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1-1-2005

## Financial Report, 2004

Hanley/Eager Road Transportation Development District

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

March 9, 2006

Bret M. Kanis  
Blitz Bardgett & Deutsch, L.C.  
120 South Central, Suite 1650  
St. Louis, MO 63105-1742

RE: Hanley/Eager Road Transportation Development District of St. Louis County

Fiscal Period: One Year Ended December 31, 2004 ✓

Dear Mr. Kanis:

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

Thank you for your cooperation in sending this information.

Sincerely,

CLAIRE C. McCASKILL  
STATE AUDITOR

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

Judy Buerky  
Local Government Analyst

**Blitz Bardgett & Deutsch, L.C.**

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January 30, 2006

**CERTIFIED MAIL,**  
**RETURN RECEIPT REQUESTED**

Missouri State Auditor's Office  
Truman State Office Building  
301 West High Street, Room 880  
Jefferson City, MO 65101

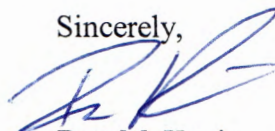
Re: Hanley/Eager Road Transportation Development District (the "District")

To Whom It May Concern:

Enclosed please find the Audited Financial Report for the period ended December 31, 2004 for the District prepared by the accounting firm of Hochschild, Bloom & Company LLP. Also enclosed is a copy of the supplementary management report prepared by such accounting firm in connection with the enclosed Audited Financial Report.

Please let me know if you require any additional information.

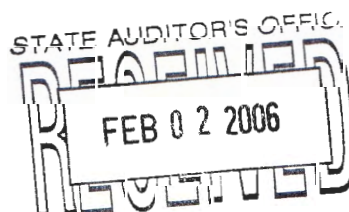
Sincerely,



Bret M. Kanis

Enclosures

cc: Alan Skop, Executive Director of the District (w/o enclosures)





**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

June 1, 2005

Board of Directors

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**

In planning and performing our audit of the financial statements of the **HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT** (the District) for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and improving operating efficiency.

The memorandum that accompanies this letter entitled "Internal Control and Management Comments and Recommendations" summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated June 1, 2005 on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel.

We wish to express our appreciation for the cooperation and courtesy extended to us by all personnel. We will be pleased to discuss these recommendations with you in greater detail at your convenience. Should you desire assistance in the implementation of these recommendations, please do not hesitate to contact us.

*Hochschild, Bloom & Company LLP*  
**CERTIFIED PUBLIC ACCOUNTANTS**

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**INTERNAL CONTROL AND MANAGEMENT**  
**COMMENTS AND RECOMMENDATIONS**

---

**Findings for the year ended December 31, 2004:**

**1. COMMENT**

As noted in the prior year, the budget was presented in a single columnar format though the District has established various funds to account for its governmental activities.

**RECOMMENDATION**

We recommend the District adopt its budget in a fund format that follows the governmental financial reporting format and to clarify budgeted expenditures by fund.

**2. COMMENT**

The American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* focuses on the auditor's consideration of fraud in an audit of financial statements. It is District management's responsibility to design and implement programs and internal controls to prevent, detect, and deter fraud. The District leadership sets the proper tone and creates and maintains a culture of honesty and high ethical standards.

**RECOMMENDATION**

In light of the issuance by the AICPA of SAS 99, we recommend the District's management consider developing a fraud detection program that provides for the procedures to be followed should anyone suspect that fraudulent activity is occurring at the District.

**3. COMMENT**

The District does not have an accounting policies and procedures manual. A current accounting and procedures manual can help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. Written procedures will reduce misunderstandings, duplicated or omitted procedures, and potential fraud possibilities.

**RECOMMENDATION**

We recommend the District develop an accounting procedures manual to document approved procedures.

---



**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
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**HANLEY/EAGER ROAD  
TRANSPORTATION  
DEVELOPMENT DISTRICT**

**FINANCIAL REPORT**  
(Audited)

Year Ended December 31, 2004

# HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT FINANCIAL REPORT

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**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

## INDEPENDENT AUDITORS' REPORT

June 1, 2005

Board of Directors  
**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT** (the District) as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A-3, the District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position - modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information as of December 31, 2004, and the respective changes in financial position - modified cash basis thereof for the year then ended, on the basis of accounting described in Note A-3.

