



Nicole R. Galloway, CPA  
Missouri State Auditor

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# Fenton Crossing Transportation Development District



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October 2015

Report No. 2015-095

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<http://auditor.mo.gov>



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Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Fenton Crossing Transportation Development District

Background	The Fenton Crossing Transportation Development District (TDD) is located in the City of Fenton. The district was organized in February 2000 by petition of the property owner within the proposed district. The Fenton Crossing TDD was formed for the purpose of road and bridge construction; including demolition, excavation, utility relocation, sidewalk installation, curb and gutter installation, storm water control, traffic signalization, and landscaping. The Missouri Department of Transportation and the city are the public entities with jurisdiction over the project and serve as the Local Transportation Authorities (LTAs). The project was completed and the LTAs accepted dedication of the project in November 2000. The city issued Tax Increment Financing (TIF) bonds to finance the project and the TDD approved the imposition of a 1-cent (1 percent) sales tax on all taxable transactions within the district. The TDD makes payments to the city to help repay a portion of the TIF bonds, after paying Economic Activity Taxes to the TIF district and paying administrative costs of the TDD.
Statutory Requirement	Section 238.275, RSMo, requires the State Auditor to determine the financial status of a TDD before it may be abolished. The law prohibits the abolition of a TDD while there are outstanding claims or causes of action pending against it, if its liabilities exceed its assets or while the TDD is insolvent, in receivership or under the jurisdiction of a bankruptcy court.
Excess Funds	The TDD has accumulated a significant excess of funds after repaying all obligations. The TDD's final bond payment was made on October 1, 2014, but the amount paid to the city was \$105,611 more than the balance on the obligation. The excess was refunded to the TDD in April 2015. The TDD notified the Department of Revenue in March 2015 to rescind the sales tax, which was effective as of July 1, 2015. Because final sales tax collections will not be remitted until sometime after the July 2015 rescission date, sales taxes will likely continue to accumulate. The TDD's cash balance had increased to approximately \$449,000 as of July 15, 2015. State law requires any accumulated cash balances be remitted to the LTAs once a vote to abolish has occurred.
Financial Status	The audit of the Fenton Crossing TDD indicates the financial condition of the district is such that it may be abolished.

Because of the limited objective of this audit, no overall rating is issued.

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**NICOLE R. GALLOWAY, CPA**  
**Missouri State Auditor**

Nicholas Sansone, Chairman  
and  
Board of Directors  
Fenton Crossing Transportation Development District  
Fenton, Missouri

The State Auditor is required under Section 238.275, RSMo, to audit a transportation development district prior to the question of abolishment being submitted to a vote. On February 24, 2015, the Board of Directors of the Fenton Crossing Transportation Development District approved a resolution of its intent to dissolve the district and request an audit as required by statute. The State Auditor was subsequently notified of this resolution.

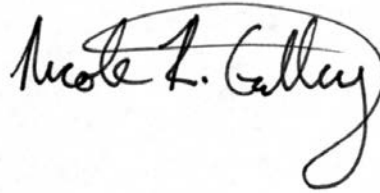
The district engaged Wade Stables, Certified Public Accountants to audit the district's financial statements for the year ended December 31, 2014. To minimize duplication of effort, we reviewed the report of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2014, and the period from January 1 through May 31, 2015. The objectives of our audit were to evaluate the financial status of the district and determine whether it may be abolished pursuant to law.

Our methodology included reviewing minutes of meetings, financial records, and other pertinent documents; interviewing 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 audit determined the district's Board of Directors may proceed with abolishment of the district in accordance with Section 238.275, RSMo.

The accompanying Management Advisory Report presents our findings arising from our audit of the Fenton Crossing 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 legible. The signature is written over a faint, circular embossed seal that is partially obscured by the ink.

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

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# Fenton Crossing Transportation Development District Management Advisory Report State Auditor's Findings

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## **Financial Status**

Our audit of the Fenton Crossing Transportation Development District (TDD) indicates the financial condition of the district is such that it may be abolished pursuant to state law.

The Fenton Crossing TDD is located in the City of Fenton. The district was organized in February 2000 by petition of the property owner within the proposed TDD. The members of the Board of Directors are representatives of the property owner. The district has a fiscal year end of December 31 and obtained an independent audit for the year ended December 31, 2014.

In June 2000, the qualified voters of the Fenton Crossing TDD, in this case the property owner, approved the imposition of a 1-cent (1 percent) sales tax on all taxable transactions within the boundaries of the district. The Board of Directors subsequently passed a resolution formally establishing the sales tax rate to be effective July 7, 2000, until June 30, 2020, unless terminated sooner. The retail establishments within the district collected and remitted the sales tax to the Missouri Department of Revenue (DOR). In turn, the DOR disbursed the sales tax monies to the district.

