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Missouri State Auditor

Transportation Development Districts



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The following problems were included in our audit of Transportation Development Districts (TDDs).

As of December 31, 2006, 122 transportation development districts (TDDs) have been established in the state of Missouri, including 24 established in 2006. Almost 70 percent of the districts are located in the St. Louis and Kansas City metropolitan areas. Although the Transportation Development District Act was enacted in 1990, the first TDD was not established until 1997, apparently the result of a statutory change made that year that allowed the owners of real property located within a proposed district to petition for its creation, if there were no registered voters residing within the district. This statutory change resulted in a dramatic increase in the number of TDDs established in recent years, though that trend changed in 2007, with only 13 additional TDDs being established in 2007.

Of the 122 TDDs established as of December 31, 2006, 96 percent were initiated by a petition filed by the property owners, and all of them have imposed sales taxes, with rates ranging from one-eighth of one percent to one percent on retail items sold within the respective districts' boundaries. In a survey of those TDDs, officials or representatives of the TDDs reported total estimated transportation project costs of over \$1.19 billion. In addition, those TDDs reported that total estimated revenues of over \$1.45 billion would be collected over the lives (ranging from 5 to 40 years) of the respective TDDs. In addition, 39 percent of the TDDs established as of December 31, 2006, were located either completely or partially in a tax increment financing (TIF) redevelopment area. State laws provide that 50 percent of the additional tax revenues generated in such areas are to be used for the purposes of that TIF area; however, in some instances, the applicable city has allowed the TDD to apply most, if not all, of its sales tax revenue to its own transportation project costs.

Our initial audit of TDDs (Report No. 2006-12, issued in March 2006) reported various issues in the areas of public awareness/involvement, accountability, and compliance. We recommended the General Assembly review these issues and work with the Missouri Department of Transportation, the State Auditor's Office, and other governmental entities to make necessary revisions to the TDD-related statutes. However, during the 2007 legislative session, only one change was made to the TDD statutes that addressed any of the issues reported in that initial audit. During the 2008 session, additional TDD legislation was introduced, but not passed.

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YELLOW SHEET

Our current audit reviewed nine individual TDDs that were established in 2004. Various concerns were noted related to construction contracts and/or project management services involving transportation projects. Competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be determined. In addition, proposals were not solicited for project management services in some districts, including one instance in which the project manager was a related party. In another instance, the only proposal received for the project management services was a related party.

Requests for proposals for various professional services were generally not solicited, with much of these costs being incurred prior to the establishment of the applicable districts. These services primarily were provided by engineers and legal counsel.

In one district, substantial progress had not been made as of early 2008 in the completion of the district's transportation projects, even though the district issued revenue bonds in 2005 to finance the projects, and the retailers in that district have been charging a sales tax on all purchases since June 2005. Further, the costs now projected to complete the projects are significantly higher than the original estimated costs. In another district, the revenues of the district may not be sufficient to meet the financial obligations/debt of the district or fully reimburse the developer for transportation-related costs incurred.

For several other districts, adequate documentation to support the project costs incurred had not been provided, some involving the purchase of land and/or right-of-way. In another district, customers of the major retailer within the district were incorrectly charged sales tax for three months prior to the sales tax becoming effective, resulting in an overpayment of sales taxes to the district of approximately \$96,000 for this time period.

Various problems were noted related to the annual budgets of several selected districts. In addition, many of the TDDs (23 percent of all districts established) had not filed annual financial reports with the SAO, as statutorily required. Another concern reported related to one district's lack of compliance with the Open Meetings Law.

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TRANSPORTATION DEVELOPMENT DISTRICTS

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited transportation development districts (TDDs) established in the state of Missouri. The audit was conducted relative to our responsibilities pursuant to Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, TDDs established since the inception of the Transportation Development District Act in 1990 through December 31, 2006. The objectives of our audit were to:

1. Report selected information regarding the various TDDs.
2. Determine and report the TDDs' estimated transportation project costs as well as the total revenues those entities expect to collect, as reported by the individual TDDs.
3. Report on the status of various issues in the areas of public awareness/involvement, accountability, and compliance which were reported in our initial audit of TDDs (Report No. 2006-12, issued in March 2006).
4. Perform and report on audit work related to 9 selected TDDs that were established in 2004, involving a more in-depth review of the districts' transportation projects, financial activity, procurement practices, and statutory compliance.

Our methodology included reviewing financial reports or audits filed with the State Auditor's Office and information maintained by the Missouri Department of Transportation (MoDOT); reviewing minutes, financial records and other information maintained by or received from various TDD officials/representatives and municipal officials; testing selected transactions; and interviewing various TDD officials/representatives and municipal officials. Some of the selected TDDs had engaged independent auditors to audit their financial statements for the years under review. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the applicable independent auditors.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient,

appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Objectives, Scope, and Methodology and Observations and Results sections present our comments, observations, and results regarding our audit of the transportation development districts.



Susan Montee, CPA
State Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

TRANSPORTATION DEVELOPMENT DISTRICTS OBJECTIVES, SCOPE, AND METHODOLOGY

Sections 238.200 to 238.280, RSMo, allow for the formation of transportation development districts (TDDs). These entities are separate political subdivisions established and organized for the construction of roads, bridges, interchanges, or other transportation-related projects. The projects are generally financed by these districts through the issuance of notes, bonds, or other debt securities for a period not to exceed 40 years. Therefore, most TDDs generally will not exist more than 40 years. A TDD is governed by a board of directors of not less than 5 nor more than 15 members. The boards have the authority (after qualified voter approval¹) to impose sales taxes or tolls, or levy property taxes or special assessments within the boundaries of the TDD to pay the expenditures of the entity, including the liquidation of debt incurred to fund the transportation-related projects. The revenues of a TDD, the majority of which are sales taxes, can only be used for transportation-related projects.

The process of establishing a TDD is initiated by the filing of a petition in the circuit court of the county where the proposed district is located. Such a petition can be filed by: (1) not less than 50 registered voters within the proposed TDD; (2) all the owners of real property located within its proposed boundaries, if there are no eligible registered voters residing within the proposed district; (3) a local transportation authority; or (4) two or more local transportation authorities. A local transportation authority includes a county, city, special road district, or any other local public authority having jurisdiction over transportation projects and services.

For those TDDs established as of December 31, 2006, most of the petitions initiating their establishment were filed by the owners of the property located within the proposed district. See Appendix A for a complete list of all TDDs established as of December 31, 2006, and information regarding their establishment.

State law requires that a copy of the petition filed to establish a TDD be provided to the Missouri Highways and Transportation Commission (highway commission) and each affected local transportation authority. Those entities are then allowed to file an answer stating agreement with or opposition to the creation of the district. In addition, any resident, taxpayer, or any other entity within the proposed district may join in or file a petition supporting or answer opposing the creation of the district. The circuit court subsequently hears the case, if necessary, and makes a decision whether to authorize the establishment of the district.

Many TDDs are located within a tax increment financing redevelopment (TIF) area. Tax increment financing is authorized pursuant to Sections 99.800 to 99.865, RSMo, and these statutes allow a municipality (a city or county) to approve TIF plans and use new tax revenues generated by development to reimburse certain costs related to that development. See Appendix B for information regarding whether a particular TDD is located within a TIF area.

¹ Section 238.202, RSMo, currently defines qualified voters as any persons residing within the proposed or established district who have registered to vote pursuant to Chapter 115, RSMo, and the owners of real property, who shall receive one vote per acre, provided that any registered voter who also owns property must elect whether to vote as an owner or a registered voter.

Section 67.010, RSMo, requires each TDD to prepare an annual budget which represents a complete financial plan for the ensuing fiscal year. In addition, Section 105.145, RSMo, requires each district to file an annual financial report with the State Auditor's Office (SAO).

Although there is no statutory annual audit requirement, many districts have issued bonds and are required to obtain annual audits by the bond covenants or bond underwriter. In addition, Section 238.272, RSMo, provides the SAO shall audit each TDD once every 3 years, and may audit more frequently if deemed appropriate. The cost of the audit is to be paid by the respective district.

Section 238.275, RSMo, provides for the abolishment of a TDD once its projects are completed, ownership of the projects has been transferred to the highway commission or the local transportation authority, and the district has no outstanding liabilities. In addition, a TDD can be abolished if the board of directors determines the projects cannot be completed due to lack of funding or for any other reason. Prior to a TDD submitting the question to abolish the district to the applicable voters, the SAO must audit the TDD to determine its financial status, and whether it can be abolished.

As noted in our previous report, in September 2006, the SAO was advised of actions taken to abolish the Hyannis Port Road TDD, in Jefferson County. The SAO subsequently performed an audit of this TDD (Report No. 2006-84, issued in December 2006), and this TDD was formally abolished in March 2007. In addition, in April 2007, the SAO was advised of plans to abolish the Eureka South I-44 TDD, in St. Louis County. Because no taxes had been imposed by this district nor had any other financial activity occurred, no final audit was required. This TDD was formally abolished in June 2008.

Objectives

The objectives of this audit were to 1) report selected information regarding the various TDDs; 2) determine and report the TDDs' estimated transportation project costs as well as the total revenues those entities expect to collect, as reported by the individual TDDs; 3) report on the status of various issues in the areas of public awareness/involvement and accountability and compliance which were reported in our initial audit of TDDs (SAO Report No. 2006-12, issued in March 2006); 4) perform and report on audit work related to 9 selected TDDs that were established in 2004, involving a more in-depth review of the districts' transportation projects, financial activity, procurement practices, and statutory compliance.

Scope

The scope of this audit included, but was not necessarily limited to, those TDDs established since the inception of the Transportation Development District Act in 1990 through December 31, 2006. At December 31, 2006, 122 TDDs had been established in the state of Missouri. Twenty of these TDDs were established in 2004, had existed for portions of at least 3 fiscal years, and were not previously considered or selected for review by the SAO. During our previous two audits of TDDs, we had performed a review of 16 and 17 selected TDDs,

respectively, that had operated for three fiscal years as of December 31, 2004, and December 31, 2005.

Information used to complete this report included:

- TDD annual financial reports or audit reports and related information submitted to and maintained by the SAO.
- The provisions of the Transportation Development District Act, which include Sections 238.200 to 238.280, RSMo.
- A TDD database, petitions, court orders, and related information maintained by the Missouri Department of Transportation (MoDOT).
- Completed questionnaires, received from officials/representatives of the TDDs, which requested information including, but not limited to, estimated project costs, financing obligations, anticipated revenues, and expected life of the respective TDD.
- Communications with, and information received from, various TDD officials/representatives and municipal officials.
- TDD financial records, including but not limited to, agendas and minutes, bank statements, financial records, invoices, budgets, contracts, bid documentation, and/or debt service agreements. These records were maintained by the district or their records custodian.

Methodology

During our audit, we used annual financial reports or audit reports that had been filed by the various TDDs with the SAO as well as an internal database established by the SAO to identify those TDDs established in 2006 and prior and to account for the various financial reports/audits received.

We gathered additional information regarding the TDDs established in 2006 through discussions with various MoDOT officials and from a TDD database and files maintained by that agency. Information obtained included TDD name, location, applicable county/municipality, date established, identity of the individual(s)/entity who filed the petition, the type of funding (i.e., sales taxes, property taxes, etc.), and the funding rate (e.g., 1 percent). Some of this information is presented in Appendix A.

Similar to procedures used in our previous audits, survey questionnaires were sent to each TDD established in 2006, requesting information including, but not limited to, the geographic location of the TDD, estimated total project costs, how project costs were financed and the amount of that financing, estimated total revenues to be collected and over what period of time, when the collection of revenue and incurrence of expenses started, who was responsible for collection of the revenues and the administering of the funds, whether financial audits have been conducted by an independent auditor, the name of the development and type of businesses in the district, and

whether or not the TDD is located in a TIF redevelopment area. Some of the survey information received from the TDDs is presented in Appendix B.

Relative to our audit responsibilities pursuant to Section 238.272, RSMo, we selected and conducted audit work related to various TDDs (the selected districts) based on the significance of their financial activity, because their transportation projects had been substantially completed by the end of fiscal year 2006, and/or other considerations. Those districts not selected for review did not have as significant a level of financial activity and/or their transportation projects were not substantially completed by the end of fiscal year 2006.

The selected districts included 4 of 7 districts that were audited by an independent auditor and 5 of 13 districts that were unaudited. Three of the audited districts were selected because of the significance of their financial activity, with all of them having recorded expenditures in excess of \$7 million during fiscal years 2004 through 2006. The fourth audited district, the Olive Boulevard TDD, was selected because of concerns reported about this district. Because of the circumstances surrounding the concerns raised, we extended our review of this TDD through March 2008.

The 5 unaudited districts were selected because their transportation projects had been substantially completed and significant financial activity had been incurred by either the TDD or developer through the end of fiscal year 2006. The reported disbursements of the 8 unaudited districts which were not selected totaled less than \$1.52 million during fiscal years 2004 through 2006.

The following table includes the 20 TDDs considered for review during our current audit, including the 9 TDDs selected for review. Some of the TDDs had financial statement (F/S) audits performed by independent auditors.

