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Missouri State Auditor

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Transportation Development Districts



Office Of The
State Auditor Of Missouri
Claire McCaskill

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YIELD OWN SHEET

The following problems were included in our audit of Transportation Development Districts (TDDs).

As of December 31, 2005, 98 transportation development districts (TDDs) had been established in the state of Missouri, including 29 established in 2005. Almost 70 percent of the districts are located in the St. Louis and Kansas City metropolitan areas. Although the Transportation Development District Act was enacted in 1990, the first TDD was not established until 1997, apparently the result of a statutory change made that year which allowed the owners of real property located within a proposed district to petition for its creation, if there were no registered voters residing within the district. This statutory change has resulted in a dramatic increase in the number of TDDs established and the significant growth has continued in 2006, with 22 additional TDDs being established through the end of 2006.

Of the 98 TDDs established as of December 31, 2005, 95 percent were initiated by a petition filed by the property owners, and all of them have imposed sales taxes, with rates ranging from one-eighth of one percent to one percent on retail items sold within the districts' boundaries. In a survey of those TDDs, officials or representatives of 97 of the TDDs reported total estimated transportation project costs of over \$923 million. In addition, 87 of those TDDs reported total estimated revenues of over \$1 billion would be collected over the lives (range from 5 to 40 years) of the respective TDDs. In addition, 43 percent of the TDDs established as of December 31, 2005, were located either completely or partially in a tax increment financing (TIF) redevelopment area. State laws provide that 50 percent of the additional tax revenues generated in such areas are to be used for the purposes of that TIF area; however, in some instances, the applicable city has allowed the TDD to apply most, if not all, of its sales tax revenue to its own transportation project costs.

Our previous audit of TDDs (SAO Report No. 2006-12, issued March 2006) reported various issues in the areas of public awareness/involvement, accountability, and compliance. Because many of the issues previously reported required legislative change, we had recommended the General Assembly review these public awareness/involvement, accountability, and compliance issues, and work with the Missouri Department of Transportation, the State Auditor's Office, and other governmental entities to make necessary revisions to the TDD-related statutes. However, during the 2007 legislative session, only one change was made to the TDD statutes that addressed any of the issues reported in the prior audit. Further changes to the TDD statutes should be considered in future legislation.

(over)

Our current audit selected 17 individual TDDs that were established in 2003 or prior, and had not previously been audited by the State Auditor's Office (SAO). This audit disclosed various issues in the areas of construction contracts and project management, professional services, budgetary matters, financial reporting, and other matters.

Various concerns were noted related to construction contracts and/or project management services involving transportation projects. Competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be determined. In some instances, the contractor was a related party and work on the projects had already begun when the construction contract was entered. Proposals were either not solicited for project management services or documentation was not available to provide assurance that such proposals were solicited. Again, in some instances, the project manager was a related party.

Written contracts related to the construction services or the construction management services were not always prepared or approved in a timely manner. Written construction contracts were not entered into between the district and the project manager. Additionally, the construction contracts were either not approved by the district board or were not approved prior to the contractor beginning work on the transportation projects.

Requests for proposals for various professional services were either not properly solicited or documentation was not available to provide assurance that such proposals were solicited. These services included primarily those provided by engineers, architects, and legal counsel.

Various matters were noted related to transportation projects costs claimed for reimbursement by the developers. Costs incurred by the developer were not always certified and approved for reimbursement on a timely basis because adequate documentation to support the project costs incurred had not been provided. For other districts, detailed invoices supporting the project costs were not available because the district's projects were combined with costs of other private or public development projects. In one of these instances, it appeared the costs claimed by the developer for reimbursement were included twice, overstating reimbursement requests by approximately \$123,800.

The revenues of some districts may not be sufficient to meet the financial obligations of the district or fully reimburse the developer for transportation-related costs incurred. In another district, customers of the major retailer in the district were incorrectly charged sales tax at a rate higher than that approved by the district for an 8-month period, resulting in an overpayment of sales taxes by the retailer to the district of approximately \$60,000 for this time period.

Various problems were noted related to the annual budgets of several districts. In addition, as noted in our previous report, many (22 percent) of the TDDs had not filed annual financial reports with the SAO, as statutorily required. Other concerns included the improper distribution of TIF monies, inadequate segregation of duties, and untimely deposits.

