

University of Missouri, St. Louis

IRL @ UMSL

UMSLCAB - UMSL's Political Science Millennial
Era Saint Louis Local Curated Area Budgets

Political Science Department

1-1-2007

Comprehensive Annual Financial Report, 2006

City of Hazelwood

Follow this and additional works at: <https://irl.umsl.edu/cab>

Recommended Citation

City of Hazelwood, "Comprehensive Annual Financial Report, 2006" (2007). *UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets*. 670.

<https://irl.umsl.edu/cab/670>

This Book is brought to you for free and open access by the Political Science Department at IRL @ UMSL. It has been accepted for inclusion in UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets by an authorized administrator of IRL @ UMSL. For more information, please contact marvinh@umsl.edu.



SUSAN MONTEE, CPA

Missouri State Auditor

March 14, 2007

Donnie Burns, Finance Director
City of Hazelwood
St. Louis County
415 Elm Grove Lane
Hazelwood, MO 63042

Fiscal Period: One Year Ended June 30, 2006 ✓

Dear Mr. Burns:

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

Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

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

Judy Buerky
Local Government Analyst

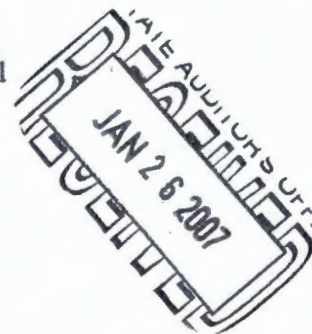
CERTIFICATION

I DONNIE BURNS, FINANCE DIRECTOR of
(Name - please print) (Title)

CITY OF HAZELWOOD of ST. LOUIS do attest,
(Political subdivision) (County)

under oath, the enclosed financial report is a true and accurate account of all fiscal transactions of CITY OF HAZELWOOD for
(Political subdivision)

the year ended JUNE 30, 2006.
(Month, day & year)



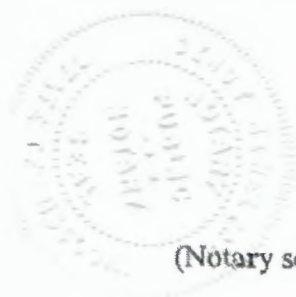
Signature Donnie Burns

Address 415 EIM GROVE LANE
HAZELWOOD, MO 63042

Telephone number 314-839-3700
(Area code, number)

Subscribed and sworn to before me this 24 day of January, 2007.

Cindy Mihelich
(Notary public signature)



(Notary seal)



CINDY MIHELICH
St. Louis County
My Commission Expires
December 15, 2007

My commission expires: 12-15-07



City of Hazelwood, Missouri

Comprehensive Annual Financial Report

For the Year Ended
June 30, 2006

City of Hazelwood, Missouri

Comprehensive Annual Financial Report

For the Year Ended
June 30, 2006

Prepared by the Finance Department
Donnie Burns, Finance Director

CITY OF HAZELWOOD, MISSOURI
FINANCIAL REPORT

	Page
SECTION I - INTRODUCTORY SECTION	
Letter of Transmittal	i
Principal City Officials	v
Organizational Chart	vi
Certificate of Achievement for Excellence in Financial Reporting	vii
SECTION II - FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Government-wide Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Assets - Pension Trust Fund	15
Statement of Changes in Fiduciary Net Assets - Pension Trust Fund	16
Notes to Financial Statements	17
Required Supplemental Information:	
Schedule of Revenues - Budget and Actual - General Fund	35
Schedule of Expenditures - Budget and Actual - General Fund	37
Notes to Schedules of Revenues and Expenditures - Budget and Actual	39
Other Supplemental Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Projects Fund	41
Combining Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	42
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	43
SECTION III - STATISTICAL SECTION	
Net Assets by Component - Last Four Fiscal Years	44
Changes in Net Assets - Last Four Fiscal Years	45
Fund Balances of Governmental Funds - Last Four Fiscal Years	46
Changes in Fund Balances, Governmental Funds - Last Four Fiscal Years	47
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	48

CITY OF HAZELWOOD, MISSOURI
FINANCIAL REPORT

	Page
SECTION III - STATISTICAL SECTION (Continued)	
Property Tax Rates - Direct and All Overlapping Governments - Last Ten Fiscal Years	49
Principal Taxpayers - Most Recent and Prior Year	50
Property Tax Levies and Collections - Last Ten Fiscal Years	51
Ratios of Outstanding Debt by Type - Last Nine Fiscal Years	52
Direct and Overlapping Governmental Activities Debt	53
Demographic and Economic Statistics - Last Ten Fiscal Years	54
Principal Employers - Current Year and Six Years Ago	55
Full-time Equivalent City Government Employees by Function/Program - Last Ten Fiscal Years	56
Operating Indicators by Function/Program - Last Ten Fiscal Years	57
Capital Assets by Function/Program - Last Nine Fiscal Years	58
SECTION IV - INTERNAL CONTROL AND COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59



Section I

Introductory Section



January 12, 2007

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, 2006. 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

314.839.3700 fax 314.839.0249
415 Elm Grove Lane

City Maintenance

731.8701 fax 731.4240
115 Ford Lane

Fire Department

731.3424 fax 731.1976
6800 Howdershell Road

Municipal Court

839.2212 fax 838.5169
415 Elm Grove Lane

Parks & Recreation

731.0980 fax 731.0989
1186 Teson Road

Police Department

839.3700 fax 838.5169
415 Elm Grove Lane

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.

In March 2006, the Ford Motor Company idled its assembly plant, and the plant is now licensed as a warehouse. The City has seen a decrease in business license fees as a result.

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 Hazelwood Commerce Center and Cabela's. These projects involved both industrial and retail development.

Cabela's is a major retail store for outdoor goods and they are opening a location at the Mills mall. The store is expected to be large tourist attraction.

The City also completed a major study of the retail industry in the City during the current year. The City is planning to use the results of the study to market to major retailers.

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 – Municipal facilities

In future years the City is planning on reviewing the aquatic center. The center is old and in need of upgrades. The City is considering issuing leasehold bonds to fund this project. The City is also looking at expanding City offices.

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 has continued to show growth. According to the most recent actuarial valuation dated July 1, 2005, the funded ratio is 85.8% compared to 85.1% for the prior year.

Long-Term Debt

At June 30 the City had long-term debt in the amount of \$11,171,382 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 \$55 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 \$424,989.

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 2006 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, 2005. This was the eighth 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