TDD Name	Date Established	Fiscal Year-End	F/S Audits Performed		Unaudited	
			Selected for Review by SAO	Not Selected for Review by SAO	Selected for Review by SAO	Not Selected for Review by SAO
Brentwood/Strassner Road	02/24/04	12/31	X			
Hutchings Farm Plaza	03/04/04	12/31				X
Mexico Road	04/08/04	12/31			X	
Southtown	04/12/04	12/31			X	
Francis Place	04/13/04	12/31			X	
Poplar Bluff Conference Center	05/04/04	12/31			X	
Eureka Commercial Park	05/10/04	06/30				X
Hanley Road and North of Folk Avenue (1)	05/19/04	12/31	X			
Megan Shoppes (2)	06/07/04	12/31		X		
Folk Avenue South (1)	07/14/04	06/30	X			
St. Joseph Gateway	07/20/04	12/31				X
Park Hills	07/28/04	12/31				X
Hawk Ridge	09/02/04	06/30			X	
Olive Boulevard (2)	09/09/04	06/30	X			
Shoppes at Stadium	09/27/04	12/31		X		
Stadium Corridor	10/04/04	12/31				X
Troy/Lincoln County (1)	10/05/04	06/30		X		
Chesterfield Commons	10/12/04	12/31				X
Eureka Old Town	10/12/04	06/30				X
North Main/Malone	11/19/04	12/31				X

(1) F/S audits for fiscal years 2006 and 2005 only.

(2) F/S audit for fiscal year 2006 only.

For the selected districts, we obtained requested information through communications with various TDD officials or representatives and municipal officials who have been involved with district activities. In addition, we reviewed such information and performed audit work, if determined necessary, on TDD records at TDD/representatives' offices.

The objectives of our review of the selected TDDs were to 1) determine and report information including, but not limited to: the establishment of the applicable districts and taxes imposed, the transportation projects of the district and related costs, how the transportation projects were financed, whether periodic financial audits are conducted, and the extent of any independent financial oversight; 2) report the results of audit work performed on the selected TDDs in the following areas, including but not limited to: internal controls, cash, revenues, expenditures, the bidding of construction work and related contracts, and the solicitation of proposals for professional services; 3) determine compliance with certain statutory requirements; and 4) report the selected TDDs' financial data. If independent audits were performed of a selected TDD, the supporting working papers were reviewed, and any additional audit procedures were performed as considered necessary.

A Schedule of Receipts, Disbursements, and Cash Balances for the 9 selected districts is presented in Appendix D. The financial information presented on this appendix reflects the financial activity and balances of the selected TDDs during the applicable years; however, it does not reflect any project-related costs incurred by the developers that had not yet been reimbursed by the applicable districts. In some cases, those unreimbursed developer-incurred costs are substantial. A summary of audit findings reported by various independent auditors (of the 4 applicable selected districts) is presented in Appendix E.

Limitations

Some data presented in Appendixes A, B, and D was compiled from survey information submitted by officials/representatives of the various TDDs and the annual financial or audit reports submitted by those districts. This information was not verified for accuracy by us. If any information presented in Appendixes A and B of the prior report was found to have changed since the previous audit, that information was updated on the current appendixes to the extent those changes were noted by us or brought to our attention. The financial data presented in Appendix D is presented as classified by the districts or the districts' independent auditors, if applicable; therefore, some disbursements may be classified in an inconsistent manner. The comments included in Appendix E were extracted from the independent auditors' reports (i.e. non-compliance required to be reported under generally accepted government auditing standards (GAGAS)) or management letters (i.e. internal control weaknesses not required to be reported under GAGAS). These comments were not verified by us through additional audit procedures for accuracy, validity, or completeness.

OBSERVATIONS AND RESULTS

TRANSPORTATION DEVELOPMENT DISTRICTS OBSERVATIONS AND RESULTS

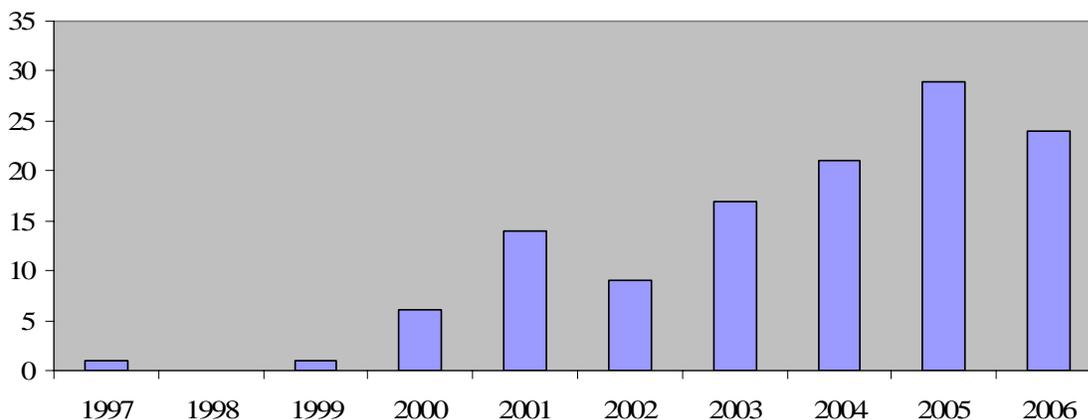
Background

As of December 31, 2006, 122 transportation development districts (TDDs) had been established in the state of Missouri, including 24 TDDs which were established in 2006. Almost 70 percent of the districts have been established in the state's two biggest metropolitan areas, with 57 and 26 of the TDDs being located in the St. Louis and Kansas City metropolitan areas¹, respectively.

As noted in our previous reports, even though the Transportation Development District Act was enacted in 1990, the first TDD was not established until 1997, apparently the result of statutory changes the General Assembly made that year. In those legislative changes, the General Assembly established another method of creating a TDD, allowing the owners of the real property located within the proposed district to petition for its creation, if there were no registered voters residing within the district. Previously, a petition to establish a TDD could only be filed by not less than 50 registered voters residing within the proposed district or by a local transportation authority.

This statutory change has resulted in a dramatic increase in the number of TDDs established, particularly in recent years, as shown in the following graph.

Number of TDDs Established by Year



Of the 122 TDDs established as of December 31, 2006, 117 (or 96 percent) were initiated by a petition filed by the property owners. It should be noted that the rate of growth of newly-established TDDs declined in 2007, with only 13 additional TDDs being established during 2007 (according to MoDOT's records). All 13 of these TDDs were established prior to June 2007. While we were unable to determine all the factors that might have resulted in fewer TDDs being

¹ The St. Louis metropolitan area is defined here as the geographic area that includes the city of St. Louis, St. Louis County, St. Charles County, Jefferson County, and Franklin County. The Kansas City metropolitan area is defined here as the geographic area that includes Jackson County, Platte County, Clay County and Cass County.

established in 2007, some legislative changes which became effective August 28, 2007, may have contributed to this decline.

In a survey of the 122 TDDs established as of December 31, 2006, officials/representatives of the TDDs reported total estimated transportation project costs of over \$1.19 billion. In addition, those officials/representatives reported that total estimated revenues of over \$1.45 billion would be collected over the lives of the respective TDDs. Estimated project costs and anticipated revenue information were not reported for some of the TDDs that have been established because that information had not been determined or could not be located. In one instance, the TDD was abolished before estimated transportation project costs and revenues were determined.

The total estimated project costs and anticipated revenue amounts provided by the various TDDs are presented in Appendix B. It appears that interest costs on TDD debt and administrative expenses of various districts would account for the difference when total estimated project costs are exceeded by total anticipated revenues. In other instances where total estimated project costs exceed total anticipated revenues, TDD sales tax revenues are most likely being used to pay a portion of the total project costs, with the remaining project costs being funded from other revenue sources (i.e. private financing, other government or TIF funding, etc.).

The table below breaks down the total estimated project costs and anticipated revenues of the 122 TDDs into various dollar ranges.

Dollar Range	Number of TDDs	
	Estimated Transportation Project Costs	Expected Revenues
\$0 to \$1million	18	12
\$1 million to \$5 million	48	31
\$5 million to \$10 million	17	24
\$10 million to \$15 million	15	11
\$15 million to \$35 million	16	21
More than \$35 million	5	8
Not reported	3	15

In our survey, the TDD officials/representatives reported the number of years their respective districts expected to collect revenue (i.e. sales taxes, etc.), which should correlate with the expected life of the districts. Based on this information, the expected lives of the 122 TDDs will range from 5 to 40 years. All but one of the districts established as of December 31, 2006, have imposed a sales tax, with rates ranging from one-eighth of one percent (1/8 %) to one percent on retail items sold within the respective districts' boundaries (one district was dissolved in June 2008 prior to imposing a sales tax). As a result, all retail establishments located within a TDD charge a higher total sales tax than the retail establishments that lie outside the district's boundaries. Also, 9 of the 122 TDDs have imposed a special assessment or property tax in addition to a sales tax.

The boundaries of 48 (39 percent) of the TDDs established as of December 31, 2006, were located either completely or partially in a tax increment financing redevelopment (TIF) area. Pursuant to Section 99.845, RSMo, 50 percent of the additional tax revenues generated in such areas are to be used for the purposes of that particular TIF area. After the TIF portion of the TDD revenues are disbursed to the applicable city for deposit into a TIF account, the remaining portion is to be used by the TDD to fund its transportation project(s). However, as similarly noted in previous audits, in some instances the applicable city has allowed the TDD to apply most, if not all, of its sale tax revenues to its own transportation project costs.

Previously Reported Public Awareness/Involvement, Accountability, and Compliance Issues

In our initial audit of TDDs (Report No. 2006-12, issued in March 2006), we reported various issues regarding TDDs in the areas of public awareness/involvement, accountability, and compliance as follows:

- There was no requirement for the public to be notified when a property owner(s)/developer filed a petition with the circuit court to form a TDD. In addition, public hearings regarding the establishment of TDDs were not required to be held.
- Neither registered voters nor their elected representatives were involved in the decision to levy taxes for most TDDs.
- The individuals/entities responsible for initiating the establishment of a TDD were not required to include the estimated transportation project costs or anticipated revenues to be collected in their petition to the circuit court.
- There was no requirement for an independent review or oversight of TDD transportation project costs or other expenditures.
- It was not clear whether the construction of a TDD-funded transportation project(s) could be started prior to the legal establishment of the applicable TDD.
- Unlike most other sales tax revenues collected in the state, very few TDD sales taxes were administered by the Missouri Department of Revenue (DOR).² This situation provided less assurance these revenues were properly collected and accounted for and less ability to monitor the level of sales tax distributions to the TDDs.
- Many of the TDDs had not filed annual financial reports with the State Auditor's Office (SAO), as required.

² Sections 238.235 and 238.236, RSMo, provide that any sales taxes imposed by TDDs, except for those districts that consist of an entire county(ies) or city(ies), are to be collected by the districts themselves. The Department of Revenue is only responsible for administering the sales taxes of those TDDs that consist of an entire county(ies) or city(ies).

- The SAO was not notified when a TDD was established. In addition, current audit requirements related to TDDs needed to be reconsidered.
- Payment of project-related costs by the developer complicated the audit process and weakened accountability over those costs.
- The revenues of TDDs located in TIF areas were being handled in different manners, and in some instances there was not adequate assurance TDD sales tax revenues were only used to pay the TDD's share of bond financing costs.

Because many of these issues required legislative change to address the matters reported, we recommended the General Assembly review these issues and work with MoDOT, the SAO, and other governmental entities to make necessary revisions to the TDD-related statutes. As noted in our previous report on TDDs (SAO Report No. 2007-28, issued in July 2007), during the 2007 legislative session, the only change made to the TDD statutes that addressed any of the issues reported in the initial TDD audit was to add language which required that a petition filed to establish a TDD must include the estimated project costs and the anticipated revenues to be collected.

During the 2008 session, additional TDD legislation (Senate Bill 1201) was introduced which would have addressed several concerns noted above. For example, the proposed bill, if passed, would have required: public notification of all petitions filed by property owners, a public hearing be held prior to the creation of a district, the applicable transportation authority to review and approve all expenditures of districts formed by property owners, and the DOR to perform all functions related to the administration and collection of future districts' sales taxes. This proposed legislation did not pass during the most recently-completed legislative session.

While the unaddressed issues and our recommendation to the General Assembly have not been repeated in the current report, further changes to the TDD statutes should be considered in future legislation.

Current Audit Results

Our current audit disclosed various issues regarding the 9 selected TDDs in the areas of construction contracts and project management, professional services, budgetary matters, financial reporting, and other matters as presented below. This section summarizes the results of the audit work performed related to those selected districts. Some of the problems reported were similarly noted during our review of other selected districts in the previous TDD audit. In addition, the Financial Reporting issue updates a problem reported in the previous two TDD audits.

1. Construction Contracts and Project Management

Various concerns were noted related to construction contracts and/or project management services involving transportation projects.

For 5 districts, competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be verified based on the circumstances and/or the available records.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 involving a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder. While the developer hired the construction contractor in some of the instances noted, since TDD monies paid the costs of this construction, the procurement of the contractor or subcontractor(s) through a competitive bid process would have been advisable or appropriate in such instances.

Formal bidding procedures for major purchases provide a framework for economical management of the district's resources and help ensure the district receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the district's business. Complete documentation should be maintained of all bids received and reasons noted why a bid was selected.

In addition, for 2 districts, proposals were not solicited for project management services because the developer or city contracted for these services prior to the establishment of the district. In 1 of these 2 instances, the project manager was a related party. In another district, the only proposal received for the project management services was from a related party.

