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Basic Financial Statements with Supplementary Information, 2004

Wentzville Transportation Development District

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CLAIRE C. McCASKILL
Missouri State Auditor

June 30, 2005

Janet Downey
CBIZ Business Solutions, Inc.
One City Place, Suite 570
St. Louis, MO 63141

RE: Wentzville Transportation Development District of St. Charles County

Fiscal Period: One Year Ended December 31, 2004 ✓

Dear Ms. Downey:

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

Thank you for your cooperation in sending this information.

Sincerely,

CLAIRE C. McCASKILL
STATE AUDITOR

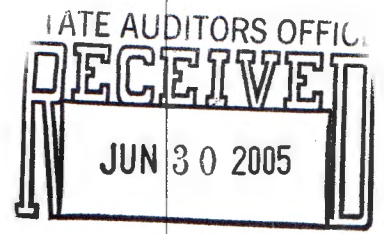
A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst

**THE WENTZVILLE TRANSPORTATION
DEVELOPMENT DISTRICT**

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2004



THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

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Mayer Hoffman McCann P.C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT:

We have audited the accompanying basic financial statements of the governmental activities of The Wentzville Transportation Development District (the "District") as listed in the table of contents as of and for the year ended December 31, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the District as of December 31, 2004, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2005 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 grants. 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 read in conjunction with this report in considering the results of our audit.

The accompanying Management's Discussion and Analysis on pages 3 through 11, is not a required part of the basic financial statements, but is 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.

Mayer Hoffman McCann P.C.

St. Louis, Missouri

June 10, 2005

Wentzville Transportation Development District Management's Discussion and Analysis Year Ended December 31, 2004

The following Management Discussion and Analysis of the background and financial performance of the Wentzville Transportation Development District (the "District") is to provide an introduction to and understanding of the basic financial statements for the year ended December 31, 2004. This discussion has been prepared by management and should be read in conjunction with the basic financial statements.

ACTIVITY HIGHLIGHTS

FORMATION OF DISTRICT

The District was formed under the Transportation Development District Act (TDD Act), Sections 238.200 to 238.275 of the Revised Statutes of Missouri. The District is a political subdivision of the State of Missouri and was organized on November 16, 2001. The TDD Act vests all power of the District in the Board of Directors that is elected by the owners of property in the District. The District was formed to fund certain transportation capital projects that would improve the economic viability of the area.

TRANSPORTATION PROJECT DESCRIPTION

1. Pearce Boulevard Overpass Enhancements
Aesthetic improvements, signage, landscaping, and specialty lighting
2. Pearce Boulevard/Wentzville Parkway Interchange
Lane widening and installation of additional turn lanes, signalization and signage
3. Pearce Boulevard Extension to May Road
Extension and straightening of roadway to May Road, including lighting, signalization and signage
4. Local Transit System
Capital costs of bus system, i.e. acquisition of bus, van, or installation of park-n-ride lots

As of December 31, 2004, the remaining project to be completed was the bridge enhancements. Projected completion of this final phase of the project is 2005.

The local transit system was a part of the original project description. However, administration of the City of Wentzville no longer views transit as a priority for the City of Wentzville. The Transportation Project's intent was to fund the capital costs of a transit system, but the ongoing cost of the day to day operation of a municipal transit system would be cost prohibitive to the City of Wentzville. The District will be spending the funds earmarked for transit on other elements of the project. Any excess funds after the completion of the entire project will go to pay down bond principal.

FINANCIAL HIGHLIGHTS

Due to the fact that the District's basic financial statements for the year ended December 31, 2004 is the first year of the implementation of the requirements established by the Government Accounting Standards Board Statement No. 34 (GASB 34) for financial reporting, comparisons of financial information from the previous year are limited. Such comparisons will be included in future years' Management Discussion and Analysis when such data being compared is formulated on the same accounting principles.

TDD SALES TAX

On November 27, 2001, the voters of the District approved the imposition of a TDD Sales Tax in the amount of one-quarter of one cent on all transactions within the District which are taxable pursuant to the TDD Act. The sales tax became effective on December 1, 2001. The TDD Sales Tax is to remain in effect until the bonds have been paid in full. The retail establishments located within the boundaries of the District will collect the TDD Sales Tax Revenues and forward them to the City of Wentzville, who acts as the District's collection agent.

