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Annual Financial Report, 2006

City of Herculaneum

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SUSAN MONTEE, CPA
Missouri State Auditor

August 27, 2007

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

Fiscal Period: One Year Ended June 30, 2006 ✓

Dear City Clerk:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

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

Judy Buerky
Local Government Analyst



CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2006

Daniel Jones
& Associates
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
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FINANCIAL SECTION



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Board of Aldermen
City of Herculaneum, Missouri

We 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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Herculaneum's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note I, the basic financial statements of the City of Herculaneum, were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Herculaneum, as of June 30, 2006 for the year then ended in conformity with the basis of accounting described in Note I.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Herculaneum, Missouri as of June 30, 2006, and the respective changes in modified cash basis financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note I.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007, on our consideration of the City of Herculaneum, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, management's discussion and analysis and budgetary comparisons on pages 3 through 4 and 28 through 37 are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Herculaneum, Missouri's basic financial statements. The Management's Discussion and Analysis and the accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

June 22, 2007

City of Herculaneum – Jefferson County, Missouri
Management's Discussion and Analysis
Year Ended June 30, 2006
(UNAUDITED)

The discussion and analysis of the City of Herculaneum's financial performance provides and overall review of the City's financial activities for the year ended June 30, 2006. Readers should review the basic financial statements and their supporting notes to enhance their understanding of the City's financial performance.

The financial statements have been prepared on a modified cash basis of accounting other than account principles generally accepted in the U.S. Modified cash basis accounting is a comprehensive basis of accounting that recognizes revenue when received, rather than when earned and presents expenses when paid versus when incurred.

Financial Highlights

The beginning fund balance for the City was \$6,148,443.00 of which \$3,801,924.00 was restricted to the sewer capital projects fund and \$1,137,410.00 was restricted to Park/Tower, Water Capital Improvement, Public Safety, CART, and Road Tax Funds.

The ending fund balance for the City was \$8,374,763.00 of which \$7,123,384.00 was restricted to the sewer capital projects fund and \$475,027.00 was restricted to Park/Tower, Water Capital Improvement, Public Safety, CART, and Road Tax Funds.

The ending unrestricted fund balance was \$776,152.00. The City increased fund balances by \$2,226,320.00.

In 2005-2006 all employees, except the recently hired City Administrator, were given a 5% pay raise.

The City spent \$130,565.63 of the revolving fund loan and \$38,833.06 of the ½ cent capital project sewer fund. This was primarily in engineering fees and preliminary work.

Local revenue accounts for 95% of total revenues collected by the City. The major sources of local revenue are local personal property and real estate taxes, a 1 cent general revenue tax, a ½ cent capital projects sewer tax, and miscellaneous revenue from water sales, sewer fees, license & permit fees and interest revenue.

The City has an outstanding debt of \$3,873,219.00 for the Jefferson County Water plant they share with the City of Festus for the state revolving fund loan.

The City has \$184,545.75 in reserve that represents an overpayment by the County for a previous TIF project.

The City entered into a three-year lease purchase to buy three new police cars at \$22,500.00 per year.

Fund Financial Statements

The fund financial statements 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 of 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 at 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. 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 City programs. The relationship between government activities and governmental funds is described in a reconciliation that is 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 authorized 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 planned when the budget was adopted.

Proprietary Funds

The City of Herculaneum has only one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as a 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.

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 construction of a new sewer treatment plant, the City is able to provide for anticipated future growth.

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 Noce, City Clerk at City of Herculaneum, #1 Parkwood Court, Herculaneum, Missouri 63048.



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
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CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Board of Aldermen
City of Herculaneum, Missouri

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Herculaneum, Missouri's, as of and for the year ended June 30, 2006, and have issued our report thereon dated June 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Herculaneum, Missouri's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Herculaneum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Herculaneum, Missouri's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Herculaneum, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matter that we reported to management of City of Herculaneum, Missouri in a separate letter dated June 22, 2007.

This report is intended solely for the information and use of the audit committee, management and City Council and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2007

FINANCIAL STATEMENTS

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AS OF JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents (See Note II)	\$ 8,267,980	\$ -	\$ 8,267,980
Investments	138,376	-	138,376
Minority Interest in JCWA	-	403,792	403,792
Due from other funds	-	19,502	19,502
Total Assets	8,406,356	423,294	8,829,650
Liabilities			
Bank Overdraft	-	814,795	814,795
Payroll liabilities	12,091	3,523	15,614
Deposits payable	-	91,300	91,300
Due to other funds	19,502	-	19,502
Other noncurrent liabilities	-	3,873,219	3,873,219
Total Liabilities	31,593	4,782,837	4,814,430
Net Assets			
Restricted for:			
Public Safety	44,037	-	44,037
Water Capital Projects	517,086	-	517,086
Unrestricted Net Asset	7,813,640	(4,359,543)	3,454,097
Total Net Assets	\$ 8,374,763	\$ (4,359,543)	\$ 4,015,220