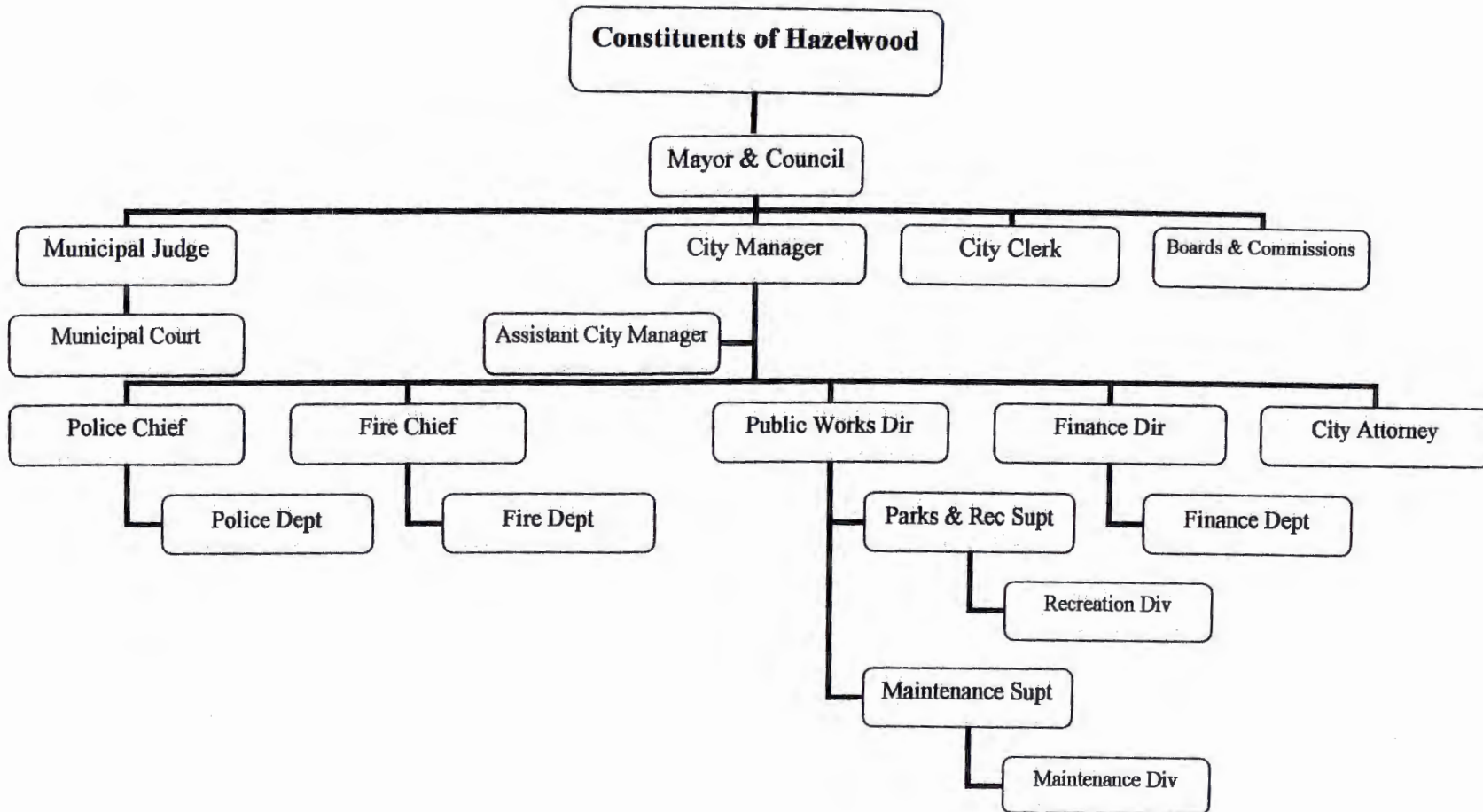


Edwin G. Carlstrom
City Manager

City of Hazelwood, Missouri
Principal City Officials at June 30, 2006

<u>Position</u>	<u>Name</u>	<u>Election/hire Date</u>	<u>Term Dates</u>
MAYOR	T. R. Carr	4/2000	1/2006-4/2009
COUNCIL-WARD 1	Matthew Robinson	4/1994	1/2004-4/2007
COUNCIL-WARD 2	Robert Aubuchon	4/1997	1/2005-4/2008
COUNCIL-WARD 3	Terry Salfen	4/2004	1/2004-4/2007
COUNCIL-WARD 4	Michael Conley	4/2005	1/2005-4/2008
COUNCIL-WARD 5	Patricia Lampert	4/1998	1/2004-4/2007
COUNCIL-WARD 6	Patricia Robin	4/2005	1/2005-4/2008
COUNCIL-WARD 7	Patricia Jackson	4/1997	1/2004-4/2007
COUNCIL-WARD 8	Patricia Piotrowicz	4/2003	1/2005-4/2008
CITY MANAGER	Edwin Carlstrom	06/01/79	
ASST. CITY MANAGER	Daniel Mears	01/22/03	
FINANCE DIRECTOR	Donnie Burns	07/09/79	
CITY CLERK	Colleen Klos	07/01/96	
JUDGE	Kevin Kelly	2003	
PROSECUTING ATTORNEY	Keith Cheung	2002	
CITY ATTORNEY	Kevin O'Keefe	02/07/94	
POLICE CHIEF	Carl Wolf	11/25/85	
FIRE CHIEF	James Matthies	10/20/93	
PUBLIC WORKS DIRECTOR	Thomas Manning	06/13/94	
PARKS & REC SUPERINTENDENT	Douglas Littlefield	11/30/92	
MAINTENANCE SUPERINTENDENT	Paul Williams	06/09/72	

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, 2005

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.



A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



Section II

Financial Section



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

INDEPENDENT AUDITORS' REPORT

October 6, 2006

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, 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2006, 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 our report dated October 6, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its

- 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

www.hbclp.com



Member: Polaris International with Firms in Principal U.S. and International Cities

compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The 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, 2006**

As management of the City of Hazelwood (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through vi of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$13,730,417 (net assets). Of this amount, \$2,569,845 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$4,273,393. The majority of the decrease is due to street bond expenditures.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,793,655, a decrease of \$3,163,408 in comparison with the prior year. Approximately 55% of this amount, \$6,531,422, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$1,615,749 or 8% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City'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 City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety,

**CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

streets, economic development, and culture and recreation. The City does not have any business-type activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Industrial Development Authority for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 9 and 10 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary 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 funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statements of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Debt Service Fund, 370/MO Bottom Road Tax Increment Financing District Fund, Street Bond Fund, and the Robertson Area Tax Increment Financing District Fund, all of which are considered to be major funds. Data from the other two funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and Capital Projects Fund. Budgetary comparison statements are provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

**CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

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

The basic fiduciary fund financial statements can be found on pages 15 and 16 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 the financial statements can be found on pages 17 through 33 of this report.

Required supplemental information. This Management's Discussion and Analysis and the General Fund budgetary comparison schedule (starting on page 35) represent financial information required by GAAP 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").

Other supplemental information. This part of the annual report (starting on page 41) includes optional financial information such as a budgetary comparison schedule for the Capital Projects Fund and combining statements for the nonmajor governmental funds. This other supplemental financial information is provided to address certain specific needs of various users of the City'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 City, assets exceeded liabilities by \$13,730,417 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (78%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A condensed version of the statement of net assets is as follows:

CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>June 30</u>		<u>2006 Change</u>	
	<u>2006</u>	<u>2005</u>	<u>Amount</u>	<u>Percent</u>
ASSETS				
Current and other assets	\$16,164,618	18,024,855	(1,860,237)	(10.3%)
Capital assets	<u>11,542,243</u>	<u>12,817,603</u>	<u>(1,275,360)</u>	(9.9)
Total Assets	<u>27,706,861</u>	<u>30,842,458</u>	<u>(3,135,597)</u>	(10.2)
LIABILITIES				
Current and other liabilities	2,805,062	1,588,927	1,216,135	76.5
Long-term liabilities	<u>11,171,382</u>	<u>11,249,721</u>	<u>(78,339)</u>	(0.7)
Total Liabilities	<u>13,976,444</u>	<u>12,838,648</u>	<u>1,137,796</u>	8.9
NET ASSETS				
Invested in capital assets	10,763,130	12,025,405	(1,262,275)	(10.5)
Restricted	397,442	105,899	291,543	275.3
Unrestricted	<u>2,569,845</u>	<u>5,872,506</u>	<u>(3,302,661)</u>	(56.2)
Total Net Assets	<u>\$13,730,417</u>	<u>18,003,810</u>	<u>(4,273,393)</u>	(23.7%)

Governmental activities. Governmental activities decreased the City's net assets by \$4,273,393.

A condensed version of the statement of activities is as follows:

	<u>For The Years</u> <u>Ended June 30</u>		<u>2006 Change</u>	
	<u>2006</u>	<u>2005</u>	<u>Amount</u>	<u>Percent</u>
REVENUES				
Program revenues:				
Charges for services	\$ 2,669,231	2,061,155	608,076	29.5%
Operating grants and contributions	1,647,110	2,043,262	(396,152)	(19.4)
General revenues:				
Taxes	24,974,009	18,668,650	6,305,359	33.8
Licenses and other	<u>3,370,667</u>	<u>3,771,417</u>	<u>(400,750)</u>	(10.6)
Total Revenues	<u>32,661,017</u>	<u>26,544,484</u>	<u>6,116,533</u>	23.0
EXPENSES				
General government	2,464,356	2,087,773	376,583	18.0
Police	6,435,271	5,975,923	459,348	7.7
Fire and ambulance	7,087,575	6,374,396	713,179	11.2
Public works	6,345,439	4,074,797	2,270,642	55.7
Parks and recreation	2,879,118	2,334,874	544,244	23.3
Economic development	11,116,868	5,476,247	5,640,621	103.0
Sewer lateral	173,934	69,341	104,593	150.8
Interest on long-term debt	<u>431,849</u>	<u>126,381</u>	<u>305,468</u>	241.7
Total Expenses	<u>36,934,410</u>	<u>26,519,732</u>	<u>10,414,678</u>	39.3
CHANGE IN NET ASSETS	<u>(\$ 4,273,393)</u>	<u>24,752</u>	<u>(4,298,145)</u>	17,364.8%

**CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,793,655, a decrease of \$3,163,408 in comparison with the prior year. Approximately 55% of this total amount (\$6,531,422) constitutes unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$1,615,749, while total fund balance reached \$3,316,696. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 8% of total General Fund expenditures, while total fund balance represents 17% of that same amount. The fund balance of the City's General Fund decreased by \$303,990 during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were transfers between various accounts in appropriations between the original and final amended budget.

Revenues were \$1,071,996 below the budgeted amount of \$20,131,800, and expenditures were \$219,415 below the budgeted amount of \$19,583,209.

CAPITAL ASSETS

Capital asset balances (net of accumulated depreciation) are as follows:

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
Capital assets:		
Land and construction in progress	\$ 3,911,632	3,958,609
Buildings and improvements	2,248,145	2,641,421
Infrastructure	3,110,906	3,478,890
Machinery, equipment, and furniture and fixtures	1,083,499	1,393,088
Automotive equipment	<u>1,188,061</u>	<u>1,345,595</u>
Total	<u>\$11,542,243</u>	<u>12,817,603</u>

**CITY OF HAZELWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

More information on capital asset activity during the year is provided in the notes to the financial statements in Note C.

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.

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
General obligation bonds - Street Improvement - Series 2005	\$ 8,505,174	8,541,566
Special assessment bonds - Lambert Neighborhood Improvement District, Series 1999	855,000	895,000
Compensated absences	1,032,095	1,020,941
Capital lease obligations	<u>779,113</u>	<u>792,214</u>
	<u>\$11,171,382</u>	<u>11,249,721</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Preparation of the 2007 budget was influenced by general economic pressures including sluggish assessed valuation and base sales tax growth.