Actual sales tax receipts compared to projected revenues under the TDD Act since inception is as follows:

Projections and Actual Collections

Source: Stifel, Nicolaus & Company

Calendar Year	Projected Revenues	Actual Receipts	Collections
		Remitted to Trustee	as a Percent of Projections
2002	\$198,700	\$138,014	69.5%
2003	330,900	264,986	80.1%
2004	371,600	304,243	81.9%
Total	\$901,200	\$707,243	78.5%

Collections of actual receipts as a percent of projections is expected to improve as the retail space within the District reaches its full occupancy capacity.

PROJECTIONS – TDD SALES TAX

Under Missouri law, a TDD can exist for as long as needed to provide revenue required to retire the bonds sold to pay for the improvements. Projections were extended for a 20-year period, although it is assumed that the District will exist until November 30, 2026. The projected TDD sales tax below begins on December 1, 2001 (weighted by the opening dates of the various retail establishments within the District) and continues with taxes generated through November 2021.

**Projected Annual Sales Tax Revenues Available for
Transportation Development Financing Obligations**

Prepared By: Development Strategies

Calendar Year	Taxable Sales Commons	Taxable Sales Crossroads	Total Sales	Sales Taxes at 0.25%	Available for TDD Debt (3 month lag)
2001	\$ 5,882,000	\$0	\$5,882,000	\$14,705	\$0
2002	77,320,000	20,804,000	98,124,000	245,310	198,700
2003	80,025,000	63,756,000	143,781,000	359,453	330,900
2004	82,825,000	67,433,000	150,258,000	375,645	371,600
2005	85,723,000	69,791,000	155,514,000	388,785	385,500
2006	88,722,000	72,233,000	160,955,000	402,388	399,000
2007	91,826,000	74,760,000	166,586,000	416,465	412,900
2008	95,040,000	77,375,000	172,415,000	431,038	427,400
2009	98,365,000	80,083,000	178,448,000	446,120	442,300
2010	101,808,000	82,887,000	184,695,000	461,738	457,800
2011	105,372,000	85,789,000	191,161,000	477,903	473,900
2012	108,006,000	87,932,000	195,938,000	489,845	486,900
2013	110,706,000	90,131,000	200,837,000	502,093	499,000
2014	113,474,000	92,386,000	205,860,000	514,650	511,500
2015	116,311,000	94,695,000	211,006,000	527,515	524,300
2016	119,219,000	97,063,000	216,282,000	540,705	537,400
2017	122,199,000	99,490,000	221,689,000	554,223	550,800
2018	125,254,000	101,976,000	227,230,000	568,075	564,600
2019	128,385,000	104,527,000	232,912,000	582,280	578,700
2020	131,595,000	107,139,000	238,734,000	596,835	593,200
2021 thru Nov.	134,885,000	109,819,000	244,704,000	611,760	569,800
TOTAL					\$9,316,200

TDD Sales Tax Revenues are contingent and may be adversely affected by a variety of factors including, but not limited to the following:

- Economic conditions within the District and surrounding area
- Competition from other retail businesses
- Rental rates and occupancy rates in developments in the District
- Local unemployment
- Availability of transportation
- Neighborhood changes
- Crime levels in the area

The year end fund balance of the District decreased by approximately \$200,000 in 2004. The decrease is attributable to additional capital outlay for the transportation project, net of sales tax revenue collected and not yet remitted as principal on bonds payable.

OVERVIEW OF DISTRICT FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's audited financial report includes the following basic financial statements:

- (1) Statement of Net Assets and Governmental Fund Balance Sheet
- (2) Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

As a special-purpose governmental entity, the District's government-wide financial statements have been combined with the fund financial statements of the District, given the District's sole function, as described in the "Activity Highlights" section above.

Government-wide financial statements

The government-wide financial statements (that is, the **statement of net assets** and the **statement of activities**) report information on all of the activities of the District. All of the District activities are classified as governmental activities, which normally are supported by tax revenues, as opposed to business-type activities, which rely to a significant extent on charges for services.