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government & Administration	\$ 525,891	\$ -	\$ -	\$ 407,507	\$ (118,384)	\$ -	\$ (118,384)
Public Safety	958,558	83,175	7,002	-	(868,381)	-	(868,381)
Streets	714,035	-	-	-	(714,035)	-	(714,035)
Culture and Recreation	29,901	-	-	-	(29,901)	-	(29,901)
Health and Welfare	111,525	110,984	-	-	(541)	-	(541)
Debt Services:							
Principal Paid	-	-	-	-	-	-	-
Interest and Fiscal Charges	107,733	-	-	-	(107,733)	-	(107,733)
Total Government Activities	2,447,643	194,159	7,002	407,507	(1,838,975)	-	(1,838,975)
Business-type Activities:							
Water and Sewer	1,878,438	999,311	-	-	-	(879,127)	(879,127)
Total Business-type Activities	1,878,438	999,311	-	-	-	(879,127)	(879,127)
Total Primary Government	\$ 4,326,081	\$ 1,193,470	\$ 7,002	\$ 407,507	\$ (1,838,975)	\$ (879,127)	\$ (2,718,102)
General Revenues							
Property Tax					348,817	-	348,817
Sales Tax					992,327	-	992,327
Other Taxes					438,959	-	438,959
Licenses & Permits					131,700	-	131,700
Interest					289,678	6,198	295,876
Other					(184,680)	10,035	(174,645)
Special Items							
Sale of bonds					6,166,976	-	6,166,976
Sale of land					739,865	-	739,865
Change of accounting method					(144,893)	(7,143,613)	(7,288,506)
Total General Revenues					8,778,749	(7,127,380)	1,651,369
Increase (Decrease) in Net Assets					6,939,774	(8,006,507)	(1,066,733)
Net Assets, July 1, 2005					1,434,989	3,646,964	5,081,953
Net Assets, June 30, 2006					\$ 8,374,763	\$ (4,359,543)	\$ 4,015,220

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
GOVERNMENTAL FUND TYPE - MODIFIED CASH BASIS
AS OF JUNE 30, 2006

Assets	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 595,491	\$ 7,672,489	\$ 8,267,980
Investments	129,696	8,680	138,376
Accounts Receivable	-	-	-
Due From Other Funds	63,056	-	63,056
Total Assets	<u>788,243</u>	<u>7,681,169</u>	<u>8,469,412</u>
Liabilities			
Payroll Liabilities	12,091	-	12,091
Due To Other Funds	-	82,558	82,558
Total Liabilities	<u>12,091</u>	<u>82,558</u>	<u>94,649</u>
Fund Balance			
Unrestricted	776,152	7,037,488	7,813,640
Restricted for:			
Public Safety	-	44,037	44,037
Water Capital Projects	-	517,086	517,086
Total Fund Balance	<u>776,152</u>	<u>7,598,611</u>	<u>8,374,763</u>
Total Liabilities and Fund Balance	<u>\$ 788,243</u>	<u>\$ 7,681,169</u>	<u>\$ 8,469,412</u>

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 1,170,368	\$ 585,753	\$ 1,756,121
Fees & Fines	333,742	732	334,474
Interest	25,542	264,136	289,678
Other	1,105,105	5,902,039	7,007,144
Total Revenues	<u>2,634,757</u>	<u>6,752,660</u>	<u>9,387,417</u>
Expenditures			
General Government	418,681	-	418,681
Police	743,890	27,672	771,562
Street Department	554,093	159,942	714,035
Health & Welfare	111,525	-	111,525
Building Commission	107,127	-	107,127
Municipal Court	67,339	9,657	76,996
Planning Commission	83	-	83
Fire Department	110,000	-	110,000
Park & Cemetary	13,005	-	13,005
Library	16,896	-	16,896
Debt Services:			
Principal Paid	-	-	-
Interest and Fiscal Charges	-	107,733	107,733
Total Expenditures	<u>2,142,639</u>	<u>305,004</u>	<u>2,447,643</u>
Excess (Deficiency) Of Revenues Over Expenditures	492,118	6,447,656	6,939,774
Total Fund Balance, July 1, 2005	<u>284,034</u>	<u>1,150,955</u>	<u>1,434,989</u>
Total Fund Balance, June 30, 2006	<u>\$ 776,152</u>	<u>\$ 7,598,611</u>	<u>\$ 8,374,763</u>

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
COMBINED STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006

ASSETS	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
Current			
Cash and Investments			
Restricted Cash and Investments	-	-	-
Prepaid Items	-	-	-
Inventory	-	-	-
Total Current Assets	-	-	-
Noncurrent Assets			
Investment in JCWA	403,792	-	403,792
Due From Other Funds	-	19,502	19,502
Other capital assets, net of accumulated depreciation	-	-	-
Total Noncurrent Assets	403,792	19,502	423,294
Total Assets	403,792	19,502	423,294
LIABILITIES			
Current			
Bank Overdrafts	358,789	456,006	814,795
Accounts payable	-	-	-
Payroll and compensated absences payable	-	-	-
Accrued payroll liabilities - other	2,279	1,244	3,523
Accrued interest	-	-	-
Revenue bonds payable and neighborhood improvement district bonds - current	-	-	-
Capital leases - current	-	-	-
Notes payable - current	-	-	-
Deposits payable	91,300	-	91,300
Due to other funds	-	-	-
Other liabilities	3,873,219	-	3,873,219
Total Current	4,325,587	457,250	4,782,837
Long Term			
Revenue bonds payable and neighborhood improvement district bonds, net of bond premiums & discounts	-	-	-
Capital leases	-	-	-
Notes payable	-	-	-
Total Long Term	-	-	-
Total Liabilities	4,325,587	457,250	4,782,837
NET ASSETS			
Unrestricted Net Asset	(3,921,795)	(437,748)	(4,359,543)
Total Net Assets	(3,921,795)	(437,748)	(4,359,543)