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, 2006

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Industrial Development Authority</u>
ASSETS		
Cash and investments	\$ 9,645,069	9,173,414
Taxes receivable	2,577,709	-
Net pension asset	277,032	-
Other receivables:		
Special assessments	855,000	-
Ambulance	205,421	-
Court	60,700	-
Other	840,531	472,931
Bond issue costs	128,705	302,565
Prepaid items:		
Fire protection services	1,556,774	-
Other	17,677	-
Capital assets:		
Land and construction in progress	3,911,632	-
Other capital assets, net of accumulated depreciation	7,630,611	-
Total Assets	<u>27,706,861</u>	<u>9,948,910</u>
LIABILITIES		
Accounts payable	2,228,624	-
Accrued payroll	302,315	-
Accrued interest	133,265	330,604
Other liabilities	79,737	-
Unearned revenue	61,121	-
Long-term debt:		
Due within one year	777,218	6,335,000
Due in more than one year	10,394,164	14,087,427
Total Liabilities	<u>13,976,444</u>	<u>20,753,031</u>
NET ASSETS		
Invested in capital assets, net of related debt	10,763,130	-
Restricted for debt service	397,442	-
Unrestricted	2,569,845	(10,804,121)
Total Net Assets	<u>\$ 13,730,417</u>	<u>(10,804,121)</u>

See notes to financial statements

CITY OF HAZELWOOD, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	Net Revenues (Expenses) And Changes In Net Assets				
	Expenses	Program Revenues		Primary Government	Component Unit
		Charges For Services	Operating Grants And Contributions	Governmental Activities	Industrial Development Authority
Primary government					
Governmental activities					
General government	\$ 2,464,356	487,576	-	(1,976,780)	-
Police	6,435,271	1,211,838	32,253	(5,191,180)	-
Fire and ambulance	7,087,575	468,918	8,413	(6,610,244)	-
Public works	6,345,439	-	1,604,644	(4,740,795)	-
Parks and recreation	2,879,118	308,855	1,800	(2,568,463)	-
Economic development	11,116,868	-	-	(11,116,868)	-
Sewer lateral	173,934	192,044	-	18,110	-
Interest on long-term debt	431,849	-	-	(431,849)	-
Total Governmental Activities	\$ 36,934,410	2,669,231	1,647,110	(32,618,069)	-
Component unit					
Industrial Development Authority	\$ 1,054,997	-	-	-	(1,054,997)
General Revenues					
Property taxes				13,388,774	-
Sales taxes				9,197,588	-
Utility taxes				2,294,316	-
Other taxes				93,331	6,924,671
License taxes				2,410,356	-
Investment income				424,989	133,235
Miscellaneous				535,322	-
Total General Revenues				28,344,676	7,057,906
Change In Net Assets				(4,273,393)	6,002,909
Net Assets, July 1				18,003,810	(16,807,030)
Net Assets, June 30				\$ 13,730,417	(10,804,121)

See notes to financial statements

CITY OF HAZELWOOD, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects	Debt Service	370/MO Bottom Road Tax Increment Financing District	Street Bond	Robertson Area Tax Increment Financing District	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments	\$ 1,098,880	2,072,123	398,147	-	5,272,001	42,588	764,607	9,648,346
Receivables:								
Property taxes	271,400	-	-	-	-	1,258,149	-	1,529,549
Sales taxes	834,788	213,372	-	-	-	-	-	1,048,160
Special assessments	-	-	855,000	-	-	-	-	855,000
Ambulance	205,421	-	-	-	-	-	-	205,421
Court	60,700	-	-	-	-	-	-	60,700
Other	395,254	188,778	-	244,273	9,136	-	3,090	840,531
Prepaid items:								
Fire protection services	1,556,774	-	-	-	-	-	-	1,556,774
Other	17,677	-	-	-	-	-	-	17,677
Total Assets	\$ 4,440,894	2,474,273	1,253,147	244,273	5,281,137	1,300,737	767,697	15,762,158
LIABILITIES AND FUND BALANCES								
Liabilities								
Bank overdraft	\$ -	-	-	3,277	-	-	-	3,277
Accounts payable	246,061	125,336	705	248,357	343,510	1,258,149	6,506	2,228,624
Accrued payroll	298,850	-	-	-	3,465	-	-	302,315
Other liabilities	79,737	-	-	-	-	-	-	79,737
Deferred revenues:								
Property taxes	212,769	-	-	-	-	-	-	212,769
Fire protection service	61,121	-	-	-	-	-	-	61,121
Ambulance	164,960	-	-	-	-	-	-	164,960
Court	60,700	-	-	-	-	-	-	60,700
Special assessments	-	-	855,000	-	-	-	-	855,000
Total Liabilities	1,124,198	125,336	855,705	251,634	346,975	1,258,149	6,506	3,968,503
Fund Balances								
Reserved for encumbrances	126,496	101,279	-	-	3,062,565	-	-	3,290,340
Reserved for prepaid items	1,574,451	-	-	-	-	-	-	1,574,451
Reserved for N.I.D.	-	-	397,442	-	-	-	-	397,442
Unreserved, reported in:								
General Fund	1,615,749	-	-	-	-	-	-	1,615,749
Capital Projects Funds	-	2,247,658	-	-	1,871,597	-	-	4,119,255
Special Revenue Funds	-	-	-	(7,361)	-	42,588	761,191	796,418
Total Fund Balances	3,316,696	2,348,937	397,442	(7,361)	4,934,162	42,588	761,191	11,793,655
Total Liabilities And Fund Balances	\$ 4,440,894	2,474,273	1,253,147	244,273	5,281,137	1,300,737	767,697	15,762,158

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, 2006

Total Fund Balances - Governmental Funds \$ 11,793,655

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 \$33,163,146 and the accumulated depreciation is \$21,620,903. 11,542,243

The net pension asset is not reported in the fund financial statements. 277,032

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 1,293,429

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	(1,032,095)
Bonds and capital leases payable outstanding	(10,019,113)
Accrued interest	(133,265)
Unamortized bond premium	(120,174)
Unamortized bond issuance costs	128,705
	128,705

Net Assets Of Governmental Activities \$ 13,730,417

CITY OF HAZELWOOD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Debt Service	370/MO Bottom Road Tax Increment Financing District	Street Bond	Robertson Area Tax Increment Financing District	Other Governmental Funds	Total Governmental Funds
REVENUES								
Property taxes	\$ 3,728,773	-	636,651	4,393,833	-	4,542,719	22,387	13,324,363
Sales taxes	6,151,331	1,484,628	-	1,697,856	-	-	26,023	9,359,838
Utility taxes	2,245,305	-	-	49,011	-	-	-	2,294,316
Other taxes	1,535,725	-	-	-	-	-	-	1,535,725
Permits and inspections	465,329	-	-	-	-	-	-	465,329
Licenses	2,410,356	-	-	-	-	-	-	2,410,356
Intergovernmental	81,217	-	-	-	-	-	-	81,217
Fines and forfeitures	1,227,257	-	-	-	-	-	-	1,227,257
Investment income	92,810	34,084	-	-	261,806	19,652	16,637	424,989
Recreation fees	308,855	-	-	-	-	-	-	308,855
Sewer lateral	-	-	-	-	-	-	192,044	192,044
Miscellaneous	812,846	36,294	82,360	-	-	-	-	931,500
Total Revenues	<u>19,059,804</u>	<u>1,555,006</u>	<u>719,011</u>	<u>6,140,700</u>	<u>261,806</u>	<u>4,562,371</u>	<u>257,091</u>	<u>32,555,789</u>
EXPENDITURES								
Current:								
Mayor and council	93,030	-	-	-	-	-	-	93,030
City manager	866,343	-	-	-	-	-	-	866,343
Information system	344,742	-	-	-	-	-	-	344,742
Finance	315,169	-	-	-	-	-	-	315,169
Legal	357,769	-	-	-	-	-	-	357,769
City clerk	234,143	-	-	-	-	-	-	234,143
Police	6,096,344	-	-	-	-	-	-	6,096,344
Fire and ambulance	6,619,176	-	-	-	-	-	-	6,619,176
Public works:								
Administration	1,062,926	-	-	-	-	-	-	1,062,926
General maintenance	962,004	-	-	-	-	-	-	962,004
Park maintenance	722,594	-	-	-	-	-	-	722,594
Recreation	1,450,587	-	-	-	-	-	-	1,450,587
Street	-	-	-	-	430,763	-	-	430,763
Sewer lateral	-	-	-	-	-	-	173,934	173,934
Economic development	-	-	1,672	6,140,698	-	4,974,498	-	11,116,868
Capital outlay	238,967	1,379,514	-	-	2,991,604	-	-	4,610,085
Debt service - principal	-	-	70,000	-	-	-	-	70,000
Debt service - interest	-	-	355,796	-	-	-	-	355,796
Total Expenditures	<u>19,363,794</u>	<u>1,379,514</u>	<u>427,468</u>	<u>6,140,698</u>	<u>3,422,367</u>	<u>4,974,498</u>	<u>173,934</u>	<u>35,882,273</u>
REVENUES OVER (UNDER) EXPENDITURES	(303,990)	175,492	291,543	2	(3,160,561)	(412,127)	83,157	(3,326,484)
OTHER FINANCING SOURCES								
Issuance of debt	-	163,076	-	-	-	-	-	163,076
NET CHANGE IN FUND BALANCES	(303,990)	338,568	291,543	2	(3,160,561)	(412,127)	83,157	(3,163,408)
FUND BALANCES (DEFICIT), JULY 1	<u>3,620,686</u>	<u>2,010,369</u>	<u>105,899</u>	<u>(7,363)</u>	<u>8,094,723</u>	<u>454,715</u>	<u>678,034</u>	<u>14,957,063</u>
FUND BALANCES, JUNE 30	<u>\$ 3,316,696</u>	<u>2,348,937</u>	<u>397,442</u>	<u>(7,361)</u>	<u>4,934,162</u>	<u>42,588</u>	<u>761,191</u>	<u>11,793,655</u>