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TRANSPORTATION DEVELOPMENT DISTRICTS

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA

Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited transportation development districts (TDDs) established in the state of Missouri. The audit was conducted relative to our responsibilities pursuant to Section 238.272, RSMo. The scope of this audit included, but was not necessarily limited to, TDDs established since the inception of the Transportation Development District Act in 1990 through December 31, 2005. The objectives of this audit were to:

1. Report selected information regarding the various TDDs.
2. Determine and report the TDDs' estimated transportation projects costs as well as the total revenues those entities expect to collect, as reported by the individual TDDs.
3. Report on the status of various issues in the areas of public awareness/involvement, accountability, and compliance which were reported in the previous audit.
4. Perform and report on audit work related to 17 selected TDDs that were established in 2003 or prior, involving a more in-depth review of the districts' transportation projects, financial activity, procurement practices, and statutory compliance.

Our methodology to accomplish these objectives included reviewing financial reports or audits filed with the State Auditor's Office, information maintained by the Missouri Department of Transportation (MoDOT), and financial records and other information maintained by or received from various TDD officials/representatives and municipal officials. Some of the selected TDDs had engaged various independent auditors to audit their financial statements for the years under review. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the applicable independent auditors.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by February 2007.

The following Objectives, Scope, and Methodology and Observations and Results sections present our comments, observations, and results regarding our audit of the transportation development districts.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
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OBJECTIVES, SCOPE, AND METHODOLOGY

TRANSPORTATION DEVELOPMENT DISTRICTS OBJECTIVES, SCOPE, AND METHODOLOGY

Sections 238.200 to 238.275, RSMo, allow for the formation of transportation development districts (TDDs). These entities are separate political subdivisions established and organized for the construction of roads, bridges, interchanges, or other transportation-related projects. The projects are generally financed by these districts through the issuance of notes, bonds, or other debt securities for a period not to exceed 40 years. A TDD is governed by a board of directors of not less than 5 nor more than 15 members. The boards have the authority (after qualified voter approval¹) to impose sales taxes or tolls, or levy property taxes or special assessments within the boundaries of the TDD to pay the expenditures of the entity, including the liquidation of debt incurred to fund the transportation-related projects. The revenues of a TDD, most frequently sales taxes, can only be used for transportation-related projects.

The process of establishing a TDD is initiated by the filing of a petition in the circuit court of the county where the proposed district is located. Such a petition can be filed by: (1) not less than 50 registered voters residing within the proposed TDD; (2) if there are no eligible registered voters residing within the proposed district, by all the owners of real property located within its proposed boundaries; (3) a local transportation authority; or (4) two or more local transportation authorities. A local transportation authority includes a county, city, special road district, or any other local public authority having jurisdiction over transportation projects and services.

For those TDDs established as of December 31, 2005, most of the petitions initiating their establishment were filed by the owners of the property located within the proposed district. See Appendix A for a complete list of all TDDs established as of December 31, 2005, and information regarding their establishment.

State laws require that a copy of the petition filed to establish a TDD be provided to the Missouri Highways and Transportation Commission (highway commission) and each affected local transportation authority. Those entities are then allowed to file an answer stating agreement with or opposition to the creation of the district. In addition, any resident, taxpayer, or any other entity within the proposed district may join in or file a petition supporting or answer opposing the creation of the district. The circuit court subsequently hears the case, if necessary, and makes a decision whether to authorize the establishment of the district.

Many TDDs are located within a tax increment financing redevelopment (TIF) area. Tax increment financing is authorized pursuant to Section 99.800 to 99.865, RSMo, and allows a municipality (a city or county) to approve TIF plans and use new tax revenues generated by development to reimburse certain costs related to that development. See Appendix B for information regarding whether a particular TDD is located within a TIF area.

¹ Section 238.202, RSMo, defines qualified voters as any persons eligible to be registered voters who reside within the proposed district. However, if no registered voters reside within the proposed district, the owners of real property located within the proposed district constitute the qualified voters.

Section 67.010, RSMo, requires each TDD to prepare an annual budget which represents a complete financial plan for the ensuing fiscal year. In addition, Section 105.145, RSMo, requires each district to file an annual financial report with the State Auditor's Office (SAO).

Although there is no statutory annual audit requirement, many districts have issued bonds and are required to obtain annual audits by the bond covenants or bond underwriter. In addition, Section 238.272, RSMo, provides the SAO shall audit each TDD once every 3 years, and may audit more frequently if deemed appropriate. The cost of the audit is to be paid by the respective district.

Section 238.275, RSMo, provides for the abolishment of a TDD once its projects are completed, ownership of the projects has been transferred to the highway commission or the local transportation authority, and the district has no outstanding liabilities. In addition, a TDD can be abolished if the board of directors determines the projects cannot be completed due to lack of funding or for any other reason. Prior to a TDD submitting the question to abolish the district to the applicable voters, the SAO must audit the TDD to determine its financial status, and whether it can be abolished. In September 2006, the SAO was advised of actions taken to abolish one TDD, the Hyannis Port Road TDD, located in an unincorporated area of Jefferson County. The SAO subsequently performed an audit of this TDD (SAO Report No. 2006-84, issued December 2006), and the district was formally abolished in February 2007.

