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Comprehensive Annual Financial Report, 2005

City of Hazelwood

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City of Hazelwood

Comprehensive Annual Financial Report

**For the Year Ended
June 30, 2005**

Crossroads of Progress

City of Hazelwood

Comprehensive Annual Financial Report

**For the Year Ended
June 30, 2005**

**Prepared by the Finance Department
Donnie Burns, Finance Director**

CITY OF HAZELWOOD, MISSOURI
FINANCIAL REPORT

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Section I

Introductory Section



Crossroads of Progress

The Honorable Mayor, City Council, and
the Citizens of Hazelwood, Missouri

Ladies and Gentlemen:

We are pleased to present the comprehensive financial report of the City of Hazelwood, Missouri (the City) for the fiscal year ended June 30, 2005. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to accurately present the financial position and results of operations of the City. All disclosures necessary to provide an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and internal control and compliance. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the basic financial statements, as well as the auditor's report. The statistical section includes selected financial and demographic information.

The City has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2002. Statement No. 34 establishes standards for external financial reporting for all state and local government entities which includes a Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditors' Report.

This report includes all funds and activities of the City. The City provides a full range of services including police protection, fire service, construction, and maintenance of streets and infrastructure, parks and recreation services, city planning and building inspection, and administration.

Economic Condition and Outlook

The City is centrally located on the eastern border of the State of Missouri, in North St. Louis County. Its location is immediately North of the airport, at the intersection of Highways 270 and 170, and 270 and 370, and less than two miles from I-70. A major interchange of Highway 370 networks the Missouri River Bottoms area, the primary undeveloped commercial area in the City, which is home

City Hall & Public Works	City Maintenance	Fire Department	Municipal Court	Parks & Recreation	Police Department
314.839.3700 fax 314.839.0249	731.8701 fax 731.4240	731.3424 fax 731.1976	839.2212 fax 838.5169	731.0980 fax 731.0989	839.3700 fax 838.5169
415 Elm Grove Lane	115 Ford Lane	6800 Howdershell Road	415 Elm Grove Lane	1186 Teson Road	415 Elm Grove Lane

Hazelwood, Missouri 63042

to the St. Louis Mills. This transportation crossroads is a prime location for business and residents alike. Also, the mix of major industrial and commercial areas, which transition to beautiful parks and residential neighborhoods is an unusual and diverse blend. The central business district of the City of St. Louis is 20 miles to the southeast. Interstate 55, U.S. Highway 61-67, and State Highways 141 and 231 provide access to St. Louis City and St. Louis County.

The City's largest corporate citizen, Ford Motor Company, continues to dominate the City's economic outlook. On January 11, 2002, Ford announced plans to close its Hazelwood plant, which provided approximately \$3.2 million, or 18% of total City revenue. Subsequently, Ford filed for a refund of \$1.2 million in 2002 license fees and stated its revised interpretation of future Ford fees due, which would reduce each annual payment similarly. The court denied the refund in 2005. The City led the way in formation of a task force comprised of representatives from the State of Missouri, St. Louis County, the UAW, and other entities dedicated to preservation of the Hazelwood Ford plant. In September 2003, the task force negotiated an incentive package with Ford, which resulted in a commitment to keep the plant open through 2007. The package included a ceiling on the City's business license, Chapter 100 bond financing on capital investment (declined by Ford), job training funds, and tax benefits through the designation of a new Enterprise Zone. Due to the reduced license, the City has cut Ford's revenue from \$3.2 million to just over \$1 million annually. Offsetting cost reductions and property, sales, and utility tax increases have diversified and strengthened the City's operation.

The St. Louis Mills, a major national mall, opened November 13, 2003, providing over one million square feet in "shoppertainment" activity. The facility expects to produce \$250,000,000 in annual sales when fully built out. Far-reaching secondary effects include jobs, out-lot retail development, and residential development.

The City's 2000 population decreased by 2% to 26,206, ranking seventh largest of 91 cities in St. Louis County. Missouri real estate is re-assessed in odd years, and the 2005 assessed valuation of \$527 million is the 12th largest, down from tenth in 2004. This relative decrease is because the City's assessed valuation is 50%+ commercial property, which is a relatively high proportion. Therefore, the boom in residential values resulted in a relative drop in the City's assessed valuation rank compared to cities that are primarily residential.

The citizens of the City secure employment with business and industry throughout the St. Louis metropolitan area. Employment levels in the metropolitan St. Louis area have been and are expected to remain relatively stable due to the variety of business and industry. The City has a temporary daytime population of approximately 21,000.

The overall economic health of the City is excellent. Residents passed a property tax rate increase from \$0.41 to \$0.75 in November 2002. This increase mitigated the effect of Ford's license decrease and strengthened the diversity of the City's tax structure. Currently, sales tax provides 34% of revenue, business licenses provide 12%, and property tax provides 28%. The City's sales tax receipts are somewhat unique, being diversified between two distribution methods, which diversifies the factors controlling City revenue. The 1% tax collected in the area existing prior to the 1995 annexation is distributed directly to the City according to point of sale, as is throughout most of the state. The 1% tax collected in the annexed area, however, is pooled with unincorporated St. Louis County and other "pool" city sales tax, and distributed by population.

Also, the City passed a 1% local use tax and a ½% Capital Improvement Tax effective October 1996 and a ½% Parks and Stormwater sales tax effective April 2002. The City chose the Option II distribution of the Capital Improvement Tax whereby the tax collected within the City is contributed to a countywide

pool and is distributed according to population. The Use Tax is imposed on goods purchased outside the state (primarily businesses). The Parks and Stormwater tax is collected according to point of sale.

The residents also strengthened the City's revenue structure in April 2004 by approving a hotel/motel tax with a ceiling of 6%, effective July 1, 2004. This tax is restricted for the promotion of tourism, which is more needed as The Mills is developed. In November 2004, voters approved a \$15,045 million general obligation bond issue for street improvements, which is a major component for community improvement.

Business license revenue is directly tied to overall business performance and climate, which, of course, is experiencing a nationwide downturn; however, the St. Louis Mills has provided an economic vitality in the midst of the slow business recovery.

Financial structure concerns include the status of the Ford Motor Company, and lack-luster growth in assessed valuation outside the Missouri Bottom TIF area and sales tax.

MAJOR GOALS

The City Council and administrative staff regularly develop and update improvement plans designed to improve the quality of community life while maintaining the financial stability of the City. The growth and direction of the City during the past fiscal year has been greatly affected by these improvement plans.

Goal – Economic Development and Business Retention

Long-term projects continued to dominate this fiscal year from an economic development standpoint. Main priorities of the City included the Mills, Park 370, Hazelwood Commerce Center, and Ford. These projects involved both industrial and retail development, as well as business retention.

The growth of the City businesses was very strong during the past year due to the opening of the Mills. Almost 300 new businesses started during the year out of now over 1,000 active businesses. The City's business environment has become much more dynamic with the frequency of business openings and closings increasing.

The largest investments of time revolved around longer term projects such as the Mills and Park 370 development, as well as the Hazelwood Commerce Center redevelopment project. While none of these projects can be considered completed this fiscal year, significant progress was made to advance each one. Construction continued at the Mills on retail and restaurant development. The development is financed using TIF and TDD funding. The 1% TDD sales tax is collected by the City Finance Department. During the years of the TIF, the City anticipates net revenue in the amount of \$600,000 annually.

The energy surrounding the Mills has been positive for the whole community, not just through retail. This can be seen most specifically in Park 370. Many lots have been sold and subdivided through City Council action to make way for new development. Construction of new buildings continues and new businesses have opened in Park 370.

The City has acquired an existing St. Louis County TIF to develop the area known as the Robertson Area. Now known as the Hazelwood Commerce Center, the development will be at a prime location, near the newly renovated airport – a one-of-a-kind location. One hundred sixty acres is being developed. Hazelwood Commerce Center has remained a challenging project. The developer continued con-

demnation proceedings which continued past the fiscal year. More environmental testing took place all over the 220 acre project development area and over \$6 million in Brownfield Tax Credits were awarded to the project. Negotiations between the developer, Lambert Airport, and the FAA for land purchase as well as contracts for relocation of FAA equipment proceeded.

The Mills expects a significant proportion of its sales to be generated by tourism. Accordingly, the City passed 6% (1.75% imposed) hotel/motel tax in April 2004, providing approximately \$125,000 to be used exclusively for the promotion of tourism.

Commercial vacancies remain modest while the potential for further retail, commercial, and industrial development appears quite favorable for the next five years, again due to location and favorable tax rates.

The Elm Grove TIF area remains undeveloped, however, proposals are being considered.

Goal -- Preserve the Quality of Residential Neighborhoods

People are the City's greatest asset, and the neighborhoods in which they reside are one of the most important responsibilities of government. The provision of high quality basic services, including police, fire, road maintenance, parks, and solid waste collection, are critical for their continued desirability. Uniformity in the provision of services is a goal.

The existing housing inspection program prescribes minimum maintenance requirements for structures and premises to assure safety and provide for abatement of potential hazards. This program helps assure the preservation of the City's neighborhoods.

Also, the City administers a residential occupancy permit requirement designed to protect property values.

In November 2004, the City passed a \$15.045 million general obligation bond issue for street improvements. The street improvement plan targets every street in the City. The City hired a street improvement staff, and in April 2005 issued the first installment of the bonds in the amount of \$8,415,000. These funds must be expended within three years of the date of issue; at the current rate, the second issue will be needed well before the three-year deadline. Debt service on these bonds adds a \$0.146 levy per \$100 of assessed valuation on property taxes.

Goal -- Beautification of City Facilities and Entrances along Major Highways

The Village of Hazelwood was established in 1950 and was incorporated in 1968; as such, it is a mature community requiring maintenance and updating. Also, funding and attention to the beautification of the community provides a preemptive strike against the threat of the population migration sometimes experienced by older communities.

The newly completed Lindbergh Corridor Beautification Program, a project funded by a state grant, enhances the Lindbergh Blvd. corridor through the City and the City of Florissant. Picturesque street lighting, store facades, landscaping, signage, etc. have illuminated and transformed this important business district. The City coordinated the improvements at a total cost of approximately \$2.8 million, with 81% being paid by the state and 11% paid by the City of Florissant.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining internal controls. The controls are designed to ensure the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles. The controls are designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. General and Capital Improvement Fund activities are included in the annual budget. As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibility for sound financial management.

Compliance and Internal Control

As a recipient of federal financial assistance, the City is responsible for maintaining adequate internal controls to ensure compliance with applicable laws and regulations related to those programs.

Pension Trust Fund Operations

The City's Plan's funding policy provides for actuarially determined annual contributions. This year, the City's contribution rate decreased slightly, from 12.9% to 12.4% of covered payroll. The rate remains extraordinarily high due to lagging investment earnings. The actual rate of return of 6.5% is 18.75% lower than the assumed investment rate of return of 8%.

Long-Term Debt

At June 30 the City had long-term debt in the amount of \$11,249,721 detailed in the notes to the financial statements. Missouri statutes set the City's legal general obligation debt limit at 10% of the City's total assessed valuation of real and personal property, a limit of approximately \$49.2 million.

Cash Management

Cash temporarily idle during the year was invested in repurchase agreements, certificates of deposit, and government agency issues. All collateral on deposits was held by a financial institution in trust in the City's name. Interest earned totaled \$103,999.

U.S. Bank manages the investments of the Pension Trust Fund; 20% is invested in U.S. Government securities, 55% is invested in stock, 19% is invested in corporate obligations, 5% in mutual funds, and 1% is invested in cash equivalents.

