



Nicole R. Galloway, CPA
Missouri State Auditor

1225 Washington Transportation Development District



August 2015

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CITIZENS SUMMARY

Findings in the audit of the 1225 Washington Transportation Development District

Budgets

The budgets for the years ended June 30, 2014, 2013, and 2012, did not include actual or estimated receipts or disbursements for the preceding year, as required by state law. In addition, the budgets for the years ended June 30, 2013 and 2012 showed an estimated beginning cash balance of \$0, which significantly differed from the actual ending cash balances totaling \$49,371 and \$38,343 for the previous years, and did not present a clear picture of the Transportation Development District's finances.

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

*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.

1225 Washington Transportation Development District

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NICOLE R. GALLOWAY, CPA
Missouri State Auditor

Timothy McGowan, Executive Director
and
Board of Directors
1225 Washington Transportation Development District
St. Louis, Missouri

We have audited certain operations of the 1225 Washington 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 3 years ended June 30, 2014. The objectives of our audit were to:

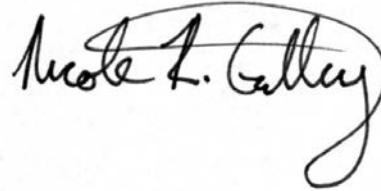
1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. 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 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 contract or 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) no significant 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 1225 Washington Transportation Development District.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with the first name "Nicole" and last name "Galloway" clearly distinguishable. The signature is written over a faint, circular embossed seal that is partially visible in the background.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor	John Luetkemeyer, CPA
Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Wayne Kauffman, MBA

1225 Washington Transportation Development District Management Advisory Report State Auditor's Findings

1. Budgets

Budgets adopted by the Transportation Development District (TDD) Board do not contain certain elements required by state law.

The budgets for the years ended June 30, 2014, 2013, and 2012, did not include actual or estimated receipts and disbursements for the most recent preceding year, as required by state law. Since that fiscal year had not been completed at the time budgets were prepared, rather than estimating these amounts for the budgets, district officials included a footnote indicating these amounts were not available. In addition, the budgets for the years ended June 30, 2013 and 2012 showed an estimated beginning cash balance of \$0, which significantly differed from the actual ending cash balances totaling \$49,371 and \$38,343 for the previous years, and did not present a clear picture of the TDD's finances. This problem was due, at least partially, to the lack of preceding year financial information in the budgets.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and outlines the various information to be included in the budget. The budget is to include a comparative statement of actual or estimated receipts and disbursements for the 2 preceding years. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool.

Recommendation

The TDD Board ensure budgets contain all information required by state law.

Auditee's Response

We agree and will report estimated actual figures going forward.

1225 Washington Transportation Development District

Organization and Statistical Information

The 1225 Washington Transportation Development District (TDD) is located in the City of St. Louis. The TDD was organized in October 2009 by petition of the property owners within the proposed TDD. The members of the Board of Directors of the district are elected by the property owners and include five members representing the property owners.

In October 2009, 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 taxable transactions within the boundaries of the district. The Board of Directors subsequently passed a resolution that set the sales tax rate at 1-cent (1 percent), effective June 1, 2010, for 40 years, unless terminated sooner. The retail establishments within the district are required to collect and remit the sales tax to the Missouri Department of Revenue (DOR). In turn, the DOR distributes the sales tax monies to the district.

The TDD was formed for the purpose of acquiring, constructing, reconstructing, and repairing of a parking lot or garage and other related improvements; construction of public access areas to the district; construction, reconstruction, relocation, installation, and repair of streets, roads and signing; acquisition of right-of-way or easement rights necessary for any or all of the transportation project improvements; and other improvements located within or adjacent to the parking lot or garage right-of-way or street and roads including trees, lighting, landscaping and/or other decorative features. The City of St. Louis is the public entity with jurisdiction over these projects. The parking lot had already been constructed at the time the TDD was formed and no additional work has been performed on the project.

The TDD has a fiscal year end of June 30, and did not have independent audits performed for the 3 years ended June 30, 2014.

District Board

An elected board acts as the policy-making body for the district's operations. The board's five members, all of which are representatives of the property owners, serve 3-year terms without compensation. Members of the board at June 30, 2014, were:

Timothy McGowan, Executive Director
Sean McGowan, Treasurer
Seamus McGowan, Secretary
William McGowan, Member
Jamie Fite, Member

Financial Activity

On April 1, 2010, the TDD leased 100 spaces for public parking in a parking lot owned by the developer in return for all of the TDD's revenues, less payments to associated Tax Increment Financing (TIF) districts and



1225 Washington Transportation Development District Organization and Statistical Information

payments for the administrative costs of the district. The lease is for a period of 23 years or until the debt of the TIF districts has been repaid.

A summary of the district's financial activity for the 3 years ended June 30, 2014, follows:

	Year Ended June 30,		
	2014	2013	2012
RECEIPTS			
Sales taxes	\$ 78,837	88,401	105,083
Total Receipts	78,837	88,401	105,083
DISBURSEMENTS			
Professional fees	5,591	0	0
Administrative	277	30	30
Transportation project costs	59,644	69,446	64,515
Tax increment financing	25,469	25,158	29,510
Total Disbursements	90,981	94,634	94,055
RECEIPTS OVER (UNDER) DISBURSEMENTS	(12,144)	(6,233)	11,028
BEGINNING CASH	43,138	49,371	38,343
ENDING CASH	\$ 30,994	43,138	49,371