During the year ended December 31, 2004, the District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

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- 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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The management's discussion and analysis and required supplemental information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by GASB. 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 an opinion on the financial statements taken as a whole. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects, on the basis of accounting described in Note A-3, in relation to the financial statements taken as a whole.

*Hochschild, Bloom & Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

# HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2004

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As management of the Hanley/Eager Road Transportation Development District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with the District's financial statements (attached).

## Financial Highlights

- \* The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$11,881,847.
- \* The District's total net assets decreased by \$586,236. This decrease is due to the completion of the project and interest accretion.
- \* As of the close of the current fiscal year, the District's governmental funds reported ending fund balance of \$331,753, a decrease of \$407,584 in comparison with the prior year. Approximately 9% of this amount, \$31,367, is available for spending at the District's discretion (unreserved fund balance).
- \* At the end of the current fiscal year, the unreserved balance for the General Fund was \$15,582, or 430%, of total General Fund expenditures.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets - modified cash basis presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities - modified cash basis presents information showing how the District's net assets changed during the most recent fiscal year.

Government-wide financial statements distinguish functions of the District that are principally supported by sales tax. The governmental activities of the District include collection of sales tax, maintenance, and payment of debt.

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements.** 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only maintains governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balance - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six governmental funds. Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, Capital Projects Fund, Bond Payment Fund, and Debt Service Reserve Fund, which are considered to be major funds. Data from the other two funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund, Bond Payment Fund, and Debt Service Reserve Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

**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 financial statements can be found on pages 14 through 18 of this report.

**Required supplemental information.** This management's discussion and analysis and the General Fund budgetary comparison schedule (starting on page 20) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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**Other supplemental information.** This part of the annual report (starting on page 23) includes financial information such as combining statements for nonmajor funds and budgetary comparison schedules for debt service major funds. This other supplemental financial information is provided to address certain specific needs of various users of the District's annual report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$11,881,847 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets reflect its debt. The District does not record capital assets because we do not own the assets the debt was issued to build.

A condensed version of the statement of net assets - modified cash basis is as follows:

|                                    | <b>December 31<br/>2004</b>  |
|------------------------------------|------------------------------|
| <b>ASSETS</b>                      |                              |
| Investments                        | \$ <u>331,753</u>            |
| <br><b>LIABILITIES</b>             |                              |
| Due in more than one year          | <u>12,213,600</u>            |
| <br><b>NET ASSETS (DEFICIENCY)</b> |                              |
| Unrestricted                       | (12,182,233)                 |
| Restricted - debt service          | <u>300,386</u>               |
| Total Net Assets (Deficiency)      | <b>(\$<u>11,881,847</u>)</b> |

**Governmental activities.** Governmental activities decreased the District's net assets by \$586,236.

A condensed version of the statement of activities - modified cash basis is as follows:

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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|   | <u>For The Year Ended<br/>December 31, 2004</u> |
|---|---|
| <b>REVENUES</b>                             |   |
| General revenues:                           |   |
| Sales tax                                   | \$ 174,822                                      |
| Investment income                           | <u>3,643</u>                                    |
| Total Revenues                              | <u>178,465</u>                                  |
| <b>EXPENSES</b>                             |   |
| Administrative                              | 3,621   |
| Capital outlay                              | 306,016   |
| Interest on long-term debt                  | <u>455,064</u>                                  |
| Total Expenses                              | <u>764,701</u>                                  |
| <b>CHANGE IN NET ASSETS</b>                 | (586,236)                                       |
| <b>NET ASSETS (DEFICIENCY), JANUARY 1</b>   | <u>(11,295,611)</u>                             |
| <b>NET ASSETS (DEFICIENCY), DECEMBER 31</b> | <u>(\$11,881,847)</u>                           |

Comparative analysis will be provided in future years when prior year information is available.