Risk Management

The City has been a member of St. Louis Area Insurance Trust (SLAIT) since August 1986. It is a regional self-insurance pool, comprised of 20 professionally managed cities, providing insurance to its

members. SLAIT provides workers' compensation and general liability coverage. The financial condition of SLAIT is excellent. It has been able to significantly increase its self-insurance capacity and services, thereby providing its membership superior coverage and cost savings. The City, assisted by SLAIT, seeks to provide supervisory and employee training and identification of hazardous conditions or procedures. Every City division conducts quarterly safety committee meetings.

OTHER INFORMATION

Independent Audit

Missouri statutes require an annual audit by independent certified public accountants. The certified public accounting firm of Hochschild, Bloom & Company LLP was selected by the City Council to perform the 2005 audit. The auditor's report on basic financial statements is included in the financial section of this report. As independent auditors, Hochschild, Bloom & Company LLP, also provides an objective outside review of management's performance in reporting operating results and financial condition.

Award


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the seventh consecutive year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

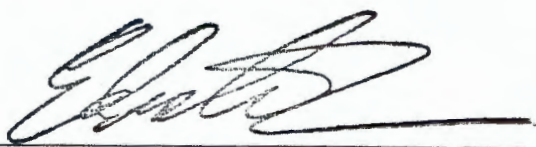
Acknowledgments

The preparation of the comprehensive annual financial report was made possible by the cooperation of the entire administrative staff of the various departments of the City. The finance staff especially contributed a great deal of time and diligence. We would also like to acknowledge the assistance of our independent public accountants, Hochschild, Bloom & Company LLP, in formulating this report. In closing, without the support of the Mayor and Council, preparation of this report would not have been possible.

Respectfully submitted,



Donnie L. Burns
Director of Finance

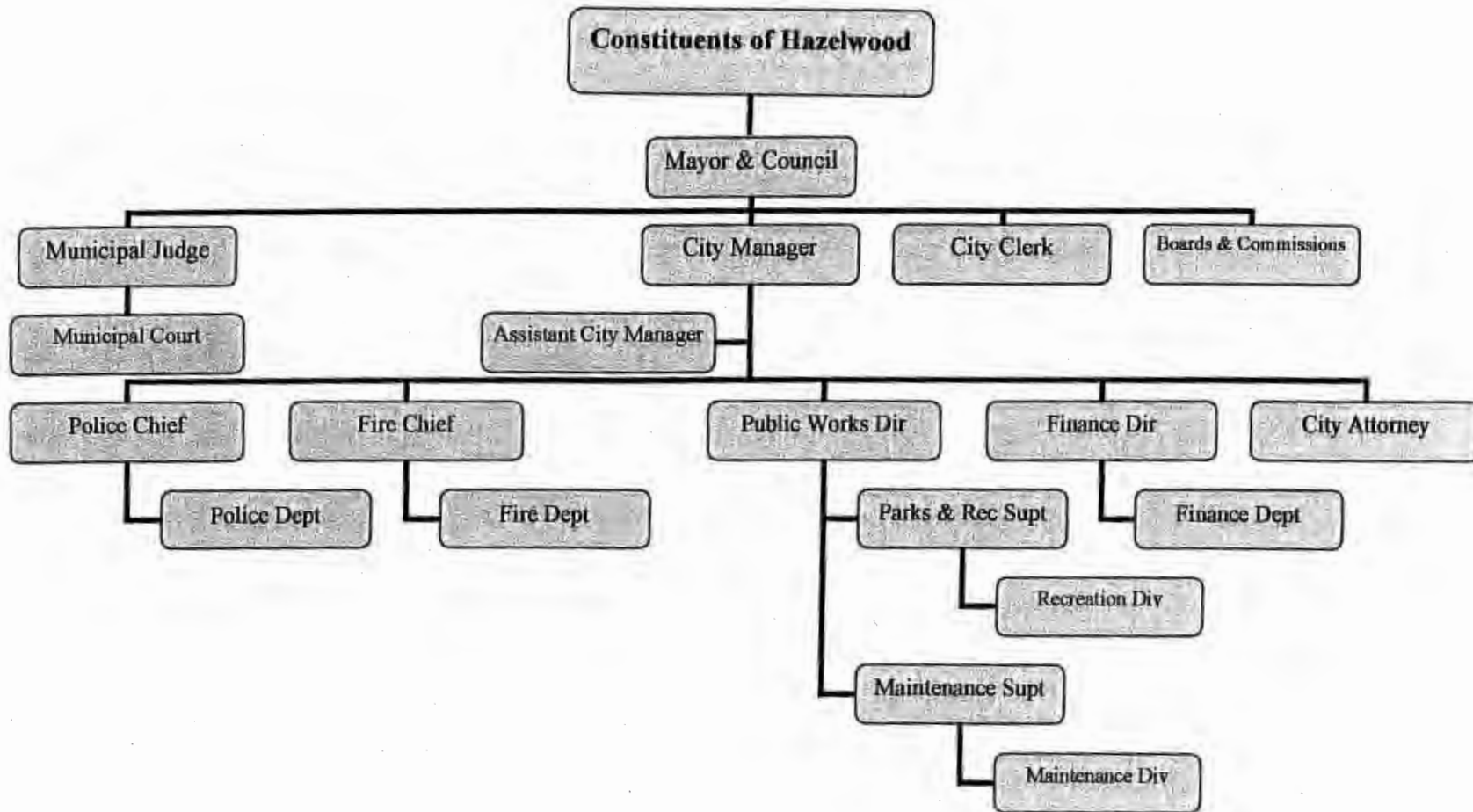


Edwin G. Carlstrom
City Manager

City of Hazelwood, Missouri
Principal City Officials at June 30, 2005

<u>Position</u>	<u>Name</u>	<u>Election/Hire Date</u>	<u>Term Dates</u>
MAYOR	T. R. Carr	4/2000	4/2003-4/2006
COUNCIL-WARD 1	Matthew Robinson	4/1994	4/2004-4/2007
COUNCIL-WARD 2	Robert Aubuchon	4/1997	4/2005-4/2008
COUNCIL-WARD 3	Terry Salfen	4/2004	4/2004-4/2007
COUNCIL-WARD 4	Michael Conley	4/2005	4/2005-4/2008
COUNCIL-WARD 5	Patricia Lampert	4/1998	4/2004-4/2007
COUNCIL-WARD 6	Patricia Robin	4/2005	4/2005-4/2008
COUNCIL-WARD 7	Patricia Jackson	4/1997	4/2004-4/2007
COUNCIL-WARD 8	Patricia Piotrowicz	4/2003	4/2005-4/2008
CITY MANAGER	Edwin Carlstrom	6/1/1979	
ASST. CITY MANAGER	Daniel Mears	1/22/2003	
FINANCE DIRECTOR	Donnie Burns	7/9/1979	
CITY CLERK	Colleen Klos	7/1/1996	
JUDGE	Kevin Kelly	2003	
PROSECUTING ATTORNEY	Keith Cheung	2002	
CITY ATTORNEY	Kevin O'Keefe	2/7/1994	
POLICE CHIEF	Carl Wolf	11/25/1985	
FIRE CHIEF	James Matthies	10/20/1993	
PUBLIC WORKS DIRECTOR	Thomas Manning	6/13/1994	
PARKS & REC SUPERINTENDENT	Douglas Littlefield	11/30/1992	
MAINTENANCE SUPERINTENDENT	Paul Williams	6/9/1972	

City of Hazelwood Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hazelwood,
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjella

President

Jeffrey R. Emer

Executive Director



Section II

Financial Section



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

INDEPENDENT AUDITORS' REPORT

September 2, 2005

Honorable Mayor and City Council
CITY OF HAZELWOOD, MISSOURI

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **CITY OF HAZELWOOD, MISSOURI** (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City'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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 2, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

- 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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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 the U.S. generally accepted accounting principles. 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's basic financial statements. The other supplemental information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

Hochschild, Bloom + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

This discussion and analysis is intended to be an overview of the City of Hazelwood's (the City) financial activities for the fiscal year ended June 30, 2005. It should be read in conjunction with the City's financial statements (attached).

USING THE ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole. Fund financial statements report the City's operation in more detail than the government-wide statement by providing information about the City's funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the City government.

CONDENSED FINANCIAL STATEMENTS

A condensed version of the Statement of Net Assets at June 30, 2005 and 2004 is as follows:

	June 30	
	2005	2004
ASSETS		
Current and other assets	\$18,024,839	10,094,713
Capital assets	<u>12,817,619</u>	<u>12,248,665</u>
Total Assets	<u>30,842,458</u>	<u>22,343,378</u>
LIABILITIES		
Current and other liabilities	1,463,591	2,376,627
Long-term liabilities	<u>11,249,721</u>	<u>1,862,357</u>
Total Liabilities	<u>12,713,312</u>	<u>4,238,984</u>
NET ASSETS		
Invested in capital assets	12,025,405	12,215,273
Restricted	105,899	106,825
Unrestricted	<u>5,997,842</u>	<u>5,782,296</u>
Total Net Assets	<u>\$18,129,146</u>	<u>18,104,394</u>

A condensed version of the Statement of Activities for the years ended June 30, 2005 and 2004 is as follows:

CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

	For The Years Ended June 30	
	2005	2004
REVENUES		
Program revenues:		
Charges for services	\$ 2,061,155	1,835,989
Operating grants and contributions	2,043,262	1,813,226
General revenues:		
Taxes	18,469,704	14,418,353
Licenses and other	<u>3,970,363</u>	<u>5,131,023</u>
Total Revenues	<u>26,544,484</u>	<u>23,198,591</u>
EXPENSES		
General government	2,087,773	3,025,041
Police	5,975,923	5,862,217
Fire and ambulance	6,374,396	6,043,746
Public works	4,074,797	2,583,716
Parks and recreation	2,334,874	2,138,623
Economic development	5,476,247	2,941,286
Sewer lateral	69,341	107,273
Interest on long-term debt	<u>126,381</u>	<u>55,343</u>
Total Expenses	<u>26,519,732</u>	<u>22,757,245</u>
CHANGE IN NET ASSETS	<u>\$ 24,752</u>	<u>441,346</u>
ENDING NET ASSETS	<u>\$18,129,146</u>	<u>18,104,394</u>

Long-Term Debt

The City's governmental activities debt is detailed below. More information is provided in the Notes to the Financial Statements in Note D.

