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1-1-2005

## Financial Statements, 2004

Meramec Station Road and Highway 141 Transportation Development District

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***MERAMEC STATION ROAD AND  
HIGHWAY 141 TRANSPORTATION  
DEVELOPMENT DISTRICT***

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

***MERAMEC STATION ROAD AND HIGHWAY 141  
TRANSPORTATION DEVELOPMENT DISTRICT***

ST. LOUIS, MISSOURI

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## INDEPENDENT AUDITORS' REPORT



Board of Trustees

***MERAMEC STATION ROAD AND HIGHWAY 141  
TRANSPORTATION DEVELOPMENT DISTRICT***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meramec Station Road and Highway 141 Transportation Development District as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Meramec Station Road and Highway 141 Transportation Development District as of December 31, 2004, and the respective changes in the financial position where applicable, thereof 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.

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The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 13, are not a required part of the basic financial statements but are 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.

Batz, Deal & Company

June 8, 2005

**MERAMEC STATION ROAD AND HIGHWAY 141  
TRANSPORTATION DEVELOPMENT DISTRICT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003

This section of the Meramec Station Road and Highway 141 Transportation Development District's (the District) financial report presents discussion and analysis of the District's financial performance for the fiscal year ended December 31, 2004. It should be read in conjunction with the District's financial statements. The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 issued in June 1999. As this is the first year that the District has implemented this model, certain comparative data for the previous year, which is by design included in this reporting model, will not be included in the analysis as permitted by GASB Statement No. 34 with respect to first year reporting. Future years will include, when available, comparative analysis of government-wide data.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

This report is significantly different from prior years. Besides the fund financial statements and related notes to the financial statements, it now includes the Management's Discussion and Analysis, government-wide financial statements, and other supplementary information.

**Government-wide Financial Statements** - The government-wide financial statements are comprised of the *Statement of Net Assets* and the *Statement of Activities*. These statements present a government-wide view of the District's finances, using accounting methods similar to those used by private-sector businesses.

The *Statement of Net Assets* focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of all of the assets of the District, the liabilities it owes, and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The *Statement of Activities* focuses on gross and net costs of the District's operations and the extent to which such operations rely upon general revenues. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected sales taxes).

**Fund Financial Statements** - Fund financial statements focus separately on the individual parts of the District, reporting the District's operations in more detail than the government-wide statements. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending. The District's fund financial statements are comprised solely of governmental funds.

All of the District's services are included in the governmental funds, which focus on (1) the inflow/outflow of cash and other financial assets that can readily be converted to cash, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operations. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the reconciliation statement that explains the relationship (or differences) between them.

Because the District is a special purpose government engaged in a single governmental function, management has chosen to combine the government-wide financial statements with the fund financial statements using a columnar format that reconciles individual line items of fund financial data to the government-wide data on the face of the financial statements. Therefore, the *Statement of Net Assets* is shown with the *Governmental Funds Balance Sheet*, and the *Statement of Activities* is shown with the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance*.

**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.

**Management's Discussion and Analysis (MD&A).** The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. To be an accurate presentation, the prior year would have to be restated to the new reporting format since this is the first year of implementation of GASB 34 for the District. The District has chosen not to restate the prior year as this is the first full year of operations. A comparative analysis of government-wide data will be presented in future years.

## FINANCIAL ANALYSIS OF THE DISTRICT

The District's combined net assets were \$63,439 as of December 31, 2004. As mentioned earlier, net assets may serve over time as a useful indicator of a government's financial position. The condensed statement of net assets as of December 31, 2004 is as follows:

<b>Net Assets</b>	
	<u>Governmental Activities</u>
Assets:	
Current and other assets	\$ <u>73,964</u>
Liabilities:	
Current and other liabilities	<u>10,525</u>
Net assets:	
Unrestricted	63,439
Total net assets	\$ <u><u>63,439</u></u>

The District's net assets increased by \$59,137 during the current fiscal year. This increase is the result of revenues exceeding expenses during the year. The key elements of this increase are as follows:

**Change in Net Assets**

	<u>Governmental Activities</u>
General revenues:	
Sales taxes	\$ 47,501
Special assessments	22,161
Total revenues	<u>69,662</u>
 Expenses:	
General government	<u>10,525</u>
Increase in net assets	59,137
Net assets, beginning of year	<u>4,302</u>
Net assets, end of year	<u>\$ 63,439</u>

**BUDGETARY ANALYSIS**

The District adopts an annual budget for each of its governmental funds, pursuant to Missouri State Statutes.

**ECONOMIC CONDITION AND OUTLOOK**

The District continues to develop with the expectation that one restaurant will begin operations in 2005 and another one will open in 2006. It is the expectation that District revenues will continue to increase over the next few years as a result of future development.

