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Financial Statements, 2005

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, 2005***

***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 and each major fund, of Meramec Station Road and Highway 141 Transportation Development District as of and for the year ended December 31, 2005, 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 and each major fund of Meramec Station Road and Highway 141 Transportation Development District as of December 31, 2005, 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.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 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 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.

Botz, Deal & Company

May 30, 2006

**MERAMEC STATION ROAD AND HIGHWAY 141
TRANSPORTATION DEVELOPMENT DISTRICT**
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005. It should be read in conjunction with the District's financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

Besides the fund financial statements and related notes to the financial statements, this statement includes the Management's Discussion and Analysis, government-wide financial statements, and other required 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.

FINANCIAL ANALYSIS OF THE DISTRICT

The District's combined net assets were \$(11,699,345) as of December 31, 2005. As mentioned earlier, net assets may serve over time as a useful indicator of a government’s financial position. The condensed statements of net assets as of December 31 are as follows:

Statement of Net Assets			
	2005	2004	Increase (Decrease)
Assets:			
Current and other assets	\$ 112,500	\$ 73,964	\$ 38,536
Liabilities:			
Current and other liabilities	11,811,845	10,525	11,801,320
Net assets:			
Unrestricted	(11,699,345)	63,439	(11,762,784)
Total net assets	\$ (11,699,345)	\$ 63,439	\$ (11,762,784)

The District’s net assets decreased by \$(11,762,784) during the current fiscal year. This decrease is the result of reimbursing the developer for transportation project costs. The key elements of change in net assets are as follows:

Statement of Activities

	2005	2004	Increase (Decrease)
General revenues:			
Sales taxes	\$ 56,168	\$ 47,501	\$ 8,667
Special assessments	25,365	22,161	3,204
Total revenues	81,533	69,662	11,871
Expenses:			
General government	11,840,694	10,525	11,830,169
Interest	3,623	-	3,623
Total expenses	11,844,317	10,525	11,833,792
Increase in net assets	(11,762,784)	59,137	(11,821,921)
Net assets, beginning of year	63,439	4,302	59,137
Net assets, end of year	\$ (11,699,345)	\$ 63,439	\$ (11,762,784)

BUDGETARY ANALYSIS

The District adopts an annual budget pursuant to Missouri State Statutes.

LONG-TERM DEBT

On December 29, 2005, the District issued \$11,795,813 in Transportation Revenue Notes Series A through D, which bear interest at rates which vary according to the prime rate. These notes were issued for the purpose of paying the Transportation Project Costs in connection with the Developer's construction of the Transportation Project. More detailed information is presented in note 8 of the financial statements.

ECONOMIC CONDITION AND OUTLOOK

The District continues to develop with the expectation that another restaurant will begin operations in 2006 as well as other retail operations projected to open in late 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, 2005

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
ASSETS			
Cash	\$ 105,582	\$ -	\$ 105,582
Taxes receivable	6,918	-	6,918
TOTAL ASSETS	<u>\$ 112,500</u>	<u>-</u>	<u>112,500</u>
LIABILITIES			
Accounts payable	\$ 12,409	-	12,409
Accrued interest	-	3,623	3,623
Noncurrent liabilities:			
Due in one year	-	55,000	55,000
Due in more than one year	-	11,740,813	11,740,813
TOTAL LIABILITIES	<u>12,409</u>	<u>11,799,436</u>	<u>11,811,845</u>
FUND BALANCE/NET ASSETS			
Fund balances:			
Unreserved	<u>100,091</u>	<u>(100,091)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 112,500</u>	<u>\$ 11,899,527</u>	
Net assets:			
Unrestricted			<u>(11,699,345)</u>
TOTAL NET ASSETS			<u>\$ (11,699,345)</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, 2005

	<u>GENERAL FUND</u>	<u>ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
EXPENDITURES/EXPENSES			
Administrative fees	\$ 43,352	\$ -	\$ 43,352
TIF payments	1,529	-	1,529
Interest expense	-	3,623	3,623
Transportation project costs	<u>11,795,813</u>	<u>-</u>	<u>11,795,813</u>
TOTAL EXPENDITURES	<u>11,840,694</u>	<u>3,623</u>	<u>11,844,317</u>
GENERAL REVENUES			
Sales taxes	56,168	-	56,168
Special assessments	<u>25,365</u>	<u>-</u>	<u>25,365</u>
TOTAL REVENUES	<u>81,533</u>	<u>-</u>	<u>81,533</u>
EXCESS OF REVENUES OVER EXPENDITURES	(11,759,161)	(3,623)	(11,762,784)
OTHER FINANCING SOURCES			
Proceeds from issuance of notes	<u>11,795,813</u>	<u>(11,795,813)</u>	<u>-</u>
CHANGE IN FUND BALANCE/ NET ASSETS	36,652	(11,799,436)	(11,762,784)
FUND BALANCE/NET ASSETS - BEGINNING OF YEAR	<u>63,439</u>	<u>-</u>	<u>63,439</u>
FUND BALANCE/NET ASSETS - END OF YEAR	\$ <u>100,091</u>	\$ <u>(11,799,436)</u>	\$ <u>(11,699,345)</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, 2005

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. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

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

B. **BASIC FINANCIAL STATEMENTS** - continued

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.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

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.