	June 30		Percentage Change
	2005	2004	
General obligation bonds - Street Improvement - Series 2005	\$ 8,541,566	-	-
Special assessment bonds - Lambert Neighborhood Improvement District, Series 1999	895,000	930,000	(4)
Compensated absences	1,020,941	898,965	14
Capital lease obligations	<u>792,214</u>	<u>33,392</u>	23
	<u>\$11,249,721</u>	<u>1,862,357</u>	

General Government Function

The following schedule presents a summary of governmental fund type revenues for the fiscal year ended June 30, 2005 and the amount and percentage of increase in relation to prior year revenues:

CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>For The Years Ended June 30</u>				
	<u>2005</u>	<u>2004</u>	<u>Year To Year Increase (Decrease)</u>	<u>Percent Of Total Change</u>	<u>Percent Of Increase (Decrease)</u>
REVENUES					
Property taxes	\$ 7,441,915	4,005,954	3,435,961	101%	86
Sales taxes	9,080,912	8,382,356	698,556	20	8
Utility taxes	2,256,528	2,243,346	13,182	-	1
Other taxes	1,520,813	1,520,987	(174)	-	-
Permits and inspections	466,120	571,618	(105,498)	(3)	(18)
Licenses	3,230,995	3,382,104	(151,109)	(4)	(4)
Intergovernmental	453,405	1,314,020	(860,615)	(25)	(65)
Fines and forfeitures	822,955	626,186	196,769	6	31
Investment income	103,999	35,359	68,640	2	194
Recreation fees	279,009	264,643	14,366	-	5
Sewer lateral	198,946	224,172	(25,226)	(1)	(11)
Miscellaneous	674,579	550,494	124,085	4	23
Total Revenues	<u>\$26,530,176</u>	<u>23,121,239</u>	<u>3,408,937</u>	<u>100%</u>	<u>15</u>

Discussion of variances:

- Total revenue increased \$3,408,937, 15% - primarily due to new property taxes.
- Property taxes increased 86% due to voter approved rate increase - Even after this rate increase, residential tax rates, with zero residential utility tax, remain among the lowest in the St. Louis County area. No additional fire service charge is imposed.
- Sales taxes - \$698,556, 8% increase - primarily due to increased sales at the Mills - half the sales tax in the Mills (TIF) area is designated to the TIF District.
- Utility taxes at a rate of 6% on commercial utilities - no change due to mild weather.
- Permits and inspections - 18% decrease - primary Mills Mall construction completed - out-lot construction much more gradual.
- Licenses - 4% decrease - primarily Ford Motor Company decrease.
- Intergovernmental - \$860,615, 65% decrease - due to completion of the state funded Lindbergh corridor beautification project.
- Fines and forfeitures - \$196,769, 31%, increase - deliberate Police focus.
- Investment income - \$68,640, 194%, increase - deliberate increase in fund balance.
- Recreation fees - \$14,366, 5%, increase - miscellaneous, primarily increased acceptance of Resident Card program.
- Sewer lateral - \$25,226, 11%, decrease - first year of automated exclusion of condominiums, previously required active refund request.
- Miscellaneous - \$124,085, 23%, increase - various.

CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

	For The Years Ended June 30				
	<u>2005</u>	<u>2004</u>	<u>Year To Year Increase (Decrease)</u>	<u>Percent Of Total Change</u>	<u>Percent Of Increase (Decrease)</u>
EXPENDITURES					
Public safety	\$12,031,175	11,512,047	519,128	14%	5
Parks and recreation	2,191,363	1,882,247	309,116	9	16
General government	2,027,668	1,681,272	346,396	10	21
Maintenance	<u>1,979,526</u>	<u>1,952,876</u>	<u>26,650</u>	<u>1</u>	<u>1</u>
Total General Fund	18,229,732	17,028,442	1,201,290	34	7
Capital Projects Fund	2,817,208	3,396,409	(579,201)	(16)	(17)
Sewer Lateral Fund	69,341	107,273	(37,932)	(1)	(35)
Street Bond Fund	483,698	-	483,698	13	-
Economic development	5,475,986	2,939,614	2,536,372	70	86
Debt Service Fund	<u>79,731</u>	<u>83,504</u>	<u>(3,773)</u>	<u>-</u>	<u>(5)</u>
Total Expenditures	<u>\$27,155,696</u>	<u>23,555,242</u>	<u>3,600,454</u>	<u>100%</u>	

- Total expenditures - \$3.46 million, 15% increase - primarily development of the Hazelwood Commerce Center - City assumed the St. Louis County TIF.
- General Fund - 7% increase - held to minimum - merit increases of 1.9% + cola of 2% - new projects include 3 person Ambulance division effective January 2005.
- Public safety - significant restraint employed.
- Parks and recreation - 16% increase - \$60,000 due to increased Recreation programs including reinstatement of \$25,000 for July 4th, \$11,000 athletic field programs, \$6,000 Harvestfest - other general increases.
- General government - 21% increase - primarily professional services for numerous projects including Hazelwood Task Force to save Ford Motor Plant, street bond issue, and redevelopment projects - \$140,000 in information systems due to new windows release and spam and virus problems.
- Maintenance - minimal change.
- Capital Projects Fund - 17% decrease - completion of Lindbergh beautification project.
- Sewer Lateral Fund - \$37,932, 35% decrease - due to automatic sorting, no billing, and refunding of condominium properties.
- Street Bond Fund - new bond issue April 2005.
- Economic development - \$2.5 million, 86% increase - development of the Hazelwood Commerce Center TIF area.
- Debt Service Fund - 5% decrease due to paid off lease/purchase agreement.

Fund Balance - Governmental Fund Types

Total expenditures exceeded revenues by \$625,520. This is primarily due to an accelerated street improvement program that resulted in a \$1 million reduction in Capital Projects Fund reserves. Due to deliberate fiscal management, the City's General Fund contributed \$968,327 to reserves, demonstrating management commitment to build reserves.

**CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

BUDGETARY HIGHLIGHTS

The City did not revise its budget for the year.

General Fund expenditures were \$159,550 or 1% below budgeted expenditures of \$18,389,282. General Fund revenues were \$572,439 or 3% above the amount budgeted of \$18,625,620.

Capital Projects Fund expenditures were \$563,318 or 25% over budgeted expenditures of \$2,253,890. Capital Projects Fund revenues were \$100,395 or 5% over the amount budgeted of \$1,716,000.

CAPITAL ASSETS

The City invested \$1,504,487 and \$1,421,949 in capital assets in the year ended June 30, 2005 and 2004, respectively. The balances at June 30, 2005 and 2004 were as follows:

	For The Years Ended June 30	
	2005	2004
Capital assets:		
Land, buildings and improvement	\$11,228,262	10,993,485
Machinery, equipment, and furniture and fixtures	7,541,108	6,462,562
Infrastructure	<u>13,656,351</u>	<u>13,489,800</u>
Total	<u>\$32,425,721</u>	<u>30,945,847</u>

More information on capital asset activity during the year is provided in the Notes to the Financial Statements in Note C.

NEXT YEAR'S BUDGETS AND RATES

- ◆ Preparation of the 2006 Budget was influenced by general economic pressures including sluggish assessed valuation and base sales tax growth and uncertainty regarding Ford Motor Company.
- ◆ Sales tax, separate from the Mills, has exhibited a flat trend line since 1999. For the same period, inflation has increased by over 12%. While this may be largely typical among cities, Hazelwood's base retailers seem to have been unusually affected. The 2006 Budget includes \$70,000 for a retail market study to be conducted by an industry-validated survey analyst. An increase of 2.5% is applied to sales tax in the 2006 Budget.
- ◆ The 2006 Budget was prepared anticipating a property tax rate "roll-back" to \$0.74/\$100 assessed valuation. Actual tax rate will average \$0.721. Also, a debt service levy of \$0.146 will be charged.
- ◆ Salaries were increased for eligible employees by 2.5% for 2006 in addition to merit/step increases amounting to 1.3%.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents and taxpayers with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any question about this report or need additional financial information, please contact the Finance Office at 415 Elm Grove Lane, Hazelwood, MO 63042 or telephone, 314-839-3700.

CITY OF HAZELWOOD, MISSOURI
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Industrial Development Authority</u>
ASSETS		
Cash and investments	\$ 12,666,789	7,707,720
Taxes receivable	1,165,203	-
Net pension asset	242,891	-
Other receivables:		
Special assessments	895,000	-
Ambulance	152,704	-
Court	53,872	-
Other	1,296,959	368,315
Bond issue costs	135,551	323,431
Prepaid items:		
Fire protection services	1,399,389	-
Other	16,481	-
Capital assets:		
Land and construction in progress	3,958,609	-
Other capital assets, net of accumulated depreciation	8,859,010	-
Total Assets	30,842,458	8,399,466
LIABILITIES		
Accounts payable	619,620	17,486
Accrued payroll	613,179	-
Accrued interest	87,794	386,917
Other liabilities	77,222	-
Unearned revenue	65,776	-
Long-term debt:		
Due within one year	453,667	4,505,000
Due in more than one year	10,796,054	20,399,146
Total Liabilities	12,713,312	25,308,549
NET ASSETS		
Invested in capital assets, net of related debt	12,025,405	-
Restricted for debt service	105,899	-
Unrestricted	5,997,842	(16,909,083)
Total Net Assets	\$ 18,129,146	(16,909,083)

See notes to financial statements

CITY OF HAZELWOOD, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net Revenues (Expenses) And Changes In Net Assets	
		Charges For Services	Operating Grants And Contributions	Primary Government	Component Unit
				Governmental Activities	Industrial Development Authority
Primary government					
Governmental activities					
General government	\$ 2,087,773	480,120	-	(1,607,653)	-
Police	5,975,923	808,956	206,581	(4,960,386)	-
Fire and ambulance	6,374,396	294,125	65,681	(6,014,590)	-
Public works	4,074,797	-	1,600,657	(2,474,140)	-
Parks and recreation	2,334,874	279,008	170,343	(1,885,523)	-
Economic development	5,476,247	-	-	(5,476,247)	-
Sewer lateral	69,341	198,946	-	129,605	-
Interest on long-term debt	126,381	-	-	(126,381)	-
Total Governmental Activities	<u>\$ 26,519,732</u>	<u>2,061,155</u>	<u>2,043,262</u>	<u>(22,415,315)</u>	<u>-</u>
Component unit					
Industrial Development Authority	\$ 1,223,961	-	-	-	(1,223,961)
General Revenues					
Property taxes				7,411,051	-
Sales taxes				8,907,348	-
Utility taxes				2,256,529	-
Other taxes				93,722	5,771,438
License taxes				3,230,993	-
Investment income				103,999	25,806
Miscellaneous				436,425	-
Total General Revenues				<u>22,440,067</u>	<u>5,797,244</u>
Change In Net Assets				24,752	4,573,283
Net Assets, July 1				<u>18,104,394</u>	<u>(21,482,366)</u>
Net Assets, June 30				<u>\$ 18,129,146</u>	<u>(16,909,083)</u>

See notes to financial statements

CITY OF HAZELWOOD, MISSOURI

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2005

	General	Capital Projects	Debt Service	370/MO Bottom Road Tax Increment Financing District	Street Bond	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 1,360,881	1,812,904	105,899	806	8,261,564	1,124,735	12,666,789
Receivables:							
Property taxes	176,174	-	-	-	-	-	176,174
Sales taxes	784,037	204,992	-	-	-	-	989,029
Special assessments	-	-	895,000	-	-	-	895,000
Ambulance	152,704	-	-	-	-	-	152,704
Court	53,872	-	-	-	-	-	53,872
Other	956,821	77,194	-	248,428	6,502	8,014	1,296,959
Prepaid items:							
Fire protection services	1,399,389	-	-	-	-	-	1,399,389
Other	16,481	-	-	-	-	-	16,481
Total Assets	\$ 4,900,359	2,095,090	1,000,899	249,234	8,268,066	1,132,749	17,646,397
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 230,295	84,721	-	131,261	173,343	-	619,620
Accrued payroll	613,179	-	-	-	-	-	613,179
Other liabilities	77,222	-	-	-	-	-	77,222
Deferred revenues:							
Property taxes	148,358	-	-	-	-	-	148,358
Fire protection service	65,776	-	-	-	-	-	65,776
Ambulance	90,971	-	-	-	-	-	90,971
Court	53,872	-	-	-	-	-	53,872
Special assessments	-	-	895,000	-	-	-	895,000
Total Liabilities	1,279,673	84,721	895,000	131,261	173,343	-	2,563,998
Fund Balances:							
Reserved for encumbrances	-	772,503	-	-	-	-	772,503
Reserved for prepaid items	1,415,870	-	-	-	-	-	1,415,870
Reserved for N.I.D.	-	-	105,899	-	-	-	105,899
Unreserved, reported in:							
General Fund	2,204,816	-	-	-	-	-	2,204,816
Capital Projects Fund	-	1,237,866	-	-	8,094,723	-	9,332,589
Special Revenue Funds	-	-	-	117,973	-	1,132,749	1,250,722
Total Fund Balances	3,620,686	2,010,369	105,899	117,973	8,094,723	1,132,749	15,082,399
Total Liabilities And Fund Balances	\$ 4,900,359	2,095,090	1,000,899	249,234	8,268,066	1,132,749	17,646,397