The **statement of net assets** presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets.

The **statement of activities** presents information showing how the District's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows. The statement of activities presents the various functions of the District and the degree to which they are supported by charges for services, operating or capital grants and contributions, tax revenues, and investment income.

The government-wide financial statements include only the District itself (*the primary government*). The government-wide financial statements do not include any blended component units.

Fund financial statements

The fund financial statements (that is, the **balance sheet** and the **statement of revenues, expenditures, and changes in fund balance**) provide information about groupings of related accounts which are used to maintain control over resources for specific activities or objectives. The District uses fund accounting to demonstrate compliance with finance-related legal requirements. Traditional users of governmental financial statements will find the fund financial statements more familiar.

The District uses two governmental fund types, a capital projects fund and a debt service fund to account for all activities of the District. Fund financial statements for governmental funds are prepared using a modified accrual basis of accounting which differs from the full accrual basis of accounting used to prepare the government-wide financial statements. Therefore, the total fund balance for the governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for the governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary Information

In addition to the basic financial statements and notes to the financial statements, this report presents supplementary information concerning the District's budgetary comparisons for the governmental funds. Such supplementary information has been provided in accordance with requirements set forth in Chapter 67 of the Revised Statutes of the State of Missouri.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

This is the first year for the District to prepare financial statements using GASB 34 guidelines. As a result, comparative data is not available; however, comparable data will be available in future years.

Net Assets

On a government-wide basis, the District had a net asset deficit of approximately \$531,000 at December 31, 2004 as shown below.

The Wentzville Transportation
Development District
Schedule of Net Assets
December 31, 2004

Assets	
Capital assets, net	\$ 2,581,344
Other assets	898,077
Total Assets	<u>3,479,421</u>
Liabilities	
Current liabilities	40,854
Long-term liabilities	3,970,000
Total Liabilities	<u>4,010,854</u>
Net Assets	
Investment in Capital Assets	
Net of Related Debt	(1,094,854)
Restricted for Transportation	
Project	442,690
Unrestricted	120,731
Total net assets	<u>(531,433)</u>
Total net assets and liabilities	<u>\$ 3,479,421</u>

As noted earlier, net assets may serve as a useful indicator of a government's financial position. The net asset deficit created at December 31, 2004 will be eliminated with future principal payments on the bonds payable.

Governmental Activities

The following schedule shows the revenues and expenses for the District's activities for the year ended December 31, 2004.

The Wentzville Transportation
Development District
Schedule of Changes in Net Assets
December 31, 2004

	Governmental Activities
General Revenue:	
Sales taxes	\$ 307,299
Interest earned	7,550
Total general revenues	<u>314,849</u>
Expenses:	
Interest expense	234,230
Depreciation expense	127,653
General government	11,604
Total expenses	<u>373,487</u>
Change in net assets	(58,638)
Net asset deficit, beginning of year	(472,795)
Net asset deficit, end of year	<u>\$ (531,433)</u>

The District's total revenue on a government-wide basis was approximately \$315,000. Sales taxes collected in accordance with the TDD Sales Tax Agreement, as described in the "Financial Highlights" section above, represents 97.6% of the District's total revenue.

Expenses of the District on a government-wide basis were approximately \$374,000. Interest expense related to the financing of the Transportation Project accounted for 62.7% of the District's total expenses. Depreciation expense related to capital assets, as described in the "Capital Assets" section following, accounted for 34.2% of the District's total expenses. In accordance with the implementation of GASB 34, the District has elected to retroactively report infrastructure (assets acquired prior to January 1, 2004) in the current year and, thus, recognize depreciation expense on such infrastructure in the current year.

Governmental activities decreased the District's net assets by approximately \$59,000. Since this is the first year for government-wide reporting, comparative analysis to the previous year cannot be reported.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

As previously mentioned, the purpose and focus of the District's governmental funds is different than that of the government-wide financial statements. The focus of the District's governmental funds is to provide information on the inflows, outflows and balances of resources that are available for spending, as well as to demonstrate compliance with statutory and other legal requirements. As a result, the fund financial statements reflect a *current financial resources* focus rather than a *total economic resources* focus, which is used in the government-wide financial statements.