Objectives

The objectives of this audit were to 1) report selected information regarding the various TDDs; 2) determine and report the TDDs' estimated transportation projects costs as well as the total revenues those entities expect to collect, as reported by the individual TDDs; 3) report on the status of various issues in the areas of public awareness/involvement and accountability and compliance which were reported in the previous audit; 4) perform and report on audit work related to 17 selected TDDs that were established in 2003 or prior, involving a more in-depth review of the districts' transportation projects, financial activity, procurement practices, and statutory compliance.

Scope

The scope of this audit included, but was not necessarily limited to, those TDDs established since the inception of the Transportation Development District Act in 1990 through December 31, 2005. At December 31, 2005, 98 TDDs had been established in the state of Missouri, with one of these districts currently under appeal by the city of Chesterfield, in St. Louis County. Thirty-two of these TDDs were established in 2003 or prior, had existed for portions of at least 3 fiscal years, and were not previously selected for review by the SAO. During the previous audit, we had performed a review of 16 TDDs that had operated for at least three complete fiscal years as of December 31, 2004 (had financial activity throughout the previous 3 fiscal years).

Information used to complete this report included:

- TDD annual financial reports or audit reports and related information submitted to and maintained by the SAO.
- The provisions of the Transportation Development District Act, which include Sections 238.200 through 238.275, RSMo.
- A TDD database, petitions, court orders, and related information maintained by the Missouri Department of Transportation (MoDOT).
- Completed questionnaires, received from officials or representatives of the TDDs, which requested information including, but not limited to, estimated project costs, financing obligations, anticipated revenues, and expected life of the respective TDD. A copy of the questionnaire sent to TDD officials was included as an appendix in our previous audit report.
- Communications with, and information received from, various TDD officials/representatives and municipal officials.
- TDD financial records, including but not limited to agendas and minutes; bank statements; financial records; invoices; budgets; contracts; bid documentation; and/or debt service agreements. These records were maintained by the district or their records custodian.

Methodology

During our audit, we used annual financial reports or audit reports that had been filed by the various TDDs with the SAO as well as an internal database established by the SAO to identify those TDDs established in 2005 and prior and to account for the various financial reports/audits received.

We gathered additional information regarding the TDDs established in 2005 through discussions with various MoDOT officials and from a TDD database and files maintained by that agency. Information obtained included TDD name, location, applicable county/municipality, date established, identity of the individual(s)/entity who filed the petition, the type of funding (i.e., sales taxes, property taxes, etc.), and the funding rate (i.e., 1 percent). Some of this information is presented in Appendix A.

Similar to procedures used in our previous audit, survey questionnaires were sent to each TDD established in 2005, requesting information including, but not limited to, estimated total project costs, how project costs were financed and the amount of that financing, estimated total revenues to be collected and over what period of time, when the collection of revenue and incurrence of expenses started, who was responsible for collection of the revenues and the administering of the funds, and whether financial audits have been conducted by an independent auditor. In addition, follow-up questionnaires were also sent to all the TDDs established through 2005, requesting

information including, but not limited to, the geographic location of the TDD, the name of the development and type of businesses in the district, and whether or not the TDD is located in a TIF redevelopment area. Some of the survey information received from the TDDs is presented in Appendix B.

Relative to our audit responsibilities pursuant to Section 238.272, RSMo, we selected and conducted audit work related to various TDDs (the selected districts) based on the significance of their financial activity and/or because their transportation projects had been substantially completed by the end of fiscal year 2005. Those districts not selected for review did not have as significant a level of financial activity and/or their transportation projects were not substantially completed by the end of fiscal year 2005.

The selected districts included 8 of 19 districts that were audited by an independent auditor and 9 of 13 districts that were unaudited. The 8 audited districts were selected because of the significance of their financial activity, with all of them having recorded expenditures in excess of \$8 million during the 3 years ended in fiscal year 2005. The 9 unaudited districts were selected because their transportation projects had been substantially completed and significant financial activity had been incurred by either the TDD or developer through the end of fiscal year 2005. The reported disbursements of the 4 unaudited districts which were not selected totaled less than \$150,000 during fiscal years 2003 through 2005, with no significant construction activity reported.

The following table includes the 32 TDDs considered for review during our current audit, including the 17 TDDs selected for review. Some of the TDDs had financial statement (F/S) audits performed by independent auditors.