Soliciting proposals for such services helps provide a range of possible choices and allows the district to make a better-informed decision to ensure necessary services are obtained from the best qualified provider at the lowest and best cost.

Some of the exceptions noted above related to the same TDDs.

2. Professional Services

It is a common practice for substantial costs to be incurred related to TDDs prior to the formal establishment of the district, particularly costs related to professional services provided by engineers and legal counsel. Requests for proposals (RFPs) for such professional services were not properly solicited (or we were unable to assure ourselves of this) for 7 districts. If the costs of the professional services are to be subsequently paid or reimbursed to the developer, such services should be solicited and selected through a competitive proposal process.

Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the district to make a better-informed decision to ensure necessary services are obtained from the best qualified provider, taking expertise, experience, and cost into consideration.

3. Budgetary Matters

Various problems were noted related to the annual budgets of 5 districts, including:

- Budgets were not prepared (2 districts).
- The budget was not approved in a timely manner (1 district).
- The budget did not include beginning and projected ending fund balances (1 district).
- The budget was overspent in some years (1 district).

Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets. Those sections require each political subdivision of the state to prepare annual budgets with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by classification, the beginning available resources, and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message and a budget summary.

In addition, Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budget reduces the effectiveness of this process. To be of maximum benefit, the district budget should be adopted prior to the beginning of the fiscal year.

4. Financial Reporting

As similarly noted in our previous reports, many of the TDDs had not filed annual financial reports with the SAO, as required.

As of December 31, 2007, we identified 29 of 122 TDDs (23 percent) that had not filed one or more annual financial reports with the SAO, as statutorily required. Section 105.145, RSMo, requires that all political subdivisions file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within 4 months of the entity's fiscal year-end, while an audit report can be filed within 6 months of the entity's fiscal year-end.

The following table presents the 29 TDDs that had financial activity, but did not file a financial report with the SAO by December 31, 2007, for fiscal years 2006 or 2005.

TDD Name	Date Established	Fiscal Year-End	FY 06	FY 05
Kenilworth	08/15/00	12/31	X	
Ballwin Town Center	04/26/01	12/31	X	X
Country Club Plaza of Kansas City	07/12/01	12/31	X	
Interstate Plaza/North Town Village	11/06/01	12/31		X
St. John Crossings	06/25/02	12/31	X	
Boscherts Landing	05/16/03	12/31	X	X
Lee's Summit New Longview	07/31/03	12/31	X	
Prewitt Point	08/22/03	12/31	X	
Belton Town Centre	11/17/03	12/31	X	
71 Highway & 150 Highway	11/20/03	12/31	X	X
Hutchings Farm Plaza	03/04/04	12/31	X	X
Mexico Road	04/08/04	12/31	X	
Southtown	04/12/04	12/31	X	
Francis Place	04/13/04	12/31	X	
Eureka Commercial Park	05/10/04	06/30	X	
Megan Shoppes	06/07/04	12/31		X
Folk Avenue South	07/14/04	06/30	X	
Hyannis Port Road	07/16/04	12/31		X
Stadium Corridor	10/04/04	12/31		X
Chesterfield Commons	10/12/04	12/31	X	
North Main/Malone	11/19/04	12/31	X	
Farris Family	02/17/05	12/31	X	X
Wentzville II	03/07/05	12/31	X	
Kingsmill	05/05/05	12/31	X	
Northwoods	07/22/05	12/31	X	
1717 Market Place	11/25/05	12/31	X	
Chesterfield Valley	11/28/05	12/31	X	
University Place	06/06/06	12/31	X	
620 Market	09/06/06	12/31	X	

There were also 32 other TDDs that had not filed a report(s) through fiscal year 2006 because no financial activity had occurred. In such situations, a TDD should notify the SAO that it had no financial activity.

As of March 31, 2008, only 6 of the TDDs noted in the table above had provided 2006 and/or 2005 financial reports to the SAO. The 71 Highway & 150 Highway, and Farris Family TDDs have never provided an annual financial report to the SAO. The TDDs should make every effort to ensure the required annual financial reports/audits are filed by the time frames specified in 15 CSR 40-3.030. The timely filing of financial reports was found to be a problem in 4 of the selected districts reviewed.

The state regulation also provides that an audit report submitted to satisfy the financial reporting requirements of Section 105.145, RSMo, should be prepared in conformity with generally accepted government auditing standards (GAGAS). Of the 20 districts included in the scope of our review, it was noted that 7 of the districts had received independent financial audits. One of those audits (for fiscal year 2005) was conducted in accordance with generally accepted auditing standards (GAAS) rather than GAGAS. To fully comply with 15 CSR 40-3.030 reporting requirements, financial audits submitted in lieu of annual financial reports should be conducted in accordance with GAGAS.

In addition, the financial reports submitted by the TDDs should accurately reflect all financial activity of the district during that year, including any loans or debt activity.

5. Other Matters

Related Party Transactions. As noted in 1. above, in some instances the developers have participated in the transportation projects' construction as project managers.

Such transactions could represent conflicts or the appearance of conflicts, could compromise the TDDs' financial interests, and should be avoided. If these situations cannot be avoided, discussions and decisions concerning situations where potential conflicts exist should be completely documented so that the public has assurance that no district official has benefited improperly.

Project Completion and Financial Condition. In 1 district, substantial progress had not been made as of early 2008 in the completion of the district's transportation projects, even though the district issued revenue bonds in 2005 to finance the projects, and the retailers in that district have been charging a sales tax on all purchases since June 2005. Further, the costs now projected to complete the projects are significantly higher than the original estimated project costs.

In another district, the revenues of the district may not be sufficient to meet the financial obligations/debt of the district or fully reimburse the developer for transportation-related costs incurred.

Reimbursement of Transportation Project Costs. Various matters were noted related to transportation project costs claimed for reimbursement by the developers. In 5 districts, adequate documentation to support the project costs incurred had not been provided. Two of these instances involved support for the purchase of land and/or right-of-way. For 2 districts, project costs could not be specifically identified. Detailed invoices supporting the project costs were not available because the district's projects were combined with costs of the private or public development projects. As a result of this situation, the appropriateness of the costs incurred and reimbursements paid to some developers could not be verified.

All project costs should be supported by adequate documentation to ensure the obligation was actually incurred and the expenditures represent appropriate uses of district funds.

Open Meetings Law. In 1 district, notices of board meetings, along with the tentative agendas, have not been posted, and minutes of the meetings have not been prepared and maintained.

Section 610.020, RSMo, requires that any meetings of a public governmental body be posted (along with the tentative agendas) and requires the preparation of minutes documenting any actions taken or decisions made.

Sales Tax Collections. In 1 district, customers of the major retailer within the district were incorrectly charged sales tax for three months prior to the sales tax becoming effective, resulting in an overpayment of sales taxes by the retailer to the district of approximately \$96,000 for this time period.

TDDs should work closely with the retailers in the district to ensure the district's sales tax is charged at the correct amount and begins on the effective date of the sales tax.

In responding to the matters noted above, some TDDs pointed out there is no state law which requires that proposals be solicited in the procurement of professional services. In addition, some of the applicable TDDs acknowledged their annual budgets were not approved timely and that annual financial reports were not submitted to the SAO on a timely basis, as required. Officials/representatives of 2 TDDs did not provide a formal response.

Audits of Selected Districts

The following section reports information related to the 9 individual TDDs that were selected for review. The selected districts represent TDDs that were established in 2004, and had not previously been audited by the SAO. The selected districts are presented in the order of date established. This information was shared with each applicable selected district and includes a response from the district, if one was provided. A Schedule of Receipts, Disbursements, and Cash Balances for the selected districts is located at Appendix D.

- **Brentwood/Strassner Road TDD**

The Brentwood/Strassner Road TDD was organized in February 2004, after petition by the city of Brentwood and St. Louis County and approval of the registered voters within the district. The TDD's Board of Directors and officers include representatives of the city, county, Metro (the owner/operator of the St. Louis metropolitan region's public transportation system), and a registered voter.

The qualified voter(s) of the district, in this case the registered voters, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective July 2004. The sales tax is currently expected to remain in effect for 11 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of Brentwood.

The TDD is located in the city of Brentwood, in St. Louis County. The district is primarily bounded by South Brentwood Boulevard to the west, South Hanley Road to the east, Manchester Road to the south, and Eager Road to the north. The TDD encompasses various developments, including Brentwood Square and Brentwood Promenade, that include retail, grocery, department store and banking establishments. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2004, 2005, and 2006.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately \$8.4 million:

- Design and construction of a new MetroLink bridge, the "Strassner Road Bridge" (in accordance with plans approved by the Bi-State Development Agency, the former agency name of Metro).
- Acquisition, design, and construction of the "Strassner Road Extension".
- Design and construction of improvements to Eager Road or other arterial county roads within or adjacent to and benefiting the district.
- Relocation within the city of its public works facility.
- Acquisition, design, and construction of a pedestrian trail system.
- Design and construction of improvements to Wrenwood Lane.
- Other similar or related infrastructure or improvement and incidental right-of-way.

In addition, if funds were available, the district was to fund the design and construction of a new MetroLink station. However, the MetroLink station and Eager Road improvement projects were not performed by the district.

The city of Brentwood, St. Louis County, Metro and MoDOT are the public entities with jurisdiction over these projects and have accepted dedication of the completed projects.

Because the district is partially located within two different TIF areas, 50 percent of the sales taxes collected from retailers in the TIF areas has been paid to the city of Brentwood for deposit to the accounts relating to the TIF projects.

The district issued approximately \$9.85 million in tax-exempt revenue bonds in June 2004 to finance the cost of the projects.

The city of Brentwood, St. Louis County, Metro, and MoDOT were responsible for overseeing the projects' construction, while the district's funds have been administered by a bank trustee.

During our audit work related to this TDD, we noted the following additional matter:

- The district did not solicit RFPs for the professional services provided by the project engineers and legal counsel.

On June 15, 2004, the district approved the selection of the project engineers because they were already under contract or previously engaged by the city to perform work in the general area and it was believed their selection would be the most cost-effective. In addition, according to district officials, the TDD used the legal counsel based on its long-standing relationship with the city, county and Metro. Based on the firm's knowledge and background of the project, its selection was also deemed the most cost-effective.

Information regarding the costs incurred related to these engineering and legal services was not readily available.

Brentwood/Strassner Road TDD's Response:

Missouri law does not require a TDD to solicit proposals for professional services. It is common practice for political subdivisions to retain these services without a competitive bidding process. As stated in the report, the TDD selected the project engineers and legal counsel based on their knowledge and background of the project and the belief that their selection would be the most cost effective and in the best interests of the TDD's constituents.

- **Mexico Road TDD**

The Mexico Road TDD was organized in April 2004 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include representatives of the property owner/developer and a representative of the city of O'Fallon.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective May 2005. The sales tax is currently expected to remain in effect for 40 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of O'Fallon.

The TDD is located in the city of O'Fallon, in St. Charles County, at the intersection of Highway K and Mexico Road. The development includes a retail establishment and restaurants. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately \$3.3 million:

- Purchase of property and acquisition of right-of-way.
- Construction of public roads within the district, including a connector road between Highway K and existing city land adjacent to Mexico Road.
- Existing structure demolition and related abatement, re-engineering of an existing portion of a detention basin, and accompanying earthwork, grading, site work, drainage, pavement, curb, gutters, sidewalk, storm water facilities, structures, signing, lighting, and traffic signals.

The city of O'Fallon and MoDOT are the public entities with jurisdiction over these projects, and these entities accepted dedication of the completed projects.

The developer initially paid the costs of the TDD projects. The developer has not yet been reimbursed for all the costs incurred, but the district has issued this corporation revenue notes totaling \$3.39 million for repayment of project costs. Three series of notes were issued. Note A was issued for direct transportation project costs of approximately \$2.19 million, while Notes B and C were issued for the purchase of property and acquisition of right-of-way at a total cost of \$1.2 million. Under the agreement, Notes B and C are subordinate to Note A and no payment shall be made on Notes B and C until Note A is fully liquidated.

The city of O'Fallon and MoDOT were responsible for overseeing the projects' construction. In addition, the project manager and engineer oversaw the projects' construction and the review and approval of contractor invoices. Prior to the signing of the intergovernmental cooperative agreement in April 2006, the developer paid all TDD expenses; however, the city has since assumed this responsibility.

During our audit work related to this TDD, we noted the following additional matters:

- Progress invoices submitted to the owner/developer by the general contractor, project engineer, and legal counsel included both the district's transportation project costs and the owner/developer's additional development costs. The total combined costs were approximately \$4.1 million. Neither the district nor the owner/developer was separately invoiced for the transportation project portion of these costs.

In July 2005, the owner/developer submitted a certificate of completion, accompanied by a certificate of substantial completion executed by the project engineer. These documents certified that construction, engineering and legal costs totaling approximately \$2.1 million were reasonable and necessary in connection with the applicable transportation projects.

- The district's general contractor was not solicited through a competitive bidding process. The general contractor was selected by the owner/developer prior to the establishment of the district.

According to district officials, the owner/developer had a prior business relationship with this company, having used this contractor's services previously on several other projects. However, the owner/developer required the general contractor to bid all subcontracted projects. Total construction costs of \$1.8 million were paid to the general contractor related to the TDD's transportation projects.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit RFPs for the professional services provided by the project manager, project engineers, and legal counsel.