See notes to financial statements

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, 2006

Net Change In Fund Balances - Governmental Funds \$ (3,163,408)

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 regular depreciation (\$1,085,259) and a depreciation adjustment (\$1,136,454) exceeded capital outlays over the capitalization threshold and other miscellaneous transactions (\$946,337) in the current period. (1,275,376)

Revenues in the statement of activities that do not provide current financial resources are not reported in the fund financial statements. 105,228

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 (163,076)

Repayments during the current year:

 Principal payments on bonds 70,000

 Principal payments on leases included in capital outlay 176,177

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 (11,154)
 Accrued interest on bonds and capital leases (45,471)
 Premium on debt issuances, net of amortization 6,392
 Bond issuance costs, net of amortization (6,846)
 Net pension asset 34,141

Change In Net Assets Of Governmental Activities \$ (4,273,393)

See notes to financial statements

CITY OF HAZELWOOD, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUND
JUNE 30, 2006

ASSETS

Investments at fair value:

Common stock	\$ 9,793,643
Corporate obligations	3,895,699
Money market funds	118,735
Mutual funds	1,460,124
U.S. Government and Agency securities	3,874,656
Interest receivable	87,466
Total Assets	<u>19,230,323</u>

LIABILITIES

Accounts payable	<u>14,836</u>
------------------	---------------

NET ASSETS

Held in trust for pension benefits	<u><u>\$ 19,215,487</u></u>
------------------------------------	-----------------------------

See notes to financial statements

CITY OF HAZELWOOD, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2006

ADDITIONS

Employer contributions	<u>\$ 1,048,449</u>
Investment income:	
Interest and dividends	508,733
Realized and unrealized gain, net	402,611
Trustee fees - asset management	<u>(73,044)</u>
Total Investment Income	<u>838,300</u>
Total Additions	<u>1,886,749</u>

DEDUCTIONS

Benefits	<u>759,700</u>
----------	----------------

CHANGE IN NET ASSETS

1,127,049

NET ASSETS HELD IN TRUST FOR PENSION
BENEFITS, JULY 1

18,088,438

NET ASSETS HELD IN TRUST FOR PENSION
BENEFITS, JUNE 30

\$ 19,215,487

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 the 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). The members of the governing board of the IDA are approved by the City. 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. The accompanying financial data presented for the IDA reflects twelve months of activity ending June 30, 2006. Complete financial information for the IDA can be obtained from the City's finance department.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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, certain long-term debt principal, interest, and related costs.

370/MO Bottom Road Tax Increment Financing District Fund -- 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 Fund -- 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.

Robertson Area Tax Increment Financing District Fund -- Robertson Area 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.

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 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.

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.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Accounting (Continued)

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 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.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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
Infrastructure	10 - 20
Machinery, equipment, and furniture and fixtures	5 - 30
Automotive equipment	5 - 30

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

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Encumbrances (Continued)

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.

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

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

1. Deposits (Continued)

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.

As of June 30, 2006, 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 \$123,898 and \$29,240, respectively. At June 30, 2006, there was \$263,689 of certificates of deposit that were uninsured or uncollateralized. In July 2006, the City obtained additional collateral for appropriate compliance.

2. Investments

As of June 30, 2006, 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	\$ 3,820,147	-	3,820,147	-	-	-	N/A
Money market funds	3,103,000	3,103,000	-	-	-	-	Not rated
Government securities:							
Federal agency notes	<u>2,598,024</u>	<u>-</u>	<u>2,598,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	AAA
Total Primary Government	<u>9,521,171</u>	<u>3,103,000</u>	<u>6,418,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Component Unit (IDA)							
Certificates of deposit	193,274	-	156,858	36,416	-	-	N/A
Money market funds	6,909,953	6,909,953	-	-	-	-	N/A
Government securities:							
Federal agency notes	<u>2,040,948</u>	<u>-</u>	<u>-</u>	<u>2,040,948</u>	<u>-</u>	<u>-</u>	AAA
Total Component Unit	<u>9,144,175</u>	<u>6,909,953</u>	<u>156,858</u>	<u>2,077,364</u>	<u>-</u>	<u>-</u>	
Fiduciary Funds							
Common stock	9,793,643	9,793,643	-	-	-	-	N/A
Money market funds	118,735	118,735	-	-	-	-	Not rated
Corporate obligations	209,933	-	-	131,710	78,223	-	A
Corporate obligations	414,132	-	-	414,132	-	-	A-
Corporate obligations	175,826	-	-	67,118	108,708	-	A+
Corporate obligations	75,014	-	75,014	-	-	-	AA-
Corporate obligations	2,358,821	-	-	646,282	531,132	1,181,407	AAA
Corporate obligations	267,081	-	-	62,124	139,857	65,100	BBB
Corporate obligations	167,509	-	-	60,198	107,311	-	BBB-
Corporate obligations	227,383	-	-	23,982	203,401	-	BBB+
Mutual funds	1,460,124	1,460,124	-	-	-	-	N/A
Government securities:							
Federal agency notes	3,164,015	-	515,893	1,178,253	536,557	933,312	AAA
U.S. Treasury bonds	408,297	-	-	131,416	-	276,881	N/A
U.S. Treasury notes	<u>302,344</u>	<u>-</u>	<u>19,826</u>	<u>-</u>	<u>282,518</u>	<u>-</u>	N/A
Total Fiduciary Funds	<u>19,142,857</u>	<u>11,372,502</u>	<u>610,733</u>	<u>2,715,215</u>	<u>1,987,707</u>	<u>2,456,700</u>	
Grand Total Investments	<u>\$37,808,203</u>	<u>21,385,455</u>	<u>7,185,762</u>	<u>4,792,579</u>	<u>1,987,707</u>	<u>2,456,700</u>	

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

Investments Policies

The City's formal investment policies are as follows:

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City minimizes credit risk by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business and diversifying the portfolio to reduce potential losses on individual securities.

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 minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing primarily in shorter term securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City minimizes concentration of credit risk by diversifying the investment portfolio.

NOTE C - CAPITAL ASSETS

Capital assets activity was as follows:

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended June 30, 2006			
	Balance June 30 2005	Additions	Deletions And Transfers	Balance June 30 2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,736,171	-	-	3,736,171
Construction in progress	<u>222,438</u>	<u>266,861</u>	<u>313,838</u>	<u>175,461</u>
Total Capital Assets Not Being Depreciated	<u>3,958,609</u>	<u>266,861</u>	<u>313,838</u>	<u>3,911,632</u>
Capital assets being depreciated:				
Buildings and improvements	7,269,653	438,483	-	7,708,136
Infrastructure	13,656,335	-	-	13,656,335
Machinery, equipment, and furni- ture and fixtures	4,304,848	272,669	185,681	4,391,836
Automotive equipment	<u>3,236,260</u>	<u>297,665</u>	<u>38,718</u>	<u>3,495,207</u>
Total Capital Assets Being Depreciated	<u>28,467,096</u>	<u>1,008,817</u>	<u>224,399</u>	<u>29,251,514</u>
Less - Accumulated depreciation for:				
Buildings and improvements	4,628,232	831,759	-	5,459,991
Infrastructure	10,177,445	367,984	-	10,545,429
Machinery, equipment, and furniture and fixtures	2,911,760	582,258	185,681	3,308,337
Automotive equipment	<u>1,890,665</u>	<u>439,712</u>	<u>23,231</u>	<u>2,307,146</u>
Total Accumulated Depreciation	<u>19,608,102</u>	<u>2,221,713</u>	<u>208,912</u>	<u>21,620,903</u>
Total Capital Assets Being Depreciated, Net	<u>8,858,994</u>	<u>(1,212,896)</u>	<u>15,487</u>	<u>7,630,611</u>
Governmental Activities Capital Assets, Net	<u>\$12,817,603</u>	<u>(946,035)</u>	<u>329,325</u>	<u>11,542,243</u>

Accumulated depreciation was adjusted in the current year for the elimination of salvage values. The adjustment totaled \$1,136,454 and regular depreciation for the year was \$1,085,259. Depreciation expense was charged to functions/programs of the City as follows:

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended June 30, 2006
Governmental activities:	
General government	\$ 189,024
Police	315,557
Fire and ambulance	413,298
Public works, including depreciation of infrastructure assets	720,856
Parks and recreation	<u>582,978</u>
	<u>\$2,221,713</u>

