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Financial Report, 2006

Hanley/Eager Road Transportation Development District

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

**HANLEY/EAGER ROAD
TRANSPORTATION
DEVELOPMENT DISTRICT**

FINANCIAL REPORT
(Audited)

Year Ended December 31, 2006

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT FINANCIAL REPORT

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

INDEPENDENT AUDITORS' REPORT

December 4, 2007

Board of Directors

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT

We have audited the accompanying financial statements of the governmental activities and each major fund of the **HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT** (the District) as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 District's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund as of December 31, 2006, and the respective changes in financial position for the year then ended, on the basis of accounting described in Note A-3.

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In accordance with *Government Auditing Standards*, we have also issued a report dated December 4, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

As management of the Hanley/Eager Road Transportation Development District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements (attached).

FINANCIAL HIGHLIGHTS

- * The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$12,484,804.
- * The District's total net assets decreased by \$315,694. This decrease is mainly due to interest accretion.
- * As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$250,683, a decrease of \$9,085 in comparison with the prior year. Approximately 6% of this amount, \$15,366, is available for spending at the District's discretion (unreserved fund balance).
- * At the end of the current fiscal year, the unreserved balance for the General Fund was \$6,774, or 25%, of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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 - modified cash basis and the governmental funds statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2006

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$12,484,804 at the close of the most recent fiscal year.

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

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

	<u>December 31</u>		<u>2006 Change</u>	
	<u>2006</u>	<u>2005</u>	<u>Amount</u>	<u>Percent</u>
ASSETS				
Cash and investments	\$ 250,683	259,768	(9,085)	(3.5%)
LIABILITIES				
Due in more than one year	<u>12,735,487</u>	<u>12,428,878</u>	<u>306,609</u>	2.5
NET ASSETS (DEFICIENCY)				
Unrestricted	(12,720,121)	(12,417,001)	(303,120)	(2.4)
Restricted - debt service	<u>235,317</u>	<u>247,891</u>	<u>(12,574)</u>	(5.1)
Total Net Assets (Deficiency)	(\$ <u>12,484,804</u>)	(<u>12,169,110</u>)	(<u>315,694</u>)	(2.6%)

Governmental activities. Governmental activities decreased the District's net assets by \$315,694.

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

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	For The Years Ended December 31		2006 Change	
	2006	2005	Amount	Percent
REVENUES				
General revenues:				
Sales tax	\$ 184,701	179,078	5,623	3.1%
Investment income	14,428	9,075	5,353	59.0
Total General Revenues	<u>199,129</u>	<u>188,153</u>	<u>10,976</u>	5.8
EXPENSES				
Administrative	30,415	1,789	28,626	1,600.1
Capital outlay	-	4,448	(4,448)	(100.0)
Interest on long-term debt	484,408	469,179	15,229	3.2
Total Expenses	<u>514,823</u>	<u>475,416</u>	<u>39,407</u>	8.3
CHANGE IN NET ASSETS	(315,694)	(287,263)	(28,431)	(9.9)
NET ASSETS (DEFICIENCY), JANUARY 1	(12,169,110)	(11,881,847)	(287,263)	(2.4)
NET ASSETS (DEFICIENCY), DECEMBER 31	(\$12,484,804)	(12,169,110)	(315,694)	(2.6%)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

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

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$250,683.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did not revise its budget for the year. Revenues were \$138,646 below the budgeted amount of \$325,450. Expenditures were \$2,145 over the budgeted amount of \$25,000. Other financing sources (uses) were \$147,341 under the budgeted amount of \$300,450.

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Long-term debt. At the end of the current fiscal year, the District had debt outstanding of \$12,735,487. This amount is transportation revenue notes and a note payable. The debt increased by \$306,609 due to primarily interest accretion during the current fiscal year and additional borrowings.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Sales tax is the main source of revenue for the District at 93% of total revenues. Debt service requires the greatest usage of resources amounting to 94% of the total expenditures. These factors were considered in preparing the District's 2007 budget.

