfers	64,519.89	0.00	0.00	0.00	0.00	0.00	64,519.89
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</b>	<b>(13,495.47)</b>	<b>79,106.86</b>	<b>1,656.76</b>	<b>9,522.25</b>	<b>(36,695.39)</b>	<b>180,873.05</b>	<b>220,968.06</b>
<b>Fund balance, beginning of year</b>	<b>13,495.47</b>	<b>370,635.53</b>	<b>21,872.60</b>	<b>15,273.13</b>	<b>508,711.80</b>	<b>0.00</b>	<b>929,988.53</b>
<b>Fund balance, end of year</b>	<b>(\$0.00)</b>	<b>\$449,742.39</b>	<b>\$23,529.36</b>	<b>\$24,795.38</b>	<b>\$472,016.41</b>	<b>\$180,873.05</b>	<b>\$1,150,956.59</b>

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, 2005

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Intergovernmental	\$107,433.53	\$9,545.10	\$116,978.63	\$110,000.00	\$6,978.63
Interest income	772.45	0.00	772.45	0.00	772.45
Total revenues	<u>108,205.98</u>	<u>9,545.10</u>	<u>117,751.08</u>	<u>\$110,000.00</u>	<u>\$7,751.08</u>
Expenditures:					
Public Safety:					
Police:					
Gas and oil	18,862.60	(1,504.40)	17,358.20	35,000.00	17,641.80
Equipment	52,867.65	0.00	52,867.65	53,000.00	132.35
Highways and streets					
Street repairs	38,428.06	1,010.00	39,438.06	60,000.00	20,561.94
Street lighting	26,199.21	2,318.02	28,517.23	45,000.00	16,482.77
Gas and oil	22,982.60	232.89	23,215.49	17,000.00	(6,215.49)
Equipment	26,881.22	(200.00)	26,681.22	31,000.00	4,318.78
Total expenditures	<u>186,221.34</u>	<u>1,856.51</u>	<u>188,077.85</u>	<u>241,000.00</u>	<u>52,922.15</u>
Excess of revenues over expenditures	<u>(78,015.36)</u>	<u>7,688.59</u>	<u>(70,326.77)</u>	<u>(131,000.00)</u>	<u>60,673.23</u>
Other financing sources:					
Transfers	<u>64,519.89</u>	<u>0.00</u>	<u>64,519.89</u>	<u>0.00</u>	<u>64,519.89</u>
Excess of revenues and other financing sources over expenditures	<u>(\$13,495.47)</u>	<u>\$7,688.59</u>	<u>(\$5,806.88)</u>	<u>(\$131,000.00)</u>	<u>\$125,193.12</u>

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, 2005

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
General revenue	\$75,373.69	\$80.15	\$75,453.84	\$67,215.00	\$8,238.84
Interest income	3,733.17	0.00	3,733.17	2,600.00	1,133.17
Total revenues	79,106.86	80.15	79,187.01	\$69,815.00	\$9,372.01
Expenditures:					
Total expenditures	0.00	0.00	0.00	0.00	0.00
Excess of revenues over expenditures	\$79,106.86	\$80.15	\$79,187.01	\$69,815.00	\$9,372.01

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, 2005

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
<b>Revenues:</b>					
Court fines, costs, and forfeitures	\$2,616.00	\$0.00	\$2,616.00	\$15,000.00	(\$12,384.00)
Miscellaneous	1,424.90	0.00	1,424.90	0.00	1,424.90
Total revenues	4,040.90	0.00	4,040.90	15,000.00	(10,959.10)
<b>Expenditures:</b>					
General government:					
Municipal court:					
Training	1,457.58	0.00	1,457.58	0.00	(1,457.58)
Dues and miscellaneous	676.56	0.00	676.56	0.00	(676.56)
Public safety:					
Police:					
Dues and miscellaneous	250.00	0.00	250.00	0.00	(250.00)
Total expenditures	2,384.14	0.00	2,384.14	0.00	(2,384.14)
Excess of revenues over expenditures	\$1,656.76	\$0.00	\$1,656.76	\$15,000.00	(\$13,343.24)