**Financial Analysis of the District's Fund**

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

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$331,753.

**General Fund Budgetary Highlights**

The District did not revise its budget for the year. Revenues were \$119,853 below the budgeted amount of \$295,000. Expenditures were \$21,379 below the budgeted amount of \$25,000. Other financing sources (uses) were \$113,943 under the budgeted amount of \$270,000.

**Long-term debt.** At the end of the current fiscal year, the District had debt outstanding of \$12,213,600. This amount is transportation revenue notes. The debt increased by \$178,652 due to interest accretion during the current fiscal year.

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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**Economic Factors and Next Year's Budget**

Sales tax is the main source of revenue for the District at 98% of total revenues. Debt service requires the greatest usage of resources amounting to 60% of the total expenditures. These factors were considered in preparing the District's 2005 budget.

**Requests for Information**

This financial report is designed to provide our residents and taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Alan Skop at 314-781-7005.

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**DECEMBER 31, 2004**

---

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>                             |                                    |
| Investments                               | \$ 31,367                          |
| Investments - restricted for debt service | 300,386                            |
| Total Assets                              | 331,753                            |
| <br><b>LIABILITIES</b>                    |                                    |
| Noncurrent liabilities:                   |                                    |
| Due in more than one year                 | 12,213,600                         |
| <br><b>NET ASSETS (DEFICIENCY)</b>        |                                    |
| Unrestricted                              | (12,182,233)                       |
| Restricted - debt service                 | 300,386                            |
| Total Net Assets (Deficiency)             | \$ (11,881,847)                    |

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

---

|   | <b>Expenses</b> | <b>Net Revenues<br/>(Expenses)<br/>And Changes<br/>In Net Assets</b> |
|---|-----------------|--|
| <b>FUNCTIONS/PROGRAMS</b>                       |                 |  |
| <b>Governmental Activities</b>                  |                 |  |
| Administrative                                  | \$ 3,621        | (3,621)  |
| Capital outlay                                  | 306,016         | (306,016)  |
| Interest on long-term debt                      | 455,064         | (455,064)  |
| Total Governmental Activities                   | \$ 764,701      | (764,701)  |
| <br><b>General Revenues</b>                     |                 |  |
| Sales tax                                       |                 | 174,822  |
| Investment income                               |                 | 3,643  |
| Total General Revenues                          |                 | 178,465  |
| <br><b>CHANGE IN NET ASSETS</b>                 |                 | <br>(586,236)  |
| <br><b>NET ASSETS (DEFICIENCY), JANUARY 1</b>   |                 | <br>(11,295,611)   |
| <br><b>NET ASSETS (DEFICIENCY), DECEMBER 31</b> |                 | <br>\$ (11,881,847)  |



**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2004**

|  | <b>General<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Bond<br/>Payment<br/>Fund</b> | <b>Debt<br/>Service<br/>Reserve<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|--------------------------------------|----------------------------------|--|---|
| <b>ASSETS</b>                                |                         |                                      |                                  |  |   |
| Investments                                  | \$ 15,582               | 15,785                               | -                                | -  | 31,367                                  |
| Investments - restricted<br>for debt service | -                       | -                                    | 60                               | 300,326                                      | 300,386                                 |
| Total Assets                                 | \$ 15,582               | 15,785                               | 60                               | 300,326                                      | 331,753                                 |
| <br><b>LIABILITIES AND FUND BALANCES</b>     |                         |                                      |                                  |  |   |
| <b>Liabilities</b>                           | \$ -                    | -                                    | -                                | -  | -                                       |
| <b>Fund balances</b>                         |                         |                                      |                                  |  |   |
| Unreserved - undesignated                    | 15,582                  | 15,785                               | -                                | -  | 31,367                                  |
| Reserved - debt service                      | -                       | -                                    | 60                               | 300,326                                      | 300,386                                 |
| Total Fund Balances                          | 15,582                  | 15,785                               | 60                               | 300,326                                      | 331,753                                 |
| Total Liabilities<br>And Fund Balances       | \$ 15,582               | 15,785                               | 60                               | 300,326                                      | 331,753                                 |