See notes to financial statements

CITY OF HAZELWOOD, MISSOURI
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Fund Balances - Governmental Funds	\$ 15,082,399
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$32,425,721 and the accumulated depreciation is \$19,608,102.	12,817,619
The net pension asset is not reported in the fund financial statements.	242,891
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,188,201
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:	
Accrued liability for compensated absences	(1,020,941)
Bonds, notes, and capital leases payable outstanding	(10,102,214)
Accrued interest	(87,794)
Unamortized bond premium	(126,566)
Unamortized bond issuance costs	135,551
Net Assets Of Governmental Activities	\$ 18,129,146

CITY OF HAZELWOOD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Debt Service	370/MO Bottom Road Tax Increment Financing District	Street Bond	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 3,857,274	-	-	3,572,503	-	12,138	7,441,915
Sales taxes	6,029,802	1,497,174	-	1,516,527	-	37,409	9,080,912
Utility taxes	2,208,677	-	-	47,851	-	-	2,256,528
Other taxes	1,520,813	-	-	-	-	-	1,520,813
Permits and inspections	466,120	-	-	-	-	-	466,120
Licenses	3,230,995	-	-	-	-	-	3,230,995
Intergovernmental	235,427	217,978	-	-	-	-	453,405
Fines and forfeitures	822,955	-	-	-	-	-	822,955
Investment income	52,456	-	-	-	35,577	15,966	103,999
Recreation fees	279,009	-	-	-	-	-	279,009
Sewer lateral	-	-	-	-	-	198,946	198,946
Miscellaneous	494,531	101,243	78,805	-	-	-	674,579
Total Revenues	<u>19,198,059</u>	<u>1,816,395</u>	<u>78,805</u>	<u>5,136,881</u>	<u>35,577</u>	<u>264,459</u>	<u>26,530,176</u>
EXPENDITURES							
Current:							
Mayor and council	87,442	-	-	-	-	-	87,442
City manager	768,748	-	-	-	-	-	768,748
Information system	233,397	-	-	-	-	-	233,397
Finance	278,646	-	-	-	-	-	278,646
Legal	307,347	-	-	-	-	-	307,347
City clerk	237,975	-	-	-	-	-	237,975
Police	5,665,655	-	-	-	-	-	5,665,655
Fire and ambulance	6,200,753	-	-	-	-	-	6,200,753
Public works:							
Administration	983,824	-	-	-	-	-	983,824
General maintenance	985,934	-	-	-	-	-	985,934
Park maintenance	784,424	-	-	-	-	-	784,424
Recreation	1,359,589	-	-	-	-	-	1,359,589
Street	-	-	-	-	171,986	-	171,986
Capital outlay	335,998	2,817,208	-	-	174,792	-	3,327,998
Sewer lateral	-	-	-	-	-	69,341	69,341
Economic development	-	-	261	5,011,856	-	464,130	5,476,247
Debt service - principal	-	-	35,000	-	-	-	35,000
Debt service - interest	-	-	44,470	-	-	-	44,470
Debt service - bond issue costs	-	-	-	-	136,920	-	136,920
Total Expenditures	<u>18,229,732</u>	<u>2,817,208</u>	<u>79,731</u>	<u>5,011,856</u>	<u>483,698</u>	<u>533,471</u>	<u>27,155,696</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>968,327</u>	<u>(1,000,813)</u>	<u>(926)</u>	<u>125,025</u>	<u>(448,121)</u>	<u>(269,012)</u>	<u>(625,520)</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from bond issue	-	-	-	-	8,415,000	-	8,415,000
Proceeds from capital leases	-	819,060	-	-	-	-	819,060
Bond premium	-	-	-	-	127,844	-	127,844
Total Other Financing Sources (Uses)	<u>-</u>	<u>819,060</u>	<u>-</u>	<u>-</u>	<u>8,542,844</u>	<u>-</u>	<u>9,361,904</u>
NET CHANGE IN FUND BALANCES	<u>968,327</u>	<u>(181,753)</u>	<u>(926)</u>	<u>125,025</u>	<u>8,094,723</u>	<u>(269,012)</u>	<u>8,736,384</u>
FUND BALANCES (DEFICIT), JULY 1	<u>2,652,359</u>	<u>2,192,122</u>	<u>106,825</u>	<u>(7,052)</u>	<u>-</u>	<u>1,401,761</u>	<u>6,346,015</u>
FUND BALANCES, JUNE 30	<u>\$ 3,620,686</u>	<u>2,010,369</u>	<u>105,899</u>	<u>117,973</u>	<u>8,094,723</u>	<u>1,132,749</u>	<u>15,082,399</u>

CITY OF HAZELWOOD, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net Change In Fund Balances - Governmental Funds \$ 8,736,384

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold (\$1,500,796) exceeded depreciation (\$931,842) in the current period. 568,954

Revenues in the statement of activities that do not provide current financial resources are not reported in the fund financial statements. 14,306

Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements but reduces the liability in the statement of net assets.

Debt issued during the current year:

Capital leases	(819,060)
General obligation street bonds	(8,415,000)

Repayments during the current year:

Principal payments on bonds	35,000
Principal payments on leases included in capital outlay	60,238

Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. The net changes of these items are:

Accrued compensated absences	(121,976)
Accrued interest on bonds and capital leases	(76,676)
Premium on debt issuances, net of amortization	(126,566)
Bond issuance costs, net of amortization	135,551
Net pension asset	33,597
	33,597

Change In Net Assets Of Governmental Activities \$ 24,752

See notes to financial statements

CITY OF HAZELWOOD, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUND
JUNE 30, 2005

ASSETS

Investments	\$ 18,034,492
Interest receivable	<u>68,278</u>
Total Assets	<u>18,102,770</u>

LIABILITIES

Accounts payable	<u>14,332</u>
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NET ASSETS

Held in trust for pension benefits	<u><u>\$ 18,088,438</u></u>
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CITY OF HAZELWOOD, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2005

ADDITIONS

Employer contributions	\$ 1,026,174
Investment income:	
Interest and dividends	466,082
Realized and unrealized gain, net	973,273
Trustee fees - asset management	(69,705)
Total Investment Income	<u>1,369,650</u>
Total Additions	<u>2,395,824</u>

DEDUCTIONS

Benefits	<u>770,144</u>
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CHANGE IN NET ASSETS

1,625,680

NET ASSETS HELD IN TRUST FOR PENSION
BENEFITS, JULY 1

16,462,758

NET ASSETS HELD IN TRUST FOR PENSION
BENEFITS, JUNE 30

\$ 18,088,438

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the **CITY OF HAZELWOOD, MISSOURI** (the City) in the preparation of the accompanying basic financial statements are summarized below:

1. Reporting Entity

The City defines its financial reporting entity in accordance with the provisions of Governmental Accounting Standards Board Statement No. 14 (GASB 14), *The Financial Reporting Entity*. GASB 14 requirements for inclusion of component units are primarily based upon whether the City's governing body has any significant amount of financial accountability for potential component units (PCU). The City is financially accountable if it appoints a voting majority of a PCU's governing body, and is able to impose its will on that PCU or there is a potential for the PCU to provide specific financial benefits to or impose specific financial burdens on the City.

The City's financial reporting entity consists of the City and its discretely presented component unit, the Industrial Development Authority (IDA). Although the City cannot "impose its will" on the IDA, the City provides a material subsidy to the IDA primarily to finance the operations of the organization. Together, the City and the IDA form the reporting entity for financial purposes.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the component unit for which the City is financially accountable.

The statement of activities 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. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-wide and Fund Financial Statements (Continued)

The fund financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition uses and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the City's governmental major funds:

General Fund -- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund -- The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or improvements of major capital facilities and infrastructure.

Debt Service Fund -- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal, interest, and related costs.

370/MO Bottom Road Tax Increment Financing District -- 370/MO Bottom Road Tax Increment Financing District is a Special Revenue Fund used to account for special revenues received from TIF District which are required to be segregated into a special allocation fund designated for use in the TIF District only.

Street Bond -- The Street Bond Fund is used to account for the issuance and payment of the general obligation bonds and for expenditures relating to street repairs.

The other governmental funds of the City are considered nonmajor. They are Special Revenue Funds which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-wide and Fund Financial Statements (Continued)

Fiduciary Fund Type

Pension Trust Fund -- The Pension Trust Fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. This fund is accounted for in essentially the same manner as proprietary funds.

Discretely Presented Component Unit - Industrial Development Authority

The IDA is included as a discretely presented component unit of the City, and is accounted for similar to a governmental fund type.

In the government-wide financial statements, the City applies all applicable GASB pronouncements, as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and ARBs of the Committee on Accounting Procedure.

3. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for governmental funds types. All fiduciary funds use the accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term "available" is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the City, available is defined as expected to be received within sixty days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Accounting (Continued)

accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due (i.e. matured).

GASB Statement No. 33 (GASB 33) groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The City recognizes assets from derived tax revenue transactions (such as sales and utilities gross receipt taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The City recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include permits and court fines and forfeitures.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Cash and Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. The Pension Trust Fund is also authorized to invest in corporate common or preferred stocks, bonds

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Cash and Investments (Continued)

and mortgages, real or personal property, and other evidence of indebtedness or ownership, but excluding any debt of the City itself, and individual insurance policies. Investments are reported at fair value.

5. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. Prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation is being computed on the straight-line method, using asset lives as follows:

Assets	Years
Buildings	10 - 99
Improvements other than buildings	5 - 40
Equipment	5 - 30
Infrastructure	10 - 20

7. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Since appropriations lapse at year-end, outstanding encumbrances are reappropriated in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. Encumbrances do not constitute current year expenditures or liabilities.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Compensated Absences

The City provides compensation to employees for earned but unused vacation leave, emergency leave, and compensatory time. Vacation leave is granted to employees based on years of continuous service as of the anniversary date of employment. Unused vacation leave can be accumulated and carried over one year beyond the year earned. Emergency leave is accumulated at the rate of one day per month to a maximum of 90 days or equivalent shift time. Unused emergency leave is paid at 25% of the amount accrued upon voluntary separation of employment from the City. Compensatory time may be accumulated to a maximum of 10 days. Unused compensatory time is payable upon termination of employment. The City records the liability for compensated absences to City employees as earned in the government-wide financial statements.

9. Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers. Such transfers are reported as other financing sources (uses) in the governmental fund types.

10. Allowance for Doubtful Accounts

Management believes amounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is needed.

11. Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

1. Deposits (Continued)

As of June 30, 2005, the City's and IDA's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name in the amount of \$192,969 and \$50,505, respectively.