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - PROPRIETARY FUND TYPE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES			
Water and Sewer Collections and Fees	618,375	377,693	996,068
Service Charges	3,243	-	3,243
Other	-	-	-
Total Operating Revenues	<u>621,618</u>	<u>377,693</u>	<u>999,311</u>
OPERATING EXPENSES			
Personal services	158,329	353,775	512,104
Materials and supplies	30,478	7,371	37,849
Purchased water	490,560	-	490,560
Utilities and maintenance	20,529	54,293	74,822
Capital outlay	46,084	1,099	47,183
Other	84,195	445,029	529,224
Total Operating Expenses	<u>830,175</u>	<u>861,567</u>	<u>1,691,742</u>
OPERATING INCOME (LOSS)	(208,557)	(483,874)	(692,431)
NONOPERATING REVENUES (EXPENSES)			
Interest income	5,158	1,040	6,198
Miscellaneous income	(4,643,972)	(2,489,606)	(7,133,578)
Interest expense	(112,973)	-	(112,973)
Principal payments	(73,723)	-	(73,723)
Total Nonoperating Revenues (Expenses)	<u>(4,825,510)</u>	<u>(2,488,566)</u>	<u>(7,314,076)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(5,034,067)	(2,972,440)	(8,006,507)
Capital contributions	-	-	-
Grant contributions	-	-	-
Transfers in	-	-	-
CHANGE IN NET ASSETS	(5,034,067)	(2,972,440)	(8,006,507)
NET ASSETS, JULY 1, 2005	<u>1,112,272</u>	<u>2,534,692</u>	<u>3,646,964</u>
NET ASSETS, JUNE 30, 2006	<u><u>(3,921,795)</u></u>	<u><u>(437,748)</u></u>	<u><u>(4,359,543)</u></u>

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
STATEMENT OF CHANGES IN CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2006

	Business - type Activities - Enterprise Funds		
	Water	Sewer	Totals
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 671,687	\$ 408,430	\$ 1,080,117
Payments to suppliers	(614,986.13)	(421,636.37)	(1,036,622.50)
Payments to employees	(120,048.58)	(85,434.57)	(205,483.15)
Other receipts (payments)	(84,195.00)	(445,029.00)	(529,224.00)
NET CASH USED IN OPERATING ACTIVITIES	(147,543.00)	(543,670.04)	(691,213.04)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants and other contributions	0.00	0.00	0.00
Transfer in	0.00	0.00	0.00
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	0.00	0.00	0.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments of long-term debt	(73,723.00)	0.00	(73,723.00)
Proceeds from long-term debt	0.00	0.00	0.00
Interest on debt	(112,973.00)	0.00	(112,973.00)
Acquisition and construction of capital assets	(46,084.00)	(1,099.00)	(47,183.00)
Proceeds from sales of capital assets	0.00	0.00	0.00
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(232,780.00)	(1,099.00)	(233,879.00)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	5,158.00	1,040.00	6,198.00
Miscellaneous income	(65,477.62)	47,449.93	(18,027.69)
NET CASH USED BY (USED IN) INVESTING ACTIVITIES	(60,319.62)	48,489.93	(11,829.69)
NET DECREASE IN CASH	(440,642.62)	(496,279.11)	(936,921.73)
CASH AT BEGINNING OF YEAR	81,854.00	40,273.00	122,127.00
CASH AT END OF YEAR	\$ (358,789)	\$ (456,006)	\$ (814,795)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	(208,557.00)	(483,874.00)	(692,431.00)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Acquisition and construction of capital assets	46,084.00	1,099.00	47,183.00
(Increase) decrease in:			
Accounts receivable	50,068.71	30,736.90	80,805.61
Increase (decrease) in:			
Accounts payable	(42,490.81)	(1,168.50)	(43,659.31)
Accrued liabilities	(1,582.97)	(463.44)	(2,046.41)
Deposits payable	8,935.07	(90,000.00)	(81,064.93)
NET CASH USED IN OPERATING ACTIVITIES	\$ (147,543)	\$ (543,670)	\$ (691,213)

The notes to the financial statements are an integral part of these statements

CITY OF HERCULANEUM
 JEFFERSON COUNTY, MISSOURI
 RECONCILIATION OF THE CITY FUNDS BALANCE SHEET WITH
 THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 AS OF JUNE 30, 2006

Amounts reported for governmental activities in the statement of activities are different because

Total Fund Balance - Governmental Funds		\$ 8,374,763
There are no items of reconciliation		<u>-</u>
Total Net Assets - Governmental Activities		\$ 8,374,763
	LESS Net Assets from Statement of Net Assets Difference	<u>(8,374,763)</u> <u>\$ -</u>

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

CITY OF HERCULANEUM
 JEFFERSON COUNTY, MISSOURI
 RECONCILIATION OF THE CITY FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 AS OF JUNE 30, 2006

Total net change in fund balances - governmental funds		\$ 6,939,774
There are no items of Reconciliation		<u>-</u>
Change in net assets of governmental activities		\$ 6,939,774
	LESS change in net assets govt activities	<u>(6,939,774)</u>
	Difference	<u><u>\$ -</u></u>

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

CITY OF HERCULANEUM
 JEFFERSON COUNTY, MISSOURI
 STATEMENT OF NET ASSETS
 FIDUCIARY FUND TYPE - MODIFIED CASH BASIS
 AS OF JUNE 30, 2006

	AGENCY FUND
	Buchheit
	TIF Fund
Assets	
Cash and Cash Equivalents	\$ 132,819
Total Assets	132,819
Liabilities	
Due to Jefferson County	132,819
Total Liabilities	132,819
Fund Balance	
Unrestricted	-
Total Fund Balance	-
Total Liabilities and Fund Balance	\$ 132,819

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

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Herculaneum, Missouri, was founded in 1808 and incorporated January 7, 1972. The City operates as a fourth-class city under the Missouri State Statutes. It has a mayor/city administrator/aldermen form of government and provides the following services: legislative, general services, financial and accounting, water and sewer service, community development, streets and roads, police and parks.