The Fenton Crossing TDD was formed for the purpose of road and bridge construction; including demolition, excavation, utility relocation, sidewalk installation, curb and gutter installation, storm water control, traffic signalization, and landscaping. The Missouri Department of Transportation and the city are the public entities with jurisdiction over the project and serve as the Local Transportation Authorities (LTAs). The project was completed and the LTAs accepted dedication of the project in November 2000.

The city issued Tax Increment Financing (TIF) bonds for \$10,205,000 in November 2000, to finance the projects. The city issued refunding TIF bonds for \$4,395,000 in October, 2010. Sales taxes collected by DOR and remitted to the district were pledged to help repay a portion of the TIF debt. The trustee bank distributed amounts received, first for the payment of the district's share of Economic Activity Taxes (EATS) to the TIF district, next for administrative costs of the district, and any remaining amount to the city as rental payments for the TDD project. The EATS and rental payments to the city both served as sources to help retire the TIF bonds.

On February 24, 2015, the Fenton Crossing TDD Board approved resolutions formalizing its intent to dissolve the district and repealing its sales tax. In May 2015, the TDD Administrator advised the State Auditor's office (SAO) of the Board's intent to dissolve and requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo.

The SAO has performed an audit of the Fenton Crossing TDD as required by Section 238.275, RSMo. That statute requires the State Auditor to audit



## Fenton Transportation Development District Management Advisory Report - State Auditor's Findings

the district to determine its financial status, and determine whether it may be abolished pursuant to law. That law also states the board shall not propose the question to abolish the district while there are outstanding claims or causes of action pending against it; if its liabilities exceed its assets; or while the district is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.

The following table presents the financial activity and cash balances of the Fenton Crossing TDD for the year ended December 31, 2014, and the period from January 1 through May 31, 2015.

	Period of January 1, 2015 to May 31, 2015	Year Ended December 31, 2014
<b>RECEIPTS</b>		
Sales taxes	\$ 151,038	406,435
Interest	5	6
Refund from LTA	105,611	0
Total Receipts	256,654	406,441
<b>DISBURSEMENTS</b>		
Legal	5,505	5,505
Administration	6,000	12,000
Miscellaneous	140	455
Accounting and auditing	0	2,500
Insurance	0	951
Debt service and Tax Increment Financing	0	310,416
Bank fees	310	465
Total Disbursements	11,955	332,292
RECEIPTS OVER (UNDER) DISBURSEMENTS	244,699	74,149
BEGINNING CASH	118,463	44,314
ENDING CASH	\$ 363,162	118,463

Based on our audit, the cash balance of the Fenton Crossing TDD at May 31, 2015, was \$363,162. The Board Chairman indicated there are no outstanding billings that represent an outstanding liability to the district.

Based on our audit, the Board of Directors may proceed with the abolishment of the district in accordance with Section 238.275, RSMo.

## Excess Funds

The TDD has accumulated a significant excess of funds after repaying the TDD's obligations. The TDD's final payment on the outstanding bonds was made by the trustee bank on October 1, 2014, but the amount paid to the city on that date was \$105,611 more than the balance on the obligation. The excess was refunded to the TDD in April 2015.

On November 4, 2014, the Board met and chose to not rescind the sales tax immediately, but to allow some time to consider whether additional transportation projects should be constructed. At its February 24, 2015, meeting the Board determined additional projects were unnecessary and passed a resolution to abolish the TDD. On March 13, 2015, a representative



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## Fenton Transportation Development District Management Advisory Report - State Auditor's Findings

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of the TDD notified the DOR to rescind the TDD sales tax. Based on the date this request was received, DOR was unable to rescind the sales tax until July 1, 2015. Sales tax receipts and the refund of the overpayment accumulated to a cash balance of \$363,162 as of May 31, 2015. In addition, since final sales tax collections will not be remitted until sometime after the July 2015 rescission date, sales taxes will likely continue to accumulate. The TDD's cash balance had already increased to approximately \$449,000 as of July 15, 2015.

Section 238.275.5(1), RSMo, requires the TDD to transfer all real and personal property, including the accumulated cash balances and revenues due, to the LTA once the majority of those voting within the district have voted to abolish and the State Auditor has determined the district may be abolished.

### Recommendation

The Board of Directors ensure the remaining funds are disbursed to the appropriate LTAs upon final abolishment of the TDD.

### Auditee's Response

*The Board of Directors will ensure that all remaining funds are disbursed to the appropriate local transportation authorities upon final abolishment of the TDD.*