Given the focus of the fund financial statements, an unreserved fund balance may serve as a useful measure of a government's net resources available for general spending to operate the District at the end of the fiscal year. At the end of the current fiscal year, the unreserved fund balance of the Capital Projects fund was \$120,731.

The total fund balance in the District's governmental funds decreased by \$210,340 or by approximately 20% from December 31, 2003 to December 31, 2004. The change in the current fiscal year's fund balance is primarily due to the same factors identified for the decrease in net assets on the statement of activities: the payment of interest on the Transportation Project's Bonds and the recognition of depreciation expense on the District's capital assets, net of sales tax revenue collected in accordance with the TDD Sales Tax Agreement.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2004, the District had \$893,419 invested in construction in progress assets related to bridge enhancements, as previously described in the "Activity Highlights" section. This amount represents an increased investment of \$279,356 over the prior year. At year-end, the District also recognized infrastructure assets (specifically, roadways) of \$1,815,578 related to the Transportation Project. The infrastructure assets are deemed to have a useful life of 25 years and have, thus, been depreciated accordingly in the District's Statement of Activities. When placed in service in future years, the construction in progress assets will be reclassified as bridge improvement assets and depreciated over their estimated useful life of 40 years.

Debt Administration

The District issued Transportation Revenue Bonds in the amount of \$3,970,000 to finance costs related to the project, fund a debt service reserve, fund capitalized interest and pay costs related to the issuance of the bonds. The Series 2002 Bonds and the interest thereon are limited obligations of the District, payable solely from the proceeds of the one-quarter cent sales tax imposed by the District. The bonds mature and bear interest as set forth below.

BOND MATURITY SCHEDULE

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Offering Price</u>	<u>Interest Rate</u>
November 1, 2026	\$3,970,000	98.712%	5.900%

The original bond issue was structured on a 20 year schedule, with the anticipation that the bonds would be paid off in 15 years. The project is on target for the bonds to be repaid on the 15 year schedule. No principal payments have been made to date. There has not been sufficient income produced to retire any principal, as it would be paid from funds that are in the account 40 days prior to the payment date.

For a detail schedule of interest and principal payments required under the Bond Indenture, refer to Note 5 of the District's basic financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to THF Realty, Attention: Chief Operating Officer, 2127 Innerbelt Business Center Drive, Suite 200, St. Louis, MO 63114.

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

**STATEMENT OF NET ASSETS AND GOVERNMENTAL
FUND BALANCE SHEET**

December 31, 2004

	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>					
CURRENT ASSETS					
Unrestricted cash equivalents	\$ 105,047	\$ 307,863	\$ 412,910	\$ -	\$ 412,910
Accounts receivable	17,500	24,977	42,477	-	42,477
TOTAL CURRENT ASSETS	<u>122,547</u>	<u>332,840</u>	<u>455,387</u>	-	<u>455,387</u>
CAPITAL ASSETS, net	-	-	-	2,581,344	2,581,344
RESTRICTED CASH	<u>442,690</u>	-	<u>442,690</u>	-	<u>442,690</u>
TOTAL ASSETS	<u>\$ 565,237</u>	<u>\$ 332,840</u>	<u>\$ 898,077</u>	<u>2,581,344</u>	<u>\$ 3,479,421</u>
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable	\$ 1,816	\$ -	\$ 1,816	-	1,816
Accrued interest payable	-	39,038	39,038	-	39,038
TOTAL CURRENT LIABILITIES	<u>1,816</u>	<u>39,038</u>	<u>40,854</u>	-	<u>40,854</u>
BONDS PAYABLE	-	-	-	3,970,000	3,970,000
TOTAL LIABILITIES	<u>1,816</u>	<u>39,038</u>	<u>40,854</u>	<u>3,970,000</u>	<u>4,010,854</u>
<u>FUND BALANCE/NET ASSETS</u>					
FUND BALANCE	<u>563,421</u>	<u>293,802</u>	<u>857,223</u>	<u>(857,223)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND FUND EQUITY	<u>\$ 565,237</u>	<u>\$ 332,840</u>	<u>\$ 898,077</u>		
NET ASSET DEFICIT					
Investment in capital assets, net of related debt				(1,094,854)	(1,094,854)
Restricted for Transportation Project				442,690	442,690
Unrestricted				<u>120,731</u>	<u>120,731</u>
TOTAL NET ASSET DEFICIT				<u>(531,433)</u>	<u>(531,433)</u>
TOTAL LIABILITIES AND NET ASSET DEFICIT				<u>\$ 2,581,344</u>	<u>\$ 3,479,421</u>

The accompanying notes are an integral part of this statement.