2. Investments

As of June 30, 2005, the City had the following investments:

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More Than 10 Years</u>	<u>Credit Risk</u>
Primary Government							
Certificates of deposit	\$ 6,603,585	-	6,203,585	400,000	-	-	N/A
Money market funds	1,767,000	1,767,000	-	-	-	-	AAA
Government securities:							
Federal agency notes	<u>4,103,235</u>	<u>-</u>	<u>1,498,855</u>	<u>2,604,380</u>	<u>-</u>	<u>-</u>	AAA
Total Primary Government	<u>12,473,820</u>	<u>1,767,000</u>	<u>7,702,440</u>	<u>3,004,380</u>	<u>-</u>	<u>-</u>	
Component Unit (IDA)							
Certificates of deposit	158,541	-	158,541	-	-	-	N/A
Money market funds	5,016,283	5,016,283	-	-	-	-	AAA
Government securities:							
Federal agency notes	<u>2,482,391</u>	<u>-</u>	<u>-</u>	<u>2,482,391</u>	<u>-</u>	<u>-</u>	AAA
Total Component Unit	<u>7,657,215</u>	<u>5,016,283</u>	<u>158,541</u>	<u>2,482,391</u>	<u>-</u>	<u>-</u>	
Fiduciary Fund							
Common stock	9,868,618	9,868,618	-	-	-	-	N/A
Money market funds	301,115	301,115	-	-	-	-	AAA
Corporate obligations	3,416,039	-	34,700	1,250,393	1,254,568	876,378	AAA
Mutual funds	900,969	900,969	-	-	-	-	AAA
Government securities:							
Federal agency notes	2,047,595	-	-	1,081,174	294,362	672,059	AAA
U.S. Treasury Bonds	478,582	-	-	-	213,194	265,388	AAA
U.S. Treasury Notes	<u>1,021,574</u>	<u>-</u>	<u>332,042</u>	<u>321,034</u>	<u>368,498</u>	<u>-</u>	AAA
Total Fiduciary Funds	<u>18,034,492</u>	<u>11,070,702</u>	<u>366,742</u>	<u>2,652,601</u>	<u>2,130,622</u>	<u>1,813,825</u>	
Grand Total Investments	<u>\$38,165,527</u>	<u>17,853,985</u>	<u>8,227,723</u>	<u>8,139,372</u>	<u>2,130,622</u>	<u>1,813,825</u>	

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

Investments Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a written investment policy covering credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a written investment policy covering interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have a written investment policy covering concentration of credit risk.

NOTE C - CAPITAL ASSETS

Capital assets activity was as follows:

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	<u>For The Year Ended June 30, 2005</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>June 30</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
	<u>2004</u>			<u>2005</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,736,171	-	-	3,736,171
Construction in progress	<u>-</u>	<u>222,438</u>	<u>-</u>	<u>222,438</u>
Total Capital Assets Not Being Depreciated	<u>3,736,171</u>	<u>222,438</u>	<u>-</u>	<u>3,958,609</u>
Capital assets being depreciated:				
Buildings and improvements	7,257,314	12,339	-	7,269,653
Infrastructure	13,489,800	166,551	-	13,656,351
Machinery, equipment, and furniture and fixtures	3,835,321	494,140	24,613	4,304,848
Automotive equipment	<u>2,627,241</u>	<u>609,019</u>	<u>-</u>	<u>3,236,260</u>
Total Capital Assets Being Depreciated	<u>27,209,676</u>	<u>1,282,049</u>	<u>24,613</u>	<u>28,467,112</u>
Less - Accumulated depreciation for:				
Buildings and improvements	4,466,486	161,746	-	4,628,232
Infrastructure	9,775,509	401,936	-	10,177,445
Machinery, equipment, and furniture and fixtures	2,757,971	174,711	20,922	2,911,760
Automotive equipment	<u>1,697,216</u>	<u>193,449</u>	<u>-</u>	<u>1,890,665</u>
Total Accumulated Depreciation	<u>18,697,182</u>	<u>931,842</u>	<u>20,922</u>	<u>19,608,102</u>
Total Capital Assets Being Depreciated, Net	<u>8,512,494</u>	<u>350,207</u>	<u>3,691</u>	<u>8,859,010</u>
Governmental Activities Capital Assets, Net	<u>\$12,248,665</u>	<u>572,645</u>	<u>3,691</u>	<u>12,817,619</u>

Depreciation expense was charged to functions/programs of the City as follows:

	<u>For The</u> <u>Year Ended</u> <u>June 30, 2005</u>
Governmental activities:	
General government	\$110,696
Police	136,245
Fire and ambulance	107,986
Public works, including depreciation of infrastructure assets	444,218
Parks and recreation	<u>132,697</u>
	<u>\$931,842</u>

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT

A summary of changes in long-term debt is as follows:

	<u>For The Year Ended June 30, 2005</u>			<u>Balance June 30 2005</u>	<u>Amounts Due Within One Year</u>
	<u>Balance June 30 2004</u>	<u>Additions</u>	<u>Deletions</u>		
Primary Government					
General obligation street bonds, Series 2005, rates 4% to 5%, maturing in 2025	\$ -	8,415,000	-	8,415,000	30,000
Plus premium	-	127,844	1,278	126,566	-
Neighborhood improvement bonds - special assessment bonds with City commitment, rates of 3.8% to 6.75%, maturing April 1, 2021	930,000	-	35,000	895,000	40,000
Compensated absences	898,965	349,394	227,418	1,020,941	230,000
Capital lease obligations	<u>33,392</u>	<u>819,060</u>	<u>60,238</u>	<u>792,214</u>	<u>153,667</u>
	<u>\$1,862,357</u>	<u>9,711,298</u>	<u>323,934</u>	<u>11,249,721</u>	<u>453,667</u>
Component Unit					
TIF revenue bonds	\$26,385,000	-	1,120,000	25,265,000	3,200,000
Less - Discount	<u>384,135</u>	<u>-</u>	<u>23,281</u>	<u>360,854</u>	<u>-</u>
	<u>\$26,000,865</u>	<u>-</u>	<u>1,096,719</u>	<u>24,904,146</u>	<u>3,200,000</u>

During the year ended June 30, 2005, the City's capital lease debt service payments for principal retirement and interest were \$60,238 and \$5,143, respectively.

The City passed a \$15,045,000 general obligation bond issue in November 2004. The City has issued \$8,415,000. The balance of the bonds may be issued in the future.

Aggregate maturities required on long-term debt are as follows:

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

For The Years Ended June 30	General Obligation Street Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 30,000	312,657	342,657
2007	295,000	359,557	654,557
2008	305,000	344,808	649,808
2009	320,000	329,557	649,557
2010	335,000	313,558	648,558
2011 - 2015	1,875,000	1,337,188	3,212,188
2016 - 2020	2,330,000	919,828	3,249,828
2021 - 2025	<u>2,925,000</u>	<u>387,922</u>	<u>3,312,922</u>
	<u>\$8,415,000</u>	<u>4,305,075</u>	<u>12,720,075</u>

For The Years Ended June 30	Neighborhood Improvement Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 40,000	43,140	83,140
2007	40,000	41,580	81,580
2008	40,000	39,980	79,980
2009	45,000	38,320	83,320
2010	45,000	36,385	81,385
2011 - 2015	265,000	148,168	413,168
2016 - 2020	340,000	75,342	415,342
2021	<u>80,000</u>	<u>4,200</u>	<u>84,200</u>
	<u>\$895,000</u>	<u>427,115</u>	<u>1,322,115</u>

In December 2003, the IDA issued \$26,385,000 in TIF Revenue Bonds pursuant to a Trust Indenture dated December 1, 2003 between the IDA and UMB Bank, N.A., Kansas City, Missouri, as trustee, for the purpose of: 1) refunding the TIF notes currently outstanding in the principal amount of \$18,700,000, 2) funding a Debt Reserve Fund for the bonds, 3) funding capitalized interest for the bonds, and 4) paying the cost of the issuance of the bonds.

The bonds are special, limited obligations of the IDA, payable solely from payment in lieu of taxes, economic activity tax revenues, and CID revenues generated in the redevelopment area. The bonds mature in 2020 in varying amounts with interest rates from 2.375% to 5.5%. The principal balance on these bonds at June 30, 2005 is \$25,265,000.

Bond discounts are recorded as a reduction of the debt obligation. Bond issuance costs are capitalized intangibles. Such amounts are amortized over the term of the related bonds.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - CAPITAL LEASE

The City enters into equipment lease agreements to purchase capital assets which are accounted for as capital leases. Lease payments under the terms of these agreements are recorded as lease/purchase expenditures in the General Fund. The City currently has two such leases outstanding. Leased equipment with a total capitalized cost of \$854,719 and \$39,176 accumulated depreciation is included in the government-wide financial statements.

The future minimum lease payment under the capital lease and the present value of the net minimum lease payment as of June 30, 2005 is as follows:

For The Years Ended June 30	
2006	\$179,048
2007	179,065
2008	179,082
2009	179,097
2010	<u>147,429</u>
	863,721
Less - Amount representing interest	<u>71,507</u>
Present Value Of Future Minimum Lease Payments	<u>\$792,214</u>

NOTE F - EMPLOYEE RETIREMENT PLAN

The City maintains a single-employer, defined benefit pension plan (the Plan). The Plan covers all permanent full-time policemen, firemen, and other employees through participation in a single-employer, defined benefit public employee retirement system. All costs to fund and administer the Plan are financed through the General Fund.

1. Plan Description and Provisions

The Plan was created and is governed by City ordinance. The total payroll for all employees for the year ended June 30, 2005 was \$7,860,894.

The Plan does not issue a separate stand-alone financial report. The financial information is included as a Trust Fund in the City's financial statements. Information about the Plan is provided in a summary plan description.

Current membership in the Plan is comprised of the following:

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - EMPLOYEE RETIREMENT PLAN (Continued)

1. Plan Description and Provisions (Continued)

<u>Group</u>	<u>July 1, 2004</u>
Retirees and beneficiaries currently receiving benefits	44
Vested terminated employees	20
Active employees:	
Fully vested	77
Partially vested	94

Employees who attain the age of 60 or have 25 years of credited service are entitled to a normal retirement benefit equal to a) 2% of their final average monthly compensation multiplied by b) the employee's years of credited service not in excess of 30 years. Participants as of 1989 are entitled to no less than the benefit determined in accordance with the provisions of the Plan in effect immediately prior to 1989, based on credited service to that date. The Plan also provides early retirement, late retirement, vested deferred retirement, and disability benefits. The benefit provisions and funding policy are established by City ordinance.

Employer contributions to the Plan are recognized in the period in which the contributions are due. Plan benefits are recognized when due and payable in accordance with the terms of the Plan. Investments of the Plan are reported at fair value. Equity and debt securities are reported at the readily determinable current market value.

The Plan's funding policy provides for actuarially determined annual required contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the entry age actuarial cost method. The unfunded actuarial accrued liability is amortized over an initial 30-year period. The Plan is entirely funded by the City. No employee contributions are required.

The required contribution to the Plan of \$981,321 for the 2004 - 2005 plan year was computed through an actuarial valuation performed as of July 1, 2004. The required contribution consisted of a) \$602,113 normal cost (7.7% of annual covered payroll), b) \$312,976 amortization of the unfunded actuarial accrued liability (4% of annual covered payroll), and c) \$66,232 expense loading equivalent to .5% of the market value of plan assets (.84% of annual covered payroll).