REQUESTS FOR INFORMATION

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

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT**
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 3,643
Investments	11,723
Investments - restricted for debt service	<u> 235,317</u>
Total Assets	<u> 250,683</u>
 LIABILITIES	
Noncurrent liabilities:	
Due in more than one year	<u> 12,735,487</u>
 NET ASSETS (DEFICIENCY)	
Unrestricted	(12,720,121)
Restricted - debt service	<u> 235,317</u>
 Total Net Assets (Deficiency)	<u><u> \$ (12,484,804)</u></u>

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT**
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Expenses</u>	<u>Net Revenues (Expenses) And Changes In Net Assets</u>
FUNCTIONS/PROGRAMS		
Governmental Activities		
Administrative	\$ 30,415	(30,415)
Interest on long-term debt	484,408	(484,408)
Total Governmental Activities	<u>\$ 514,823</u>	<u>(514,823)</u>
General Revenues		
Sales tax		184,701
Investment income		14,428
Total General Revenues		<u>199,129</u>
CHANGE IN NET ASSETS		(315,694)
NET ASSETS (DEFICIENCY), JANUARY 1		<u>(12,169,110)</u>
NET ASSETS (DEFICIENCY), DECEMBER 31		<u><u>\$ (12,484,804)</u></u>

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT**
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ -	3,643	-	3,643
Investments	6,774	4,949	-	11,723
Investments - restricted for debt service	-	-	235,317	235,317
	<u>-</u>	<u>-</u>	<u>235,317</u>	<u>235,317</u>
Total Assets	<u>\$ 6,774</u>	<u>8,592</u>	<u>235,317</u>	<u>250,683</u>
LIABILITIES AND FUND BALANCES				
Liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Unreserved - undesignated	6,774	8,592	-	15,366
Reserved - debt service	-	-	235,317	235,317
Total Fund Balances	<u>6,774</u>	<u>8,592</u>	<u>235,317</u>	<u>250,683</u>
Total Liabilities And Fund Balances	<u>\$ 6,774</u>	<u>8,592</u>	<u>235,317</u>	<u>250,683</u>

See notes to financial statements

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2006**

Total Fund Balances - Governmental Funds	\$ 250,683
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Note payable	(121,124)
Transportation revenue notes	<u>(12,614,363)</u>

Net Assets (Deficiency) Of Governmental Activities	<u><u>\$ (12,484,804)</u></u>
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**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Bond Payment Fund</u>	<u>Debt Service Reserve Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Sales tax	\$ 184,701	-	-	-	184,701
Investment income	2,103	209	-	12,116	14,428
Total Revenues	<u>186,804</u>	<u>209</u>	<u>-</u>	<u>12,116</u>	<u>199,129</u>
EXPENDITURES					
Administrative	27,145	3,270	-	-	30,415
Debt service:					
Interest paid	-	-	276,412	-	276,412
Interest accretion	-	-	207,996	-	207,996
Total Expenditures	<u>27,145</u>	<u>3,270</u>	<u>484,408</u>	<u>-</u>	<u>514,823</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>159,659</u>	<u>(3,061)</u>	<u>(484,408)</u>	<u>12,116</u>	<u>(315,694)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	276,412	-	276,412
Transfers out	(153,109)	-	-	(123,303)	(276,412)
Proceeds from note payable	-	-	-	98,613	98,613
Proceeds from interest accretion	-	-	207,996	-	207,996
Total Other Financing Sources (Uses)	<u>(153,109)</u>	<u>-</u>	<u>484,408</u>	<u>(24,690)</u>	<u>306,609</u>
NET CHANGES IN FUND BALANCES	6,550	(3,061)	-	(12,574)	(9,085)
FUND BALANCES, JANUARY 1	<u>224</u>	<u>11,653</u>	<u>-</u>	<u>247,891</u>	<u>259,768</u>
FUND BALANCES, DECEMBER 31	<u>\$ 6,774</u>	<u>8,592</u>	<u>-</u>	<u>235,317</u>	<u>250,683</u>