**FINANCIAL CONTACT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money 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



**MERAMEC STATION ROAD AND HIGHWAY 141  
TRANSPORTATION DEVELOPMENT DISTRICT**

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
DECEMBER 31, 2004

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
<b>ASSETS</b>			
Cash	\$ 67,385	\$ -	\$ 67,385
Taxes receivable	6,579	-	6,579
<b>TOTAL ASSETS</b>	<u>\$ 73,964</u>	<u>-</u>	<u>73,964</u>
 <b>LIABILITIES</b>			
Accounts payable	\$ 10,525	-	10,525
 <b>FUND BALANCE/NET ASSETS</b>			
Fund balances:			
Unreserved	<u>63,439</u>	<u>(63,439)</u>	<u>-</u>
 <b>TOTAL LIABILITIES     AND FUND BALANCE</b>	<u>\$ 73,964</u>	<u>\$ (63,439)</u>	
 Net assets:			
Unrestricted			<u>63,439</u>
<b>TOTAL NET ASSETS</b>			<u>\$ 63,439</u>

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

**MERAMEC STATION ROAD AND HIGHWAY 141  
TRANSPORTATION DEVELOPMENT DISTRICT**  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
<b>EXPENDITURES/EXPENSES</b>			
Administrative fees	\$ 10,506	\$ -	\$ 10,506
TIF payments	19	-	19
<b>TOTAL EXPENDITURES</b>	<u>10,525</u>	<u>-</u>	<u>10,525</u>
<b>GENERAL REVENUES</b>			
Sales taxes	47,501	-	47,501
Special assessments	22,161	-	22,161
<b>TOTAL REVENUES</b>	<u>69,662</u>	<u>-</u>	<u>69,662</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	59,137	-	-
<b>CHANGE IN NET ASSETS</b>	-	-	59,137
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>4,302</u>	<u>-</u>	<u>4,302</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 63,439</u>	<u>\$ -</u>	<u>\$ 63,439</u>

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

**MERAMEC STATION ROAD AND HIGHWAY 141  
TRANSPORTATION DEVELOPMENT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Meramec Station Road and Highway 141 Transportation Development District's (the District) is a political subdivision of the state of Missouri created on March 22, 2001 under the Missouri Transportation Development District Act, sections 238.200 through 238.275 of the Revised Statutes of Missouri. The District began collecting sales tax on October 31, 2003. The District was created to levy certain taxes, for the purpose of funding certain transportation related improvements and infrastructure within the area targeted within the redevelopment area consisting of approximately 37 acres of land within the southwest quadrant of the intersection of Interstate 44 and Highway 141. 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. 34** - continued

*Management's Discussion and Analysis* - GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the District's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

*Government-Wide Financial Statements* - The reporting model includes financial statements prepared using full accrual accounting for all the District's nonfiduciary activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

*Statement of Net Assets* - The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The District reports capital assets in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The net assets of the District are broken down into three categories 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. The District has no business-type activities.

*Statement of Activities* - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the District's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the District has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. The District has elected to implement the requirements of GASB 34 related to infrastructure assets from January 1, 2004 forward.

**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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued
- B. **IMPLEMENTATION OF NEW ACCOUNTING STANDARDS** - continued

**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. **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 or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governmental funds 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. The District in general considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental funds financial statements, the District considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, interest, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the District are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

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

The District reports the following major governmental funds:

**The General Fund** - The District's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the District except those required to be accounted for in other specialized funds.

D. **CONCENTRATION OF REVENUE AND CREDIT RISK**

Revenues collected by two hotels within the District represent 84% of total revenues collected and account for 86% of total receivables.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The District adopts an annual operating budget prior to January 1, on a cash basis for all governmental funds. The District will follow 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. **TAXES**

Qualified voters of the District approved a one percent sales tax on retail sales within the boundaries of the District. In addition, qualified voters of the District approved a special assessment of \$.50 per rented hotel room on all hotels within the boundaries of the District. The tax and special assessment will be imposed until the transportation related costs incurred in connection with the transportation project have been paid. Proceeds of the TDD Sales Tax shall be disbursed as follows:

- 1) As required by and pursuant to the TIF Act, 50% of the nonhotel room-related TDD sales tax collected each month by business located within the TIF District is transferred to the TIF District.
- 2) Payment of (i) district administrative costs, and (ii) developer transportation project costs.

4. **CASH**

The District's bank balance at December 31, 2004 was \$67,385. All of the bank balance was covered by the Federal Deposit Insurance Corporation.

5. **RELATED PARTIES**

Representatives of the current sole taxpayer within the District, Drury Development Corporation, serve as voting members of the District's Board of Directors. No compensation was received by any of the Directors.

6. **COMMITMENTS**

The District has received a request for reimbursable transportation project costs from the developer for \$7,125,000. Pursuant to the development agreement, for all qualifying expenditures, the District will be required to issue TDD Notes to fund the transportation related costs.

**REQUIRED SUPPLEMENTARY INFORMATION**



**MERAMEC STATION ROAD AND HIGHWAY 141  
TRANSPORTATION DEVELOPMENT DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE</b>				
Sales taxes	\$ 44,367	\$ 44,367	\$ 44,367	\$ -
Special assessments	19,832	19,832	19,832	-
TOTAL REVENUE	<u>64,199</u>	<u>64,199</u>	<u>64,199</u>	<u>-</u>
<b>EXPENDITURES</b>				
Administrative fees	-	-	-	-
TIF payments	19	19	19	-
TOTAL EXPENDITURES	<u>19</u>	<u>19</u>	<u>19</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	64,180	64,180	64,180	<u>\$ -</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>3,185</u>	<u>3,185</u>	<u>3,185</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 67,365</u>	<u>\$ 67,365</u>	<u>\$ 67,365</u>	
FUND BALANCE - END OF YEAR - BUDGET BASIS			\$ 67,365	
Accrual adjustments:				
Revenues			6,580	
Expenditures			(10,506)	
FUND BALANCE - END OF YEAR - GAAP BASIS			<u>\$ 63,439</u>	