NOTE D - LONG-TERM DEBT

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

	For The Year Ended June 30, 2006			Balance June 30 2006	Amounts Due Within One Year
	Balance June 30 2005	Additions	Deletions		
	Primary Government				
General obligation street bonds, Series 2005, rates 4% to 5%, maturing in 2025	\$ 8,415,000	-	30,000	8,385,000	295,000
Plus premium	126,566	-	6,392	120,174	-
Neighborhood improvement bonds originally \$1,030,000 - special assessment bonds with City commitment, rates of 3.8% to 6.75%, maturing April 1, 2021	895,000	-	40,000	855,000	40,000
Compensated absences	1,020,941	270,320	259,166	1,032,095	260,000
Capital lease obligations	<u>792,214</u>	<u>163,076</u>	<u>176,177</u>	<u>779,113</u>	<u>182,218</u>
	<u>\$11,249,721</u>	<u>433,396</u>	<u>511,735</u>	<u>11,171,382</u>	<u>777,218</u>
Component Unit					
TIF revenue bonds	\$25,265,000	-	4,505,000	20,760,000	6,335,000
Less - Discount	<u>360,854</u>	<u>-</u>	<u>23,281</u>	<u>337,573</u>	<u>-</u>
	<u>\$24,904,146</u>	<u>-</u>	<u>4,481,719</u>	<u>20,422,427</u>	<u>6,335,000</u>

Compensated absences are generally liquidated by the General Fund.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

During the year ended June 30, 2006, the City's capital lease debt service payments for principal retirement and interest were \$176,177 and \$30,128, 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:

For The Years Ended June 30	General Obligation Street Bonds		
	Principal	Interest	Total
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	345,000	296,807	641,807
2012 - 2016	1,955,000	1,260,275	3,215,275
2017 - 2021	2,440,000	824,796	3,264,796
2022 - 2025	<u>2,390,000</u>	<u>263,060</u>	<u>2,653,060</u>
	<u>\$8,385,000</u>	<u>3,992,418</u>	<u>12,377,418</u>

For The Years Ended June 30	Neighborhood Improvement Bonds		
	Principal	Interest	Total
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	50,000	34,383	84,383
2012 - 2016	275,000	135,422	410,422
2017 - 2021	<u>360,000</u>	<u>57,905</u>	<u>417,905</u>
	<u>\$855,000</u>	<u>383,975</u>	<u>1,238,975</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.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

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, 2006 is \$20,760,000.

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.

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 three such leases outstanding. Leased equipment with a total capitalized cost of \$1,098,318 and \$73,925 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, 2006 is as follows:

For The Years	
<u>Ended June 30</u>	
2007	\$206,302
2008	215,391
2009	215,391
2010	184,232
2011	<u>18,179</u>
	839,495
Less - Amount representing interest	<u>60,382</u>
Present Value Of Future Minimum Lease Payments	<u>\$779,113</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.

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - EMPLOYEE RETIREMENT PLAN (Continued)

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, 2006 was \$8,242,582.

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:

<u>Group</u>	<u>July 1, 2005</u>
Retirees and beneficiaries currently receiving benefits	46
Vested terminated employees	18
Active employees:	
Fully vested	90
Partially vested	84

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 \$1,006,404 for the 2005 - 2006 plan year was computed through an actuarial valuation performed as of July 1, 2005. The required contribution consisted of a) \$617,490 normal cost (7.5% of annual covered payroll), b) \$320,990 amortization of the unfunded actuarial accrued liability (4% of annual covered

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - EMPLOYEE RETIREMENT PLAN (Continued)

1. Plan Description and Provisions (Continued)

payroll), and c) \$67,924 expense loading equivalent to .4% of the market value of plan assets (.82% of annual covered payroll).

Pension Plan			
Valuation For The Actuarial Years Ended July 1	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)
2005	\$17,995,243	\$20,962,553	\$2,967,310
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

Valuation For The Actuarial Years Ended July 1	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2005	85.8%	\$8,242,582	36.0%
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

2. Funding Status and Progress

Schedule Of Employer Contributions			
For The Years Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2005	\$981,321	\$1,022,318	104.2%
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

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - EMPLOYEE RETIREMENT PLAN (Continued)

2. Funding Status and Progress (Continued)

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:

Valuation date	July 1, 2005
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, 2005.

Components of the annual pension cost of \$988,177 are as follows: annual required contribution (ARC) of \$981,321, interest on beginning negative net pension obligation (NPO) of (\$19,431), and adjustment to the ARC of \$26,287. The negative NPO at July 1, 2004 of \$242,891, decrease in NPO of \$34,141 result in negative NPO at July 1, 2005 of \$277,032.

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).

CITY OF HAZELWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - EMPLOYEE RETIREMENT PLAN (Continued)

4. Trend Information (Continued)

Pension Plan			
Valuation For The Actuarial Years Ended July 1	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (Asset)
2005	\$988,177	103.5%	(\$277,032)
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)

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.

CITY OF HAZELWOOD, MISSOURI
NOTES TO 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.

NOTE J - PRIOR PERIOD ADJUSTMENT

The previously stated net assets/fund balances have been adjusted as follows:

	<u>Governmental Activities</u>	<u>370/MO Bottom Road Tax Increment Financing District</u>	<u>Component Unit</u>
Net assets/fund balances, June 30, 2005, as previously reported	\$18,129,146	117,973	(16,909,083)
Accounts payable	(125,336)	(125,336)	-
Accounts receivable	<u>-</u>	<u>-</u>	<u>102,053</u>
 Net Assets/Fund Balances, June 30, 2005, As Restated	 <u>\$18,003,810</u>	 <u>(7,363)</u>	 <u>(16,807,030)</u>

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION

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, 2006

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES			
Property taxes			
Real estate	\$ 2,567,600	2,587,707	20,107
Personal property	806,000	785,948	(20,052)
Property surtax	395,000	355,118	(39,882)
Total Property Taxes	<u>3,768,600</u>	<u>3,728,773</u>	<u>(39,827)</u>
Sales taxes			
Hotel/motel tax	128,750	124,652	(4,098)
Park and stormwater	1,817,000	1,622,859	(194,141)
Sales	3,533,000	3,312,949	(220,051)
Use	500,000	1,090,871	590,871
Total Sales Taxes	<u>5,978,750</u>	<u>6,151,331</u>	<u>172,581</u>
Utility taxes	<u>2,267,500</u>	<u>2,245,305</u>	<u>(22,195)</u>
Other taxes			
Cigarette	97,000	93,331	(3,669)
Gasoline	671,000	744,784	73,784
Road and bridge	567,100	532,058	(35,042)
Vehicle fees	142,000	165,552	23,552
Total Other Taxes	<u>1,477,100</u>	<u>1,535,725</u>	<u>58,625</u>
Permits and inspections			
Building permits	190,000	344,639	154,639
Occupancy permits	133,850	120,690	(13,160)
Total Permits And Inspections	<u>323,850</u>	<u>465,329</u>	<u>141,479</u>
Licenses			
Manufacturers	1,780,000	653,015	(1,126,985)
Occupation services	945,000	1,002,902	57,902
Merchants	511,000	472,369	(38,631)
Liquor	14,100	20,308	6,208
Coin devices	7,000	4,745	(2,255)
Franchises	226,900	257,017	30,117
Total Licenses	<u>3,484,000</u>	<u>2,410,356</u>	<u>(1,073,644)</u>

(Continued)

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES (Continued)	Original And Final Budget	Actual	Over (Under) Budget
Intergovernmental			
Miscellaneous	12,000	29,079	17,079
Grant income	7,000	34,961	27,961
Police grant	46,400	17,177	(29,223)
Total Intergovernmental	<u>65,400</u>	<u>81,217</u>	<u>15,817</u>
Fines and forfeitures			
Court fines	1,600,000	1,171,322	(428,678)
Police fines	25,000	33,688	8,688
License fines	19,000	22,247	3,247
Total Fines And Forfeitures	<u>1,644,000</u>	<u>1,227,257</u>	<u>(416,743)</u>
Investment income	<u>46,300</u>	<u>92,810</u>	<u>46,510</u>
Recreation fees			
Swimming pools	15,000	17,155	2,155
Rentals	70,000	80,638	10,638
Classes	87,000	103,986	16,986
Disc golf	7,500	5,436	(2,064)
Recreation programs and trips	14,500	20,541	6,041
Concessions	16,000	11,934	(4,066)
Resident cards	39,000	52,237	13,237
Sports complex	3,000	16,928	13,928
Total Recreation Fees	<u>252,000</u>	<u>308,855</u>	<u>56,855</u>
Miscellaneous			
Fire protection service	189,900	126,898	(63,002)
Ambulance fees	424,400	268,031	(156,369)
Other	200,000	417,912	217,912
Proceeds from sale of assets	10,000	5	(9,995)
Total Miscellaneous	<u>824,300</u>	<u>812,846</u>	<u>(11,454)</u>
Total Revenues	<u>\$ 20,131,800</u>	<u>19,059,804</u>	<u>(1,071,996)</u>