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2004

	Capital Projects Fund	Debt service Fund	Total	Adjustments (Note 8)	Statement of Activities
REVENUES					
Sales taxes	\$ -	\$ 307,299	\$ 307,299	\$ (307,299)	\$ -
Interest earned	5,230	2,320	7,550	(7,550)	-
TOTAL REVENUE	5,230	309,619	314,849	(314,849)	-
EXPENDITURES					
Capital outlay	279,355	-	279,355	(279,355)	-
Professional fees	5,391	3,134	8,525		8,525
Interest expense	-	234,230	234,230		234,230
Depreciation expense	-	-	-	127,653	127,653
Collections expense	-	3,079	3,079		3,079
TOTAL EXPENDITURES	284,746	240,443	525,189	(151,702)	373,487
GENERAL REVENUES					
Sales taxes	-	-	-	307,299	307,299
Interest earned	-	-	-	7,550	7,550
TOTAL GENERAL REVENUES	-	-	-	314,849	314,849
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(279,516)	69,176	(210,340)	210,340	-
OTHER FINANCING SOURCES (USES)					
Transfers in	26,989	-	26,989	(26,989)	-
Transfers out	-	(26,989)	(26,989)	26,989	-
TOTAL OTHER FINANCING SOURCES (USES)	26,989	(26,989)	-	-	-
NET CHANGE IN FUND BALANCES	(252,527)	42,187	(210,340)	-	-
CHANGE IN NET ASSETS	-	-	-	(58,638)	(58,638)
FUND BALANCE/ NET ASSET DEFICIT, December 31, 2003					
	815,948	251,615	1,067,563	(1,540,358)	(472,795)
FUND BALANCE/ NET ASSET DEFICIT, December 31, 2004					
	<u>\$ 563,421</u>	<u>\$ 293,802</u>	<u>\$ 857,223</u>	<u>\$ (1,598,996)</u>	<u>\$ (531,433)</u>

The accompanying notes are an integral part of this statement.

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

- (A) **Financial reporting entity** – The Wentzville Transportation Development District (the "District") is a political subdivision of the State of Missouri created on November 16, 2001 under the Missouri Transportation Development District Act, sections 238.200 through 238.275 of the Revised Statutes of Missouri. The District was created to levy certain taxes for the purpose of funding the construction of aesthetic enhancements to an interchange at the intersection of Interstate 70 and Wentzville Parkway, for improvements to designated portions of the Pearce Boulevard overpass, for extension of Pearce Boulevard to May Road and for development of a local transit system in the City of Wentzville, Missouri (the "Transportation Project"). In accordance with Missouri Statutes, title to the Transportation Project will remain with the District until all Transportation Project costs have been paid in full and any Transportation Revenue Bonds issued to fund the Transportation Project have been paid. The two principal property owners in the creation of the District are THF Wentzville Development, L.L.C. and SM Properties Wentzville, L.L.C. The District is governed by a Board of Directors consisting of five members who are elected to serve a term of three years by the property owners within the District. Officers of the Board of Directors are elected annually and serve without compensation.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to governmental units. The financial statements include all organization, activities, and functions that comprise the District. Component units are legally separate entities for which the District is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units.

For the fiscal year ended December 31, 2004, the District has implemented GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Certain of the significant changes in the statements include the following:

- A Management Discussion and Analysis ("MD&A") section has been added, which provides an analysis of the District's overall financial position and results of operations.
- Government-wide financial statements are prepared using the full accrual method of accounting for all of the District's activities, including its infrastructure (roads, bridges, etc.) and long-term debt.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The District has elected to implement the general provisions of GASB 34 in the current year and retroactively reported infrastructure (assets acquired prior to January 1, 2004) in the fiscal year ending December 31, 2004.