The owner/developer served and was compensated as project manager to oversee the completion of the proposed projects, including those of the TDD. In accordance with the development agreement signed with the city in November 2002, the project manager was to receive a fee of 4 percent of the total TDD costs, not including the cost of right-of-way acquisition. The project manager's fee for these services totaled approximately \$82,000.

The firms providing the engineering and legal services were selected by the owner/developer or city prior to the establishment of the district. Approximately \$73,000 and \$125,000 was expended for these services, respectively, during the course of the projects. Legal services were billed at rates ranging from \$138 to \$300 per hour for paralegal and attorney services, with most of the legal services being billed at a rate of \$250 per hour.

- The district's 2006 budget did not include some necessary information, including beginning available resources and reasonable estimates of the ending fund balance(s). Sections 67.010 to 67.040, RSMo, include provisions regarding the annual budgets.
- The district did not submit an annual financial report to the SAO for 2006. Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO. The district's 2005 financial report was submitted to the SAO as required.

Mexico Road TDD's Response:

Invoicing of project costs. The transportation project costs were bid and constructed as part of a larger project which resulted in construction efficiency and better pricing to the

District. The general contractor and project engineer calculated and certified as to the appropriateness of the costs applicable to the District. Legal counsel provided invoices noting detail and costs of services provided which allowed easy identification of legal services specifically provided to the District.

General contractor services. The transportation project costs were bid and constructed as part of a larger project which resulted in construction efficiency and better pricing to the District. As noted in the report, the Owner/Developer required the general contractor to bid all subcontracted projects, which were approximately 90 percent of the project costs. The District believes that had it solicited proposals for a general contractor, no other responsible bidder could have reasonably provided the same quality service at a reasonable fee.

Professional services. There is no requirement under Missouri law that the District solicit proposals for professional services. Per the Development Agreement, the Developer/Owner was to provide project management services for a 4 percent fee. Market fees for these services for a project of this size were 4 - 5 percent. Also, the Developer/Owner provided these services as part of a larger project, allowing for better pricing and service to the District. As a practical matter, much of the engineering and legal work with respect to the transportation project must be performed before the District is even formed, which was the case for some of the District costs for this project. It would most likely have resulted in delays and unnecessary costs to select different engineers or attorneys after the District was formed. The District acknowledges, however, that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the best and lowest cost.

Budgets. The District acknowledges that this information was not included on the 2006 budget. It has been included on subsequent budgets.

Financial reports. The District acknowledges that the 2006 annual financial report was not filed within four months of our year-end; although, the report has subsequently been filed. The 2007 annual financial report was filed in a timely manner.

- **Southtown TDD**

The Southtown TDD was organized in April 2004 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include various employees of the developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective October 2005. The sales tax is currently expected to remain in effect for 23 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district.

The TDD is located in the city of St. Louis, at the northeast corner of Kingshighway Boulevard and Chippewa Avenue. The Southtown Center development includes a retail shopping center. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of constructing a 468 car parking lot at Kingshighway Boulevard and Chippewa Avenue with a total estimated cost of approximately \$1.2 million.

The city of St. Louis is the public entity with jurisdiction over the project, but will not accept dedication of the completed project until the project costs and related debt have been paid in full by the district.

The district is located within a TIF area; therefore, the city of St. Louis has received 50 percent of the sales taxes collected for purposes of the TIF. In addition, pursuant to a formal agreement with the city, the district has agreed to disburse all the remaining TDD sales tax revenues, less administrative costs, to the city for use in paying debt service on the TDD-portion of the TIF bonds until they are retired.

The developer funded the initial costs of the development, including the transportation project costs, prior to the city of St. Louis issuing \$7.5 million in TIF notes in March 2005. In November 2006, the Industrial Development Authority (IDA), an entity given development authority within the city of St. Louis, issued \$6.4 million in TIF refunding bonds and \$2.3 million in subordinate TIF notes, refunding the earlier TIF note issuance. These new TIF notes will be subordinate to the revenue bond issue. In addition, pursuant to the formal agreement, the district's revenue limit is set at approximately 13.7 percent of the TIF debt service costs (or approximately \$1.2 million).

The city of St. Louis was responsible for overseeing the project's construction and reviewing and approving the development costs, including the TDD-related costs. The district is responsible for reviewing and approving administrative expenses.

During our audit work related to this TDD, we noted the following additional matters:

- Documentation of bids solicited and/or the contractor selection process supporting approximately \$980,000 of construction costs (the portion of the costs allocated to the transportation project) was not received and maintained by the records custodian or made available to us. In addition, while the district certified these costs in June 2005, the construction invoices were not available for our review. As a result of this situation, proper handling of the bidding process and reimbursement of construction expenditures could not be verified.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not prepare and adopt budgets for either of the years ended December 31, 2006 or 2005, as required by Section 67.010, RSMo.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful tool by establishing specific cost expectations for each area and provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. Sections 67.010 to 67.040, RSMo, include provisions regarding the annual budgets.

- The district did not submit an annual financial report to the SAO for 2006. Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO. The district's 2005 financial report was submitted to the SAO as required.

The Southtown TDD did not provide a formal response.

- **Francis Place TDD**

The Francis Place TDD was organized in April 2004 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include representatives and employees of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective December 2004. The sales tax is currently expected to remain in effect for 23 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of Richmond Heights.

The TDD is located in the city of Richmond Heights, in St. Louis County, one-half mile north of the Highway 64/40 and Brentwood Boulevard intersection. The Boulevard – St. Louis development is a mixed use development that includes retail, restaurant and service establishments in addition to apartment units. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing transportation-related improvements within the development's four project areas at a total cost of approximately \$8 million. Improvements include, but were not limited to, all land acquisitions, site demolition, environmental abatement, striping, clearing, earthwork, storm sewer construction, concrete and asphalt construction, electrical work, landscaping, signalization, roadwork and utility work.

The Phase 1 project was completed at a cost of \$4.2 million. Demolition was expected to begin on Phase 2 in the spring of 2008, preliminary approval has been granted for Phase 3, and demolition began on Phase 4 in February 2008.

The city of Richmond Heights is the public entity with jurisdiction over these projects, but will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district.

The district is located within a TIF area; therefore, the city of Richmond Heights has received 50 percent of the sales taxes collected for purposes of the TIF. In addition, pursuant to a formal agreement with the city, the district has agreed to disburse all the remaining TDD sales tax revenues, less administrative and initial start-up costs (\$2,500), to the city to pay debt service on the TDD-portion of the TIF bonds until they are retired.

The developer funded the costs of the Phase 1 transportation projects prior to the city of Richmond Heights issuing \$16.4 million in TIF/TDD revenue notes in April 2004. In April 2005, the city issued \$18.64 million in TIF/TDD refunding and improvement revenue bonds (\$19 million was authorized), refunding the earlier TIF note issuance and funding an additional \$1.2 million in projects. In addition, pursuant to the formal agreement, the district's revenue limit is set at 29.75 percent of the TIF debt authorization (or approximately \$5.65 million).

The city of Richmond Heights and St. Louis County were responsible for overseeing the Phase 1 project's construction. In addition, the city of Richmond Heights provided some independent financial oversight as the city was responsible for reviewing and approving developer reimbursement requests prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit RFPs for the professional services provided by the project engineers and legal counsel. These services were selected by the developer prior to the establishment of the district.

According to district officials, the developer uses traffic engineering services from the same firm on all of their projects, as they are a very reputable firm. Approximately \$215,600 was expended for civil and traffic engineering services during the course of the project.

District officials also indicated they were influenced in their selection of district legal counsel in December 2004, because the developer had already been receiving services from this firm related to the TIF. Approximately \$36,900 was expended for legal services through 2006, with the district being billed at rates ranging from \$45 to \$385 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between \$200 and \$290 per hour.

- The district did not submit its 2006 annual financial report to the SAO in a timely manner. The district submitted its 2006 financial report in February 2008, at the same time the 2007 report was submitted.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Francis Place TDD's Response:

Professional services. There is no requirement under Missouri law that the District solicit proposals for professional services. As a practical matter, much of the engineering and legal work with respect to the transportation project must be performed before the District is even formed, which was the case for some of the District costs for this project. It would most likely have resulted in delays and unnecessary costs to select different engineers or attorneys after the District was formed. The District also believes that had it solicited proposals, no other responsible bidder could have provided the same level of quality service for less cost. The District acknowledges, however, that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the best and lowest cost.

Financial reports. The District acknowledges it did not submit the 2006 report on a timely basis. Subsequent reports have been on a timely basis.

- **Poplar Bluff Conference Center TDD**

The Poplar Bluff Conference Center TDD was organized in May 2004 by petition of the owner/developer of the property within the proposed district. The TDD's Board of Directors and officers include various employees and representatives of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective February 2005. The sales tax is currently expected to remain in effect for 40 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the owner/developer, who accounts for these revenues.

The TDD is located in the city of Poplar Bluff, in Butler County, at 2781 North Westwood Boulevard. The development includes a hotel, conference center, and restaurant. The TDD has a fiscal year end of December 31. The TDD has elected not to

have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of constructing a parking lot and related infrastructure at a total estimated cost of approximately \$2.3 million, of which over \$1.6 million represented property acquisition costs which were allocated to the transportation project.

The city of Poplar Bluff is the public entity with jurisdiction over these projects and accepted dedication of the completed projects.

The developer funded the initial costs of the projects. In May 2005, the district obtained a bank loan in the amount of \$805,291, to partially reimburse the developer for costs incurred. According to district representatives, this amount represented the maximum amount the bank would loan the district at that time.

The city of Poplar Bluff was responsible for overseeing the projects construction, reviewing and approving the construction plans, and performing inspections. The developer and its employees administer the district's funds and approve payments.

During our audit work related to this TDD, we noted the following additional matters:

- The revenues generated by the TDD may not be adequate in the short term to meet the current financial obligations/debt of the district. Initial revenue projections prepared for the district estimated sales taxes to be generated by the development's hotel/conference center and restaurant would be approximately \$55,000 annually; however, sales tax collections are currently approximately half of the amount projected. In addition, in May 2007, the district accepted approximately \$33,000 in cash contributions from the developer and associates to meet its financial obligations (i.e. interest payment on loan).
- The combined construction costs related to the development and the transportation project totaled approximately \$8.3 million, with approximately \$570,000 of these costs being related to the transportation project (the parking lot). According to district officials, the construction contracts, which included both the development and the district's project costs, were competitively bid; however, documentation of the bids obtained and the contractor selection process was not maintained by the district. In addition, the invoices submitted to the owner/developer by the construction contractors did not separately identify the construction costs related to the transportation project.

As a result of this situation, neither the proper handling of the bidding of the construction contracts nor the construction-related costs charged to the transportation project could be verified.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district is not in compliance with the Open Meetings Law. Notices of the district's board meetings, along with the tentative agenda, have not been posted, and minutes of the meetings have not been prepared and maintained.

Section 610.020, RSMo, requires that any meetings of a public governmental body be posted (along with the tentative agendas) and requires the preparation of minutes documenting any actions taken or decisions made.

- The district did not prepare and adopt budgets for either of the years ended December 31, 2006 or 2005, as required by Section 67.010, RSMo.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful tool by establishing specific cost expectations for each area and provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual disbursements. Sections 67.010 to 67.040, RSMo, include provisions regarding the annual budgets.

- The district's financial statement for the year ended December 31, 2006, was not complete and accurate. The financial statement did not include a summary of cash disbursements or the cash balance at the end of the fiscal year. In addition, the amount presented for cash receipts was not accurate. The TDD should ensure financial information submitted to the SAO in accordance with Section 105.145, RSMo, is accurate and complete.

Poplar Bluff Conference Center TDD's Response:

We are in the process of making the changes that were noted in the report.

- **Hanley Road and North of Folk Avenue TDD**

The Hanley Road and North of Folk Avenue TDD was organized in May 2004 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include various employees of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective November 2004. The sales tax is currently expected to remain in effect for 25 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of Maplewood.

The TDD is located in the city of Maplewood, in St. Louis County, northeast of the intersection of Hanley Road and Folk Avenue. The Maplewood Commons development

includes large retail establishments. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2006 and 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$13.4 million:

- Widening of southbound Hanley Road and construction of a new northbound Hanley Road, including construction of two new signals, the modification of the existing un-signalized entrance to Folk Avenue and the acquisition/abandonment of right-of-way.
- Widening of West Bruno Avenue, including the construction of two new un-signalized entrances into the development.
- Construct a new north-south road (Maplewood Commons Drive) connecting Folk Avenue to West Bruno Avenue. As part of this new road, a direct connection to Hanley Road was to be constructed (Corcoran Drive).

The city of Maplewood and St. Louis County are the public entities with jurisdiction over these projects, but these entities will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district.

The developer funded the costs of the transportation projects prior to the district issuing \$13.8 million in revenue bonds in June 2005 and a \$1 million subordinate promissory note payable during that year. After the district's debt was issued, the developer was reimbursed.

The city of Maplewood and St. Louis County were responsible for overseeing the projects' construction, while the city of Maplewood provided some independent financial oversight by reviewing and approving project costs.