See notes to financial statements

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**DECEMBER 31, 2004**

---

Total Fund Balances - Governmental Funds \$ 331,753

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

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Transportation revenue notes (12,213,600)

Net Assets (Deficiency) Of Governmental Activities \$ (11,881,847)

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | <b>General<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Bond<br/>Payment<br/>Fund</b> | <b>Debt<br/>Service<br/>Reserve<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|--------------------------------------|----------------------------------|--|---|---|
| <b>REVENUES</b>                           |                         |                                      |                                  |  |   |   |
| Sales tax                                 | \$ 174,822              | -                                    | -                                | -  | -                                       | 174,822                                 |
| Investment income                         | 325                     | 522                                  | 266                              | 2,223  | 307                                     | 3,643                                   |
| Total Revenues                            | <u>175,147</u>          | <u>522</u>                           | <u>266</u>                       | <u>2,223</u>                                 | <u>307</u>                              | <u>178,465</u>                          |
| <b>EXPENDITURES</b>                       |                         |                                      |                                  |  |   |   |
| Administrative                            | 3,621                   | -                                    | -                                | -  | -                                       | 3,621                                   |
| Capital outlay                            | -                       | 306,016                              | -                                | -  | -                                       | 306,016                                 |
| Debt service - interest paid              | -                       | -                                    | 276,412                          | -  | -                                       | 276,412                                 |
| Debt service - interest accretion         | -                       | -                                    | 178,652                          | -  | -                                       | 178,652                                 |
| Total Expenditures                        | <u>3,621</u>            | <u>306,016</u>                       | <u>455,064</u>                   | <u>-</u>                                     | <u>-</u>                                | <u>764,701</u>                          |
| <b>REVENUES OVER (UNDER) EXPENDITURES</b> | <u>171,526</u>          | <u>(305,494)</u>                     | <u>(454,798)</u>                 | <u>2,223</u>                                 | <u>307</u>                              | <u>(586,236)</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>     |                         |                                      |                                  |  |   |   |
| Transfers in                              | -                       | 3,904                                | 276,206                          | -  | -                                       | 280,110                                 |
| Transfers out                             | (156,057)               | -                                    | -                                | (2,146)                                      | (121,907)                               | (280,110)                               |
| Proceeds from interest accretion          | -                       | -                                    | 178,652                          | -  | -                                       | 178,652                                 |
| Total Other Financing Sources (Uses)      | <u>(156,057)</u>        | <u>3,904</u>                         | <u>454,858</u>                   | <u>(2,146)</u>                               | <u>(121,907)</u>                        | <u>178,652</u>                          |
| <b>NET CHANGES IN FUND BALANCES</b>       | 15,469                  | (301,590)                            | 60                               | 77   | (121,600)                               | (407,584)                               |
| <b>FUND BALANCES, JANUARY 1</b>           | <u>113</u>              | <u>317,375</u>                       | <u>-</u>                         | <u>300,249</u>                               | <u>121,600</u>                          | <u>739,337</u>                          |
| <b>FUND BALANCES, DECEMBER 31</b>         | <u>\$ 15,582</u>        | <u>15,785</u>                        | <u>60</u>                        | <u>300,326</u>                               | <u>-</u>                                | <u>331,753</u>                          |

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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Net Changes In Fund Balances - Governmental Funds \$ (407,584)

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

The issuance of long-term debt (e.g. transportation revenue notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, it has no effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt:

Transportation revenue notes interest accretion (178,652)

Change In Net Assets Of Governmental Activities \$ (586,236)

# HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT (the District), established in 2004, is a political subdivision duly organized under the laws of the State of Missouri. The District operates under the direction of a Board of Directors. The District was formed for the purpose of construction of certain transportation projects to serve a new commercial redevelopment project in the City of Brentwood, Missouri (the City). Generally, the District is authorized to impose a sales tax within its boundaries and issue revenue notes payable from this sales tax.