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - EMPLOYEE RETIREMENT PLAN (Continued)

1. Plan Description and Provisions (Continued)

Pension Plan			
<u>Valuation For The Actuarial Years Ended July 1</u>	<u>Actuarial Value Of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>
2004	\$16,566,691	\$19,459,911	\$2,893,220
2003	15,226,386	18,149,891	2,923,505
2002	14,787,015	16,779,647	1,992,632
2001	14,418,331	15,594,206	1,175,875
2000	13,753,541	13,829,322	75,781
1999	12,910,471	13,503,019	592,548

<u>Valuation For The Actuarial Years Ended July 1</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As A Percentage Of Covered Payroll</u>
2004	85.1%	\$7,860,894	36.8%
2003	83.9	7,326,808	39.9
2002	88.1	7,127,492	28.0
2001	92.5	7,011,866	16.8
2000	99.5	6,249,446	1.2
1999	95.6	6,203,867	9.6

2. Funding Status and Progress

Schedule Of Employer Contributions			
<u>For The Years Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2004	\$945,566	\$985,070	104.2%
2003	821,880	850,737	103.5
2002	726,960	771,385	106.1
2001	549,716	584,287	106.3
2000	602,336	639,949	106.2
1999	487,865	520,389	106.7

The information presented in the required supplemental schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - EMPLOYEE RETIREMENT PLAN (Continued)

2. Funding Status and Progress (Continued)

Valuation date	July 1, 2004
Actuarial cost method	Entry age (level percentage)
Amortization method	Level dollar, open
Remaining amortization period	15 years closed
Asset valuation method	3 year smoothed market value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5%
Inflation rate	4%

3. Annual Pension Cost

Current year annual pension cost for the Plan is shown in the trend information. Annual required contributions were made by the Plan. There is a negative net pension obligation for the Plan. Unless otherwise indicated, information is provided as of the latest actuarial valuation, July 1, 2004.

Components of the annual pension cost of \$951,473 are as follows: annual required contribution (ARC) of \$945,566, interest on beginning negative net pension obligation (NPO) of (\$16,744), and adjustment to the ARC of \$22,651. The negative NPO at July 1, 2003 of \$209,294, decrease in NPO of \$33,597 result in negative NPO at July 1, 2004 of \$242,891.

4. Trend Information

The historical trend information for the Plan is presented herewith to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparison with other Public Employee Retirement Systems (PERS).

Valuation For The Actuarial Years Ended July 1	Pension Plan		
	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2004	\$951,473	103.5%	(\$242,891)
2003	826,431	102.9	(209,294)
2002	730,052	105.7	(184,988)
2001	551,808	105.9	(143,655)
2000	603,565	106.0	(111,176)
1999	488,480	106.5	(74,792)

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City, along with various other local municipal governments, participates in an insurance trust for workers' compensation and for general liability matters (St. Louis Area Insurance Trust - SLAIT). The purpose of this trust is to distribute the cost of self-insurance over similar entities. The trust requires an annual premium payment to cover estimated claims payable and reserves for claims from each entity. The members of the trust have no legal interest in the assets, liabilities, or fund balances of the insurance trust. However, the City retains a contingent liability to fund its pro rata share of any deficit incurred by the trust should the trust cease operations at some future date. The trust has contracted with the Daniel and Henry Company to handle all administrative matters, including processing of claims filed.

The City also purchases commercial insurance to cover risks related to travel, public official liability, earthquakes, and employees blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

NOTE H - PROPERTY TAXES

Property taxes are levied in October of each year on the assessed value as of the prior January 1 for all property located in the City. Property taxes attach as an enforceable lien on property as of January 1 and are due upon receipt of billing and become delinquent after December 31.

Real estate taxes are billed and collected by St. Louis County and remitted by the County to the City. Property tax revenue is recognized to the extent it is collected within the current period or expected to be collected within 60 days after year-end and is deferred on the fund financial statements, and recognized as revenue in the government-wide financial statements.

NOTE I - CONTINGENCIES AND COMMITMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, except as noted in the following paragraph, the resolution of these matters should not have material adverse effect on the financial condition of the City.

As of June 30, 2005, the City has entered into engineering and street contracts in the amount of \$772,503. This amount is included in encumbrances.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE J - PRIOR PERIOD ADJUSTMENT

The previously stated net assets have been adjusted as follows:

	<u>Governmental Activities</u>	<u>Component Unit</u>
Net assets, June 30, 2004, as previously reported	\$18,061,640	(21,405,321)
Revenue recognition	53,872	401,464
Accrued interest	<u>(11,118)</u>	<u>(478,509)</u>
Net Assets, June 30, 2004, As Restated	<u>\$18,104,394</u>	<u>(21,482,366)</u>

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES			
Property taxes			
Real estate	\$ 2,467,600	2,603,493	135,893
Personal property	896,600	864,925	(31,675)
Property surtax	324,000	388,856	64,856
Total Property Taxes	<u>3,688,200</u>	<u>3,857,274</u>	<u>169,074</u>
Sales taxes			
Hotel/motel tax	193,500	117,863	(75,637)
Park and stormwater	1,638,000	1,683,830	45,830
Sales	3,756,000	3,384,365	(371,635)
Use	585,000	843,744	258,744
Total Sales Taxes	<u>6,172,500</u>	<u>6,029,802</u>	<u>(142,698)</u>
Utility taxes	<u>2,149,700</u>	<u>2,208,677</u>	<u>58,977</u>
Other taxes			
Cigarette	96,000	93,722	(2,278)
Gasoline	730,000	765,782	35,782
Road and bridge	522,000	519,574	(2,426)
Vehicle fees	135,000	141,735	6,735
Total Other Taxes	<u>1,483,000</u>	<u>1,520,813</u>	<u>37,813</u>
Permits and inspections			
Building permits	150,000	380,120	230,120
Occupancy permits	75,000	86,000	11,000
Total Permits And Inspections	<u>225,000</u>	<u>466,120</u>	<u>241,120</u>
Licenses			
Manufacturers	1,692,000	1,605,590	(86,410)
Occupation services	959,000	919,903	(39,097)
Merchants	435,000	437,498	2,498
Liquor	13,500	15,871	2,371
Coin devices	5,900	6,628	728
Franchises	229,500	245,505	16,005
Total Licenses	<u>3,334,900</u>	<u>3,230,995</u>	<u>(103,905)</u>

(Continued)

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES (Continued)			
Intergovernmental			
Miscellaneous	3,500	11,537	8,037
Grant income	63,900	6,509	(57,391)
COPS Grant	22,470	217,381	194,911
Total Intergovernmental	<u>89,870</u>	<u>235,427</u>	<u>145,557</u>
Fines and forfeitures			
Court fines	561,000	785,247	224,247
Police fines	17,000	23,708	6,708
License fines	10,000	14,000	4,000
Total Fines And Forfeitures	<u>588,000</u>	<u>822,955</u>	<u>234,955</u>
Investment income	<u>35,000</u>	<u>52,456</u>	<u>17,456</u>
Recreation fees			
Swimming pools	19,000	14,278	(4,722)
Rentals	63,000	75,780	12,780
Classes	90,000	95,728	5,728
Disc golf	19,000	6,232	(12,768)
Recreation programs and trips	17,000	16,784	(216)
Concessions	16,000	15,264	(736)
Resident cards	38,000	47,618	9,618
Sports complex	5,000	7,325	2,325
Total Recreation Fees	<u>267,000</u>	<u>279,009</u>	<u>12,009</u>
Miscellaneous			
Fire protection service	151,600	141,422	(10,178)
Ambulance fees	212,250	61,732	(150,518)
Other	218,600	290,698	72,098
Proceeds from sale of assets	10,000	679	(9,321)
Total Miscellaneous	<u>592,450</u>	<u>494,531</u>	<u>(97,919)</u>
 Total Revenues	 <u>\$ 18,625,620</u>	 <u>19,198,059</u>	 <u>572,439</u>

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES			
Mayor and council			
Personnel services	\$ 23,978	27,814	3,836
Contractual services	95,591	56,196	(39,395)
Commodities	4,015	3,432	(583)
Capital outlay	12,300	11,724	(576)
Total Mayor And Council	<u>135,884</u>	<u>99,166</u>	<u>(36,718)</u>
City manager			
Personnel services	480,369	458,467	(21,902)
Contractual services	367,086	297,119	(69,967)
Commodities	15,074	13,162	(1,912)
Capital outlay	1,000	-	(1,000)
Total City Manager	<u>863,529</u>	<u>768,748</u>	<u>(94,781)</u>
Information system			
Contractual services	206,554	233,397	26,843
Commodities	1,200	-	(1,200)
Capital outlay	42,479	100,704	58,225
Total Information System	<u>250,233</u>	<u>334,101</u>	<u>83,868</u>
Finance			
Personnel services	217,279	216,522	(757)
Contractual services	87,896	59,203	(28,693)
Commodities	4,625	2,921	(1,704)
Total Finance	<u>309,800</u>	<u>278,646</u>	<u>(31,154)</u>
Legal			
Personnel services	128,098	129,667	1,569
Contractual services	219,095	174,181	(44,914)
Commodities	1,265	3,499	2,234
Capital outlay	-	1,685	1,685
Total Legal	<u>348,458</u>	<u>309,032</u>	<u>(39,426)</u>
City clerk			
Personnel services	174,407	176,004	1,597
Contractual services	57,435	58,549	1,114
Commodities	4,335	3,422	(913)
Total City Clerk	<u>236,177</u>	<u>237,975</u>	<u>1,798</u>
Police			
Personnel services	5,205,478	5,025,578	(179,900)
Contractual services	393,292	364,135	(29,157)
Commodities	261,815	269,778	7,963
Capital outlay	79,807	103,796	23,989
Contingencies	5,400	6,164	764
Total Police	<u>5,945,792</u>	<u>5,769,451</u>	<u>(176,341)</u>

(Continued)

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2005

EXPENDITURES (Continued)	Original And Final Budget	Actual	Over (Under) Budget
Fire			
Personnel services	3,021,439	2,854,304	(167,135)
Contractual services	3,015,813	3,143,349	127,536
Commodities	84,506	89,215	4,709
Capital outlay	49,270	43,336	(5,934)
Contingencies	3,000	4,664	1,664
Total Fire	6,174,028	6,134,868	(39,160)
Ambulance			
Personnel services	-	91,703	91,703
Contractual services	-	2,423	2,423
Commodities	-	15,095	15,095
Capital outlay	-	17,635	17,635
Total Ambulance	-	126,856	126,856
Public works:			
Administration			
Personnel services	540,150	546,681	6,531
Contractual services	353,190	413,391	60,201
Commodities	26,120	23,752	(2,368)
Capital outlay	7,885	4,300	(3,585)
Total Administration	927,345	988,124	60,779
General maintenance			
Personnel services	688,529	661,119	(27,410)
Contractual services	103,597	121,782	18,185
Commodities	207,950	202,028	(5,922)
Capital outlay	15,900	5,468	(10,432)
Contingencies	-	1,005	1,005
Total General Maintenance	1,015,976	991,402	(24,574)
Park maintenance			
Personnel services	639,882	639,935	53
Contractual services	30,350	30,588	238
Commodities	76,275	113,901	37,626
Capital outlay	41,500	26,781	(14,719)
Total Park Maintenance	788,007	811,205	23,198
Recreation			
Personnel services	968,482	959,008	(9,474)
Contractual services	336,659	330,924	(5,735)
Commodities	62,179	69,657	7,478
Capital outlay	25,733	20,569	(5,164)
Contingencies	1,000	-	(1,000)
Total Recreation	1,394,053	1,380,158	(13,895)
Total Public Works	4,125,381	4,170,889	45,508
Total Expenditures	\$ 18,389,282	18,229,732	(159,550)