During our audit work related to this TDD, we noted the following additional matters:

- According to a district representative, construction contract(s) included in \$4.8 million of transportation project costs were bid; however, documentation of the bids and contractor selection process was not received and maintained by the records custodian or made available to us. In addition, the district certified these costs and \$7.6 million in property acquisition costs in June 2005; however, the construction invoices and documentation supporting the property acquisitions (over 300 homes were purchased) were not maintained by the records custodian or made available for our review. Therefore, the proper handling of the bidding process, reimbursement of construction expenditures, and property acquisitions could not be verified.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit RFPs for the professional services provided by its legal counsel. The legal counsel was selected by the developer prior to the establishment of the district, based on its prior and continuing association with the developer. In June 2005, the district board certified approximately \$10,200 had been spent on legal services.
- The district overspent its budget in 2006 and 2005. The 2006 overspending was the result of the district retiring more district debt than originally budgeted; however, a formal budget amendment was not approved authorizing the additional expenditures in either year. Sections 67.010 to 67.040, RSMo, include provisions regarding the annual budgets.

Hanley Road and North of Folk Avenue TDD did not provide a formal response.

- **Folk Avenue South TDD**

The Folk Avenue South TDD was organized in July 2004 by petition of the owners/developers of property within the proposed district. The TDD's Board of Directors and officers include representatives of the owners/developers and a representative of the city of Maplewood.

The qualified voter(s) of the district, in this case the property owners/developers, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective January 2005. The sales tax is currently expected to remain in effect for 26 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, the city of Maplewood.

The TDD is located in the city of Maplewood, in St. Louis County, southeast of the intersection of Hanley Road and Folk Avenue. The Maplewood Commons development includes retail and restaurant establishments. The TDD has a fiscal year end of June 30. Financial audits of the district were conducted by an independent auditor for fiscal years 2006 and 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an, estimated cost of approximately \$6.7 million.

- Improvements to Folk Avenue, including construction of a right-out only lane at Hanley Road.
- Improvements to Hanley Road, including relocation and widening of Hanley Road from four lanes to six, plus two additional dedicated turn lanes.

- The construction of an entrance drive (Bernard Drive) off Hanley Road to provide better access to the district.
- Improvements to Laclede Station Road, including grading and paving.
- Improvements related to vehicular access and traffic flow, including construction of roads within the district.
- Construction of a bridge over Hanley Road that is to be incorporated into the MetroLink light rail public transportation system (in accordance with plans approved by the Bi-State Development Agency, the former agency name of Metro).

The city of Maplewood, St. Louis County, and Metro were the public entities with jurisdiction over these projects. The city will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district.

The district is located within a TIF area, thus, the city of Maplewood could claim 50 percent of the sales tax collected for purposes of the TIF. However, per formal agreement, the city has agreed to allow 90 percent of the TIF portion of the TDD sales tax to be applied to the district's debt service costs. The remaining 10 percent of the TIF portion of the TDD sales tax is retained by the city.

The developers funded the costs of the transportation projects prior to the district issuing \$6.4 million in revenue bonds and \$1.4 million subordinate revenue notes in February 2005. After the district's debt was issued, the developers were reimbursed.

The city of Maplewood, St. Louis County and Metro were responsible for overseeing the projects' construction while the bank trustee reviewed and approved construction invoices for payment.

During our audit work related to this TDD, we noted the following additional matters:

- Prior to the establishment of the TDD, the developer hired a general contractor/construction manager to oversee and manage the construction of the new development and the related transportation projects. According to the developer's legal counsel, certain portions of the construction work were competitively bid; however, documentation of these bids was not maintained by the custodian of records or made available to us. In addition, the construction management services costing approximately \$63,000 were performed based upon a negotiated fee.

Transportation site development costs, not including the cost of the MetroLink bridge project, totaled approximately \$1.8 million. The developer's legal counsel indicated a number of the contractors/subcontractors used were the same companies who performed work on the developer's other nearby development

project (see our discussion of the Hanley Road & North of Folk Avenue TDD). Often, contract amounts were determined by using the same unit pricing that had been used for that development project.

Because of the lack of bidding documentation noted above, the proper handling of the bidding process related to these construction expenditures could not be verified. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- According to the developer's legal counsel, approximately 55 parcels were acquired for the redevelopment area with a portion of the cost being allocated to the TDD; however, a detailed listing and other documentation supporting the land purchases were not maintained by the custodian of records or made available to us.

The related land acquisition costs totaled approximately \$19.7 million. In February 2005, an independent engineering firm reviewed and certified the land purchases, determining 10 percent of the total cost (\$1.97 million) should be allocated to the TDD based on square footage associated with the TDD area.

Because of the lack of available records, the proper handling of the land acquisition process could not be verified.

- The district did not solicit RFPs for the professional services provided by its project engineers or legal counsel. These services were selected by the developer prior to the establishment of the district.

The developer's legal counsel indicated it is the practice of the developer to use service providers they have used on prior projects to provide the most efficient and cost-effective services, based on the providers' understanding of the developer's requirements.

Approximately \$260,500 and \$99,000 was expended for engineering and legal services, respectively, during the course of the projects. Most of the paralegal and attorney services billed the district were charged at rates between \$129 and \$259 per hour.

- The district did not submit its 2006 annual financial report to the SAO in a timely manner. The district submitted its 2006 audit report in January 2008.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that if a political subdivision is audited by an independent auditor, a copy of the audit report can be filed in lieu of a separate financial report. The annual financial report is to be filed within four

months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Folk Avenue South TDD's Response:

Professional services. *There is no requirement under Missouri law that the district solicit proposals for professional services provided by engineers or legal counsel. However, the district acknowledges that soliciting such proposals may, under certain circumstances, enable the district to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost. In the future, the district will look for opportunities to solicit such proposals for professional services in those instances where an overall cost savings can be reasonably expected.*

Financial reports. *The district acknowledges that it did not submit its 2006 financial report to the State Auditor's Office in a timely manner. The District is committed to timely filing of financial reports with the State Auditor's Office in the future.*

- **Hawk Ridge TDD**

The Hawk Ridge TDD was organized in September 2004 by petition of the owners of property within the proposed district, including the developer, and the city of Lake St. Louis. The TDD's Board of Directors and officers include representatives of the owners/developer, various city officials, and a representative of the Economic Development Commission of St. Charles County.

The qualified voter(s) of the district, in this case the property owners/developer, approved the imposition of a three-quarters of one percent (0.75%) sales tax on all transactions which are taxable within the boundaries of the district, effective April 1, 2006. The sales tax is currently expected to remain in effect for 25 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to an administrator, the district's collection agent.

The TDD is located in the city of Lake St. Louis, in St. Charles County, southwest of the U.S. Highway 40 and Highway N interchange. The Shoppes at Hawk Ridge development includes retail, banking, restaurant, and service establishments. The TDD has a fiscal year end of June 30. Prior to 2007, the TDD elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately \$19.4 million:

- Widen relocated Highway N.
- Provide four travel lanes on Hawk Ridge Trail extension.

- Provide a three lane section on South Fox Hound Drive.
- Construct the Fox Hound Drive overpass.
- Modify Highway N and westbound Highway 40 ramps.
- Construct an extension of Highway N and Hawk Ridge Trail.
- Provide a turn lane at Highway N and Orf Road.
- Install traffic signals and add turn lanes at the intersections of Highway N and Sommers Road and Fox Hound Drive at Austin Lane.
- Provide a two lane loop ramp at Fox Hound Drive and Feise Road.
- Accompanying infrastructure or improvements.

The city of Lake St. Louis and MoDOT are the public entities with jurisdiction over these projects' construction and have accepted dedication of the completed projects.

The developer initially funded the costs of the projects prior to the district issuing approximately \$16.9 million in revenue bonds in December 2006. Through June 30, 2006, approximately \$10.1 million in costs had been certified for reimbursement from the bonds proceeds. In addition, by the end of 2006, an additional \$7.4 million in costs were certified for reimbursement and the projects were substantially complete.

The city of Lake St. Louis and MoDOT were responsible for overseeing the projects' construction, while the city's Public Works Department reviewed and approved contractor invoices prior to payment. Administration of the district's funds was handled by an administrator, the district's collection agent.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit RFPs for the professional services provided by its construction manager, project engineers, and administrator.

The construction manager was selected by the developer prior to the establishment of the district. According to district officials, "once the district was formed, selection of a different construction manager would have caused unnecessary delays and costs. Additionally, the developer advised the district that monies paid (to the construction manager) were based on actual overhead and costs incurred and did not contain any profit". Through fiscal year 2006, approximately \$20,000 in construction management costs (contract totaled \$225,000) had been certified for reimbursement.

The project engineers were also selected by the developer prior to the establishment of the district. Through fiscal year 2006, approximately \$430,000 in engineering costs had been certified for reimbursement.

In March 2006, the district approved administrative service and collection agreements with an administrator. Approximately \$15,000 in administrative expenses were paid through fiscal year 2006. In addition, this same firm provided consulting services at a cost of \$3,450 that were certified for reimbursement in 2006.

- The district's administrator discovered the district's largest retail establishment (Wal-Mart) charged the three-quarters of one percent sales tax on all of its retail sales for three months prior to the sales tax becoming effective in April 2006. This retail establishment inadvertently began imposing the tax on its customers when it opened in January 2006. This resulted in an overpayment of sales taxes by the retailer to the district of approximately \$96,000 for this time period.
- The district's 2006 budget was not approved in a timely manner. The district did not approve its 2006 budget until May 2006, after administrative expenses totaling approximately \$5,900 had already been incurred. Even though financial activity for this TDD did not start until relatively late in this fiscal year, the annual budget should be approved prior to expenditures being incurred. Sections 67.010 to 67.040, RSMo, include the provisions regarding annual budgets.

Hawk Ridge TDD's Response:

Professional services. Generally, there is no requirement under Missouri law that the district solicit proposals for professional services. However, the district acknowledges that soliciting such proposals may, under certain circumstances, enable the district to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost. In the future, the district will look for opportunities to solicit such proposals for professional services in those instances where an overall cost savings can be reasonably expected.

Sales tax imposed prior to effective date of tax levy. The district's administrator notified the retail establishment in question that it had the right to apply for a refund for the amount mistakenly collected and paid prior to the effective date of the tax. As of this date, the retail establishment has not sought a refund of the amount paid for the period of time prior to the effective date of the sales tax. The district is currently holding this amount in escrow and will continue to do so for the foreseeable future.

Budgets. The district acknowledges that it did not approve its 2006 budget in a timely manner. The District approved its 2007 and 2008 budgets prior to any expenditures being incurred in those fiscal years and has amended its bylaws to change the date for its annual meetings from September to June so that budgets can be approved in a timely manner in the future.

- **Olive Boulevard TDD**

The Olive Boulevard TDD was organized in September 2004 by petition of the property owners, one of which was the primary developer of property within the proposed district. The TDD's Board of Directors and officers include representatives of this owner/developer, various city officials, and a representative of the various retailers within the district.

The qualified voter(s) of the district, in this case the property owners, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective June 2005. Additionally, the district has imposed a special assessment on all real property having an assessed valuation in excess of \$4 million as of December 31, 2004 (the primary developer's properties).

The sales tax is currently expected to remain in effect for 25 years, unless terminated sooner. The retail establishments collect the sales taxes and forward the collections to the district's collection agent, which was initially the city of Creve Coeur. However, at the request of city staff, the district engaged an administrator to receive the sales taxes beginning in May 2008. The city collects the special assessments levied against the developer.

The TDD is located in the city of Creve Coeur, in St. Louis County, just east of the intersection of I-270 and Olive Boulevard. The TDD includes several plazas and other stand alone sites, such as hotel, banking, retail, restaurant, and service establishments (over 40 retail establishments in total). The TDD has a fiscal year end of June 30. Financial audits of the district were conducted by an independent auditor for fiscal years 2007 and 2006.

The district was formed for the purpose of acquiring and constructing the following primary transportation projects with an initial total estimated cost of approximately \$4.5 million:

- Numerous improvements to Olive Boulevard including; widening and/or reconfiguration, sidewalks, streetlights, streetscape, electric line burial, pedestrian crossing and new traffic signals.
- Construction and/or extension of new roads serving the district.
- A portion of the cost of screening the Ameren UE substation.
- Installation of a new traffic signal and pedestrian crossing at New Ballas Road and Studt Avenue.
- Installation of streetlights along New Ballas Road.

- Other similar or related infrastructure or improvement and incidental right-of-way.

Additional transportation projects with an estimated cost of approximately \$700,000 were to be funded by the owner of the West Oak Shopping Center and its largest retailer (Dierbergs). In addition, projects were being funded by the developer as well.

As of March 2008, only limited progress has been made on the district's transportation projects, with much more work to be done.

The Missouri Department of Transportation (MoDOT), St. Louis County and the city of Creve Coeur are the public entities with jurisdiction over these projects and will accept dedication of the completed projects.

The district is partially located within a TIF area; therefore, the city of Creve Coeur has received 50 percent of the sales tax collected for purposes of the TIF. However, because there are only two office buildings currently located in the TIF area, the amount of TDD sales tax allocated to the TIF is relatively small (approximately \$4,600 in total from 2005 to 2007).

The primary developer and city of Creve Coeur funded the initial project costs, totaling approximately \$316,000 (i.e. engineering, architecture, legal, etc.), prior to the district issuing approximately \$5 million in sales tax and special assessment revenue bonds in June 2005. After the proceeds from the district's bonds were received, the developer was reimbursed for the costs incurred (the developer had already reimbursed the city). All subsequent costs of the projects and administrative-related costs have been paid from the bond proceeds. Project and other costs paid from the district's revenue bond proceeds and other revenues through March 2008 total approximately \$2.74 million.