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

EXPENDITURES	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Mayor and council				
Personnel services	\$ 28,943	25,943	24,611	(1,332)
Contractual services	110,515	65,515	59,464	(6,051)
Commodities	10,665	3,665	8,955	5,290
Capital outlay	1,050	1,050	1,034	(16)
Total Mayor And Council	151,173	96,173	94,064	(2,109)
City manager				
Personnel services	493,417	493,417	491,290	(2,127)
Contractual services	332,026	332,026	336,506	4,480
Commodities	37,534	37,534	38,547	1,013
Capital outlay	46,375	46,375	10,369	(36,006)
Total City Manager	909,352	909,352	876,712	(32,640)
Information system				
Contractual services	264,661	349,661	344,307	(5,354)
Commodities	500	500	435	(65)
Capital outlay	38,319	38,319	40,940	2,621
Total Information System	303,480	388,480	385,682	(2,798)
Finance				
Personnel services	236,485	236,485	233,656	(2,829)
Contractual services	83,356	83,356	79,924	(3,432)
Commodities	4,005	4,005	1,589	(2,416)
Capital outlay	900	900	334	(566)
Total Finance	324,746	324,746	315,503	(9,243)
Legal				
Personnel services	138,655	138,655	139,224	569
Contractual services	204,367	249,367	216,397	(32,970)
Commodities	2,730	2,730	3,505	775
Contingencies	2,200	2,200	(1,357)	(3,557)
Total Legal	347,952	392,952	357,769	(35,183)
City clerk				
Personnel services	185,221	185,221	176,528	(8,693)
Contractual services	58,169	58,169	56,221	(1,948)
Commodities	1,530	1,530	1,394	(136)
Capital outlay	2,410	2,410	254	(2,156)
Total City Clerk	247,330	247,330	234,397	(12,933)
Police				
Personnel services	5,615,525	5,515,525	5,449,865	(65,660)
Contractual services	362,810	362,810	388,702	25,892
Commodities	229,454	229,454	251,142	21,688
Capital outlay	45,265	45,265	54,958	9,693
Contingencies	400	400	6,635	6,235
Total Police	6,253,454	6,153,454	6,151,302	(2,152)

(Continued)

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2006

EXPENDITURES (Continued)	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Fire				
Personnel services	2,994,969	3,074,969	3,065,724	(9,245)
Contractual services	3,275,901	3,195,901	3,189,674	(6,227)
Commodities	52,415	52,415	54,484	2,069
Capital outlay	40,250	40,250	38,450	(1,800)
Contingencies	3,000	3,000	849	(2,151)
Total Fire	<u>6,366,535</u>	<u>6,366,535</u>	<u>6,349,181</u>	<u>(17,354)</u>
Ambulance				
Personnel services	231,542	231,542	204,958	(26,584)
Contractual services	89,888	89,888	78,856	(11,032)
Commodities	28,050	28,050	19,643	(8,407)
Capital outlay	8,760	8,760	3,045	(5,715)
Contingencies	-	-	4,988	4,988
Total Ambulance	<u>358,240</u>	<u>358,240</u>	<u>311,490</u>	<u>(46,750)</u>
Public works:				
Administration				
Personnel services	636,819	636,819	630,213	(6,606)
Contractual services	356,308	401,308	407,634	6,326
Commodities	22,650	22,650	24,387	1,737
Capital outlay	11,300	11,300	4,337	(6,963)
Contingencies	100	100	692	592
Total Administration	<u>1,027,177</u>	<u>1,072,177</u>	<u>1,067,263</u>	<u>(4,914)</u>
General maintenance				
Personnel services	706,172	693,172	682,963	(10,209)
Contractual services	113,147	110,147	109,139	(1,008)
Commodities	175,350	166,350	171,127	4,777
Capital outlay	19,900	19,900	16,373	(3,527)
Contingencies	-	-	(1,225)	(1,225)
Total General Maintenance	<u>1,014,569</u>	<u>989,569</u>	<u>978,377</u>	<u>(11,192)</u>
Park maintenance				
Personnel services	644,385	649,385	593,798	(55,587)
Contractual services	31,350	31,350	35,231	3,881
Commodities	56,750	56,750	81,677	24,927
Capital outlay	5,800	5,800	12,281	6,481
Contingencies	-	-	11,888	11,888
Total Park Maintenance	<u>738,285</u>	<u>743,285</u>	<u>734,875</u>	<u>(8,410)</u>
Recreation				
Personnel services	1,087,742	1,087,742	1,035,626	(52,116)
Contractual services	362,269	362,269	348,109	(14,160)
Commodities	48,647	48,647	56,539	7,892
Capital outlay	41,258	41,258	56,592	15,334
Contingencies	1,000	1,000	10,313	9,313
Total Recreation	<u>1,540,916</u>	<u>1,540,916</u>	<u>1,507,179</u>	<u>(33,737)</u>
Total Public Works	<u>4,320,947</u>	<u>4,345,947</u>	<u>4,287,694</u>	<u>(58,253)</u>
Total Expenditures	<u>\$ 19,583,209</u>	<u>19,583,209</u>	<u>19,363,794</u>	<u>(219,415)</u>

CITY OF HAZELWOOD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
NOTES TO SCHEDULES OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

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. 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, 2006

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Sales taxes	\$ 1,540,000	1,484,628	(55,372)
Intergovernmental	350,000	-	(350,000)
Investment income	-	34,084	34,084
Miscellaneous	-	36,294	36,294
Total Revenues	1,890,000	1,555,006	(334,994)
EXPENDITURES			
Capital outlay	2,179,118	1,216,438	(962,680)
NET CHANGE IN FUND BALANCE	\$ (289,118)	338,568	627,686
FUND BALANCE, JULY 1		2,010,369	
FUND BALANCE, JUNE 30		\$ 2,348,937	

CITY OF HAZELWOOD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Sewer Lateral</u>	<u>Elm Grove Area Tax Incremental Financing District</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 585,662	178,945	764,607
Receivables:			
Other	1,654	1,436	3,090
Total Assets	<u>\$ 587,316</u>	<u>180,381</u>	<u>767,697</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 6,506	-	6,506
 Fund Balances			
Unreserved	580,810	180,381	761,191
Total Liabilities And Fund Balances	<u>\$ 587,316</u>	<u>180,381</u>	<u>767,697</u>

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, 2006

	<u>Sewer Lateral</u>	<u>Elm Grove Area Tax Incremental Financing District</u>	<u>Total</u>
REVENUES			
Property taxes	\$ -	22,387	22,387
Sales taxes	-	26,023	26,023
Investment income	16,637	-	16,637
Sewer lateral	192,044	-	192,044
Total Revenues	208,681	48,410	257,091
EXPENDITURES			
Sewer lateral	173,934	-	173,934
NET CHANGE IN FUND BALANCES	34,747	48,410	83,157
FUND BALANCES, JULY 1	546,063	131,971	678,034
FUND BALANCES, JUNE 30	\$ 580,810	180,381	761,191



Section III

Statistical Section

CITY OF HAZELWOOD, MISSOURI
NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS

	June 30			
	2006	2005	2004	2003
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 10,763,130	12,025,405	12,258,027	11,532,817
Restricted	397,442	105,899	106,825	109,678
Unrestricted	2,569,845	5,872,506	5,739,542	5,977,799
 Total Governmental Activities Net Assets	 <u>\$ 13,730,417</u>	 <u>18,003,810</u>	 <u>18,104,394</u>	 <u>17,620,294</u>

Source: Basic Financial Statements

GASB 34 was implemented in 2003.

CITY OF HAZELWOOD, MISSOURI

**CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS**

	For The Years Ended June 30			
	2006	2005	2004	2003
EXPENSES				
Governmental activities:				
General government	\$ 2,464,356	2,087,773	3,025,041	2,623,008
Police	6,435,271	5,975,923	5,862,217	5,208,275
Fire and ambulance	7,087,575	6,374,396	6,043,746	5,830,812
Public works	6,345,439	4,074,797	2,583,716	973,378
Parks and recreation	2,879,118	2,334,874	2,138,623	1,910,345
Economic development	11,116,868	5,476,247	2,941,286	866,727
Sewer lateral	173,934	69,341	107,273	114,599
Interest on long-term debt	431,849	126,381	55,343	69,055
Total Expenses	<u>36,934,410</u>	<u>26,519,732</u>	<u>22,757,245</u>	<u>17,596,199</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	487,576	480,120	590,523	470,841
Police	1,211,838	808,956	607,281	581,343
Fire and ambulance	468,918	294,125	149,370	147,448
Parks and recreation	308,855	279,008	264,643	260,474
Sewer lateral	192,044	198,946	224,172	224,615
Operating grants and contributions	1,647,110	2,043,262	195,756	211,850
Capital grants and contributions	-	-	1,091,302	-
Total Program Revenues	<u>4,316,341</u>	<u>4,104,417</u>	<u>3,123,047</u>	<u>1,896,571</u>
NET REVENUES (EXPENSES)				
Governmental activities	<u>(32,618,069)</u>	<u>(22,415,315)</u>	<u>(19,634,198)</u>	<u>(15,699,628)</u>
GENERAL REVENUES				
Governmental activities:				
Property taxes	13,388,774	7,411,051	4,113,306	2,670,426
Sales taxes	9,197,588	8,907,348	8,382,356	9,793,356
Utility taxes	2,294,316	2,256,529	2,243,347	2,160,914
Other taxes	93,331	93,722	1,520,986	1,394,575
License taxes	2,410,356	3,230,993	3,382,104	3,425,626
Investment income	424,989	103,999	35,360	24,692
Miscellaneous	535,322	436,425	398,085	270,319
Total General Revenues	<u>28,344,676</u>	<u>22,440,067</u>	<u>20,075,544</u>	<u>19,739,908</u>
CHANGES IN NET ASSETS				
Governmental activities	<u>\$ (4,273,393)</u>	<u>24,752</u>	<u>441,346</u>	<u>4,040,280</u>

Source: Basic Financial Statements

GASB 34 was implemented in 2003.