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

Budgets and Budgetary Accounting

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

- a. The City Manager submits to the City Council a proposed operating budget for the fiscal year for the General and Capital Projects Funds. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearing meetings are held to obtain taxpayer comments.
- c. Prior to July 1 the budget is adopted by the City Council.
- d. Budgets are adopted on a basis generally consistent with U.S. generally accepted accounting principles except that the other financing source and related capital outlay of capital leases in the year the City enters into the lease agreement are not budgeted. Expenditures modified for some year-end accrual may not legally exceed budgeted appropriations at the department level.
- e. There were no current year budget amendments. A motion from the City Council is required to transfer budgeted amounts between funds, or to transfer substantial budgeted amounts between departments within any fund or for any revisions that would alter the total expenditures of any fund. Management can transfer budgeted amounts within departments, without City Council approval. Appropriations lapse at year-end.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF HAZELWOOD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES			
Sales taxes	\$ 1,486,000	1,497,174	11,174
Intergovernmental	-	217,978	217,978
Miscellaneous	230,000	101,243	(128,757)
Total Revenues	<u>1,716,000</u>	<u>1,816,395</u>	<u>100,395</u>
EXPENDITURES			
Capital outlay	<u>2,253,890</u>	<u>1,998,148</u>	<u>(255,742)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (537,890)</u></u>	<u>(181,753)</u>	<u><u>356,137</u></u>
FUND BALANCE, JULY 1		<u>2,192,122</u>	
FUND BALANCE, JUNE 30		<u><u>\$ 2,010,369</u></u>	

CITY OF HAZELWOOD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Sewer Lateral	Robertson Area Tax Increment Financing District	Elm Grove Area Tax Incremental Financing District	Total
ASSETS				
Cash and investments	\$ 544,344	454,715	125,676	1,124,735
Receivables:				
Other	1,719	-	6,295	8,014
Total Assets	\$ 546,063	454,715	131,971	1,132,749
 LIABILITIES AND FUND BALANCES				
Liabilities	\$ -	-	-	-
Fund balances:				
Unreserved	546,063	454,715	131,971	1,132,749
Total Liabilities And Fund Balances	\$ 546,063	454,715	131,971	1,132,749

CITY OF HAZELWOOD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Sewer Lateral</u>	<u>Robertson Area Tax Increment Financing District</u>	<u>Elm Grove Area Tax Incremental Financing District</u>	<u>Total</u>
REVENUES				
Property taxes	\$ -	-	12,138	12,138
Sales taxes	-	-	37,409	37,409
Investment income	5,579	10,387	-	15,966
Sewer lateral	198,946	-	-	198,946
Total Revenues	<u>204,525</u>	<u>10,387</u>	<u>49,547</u>	<u>264,459</u>
EXPENDITURES				
Sewer lateral	69,341	-	-	69,341
Economic development	-	464,130	-	464,130
Total Expenditures	<u>69,341</u>	<u>464,130</u>	<u>-</u>	<u>533,471</u>
NET CHANGE IN FUND BALANCES	135,184	(453,743)	49,547	(269,012)
FUND BALANCES, JULY 1	<u>410,879</u>	<u>908,458</u>	<u>82,424</u>	<u>1,401,761</u>
FUND BALANCES, JUNE 30	<u>\$ 546,063</u>	<u>454,715</u>	<u>131,971</u>	<u>1,132,749</u>

CITY OF HAZELWOOD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMPARATIVE SCHEDULES
OF CAPITAL ASSETS BY SOURCE
JUNE 30, 2005 AND 2004

	2005	2004
CAPITAL ASSETS		
Construction in progress	\$ 222,438	-
Land, buildings, and improvements	11,005,824	10,993,485
Infrastructure	13,656,351	13,489,800
Machinery, equipment, and furniture and fixtures	4,304,848	3,835,321
Automotive equipment	3,236,260	2,627,241
Total Capital Assets	\$ 32,425,721	30,945,847
 INVESTMENT IN CAPITAL ASSETS BY SOURCE		
General Fund	\$ 562,218	478,385
Capital Projects Funds	3,942,227	2,531,526
Street Bond Fund	7,086	-
Assets placed in service prior to July 1, 2000	27,914,190	27,935,936
Total Investment In Capital Assets	\$ 32,425,721	30,945,847

CITY OF HAZELWOOD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
CAPITAL ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 2005

	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks</u>	<u>Recreation</u>	<u>Totals</u>
Construction in progress	\$ 51,455	170,983	-	-	-	222,438
Land, buildings, and improvements	2,359,412	1,322,095	876,125	253,830	6,194,362	11,005,824
Infrastructure	-	-	13,656,351	-	-	13,656,351
Machinery, equipment, and furniture and fixtures	469,541	1,505,921	485,964	420,451	1,422,971	4,304,848
Automotive equipment	105,622	2,300,520	728,745	80,030	21,343	3,236,260
	<u>\$ 2,986,030</u>	<u>5,299,519</u>	<u>15,747,185</u>	<u>754,311</u>	<u>7,638,676</u>	<u>32,425,721</u>

CITY OF HAZELWOOD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF CHANGES
IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Balance June 30 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30 2005</u>
General government	\$ 2,821,483	168,572	4,025	2,986,030
Public safety	4,445,414	854,105	-	5,299,519
Public works	15,583,500	166,551	2,866	15,747,185
Parks	744,346	9,965	-	754,311
Recreation	7,351,104	305,294	17,722	7,638,676
	<u>\$ 30,945,847</u>	<u>1,504,487</u>	<u>24,613</u>	<u>32,425,721</u>



Section III

Statistical Section

CITY OF HAZELWOOD, MISSOURI
GENERAL FUND EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks And Recreation</u>	<u>Totals</u>
2005	\$ 2,027,668	\$ 12,031,175	\$ 1,979,526	\$ 2,191,363	\$ 18,229,732
2004	1,681,272	11,512,047	1,952,876	1,882,247	17,028,442
2003	1,630,577	10,817,423	1,784,440	1,846,163	16,078,603
2002	1,805,338	10,709,654	1,810,981	2,027,839	16,353,812
2001	1,750,106	10,208,530	1,631,251	2,010,847	15,600,734
2000	1,688,121	9,599,008	1,589,000	1,882,345	14,758,474
1999	1,357,434	9,171,500	1,633,418	1,958,348	14,120,700
1998	1,271,193	8,778,463	1,518,909	1,938,872	13,507,437
1997	1,671,942	7,470,749	1,899,288	1,740,969	12,782,948
1996	1,641,587	6,050,722	1,364,708	1,608,274	10,665,291

CITY OF HAZELWOOD, MISSOURI
GENERAL GOVERNMENT REVENUES (1)
LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes	Sales Taxes	Utility Taxes	Other Taxes - Cigarette, Gas, Road And Bridge, Vehicle	Permits, Inspections, And Licenses	Intergovernmental	Fines And Forfeitures	Investment Income	Recreation Fees	Sewer Lateral	Miscellaneous	Totals
2005	\$ 7,441,915	\$ 9,080,912	\$ 2,256,528	\$ 1,520,813	\$ 3,697,115	\$ 453,405	\$ 822,955	\$ 103,999	\$ 279,009	\$ 198,946	\$ 674,579	\$ 26,530,176
2004	4,005,954	8,382,356	2,243,346	1,520,987	3,953,722	1,314,020	626,186	35,359	264,643	224,172	550,494	23,121,239
2003	2,670,426	9,793,356	2,160,914	1,394,575	3,875,151	211,850	602,658	24,692	260,475	224,615	417,767	21,636,479
2002	1,296,600	5,803,283	2,109,052	1,428,260	5,296,966	393,673	528,365	21,666	265,955	217,824	654,510	18,016,154
2001	1,196,945	5,650,374	1,904,058	1,468,021	4,657,675	208,512	378,235	34,074	258,996	-	370,311	16,127,201
2000	1,127,904	5,174,527	1,789,108	1,467,916	4,673,133	98,670	474,713	54,853	242,992	-	173,507	15,277,323
1999	1,030,752	5,521,100	1,773,071	1,423,907	4,210,882	214,751	401,780	75,911	245,573	-	194,357	15,092,084
1998	1,040,306	5,328,668	1,890,003	1,412,483	4,194,752	389,494	445,421	82,407	235,062	-	174,805	15,193,401
1997	1,030,784	5,042,167	1,122,357	1,388,819	4,114,796	119,254	364,131	55,022	199,956	-	205,979	13,643,265
1996	670,067	3,692,660	544,418	1,133,464	4,134,372	120,056	390,868	53,244	191,672	-	115,783	11,046,604

(1) Includes all governmental fund types

CITY OF HAZELWOOD, MISSOURI
TAX REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes	Sales Taxes	Utility Taxes	Other Taxes	Total
2005	\$ 7,441,915	\$ 9,080,912	\$ 2,256,528	\$ 1,520,813	\$ 20,300,168
2004	4,005,954	8,382,356	2,243,346	1,520,987	16,152,643
2003	2,670,426	9,793,356	2,160,914	1,394,575	16,019,271
2002	1,296,600	5,803,282	2,109,052	1,428,260	10,637,194
2001	1,196,945	5,650,374	1,904,058	1,468,021	10,219,398
2000	1,127,904	5,174,527	1,789,108	1,437,916	9,529,455
1999	1,030,752	5,521,100	1,773,071	1,423,907	9,748,830
1998	1,040,306	5,328,668	1,890,003	1,412,483	9,671,460
1997	1,030,784	5,042,167	1,122,357	1,388,819	8,584,127
1996	670,067	3,692,660	544,418	1,133,464	6,040,609

(1) Includes all governmental fund types

CITY OF HAZELWOOD, MISSOURI
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN TAX YEARS

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent Collected As Current</u>	<u>Delinquent Tax (And Penalties) Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections As Percent Of Levy</u>	<u>Outstanding Delinquent Taxes At June 30</u>	<u>Outstanding Delinquent Taxes As Percent Of Levy</u>
2005	2004	\$ 3,432,757	\$ 3,201,169	93.3 %	\$ 491,603	\$ 3,692,772	107.6 %	\$ 354,478	10.33 %
2004	2003	3,343,567	2,827,095	84.6	130,992	2,958,087	88.5	157,192	4.70
2003	2002	1,745,103	1,593,058	91.3	76,576	1,669,634	95.7	169,722	9.73
2002	2001	984,353	901,203	91.6	118,066	1,019,269	103.5	24,777	2.52
2001	2000	905,558	796,357	87.9	49,150	845,507	93.4	23,854	2.63
2000	1999	925,483	875,412	94.6	38,964	914,376	98.8	20,241	2.19
1999	1998	886,155	828,303	93.5	19,111	847,414	95.6	23,258	2.62
1998	1997	865,664	784,749	90.7	76,300	861,049	99.5	15,446	1.78
1997	1996	838,587	805,431	96.0	52,006	857,437	102.2	16,379	1.95
1996	1995	518,569	496,837	95.8	21,416	518,253	99.9	29,554	5.70

(1) Source - St. Louis County Collector's Office

CITY OF HAZELWOOD, MISSOURI
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio Of Total Assessed Value To Total Estimated Actual Value</u>
2005	\$ 492,318,910	\$ 1,853,768,011	26.6 %
2004	489,429,190	1,844,889,878	26.5
2003	462,614,878	1,758,213,020	26.3
2002	439,842,121	1,668,487,235	26.4
2001	453,274,165	1,611,014,101	28.1
2000	426,535,362	1,604,089,622	26.6
1999	435,685,626	1,646,963,200	26.5
1998	419,027,317	1,583,992,057	26.5
1997	403,551,428	1,525,490,655	26.5
1996	392,867,665	1,481,606,712	26.5

Property has an assessed value to estimated actual value as follows: commercial real estate 32%, residential real estate 19%, agricultural real estate 12%, and personal property 33-1/3%.