MoDOT, St. Louis County, and the city of Creve Coeur are responsible for overseeing the projects' construction. In addition, the district's board, along with the assistance of its legal counsel and project manager (the developer), oversee the projects' construction and the review and approval of contractor invoices.

During our audit work related to this TDD, we noted the following additional matters:

- As of March 30, 2008, the district has yet to make substantial progress in completing its transportation projects, even though the district issued revenue bonds to finance the projects in June 2005. In addition, retailers have been charging consumers TDD sales tax on all purchases made within the district since July 2005, with sales tax collections totaling approximately \$549,700 through June 2007. Further, the costs now projected to complete the projects are significantly higher than the original estimated project costs.

The primary transportation projects were originally projected to be completed by May 2006. However, project delays and increased costs have resulted in limited

progress on the projects to date. According to a district representative, the project delays and increased costs were due in large part to the following factors:

- Problems acquiring the necessary right-of-way needed to obtain the required permits to begin construction.
- Several additional items were being required by MoDOT after the transportation project plans were reviewed in more detail. This included replacing existing signal equipment at a cost of approximately \$800,000.
- Material costs for all construction, particularly road-related projects, have increased dramatically. According to the district representative, a construction cost index reported a 9.5 percent increase from 2004 to 2005 and an 11.9 percent increase in 2006. These increases compare to historic annual increases of 2 to 4 percent.

Because of the cost overruns being projected, it was determined that the TDD lacked the funding available to complete the primary projects as originally contemplated. In August 2007, the district approved a phased approach to completing the projects, reducing the scope of the projects (Phase 1/Minimum Phase 2) and delaying other improvements until additional funding could be obtained (Phase 2). The estimated cost of constructing the Phase 1/Minimum Phase 2 transportation projects was approximately \$7.1 million. A plan of finance approved by the district in September 2007 included the following optional mechanisms to fund the shortfall:

- Use of the special assessment on the developer's property not needed for repayment of the bonds. However, the maximum amount of subordinate TDD debt allowed is currently \$1 million.
- The proposed formation of the West Oak TDD. The owner of this development and the retailers have tentatively agreed to impose a three-eighths of one percent (0.375%) sales tax for 25 years. The revenues from this tax would be shared on a pro-rata basis between the transportation projects and reimbursing the owner and retailer for their earlier \$700,000 in contributions.
- A contribution from Ameren UE for a portion of the cost of the burial of electric lines and/or a further reduction in burial of these lines which has been approved by MoDOT (as a result, in January 2008, the cost to complete the projects was adjusted to approximately \$6.59 million).
- Issuance of non-recourse debt secured by the excess TDD special assessment and the West Oak TDD revenue. This could generate approximately \$1.5 million of net proceeds.

The district's projected completion date for the Phase 1/Minimum Scope Phase 2 projects is mid-2009. However, the district still faces challenges to complete the projects. It is possible work may not be permitted on Olive Boulevard by MoDOT during the reconstruction of I-64. This could delay the Scope Phase 1/Minimum Scope Phase 2 projects' completion until 2010.

In addition, unforeseen problems obtaining the necessary right-of-way or weather could delay the timely completion of the projects.

In exchange for MoDOT's support of the phased approach of the related transportation projects, the district made the following commitments to MoDOT concerning Phase 2:

- Construction would begin on Phase 2 within the next five years (summer of 2012). The district and the city would actively pursue financing and right-of-way acquisition for Phase 2 during that time period.
 - If Phase 2 work has not begun within that time period, the district would be required to complete a minimum of additional Olive Boulevard improvements to improve traffic flow.
- In June 2005, the district entered into an agreement with the primary developer to provide construction management services for the district's transportation projects. These services were solicited through an RFP process. A provision included within the RFP stated, "The district's sources of funding for the Transportation Projects are limited and may be insufficient to pay the entire cost of the Transportation Project. Accordingly, preferences will be given to those Proposals limiting or foregoing fees for overhead and profit and reimbursable costs for reimbursable items ...".

According to district officials, seven companies requested copies of the RFP; however, only one bid was subsequently received by the deadline date, that being from the developer. The developer's proposal for the construction management services did not seek any fees for overhead or profit and limited reimbursable costs to \$135,000.

It is likely the provision in the RFP limiting overhead fees, profit, and reimbursable costs resulted in no other proposals being received for these services. However, it should be noted that through March 2008, the developer had only been paid approximately \$13,200 for construction management services.

- The district did not solicit RFPs for the professional services provided by its project engineers and legal counsel. Pursuant to the development agreement signed between the developer and the city of Creve Coeur, engineering services were selected by the developer prior to the establishment of the district.

In July 2005 and October 2005, the district authorized new contracts with its primary engineers. According to district officials, the district approved these contracts because it was in its best interest to continue to use these firms' services because of their previous work performed and knowledge of the district's projects. Through March 2008, approximately \$527,000 has been expended for services provided by the district's primary engineers.

According to district officials, the TDD selected its legal counsel because that law firm had already been involved with the development project, acting as the city's legal counsel in redevelopment matters. Through March 2008, approximately \$278,000 was expended on legal services. Most of the paralegal and attorney services billed the district were charged at rates between \$125 and \$300 per hour.

Olive Boulevard TDD's Response:

Delay in project completion. The reasons for the delay in completion of the district's projects have been well-documented. However, the district remains committed to successfully completing its projects in as expeditious and cost-effective manner as possible and the district believes that the current phased approach provides an opportunity for completion of the first phase of the projects during 2008 and 2009.

Construction management services. The district has been advised by its legal counsel that it complied with the requirements of Sections 8.675 to 8.687, RSMo, in the selection of its construction manager. Furthermore, the district believes that, in the context of the selection process, it was necessary to inform prospective construction managers of the district's limited sources of funding for its projects.

Professional services. Generally, there is no requirement under Missouri law that the district solicit proposals for professional services. However, the district acknowledges that soliciting such proposals may, under certain circumstances, enable the district to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost. In the future, the district will look for opportunities to solicit such proposals for professional services in those instances where an overall cost savings can be reasonably expected.

APPENDIXES

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
 INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
210 Highway	09/23/97	Clay	Kansas City	Property Owners	1
Gravois Bluffs	12/07/99	St. Louis	Fenton	Property Owners & City of Fenton	2
Strother Interchange	01/21/00	Jackson	Lee's Summit	Property Owners	1
Fenton Crossing	02/08/00	St. Louis	Fenton	Property Owners	1
Kenilworth	08/15/00	St. Louis	Brentwood	Property Owners	1
Meramec Station Road and Highway 141	09/07/00	St. Louis	N/A	Property Owners	2
Douglas Square	09/21/00	Jackson	Lee's Summit	Property Owners	4
370/Missouri Bottom Road/Taussig Road	11/01/00	St. Louis	Bridgeton/Hazelwood	Property Owners	2
Boonville Riverfront	02/09/01	Cooper	Boonville	Property Owners & City of Boonville	1
Mark Twain Mall	02/20/01	St. Charles	St. Charles	Property Owners	1
I-470 and I-350	03/17/01	Jackson	Lee's Summit	Property Owners	1
St. John's Church Road	04/17/01	St. Louis	N/A	Property Owners	9
Ballwin Town Center	04/26/01	St. Louis	Ballwin	Property Owners	1
Brentwood Pointe	05/16/01	St. Louis	Brentwood	Property Owners	2
Platte County Missouri South I	06/19/01	Platte	Kansas City	Property Owners	3
Big Bend Crossing	06/25/01	St. Louis	Crestwood	Property Owners & City of Crestwood	1
Truman Road	06/25/01	Jackson	Independence	Property Owners	1
Country Club Plaza of Kansas City, Missouri	07/12/01	Jackson	Kansas City	Property Owners & TIF Commission of KC	3
Stardust-Munger-Diamond	10/16/01	Marion	Hannibal	Property Owners & City of Hannibal	1
Interstate Plaza/North Town Village	11/06/01	Pulaski	St. Robert	Property Owners & City of St. Robert	27
Wentzville	11/16/01	St. Charles	Wentzville	Property Owners	5
Shoppes at Old Webster	11/29/01	St. Louis	Webster Groves	Property Owners	3
Platte County Missouri South II	04/12/02	Platte	Kansas City	Property Owners	1
Thirty-Ninth Street	04/25/02	Jackson	Independence	City of Independence	**
St. John Crossings	06/25/02	St. Louis	St. John	Property Owners & City of St. John	1
Douglas Station	06/27/02	Jackson	Lee's Summit	Property Owners	1
CenterState	08/05/02	Boone	Columbia	Property Owners	1
Raintree North	08/19/02	Jackson	Lee's Summit	Property Owners	1
Shoppes at Cross Keys	09/18/02	St. Louis	Florissant	Property Owners	1
Station Plaza	12/04/02	St. Louis	Kirkwood	Property Owners & City of Kirkwood	1
Hanley/Eager Road	12/16/02	St. Louis	Brentwood	Property Owners	6
US Highway 65 and Truman Dam Access	03/12/03	Benton	Warsaw	Property Owners	1
Lake of the Woods	03/24/03	Boone	Columbia	Property Owners	2
I-70 and Adams Dairy Parkway	03/25/03	Jackson	Blue Springs	Property Owners	1
Ozark Centre	04/25/03	Christian	Ozark	Property Owners	1
Crestwood Point	05/15/03	St. Louis	Crestwood	Property Owners & City of Crestwood	2
M 150 and 135th Street	05/15/03	Jackson	Kansas City	Property Owners	1
Boscherts Landing	05/16/03	St. Charles	St. Peters	Property Owners	2
Salt Lick Road	05/16/03	St. Charles	St. Peters	Property Owners	1
Parkville Commons	06/09/03	Platte	Parkville	Property Owners	1
Pershall Road	07/30/03	St. Louis	Ferguson	Property Owners & City of Ferguson	1
Lee's Summit Missouri New Longview	07/31/03	Jackson	Lee's Summit	Property Owners	1
Prewitt Point	08/22/03	Miller	Osage Beach	Property Owners	2
Branson Regional Airport	09/04/03	Taney	Branson	Property Owners	1

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
 INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date		Municipality	Petition To Establish Was Filed By:	Number of Property Owners
	Established	County			
WingHaven	09/11/03	St. Charles	O'Fallon	Property Owners	12
Merchant's Laclede	10/08/03	N/A	St. Louis	Property Owners	2
Belton Town Centre	11/17/03	Cass	Belton	Property Owners	10
71 Highway & 150 Highway	11/20/03	Jackson	Grandview	Property Owners	2
Brentwood/Strassner Road	02/24/04	St. Louis	Brentwood	City of Brentwood and St. Louis County	**
Hutchings Farm Plaza	03/04/04	St. Charles	O'Fallon	Property Owners	1
Mexico Road	04/08/04	St. Charles	O'Fallon	Property Owners	1
Southtown	04/12/04	N/A	St. Louis	Property Owners	1
Francis Place	04/13/04	St. Louis	Richmond Heights	Property Owners	1
Poplar Bluff Conference Center	05/04/04	Butler	Poplar Bluff	Property Owners	1
Eureka Commercial Park	05/10/04	St. Louis	Eureka	Property Owners	4
Hanley Road and North of Folk Avenue	05/19/04	St. Louis	Maplewood	Property Owners	1
Megan Shoppes	06/07/04	St. Charles	O'Fallon	Property Owners	2
Folk Avenue South	07/14/04	St. Louis	Maplewood	Property Owners	2
Hyannis Port Road***	07/16/04	Jefferson	N/A	Property Owners & Jefferson County	3
St. Joseph Gateway	07/20/04	Buchanan	St. Joseph	Property Owners	1
Park Hills	07/28/04	St. Francois	Park Hills	Property Owners	2
Hawk Ridge	09/02/04	St. Charles	Lake St. Louis	Property Owners & City of Lake St. Louis	3
Olive Boulevard	09/09/04	St. Louis	Creve Coeur	Property Owners & City of Creve Coeur	2
Shoppes at Stadium	09/27/04	Boone	Columbia	Property Owners	1
Stadium Corridor	10/04/04	Boone	Columbia	Property Owners	4
Troy/Lincoln County	10/05/04	Lincoln	Troy	City of Troy & Lincoln County	**
Chesterfield Commons	10/12/04	St. Louis	Chesterfield	Property Owners	1
Eureka Old Town	10/12/04	St. Louis	Eureka	Property Owners & City of Eureka	4
North Main/Malone	11/19/04	Scott	Sikeston	Property Owners	1
Grindstone Plaza	01/31/05	Boone	Columbia	Property Owners	3
Residence Inn Downtown St. Louis	02/14/05	N/A	St. Louis	Property Owners	1
Mid Rivers/N	02/17/05	St. Charles	St. Peters	Property Owners	1
Bowman	02/17/05	Pulaski	Waynesville	Property Owners	1
Farris Family	02/17/05	Pulaski	St. Robert	Property Owners	4
Wentzville Parkway I	03/03/05	St. Charles	Wentzville	Property Owners	1
St. Charles Riverfront	03/04/05	St. Charles	St. Charles	Property Owners	1
Wentzville II	03/07/05	St. Charles	Wentzville	Property Owners	1
Branson Landing	03/17/05	Taney	Branson	City of Branson	1
Highlands	04/20/05	N/A	St. Louis	Property Owners	2
Kingsmill	05/05/05	St. Charles	O'Fallon	Property Owners	2
Broadway-Fairview	05/10/05	Boone	Columbia	Property Owners	1
US 36/I-72	06/03/05	Marion	Macon/Hannibal	Transportation Corporation, 5 Counties & 6 Cities	**
Osage Station	07/19/05	Camden	Osage Beach	Property Owners	1
Northwoods	07/22/05	Boone	Columbia	Property Owners	1
Glenwood-Watson	07/26/05	St. Louis	Crestwood	Property Owners	2
Commons of Hazel Hills	08/11/05	Cole	Jefferson City	Property Owners	1
Dardenne Town Square	08/18/05	St. Charles	Dardenne Prairie/Lake Saint Louis	Property Owners	10
Hanley Station	09/29/05	St. Louis	Brentwood	Property Owners	1