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

- (B) **Government-wide and fund financial statements** – The government-wide financial statements (that is, the statement of net assets and the statement of activities) report information on all of the activities of the District. All of the District's activities are classified as governmental activities, which normally are supported by tax revenues, as opposed to business-type activities, which rely to a significant extent on fees and charges for services.

The government-wide and fund financial statements are combined and present direct expenses and revenue of the Transportation Project. The statements include reconciliations between the government-wide financial statements and the fund financial statements with brief explanations to better identify the relationship between the two.

- (C) **Measurement focus, basis of accounting, and financial statement presentation** – The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Governmental funds – The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

The District reports the following governmental funds:

Capital projects fund – Accounts for the proceeds of the Transportation Revenue Bond issue (the “Bonds”), taxes and other revenues designated for construction of major capital assets and all other capital outlay.

Debt service fund – Accounts for the accumulation of, resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

- (D) **Budgetary accounting** – Chapter 67 RSMo requires adoption of a budget for each fund annually. The District has adopted a budget which is displayed in the supplemental information to the financial statements.
- (E) **Restricted assets** – Restricted assets are cash whose use is limited by legal requirements. Restricted cash represents debt proceeds and sales tax revenue restricted for the completion of the Transportation Project.
- (F) **Interfund transactions** – During the course of normal operations, the District has transactions between funds. Transfers are reported as “Other Financing Sources and Uses” in the governmental funds as “Transfers In” by the recipient fund and “Transfers Out” by the disbursing fund. These amounts are eliminated on the Statement of Net Assets. At December 31, 2004, transfers between the Capital Projects Fund and Debt Service Fund represent transfers made for operating and capital project disbursements.
- (G) **Capital assets** – Capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All costs directly related to the Transportation Project are capitalized and reported at historical cost on the government-wide statement of net assets. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Construction in progress represents funds expended for the Transportation Project, which has not been placed in service. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Roadways	25 years
Bridge improvements	40 years

- (H) **Net assets invested in capital assets, net of related debt** – Consists of capital assets, net of accumulated depreciation, reduced by outstanding debt issued to finance the acquisition, improvement, or construction of those assets and funds reserved for debt payment.
- (I) **Net asset deficit** – The District has a net asset deficit of \$531,433, which will be eliminated with future principal payments on the bonds payable.

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

(J) Estimates – The preparation of 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 financial statements and accompanying notes. Actual results may differ from those estimates.

(2) Deposits

At December 31, 2004, all cash balances were invested in Fidelity U.S. Treasury Money Market accounts. Due to the short-term nature of the investments, cash balances are classified as cash equivalents in the District's basic financial statements. The Fidelity U.S. Treasury Money Market Fund is not insured by federal depository insurance coverage. The Fund, however, is rated AAA by Standard & Poor's and invests only in direct obligations of the United States and repurchase agreements for direct obligations of the United States.

(3) Sales tax revenue

Qualified voters of the District approved a one-quarter percent (.25%) sales tax on all retail sales in the District. The District has executed a Collection Agreement with the City of Wentzville to administer the collection and disbursement of the tax and to keep records of such receipts and disbursements. In accordance with the Collection Agreement, the City of Wentzville receives an administrative fee from the District of up to one percent (1%) of the total sales tax revenues collected. The administrative fee is withheld by the City of Wentzville from the sales tax revenues remitted to the District on a monthly basis. At December 31, 2004, the District had a receivable of \$24,977 for sales tax revenue collected in 2004 and remitted to the District in 2005.