TDD Name	Date Established	Fiscal Year-End	F/S Audits Performed		Unaudited	
			Selected for Review by SAO	Not Selected for Review by SAO	Selected for Review by SAO	Not Selected for Review by SAO
Meramec Station Road and Highway 141	09/07/00	12/31	X			
370/Missouri Bottom Road/Taussig Road	11/01/00	12/31	X			
Mark Twain Mall	02/20/01	12/31		X		
St. John's Church Road (1)	04/17/01	12/31	X			
Big Bend Crossing	06/25/01	12/31		X		
Stardust-Munger-Diamond	10/16/01	12/31		X		
Interstate Plaza/North Town Village	11/06/01	12/31		X		
Thirty-Ninth Street	04/25/02	06/30	X			
St. John Crossings	06/25/02	12/31		X		
Douglas Station	06/27/02	12/31			X	
CenterState	08/05/02	12/31	X			
Raintree North (2)	08/19/02	12/31			X	
Shoppes at Cross Keys	09/18/02	12/31			X	
Station Plaza (3)	12/04/02	12/31		X		
Hanley/Eager Road	12/16/02	12/31	X			
US Highway 65 and Truman Dam Access	03/12/03	12/31			X	
Lake of the Woods	03/24/03	12/31			X	
I-70 and Adams Dairy Parkway	03/25/03	12/31			X	

Ozark Centre (4)	04/25/03	06/30		X		
Crestwood Point (5)	05/15/03	12/31			X	
M150 and 135th Street	05/15/03	12/31	X			
Boscherts Landing	05/16/03	12/31				X
Salt Lick Road	05/16/03	12/31		X		
Parkville Commons	06/09/03	12/31			X	
Pershall Road (6)	07/30/03	12/31		X		
Lee's Summit Missouri New Longview	07/31/03	12/31	X			
Prewitt Point	08/22/03	12/31			X	
Branson Regional Airport	09/04/03	12/31				X
WingHaven	09/11/03	12/31		X		
Merchant's Laclede	10/08/03	12/31		X		
Belton Town Centre	11/17/03	12/31				X
71 Highway & 150 Highway	11/20/03	12/31				X

(1) Audits of fiscal years 2002 to 2005 were in progress as of January 2007. Although not issued at the time of our review, fieldwork was substantially complete and we were able to review the substantiating working papers.

(2) An audit for fiscal year 2003 was in progress as of January 2007. In addition, audits are planned for fiscal years 2004 and 2005.

(3) Audited for fiscal year 2004 only.

(4) Audited for fiscal year end December 31, 2004. Fiscal year was then changed to June 30. Per TDD officials, the next audit will be for the 18 months ended June 30, 2006.

(5) An independent auditor was engaged to conduct financial audits of the district for fiscal years 2003 to 2006, but those audits had not been completed at the time of our review.

(6) Audited for fiscal year 2005 only.

For the selected districts, we obtained requested information through communications with various TDD officials or representatives and municipal officials who have been involved with district activities. In addition, we reviewed such information and performed audit work, if determined necessary, on TDD records at some of the TDD/representatives' offices.

The objectives of this additional review of the selected TDDs were to 1) determine and report information including, but not limited to: the establishment of the applicable districts and taxes imposed, the transportation projects of the district and related costs, how the transportation projects were financed, whether periodic financial audits are conducted, and the extent of any independent financial oversight; 2) perform and report the results of audit work on the selected TDDs including, but not limited to, a review of internal controls; cash, revenue, and expenditure records; the bidding of construction work and related contracts; and the solicitation of proposals for professional services; 3) determine compliance with certain statutory requirements; and 4) review and report the selected TDDs' financial data. If independent audits were performed of a selected TDD, the supporting working papers were reviewed, and any additional audit procedures were performed as considered necessary.

A Schedule of Receipts, Disbursements, and Cash Balances for the 17 selected districts is presented in Appendix D. A summary of the various comments contained in the management letters of the various independent auditors (of the 17 selected districts) is presented in Appendix E.

Limitations

Some data presented in Appendixes A, B, and D were compiled from survey information submitted by officials or representatives of the various TDDs and the annual financial or audit reports submitted by those districts. This information was not verified for accuracy by us. If any information presented in Appendixes A and B of the prior report was found to have changed since the previous audit, that information was updated on the current appendixes to the extent those changes were noted by us or brought to our attention. The financial data presented in Appendix D is presented as classified by the districts or the district's independent auditors, if applicable; therefore, some disbursements may be classified in an inconsistent manner. The comments included in Appendix E were extracted from the independent auditors' management letters. These comments were not verified by us through additional audit procedures for accuracy, validity, or completeness.