The governmental financial statements of The City of Herculaneum, Missouri have been prepared on the modified cash basis of accounting, and the Enterprise Fund financial statements have been prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. A decision whether to include a potential component unit in the reporting entity would be made by applying criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has included a Tax Increment Financing District in the reporting entity. 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 district. Also the City Council has significant influence over the approval of expenditures of the district. The district is blended into the City's financial statements and reported in the agency funds. In addition, the Jefferson County Water Authority (JCWA) is blended in the basic financial statements as business type activities. Two of the seven members of the component unit's governing body are members of the City of Herculaneum administration or City Council. The component unit currently makes the debt service payments for one of the city's bond issues. This arrangement causes the City of Herculaneum to have an economic interest in the component unit's financial well-being since failure to make the debt service payments by the component unit would impose a financial burden on the city. Separate financial statements are prepared for the Jefferson County Water Authority and may be obtained by contacting the City of Herculaneum.

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The statement of Net Assets and the Statement of Activities display information about the City, the primary government, as a whole. These statements include the non-fiduciary financial activities of the City. The effect of interfund activity of any internal service fund has been eliminated from these statements. These statements report those activities of the City that are governmental (i.e. generally supported by taxes and intergovernmental revenues). Fiduciary funds are not included in the government-wide financial statements.

The City-wide statements are prepared using the economic resources measurement focus and modified cash basis of accounting for the governmental fund and the modified cash basis of accounting, for the enterprise (water & sewer) funds. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Statement of Net Assets presents the financial position of the City's governmental activities at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions (including related investment earnings) that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues.

Fund Financial Statements

The City maintains fund accounting in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The City only has two major funds; the general fund which accounts for the City's general activity and water fund which accounts for the water activity.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The required financial statements for governmental funds are a statement of net assets, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. The required financial statements for the proprietary fund are a statement of net assets, a statement of revenue, expenditures, and changes in fund balance and a statement of cash flows.

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used. Current liabilities are assigned to the fund from which they will be paid.

The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's principal governmental funds:

General Fund: This fund is the general fund of the City and accounts for all financial resources except those required to be accounted for in another fund.

CART Fund: This fund accounts for tax revenues and expenditures that are legally restricted for street expenditures.

Water Improvement Fund: This fund accounts for tax revenues and expenditures that are legally restricted for water improvements.

Special Training Fund: This fund accounts for fine revenues and expenditures for court and police training.

911 Fund: This fund accounts for utility tax revenues and expenditures restricted for 911 improvement services.

Jefferson County Road Tax Fund: This fund is a special revenue fund that accounts for revenues of the county sales tax designated for street and road improvements.

Revolving Fund: This fund accounts for the revenues and expenditures related to the Series 2005C Bond Issue for sewer capital improvements.

Proprietary Funds

Proprietary funds include enterprise and internal service funds. Enterprise funds account for ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon the determination of change in net assets. Internal service funds are established to account for services furnished by a department of the City to other departments on a cost reimbursement basis. The City operates the following two proprietary funds which are enterprise funds:

Water Fund: This enterprise fund is used to account for the City's water operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds (Continued)

Sewer Fund: This enterprise fund is used to account for the City's sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds. The City currently has one fiduciary fund:

Buchheit TIF Fund: This fund is used to account for TIF tax revenues held in escrow.

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements for proprietary funds.

Measurement Focus / Basis of Accounting

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. The government-wide financial statements are prepared on the modified cash basis of accounting, for the Governmental Funds and Enterprise Funds which are comprehensive bases of accounting other than generally accepted accounting principles. That basis differs from generally accepted accounting principles in that revenues are recognized when received instead of when earned, payments to vendors are recognized when paid instead of when goods or services are received, and only certain liabilities are recorded i.e. payroll liabilities and refundable deposits.

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the cash basis when the City receives the revenue.

Nonexchange transactions, in which the City receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On a cash, or modified cash basis, revenue from property taxes (if applicable) would be recognized in the fiscal year for which the taxes were collected. Revenue from grants, entitlements and donations is recognized in the fiscal year in which the funds are received and eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
 NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Measurement Focus / Basis of Accounting (Continued)

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses normally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Investment income is reported as nonoperating revenue.

Water Deposits

The balance of water deposits held by the City represent a liability which is reflected in the financial statements on the modified cash basis of accounting.

Cash and Cash Equivalents

The City considers all liquid investments with original maturities of three months or less to be cash equivalents.

II. DEPOSITS AND INVESTMENTS

The City maintains a cash and temporary investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined statement of assets, liabilities and fund balances arising from cash transactions as "Cash and Cash Equivalents and Investments" under each fund's caption.

The Deposits held at June 30, 2006 and reported at cost, are as follows:

BALANCE AT JUNE 30, 2006

	Maturity Date	Cost
Restricted Deposits and Investments:		
Deposits restricted for Water Capital Projects	N/A	\$ 285,511
Deposits restricted for Public Safety	N/A	44,037
Certificate of Deposit restricted for Capital Projects	4/11/2007	222,896
 Certificate of Deposit restricted for Capital Projects	 9/1/2007	 8,679
 Total restricted Deposits and Investments		 \$ 561,123
 Unrestricted Deposits and Investments:		
Demand deposits and Petty Cash	N/A	\$ 618,893
Fixed Income Securities	Various	5,869,434
Fixed Income Securities	Various	371,684
Fixed Income Securities	Various	21,660
Certificate of Deposit	10/11/06	36,900

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
 NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2006

II. DEPOSITS AND INVESTMENTS (CONCLUDED)

Certificate of Deposit	10/11/06	111,867
Total unrestricted Deposits and Investments		\$ <u>7,030,438</u>
 Total Deposits and Investments		 \$ <u>7,591,561</u>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a formal investment policy that includes custodial credit risk requirements.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the City or its agent but not in the government's name. The City does not have a policy for custodial credit risk relating to investments.