(4) Capital assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Balance at December 31, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2004</u>
Capital assets not depreciated:				
Construction in progress -				
bridge enhancements	\$ -	\$ 893,419	\$ -	\$ 893,419
Other capital assets:				
Roadways	-	1,815,578	-	1,815,578
Total cost of capital assets	-	2,708,997	-	2,708,997
Less: accumulated depreciation	-	127,653	-	127,653
Capital assets, net	\$ -	\$ 2,581,344	\$ -	\$ 2,581,344

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(5) Bonds payable

Bonds payable consist of the following at December 31, 2004:

The Wentzville Transportation Development District, \$ 3,970,000
 Transportation Revenue Bonds, Series 2002, bearing interest
 at 5.90% per annum, interest payable semi-annually beginning
 May 1, 2002, with principal payments due semi-annually
 commencing May 1, 2003, maturing no later than November 1,
 2026. Principal payments are contingent on sales tax
 collections. There were no additions or reductions to bond
 principal for the year ended December 31, 2004. The following
 maturity schedule has been prepared based on estimated
 projections of sales tax collection.

Debt service requirements are as follows for the bonds:

Fiscal Year Ending <u>December 31</u>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2005	\$ 45,000	\$ 232,903	\$ 277,903
2006	125,000	230,248	355,248
2007	150,000	222,578	372,578
2008	165,000	213,580	378,580
2009	190,000	203,403	393,403
2010-2014	1,380,000	809,923	2,189,923
2015-2019	<u>1,915,000</u>	<u>296,918</u>	<u>2,211,918</u>
	<u>\$ 3,970,000</u>	<u>\$ 2,209,553</u>	<u>\$ 6,179,553</u>

The bonds are special, limited obligations of the District, payable solely from the taxes specified in Note 3 to the basic financial statements. The above maturity schedule is based on the assumption that the subject taxes will be available.

Under the terms of the bond indenture, the following reserve funds and accounts were created upon issuance of the bonds and established in the custody of the bond trustee:

Debt Service Reserve Fund: A minimum balance of \$234,230 should be maintained, unless funds are needed in the Debt Service Fund to pay principal and interest on the bonds. If needed, funds may be transferred from the Debt Service Reserve Fund to the Debt Service Fund. Any deficiency in the Debt Service Reserve Fund shall be restored by the Revenue Fund. Any amounts remaining in the account after the final principal and interest payments have been made on the bonds are to be transferred to the Transportation Development District Sales Tax Trust Fund. At December 31, 2004, the balance in the Debt Service Reserve Fund was \$234,813.

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(5) Bonds payable (continued)

Debt Service Fund: Certain sales tax revenues are deposited into this fund to be expended solely for the payment of principal and interest on the bonds in accordance with stated redemption provisions or special mandatory redemption provisions as outlined in the Trust Indenture. Any amounts remaining in the account after the final principal and interest payments have been made on the bonds are to be transferred to the Transportation Development District Sales Tax Trust Fund.

Revenue Fund: All sales tax revenues are deposited into this fund and transferred to the Debt Service Fund or the Operating Fund in accordance with provisions outlined in the Trust Indenture. Any amounts remaining in the account after the final principal and interest payments have been made on the bonds are to be transferred to the Transportation Development District Sales Tax Trust Fund.

Project Fund: Upon the issuance of the Transportation Revenue Bonds, \$3,150,000 of the bond proceeds were deposited into this account. Such amount is available for expenditures related to the Transportation Project. Any amounts remaining in the account after the final principal and interest payments have been made on the bonds are to be transferred to the Transportation Development District Sales Tax Trust Fund.

Operating Fund: Certain sales tax revenues are transferred to this account from the Revenue Fund in accordance with provisions outlined in the Trust Indenture. Amounts are available to pay costs of operating the District and maintaining the Transportation project. Any amounts remaining in the account after the final principal and interest payments have been made on the bonds are to be transferred to the Transportation Development District Sales Tax Trust Fund.

Surplus Fund: Certain sales tax revenues are transferred to this account from the Revenue Fund in accordance with provisions outlined in the Trust Indenture. Amounts in this fund are available to pay for project costs. Any amounts remaining in the account after the Transportation Project is complete are to be transferred to the debt service fund for payment of remaining principal and interest on the Bonds.

(6) Related parties

The Manager of THF Wentzville Development, L.L.C. (the "Major Developer" of the property within the District) serves as chairman of the District's Board of Directors. The Executive Director of the District is also an employee of a related entity to the Major Developer. No compensation was received by any of the Directors.