The more significant accounting policies consistently applied by the District in the preparation of the accompanying financial statements are summarized below:

#### 1. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all component units for which the District may or may not be financially accountable and, as such, be includable within the District's financial statements. In accordance with GASB Statement No. 14, the District (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units to be included in the District's reporting entity.

#### 2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets - modified cash basis and the statement of activities - modified cash basis) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities - modified cash basis demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus is a term used to describe “how” 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**

In the government-wide statement of net assets - modified cash basis and the statement of activities - modified cash basis, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, all governmental funds utilize a “current financial resources” measurement focus as applied to the modified cash basis of accounting. 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.

**Basis of Accounting**

In the government-wide statement of net assets - modified cash basis and statement of activities - modified cash basis and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as U.S. generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide statements would be presented on the accrual basis of accounting.

The District reports the following major governmental funds:

**General Fund** -- The General Fund accounts for all activities except those required to be accounted for in another fund.

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Capital Projects Fund** -- The Capital Projects Fund is to be used for the acquisition, construction, or maintenance of major capital facilities and public improvements.

**Bond Payment Fund** -- The Bond Payment Fund is used for the payment of debt principal, interest, and related costs.

**Debt Service Reserve Fund** -- The Debt Service Reserve Fund is to be used solely for the payment of interest on the bonds if moneys otherwise available for such purpose are insufficient to pay the interest as it becomes due.

**4. Investments**

Investments are stated at fair value except for guaranteed investment contracts which are stated at contract value.

**NOTE B - LONG-TERM DEBT**

Long-term debt consists of the following:

|  | <b>December 31</b>  |
|--|---------------------|
|  | <b><u>2004</u></b>  |
| Series 2003A capital appreciation transportation revenue notes of \$2,205,000, accretion rate 7.75%, due December 1, 2023.         | \$ 2,440,005        |
| Series 2003B transportation revenue notes, interest rate 6.75%, payable semi-annually June 1 and December 1, due December 1, 2033. | 4,095,000           |
| Series 2003C transportation revenue notes, interest rate 7.41%, payable semi-annually June 1 and December 1, due June 1, 2043.     | <u>5,678,595</u>    |
|  | <u>\$12,213,600</u> |

The notes, which are limited obligations of the District, are payable solely from certain bond proceeds, parking fees, and sales tax revenues as provided in the indenture. The notes do not constitute a general obligation of the District, the City, or Missouri Highways and Transportation Commission.

The following is a summary of the changes in the District's long-term debt:

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - LONG-TERM DEBT (Continued)**

|   | <b>For The Year Ended December 31, 2004</b> |                  |                   |                    |
|---|---|------------------|-------------------|--------------------|
|   | <b>December 31</b>                          |                  |                   | <b>December 31</b> |
|   | <b>2003</b>                                 | <b>Additions</b> | <b>Reductions</b> | <b>2004</b>        |
| Series 2003A capital appreciation transportation revenue notes                      | \$ 2,205,000                                | -                | -                 | 2,205,000          |
| Series 2003A capital appreciation transportation revenue notes - interest accretion | <u>56,353</u>                               | <u>178,652</u>   | <u>-</u>          | <u>235,005</u>     |
|   | 2,261,353                                   | 178,652          | -                 | 2,440,005          |
| Series 2003B transportation revenue notes   | 4,095,000                                   | -                | -                 | 4,095,000          |
| Series 2003C transportation revenue notes   | <u>5,678,595</u>                            | <u>-</u>         | <u>-</u>          | <u>5,678,595</u>   |
|   | <u>\$12,034,948</u>                         | <u>178,652</u>   | <u>-</u>          | <u>12,213,600</u>  |

**NOTE C - INVESTMENTS**

State statutes and debt covenants authorize the District to invest in obligations of the U.S. Treasury, U.S. agencies, various state and local governments, commercial paper, repurchase agreements, and various other investment types.

The District's investments at December 31, 2004 are money market funds amounting to \$34,254 and United States Treasury Bills of \$297,499.

**NOTE D - RELATED PARTY TRANSACTIONS**

The District has a construction contract with Don C. Musick Construction Company. Don C. Musick is a board member for the District. Total payments for the year ended December 31, 2004 amounted to \$277,025.