Data for real property owned by exempt organizations is not included as it is not available.

Source - St. Louis County Collector's Office

CITY OF HAZELWOOD, MISSOURI
PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS (1)
LAST TEN FISCAL YEARS

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
City of Hazelwood	0.789	0.750	0.410	0.310	0.310	0.310	0.310	0.310	0.310	0.310
Overlapping governments:										
State of Missouri	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030
County General	0.255	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190
County Park Maintenance	0.045	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.035
County Bond Retire	-	0.085	0.085	0.085	0.085	0.085	0.085	0.085	0.085	0.085
Road and Bridges	0.105	0.105	0.105	0.105	0.105	0.105	0.105	0.105	0.105	0.105
County Hospital/Health	0.175	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Metro Zoo	0.276	0.226	0.222	0.222	0.232	0.227	0.232	0.232	0.232	0.228
Sheltered Workshop	0.085	0.085	0.085	0.085	0.085	0.085	0.085	0.085	0.085	0.085
County Library	0.150	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140
Special School District	0.905	0.833	0.849	0.835	0.623	0.620	0.640	0.620	0.630	0.620
St. Louis Community College	0.237	0.231	0.232	0.230	0.240	0.240	0.240	0.240	0.240	0.240
Hazelwood School District	4.880	4.690	4.743	4.559	4.643	4.640	4.630	4.210	4.200	4.150
Metro Sewer District	0.069	0.069	0.069	0.069	0.070	0.070	0.070	0.070	0.070	0.070
Coldwater Creek Sewer District	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Total Overlapping Governments	<u>7.282</u>	<u>6.954</u>	<u>7.020</u>	<u>6.820</u>	<u>6.713</u>	<u>6.702</u>	<u>6.717</u>	<u>6.277</u>	<u>6.277</u>	<u>6.213</u>
Total City And Overlapping Governments	<u>8.071</u>	<u>7.704</u>	<u>7.430</u>	<u>7.130</u>	<u>7.023</u>	<u>7.012</u>	<u>7.027</u>	<u>6.587</u>	<u>6.587</u>	<u>6.523</u>
Tax rates in alternate areas of the City:										
Ferguson Florissant School District	5.040	5.040	5.040	5.015	5.015	5.010	5.010	5.000	4.630	4.500
Robertson Fire Protection District	1.773	1.655	1.619	1.550	1.550	1.400	0.125	1.250	1.200	0.960
Florissant Fire Protection District	1.328	1.048	1.149	0.966	0.830	0.820	0.710	0.700	0.760	0.660
Metro Sewer District - Extension	-	0.019	0.019	0.019	0.020	0.020	0.020	0.020	0.020	0.020
Missouri River Anti-Pollution	0.019	-	-	0.020	0.020	0.020	0.020	0.020	0.020	0.020
Maline Creek Sewer District	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070
Fountain Creek Sewer District	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Missouri River Bonfil	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070	0.070

(1) Source - St. Louis County Collector's Office (rates stated per \$100 assessed valuation)

Effective in 2003, a separate tax rate was calculated for each class of property. The levy for Residential Real Estate is presented.

CITY OF HAZELWOOD, MISSOURI

PRINCIPAL TAXPAYERS (1)

JUNE 30, 2005

<u>Taxpayer</u>	<u>Type Of Business</u>	<u>Total Property Tax Paid</u>
Ford Motor Company	Automobile manufacturer	\$ 870,119
AT&T Wireless Services	Telecommunications	252,242
GKN	Aerospace manufacturer	192,504
BioMerieux Vitek, Inc.	Diagnostic test manufacturer	160,411
McDonnell Douglas Corporation	Aerospace manufacturer	106,638
First Bank	Bank institution	93,749
Lear Corporation	Manufacturer of vehicle seats	90,863
IBM Corporation	Information handling equipment	73,754
Mid-States Dairy Company	Dairy products manufacturer	62,439
Mallinckrodt Medical, Inc.	Research laboratories	48,578
Printpack, Inc.	Packaging manufacturer	48,100
Ken Behlmann Automotive Services, Inc.	Retail car sales	36,546
ABC Beverage Manufacturers	Soft drink distributor	34,084
Waters of America, LLC	Bottle water manufacturer	33,799

(1) Source - St. Louis County

CITY OF HAZELWOOD, MISSOURI
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2005

Assessed Value As Of January 1, 2005	<u>\$ 492,318,910</u>
Debt limit - 10% of assessed value*	<u>\$ 49,231,891</u>
Amount of debt applicable to debt limit:	
Total Bonded Debt	9,310,000
Less - Amount available in Debt Service Fund for bonded debt	<u>(105,899)</u>
Net Amount Of Debt Applicable To Debt Limit	<u>9,204,101</u>
Legal Debt Margin	<u>\$ 40,027,790</u>

* Under Article VI, Sections 26(b) and 26(c) of the Missouri Constitution, the City by vote of 2/3 of the qualified electors thereof, may incur general obligation bonded indebtedness for City purposes in an amount not to exceed 10% of the assessed valuation of taxable intangible property within the City as asserted by the last completed assessment for state or county purposes. Under Section 26(d) of said Article VI, the City may incur general obligation indebtedness not exceeding in the aggregate an additional 10% of the aforesaid assessed valuation for the purposes of acquiring rights-of-way, constructing and improving sanitary or storm sewer systems; and under Section 26(e) of said Article VI, additional general obligation indebtedness may be incurred for purchasing or constructing waterworks, electric, or other light plants to be owned exclusively by the City, provided that the general obligation indebtedness of the City shall not exceed 20% of the assessed valuation.

CITY OF HAZELWOOD, MISSOURI
COMPUTATION OF DIRECT AND OVERLAPPING DEBT (1) -
GENERAL OBLIGATION BONDED DEBT
JUNE 30, 2005

<u>Name Of Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable To City Of Hazelwood</u>	<u>Amount Applicable To City Of Hazelwood</u>
St. Louis County	\$ 98,505,000	2.61 %	\$ 2,570,981
Hazelwood School District	153,218,735	24.29	37,216,831
Ferguson-Florissant School District	20,138,024	9.12	1,836,588
Pattonville School District	49,950,000	0.46	229,770
City of Hazelwood	9,310,000	100.00	9,310,000
			<u>\$ 51,164,170</u>

(1) Source - St. Louis County

CITY OF HAZELWOOD, MISSOURI
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Bonded Debt</u>	<u>Assessed Valuation</u>	<u>Ratio Of Bonded Debt To Valuation</u>	<u>Population</u>	<u>Bonded Debt Per Capita</u>
2005	\$ 9,310,000	\$ 492,318,910	1.89	26,206	355.26
2004	930,000	489,429,190	0.19	26,206	35.49
2003	965,000	462,614,878	0.21	26,206	36.82
2002	1,000,000	439,842,121	0.23	26,206	38.16
2001	1,030,000	453,274,165	0.23	26,206	39.30
2000	-	426,535,326	-	26,829	-
1999	-	435,685,626	-	26,829	-
1998	-	419,027,317	-	26,829	-
1997	-	403,551,428	-	26,829	-
1996	-	392,867,665	-	26,829	-

CITY OF HAZELWOOD, MISSOURI
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT
TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Ratio Of Debt Service To General Governmental Expenditures</u>
2005	\$ 79,731	\$ 18,229,732	0.44 %
2004	83,504	17,028,442	0.49
2003	84,456	16,078,603	0.53
2002	68,842	16,353,812	0.42
2001	-	15,600,734	-
2000	-	14,758,474	-
1999	-	14,120,700	-
1998	-	13,507,437	-
1997	-	12,782,948	-
1996	-	10,665,291	-

CITY OF HAZELWOOD, MISSOURI
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (1)</u>	<u>Median Age (1)</u>	<u>Education Level In Years Of Formal Schooling (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
2005	26,206	\$ 22,311	36	13.0	4,655	4.4 %
2004	26,206	22,311	36	13.0	4,655	4.8
2003	26,206	22,311	36	13.0	4,655	4.7
2002	26,206	22,311	36	13.0	4,634	3.8
2001	26,206	15,992	36	13.0	4,709	2.6
2000	26,829	15,992	33	13.0	4,709	2.3
1999	26,829	15,992	33	13.0	4,709	2.3
1998	26,829	15,992	33	12.8	4,709	2.8
1997	26,829	15,992	33	12.8	-	2.3
1996	26,829	15,992	33	12.8	-	2.5

(1) Source - Missouri State Census Data Center, Office Social Economic Data Analysis

(2) Source - City of Hazelwood Community Profile

(3) Source - Missouri Department of Labor and Industrial Relations

CITY OF HAZELWOOD, MISSOURI
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Number Of Permits</u>	<u>Cost Of Construction (1)</u>	<u>Total Estimated Property Value (2)</u>	<u>Bank Deposits (Thousands) (3)</u>
2005	964	\$ 68,748,555	\$ 1,853,768,011	\$ 238,725
2004	1,200	67,036,401	1,844,889,878	198,505
2003	838	66,256,483	1,758,213,020	174,664
2002	348	23,994,788	1,668,487,235	192,199
2001	279	27,516,477	1,611,014,101	144,792
2000	284	44,405,192	1,604,089,622	139,950
1999	298	23,085,748	1,646,963,200	141,454
1998	256	14,665,791	1,583,992,057	145,442
1997	254	18,662,289	1,525,490,655	193,788
1996	288	27,883,084	1,481,606,712	188,865

(1) From City of Hazelwood Department of Public Works permit records

(2) Extrapolated from assessed value information provided by St. Louis County tax abstract reports

(3) Federal Deposit Insurance Corporation website - www2.fdic.gov/sod

CITY OF HAZELWOOD, MISSOURI
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2005

Date of incorporation as a Village	September 1949
Date of incorporation as a City	April 1970
Form of government	Council/Manager
Number of full-time employees	166
Area in square miles	16.72
Miles of streets	158
Population	26,206
Number of households	10,954

City of Hazelwood facilities and services:

Culture and recreation:

Community center	2
Parks	16
Park acreage	179
Swimming pools	1
Tennis courts	13
Athletic complex	1

Police protection:

Number of stations	1
Number of commissioned police officers	66
Number of patrol units	33
Number of law violations:	
Physical arrests	2,503
Traffic violations	8,673

Fire protection:

Number of stations	2
Number of full-time fire personnel and officers	37
Number of fire calls answered	1,345
Number of ambulance calls	1,189
Number of inspections conducted	980
Number of fire hydrants	573
Vehicles:	
Ladder trucks	3
Pumpers	2
Rescue trucks	2

Facilities and services not included in the reporting entity:

Education:

Number of elementary schools	19
Number of elementary school instructors	729
Number of secondary schools	3
Number of secondary school instructors	521
Number of high schools	3
Number of high school instructors	Included in Secondary

Fire Protection provided by Florissant Valley Fire Protection District and Robertson Fire Protection District in the areas annexed in 1995



Section IV

Compliance and Internal Control



Hochschild, Bloom & Company LLP

Certified Public Accountants
Consultants and Advisors

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*

September 2, 2005

Honorable Mayor and City Council
CITY OF HAZELWOOD, MISSOURI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF HAZELWOOD, MISSOURI** (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, con-

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tracts, 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*.

However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated September 2, 2005.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hochschild, Bloom + Company LLP

CERTIFIED PUBLIC ACCOUNTANTS