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, 2005

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
911 Telephone tax	\$17,368.07	\$37.27	\$17,405.34	\$20,000.00	(\$2,594.66)
Interest income	365.01	0.00	365.01	0.00	365.01
Total revenues	<u>17,733.08</u>	<u>37.27</u>	<u>17,770.35</u>	<u>20,000.00</u>	<u>(2,229.65)</u>
Expenditures:					
Public Safety:					
Emergency response:					
Contractual services	8,210.83	0.00	8,210.83	0.00	(8,210.83)
Total expenditures	<u>8,210.83</u>	<u>0.00</u>	<u>8,210.83</u>	<u>0.00</u>	<u>(8,210.83)</u>
Excess of revenues over expenditures	<u>\$9,522.25</u>	<u>\$37.27</u>	<u>\$9,559.52</u>	<u>\$20,000.00</u>	<u>(\$10,440.48)</u>

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

CITY OF HERCULANEUM, MISSOURI  
 SPECIAL REVENUE FUNDS  
 JEFFERSON COUNTY ROAD IMPROVEMENT PROGRAM  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)  
 YEAR ENDED JUNE 30, 2005

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
Sales tax	\$150,202.93	\$0.00	\$150,202.93	\$92,190.36	\$58,012.57
Interest income	11,711.67	0.00	11,711.67	0.00	11,711.67
Total revenues	<u>161,914.60</u>	<u>0.00</u>	<u>161,914.60</u>	<u>\$92,190.36</u>	<u>\$69,724.24</u>
Expenditures:					
Street:					
Capital outlay	198,609.99	0.00	198,609.99	0.00	(198,609.99)
Total expenditures	<u>198,609.99</u>	<u>0.00</u>	<u>198,609.99</u>	<u>0.00</u>	<u>(198,609.99)</u>
Excess (deficiency) of revenues over expenditures	<u>(\$36,695.39)</u>	<u>\$0.00</u>	<u>(\$36,695.39)</u>	<u>\$92,190.36</u>	<u>(\$128,885.75)</u>

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

CITY OF HERCULANEUM, MISSOURI  
 SPECIAL REVENUE FUNDS  
 SEWER CAPITAL IMPROVEMENT SALES TAX  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)  
 YEAR ENDED JUNE 30, 2005

	Actual	Adjustment to Budgetary Basis	Actual Budgetary Basis	Budget	Variance: Favorable (Unfavorable)
Revenues:					
Taxes:					
Sales tax	\$180,873.05	(\$27,306.85)	\$153,566.20	\$0.00	\$153,566.20
Total revenues	180,873.05	(27,306.85)	153,566.20	\$0.00	\$153,566.20
Expenditures:					
Total expenditures	0.00	0.00	0.00	0.00	0.00
Excess (deficiency) of revenues over expenditures	\$180,873.05	(\$27,306.85)	\$153,566.20	\$0.00	\$153,566.20

