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1-1-2006

## Financial Report, 2005

Hanley/Eager Road Transportation Development District

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

November 9, 2006

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

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

Fiscal Period: One Year Ended December 31, 2005 ✓

Dear Mr. Kanis:

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

Thank you for your cooperation in sending this information.

Sincerely,

CLAIRE C. McCASKILL  
STATE AUDITOR



Judy Buerky  
Local Government Analyst

# Blitz Bardgett & Deutsch, L.C.

Attorneys at Law

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Facsimile (573) 634-3358

BRET M. KANIS  
Email: bkanis@blitzbardgett.com

November 6, 2006



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

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

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

To Whom It May Concern:

Enclosed please find the Audited Financial Report for the period ended December 31, 2005 for the District prepared by the accounting firm of Hochschild, Bloom & Company LLP. Also enclosed is a copy of the supplementary management report prepared by such accounting firm in connection with the enclosed Audited Financial Report.

Please let me know if you require any additional information.

Sincerely,

Bret M. Kanis

Enclosures

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



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

April 10, 2006

Board of Directors

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**

In planning and performing our audit of the financial statements of the **HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT** (the District) for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

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

The memorandum that accompanies this letter entitled "Internal Control and Management Comments and Recommendations" summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated April 10, 2006 on the financial statements of the District.

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

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

*Hochschild, Bloom + Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

---

**Findings for the year ended December 31, 2005:**

**1. COMMENT**

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

**RECOMMENDATION**

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

**2. COMMENT**

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

**RECOMMENDATION**

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

**3. COMMENT**

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

**RECOMMENDATION**

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

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

**HANLEY/EAGER ROAD  
TRANSPORTATION  
DEVELOPMENT DISTRICT**

**FINANCIAL REPORT**  
(Audited)

Year Ended December 31, 2005

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
FINANCIAL REPORT**

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

## **INDEPENDENT AUDITORS' REPORT**

April 10, 2006

Board of Directors

### **HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**

We have audited the accompanying financial statements of the governmental activities and each major fund of the **HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT** (the District) as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities and each major fund as of December 31, 2005, and the combined revenues collected, expenditures paid, and changes in fund balances for the year then ended, on the basis of accounting described in Note A-3.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 10, 2006, on our consideration of the District'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.

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

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The management's discussion and analysis and required supplemental information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects, on the basis of accounting described in Note A-3, in relation to the financial statements taken as a whole.

*Hochschild, Bloan + Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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As management of the Hanley/Eager Road Transportation Development District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the District's financial statements (attached).

**Financial Highlights**

- \* The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$12,169,110
- \* The District's total net assets decreased by \$287,263. This decrease is due to the completion of the project and interest accretion.
- \* As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$259,768, a decrease of \$71,985 in comparison with the prior year. Approximately 5% of this amount, \$11,877, is available for spending at the District's discretion (unreserved fund balance).
- \* At the end of the current fiscal year, the unreserved balance for the General Fund was \$224, or 13%, of total General Fund expenditures.

**Overview of the Financial Statements**

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

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

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

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

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

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only maintains governmental funds.

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

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

The District maintains four governmental funds. Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, Capital Projects Fund, Bond Payment Fund, and Debt Service Reserve Fund, which are considered to be major funds.

The District adopts an annual appropriated budget for its General Fund, Capital Projects Fund, Bond Payment Fund, and Debt Service Reserve Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 14 through 18 of this report.

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

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$12,169,110 at the close of the most recent fiscal year.

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

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

	<u>December 31</u>		<u>Increase (Decrease)</u>	
	<u>2005</u>	<u>2004</u>	<u>Amount</u>	<u>Percent</u>
<b>ASSETS</b>				
Cash and investments	\$ 259,768	331,753	(71,985)	(21.7%)
<b>LIABILITIES</b>				
Due in more than one year	<u>12,428,878</u>	<u>12,213,600</u>	<u>215,278</u>	1.8
<b>NET ASSETS (DEFICIENCY)</b>				
Unrestricted	(12,417,001)	(12,182,233)	(234,768)	(1.9)
Restricted - debt service	<u>247,891</u>	<u>300,386</u>	<u>(52,495)</u>	(17.5)
Total Net Assets (Deficiency)	( <u>\$12,169,110</u> )	( <u>11,881,847</u> )	( <u>287,263</u> )	(2.4%)