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
 INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
Raintree Lake Village	10/19/05	Jackson	Lee's Summit	Property Owners	1
1717 Market Place	11/25/05	Jasper	Joplin	Property Owners	2
Cripple Creek	11/28/05	Butler	Poplar Bluff	Property Owners	1
Chesterfield Valley	11/28/05	St. Louis	Chesterfield	City of Chesterfield	**
Hawthorne Development	11/30/05	Johnson	Warrensburg	Property Owners	7
Tuileries Plaza	12/09/05	Platte	Kansas City	Property Owners	1
Conley Road	12/09/05	Boone	Columbia	Property Owners	3
Harrisonville Towne Center	12/12/05	Cass	Harrisonville	Property Owners	1
Elm Grove	12/20/05	St. Louis	Hazelwood	Property Owners	2
Tuscany Village	12/21/05	Buchanan	St. Joseph	Property Owners	1

New TDDs Established in 2006:

Koch Plaza	01/19/06	St. Louis	Florissant	Property Owners	1
Barathaven	01/26/06	St. Charles	Dardenne Prairie	Property Owners	3
Blue Ridge Town Centre	02/04/06	Boone	Columbia	Property Owners	1
Tower	02/15/06	Clay	Gladstone	Property Owners	2
Heer's Tower	03/16/06	Greene	Springfield	Property Owners & City of Springfield	3
College Station	03/16/06	Greene	Springfield	Property Owners & City of Springfield	2
Horseshoe Bend	04/13/06	Miller	Lake Ozark	Property Owners	1
Briarcliff Parkway and Highway 9	05/17/06	Clay	Kansas City	Property Owners	1
Fulton South Business 54	06/12/06	Callaway	Fulton	Property Owners & City of Fulton	4
Crackerneck Creek	07/26/06	Jackson	Independence	Property Owners & City of Independence	3
Columbia Mall	08/04/06	Boone	Columbia	Property Owners	4
Arnold Triangle	08/13/06	Jefferson	Arnold	Property Owners & City of Arnold	5
University Place	09/06/06	St. Louis	N/A	The Curators of the University of Missouri	1
Broadway Hotel	09/06/06	N/A	St. Louis	Property Owners	1
620 Market	09/06/06	N/A	St. Louis	Property Owners	1
U.S. Highway 50/63 and City View	09/25/06	Cole	Jefferson City	Property Owners	2
Cornerstone Pointe	10/10/06	Cass	Belton	Property Owners	1
Eureka South I-44***	10/19/06	St. Louis	Eureka	Property Owners & City of Eureka	1
Town and Country Crossing	10/20/06	St. Louis	Town and Country/Ballwin	Property Owners	1
Belton/Raymore Interchange	10/30/06	Cass	Belton/Raymore	Property Owners & City of Belton	3
Wentzville Three	12/04/06	St. Charles	Wentzville	Property Owners	1
Indian Ridge Resort	12/07/06	Stone	Branson West/Village of Indian Point	Property Owners	4
1200 Main/South Loop	12/11/06	Jackson	Kansas City	Property Owners & City of Kansas City	10
Gans Road and U.S. 63	12/12/06	Boone	Columbia	Property Owners	2

** The district has registered voters who approved the district's establishment.

*** These districts had been abolished or were in the process of being abolished at December 31, 2007.

Source: MoDOT TDD data base and the Judgment and Order issued by the Circuit Courts.

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS
ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**	TDD Within a TIF district?
210 Highway	\$ 8,587,389	11 Years	\$ 5,972,759	1 No
Gravois Bluffs *	12,764,073	11.5 Years	30,211,614	Yes
Strother Interchange	25,846,800	20 Years	4,231,781	1 Yes
Fenton Crossing *	4,574,762	20 Years	8,000,000	Yes
Kenilworth *	1,500,000	14.5 Years	3,859,150	Yes
Meramec Station Road and Highway 141	6,720,000	40 Years	15,700,000	Yes
Douglas Square	450,000	20 Years	4,320,746	2 No
370/Missouri Bottom Road/Taussig Road	34,010,000	17 Years	54,596,724	Yes
Boonville Riverfront	3,908,420	40 Years	4,000,000	No
Mark Twain Mall	1,500,000	30 Years	5,000,000	Yes
I-470 and I-350	17,080,627	40 Years	134,326,373	3 Yes
St. John's Church Road	12,000,000	40 Years	27,000,000	No
Ballwin Town Center *	1,300,000	21 Years	5,751,400	Yes
Brentwood Pointe	5,101,697	20 Years	13,503,100	Yes
Platte County Missouri South I *	24,000,000	30 Years	52,000,000	No
Big Bend Crossing	1,487,415	20 Years	2,500,000	No
Truman Road	232,700	21 Years	483,363	Yes
Country Club Plaza	11,149,363	20 Years	30,163,825	Yes
Stardust-Munger-Diamond	4,704,000	19 Years	11,678,000	Yes
Interstate Plaza/North Town Village *	3,980,000	20 Years	6,500,000	Yes
Wentzville *	3,150,000	15 Years	5,921,700	No
Shoppes at Old Webster	520,000	20 Years	865,000	No
Platte County Missouri South II	-	-	-	4 No
Thirty-Ninth Street	15,075,640	23 Years	23,614,406	Yes
St. John Crossings	901,630	22 Years	2,354,600	Yes
Douglas Station	1,742,852	20 Years	3,461,671	No
Center State	7,542,000	21 Years	8,000,000	No
Raintree North *	1,700,000	14 Years	1,700,000	No
Shoppes at Cross Keys	4,900,000	23 Years	12,000,000	Yes
Station Plaza *	1,550,000	25 Years	3,461,395	No
Hanley/Eager Road	12,000,000	30 Years	22,924,051	Yes
US Highway 65 and Truman Dam Access	2,000,000	25 Years	4,250,000	No
Lake of the Woods *	2,700,000	30 Years	Unknown	5 No
I-70 and Adams Dairy Parkway *	1,950,000	10 Years	1,883,723	No
Ozark Centre	3,408,293	20 Years	6,000,000	No
Crestwood Point	2,986,000	40 Years	4,827,000	Yes
M 150 and 135th Street	12,000,000	20 Years	18,817,000	No
Boscherts Landing	553,342	40 Years	Unknown	5 No
Salt Lick Road	1,406,281	30 Years	Unknown	5 No
Parkville Commons	8,000,000	22 Years	12,000,000	Yes
Pershall Road	620,000	25 Years	993,000	No
Lee's Summit Missouri New Longview	5,900,000	20 Years	10,500,000	Yes
Prewitt Point	4,750,000	25 Years	16,152,000	Yes
Branson Regional Airport *	150,000,000	30 Years	Unknown	5 No

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS
ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**		TDD Within a TIF district?
WingHaven	3,048,098	20 Years	8,178,263	6	No
Merchant's Laclede	6,510,000	30 Years	10,080,000		No
Belton Town Centre	* 19,000,000	23 Years	5,480,360	1	Yes
71 Highway & 150 Highway	450,000	23 Years	763,850		Yes
Brentwood/Strassner Road	* 8,365,000	11 Years	8,550,000		Yes
Hutchings Farm Plaza	* 600,000	8 Years	816,000		No
Mexico Road	* 2,600,000	40 Years	3,000,000		No
Southtown	* 1,231,292	23 Years	4,204,762		Yes
Francis Place	4,400,000	23 Years	10,000,000	3	Yes
Poplar Bluff Conference Center	* 2,400,000	40 Years	2,000,000	1	No
Eureka Commercial Park	1,430,000	40 Years	Unknown	5	No
Hanley Road and North of Folk Avenue	16,300,000	25 Years	30,900,000		No
Megan Shoppes	* 1,145,834	40 Years	5,520,000		No
Folk Avenue South	6,958,609	26 Years	19,500,000		Yes
Hyannis Port Road	* 564,512	5 Years	650,000	7	No
St. Joseph Gateway	* 4,000,000	23 Years	1,821,212	1	Yes
Park Hills	* 750,000	20 years	200,000	1	Yes
Hawk Ridge	19,400,000	25 Years	38,700,000		No
Olive Boulevard	* 6,590,000	20 Years	8,881,735	3	Yes
Shoppes at Stadium	2,500,000	15 Years	4,000,000		No
Stadium Corridor	13,819,603	25 Years	16,120,457		No
Troy/Lincoln County	* 900,000	5 Years	900,000	8	No
Chesterfield Commons	12,000,000	30 Years	Unknown	5	Yes
Eureka Old Town	1,367,500	30 Years	1,260,000	9	No
North Main/Malone	* 8,600,000	23 Years	1,398,084	1	Yes
Grindstone Plaza	9,400,000	30 Years	24,000,000		No
Residence Inn Downtown St. Louis	500,000	20 Years	1,500,000		No
Mid Rivers/N	2,206,225	20 Years	8,400,000		No
Bowman	* 125,000	20 Years	500,000		No
Farris Family	* 250,000	10 Years	250,000		No
Wentzville Parkway I	3,830,625	30 Years	Unknown	5	No
St. Charles Riverfront	10,000,000	20 Years	8,500,000	1	No
Wentzville II	2,800,000	25 Years	7,500,000		No
Branson Landing	53,759,228	23 Years	47,106,055	1	Yes
Highlands	700,000	23 Years	733,119		Yes
Kingsmill	1,525,000	40 Years	1,525,000		No
Broadway-Fairview	5,000,000	30 Years	17,000,000		No
US 36/I-72	136,000,000	15 Years	43,000,000	1	Yes
Osage Station	1,700,000	17 Years	1,700,000		No
Northwoods	1,120,000	30 Years	6,000,000		No
Glenwood-Watson	2,350,000	23 Years	1,952,005	1	Yes
Commons of Hazel Hills	* 12,000,000	15 Years	23,000,000		No
Dardenne Town Square	15,000,000	19 Years	10,750,000	1	No
Hanley Station	* 2,000,000	19 Years	6,670,000		Yes

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS
ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**	TDD Within a TIF district?
Raintree Lake Village	1,530,000	24 Years	4,767,995	No
1717 Market Place *	1,428,680	23 Years	2,070,000	Yes
Cripple Creek	2,087,628	Unknown	Unknown	5 No
Chesterfield Valley	37,300,000	25 Years	25,175,000	1 Yes
Hawthorne Development	17,524,000	20 Years	8,807,602	1 No
Tuileries Plaza	3,600,000	16 Years	8,700,000	No
Conley Road	20,000,000	35 Years	57,000,000	No
Harrisonville Towne Center	1,124,000	23 Years	Unknown	5 Yes
Elm Grove *	750,000	40 Years	2,000,000	No
Tuscany Village	13,000,000	23 Years	7,200,000	1 Yes

New TDDs Established in 2006

Koch Plaza	650,000	Unknown	Unknown	5	No
Barathaven *	4,215,000	20 Years	9,493,639		No
Blue Ridge Town Centre	Unknown	Unknown	Unknown	10	No
Tower	1,000,000	30 Years	1,700,000		No
Heer's Tower	8,826,627	25 Years	187,500	1	No
College Station	8,600,000	25 Years	4,400,000	1	No
Horseshoe Bend *	23,500,000	25 Years	113,079,775		Yes
Briarcliff Parkway and Highway 9	7,036,020	20 Years	3,450,988	1	Yes
Fulton South Business 54	1,400,000	30 Years	2,700,000		Yes
Crackerneck Creek	15,231,975	24 Years	21,980,746		Yes
Columbia Mall	22,000,000	22 Years	10,500,000	1	No
Arnold Triangle	Unknown	Unknown	Unknown	11	Yes
University Place	15,415,000	25 Years	26,300,000		No
Broadway Hotel	6,500,000	25 Years	11,500,000		No
620 Market	991,600	30 Years	2,670,000		No
U.S. Highway 50/63 and City View	14,700,000	20 Years	8,000,000	1	No
Cornerstone Pointe	2,000,000	25 Years	5,910,656		No
Eureka South I-44	-	-	-	12	No
Town and Country Crossing	10,500,000	17 Years	13,000,000		No
Belton/Raymore Interchange	13,000,000	20 Years	Unknown	5	No
Wentzville Three	2,750,000	40 Years	Unknown	5	No
Indian Ridge Resort	28,152,034	30 Years	34,797,760		No
1200 Main/South Loop	40,583,010	25 Years	64,637,467		Yes
Gans Road and U.S. 63	29,000,000	Unknown	30,000,000		No
Total	\$ 1,185,845,384		\$ 1,452,564,411		

* The amount of project costs and anticipated revenues presented were amended by a district official or representative from the amounts initially reported on the TDD survey questionnaire.