**NOTE E - ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCE**

During fiscal year December 31, 2004, the District adopted GASB Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37 (GASB 37), *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38 (GASB 38), *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB 34 (as amended by GASB 37) represents a very significant change in the financial reporting model used by state and local governments.



**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE E - ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCE (Continued)**

GASB 34 requires government-wide financial statements to be prepared using the accrual basis of accounting. Government-wide financial statements do not provide information by fund or account group, but distinguish between the District's governmental activities on the statement of net assets - modified cash basis and statement of activities - modified cash basis. Additionally, the District's statement of net assets - modified cash basis includes capital assets, if any, and long-term liabilities of the District which were previously recorded in the General Long-Term Debt Account Group.

In addition to the government-wide financial statements, the District has prepared fund financial statements, which continue to use the modified cash basis of accounting for the District's General Fund and other governmental funds, which is similar to that previously presented for these funds in the District's financial statements, although the format of financial statements has been modified by GASB 34.

GASB 34 also includes, as required supplementary information, management's discussion and analysis, which provides an analytical overview of the District's financial activities. In addition, budgetary comparison schedules are presented which compare the original and final revised budget with actual results for the governmental funds.

GASB 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of GASB 34. While this statement did not affect amounts reported in the financial statements of the District, certain note disclosures have been added and amended including descriptions of activities of major funds and future debt obligations.

These statements had a significant effect on the District's financial reporting model. All statements were retroactively applied to January 1, 2004. Restatement of net assets within the government-wide financial statements is as follows:

|                                      |                       |
|--------------------------------------|-----------------------|
| General Fund                         | \$ 113                |
| Capital Projects Fund                | 317,375               |
| Debt Service Funds:                  |                       |
| Debt Service Reserve Fund            | 300,249               |
| Capitalized Interest Fund            | 117,700               |
| Cost of Issuance Fund                | <u>3,900</u>          |
| Total Fund Equity, December 31, 2003 | 739,337               |
| Required GASB 34 adjustments:        |                       |
| Long-term liabilities                | <u>(12,034,948)</u>   |
| Total Net Assets, December 31, 2003  | <u>(\$11,295,611)</u> |

**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**  
**REQUIRED SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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|                                       | <b>Original<br/>And Final<br/>Budget</b> | <b>Actual</b> | <b>Over<br/>(Under)<br/>Budget</b> |
|---------------------------------------|--|---------------|------------------------------------|
| <b>REVENUES</b>                       |  |               |                                    |
| Sales tax                             | \$ 295,000                               | 174,822       | (120,178)                          |
| Investment income                     | -  | 325           | 325                                |
| Total Revenues                        | 295,000                                  | 175,147       | (119,853)                          |
| <b>EXPENDITURES</b>                   |  |               |                                    |
| Administrative                        | 25,000                                   | 3,621         | (21,379)                           |
| <b>REVENUES OVER EXPENDITURES</b>     | 270,000                                  | 171,526       | (98,474)                           |
| <b>OTHER FINANCING SOURCES (USES)</b> |  |               |                                    |
| Transfers out                         | (270,000)                                | (156,057)     | 113,943                            |
| <b>NET CHANGE IN FUND BALANCE</b>     | \$ -                                     | 15,469        | 15,469                             |
| FUND BALANCE, JANUARY 1               |  | 113           |                                    |
| <b>FUND BALANCE, DECEMBER 31</b>      |  | \$ 15,582     |                                    |

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION -  
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGE IN  
FUND BALANCE - BUDGET AND ACTUAL - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The proposed budget is submitted to the Board of Directors for the next fiscal year. The operating budget includes proposed expenditures and means of financing them, not to exceed the total revenue of the preceding year plus any unreserved balance at the end of such year. The Capital Projects Fund, Capitalized Interest Fund, and Cost of Issuance Fund are not budgeted.
- b. The budget must be adopted by the Board of Directors.
- c. Budgets are adopted on a basis generally consistent with the modified cash basis of accounting except that the other financing source and related interest accretion expenditure are not budgeted.
- d. Budget amendments must be approved by the Board of Directors. There were no amendments to the current year budget.
- e. All annual appropriations lapse at fiscal year-end.