**Governmental activities.** Governmental activities decreased the District's net assets by \$287,263.

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

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>For The Years</u> <u>Ended December 31</u>		<u>Increase (Decrease)</u>	
	<u>2005</u>	<u>2004</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUES</b>				
General revenues:				
Sales tax	\$ 179,078	174,822	4,256	2.4%
Investment income	<u>9,075</u>	<u>3,643</u>	<u>5,432</u>	149.1
Total General Revenues	<u>188,153</u>	<u>178,465</u>	<u>9,688</u>	5.4
<b>EXPENSES</b>				
Administrative	1,789	3,621	(1,832)	(50.6)
Capital outlay	4,448	306,016	(301,568)	(98.5)
Interest on long-term debt	<u>469,179</u>	<u>455,064</u>	<u>14,115</u>	3.1
Total Expenses	<u>475,416</u>	<u>764,701</u>	<u>(289,285)</u>	(37.8)
<b>CHANGE IN NET ASSETS</b>	(287,263)	(586,236)	298,973	51.0
<b>NET ASSETS (DEFICIENCY), JANUARY 1</b>	(11,881,847)	(11,295,611)	(586,236)	(5.2)
<b>NET ASSETS (DEFICIENCY), DECEMBER 31</b>	(\$12,169,110)	(11,881,847)	(287,263)	(2.4%)

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

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

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$259,768.

**General Fund Budgetary Highlights**

The District did not revise its budget for the year. Revenues were \$129,577 below the budgeted amount of \$310,000. Expenditures were \$23,211 below the budgeted amount of \$25,000. Other financing sources (uses) were \$91,008 under the budgeted amount of \$285,000.

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

---

**Long-term debt.** At the end of the current fiscal year, the District had debt outstanding of \$12,428,878. This amount is transportation revenue notes. The debt increased by \$215,278 due to interest accretion during the current fiscal year and additional borrowings.

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

Sales tax is the main source of revenue for the District at 95% of total revenues. Debt service requires the greatest usage of resources amounting to 99% of the total expenditures. These factors were considered in preparing the District's 2006 budget.

**Requests for Information**

This financial report is designed to provide our residents and taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Alan Skop at 314-727-9300.

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2005**

---

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash	\$ 6,913
Investments	4,964
Investments - restricted for debt service	247,891
Total Assets	259,768
 <b>LIABILITIES</b>	
Noncurrent liabilities:	
Due in more than one year	12,428,878
 <b>NET ASSETS (DEFICIENCY)</b>	
Unrestricted	(12,417,001)
Restricted - debt service	247,891
Total Net Assets (Deficiency)	\$ (12,169,110)

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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	<u>Expenses</u>	<u>Net Revenues (Expenses) And Changes In Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>		
<b>Governmental Activities</b>		
Administrative	\$ 5,459	(5,459)
Capital outlay	778	(778)
Interest on long-term debt	469,179	(469,179)
Total Governmental Activities	<u>\$ 475,416</u>	<u>(475,416)</u>
 <b>General Revenues</b>		
Sales tax		179,078
Investment income		9,075
Total General Revenues		<u>188,153</u>
 <b>CHANGE IN NET ASSETS</b>		 (287,263)
 NET ASSETS (DEFICIENCY), JANUARY 1		 <u>(11,881,847)</u>
 NET ASSETS (DEFICIENCY), DECEMBER 31		 <u>\$ (12,169,110)</u>



**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Reserve Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ -	6,913	-	6,913
Investments	224	4,740	-	4,964
Investments - restricted for debt service	-	-	247,891	247,891
	-	-	247,891	247,891
Total Assets	\$ 224	11,653	247,891	259,768
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>	\$ -	-	-	-
<b>Fund Balances</b>				
Unreserved - undesignated	224	11,653	-	11,877
Reserved - debt service	-	-	247,891	247,891
Total Fund Balances	224	11,653	247,891	259,768
Total Liabilities And Fund Balances	\$ 224	11,653	247,891	259,768

See notes to financial statements

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS -  
MODIFIED CASH BASIS  
DECEMBER 31, 2005**

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Total Fund Balances - Governmental Funds \$ 259,768

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

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

Note payable	(22,511)
Transportation revenue notes	<u>(12,406,367)</u>

Net Assets (Deficiency) Of Governmental Activities \$ (12,169,110)