Investment Interest Rate Risk

The City has no policy in place to minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. Maturities of investment held at June 30, 2006 are provided in the schedule above.

Investment Credit Risk

The City has no policy in place to minimize credit risk, the risk of loss due to the failure of the security issuer or backer.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the City for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The City has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities.

At June 30, 2006, 100% of the City's investments were guaranteed by the U.S. Government.

Investment Income

Investment income for the year ended June 30, 2006, consisted of interest income of \$295,876.

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

III. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

	<u>BONDS PAYABLE</u>
Long-Term Debt – June 30, 2005	\$ 3,897,081
Add-Issued	6,000,000
Less-Payments	(73,723)
Long-Term Debt – June 30, 2006	\$ 9,823,358

Bonds and notes payable at June 30, 2006, consist of:

Pro-rata share of Jefferson County Water Authority 2001C revenue bonds, 3% to 5%, monthly debt service payments of 1/12 principal and 1/6 interest due, through July 1, 2023, secured by water purchase agreement with the City.	\$ 342,968
Pro-rata share of Jefferson County Water Authority 2002A revenue bonds, 3% to 5%, monthly debt service payments of 1/12 principal and 1/6 interest due, through January 1, 2023, secured by water purchase agreement with the City.	3,480,390
\$6,000,000 Series 2005C revenue bonds, 3.25% to 5.25%, due in varying annual principal payments through July 1, 2025. Interest rate is variable and is due semiannually July 1 and January 1 through July 1, 2025.	6,000,000
	\$ 9,823,358

The annual requirements to amortize all debt outstanding as of June 30, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	96,606	485,377	581,983
2008	329,997	455,501	785,498
2009	361,437	443,923	805,360
2010	379,063	431,010	810,073
2011	419,994	416,896	836,890
2012-2016	2,447,409	1,784,555	4,231,964
2017-2021	3,105,082	1,134,600	4,239,682
2022-2026	2,683,770	315,895	2,999,665
Totals	\$ 9,823,358	\$ 5,467,757	\$ 15,291,115

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
 NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2006

IV. RESTRICTED NET ASSETS – FUND BALANCE

The restricted net assets in the governmental funds consisted of the following:

Water Improvement Fund	\$	517,086
Special Training Fund		14,947
911 Fund		29,090
Total Restricted Net Assets	\$	561,123

V. LITIGATION

The City is not a defendant in any current or pending litigation.

Other 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; and natural disasters for which the City carries commercial insurance.

VI. I-55 TIF DISTRICT

On January 14, 1991 the City entered into an agreement for the construction of public facilities in the I-55 Interchange Redevelopment Project Area Tax Increment Finance District. The TIF agreement expired on January 1, 2005. The City had \$184,545.75 cash remaining at the end of the agreement. The City received a letter from the General Counsel of the QuickTrip Corporation confirming that all financial obligations of the City to the QuickTrip Corporation had been met. The City also received a letter from the office of the County Counselor for Jefferson County stating “the County has met all of its financial obligations to QuickTrip. Accordingly, the County is considering this matter to be closed.” Based on these two communications, the City transferred the remaining cash from the TIF District into its general fund. Based on these same two communications, we also consider the matter to be closed.

VII. CHANGE IN BASIS OF ACCOUNTING

In previous years, the City prepared its year-end financial statements using generally accepted accounting principles (GAAP). This year, however, the City’s financial statements are prepared using the modified cash basis which is another comprehensive basis of accounting (OCBOA).

VIII. DEFICIT BUDGETING

The City deficit budgeted in the final budget in the general, water and the CART Funds for the year ended June 30, 2006.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balance - Non-GAAP Budget Basis and Actual
Water Fund - Modified Cash Basis
For the Year Ended June 30, 2006

	Budgeted Amounts		Modified Cash Basis	Over (Under) Final Budget
	Original	Final	Actual	
OPERATING REVENUES				
Water and Sewer Collections and Fees	\$ 636,000	\$ 636,000	\$ 618,375	\$ (17,625)
Service Charges	5,000	5,000	3,243	(1,757)
Other	-	-	-	-
Total Operating Revenues	641,000	641,000	621,618	(19,382)
OPERATING EXPENSES				
Personal services	172,008	172,008	158,329	(13,679)
Materials and supplies	37,500	37,500	30,478	(7,022)
Purchased water	613,000	585,746	490,560	(95,186)
Utilities and maintenance	33,700	33,700	20,529	(13,171)
Capital outlay	54,500	54,500	46,084	(8,416)
Other	5,000	5,000	84,195	79,195
Total Operating Expenses	915,708	888,454	830,175	(58,279)
OPERATING INCOME (LOSS)	(274,708)	(247,454)	(208,557)	38,897
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	-	5,158	5,158
Miscellaneous income	-	-	(4,643,972)	(4,643,972)
Interest expense	(113,000)	(113,000)	(112,973)	27
Principal payments	(74,000)	(74,000)	(73,723)	277
Total Nonoperating Revenues (Expenses)	(187,000)	(187,000)	(4,825,510)	(4,638,510)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(461,708)	(434,454)	(5,034,067)	(4,599,613)
Capital contributions	-	-	-	-
Grant contributions	-	-	-	-
Transfers in	-	-	-	-
CHANGE IN NET ASSETS	(461,708)	(434,454)	(5,034,067)	(4,599,613)
NET ASSETS, JULY 1, 2005			1,112,272	
NET ASSETS, JUNE 30, 2006			\$ (3,921,795)	