See notes to financial statements

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT**
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**
FOR THE YEAR ENDED DECEMBER 31, 2006

Net Changes In Fund Balances - Governmental Funds \$ (9,085)

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

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

Proceeds from note payable	(98,613)
Transportation revenue notes interest accretion	<u>(207,996)</u>

Change In Net Assets Of Governmental Activities	<u><u>\$ (315,694)</u></u>
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HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT** (the District), established in 2003, is a political subdivision duly organized under the laws of the State of Missouri. The District operates under the direction of a Board of Directors. The District was formed for the purpose of construction of certain transportation projects to serve a new commercial redevelopment project in the City of Brentwood, Missouri (the City). Generally, the District is authorized to impose a 1% sales tax within its boundaries and issue revenue notes payable from this sales tax.

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

1. Reporting Entity

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

2. Government-wide and Fund Financial Statements

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Measurement Focus

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

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

Basis of Accounting

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

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

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

The District reports the following major governmental funds:

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

4. Investments

Investments are stated at fair value.

5. Concentrations

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

6 Use of Estimates

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

NOTE B - LONG-TERM DEBT

Long-term debt consists of the following:

	December 31 2006
Series 2003A capital appreciation transportation revenue notes originally \$2,205,000, accretion rate 7.75%, due December 1, 2023.	\$ 2,840,768
Series 2003B transportation revenue notes originally \$4,095,000, interest rate 6.75%, payable semi-annually June 1 and December 1, due December 1, 2033.	4,095,000

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE B - LONG-TERM DEBT (Continued)

December 31
2006

Series 2003C transportation revenue notes originally \$5,678,595, interest rate 7.41%, payable semi-annually June 1 and December 1, due June 1, 2043.	5,678,595
Note payable with an interest rate of 5% and no maturity date	<u>121,124</u>
	<u>\$12,735,487</u>

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

The District had to borrow \$121,124 (\$98,613 during the current fiscal year ended December 31, 2006) at a 5% interest rate from Eager Road Associates, LLC (the developer) in order to meet its obligations.

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

	For The Year Ended December 31, 2006			
	December 31			December 31
	2005	Additions	Reductions	2006
Series 2003A capital appreciation transportation revenue notes	\$ 2,205,000	-	-	2,205,000
Series 2003A capital appreciation transportation revenue notes - interest accretion	<u>427,772</u>	<u>207,996</u>	<u>-</u>	<u>635,768</u>
	2,632,772	207,996	-	2,840,768
Series 2003B transportation revenue notes	4,095,000	-	-	4,095,000
Series 2003C transportation revenue notes	5,678,595	-	-	5,678,595
Note payable	<u>22,511</u>	<u>98,613</u>	<u>-</u>	<u>121,124</u>
	<u>\$12,428,878</u>	<u>306,609</u>	<u>-</u>	<u>12,735,487</u>

NOTE C - INVESTMENTS

As of December 31, 2006, the District had the following investments:

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE C - INVESTMENTS (Continued)

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Less Than One Year</u>	<u>Credit Risk</u>
Money market mutual funds	\$ 12,080	12,080	-	N/A
Government securities:				
Federal National Mortgage Association	<u>234,960</u>	<u>-</u>	<u>234,960</u>	AAA
Total Investments	<u>\$247,040</u>	<u>12,080</u>	<u>234,960</u>	

Investment Policies

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

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

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

NOTE D - DEBT SERVICE RESERVE FUND

The balance required by the indenture is \$300,000. Debt Service Reserve Funds of \$235,317 are below the required balance at December 31, 2006, due to revenue shortages. Upon the appropriate date, the Trustee directs the developer to restore any deficiency by paying additional payments until the Debt Service Reserve Fund equals the requirement, thus creating a note payable to the developer.