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bond Payment Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Sales tax	\$ 179,078	-	-	-	179,078
Investment income	1,345	316	-	7,414	9,075
Total Revenues	<u>180,423</u>	<u>316</u>	<u>-</u>	<u>7,414</u>	<u>188,153</u>
<b>EXPENDITURES</b>					
Administrative	1,789	3,670	-	-	5,459
Capital outlay	-	778	-	-	778
Debt service - interest paid	-	-	276,412	-	276,412
Debt service - interest accretion	-	-	192,767	-	192,767
Total Expen- ditures	<u>1,789</u>	<u>4,448</u>	<u>469,179</u>	<u>-</u>	<u>475,416</u>
<b>REVENUES OVER (UNDER) EXPENDI- TURES</b>	<u>178,634</u>	<u>(4,132)</u>	<u>(469,179)</u>	<u>7,414</u>	<u>(287,263)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,844	-	276,352	23,821	303,017
Transfers out	(196,836)	-	-	(106,181)	(303,017)
Proceeds from note payable	-	-	-	22,511	22,511
Proceeds from interest accretion	-	-	192,767	-	192,767
Total Other Financing Sources (Uses)	<u>(193,992)</u>	<u>-</u>	<u>469,119</u>	<u>(59,849)</u>	<u>215,278</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(15,358)</u>	<u>(4,132)</u>	<u>(60)</u>	<u>(52,435)</u>	<u>(71,985)</u>
FUND BALANCES, JANUARY 1	<u>15,582</u>	<u>15,785</u>	<u>60</u>	<u>300,326</u>	<u>331,753</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 224</u>	<u>11,653</u>	<u>-</u>	<u>247,891</u>	<u>259,768</u>

See notes to financial statements

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

---

Net Changes In Fund Balances - Governmental Funds \$ (71,985)

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

The issuance of long-term debt (e.g. transportation revenue notes and other notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however, it has no effect on net assets.

This amount is the net effect of these differences in the treatment of long-term debt:

Proceeds from note payable	(22,511)
Transportation revenue notes interest accretion	<u>(192,767)</u>

Change In Net Assets Of Governmental Activities \$ (287,263)

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

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT (the District), established in 2004, is a political subdivision duly organized under the laws of the State of Missouri. The District operates under the direction of a Board of Directors. The District was formed for the purpose of construction of certain transportation projects to serve a new commercial redevelopment project in the City of Brentwood, Missouri (the City). Generally, the District is authorized to impose a 1% sales tax within its boundaries and issue revenue notes payable from this sales tax.

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

**1. Reporting Entity**

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

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

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

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

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

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

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

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

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

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

In the fund financial statements, all governmental funds utilize a “current financial resources” measurement focus as applied to the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**Basis of Accounting**

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

**4. Investments**

Investments are stated at fair value.

**5. Concentrations**

The District relies solely on sales tax revenues from stores within the District.

**6. Use of Estimates**

The preparation of financial statements requires the District to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**NOTE B - LONG-TERM DEBT**

Long-term debt consists of the following:

	<b>December 31 2005</b>
Series 2003A capital appreciation transportation revenue notes of \$2,205,000, accretion rate 7.75%, due December 1, 2023.	\$ 2,632,772
Series 2003B transportation revenue notes, interest rate 6.75%, payable semi-annually June 1 and December 1, due December 1, 2033.	4,095,000

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

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

	<u>December 31 2005</u>
Series 2003C transportation revenue notes, interest rate 7.41%, payable semi-annually June 1 and December 1, due June 1, 2043.	5,678,595
Note payable with an interest rate of 5% and no maturity date	<u>22,511</u>
	<u>\$12,428,878</u>

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

The District had to borrow \$22,511 at a 5% interest rate from Eager Road Associates, LLC (the developer) in order to meet its obligations. The Board of Directors has authorized the District to borrow up to an additional \$100,000 at a 5% interest rate if necessary to meet the District's obligations.