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balance - Non-GAAP Budget Basis and Actual
General Fund - Modified Cash Basis
For the Year Ended June 30, 2006

Revenues	Budgeted Amounts		Modified	Over (Under)
	Original	Final	Cash Basis Actual	Final Budget
Taxes	\$ 1,642,000	\$ 1,335,488	\$ 1,170,368	\$ (165,120)
Fees & Fines	149,100	149,100	333,742	184,642
Interest	10,000	10,000	25,542	15,542
Other	611,000	1,360,865	1,105,105	(255,760)
Total Revenues	2,412,100	2,855,453	2,634,757	(220,696)
Expenditures				
General Government	489,128	413,405	418,681	5,276
Police	832,467	853,470	743,890	(109,580)
Street Department	562,684	582,684	554,093	(28,591)
Health & Welfare	147,000	147,000	111,525	(35,475)
Building Commission	148,742	127,623	107,127	(20,496)
Municipal Court	63,674	69,671	67,339	(2,332)
Planning Commission	2,146	1,250	83	(1,167)
Fire Department	110,000	110,000	110,000	-
Park & Cemetary	10,250	10,250	13,005	2,755
Library	25,117	25,117	16,896	(8,221)
Contingencies	-	906,029	-	(906,029)
Debt Services:				
Principal Paid	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	2,391,208	3,246,499	2,142,639	(1,103,860)
Excess (Deficiency) Of Revenues Over Expenditures	20,892	(391,046)	492,118	883,164
 Total Fund Balance, July 1, 2005			<u>284,034</u>	
 Total Fund Balance, June 30, 2006			<u>\$ 776,152</u>	

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

CITY OF HERCULANEUM – JEFFERSON COUNTY, MISSOURI
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2006

Budgets and Budgetary Accounting

- 1) In accordance with Chapter 67, RSMo, the City adopts a budget for each fund of the political subdivision.
- 2) Prior to July, the City Clerk, who serves as the budget officer, submits to the Board of Aldermen a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all City funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
- 3) A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Aldermen, the budget document is available for public inspection.
- 4) Subsequent to its formal approval of the budget, the Board of Aldermen has the authority to make necessary adjustments to the budget by formal vote of the board. Adjustments made during the year are reflected in the budget information included in the accompanying financial statements.

Budgeted amounts are as finally amended by the Board of Aldermen.

The City deficit budgeted in the final budget in the general, water and CART funds for the year ended June 30, 2006.

State Budgetary Finding

The City over spent its budget for the Special Training Fund for 2005/2006 by \$9,657. The difference was caused by the City budgeting for these expenditures in the General Fund.

The City over spent its budget for the 911 Fund for 2005/2006 by \$9,280. The difference was caused by the City budgeting for these expenditures in the General Fund.

The City over spent its budget for the Jefferson County Road Tax Fund for 2005/2006 by \$65,917. The difference was caused by the City budgeting for these expenditures in the General Fund.

The City over spent its budget for the Revolving Fund Sewer Fund for 2005/2006 by \$107,733. The difference was caused by the City not budgeting for interest in the Revolving Fund Sewer Fund.

SUPPLEMENTARY INFORMATION

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
NONMAJOR GOVERNMENTAL FUND TYPE - MODIFIED CASH BASIS
AS OF JUNE 30, 2006

Assets	CART Fund	Water Improvements Fund	Special Training Fund	911 Fund	Jefferson County Road Tax Fund	Revolving Fund Sewer	Total Nonmajor Governmental Fund
Cash and Cash Equivalents	\$ (3,538)	\$ 508,406	\$ 14,947	\$ 29,090	\$ -	\$ 7,123,584	\$ 7,672,489
Investments	-	8,680	-	-	-	-	8,680
Accounts Receivable	-	-	-	-	-	-	-
Due From Other Funds	-	-	-	-	-	-	-
Total Assets	(3,538)	517,086	14,947	29,090	-	7,123,584	7,681,169
Liabilities							
Payroll Liabilities	-	-	-	-	-	-	-
Due To Other Funds	3,838	-	-	-	78,720	-	82,558
Total Liabilities	3,838	-	-	-	78,720	-	82,558
Fund Balance							
Unrestricted	(7,376)	-	-	-	(78,720)	7,123,584	7,037,488
Restricted	-	517,086	14,947	29,090	-	-	561,123
Total Fund Balance	(7,376)	517,086	14,947	29,090	(78,720)	7,123,584	7,598,611
Total Liabilities and Fund Balance	\$ (3,538)	\$ 517,086	\$ 14,947	\$ 29,090	\$ -	\$ 7,123,584	\$ 7,681,169

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUND TYPE - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006