**OTHER SUPPLEMENTAL INFORMATION SECTION**

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT  
OTHER SUPPLEMENTAL INFORMATION -  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|                                     | <u>Debt Service Funds</u>                |                                      | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|-------------------------------------|--|--------------------------------------|--|
|                                     | <u>Capitalized<br/>Interest<br/>Fund</u> | <u>Cost Of<br/>Issuance<br/>Fund</u> |  |
| <b>REVENUES</b>                     |  |                                      |  |
| Investment income                   | \$ 303                                   | 4                                    | 307  |
| <b>EXPENDITURES</b>                 | -  | -                                    | -  |
| <b>REVENUES OVER EXPENDITURES</b>   | 303                                      | 4                                    | 307  |
| <b>OTHER FINANCING USES</b>         |  |                                      |  |
| Transfers out                       | <u>(118,003)</u>                         | <u>(3,904)</u>                       | <u>(121,907)</u>                                     |
| <b>NET CHANGES IN FUND BALANCES</b> | (117,700)                                | (3,900)                              | (121,600)  |
| <b>FUND BALANCES, JANUARY 1</b>     | <u>117,700</u>                           | <u>3,900</u>                         | <u>121,600</u>                                       |
| <b>FUND BALANCES, DECEMBER 31</b>   | <u><u>\$ -</u></u>                       | <u><u>-</u></u>                      | <u><u>-</u></u>                                      |

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT  
OTHER SUPPLEMENTAL INFORMATION -  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - BUDGET BASIS - BOND PAYMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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|                                    | <b>Original<br/>And Final<br/>Budget</b> | <b>Actual</b> | <b>Over<br/>(Under)<br/>Budget</b> |
|------------------------------------|--|---------------|------------------------------------|
| <b>REVENUES</b>                    |  |               |                                    |
| Investment income                  | \$ 413                                   | 266           | (147)                              |
| <b>EXPENDITURES</b>                |  |               |                                    |
| Debt service - interest paid       | 276,413                                  | 276,412       | (1)                                |
| <b>REVENUES UNDER EXPENDITURES</b> | (276,000)                                | (276,146)     | (146)                              |
| <b>OTHER FINANCING SOURCES</b>     |  |               |                                    |
| Transfers in                       | 276,000                                  | 276,206       | 206                                |
| <b>NET CHANGE IN FUND BALANCE</b>  | \$ -                                     | 60            | 60                                 |
| <b>FUND BALANCE, JANUARY 1</b>     |  | -             |                                    |
| <b>FUND BALANCE, DECEMBER 31</b>   |  | \$ 60         |                                    |

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT  
 OTHER SUPPLEMENTAL INFORMATION -  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
 BUDGET AND ACTUAL - MODIFIED CASH BASIS - DEBT SERVICE RESERVE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

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|                                   | <u>Original<br/>And Final<br/>Budget</u> | <u>Actual</u>     | <u>Over<br/>(Under)<br/>Budget</u> |
|-----------------------------------|--|-------------------|------------------------------------|
| <b>REVENUES</b>                   |  |                   |                                    |
| Investment income                 | \$ 6,000                                 | 2,223             | (3,777)                            |
| <b>EXPENDITURES</b>               | <u>-</u>                                 | <u>-</u>          | <u>-</u>                           |
| <b>REVENUES OVER EXPENDITURES</b> | 6,000                                    | 2,223             | (3,777)                            |
| <b>OTHER FINANCING USES</b>       |  |                   |                                    |
| Transfers out                     | <u>(6,000)</u>                           | <u>(2,146)</u>    | <u>3,854</u>                       |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ -</u>                              | 77                | <u>77</u>                          |
| <b>FUND BALANCE, JANUARY 1</b>    |  | <u>300,249</u>    |                                    |
| <b>FUND BALANCE, DECEMBER 31</b>  |  | <u>\$ 300,326</u> |                                    |