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1-1-2005

## Financial Statements, 2004

Merchant's Laclede Transportation Development District

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

July 28, 2005

Anthony C. Right, Vice President and Controller  
Drury Development Corporation  
8315 Drury Industrial Parkway  
St. Louis, MO 63114

RE: Merchant's Laclede Transportation Development District of St. Louis City

Fiscal Period: One Year Ended December 31, 2004 ✓

Dear Mr. Right:

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 black ink that reads "Judy Buerky".

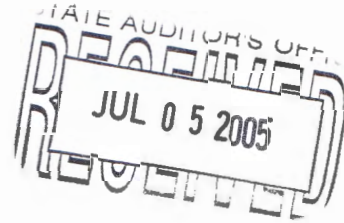
Judy Buerky  
Local Government Analyst



# DRURY DEVELOPMENT CORPORATION

8315 Drury Industrial Parkway, St. Louis, MO 63114 · Phone: 314-423-6698 · Fax: 314-423-1706

June 30, 2005



Ms. Judy Buerky  
State of Missouri Auditor's Office  
PO Box 869  
Jefferson City, MO 65102

Dear Ms. Buerky:

I have enclosed the audited financial statements for two transportation development districts, Merchant's Laclede Transportation Development District and Meramec Station Road and Highway 141 Transportation Development District, which Drury Development Corporation serves as recordkeeper. If you have any questions regarding the enclosed financial statements, please contact me at (314) 506-6403.

Thank you,

Anthony C. Right  
Vice President and Controller

Enclosures

**MERCHANT'S LACLEDE  
TRANSPORTATION  
DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**



**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 statement of net assets of Merchant's Laclede Transportation Development District as of December 31, 2004 and the related statements of revenue, expenses and changes in net assets, and cash flows for the year 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 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 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 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, 2004, and the results of its operations and cash flows 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 GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of December 31, 2004.

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*

June 8, 2005

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botzdeal@botzdeal.com

**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, 2004. 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. Operations of the District were only for the month of December when the parking garage was essentially completed and open for business. Total operating revenue for the year was \$7,576.
- Operating expenses were \$117,956 for the maintenance and operation activities of the systems. Acquisition and construction of fixed assets were \$6,526,316 primarily due to construction of the parking garage.

**Overview of the Financial Statements**

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. 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 year ended December 31, 2004. 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 statement of net assets as of December 31, 2004 is as follows:

### Net Assets

	<u>2004</u>
Assets:	
Current and other assets	\$ 14,830
Capital assets	<u>6,512,564</u>
<b>Total assets</b>	<u><u>6,527,394</u></u>
Liabilities:	
Current and other liabilities	127,774
Long-term liabilities	<u>6,510,000</u>
<b>Total liabilities</b>	<u><u>6,637,774</u></u>
Net assets:	
Invested in capital assets, net of related debt	2,564
Unrestricted	<u>(112,944)</u>
<b>Total net assets</b>	<u><u>\$ (110,380)</u></u>

The total net capital assets increased \$6,512,564 due to completion of the parking garage. Long-term liabilities increased by \$6,510,000 related to the financing of the construction.

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>2004</u>
Operating revenues	\$ 7,576
Operating expenses	<u>117,596</u>
Operating loss	<u>(110,380)</u>
Net assets, beginning of year	-
Net assets, end of year	<u><u>\$ (110,380)</u></u>

The District's primary revenue source is parking fees. Expenses exceeded revenues because the garage was only open for one month in 2004.



## Capital Asset

### Capital Assets (net of depreciation)

	<u>2004</u>
Building	\$ 6,496,437
Furniture and equipment	<u>16,127</u>
Total net cost	<u>\$ 6,512,564</u>

The District completed construction of the parking garage and purchased the related operating equipment. 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. There were no debt principal or interest payments required during the year. The debt issues are discussed further in the notes to the financial statements.

## Economic Condition and Outlook

The District will have its first full year of operations in 2005. Anticipated revenues are in excess of \$600,000 including parking fees, sales tax revenues and access payments. Operating expenses are budgeted at nearly \$400,000 leaving funds of approximately \$200,000, which will be utilized to make payments on working capital advances and 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**  
**TRANSPORATION DEVELOPMENT DISTRICT**  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2004

**ASSETS**

Cash and temporary investments	\$	3,016
Prepaid items		11,814
Capital assets		6,526,316
Less: accumulated depreciation		(13,752)
TOTAL ASSETS		6,527,394