	CART Fund	Water Improvements Fund	Special Training Fund	911 Fund	Jefferson County Road Tax Fund	Revolving Fund Sewer	Total Nonmajor Governmental Fund
Revenues							
Taxes	\$ 89,222	\$ 61,533	\$ -	\$ 12,711	\$ 137,301	\$ 284,986	\$ 585,753
Fees & Fines	-	-	732	-	-	-	732
Interest	452	5,811	-	864	24,372	232,637	264,136
Other	15,367	-	343	-	(646,492)	6,532,821	5,902,039
Total Revenues	105,041	67,344	1,075	13,575	(484,819)	7,050,444	6,752,660
Expenditures							
General Government	-	-	-	-	-	-	-
Police	18,392	-	-	9,280	-	-	27,672
Street Department	94,025	-	-	-	65,917	-	159,942
Health & Welfare	-	-	-	-	-	-	-
Building Commission	-	-	-	-	-	-	-
Municipal Court	-	-	9,657	-	-	-	9,657
Planning Commission	-	-	-	-	-	-	-
Fire Department	-	-	-	-	-	-	-
Park & Cemetery	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-
Debt Services:							
Principal Paid	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	107,733	107,733
Total Expenditures	112,417	-	9,657	9,280	65,917	107,733	305,004
Excess (Deficiency) Of Revenues Over Expenditures	(7,376)	67,344	(8,582)	4,295	(550,736)	6,942,711	6,447,656
Total Fund Balance, July 1, 2005	-	449,742	23,529	24,795	472,016	180,873	1,150,955
Total Fund Balance, June 30, 2006	\$ (7,376)	\$ 517,086	\$ 14,947	\$ 29,090	\$ (78,720)	\$ 7,123,584	\$ 7,598,611

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balance - Non-GAAP Budget Basis and Actual
CART Fund - Modified Cash Basis
For the Year Ended June 30, 2006

	Budgeted Amounts		Modified	Over (Under)
	Original	Final	Cash Basis Actual	Final Budget
Revenues				
Taxes	\$ 108,000	\$ 108,000	\$ 89,222	\$ (18,778)
Fees & Fines	-	-	-	-
Interest	-	-	452	452
Other	-	-	15,367	15,367
Total Revenues	108,000	108,000	105,041	(2,959)
Expenditures				
General Government	-	-	-	-
Police	45,000	45,000	18,392	(26,608)
Street Department	90,000	90,000	94,025	4,025
Health & Welfare	-	-	-	-
Building Commission	-	-	-	-
Municipal Court	-	-	-	-
Planning Commission	-	-	-	-
Fire Department	-	-	-	-
Park & Cemetary	-	-	-	-
Library	-	-	-	-
Debt Services:				
Principal Paid	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	135,000	135,000	112,417	(22,583)
Excess (Deficiency) Of Revenues Over Expenditures	(27,000)	(27,000)	(7,376)	19,624
Total Fund Balance, July 1, 2005			-	
Total Fund Balance, June 30, 2006			\$ (7,376)	

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balance - Non-GAAP Budget Basis and Actual
Water Improvement Fund - Modified Cash Basis
For the Year Ended June 30, 2006

	Budgeted Amounts		Modified Cash Basis Actual	Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 78,000	\$ 78,000	\$ 61,533	\$ (16,467)
Fees & Fines	-	-	-	-
Interest	-	-	5,811	5,811
Other	-	-	-	-
Total Revenues	<u>78,000</u>	<u>78,000</u>	<u>67,344</u>	<u>(10,656)</u>
Expenditures				
General Government	-	-	-	-
Police	-	-	-	-
Street Department	-	-	-	-
Health & Welfare	-	-	-	-
Building Commission	-	-	-	-
Municipal Court	-	-	-	-
Planning Commission	-	-	-	-
Fire Department	-	-	-	-
Park & Cemetary	-	-	-	-
Library	-	-	-	-
Debt Services:				
Principal Paid	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>78,000</u>	<u>78,000</u>	67,344	<u>(10,656)</u>
Total Fund Balance, July 1, 2005			<u>449,742</u>	
Total Fund Balance, June 30, 2006			<u>\$ 517,086</u>	

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

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balance - Non-GAAP Budget Basis and Actual
Special Training Fund - Modified Cash Basis
For the Year Ended June 30, 2006

	Budgeted Amounts		Modified	Over (Under)
	Original	Final	Cash Basis Actual	Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Fees & Fines	10,000	10,000	732	(9,268)
Interest	-	-	-	-
Other	-	-	343	343
Total Revenues	10,000	10,000	1,075	(8,925)
Expenditures				
General Government	-	-	-	-
Police	-	-	-	-
Street Department	-	-	-	-
Health & Welfare	-	-	-	-
Building Commission	-	-	-	-
Municipal Court	-	-	9,657	9,657
Planning Commission	-	-	-	-
Fire Department	-	-	-	-
Park & Cemetary	-	-	-	-
Library	-	-	-	-
Debt Services:				
Principal Paid	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	-	-	9,657	9,657
Excess (Deficiency) Of Revenues Over Expenditures	<u>10,000</u>	<u>10,000</u>	(8,582)	<u>(18,582)</u>
Total Fund Balance, July 1, 2005			<u>23,529</u>	
Total Fund Balance, June 30, 2006			<u>\$ 14,947</u>	

CITY OF HERCULANEUM
 JEFFERSON COUNTY, MISSOURI
 Statement of Revenues, Expenditures and Changes in Fund Balance - Non-GAAP Budget Basis and Actual
 911 Fund - Modified Cash Basis
 For the Year Ended June 30, 2006

	Budgeted Amounts		Modified Cash Basis Actual	Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 110,000	\$ 110,000	\$ 12,711	\$ (97,289)
Fees & Fines	-	-	-	-
Interest	-	-	864	864
Other	-	-	-	-
Total Revenues	110,000	110,000	13,575	(96,425)
Expenditures				
General Government	-	-	-	-
Police	-	-	9,280	9,280
Street Department	-	-	-	-
Health & Welfare	-	-	-	-
Building Commission	-	-	-	-
Municipal Court	-	-	-	-
Planning Commission	-	-	-	-
Fire Department	-	-	-	-
Park & Cemetary	-	-	-	-
Library	-	-	-	-
Debt Services:				
Principal Paid	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	-	-	9,280	9,280
Excess (Deficiency) Of Revenues Over Expenditures	110,000	110,000	4,295	(105,705)
Total Fund Balance, July 1, 2005			24,795	
Total Fund Balance, June 30, 2006			\$ 29,090	