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

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

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 and other miscellaneous revenue are considered to be susceptible to accrual and are 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.

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 82% of total revenues collected and account for 67% of total receivables.

2. **CASH**

The District's bank balance at December 31, 2005 was \$117,671. Of that balance, \$100,000 was insured by the Federal Deposit Insurance Corporation. The remaining balance was uninsured.

3. **BUDGETS AND BUDGETARY ACCOUNTING**

The District adopts an annual operating budget prior to January 1, 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.

3. **BUDGETS AND BUDGETARY ACCOUNTING** -continued

- 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.

4. **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.

5. **RELATED PARTIES**

Representatives of the current 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.

DDC served as the developer for the transportation project and hold the Transportation Revenue Notes in the amount of \$11,795,813 for payment of the project costs.

6. **DEFICIT FUND BALANCE**

The General Fund has a deficit fund balance of \$11,695,722.

7. **EXCESS EXPENDITURES OVER APPROPRIATIONS**

The General Fund expenditures exceeded appropriations by \$17,371, due to legal costs associated with the issuance of the notes which were in excess of the original forecast.

8. **LONG-TERM DEBT**

Transportation Revenue Notes -The District has issued \$11,795,813 in Transportation Revenue Notes for the purpose of paying the Transportation Project Costs in connection with the Developer's construction of the Transportation Project. Debt service payments will be made with sales taxes collected within the District. The balance of long-term debt at December 31, 2005 is as follows:

Taxable Transportation Revenue Note Series A	\$ 146,787
Interest rate - prime + 2 ½%	
Matures - December 29, 2045	
Tax-Exempt Transportation Revenue Note Series B	5,664,528
Interest rate - prime + 1 ½%	
Matures - December 29, 2045	
Taxable Transportation Revenue Note Series C	4,089,125
Interest rate - 10%	
Matures - December 29, 2045	
Taxable Transportation Revenue Note Series D	1,895,373
Interest rate - prime + 1%	
Matures - December 29, 2045	
TOTAL TRANSPORTATION REVENUE NOTES	\$ <u>11,795,813</u>

Interest and principal are payable on the first day of each month. The notes shall be redeemed only in the principal amount of \$1,000 or any integral multiple thereof.

The Series D notes are subordinate with respect to payment of principal and interest to the District's (i) Taxable Transportation Revenue Notes, Series A, (ii) Tax-Exempt Transportation Revenue Notes, Series B, and (iii) Taxable Transportation Revenue Notes, Series C. The Series A notes are on a parity with the Series B notes for purposes of payment of principal and interest thereon. The Series C notes are subordinate with respect to payment of principal and interest to the Series A and B notes.

The costs included in the original principal amounts of Series C and Series D notes were also included in the original principal amounts of taxable and tax-exempt notes issued by the TIF District. Pursuant to the TDD development agreement, any principal or interest payments on the Taxable TIF Notes shall be credited to the corresponding outstanding principal or interest on the Series C TDD Notes and any principal or interest payments on the Tax-Exempt TIF Notes shall be credited to the corresponding outstanding principal or interest on the Series D TDD Notes. There were no such payments made in 2005 after the TDD notes issuance date.

8. **LONG-TERM DEBT** - continued

The following is a summary of changes in long-term debt

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental activities:					
Transportation Revenue Notes:					
Series A	\$ -	\$ 146,787	\$ -	\$ 146,787	\$ 1,500
Series B	-	5,664,528	-	5,664,528	53,500
Series C	-	4,089,125	-	4,089,125	-
Series D	-	1,895,373	-	1,895,373	-
Total governmental Activities	\$ -	\$ 11,795,813	\$ -	\$ 11,795,813	\$ 55,000

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, 2005

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Sales taxes	\$ 60,987	\$ 60,987	\$ 56,168	\$ (4,819)
Special assessments	28,710	28,710	25,365	(3,345)
TOTAL REVENUE	<u>89,697</u>	<u>89,697</u>	<u>81,533</u>	<u>(8,164)</u>
EXPENDITURES				
Administrative fees	22,260	26,760	43,352	(16,592)
TIF payments	750	750	1,529	(779)
Transportation project costs	7,125,000	11,795,813	11,795,813	-
TOTAL EXPENDITURES	<u>7,148,010</u>	<u>11,823,323</u>	<u>11,840,694</u>	<u>(17,371)</u>
EXCESS OF REVENUES OVER EXPENDITURES	(7,058,313)	(11,733,626)	(11,759,161)	<u>\$ (25,535)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>63,439</u>	<u>63,439</u>	<u>63,439</u>	
FUND BALANCE - END OF YEAR	<u>\$ (6,994,874)</u>	<u>\$ (11,670,187)</u>	<u>\$ (11,695,722)</u>	

The accompanying notes are an integral part of the financial statements

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

REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2005

1. BUDGETARY INFORMATION

The City prepares its budget on a basis consistent with generally accepted accounting principles. The budgetary process is detailed in footnote 2 of the notes to the financial statements.