CITY OF HAZELWOOD, MISSOURI
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

	June 30			
	2006	2005	2004	2003
General Fund:				
Reserved	\$ 1,700,947	1,415,870	1,463,622	1,339,228
Unreserved	1,615,749	2,204,816	1,188,737	(593,413)
Total General Fund	<u>\$ 3,316,696</u>	<u>3,620,686</u>	<u>2,652,359</u>	<u>745,815</u>
All other governmental funds:				
Reserved	\$ 3,561,286	878,402	702,892	1,135,985
Unreserved, reported in:				
Capital Projects Funds	4,119,255	9,332,589	1,596,055	1,906,849
Special Revenue Funds	796,418	1,125,386	1,394,709	2,991,369
Total All Other Govern- mental Funds	<u>\$ 8,476,959</u>	<u>11,336,377</u>	<u>3,693,656</u>	<u>6,034,203</u>

Source: Basic Financial Statements

GASB 34 was implemented in 2003.

CITY OF HAZELWOOD, MISSOURI
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

	For The Years Ended June 30			
	2006	2005	2004	2003
REVENUES				
Property taxes	\$ 13,324,363	7,441,915	4,005,954	2,670,426
Sales taxes	9,359,838	9,080,912	8,382,356	6,901,856
Utility taxes	2,294,316	2,256,528	2,243,346	2,160,914
Other taxes	1,535,725	1,520,813	1,520,987	1,394,575
Permits and inspections	465,329	466,120	571,618	449,525
Licenses	2,410,356	3,230,995	3,382,104	3,425,626
Intergovernmental	81,217	453,405	1,314,020	3,103,350
Fines and forfeitures	1,227,257	822,955	626,186	602,658
Investment income	424,989	103,999	35,359	24,692
Recreation fees	308,855	279,009	264,643	260,475
Sewer lateral	192,044	198,946	224,172	224,615
Miscellaneous	931,500	674,579	550,494	417,767
Total Revenues	<u>32,555,789</u>	<u>26,530,176</u>	<u>23,121,239</u>	<u>21,636,479</u>
EXPENDITURES				
Current:				
Mayor and council	93,030	87,442	74,608	50,165
City manager	866,343	768,748	605,132	567,498
Information system	344,742	233,397	194,267	163,963
Finance	315,169	278,646	271,569	258,799
Legal	357,769	307,347	310,032	350,952
City clerk	234,143	237,975	215,341	211,092
Police	6,096,344	5,665,655	5,503,721	4,997,085
Fire and ambulance	6,619,176	6,200,753	5,875,455	5,682,597
Public works:				
Administration	1,062,926	983,824	968,005	946,344
General maintenance	962,004	985,934	961,585	824,791
Park maintenance	722,594	784,424	672,362	627,362
Recreation	1,450,587	1,359,589	1,175,347	1,180,873
Street	430,763	171,986	-	-
Sewer lateral	173,934	69,341	107,273	114,599
Economic development	11,116,868	5,476,247	2,941,286	864,106
Capital outlay	4,610,085	3,327,998	3,597,427	1,465,071
Debt service - principal	70,000	35,000	35,000	35,000
Debt service - interest	355,796	44,470	46,832	49,195
Debt service - bond issue costs	-	136,920	-	-
Total Expenditures	<u>35,882,273</u>	<u>27,155,696</u>	<u>23,555,242</u>	<u>18,389,492</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,326,484)</u>	<u>(625,520)</u>	<u>(434,003)</u>	<u>3,246,987</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	646,520
Transfers out	-	-	-	(646,520)
Issuance of debt	163,076	819,060	-	-
Issuance of bonds	-	8,415,000	-	-
Bond premium	-	127,844	-	-
Total Other Financing Sources (Uses)	<u>163,076</u>	<u>9,361,904</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ (3,163,408)</u>	<u>8,736,384</u>	<u>(434,003)</u>	<u>3,246,987</u>
Debt service as a percentage of noncapital expenditures	1.4 %	0.9	0.4	0.5

Source: Basic Financial Statements

CITY OF HAZELWOOD, MISSOURI
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS

Fiscal Year	Calendar Year	Real Property				Personal Property	Total		Assessed Value As Of Percentage Of Actual Value
		Residential Property	Commercial Property	Agricultural Property	Total Real Property		Assessed Value	Estimated Actual Value	
2006	2005	\$183,360,930	\$ 249,515,091	\$ 214,630	\$ 433,090,651	\$118,023,245	\$ 551,113,896	\$2,100,650,504	26.2 %
2005	2004	179,413,310	236,475,420	218,790	416,107,520	106,294,820	522,402,340	2,003,973,976	26.1
2004	2003	153,511,320	221,916,419	270,450	375,698,189	113,731,001	489,429,190	1,844,889,878	26.5
2003	2002	152,635,550	191,386,245	188,700	344,210,495	118,404,383	462,614,878	1,758,213,020	26.3
2002	2001	N/A	N/A	N/A	330,977,398	108,864,723	439,842,121	1,668,487,235	26.4
2001	2000	N/A	N/A	N/A	326,865,774	126,408,391	453,274,165	1,611,014,101	28.1
2000	1999	N/A	N/A	N/A	305,577,921	120,957,441	426,535,362	1,588,171,868	26.9
1999	1998	N/A	N/A	N/A	308,616,223	127,069,403	435,685,626	1,577,288,015	27.6
1998	1997	N/A	N/A	N/A	N/A	N/A	419,027,317	1,583,992,057	26.5
1997	1996	N/A	N/A	N/A	N/A	N/A	403,551,428	1,525,490,655	26.5

(1) Source: St. Louis County Assessor, Post-BOE Assessed Values

N/A - Not Available

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

	<u>2005</u>	<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>
City of Hazelwood	0.867	0.789	0.750	0.410	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	0.190	0.255	0.190	0.190	0.190	0.190	0.190	0.190	0.190	0.190
County Park Maintenance	0.035	0.045	0.035	0.035	0.035	0.035	0.035	0.035	0.035	0.035
County Bond Retire	0.063	-	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	0.165	0.175	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Metro Zoo	0.265	0.276	0.226	0.222	0.222	0.232	0.227	0.232	0.232	0.232
Sheltered Workshop	0.082	0.085	0.085	0.085	0.085	0.085	0.085	0.085	0.085	0.085
County Library	0.150	0.150	0.140	0.140	0.140	0.140	0.140	0.140	0.140	0.140
Special School District	0.840	0.905	0.833	0.849	0.835	0.623	0.620	0.640	0.620	0.630
St. Louis Community College	0.223	0.237	0.231	0.232	0.230	0.240	0.240	0.240	0.240	0.240
Hazelwood School District	5.230	4.880	4.690	4.743	4.559	4.643	4.640	4.630	4.210	4.200
Metro Sewer District	0.069	0.069	0.069	0.069	0.069	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>7.517</u>	<u>7.282</u>	<u>6.955</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>
Total City And Overlapping Governments	<u>8.384</u>	<u>8.071</u>	<u>7.705</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>

(1) Source: St. Louis County Assessor (rates stated per \$100 assessed valuation)

N/A - Not Available

CITY OF HAZELWOOD, MISSOURI
PRINCIPAL TAXPAYERS (1)
MOST RECENT AND PRIOR YEAR

Taxpayer	2005			2004		
	Taxable Assessed Valuation	Rank	Percentage Of Total City Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage Of Total City Taxable Assessed Value
Ford Motor Company	\$ 59,998,020	1	11.49 %	\$ 62,572,410	1	12.78 %
St. Louis Mills Limited Partnership	36,864,410	2	7.06	32,327,460	2	6.61
Boeing/McDonnell Douglas Corp.	25,762,900	3	4.93	30,633,130	3	6.26
DP Properties LP	13,120,000	4	2.51	12,800,000	4	2.62
Mallinckrodt, Inc./Mallinckrodt Medical, Inc.	11,970,720	5	2.29	12,175,660	5	2.49
IBM Corp./IBM Credit LLC	7,383,290	6	1.41	10,098,460	6	2.06
Biomerieux, Inc.	5,778,000	7	1.11	6,132,460	7	1.25
Welsh Lambert Pointe Holdings, LLC	5,709,190	8	1.09	5,610,890	8	1.15
PPF Industrial	5,244,710	9	1.00	-	-	-
Eastern Industrial Capital LP	4,277,350	10	0.82	-	-	-
AT&T Wireless Services, Inc.	-	-	-	5,489,590	9	1.12
GKN Aerospace North America, Inc.	-	-	-	4,854,590	10	0.99
	<u>\$ 176,108,590</u>		<u>33.71 %</u>	<u>\$ 182,694,650</u>		<u>37.33 %</u>

*Per St. Louis County Department of Revenue, 2005 is the most recent information available, information prior to 2004 not available.