**Interest costs on TDD debt and administrative costs of the districts would appear to account for the difference between total estimated project costs and total anticipated revenues for many of the TDDs. In addition, sales tax will be collected until the project's financing has been paid. If revenues exceed expectations this will decrease the TDD's estimated life.

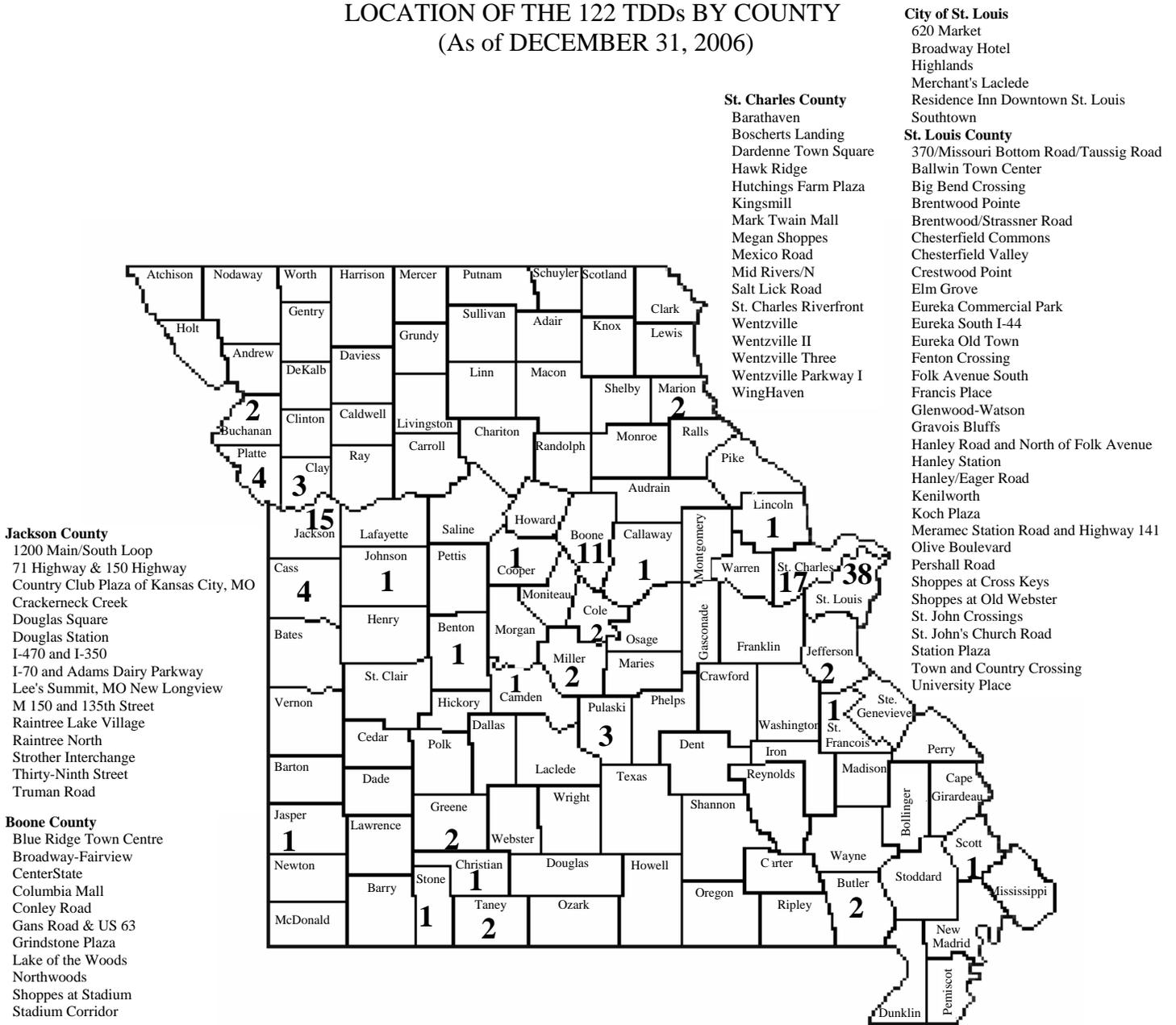
TIF - Tax Increment Financing - 50% of the sales tax collected is used for TIF projects unless an agreement specifies otherwise.

1. TDD sales tax revenues are used to supplement the project costs, with the remaining project costs being funded from other revenue sources.
2. The additional revenue will be used to supplement the project costs related to an adjacent district.
3. The district's project(s) has more than one construction phase, with estimated project costs provided only for Phase 1.
4. Project cost/life of district/anticipated revenue included in information presented for Platte County Missouri South I.
5. Anticipated revenues were not determined and sales tax will be collected until the project financing has been paid.
6. The estimated project costs reported by the district do not include an estimated annual expense of approximately \$200,000 for a trolley service system.
7. The district sales tax was repealed in November 2005, and the district was subsequently abolished in February 2007.
8. The district sales tax was repealed August 2005; however, the district will remain in existence until the projects are completed (estimated at 3 additional years).
9. The district's project(s) was split into four phases and revenue was only estimated on two of the phases.
10. Anticipated project costs and revenues were not determined. It is expected infrastructure costs will be financed by a loan from the developer, which may eventually be retired by sales tax revenue bonds.
11. Revenue and expenditure projections were initially provided; however, the district sales tax was subsequently repealed. Revised revenue and/or expenditure projections have not yet been provided by the district.
12. The district was formed in October 2006. The district's board passed a resolution to establish a sales tax; however, this issue was never submitted to the district's voters. The district was abolished in June 2008, before any project cost or revenues estimates were provided to us.

Source: TDD survey questionnaires and communication with district officials/representatives.

APPENDIX C

TRANSPORTATION DEVELOPMENT DISTRICTS
 LOCATION OF THE 122 TDDs BY COUNTY
 (As of DECEMBER 31, 2006)



Note - Of the thirty-eight TDDs located in the area identified as St. Louis, thirty-two of the districts are located in St. Louis County and six are located in the city of St. Louis.

Source: MoDOT TDD database

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Brentwood/ Strassner Road	Mexico Road *	Southtown	Francis Place	Poplar Bluff Conference Center **
Beginning balance, Fiscal Year 2004	\$ 0	0	0	0	0
Receipts:					
Sales taxes	106,837	0	0	0	0
Interest	10,817	0	0	0	0
Revenue bond/note proceeds	9,764,500	0	0	0	0
Total Receipts	9,882,154	0	0	0	0
Disbursements:					
Bond issuance costs	482,963	0	0	0	0
Professional fees	0	0	0	0	0
Debt service	172,645	0	0	0	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	1,068	0	0	0	0
Transportation project costs	6,823,103	0	0	0	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	0	0	0
Total Disbursements	7,479,779	0	0	0	0
Ending Balance, Fiscal Year 2004	2,402,375	0	0	0	0
Receipts:					
Sales taxes	814,854	18,560	8,589	206,797	19,845
Interest	61,850	0	0	746	0
Revenue bond/note proceeds	0	0	0	0	0
Total Receipts	876,704	18,560	8,589	207,543	19,845
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	0	0	0	0
Debt service	764,300	0	0	52,094	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	26,047	0	0	132	0
Transportation project costs	191,257	0	0	0	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	65	65,000	0
Total Disbursements	981,604	0	65	117,226	0
Ending Balance, Fiscal Year 2005	2,297,475	18,560	8,524	90,317	19,845
Receipts:					
Sales taxes	779,966	45,504	A financial statement was not submitted by the TDD for 2006.	336,849	26,112
Interest	110,156	195		3,057	0
Revenue bond/note proceeds	0	0		0	0
Total Receipts	890,122	45,699	0	339,906	26,112
Disbursements:					
Bond issuance costs	0	0		0	0
Professional fees	0	0		18,196	0
Debt service	769,800	37,492		302,785	24,114
Insurance	0	0		2,925	0
Accounting and auditing	0	0		0	0
Administrative	36,636	25,000		0	0
Transportation project costs	186,901	0		0	0
Collection fees	0	641		0	0
Tax increment financing	0	0		0	0
Other	0	0		35,263	6
Total Disbursements	993,337	63,133	0	359,169	24,120
Ending Balance, Fiscal Year 2006	\$ 2,194,260	1,126	8,524	71,054	21,837

* TDD contact has not provided the 2006 financial statement. The amounts presented were obtained from the city of O'Fallon's financial records.

** Amounts presented in the TDD's financial statements were adjusted to include the beginning and ending cash balances of the TDD and present the financial activity on a cash basis.

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Hanley Road and North of Folk Avenue ***	Folk Avenue South ***	Hawk Ridge	Olive Boulevard
Beginning balance, Fiscal Year 2004	\$ 0	0	0	0
Receipts:				
Sales taxes	A financial statement	0	0	0
Interest	was not submitted	0	0	0
Revenue bond/note proceeds	by the TDD for 2004.	0	0	0
Total Receipts	0	0	0	0
Disbursements:				
Bond issuance costs		0	0	0
Professional fees		0	0	0
Debt service		0	0	0
Insurance		0	0	0
Accounting and auditing		0	0	0
Administrative		0	0	0
Transportation project costs		0	0	0
Collection fees		0	0	0
Tax increment financing		0	0	0
Other		0	0	0
Total Disbursements	0	0	0	0
Ending Balance, Fiscal Year 2004	208,220	0	0	0
Receipts:				
Sales taxes	983,485	0	0	0
Interest	41,025	10,292	0	0
Revenue bond/note proceeds	14,844,985	7,731,379	0	0
Total Receipts	15,869,495	7,741,671	0	0
Disbursements:				
Bond issuance costs	594,915	281,539	0	0
Professional fees	16,423	99,198	0	0
Debt service	207,792	299,603	0	0
Insurance	0	0	0	0
Accounting and auditing	0	0	0	0
Administrative	2,960	0	0	0
Transportation project costs	13,424,985	6,224,697	0	0
Collection fees	0	0	0	0
Tax increment financing	0	0	0	0
Other	0	12,500	0	0
Total Disbursements	14,247,075	6,917,537	0	0
Ending Balance, Fiscal Year 2005	1,830,640	824,134	0	0
Receipts:				
Sales taxes	1,187,732	278,062	186,581	285,766
Interest	71,735	27,190	0	168,138
Revenue bond/note proceeds	0	0	0	5,064,325
Total Receipts	1,259,467	305,252	186,581	5,518,229
Disbursements:				
Bond issuance costs	0	0	0	240,434
Professional fees	0	6,567	0	0
Debt service	1,354,280	438,900	0	240,093
Insurance	0	4,000	0	0
Accounting and auditing	0	9,000	0	0
Administrative	41,737	9,333	15,000	207,644
Transportation project costs	0	0	0	330,337
Collection fees	0	3,580	1,417	0
Tax increment financing	0	17,721	0	0
Other	0	193	165	0
Total Disbursements	1,396,017	489,294	16,582	1,018,508
Ending Balance, Fiscal Year 2006	\$ 1,694,090	640,092	169,999	4,499,721

*** Non-cash items on the TDD's financial statements were not presented on this schedule.

APPENDIX E

TRANSPORTATION DEVELOPMENT DISTRICTS SUMMARY OF AUDIT FINDINGS REPORTED BY OTHER INDEPENDENT AUDITORS – SELECTED TDDS

Sales Tax Revenue

- The district's collection agent was not strictly enforcing collection of sales tax revenues, as several retailers were not remitting their taxes (Hanley Road and North of Folk Avenue TDD).
- Missouri sales tax returns (form 53-1) were not always attached to district sales tax returns, providing audit evidence that the district received the correct amount of tax revenue from a retailer. In addition, the district's collection agent did not retain the envelopes in which the sales taxes were received in order to verify – via postmark on the envelope – that the district's sales taxes were being remitted timely (Hanley Road and North of Folk Avenue TDD).
- The district's collection agent had retained \$21,538 over the course of several months that should have been remitted to the bond trustee. However, the collection agent had taken steps in the new fiscal year to resolve this issue (Brentwood/Strassner Road TDD).

Contracts

- The district had not received an executed copy of their Cooperative Agreement with the city (Hanley Road and North of Folk Avenue TDD).

Accounting Records and Procedures

- The district's collection agent did not keep the district's transactions separate from the account activity of adjoining districts (Hanley Road and North of Folk Avenue TDD).
- A written accounting policy and procedure manual was not maintained (Hanley Road and North of Folk Avenue TDD).
- A lack of segregation of duties was noted (Folk Avenue South TDD).

Budgetary Procedures

- For three districts, the budget format was presented in a different method from the district's established funds (Folk Avenue South, Olive Boulevard, and Brentwood/Strassner Road TDDs).

Audited Financial Statements

- The district should file its audited financial statements with the Missouri State Auditor in lieu of the annual financial report as allowed by the Missouri Code of State Regulations. The district should also file the statements with the bond trustee in PDF format, in lieu of a paper copy, for submission to the National Repository (Hanley Road and North of Folk Avenue TDD).

Investments

- A written investment policy was not adopted (Hanley Road and North of Folk Avenue TDD).

Fraud Detection Program

- Two districts did not have a proper fraud detection program (Olive Boulevard and Brentwood/Strassner Road TDDs).

Note – The above findings were included in the Management Letters and/or the Independent Auditor's Report on Compliance and Internal Control which were issued with the independent audits of the selected districts.