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

	<u>For The Year Ended December 31, 2005</u>			
	<u>December 31 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31 2005</u>
Series 2003A capital appreciation transportation revenue notes	\$ 2,205,000	-	-	2,205,000
Series 2003A capital appreciation transportation revenue notes - interest accretion	<u>235,005</u>	<u>192,767</u>	<u>-</u>	<u>427,772</u>
	2,440,005	192,767	-	2,632,772
Series 2003B transportation revenue notes	4,095,000	-	-	4,095,000
Series 2003C transportation revenue notes	5,678,595	-	-	5,678,595
Note payable	<u>-</u>	<u>22,511</u>	<u>-</u>	<u>22,511</u>
	<u>\$12,213,600</u>	<u>215,278</u>	<u>-</u>	<u>12,428,878</u>

**NOTE C - INVESTMENTS**

As of December 31, 2005, the District had the following investments:



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

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**NOTE C - INVESTMENTS (Continued)**

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Credit Risk</u>
<b>Primary Government</b>			
Money market mutual funds	\$ <u>252,855</u>	<u>252,855</u>	N/A

**Investments Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District 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 District 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 District's investment in a single issuer. The District does not have a written investment policy covering concentration of credit risk.

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION**

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**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION -  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Sales tax	\$ 310,000	179,078	(130,922)
Investment income	-	1,345	1,345
Total Revenues	<u>310,000</u>	<u>180,423</u>	<u>(129,577)</u>
<b>EXPENDITURES</b>			
Administrative	<u>25,000</u>	<u>1,789</u>	<u>(23,211)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>285,000</u>	<u>178,634</u>	<u>(106,366)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	2,844	2,844
Transfers out	<u>(285,000)</u>	<u>(196,836)</u>	<u>88,164</u>
Total Other Financing Sources (Uses)	<u>(285,000)</u>	<u>(193,992)</u>	<u>91,008</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(15,358)</u>	<u>(15,358)</u>
FUND BALANCE, JANUARY 1		<u>15,582</u>	
<b>FUND BALANCE, DECEMBER 31</b>		<u>\$ 224</u>	

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION -  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN  
FUND BALANCE - BUDGET AND ACTUAL - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
OTHER SUPPLEMENTAL INFORMATION**

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**OTHER SUPPLEMENTAL INFORMATION SECTION**

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
OTHER SUPPLEMENTAL INFORMATION -  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - BOND PAYMENT FUND - BUDGET BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Investment income	\$ -	-	-
<b>EXPENDITURES</b>			
Debt service - interest paid	<u>291,000</u>	<u>276,412</u>	<u>(14,588)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(291,000)	(276,412)	14,588
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>291,000</u>	<u>276,352</u>	<u>(14,648)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	(60)	<u>(60)</u>
FUND BALANCE, JANUARY 1		<u>60</u>	
<b>FUND BALANCE, DECEMBER 31</b>		<u>\$ -</u>	

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT**

**OTHER SUPPLEMENTAL INFORMATION -  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - DEBT SERVICE RESERVE FUND - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Investment income	\$ 6,000	7,414	1,414
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>6,000</u>	<u>7,414</u>	<u>1,414</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	23,821	23,821
Transfers out	(6,000)	(106,181)	(100,181)
Proceeds from note payable	-	22,511	22,511
Total Other Financing Sources (Uses)	<u>(6,000)</u>	<u>(59,849)</u>	<u>(53,849)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(52,435)</u>	<u>(52,435)</u>
<b>FUND BALANCE, JANUARY 1</b>		<u>300,326</u>	
<b>FUND BALANCE, DECEMBER 31</b>		<u>\$ 247,891</u>	

**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
OTHER SUPPLEMENTAL INFORMATION -  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Investment income	\$ -	316	316
<b>EXPENDITURES</b>			
Administrative	-	3,670	3,670
Capital outlay	750,000	778	(749,222)
Total Expenditures	<u>750,000</u>	<u>4,448</u>	<u>(745,552)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(750,000)	(4,132)	745,868
<b>OTHER FINANCING SOURCES</b>			
Proceeds from revenues notes	<u>750,000</u>	<u>-</u>	<u>(750,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>(4,132)</u>	<u>(4,132)</u>
FUND BALANCE, JANUARY 1		<u>15,785</u>	
<b>FUND BALANCE, DECEMBER 31</b>		<u>\$ 11,653</u>	



**HANLEY/EAGER ROAD TRANSPORTATION  
DEVELOPMENT DISTRICT  
INTERNAL CONTROL AND COMPLIANCE**

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**INTERNAL CONTROL AND COMPLIANCE SECTION**



**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***

April 10, 2006

Board of Directors

**HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT**

We have audited the financial statements of the governmental activities and the major fund of the **HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT** (the District) as of and for the year ended December 31, 2005, and have issued our report thereon dated April 10, 2006. 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 District'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.

- 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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of the 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 District in a separate letter dated April 10, 2006.

This report is intended solely for the information and use of management, federal and state 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