(1) Source: St. Louis County Assessor

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

<u>Fiscal Year</u>	<u>Tax Levy Year</u>	<u>Net Tax Levy (2)</u>	<u>Current Tax Collections</u>	<u>Percent Collected As Current</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections As Percent Of Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes As Percent Of Levy</u>
2006	2005	\$4,149,340	\$3,322,034	80.1 %	\$ 221,108	\$ 3,543,142	85.4 %	\$ 952,122	22.9 %
2005	2004	3,432,757	3,201,169	93.3	491,603	3,692,772	107.6	354,478	10.3
2004	2003	3,343,567	2,827,095	84.6	130,992	2,958,087	88.5	157,192	4.7
2003	2002	1,745,103	1,593,058	91.3	76,576	1,669,634	95.7	169,722	9.7
2002	2001	984,353	901,203	91.6	118,066	1,019,269	103.5	24,777	2.5
2001	2000	905,558	796,357	87.9	49,150	845,507	93.4	23,854	2.6
2000	1999	925,483	875,412	94.6	38,964	914,376	98.8	20,241	2.2
1999	1998	886,155	828,303	93.5	19,111	847,414	95.6	23,258	2.6
1998	1997	865,664	784,749	90.7	76,300	861,049	99.5	15,446	1.8
1997	1996	838,587	805,431	96.0	52,006	857,437	102.2	16,379	2.0

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

(2) Originally adjusted for strikeouts and additions by St. Louis Board of Equalization after 1978

CITY OF HAZELWOOD, MISSOURI
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST NINE FISCAL YEARS

Fiscal Year	Governmental Activities			Total Primary Government	Percentage Of Personal Income (1)	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Capital Lease Obligations			
2006	\$ 8,505,174	\$ 855,000	\$ 779,113	\$ 10,139,287	1.73 %	\$ 387
2005	8,541,566	895,000	792,214	10,228,780	1.75	390
2004	-	930,000	33,392	963,392	0.16	37
2003	-	965,000	297,822	1,262,822	0.22	48
2002	-	1,000,000	555,691	1,555,691	0.27	59
2001	-	1,030,000	681,366	1,711,366	0.29	65
2000	-	900,000	192,426	1,092,426	0.25	41
1999	-	-	718,041	718,041	0.17	27
1998	-	-	1,244,765	1,244,765	0.29	46

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Demographics and Economic Statistics Table

CITY OF HAZELWOOD, MISSOURI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2006

<u>Name Of Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share Of Overlapping Debt</u>
St. Louis County	\$ 88,615,000	2.5 %	\$ 2,215,375
Hazelwood School District	136,244,439	26.9	36,649,754
Ferguson-Florissant School District	15,900,015	8.7	1,383,301
Pattonville School District	45,235,000	0.4	180,940
Hazelwood Neighborhood Improvement District	<u>855,000</u>	100.0	<u>855,000</u>
 Total Direct And Overlapping Debt	 <u>\$ 286,849,454</u>		 <u>\$ 41,284,370</u>

Source: Information was obtained by contacting the Taxing Jurisdiction and the St. Louis County Collector's office. The percentage applicable to the City is based on the jurisdiction's assessed value within the boundaries of the City.

CITY OF HAZELWOOD, MISSOURI
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (1) (In Thousands)	Per Capita Personal Income (1)	Median Age (1)	Education Level In Years Of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2006	26,206	\$ 584,682	\$ 22,311	36	13.0	4,655	4.5 %
2005	26,206	584,682	22,311	36	13.0	4,655	4.4
2004	26,206	584,682	22,311	36	13.0	4,655	4.8
2003	26,206	584,682	22,311	36	13.0	4,655	4.7
2002	26,206	584,682	22,311	36	13.0	4,634	3.8
2001	26,206	584,682	22,311	36	13.0	4,709	2.6
2000	26,829	429,049	15,992	33	12.8	4,709	2.3
1999	26,829	429,049	15,992	33	12.8	4,709	2.3
1998	26,829	429,049	15,992	33	12.8	4,709	2.8
1997	26,829	429,049	15,992	33	12.8	4,709	2.3

- (1) Source: 2000 and 1990 U.S. Bureau of Census
(2) City of Hazelwood Community Profile
(3) Source: Missouri Department of Economic Development

CITY OF HAZELWOOD, MISSOURI

PRINCIPAL EMPLOYERS

CURRENT YEAR AND SIX YEARS AGO

2006				2000			
Employer	Employees	Rank	Percent Of Total City Employment	Employer	Employees	Rank	Percent Of Total City Employment
IBM Corporation	1,250	1	8.34 %	Ford Motor Company	2,800	1	18.68 %
McDonnell Douglas Corporation	823	2	5.49	IBM Corporation	1,110	2	7.40
bioMerieux, Inc.	609	3	4.06	Mallinckrodt, Inc.	663	3	4.42
GKN Aerospace North America, Inc.	600	4	4.00	bioMerieux, Inc.	609	4	4.06
Mallinckrodt, Inc.	574	5	3.83	GKN Aerospace North America, Inc.	600	5	4.00
First Bank	426	6	2.84	Pillsbury Company	500	6	3.33
Home Decorators Collection, Inc.	399	7	2.66	Hazelwood Farm Bakeries	480	7	3.20
Supervalu St. Louis Division	355	8	2.37	General Motors Svc. Pts.	354	8	2.36
General Motors Svc. Pts.	354	9	2.36	Supervalu St. Louis Division	329	9	2.19
Printpack, Inc.	290	10	1.93	Knight/Williams Corporation	306	10	2.04
	<u>5,680</u>		<u>37.88 %</u>		<u>7,751</u>		<u>51.70 %</u>

Source: The City's Planning Department

Note: Employment figures from 2000 only contained the City's five largest employers.

CITY OF HAZELWOOD, MISSOURI
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Full-Time Equivalent Employees As Of June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General government:										
City Manager	7	7	7	6	7	7	9	8	6	5
Finance	4	4	4	4	4	4	4	4	4	3
Legal/Municipal Court	3	3	3	3	3	3	3	3	3	3
City Clerk	3	3	3	3	4	4	4	4	4	4
Public safety:										
Police	81	78	78	70	79	76	75	72	70	72
Fire	34	34	34	35	35	36	36	36	37	35
Ambulance	3	3	-	-	-	-	-	-	-	-
Public works:										
Administration	11	10	10	10	10	9	6	6	6	4
General/street maintenance	13	13	13	12	12	12	12	12	12	12
Parks maintenance	11	12	12	12	15	15	12	12	11	10
Recreation	30	27	27	27	29	29	28	28	28	25

(1) Source: Annual Budget Document
 Mayor and Council excluded (elected officials, not employees)

CITY OF HAZELWOOD, MISSOURI
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Police:										
Arrests	2,393	2,503	2,177	1,994	2,225	1,942	2,020	1,293	1,871	-
Traffic citations	16,260	8,673	8,373	7,261	9,613	6,385	10,000	10,000	5,242	-
Fire:										
Fire calls	973	1,345	1,670	1,686	2,138	1,471	1,518	796	1,302	-
Ambulance calls	1587	1,189	1,465	451	726	640	1,806	1,457	1,502	-
Inspections	1124	980	1,016	758	684	684	777	665	913	-
Public works:										
Streets:										
Streets resurfacing (miles)	7.8	19	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sidewalk repairs (lineal ft.)	6115	24,452	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Potholes repaired (tons of material)	185	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administration:										
Building permits issued	820	964	1,200	838	348	279	284	298	256	254
Residential occupancy permits issued	1958	2,053	2,104	1,773	2,060	-	-	-	-	-
Recreation:										
Community center admissions	110548	103,200	100,319	106,070	134,291	125,734	144,382	141,195	144,340	143,314
Finance:										
Business licenses issued	1,163	1,172	1,162	1,099	914	923	819	-	-	-
Payroll transactions	6,865	6,587	6,309	5,855	6,053	5,940	-	-	-	-
Accounting funds	13	13	12	10	7	6	6	6	6	6
Payable checks issued	5,702	6,029	7,375	6,993	6,759	6,631	6,707	-	-	-

In 2003, usage fees were implemented at community centers resulting in succeeding years decline.

In 2004, checks were issued to all charged sewer lateral fees.

CITY OF HAZELWOOD, MISSOURI
CAPITAL ASSETS BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS

Function/Program	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Public safety/police:									
Stations	1	1	1	1	1	1	1	1	1
Marked patrol units	39	33	33	33	33	33	32	31	29
Sectors	6	6	6	5	5	5	5	5	5
Public safety/fire:									
Stations	2	2	2	2	2	2	2	2	2
Fire hydrants	573	573	573	573	563	546	546	533	533
Vehicles	7	7	5	5	5	5	4	4	4
Public works:									
Miles of streets	158	158	158	158	158	138	138	138	92
Street lights and signals	108	108	108	41	41	41	41	41	41
Parks and recreation:									
Community centers	2	2	2	2	2	2	2	2	2
Parks	16	16	16	16	16	16	16	16	16
Park acreage	179	179	179	179	179	179	179	164	164
Swimming pools	1	1	1	1	1	1	1	2	2
Tennis courts	13	13	13	13	13	13	11	11	13
Athletic complex	1	1	1	1	1	1	-	-	-

Only 9 years available, 1998 first CAFR.



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 ON OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

October 6, 2006

Honorable Mayor and City Council
CITY OF HAZELWOOD, MISSOURI

We have audited the 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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 6, 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 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 an opinion 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

www.hbclp.com

POLARIS
INTERNATIONAL

Member: Polaris International with Firms in Principal U.S. and International Cities

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, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City in a separate letter dated October 6, 2006.

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