



**Thomas A. Schweich**  
Missouri State Auditor

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# North Main/Malone Transportation Development District



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**June 2012**

**Report No. 2012-46**

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**<http://auditor.mo.gov>**



# CITIZENS SUMMARY

## Findings in the audit of the North Main/Malone Transportation Development District

Board of Directors	A new Board of Directors was not elected after the original property owners sold their real property in the district, so annual meetings are not held as required by state law, and the district lacks a body responsible for overseeing its management.
Financial Statements	The district did not timely submit a 2009 financial statement to the State Auditor's office as required by state law. The district may be subject to a maximum fine of \$19,000 for the late filing, but the current law does not establish the agency responsible for assessing and collecting these fines.
Department of Revenue Collections	District sales taxes collected by vendors of the district are remitted to the City of Sikeston instead of the Missouri Department of Revenue. Effective January 1, 2010, Section 28.235, RSMo, requires Transportation Development District sales taxes be remitted to the Department of Revenue.

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

American Recovery and Reinvestment Act (Federal Stimulus)	The North Main/Malone Transportation Development District did not receive any federal stimulus monies during the audited time period.
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\*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.

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# North Main/Malone Transportation Development District

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# THOMAS A. SCHWEICH

## Missouri State Auditor

Carroll Couch, Sikeston City Clerk  
and  
Property Owners,  
North Main/Malone Transportation Development District  
Sikeston, Missouri

We have audited certain operations of the North Main/Malone Transportation Development District in fulfillment of our duties under Section 238.272, RSMo. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2011. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing financial records and other pertinent documents; and interviewing various personnel of the City of Sikeston, as well as certain external parties. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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 Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the North Main/Malone Transportation Development District.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Alice M. Fast, CPA, CIA
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In-Charge Auditor:	Joyce Thomson

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# North Main/Malone Transportation Development District

## Management Advisory Report

### State Auditor's Findings

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#### **1. Board of Directors**

The North Main/Malone Transportation Development District (TDD) does not have a board of directors and as a result, required annual meetings are not held. The City of Sikeston currently manages the financial operations of the TDD in the absence of a board. The TDD was established in January 2005, and a board of directors comprised of the property owners and/or their representatives was elected at that time. In September 2007, the original property owners sold all real property located within the district. The members of the Board of Directors were no longer allowed to serve because they were no longer property owners or the representatives of the property owners. Although the property within the district was sold to new owners, a new board of directors was not elected. The main property owner believed the original owners were still responsible for board duties and were conducting regular board meetings.

Article III, Section 5, district by-laws, requires the district to hold an annual meeting of the owners of real property within the district to elect directors to replace those directors whose terms are expiring including those voted to fill vacancies after a director is disqualified. Article V, Section 2, district by-laws, requires the Board of Directors to hold an annual meeting to appoint officers of the district. Without a Board of Directors, there is no policy-making entity to oversee the management of the district.

#### **Recommendation**

The district property owners elect a board of directors composed of owners or representatives of the owners of real property located in the district.

#### **Auditee's Response**

*The North Main/Malone TDD property owners provided the following written response:*

*Greater Missouri Builders will try and set up a board for the TDD and then we will dissolve it.*

*The City of Sikeston provided the following written response:*

*The City will work with the existing property owners in the possible formation and election of board members.*

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#### **2. Financial Statements**

The district did not submit a 2009 financial statement to the State Auditor's office (SAO) timely. The 2009 financial statement was submitted on June 7, 2010, 38 days after it was due. The district may be subject to a maximum fine of \$19,000 for the late filing. However, the law does not establish the agency responsible for assessment and collection authority of these fines (see report no. 2012-13, *Transportation Development Districts*, issued in February 2012) The 2010 financial statement was filed in April 2011, as required.



## North Main/Malone Transportation Development District Management Advisory Report - State Auditor's Findings

Legal counsel of the prior Board previously submitted financial statements to the SAO, but stopped after the property was sold. One of the previous property owners submitted the 2008 financial statement in 2009. The Clerk for the City of Sikeston assumed the financial duties for the district in 2007 and was not aware of the requirement to submit financial statements until the SAO requested financial information in April 2010. The City Clerk then submitted a combined financial statement for the period August 2006 through April 2010.