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

REQUIRED SUPPLEMENTAL INFORMATION SECTION

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES			
Sales tax	\$ 325,450	184,701	(140,749)
Investment income	-	2,103	2,103
Total Revenues	<u>325,450</u>	<u>186,804</u>	<u>(138,646)</u>
EXPENDITURES			
Administrative	<u>25,000</u>	<u>27,145</u>	<u>2,145</u>
REVENUES OVER (UNDER) EXPENDITURES	300,450	159,659	(140,791)
OTHER FINANCING USES			
Transfers out	<u>(300,450)</u>	<u>(153,109)</u>	<u>(147,341)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	6,550	<u>6,550</u>
FUND BALANCE, JANUARY 1		<u>224</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 6,774</u>	

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION -
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

- a. The proposed budget is submitted to the Board of Directors for the next fiscal year. The operating budget includes proposed expenditures and means of financing them, not to exceed the total revenue of the preceding year plus any unreserved balance at the end of such year.
- b. The budget must be adopted by the Board of Directors.
- c. Budgets are adopted on a basis generally consistent with the modified cash basis of accounting except that the other financing source and related interest accretion expenditure are not budgeted.
- d. Budget amendments must be approved by the Board of Directors.
- e. All annual appropriations lapse at fiscal year-end.

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

OTHER SUPPLEMENTAL INFORMATION SECTION

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT**

**OTHER SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - BOND PAYMENT FUND - BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES	\$ -	-	-
EXPENDITURES			
Debt service - interest paid	<u>306,450</u>	<u>276,412</u>	<u>(30,038)</u>
REVENUES OVER (UNDER) EXPENDITURES	(306,450)	(276,412)	30,038
OTHER FINANCING SOURCES			
Transfers in	<u>306,450</u>	<u>276,412</u>	<u>(30,038)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	-	<u>-</u>
FUND BALANCE, JANUARY 1		<u>-</u>	
FUND BALANCE, DECEMBER 31		<u>\$ -</u>	

**HANLEY/EAGER ROAD TRANSPORTATION
DEVELOPMENT DISTRICT
OTHER SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE RESERVE FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES			
Investment income	\$ 6,000	12,116	6,116
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER EXPENDITURES	<u>6,000</u>	<u>12,116</u>	<u>6,116</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(6,000)	(123,303)	117,303
Proceeds from note payable	<u>-</u>	<u>98,613</u>	<u>98,613</u>
Total Other Financing Sources (Uses)	<u>(6,000)</u>	<u>(24,690)</u>	<u>18,690</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u>(12,574)</u>	<u><u>(12,574)</u></u>
FUND BALANCE, JANUARY 1		<u>247,891</u>	
FUND BALANCE, DECEMBER 31		<u><u>\$ 235,317</u></u>	

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT

OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND - MODIFIED CASH BASIS FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES			
Investment income	\$ -	209	209
EXPENDITURES			
Administrative	-	3,270	3,270
Capital outlay	750,000	-	(750,000)
Total Expenditures	<u>750,000</u>	<u>3,270</u>	<u>(746,730)</u>
REVENUES OVER (UNDER) EXPENDITURES	(750,000)	(3,061)	746,939
OTHER FINANCING SOURCES			
Proceeds from revenues notes	750,000	-	(750,000)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	(3,061)	<u>(3,061)</u>
FUND BALANCE, JANUARY 1		<u>11,653</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 8,592</u>	

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

INTERNAL CONTROL AND COMPLIANCE SECTION



Hochschild, Bloom & Company LLP

Certified Public Accountants
Consultants and Advisors

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

December 4, 2007

Board of Directors

HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT

We have audited the financial statements of the governmental activities and the major funds of the **HANLEY/EAGER ROAD TRANSPORTATION DEVELOPMENT DISTRICT** (the District) as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 management of the District in a separate letter dated December 4, 2007.

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, Blom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS