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Financial Statements, 2005-2006

Merchant's Laclede Transportation Development District

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**MERCHANT'S LACLEDE
TRANSPORTATION
DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**



BOTZ, DEAL & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

***MERCHANT'S LACLEDE
TRANSPORTATION DEVELOPMENT DISTRICT***

ST. LOUIS, MISSOURI

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INDEPENDENT AUDITORS' REPORT



Board of Trustees
MERCHANT'S LACLEDE
TRANSPORTATION DEVELOPMENT DISTRICT

We have audited the accompanying statements of net assets of Merchant's Laclede Transportation Development District as of December 31, 2006 and 2005 and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Merchant's Laclede Transportation Development District as of December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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.

Botz, Deal & Company

May 16, 2007

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**MERCHANT'S LACLEDE
TRANSPORTATION DEVELOPMENT DISTRICT'S
Management's Discussion and Analysis**

This section of Merchant's Laclede Transportation Development District's annual financial report presents our discussion and analysis of the financial performance during the fiscal year that ended December 31, 2006. This information is presented in conjunction with the audited financial statements, which follow this section.

Financial Highlights

- The primary revenue source of the District is charges for services. Parking fees for 2006 were \$641,930, which represents 77% of the revenue. The remaining revenues of \$191,655 were from sales tax generated within the District.
- Operating expenses were \$571,196 for the maintenance and operation activities of the systems. Operating revenues covered operating expenses and resulted in operating income of \$262,389. However, there was interest expense on long-term capital debt of \$491,458 resulting in a decrease in net assets of \$227,091.

Overview of the Financial Statements

This annual report consists of the following two parts: Management's Discussion and Analysis and Basic Financial Statements. The financial statements include notes which explain in detail some of the information included in the basic financial statements.

Required Financial Statements

The District maintains a single business-type activity fund. The financial statements of the District report information utilizing the full accrual basis of accounting. The financial statements conform to accounting principles, which are generally accepted in the United States of America. The Statement of Net Assets includes information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Assets identifies the District's revenues and expenses for the fiscal years ended December 31, 2006 and 2005. This statement provides information on the District's operations and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance over the last year.

Financial Analysis of the District

The Statement of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets provide an indication of the District's financial condition and also if the financial condition of the District improved during the last fiscal year. The District's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition. The condensed statements are as follows:

	Net Assets		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets:			
Current and other assets	\$ 60,285	\$ 284,123	\$ 14,830
Capital assets	6,183,378	6,347,547	6,512,564
Total assets	<u>6,243,663</u>	<u>6,631,670</u>	<u>6,527,394</u>
Liabilities:			
Current and other liabilities	1,354,626	662,542	127,774
Long-term liabilities	5,657,000	6,510,000	6,510,000
Total liabilities	<u>7,011,626</u>	<u>7,172,542</u>	<u>6,637,774</u>
Net assets:			
Invested in capital assets, net of related debt	526,378	(162,453)	2,564
Unrestricted	(1,294,341)	(378,419)	(112,944)
Total net assets	<u>\$ (767,963)</u>	<u>\$ (540,872)</u>	<u>\$ (110,380)</u>

Capital assets decreased as a result of depreciation. The increase in current liabilities is the result of a customer deposit related to a long term lease for three and a half floors of the garage.

The Statement of Revenues, Expenses and Changes In Net Assets identify the various revenue and expense items, which affect the change in net assets. A summary of the District's Statement of Revenues, Expenses and Changes in Net Assets is presented below.

	Change In Net Assets		
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 833,585	\$ 575,858	\$ 7,576
Operating expenses	571,196	527,307	60,705
Operating income (loss)	262,389	48,551	(3,129)
Nonoperating revenue (expense)	(489,480)	(479,043)	(7,251)
Change in net assets	(227,091)	(430,492)	(110,380)
Net assets, beginning of year	(540,872)	(110,380)	-
Net assets, end of year	<u>\$ (767,963)</u>	<u>\$ (540,872)</u>	<u>\$ (110,380)</u>

The District's primary revenue source is parking fees. The increase in revenues and expenses correlate to the increased use of the garage.

Capital Asset

Capital Assets (net of depreciation)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Building	\$ 6,170,937	\$ 6,333,687	\$ 6,496,437
Furniture and equipment	12,441	13,860	16,127
Total net cost	<u>\$ 6,183,378</u>	<u>\$ 6,347,547</u>	<u>\$ 6,512,564</u>

The District completed construction of the parking garage and purchased the related operating equipment in 2004. There were no additions in 2005 and only minimal additions in 2006. Additional information on the District's capital assets can be found in the notes to the financial statements.

Debt Administration

The District issued revenue bonds to pay for construction. Principal and interest payments are to be paid from available net revenues of the District. Principal payments of \$853,000 were made during 2006. The debt issues are discussed further in the notes to the financial statements.

Economic Condition and Outlook

The District anticipates continued growth in revenue in 2007. Anticipated revenues are in excess of \$897,000 including parking fees, sales tax revenues and access payments. Operating expenses are budgeted at approximately \$443,000. Adjusting operating income for \$222,000 of applied customer deposits, the District anticipates having \$232,000 to utilize to make debt service payments.

Financial Contact

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with the general overview of the District's finances and to demonstrate the District's accountability for the monies it receives.

If you have questions about this report or need additional financial information, contact:

Anthony C. Right
Drury Development Corporation
8315 Drury Industrial Parkway
St. Louis, Missouri 63114

MERCHANT'S LACLEDE
TRANSPORTATION DEVELOPMENT DISTRICT
STATEMENTS OF NET ASSETS
DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS		
Cash and temporary investments	\$ 18,157	\$ 247,592
Taxes receivable	20,838 ✓	16,132 ✓
Prepaid items	21,290 ✓	20,399 ✓
Capital assets	6,527,376 ✓	6,526,316 ✓
Less: accumulated depreciation	(343,998)	(178,769)
TOTAL ASSETS	6,243,663	6,631,670
LIABILITIES		
Accounts payable	7,741 ✓	10,736 ✓
Customer deposit	1,345,978 ✓	215,216 ✓
Accrued interest	907 ✓	436,590 ✓
Noncurrent liabilities:		
Due in more than one year	5,657,000 ✓	6,510,000 ✓
TOTAL LIABILITIES	7,011,626	7,172,542
NET ASSETS		
Invested in capital assets, net of related debt	526,378	(162,453)
Unrestricted	(1,294,341)	(378,419)
TOTAL NET ASSETS	\$ (767,963)	\$ (540,872)

The accompanying notes are an integral part of these financial statements.

MERCHANT'S LACLEDE
TRANSPORTATION DEVELOPMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
OPERATING REVENUES		
Sales taxes	\$ 191,655 ✓	\$ 110,734
Parking fees	641,930 ✓	465,124
TOTAL OPERATING REVENUES	833,585	575,858
OPERATING EXPENSES		
City park management fee	32,096	23,256
Contract services	142,845	113,290
Depreciation	(165,229)	165,017
Insurance	10,973	7,061
Office expense	5,896	2,025
Professional fees	7,271	9,845
Real estate taxes	33,425	33,133
Rent	135,000	135,000
Repair and maintenance	12,346	14,926
Security	2,146	2,387
Supplies	6,035	5,252
Utilities	17,934	16,115
TOTAL OPERATING EXPENSES	571,196 ✓	527,307
OPERATING INCOME	262,389	48,551
NONOPERATING REVENUE (EXPENSE)		
Interest expense	(491,458) ✓	(479,799)
Interest income	1,614 ✓	756
Other income	364 ✓	-
TOTAL NONOPERATING REVENUE (EXPENSE)	(489,480)	(479,043)
CHANGE IN NET ASSETS	(227,091)	(430,492)
NET ASSETS -		
BEGINNING OF YEAR	(540,872)	(110,380)
NET ASSETS -		
END OF YEAR	\$ (767,963)	\$ (540,872)

The accompanying notes are an integral part of these financial statements.

MERCHANT'S LACLEDE
TRANSPORTATION DEVELOPMENT DISTRICT
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,772,692 ✓	\$ 680,340
Taxes received	186,949 ✓	94,602
Cash paid to suppliers	(409,853) ✓	(430,662)
Miscellaneous income	364 ✓	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,550,152</u>	<u>344,280</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on capital debt	(853,000) ✓	-
Interest paid on capital debt	(927,141) ✓	(100,460)
NET CASH USED BY FINANCING ACTIVITIES	<u>(1,780,141)</u>	<u>(100,460)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,060) ✓	-
Interest received	1,614 ✓	756
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>554</u>	<u>756</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (229,435)	 244,576
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>247,592</u>	 <u>3,016</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 18,157</u>	 <u>\$ 247,592</u>

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF NET OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	2006	2005
NET OPERATING INCOME	\$ <u>262,389</u>	\$ <u>48,551</u>
 ADJUSTMENTS TO RECONCILE NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	165,229	165,017
Miscellaneous income	364	-
(Increase) decrease in assets:		
Taxes receivable	(4,706)	(16,132)
Prepaid expenses	(891)	(8,585)
Increase (decrease) in liabilities:		
Accounts payable	(2,995)	4,383
Customer deposit	1,130,762	215,216
Due to related party	<u>-</u>	<u>(64,170)</u>
TOTAL ADJUSTMENTS	<u>1,287,763</u>	<u>295,729</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ <u><u>1,550,152</u></u>	 \$ <u><u>344,280</u></u>

The accompanying notes are an integral part of these financial statements.

MERCHANT'S LACLEDE
TRANSPORTATION DEVELOPMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Merchant's Laclede Transportation Development District (the District) is a political subdivision of the state of Missouri created on October 8, 2003 under the Missouri Transportation Development District Act, sections 238.200 through 238.275 of the Revised Statutes of Missouri. The District was created to fund the construction of a new structured parking facility and related infrastructure improvements at the northwest corner of Fourth and Olive Streets in the City of St. Louis. There are mechanisms established by state statute that allow for the abolishment of the District upon termination of all debt. The District is the basic level of government, which has financial accountability and control over the activities related to the funding of the improvements. The District has no component units included in the District's reporting entity, as defined by Governmental Accounting Standards Board Statement No. 14. 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.

A. REPORTING ENTITY

The District applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The District presently has no component units included within its reporting entity.

B. BASIS OF PRESENTATION

The District is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public and a periodic determination of revenue earned, expenses incurred and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The District has elected not to follow FASB Standards issued after November 30, 1989.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

C. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. **CAPITAL ASSETS**

The costs of additions and betterments are capitalized at cost. Donated assets including dedicated sewer lines are recorded at their fair value on the date of donation as a capital contribution. Interest costs during construction are capitalized as part of the cost of the asset. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The capitalization threshold for capital assets is \$1,000. Depreciation is calculated on a straight-line basis over estimated service lives as follows:

<u>Major Group</u>	<u>Life</u>
Building	40 years
Furniture and equipment	5 - 8 years

Depreciation expense for the years ended December 31, 2006 and 2005 was \$165,229 and \$165,017, respectively.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

E. **BOND ISSUANCE COSTS**

Bond issuance costs were deemed immaterial and capitalized as part of the cost of the building. As a result, the costs are being depreciated over 40 years.

F. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The District adopts an annual operating budget prior to January 1, on an accrual basis for all governmental funds. The District follows these procedures in establishing the data reflected in the financial statements:

- a. In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.
- b. The Board of Directors adopts a budget for the fiscal year beginning on the following January 1. The budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed the total of beginning available funds plus estimated revenues for the year. The budget is prepared on a basis which is consistent with generally accepted accounting principles.
- c. The budget document is available for public inspection.
- d. The budget is legally enacted by a vote of the Board of Directors.
- e. Subsequent to its final approval of the budget, the Board of Directors has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.

3. **CASH**

Cash represents cash held for operating purposes and outstanding deposits at year-end. The District maintains a zero balance account, which sweeps to Drury Development Corporation as managing agent. As such the bank balance was zero at the end of the year. In addition, the District maintains an account for the deposit of sales tax revenues and material customer deposits. At December 31, 2006, this bank account had a bank balance of \$15,515. This balance will be used to make future debt service payments. The account is fully insured by the Federal Deposit Insurance Corporation, which insures balances up to \$100,000 per bank.

4. **CAPITAL ASSETS**

Capital asset activity for the District for the year ended December 31, 2006 is as follows:

	Balance, beginning of year	Transfers and additions	Transfers and deletions	Balance, end of year
Business-type activities:				
Capital assets, being depreciated:				
Buildings	\$ 6,510,000	\$ -	\$ -	\$ 6,510,000
Furniture and equipment	16,316	1,060	-	17,376
Total capital assets, being depreciation	<u>6,526,316</u>	<u>1,060</u>	<u>-</u>	<u>6,527,376</u>
Less accumulated depreciation for:				
Buildings	(176,313)	(162,750)	-	(339,063)
Furniture and equipment	(2,456)	(2,479)	-	(4,935)
Total accumulated depreciation	<u>(178,769)</u>	<u>(165,229)</u>	<u>-</u>	<u>(343,998)</u>
Total capital assets, being depreciated, net	<u>\$ 6,347,547</u>	<u>\$ (164,169)</u>	<u>\$ -</u>	<u>\$ 6,183,378</u>

5. **LONG-TERM DEBT**

Transportation Development Revenue Note Series 2004 - On December 15, 2004 the District issued notes totaling \$6,510,000 to Drury Development Corporation for the costs associated with constructing the structured parking facility and related improvements. The note accrues interest at 30-year treasury rate plus 2.5% and mature December 15, 2044. Payments of principal and interest are made solely from the net revenues of the District. Net revenues are defined as revenues collected less management fees and operating expenses paid. If not repaid in full sooner, the balance of the note together with all interest thereon, shall be paid forty years following the date of issuance, but only to the extent net revenues are available. The obligation of the District related to this note terminates forty years from date of issuance, whether or not the principal or interest has been paid in full.

	Balance, Beginning Of Year	Additions	Reductions	Balance, End Of Year	Due Within One Year
Business-type activities:					
Note payable:					
Series-2004	\$ 6,510,000	\$ -	\$ 853,000	\$ 5,657,000	\$ -

6. TAXES

Qualified voters of the District approved a one percent sales tax on retail sales within the boundaries of the District. In addition, pursuant to an Access and Parking Agreement, certain access payments will be made to the District from the City of St. Louis, Missouri out of a portion of the City's sales tax revenues generated within the boundaries of the District. The tax and access payment will be imposed until the transportation related costs incurred in connection with the Transportation Project have been paid.

7. RELATED PARTIES

Representatives of the sole taxpayer within the District, Drury Development Corporation (DDC), serve as voting members of the District's Board of Directors. No compensation was received by any of the Directors. The District has entered into a sublease agreement for land and a management agreement with DDC. In addition, the Transportation Revenue Notes are held by DDC.

8. MANAGEMENT AGREEMENT

The District has contracted with DDC, a related party, to provide management services. Compensation for these services is five percent of the gross revenues. The amount paid to DDC totaled \$32,096 and \$23,256 for the years ended December 31, 2006 and 2005, respectively.

9. LEASE AGREEMENTS

The District subleases land under an operating lease with a related party, which requires monthly lease payments of \$11,250. During each of the years ended December 31, 2006 and 2005, the District made payments totaling \$135,000. The lease is a noncancelable lease for a period of 40 years. Minimum future lease payments are as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2007	\$ 135,000
2008	135,000
2009	135,000
2010	135,000
2011	135,000
Thereafter	<u>4,455,000</u>
Total	<u>\$ 5,130,000</u>

The District has entered into a lease agreement as lessor for three and a half floors of the parking garage. The term of the lease is for a period of 10 years commencing on the earlier of the first day occupied or March 1, 2007. The lease shall automatically renew for two additional five-year terms unless lessee notifies lessor or in the event of default. Rent was prepaid in the amount of \$1,269,082 for the original base term. The lease payments for the renewal terms must be prepaid annually.