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# CITIZENS SUMMARY

## Findings in the audit of North Oaks Plaza Shopping Center Community Improvement District

Background	The North Oaks Plaza Shopping Center Community Improvement District (CID) is located in the City of Northwoods. The CID is governed by a five member Board of Directors. The CID was formed for the purpose of maintaining the district including repair, maintenance and upkeep of district improvements and property for the duration of the existence of the district. Bonds with a principal amount of \$1,565,000 were issued to fund district projects. In June of 2007, the qualified voter of the CID (the property owner) approved the imposition of a sales tax of up to 1 percent on all taxable transactions within the boundaries of the district for 20 years.
Expenditures	The Board did not review or approve cost certificates for project costs. The property owner/Board Chairman approved the reimbursement of cost certificates totaling approximately \$1.6 million to his own company for district project costs. Such an arrangement represents a significant conflict of interest, and circumvents the Board's primary responsibility of providing oversight of district expenses. Additionally, the district violated state law by paying a board member's company for services performed without competitively procuring the services.
Financial Condition	The CID has been unable to meet its annual debt service requirements. CID sales tax revenues have been insufficient to cover interest payments on the debt and no payments have been made toward bond principal.
Reporting and Budgets	The CID Board failed to submit financial and performance reports to the city, the Department of Economic Development (DED), and the State Auditor's Office in accordance with state law. The board has repeatedly failed to submit the required annual performance report to the city and the DED as required by state law. The CID Board failed to submit its annual budgets for the years ended December 31, 2016, and December 31, 2017, to the city as required by state law.

In the areas audited, the overall performance of this entity was **Poor**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.