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

CITY OF HERCULANEUM, MISSOURI  
 WATER AND SEWER ENTERPRISE FUND  
 COMBINING BALANCE SHEET  
 JUNE 30, 2005

	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$81,854.38	\$40,272.99	\$122,127.37
Accounts receivable	50,068.71	30,736.90	80,805.61
Due from other funds	0.00	19,501.57	19,501.57
Total current assets	<u>131,923.09</u>	<u>90,511.46</u>	<u>222,434.55</u>
Noncurrent assets:			
Investment in JCWA	403,792.43	0.00	403,792.43
Total noncurrent assets	<u>403,792.43</u>	<u>0.00</u>	<u>403,792.43</u>
Fixed assets:			
Property, plant, and equipment	5,662,833.81	3,992,755.68	9,655,589.49
Construction in progress	0.00	416,895.72	416,895.72
Less: Accumulated depreciation	(1,065,551.01)	(1,455,698.74)	(2,521,249.75)
Total fixed assets	<u>4,597,282.80</u>	<u>2,953,952.66</u>	<u>7,551,235.46</u>
Total Assets	<u>\$5,132,998.32</u>	<u>\$3,044,464.12</u>	<u>\$8,177,462.44</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Accounts payable	\$43,949.81	\$1,530.50	\$45,480.31
Compensated absences payable	2,403.58	1,345.57	3,749.15
Customer deposits	82,365.34	0.00	82,365.34
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	69,656.05	0.00	69,656.05
Total current liabilities	<u>203,448.28</u>	<u>92,876.07</u>	<u>296,324.35</u>
Noncurrent liabilities:			
Due to JCWA-2001C	337,894.98	0.00	337,894.98
Due to JCWA-2002A	3,479,383.40	0.00	3,479,383.40
Total noncurrent liabilities	<u>3,817,278.38</u>	<u>0.00</u>	<u>3,817,278.38</u>
Total Liabilities	<u>4,020,726.66</u>	<u>92,876.07</u>	<u>4,113,602.73</u>
Net assets			
Investment in capital assets, net of related debt	705,274.87	2,447,056.94	3,152,331.81
Unrestricted	406,996.79	504,531.11	911,527.90
Total net assets	<u>1,112,271.66</u>	<u>2,951,588.05</u>	<u>4,063,859.71</u>
Total Liabilities and Net Assets	<u>\$5,132,998.32</u>	<u>\$3,044,464.12</u>	<u>\$8,177,462.44</u>

CITY OF HERCULANEUM, MISSOURI  
 WATER AND SEWER ENTERPRISE FUND  
 COMBINING STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN NET ASSETS  
 YEAR ENDED JUNE 30, 2005

	Water Fund	Sewer Fund	Total
Operating revenues:			
Charges for services:			
Water and sewer charges	\$557,771.31	\$316,716.55	\$874,487.86
Tap fees and late charges	12,557.43	236,810.09	249,367.52
Total operating revenues	<u>570,328.74</u>	<u>553,526.64</u>	<u>1,123,855.38</u>
Operating expenses:			
Personal services	107,905.31	120,188.35	228,093.66
System repairs, maintenance, and supplies	52,767.07	43,085.05	95,852.12
Water purchases	481,728.00	0.00	481,728.00
Utilities	6,100.85	35,895.60	41,996.45
Other expense	49,281.68	46,750.41	96,032.09
Depreciation	109,210.75	107,412.83	216,623.58
Total operating expenses	<u>806,993.66</u>	<u>353,332.24</u>	<u>1,160,325.90</u>
Operating income (loss)	<u>(236,664.92)</u>	<u>200,194.40</u>	<u>(36,470.52)</u>
Nonoperating revenue (expense):			
Interest income	7,383.65	5,446.41	12,830.06
Interest and fees-JCWA	(94,567.94)	0.00	(94,567.94)
Investment income	40,241.26	0.00	40,241.26
Total nonoperating revenue	<u>(46,943.03)</u>	<u>5,446.41</u>	<u>(41,496.62)</u>
Net income (loss)	<u>(283,607.95)</u>	<u>205,640.81</u>	<u>(77,967.14)</u>
Extraordinary items:			
Developer contributions	318,872.20	643,479.49	962,351.69
Change in net assets	35,264.25	849,120.30	884,384.55
Net assets, beginning of year	<u>1,077,007.41</u>	<u>2,102,467.75</u>	<u>3,179,475.16</u>
Net assets, end of year	<u>\$1,112,271.66</u>	<u>\$2,951,588.05</u>	<u>\$4,063,859.71</u>

CITY OF HERCULANEUM, MISSOURI  
 WATER AND SEWER ENTERPRISE FUND  
 COMBINING STATEMENT OF OPERATING EXPENSES  
 YEAR ENDED JUNE 30, 2005