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(6) Related parties (continued)

During the year ended December 31, 2004, the Major Developer contributed \$30,000 worth of administrative services to the District. At December 31, 2004, the District has a \$17,500 receivable from the Major Developer, that was collected in March 2005.

(7) Explanation of certain differences between the statement of net assets and governmental fund balance sheet.

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	\$2,581,344
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(3,970,000)
<hr/>	
Net adjustment to governmental fund balances to arrive at net assets of governmental activities	\$(1,388,656)

(8) Explanation of certain differences between the statement of activities and governmental fund revenues, expenditures, and changes in fund balance.

Governmental funds report capital outlays 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.

The details of this difference are as follows:

Capital outlay	\$279,355
Depreciation expense	(127,653)
<hr/>	
Net adjustment to increase net changes of governmental funds, to arrive at changes in net assets of governmental activities	\$151,702

(9) Construction Commitments

The District has several outstanding contracts for services. The following amounts remain outstanding on these contracts at December 31, 2004:

<u>Contractor</u>	<u>Outstanding balance of contract</u>
Heitkamp Masonry	\$34,760
R.C. Brinkmann	9,000
Baxter Farms and Nuseries	3,864

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

NOTES TO FINANCIAL STATEMENTS

(10) Risk management

The District maintains liability insurance with policy coverages of \$1,000,000 for general liability and \$10,000 for directors and officers. The District has had no significant reduction in insurance coverage from prior years. The District has had no settlements exceeding insurance coverage to date.

SUPPLEMENTAL INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT:

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as listed in the table of contents of The Wentzville Transportation Development District for the year ended December 31, 2004. The accompanying supplemental information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mayer Hoffman McCann P.C.

St. Louis, Missouri
June 10, 2005

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL

CAPITAL PROJECTS FUND

Year Ended December 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
REVENUES			
Sales taxes	\$ -	\$ -	\$ -
Interest earned	5,000	5,230	230
TOTAL REVENUE	<u>5,000</u>	<u>5,230</u>	<u>230</u>
EXPENDITURES			
Capital outlay	781,910	279,355	(502,555)
Professional fees	40,000	5,391	(34,609)
Insurance expense	4,040	-	(4,040)
TOTAL EXPENDITURES	<u>825,950</u>	<u>284,746</u>	<u>(541,204)</u>
EXCESS OF EXPENDITURES OVER REVENUES	820,950	279,516	(541,434)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	44,040	26,989	(17,051)
FUND BALANCE - December 31, 2003	<u>815,948</u>	<u>815,948</u>	<u>-</u>
FUND BALANCE - December 31, 2004	<u>\$ 39,038</u>	<u>\$ 563,421</u>	<u>\$ 524,383</u>

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL

DEBT SERVICE

Year Ended December 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
REVENUES			
Sales taxes	\$ 306,500	\$ 307,299	\$ 799
Interest earned	2,000	2,320	320
TOTAL REVENUE	<u>308,500</u>	<u>309,619</u>	<u>1,119</u>
EXPENDITURES			
Professional fees	3,000	3,134	134
Interest expense	250,000	234,230	(15,770)
Collections expense	-	3,079	3,079
TOTAL EXPENDITURES	<u>253,000</u>	<u>240,443</u>	<u>(12,557)</u>
EXCESS OF REVENUES OVER EXPENDITURES	55,500	69,176	13,676
OTHER FINANCIAL SOURCES (USES)			
Transfers in (out)	(44,040)	(26,989)	(17,051)
FUND BALANCE - December 31, 2003	<u>-</u>	<u>251,615</u>	<u>251,615</u>
FUND BALANCE - December 31, 2004	<u>\$ 11,460</u>	<u>\$ 293,802</u>	<u>\$ 282,342</u>



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

To the Board of Directors

THE WENTZVILLE TRANSPORTATION DEVELOPMENT DISTRICT

We have audited the basic financial statements of The Wentzville Transportation Development District (the "District") as of and for the year ended December 31, 2004, and have issued our report thereon dated June 10, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 the following instance of non-compliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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 considered to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Mayer Hoffman McCann P.C.

St. Louis, Missouri
June 10, 2005