**LIABILITIES**

Accounts payable		6,353
Due to related party		64,170
Accrued interest		57,251
Noncurrent liabilities:		
Due in more than one year		6,510,000
TOTAL LIABILITIES		6,637,774

**NET ASSETS**

Invested in capital assets, net of related debt		2,564
Unrestricted		(112,944)
TOTAL NET ASSETS	\$	(110,380)

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

**MERCHANT'S LACLEDE**  
**TRANSPORTATION DEVELOPMENT DISTRICT**  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**OPERATING REVENUES**

Parking fees	\$ <u>7,576</u>
--------------	-----------------

**OPERATING EXPENSES**

City park management fee	379
Contract services	7,282
Depeciation	13,752
Insurance	71
Interest	57,251
Office expense	5,661
Real estate taxes	4,046
Rent	22,500
Repair and maintenance	2,557
Security	353
Supplies	2,980
Utilities	<u>1,124</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>117,956</u></u>

<b>OPERATING LOSS</b>	(110,380)
-----------------------	-----------

**NET ASSETS -**

<b>BEGINNING OF YEAR</b>	<u>-</u>
--------------------------	----------

**NET ASSETS -**

<b>END OF YEAR</b>	<u><u>\$ (110,380)</u></u>
--------------------	----------------------------

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

**MERCHANT'S LACLEDE**  
**TRANSPORTATION DEVELOPMENT DISTRICT**  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$	7,576
Cash paid to suppliers		(4,560)
NET CASH PROVIDED BY OPERATING ACTIVITIES		3,016

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR**

-

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 3,016

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

**NET OPERATING LOSS** \$ (110,380)

**ADJUSTMENTS TO RECONCILE NET OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Depreciation		13,752
(Increase) decrease in assets:		
Prepaid expenses		(11,814)
Increase (decrease) in liabilities:		
Accounts payable and due to related party		54,207
Accrued interest		57,251
TOTAL ADJUSTMENTS		113,396

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 3,016

**SUPPLEMENTAL DISCLOSURES:**

The acquisition of capital assets of \$6,526,316 were obtained through the issuance of a note payable and borrowing from a related party and have been excluded from the statement of cash flows.

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

**MERCHANT'S LACLEDE**  
**TRANSPORTATION DEVELOPMENT DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

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. **IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

**Governmental Accounting Standards Board Statement No. 34** - For the fiscal year ended December 31, 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). The statement affects the manner in which the District records transactions and presents financial information.

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

B. **IMPLEMENTATION OF NEW ACCOUNTING STANDARDS** - continued

**Governmental Accounting Standards Board Statement No. 37** - For the fiscal year ended December 31, 2004, the District implemented GASB Statement No. 37, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the District considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

**Governmental Accounting Standards Board Statement No. 38** - The District adopted the provisions of GASB No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB 38.

**Governmental Accounting Standards Board Interpretations No. 6** - For the fiscal year ended December 31, 2004, the District implemented GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. This interpretation clarifies the application standards for modified accrual recognition of certain liabilities and in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation affects the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB, but has no direct effect on the government-wide financial statements. Accordingly, the District has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental funds financial statements for amounts not considered to be due and payable as of December 31, 2004. The District also considered the effects of this interpretation when implementing the provisions of GASB 34 as previously described.

C. **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**

D. **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.

E. **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 cost during construction are capitalized as part of the cost of the asset. Interest capitalized in the construction of assets in 2004 was \$95,165. 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 year ended December 31, 2004 was \$13,752.

F. **BOND ISSUANCE COSTS**

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

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

G. **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.



4. **CAPITAL ASSETS**

Capital asset activity for the District for the year ended December 31, 2004 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	-	16,316
Total capital assets, being depreciation	-	6,526,316	-	6,526,316
Less accumulated depreciation for:				
Buildings	-	(13,563)	-	(13,563)
Furniture and equipment	-	( 189)	-	( 189)
Total accumulated depreciation	-	(13,752)	-	(13,752)
Total capital assets, being depreciated, net	\$ -	\$ 6,512,564	\$ -	\$ 6,512,564

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	Reductio	Balance, End of year	Due within one year
Business-type Note Payable: Series-2004	\$ -	\$ 6,510,000	\$ -	\$ 6,510,000	\$ -

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. During 2004, there were no taxes or access payments.

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.

9. **LEASE AGREEMENT**

The District subleases land under an operating lease with a related party, which requires monthly lease payments of \$11,250. 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>
2005	\$ 135,000
2006	135,000
2007	135,000
2008	135,000
2009	135,000
Thereafter	4,725,000
Total	<u>\$ 5,400,000</u>