



Office of Missouri State Auditor
Nicole Galloway, CPA

**U.S. Highway 36 - Interstate 72
Corridor Transportation
Development District**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of U.S. Highway 36 - Interstate 72 Corridor Transportation Development District

Financial Status Our audit of the U.S. Highway 36 - Interstate 72 Corridor Transportation Development District (TDD) indicates the financial condition of the district is such that it may be abolished pursuant to state law.

Due to the nature of this report, no rating has been provided.

*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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Missouri State Auditor

Dale Bagley, Chairman
and
Board of Directors
U.S. Highway 36 - Interstate 72 Corridor Transportation Development District
Hannibal, 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 June 8, 2017, the Board of Directors of the U.S. Highway 36 - Interstate 72 Corridor 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.

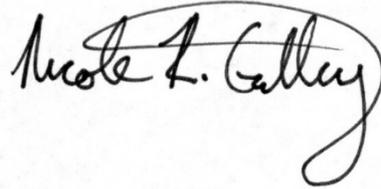
The district engaged Wade Stables P.C., Certified Public Accountants (CPAs) to audit the district's financial statements for the years ended June 30, 2017 and 2016. To minimize duplication of effort, we reviewed the report issued by the CPA firm for the year ended June 30, 2016, since the 2017 audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2017, and the period from July 1 through August 31, 2017. 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 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 applicable contract, grant agreement, 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 finding arising from our audit of the U.S. Highway 36 - Interstate 72 Corridor Transportation Development District.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the word "Galloway".

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Rex Murdock, M.S.Acct.

U.S. Highway 36 - Interstate 72 Corridor Transportation Development District Management Advisory Report - State Auditor's Findings

Financial Status

Our audit of the U.S. Highway 36 - Interstate 72 Corridor Transportation Development District (TDD) indicates the financial condition of the district is such that it may be abolished pursuant to state law.

The U.S. Highway 36 - Interstate 72 Corridor TDD is located in Macon, Marion, Monroe, and Shelby counties. The district was organized in June 2005 by a petition filed by Macon, Marion, Monroe, Ralls, and Shelby counties; and the cities of Clarence, Hannibal, Hunnewell, Macon, Monroe City, and Shelbina. An election was held in August 2005 and voters elected to exclude Ralls County from the boundaries of the TDD.

The members of the Board of Directors are the presiding officers (Presiding County Commissioner or Mayor/Chairman of the city/village) of local transportation authorities within the boundaries of the district, consisting of the above mentioned counties (excluding Ralls County) and cities, along with several other cities and villages within those counties. The district has a fiscal year end of June 30 and obtained an independent audit for the year ended June 30, 2017.

In April 2005, the qualified voters of the U.S. Highway 36 - Interstate 72 TDD approved a 1/2-cent (1/2 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 January 1, 2006, for 15 years 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 U.S. Highway 36 - Interstate 72 Corridor TDD was formed for the purpose of constructing approximately 52 miles of two additional lanes on U.S. Highway 36 from about 8 miles west of Hannibal to the city of Macon to achieve a four-lane expressway. Macon, Marion, Monroe, and Shelby counties, 22 cities and villages within those counties, and the Missouri Highway and Transportation Commission (the Commission) are the public entities with jurisdiction over the project and serve as the Local Transportation Authorities (LTAs). The project was completed in 2010 and the Commission and the LTAs accepted dedication of the project in July 2010.

The U.S. Highway 36 - Interstate 72 Corridor TDD Board and the Commission entered into a loan agreement with the Missouri Transportation Finance Corporation (MTFC) in 2008. Under the loan agreement, the MTFC was to provide the TDD and the Commission with a direct loan in the amount of up to \$43 million. The actual amount borrowed was approximately \$34.3 million. Sales tax proceeds collected by the TDD were used to make principal payments on the loan. The Commission was responsible for payment of the interest.



U.S. Highway 36 - Interstate 72 Corridor
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 Management Advisory Report - State Auditor's Findings

In March 2017, the TDD Board of Directors approved a resolution to repeal the sales tax effective July 31, 2017. In June 2017, the TDD Board of Directors approved a resolution formalizing its intent to dissolve the TDD. The TDD's legal counsel advised the State Auditor's Office (SAO) of these resolutions and requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo. Full repayment of the MTFC loan occurred in July 2017.

The SAO has performed an audit of the U.S. Highway 36 - Interstate 72 Corridor TDD as required by Section 238.275, RSMo. That statute requires the State Auditor to audit 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 U.S. Highway 36 - Interstate 72 Corridor TDD for the year ended June 30, 2017, and the period from July 1 through August 31, 2017.

	Period of July 1, 2017 to August 31, 2017	Year Ended June 30, 2017
RECEIPTS		
Sales taxes	\$ 582,665	3,271,141
Interest	16,907	88,576
Total Receipts	<u>599,572</u>	<u>3,359,717</u>
DISBURSEMENTS		
Legal	0	36,225
Administration	714	2,250
Accounting and auditing	0	2,700
Insurance	0	5,882
Debt service	6,501,340	6,200,000
Miscellaneous	0	1,477
Bank fees	3,047	2,192
Total Disbursements	<u>6,505,101</u>	<u>6,250,726</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,905,529)	(2,891,009)
BEGINNING CASH	<u>6,518,574</u>	<u>9,409,583</u>
ENDING CASH	<u>\$ 613,045</u>	<u>6,518,574</u>

Based on our audit, the cash balance of the U.S. Highway 36 - Interstate 72 Corridor TDD at August 31, 2017 was \$613,045. The TDD subsequently received sales tax collections in September 2017, increasing the cash balance to approximately \$904,000 as of September 30, 2017. The TDD's Executive



U.S. Highway 36 - Interstate 72 Corridor
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Management Advisory Report - State Auditor's Findings

Director estimated future obligations for the district to close out are less than \$140,000. Based on the Executive Director's representations, TDD assets will be sufficient to pay any remaining costs and obligations. The remaining balance will be divided equally among the four counties once abolishment occurs.

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