Section 105.145, RSMo, requires TDDs to file annual financial statements with the SAO. Section 105.148.8, RSMo, states any district that fails to timely submit a copy of the annual financial statement with the SAO shall be subject to a fine not to exceed \$500 per day. 15 CSR-40.30.030 provides 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 is to be filed within 6 months of the entity's fiscal year end.

### Recommendation

The district property owners file annual financial statements with the SAO timely.

### Auditee's Response

*The North Main/Malone TDD property owners provided the following written response:*

*It appears that we are the only property owner in the district. We have no access to any district funds that are collected and we are not privy to any of the financial information.*

*The City of Sikeston provided the following written response:*

*The City will communicate with any newly formed District regarding requirements for compliance with the RSMos for TDDs.*

## 3. Department of Revenue Collections

District sales taxes collected by vendors of the district are remitted to the City of Sikeston instead of the Missouri Department of Revenue (DOR). Vendors in the district remitted sales tax revenues totaling \$16,857 and \$16,030 during the years ended December 31, 2011 and 2010, respectively, directly to the City of Sikeston. The City Clerk explained he was unaware of the statute change requiring the vendors to remit sales taxes to the DOR. The TDD sales tax revenues have been remitted to the city since the TDD was established in 2005.

Effective January 1, 2010, Section 238.235, RSMo, requires TDD sales taxes to be remitted to the DOR, who then remits the collections to the TDD.



North Main/Malone Transportation Development District  
Management Advisory Report - State Auditor's Findings

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**Recommendation**

The City of Sikeston and district property owners notify vendors to remit district sales taxes to the Missouri Department of Revenue.

**Auditee's Response**

*The North Main/Malone TDD property owners provided the following written response:*

*We are not collecting any TDD sales taxes, nor were we aware that the city of Sikeston was collecting them.*

*The City of Sikeston provided the following written response:*

*The City will communicate with the DOR in order to facilitate future collections.*



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# North Main/Malone Transportation Development District

## Organization and Statistical Information

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The North Main/Malone Transportation Development District (TDD) is located in the City of Sikeston. The North Main/Malone TDD was organized in January 2005 by petition of the City of Sikeston and owners of property within the proposed TDD.

The qualified voters of the TDD, in this case the property owners, approved the imposition of a sales tax of up to 1-cent (1 percent) on all transactions which are taxable within the boundaries of the district. The sales tax is currently expected to remain in effect for 23 years, unless terminated sooner. Through fiscal year 2011, there were only two retail businesses operating within the TDD, therefore, little sales tax revenue was collected. The property within the TDD was sold in September 2007.

The TDD has a fiscal year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

The TDD was formed for the purpose of acquiring property (right-of-way and/or easements) and constructing transportation and street project improvements with a total cost of approximately \$8.6 million. The Missouri Department of Transportation and the City of Sikeston are the public entities with jurisdiction over these projects. The projects were completed in 2006.

The City of Sikeston issued \$1.7 million in Tax Increment Financing (TIF) bonds, to be funded by revenues from TDD and other TIF revenues, to finance its portion of the related project costs.

### District Board

There is no elected board acting as the policy-making body for district operations. The City of Sikeston currently manages district operations.

### Selected Information on the District

Estimated Project Costs	\$8.6 million
Estimated TDD Duration	23 years
Total Estimated Revenues	\$1.4 million
Sale Tax Rate	1 percent
TDD is within a TIF District?	Yes

### American Recovery and Reinvestment Act 2009 (Federal Stimulus)

North Main/Malone Transportation Development District did not receive any federal stimulus monies during the 2 years ended December 31, 2011.



North Main/Malone Transportation Development District  
Organization and Statistical Information

Financial Activity

A summary of the district's financial activity for the 2 years ended December 31, follows:

		Year Ended December 31,	
		2011	2010
Receipts:			
Sales taxes	\$	16,857	16,030
Interest		0	45
Total Receipts		16,857	16,075
Disbursements:			
Tax increment financing		15,237	16,144
Total Disbursements		15,237	16,144
Revenues Over (Under) Disbursements		1,620	(69)
Cash Balance, January 1		5,262	5,331
Cash Balance, December 31	\$	6,882	5,262