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balance - Non-GAAP Budget Basis and Actual
Jefferson County Road Tax Fund - Modified Cash Basis
For the Year Ended June 30, 2006

Revenues	Budgeted Amounts		Modified	Over (Under)
	Original	Final	Cash Basis Actual	Final Budget
Taxes	\$ 165,000	\$ 165,000	\$ 137,301	\$ (27,699)
Fees & Fines	-	-	-	-
Interest	-	-	24,372	24,372
Other	-	-	(646,492)	(646,492)
Total Revenues	165,000	165,000	(484,819)	(649,819)
Expenditures				
General Government	-	-	-	-
Police	-	-	-	-
Street Department	-	-	65,917	65,917
Health & Welfare	-	-	-	-
Building Commission	-	-	-	-
Municipal Court	-	-	-	-
Planning Commission	-	-	-	-
Fire Department	-	-	-	-
Park & Cemetary	-	-	-	-
Library	-	-	-	-
Debt Services:	-	-	-	-
Principal Paid	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	-	-	65,917	65,917
Excess (Deficiency) Of Revenues Over Expenditures	165,000	165,000	(550,736)	(715,736)
Total Fund Balance, July 1, 2005			472,016	
Total Fund Balance, June 30, 2006			\$ (78,720)	

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balance - Non-GAAP Budget Basis and Actual
Revolving Fund Sewer - Modified Cash Basis
For the Year Ended June 30, 2006

	Budgeted Amounts		Modified	Over (Under)
	Original	Final	Cash Basis Actual	Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ 284,986	\$ 284,986
Fees & Fines	-	-	-	-
Interest	-	-	232,637	232,637
Other	-	408,000	6,532,821	6,124,821
Total Revenues	-	408,000	7,050,444	6,642,444
Expenditures				
General Government	-	-	-	-
Police	-	-	-	-
Street Department	-	-	-	-
Health & Welfare	-	-	-	-
Building Commission	-	-	-	-
Municipal Court	-	-	-	-
Planning Commission	-	-	-	-
Fire Department	-	-	-	-
Park & Cemetary	-	-	-	-
Library	-	-	-	-
Debt Services:				
Principal Paid	-	-	-	-
Interest and Fiscal Charges	-	-	107,733	107,733
Total Expenditures	-	-	107,733	107,733
Excess (Deficiency) Of Revenues Over Expenditures	-	408,000	6,942,711	6,534,711
Total Fund Balance, July 1, 2005			180,873	
Total Fund Balance, June 30, 2006			\$ 7,123,584	

CITY OF HERCULANEUM
JEFFERSON COUNTY, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balance - Non-GAAP Budget Basis and Actual
Sewer Fund - Modified Cash Basis
For the Year Ended June 30, 2006

	Budgeted Amounts		Modified Cash Basis	Over (Under)
	Original	Final	Actual	Final Budget
OPERATING REVENUES				
Water and Sewer Collections and Fees	\$ 262,500	\$ 275,756	\$ 377,693	\$ 101,937
Service Charges	-	-	-	-
Other	-	-	-	-
Total Operating Revenues	262,500	275,756	377,693	101,937
OPERATING EXPENSES				
Personal services	135,539	135,539	353,775	218,236
Materials and supplies	7,250	7,250	7,371	121
Purchased water	-	-	-	-
Utilities and maintenance	59,000	59,000	54,293	(4,707)
Capital outlay	3,500	2,467	1,099	(1,368)
Other	10,000	10,000	445,029	435,029
Total Operating Expenses	215,289	214,256	861,567	647,311
OPERATING INCOME (LOSS)	47,211	61,500	(483,874)	(545,374)
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	-	1,040	1,040
Miscellaneous income	20,000	20,000	(2,489,606)	(2,509,606)
Interest expense	-	-	-	-
Principal payments	-	-	-	-
Total Nonoperating Revenues (Expenses)	20,000	20,000	(2,488,566)	(2,508,566)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	67,211	81,500	(2,972,440)	(3,053,940)
Capital contributions	-	-	-	-
Grant contributions	-	-	-	-
Transfers in	-	-	-	-
CHANGE IN NET ASSETS	67,211	81,500	(2,972,440)	(3,053,940)
NET ASSETS, JULY 1, 2005			2,534,692	
NET ASSETS, JUNE 30, 2006			\$ (437,748)	

CITY OF HERCULANEUM
 JEFFERSON COUNTY, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FIDUCIARY FUND TYPE - MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2006

	AGENCY FUND
	Buchheit
	TIF Fund
Revenues	
Taxes	\$ -
Fees & Fines	-
Interest	-
Other	-
Total Revenues	-
Expenditures	
General Government	-
Police	-
Street Department	-
Health & Welfare	-
Building Commission	-
Municipal Court	-
Planning Commission	-
Fire Department	-
Park & Cemetary	-
Library	-
Debt Services:	
Principal Paid	-
Interest and Fiscal Charges	-
Total Expenditures	-
Excess (Deficiency) Of Revenues Over Expenditures	-
 Total Fund Balance, July 1, 2005	 -
Total Fund Balance, June 30, 2006	\$ -