	Water Fund	Sewer Fund	Total
Personal services:			
Salaries and wages	\$93,835.47	\$98,876.55	\$192,712.02
Payroll taxes	7,983.62	8,543.13	16,526.75
Employee benefits	6,086.22	12,768.67	18,854.89
Total personal services	<u>107,905.31</u>	<u>120,188.35</u>	<u>228,093.66</u>
System repairs, maintenance, and supplies:			
Materials and supplies	22,882.34	5,123.21	28,005.55
Repairs and maintenance	28,697.50	36,741.46	65,438.96
Chemicals	1,187.23	1,220.38	2,407.61
Total system repairs and maintenance	<u>52,767.07</u>	<u>43,085.05</u>	<u>95,852.12</u>
Water purchases	481,728.00	0.00	481,728.00
Utilities	6,100.85	35,895.60	41,996.45
Other expenses:			
Contractual services	1,226.30	1,457.45	2,683.75
Sales tax	11,873.11	0.00	11,873.11
Insurance	19,482.55	16,052.59	35,535.14
Miscellaneous	7,847.90	24,520.91	32,368.81
Dues and subscriptions	1,019.54	0.00	1,019.54
Engineering fees	574.00	3,011.28	3,585.28
Office supplies and postage	4,594.90	0.00	4,594.90
Uniforms	1,453.27	1,708.18	3,161.45
Training	1,210.11	0.00	1,210.11
Total other expenses	<u>49,281.68</u>	<u>46,750.41</u>	<u>96,032.09</u>
Depreciation	109,210.75	107,412.83	216,623.58
Total operating expenses	<u>\$806,993.66</u>	<u>\$353,332.24</u>	<u>\$1,160,325.90</u>

CITY OF HERCULANEUM, MISSOURI  
WATER AND SEWER ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2005

	Water Fund	Sewer Fund	Total
Cash flow from operating activities:			
Cash received from customers	\$613,812.40	\$543,853.48	\$1,157,665.88
Cash paid to suppliers and employees	(741,954.70)	(248,490.92)	(990,445.62)
Cash provided (used) by operations	(128,142.30)	295,362.56	167,220.26
Cash flow from capital and related financing activities:			
Purchase of fixed assets	(343,212.86)	(1,147,944.66)	(1,491,157.52)
Due to Jefferson County Water Authority	(40,396.72)	0.00	(40,396.72)
Developer contributions	318,872.20	643,479.49	962,351.69
Cash provided (used) by capital and related financing activities	(64,737.38)	(504,465.17)	(569,202.55)
Cash flow from noncapital financing activities:			
Interfund loans	78,899.72	(20,804.63)	58,095.09
Cash provided (used) by noncapital financing activities	78,899.72	(20,804.63)	58,095.09
Cash flows from investment activities:			
Interest income	7,383.65	5,446.41	12,830.06
Interest and fees-JCWA	(94,567.94)	0.00	(94,567.94)
Cash provided by investment activities	(87,184.29)	5,446.41	(81,737.88)
Net increase (decrease) in cash	(201,164.25)	(224,460.83)	(425,625.08)
Cash balance, beginning of year	283,018.63	264,733.82	547,752.45
Cash balance, end of year	\$81,854.38	\$40,272.99	\$122,127.37
Reconciliation of net income to cash provided by operations:			
Net income (loss)	\$35,264.25	\$849,120.30	\$884,384.55
Add: Noncash expenses:			
Depreciation	109,210.75	107,412.83	216,623.58
Investment income	(40,241.26)	0.00	(40,241.26)
Changes in working capital:			
Accounts receivable	(8,686.58)	(1,435.87)	(10,122.45)
Accounts payable and accrued expenses	(398.98)	(1,106.99)	(1,505.97)
Customer deposits	8,397.43	(9,405.79)	(1,008.36)
Items not classified as operating:			
Miscellaneous	0.00	(296.02)	(296.02)
Interest revenue	(7,383.65)	(5,446.41)	(12,830.06)
Interest and fees-JCWA	94,567.94	0.00	94,567.94
Developer contributions	(318,872.20)	(643,479.49)	(962,351.69)
Cash provided by operating activities	(\$128,142.30)	\$295,362.56	\$167,220.26