OBSERVATIONS AND RESULTS

TRANSPORTATION DEVELOPMENT DISTRICTS OBSERVATIONS AND RESULTS

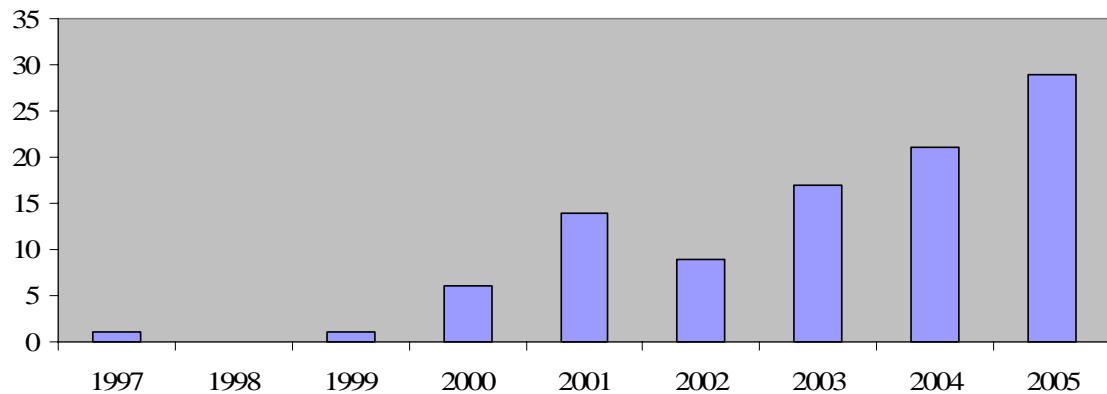
Background

As of December 31, 2005, 98 transportation development districts (TDDs) had been established in the state of Missouri, including 29 TDDs which were established in 2005. Almost 70 percent of the districts have been established in the state's two biggest metropolitan areas, with 48 and 20 of the TDDs being located in the St. Louis and Kansas City metropolitan areas¹, respectively.

As noted in our previous report, even though the Transportation Development District Act was enacted in 1990, the first TDD was not established until 1997, apparently the result of statutory changes the General Assembly made that year. In those legislative changes, the General Assembly established another means of creating a TDD, allowing the owners of the real property located within the proposed district to petition for its creation, if there were no registered voters residing within the district. Previously, a petition to establish a TDD could only be filed by not less than 50 registered voters residing within the proposed district or by a local transportation authority.

This statutory change has resulted in a dramatic increase in the number of TDDs established, particularly in recent years, as shown in the following graph.

Number of TDDs Established by Year



Of the 98 TDDs established as of December 31, 2005, 93 (or 95 percent) were initiated by a petition filed by the property owners. The significant growth in the number of newly-established TDDs has continued in 2006, with 22 additional TDDs being established through the end of 2006 (according to MoDOT's records).

¹ The St. Louis metropolitan area is defined here as the geographic area that includes the city of St. Louis, St. Louis County, St. Charles County, Jefferson County, and Franklin County. The Kansas City metropolitan area is defined here as the geographic area that includes Jackson County, Platte County, Clay County and Cass County.

In a survey of the 98 TDDs established as of December 31, 2005, officials or representatives of 97 of the TDDs reported total estimated transportation project costs of over \$923 million. Estimated transportation project costs of 1 TDD was not provided because the costs were not going to be determined until sales tax revenues were available. In addition, 87 of the 98 TDDs reported total estimated revenues of over \$1 billion would be collected over the lives of the respective TDDs. Anticipated revenue information for 11 of the districts was not provided because the information had not been determined or could not be located. The total estimated project costs and anticipated revenue amounts provided by the various TDDs are presented in Appendix B. It appears that interest costs on TDD debt and administrative expenses of the districts would account for the difference between total estimated project costs and total anticipated revenues for many TDDs. For some other TDDs, the TDD sales tax revenues will pay for only a portion of the project costs, with the remainder of the funds coming from other sources.

The table below breaks down the total estimated project costs and anticipated revenues of the 98 TDDs into various dollar ranges.

Dollar Range	Number of TDDs	
	Estimated Transportation Project Costs	Expected Revenues
\$0 to \$1 million	16	10
\$1 million to \$5 million	42	25
\$5 million to \$10 million	12	22
\$10 million to \$15 million	12	7
\$15 million to \$35 million	11	17
More than \$35 million	4	6
Not reported	1	11

In our survey, the TDD officials/representatives reported the number of years their respective districts expected to collect revenue (i.e. sales taxes, etc.), which should correlate with the expected life of the districts. Based on this information, the expected life of the 98 TDDs will range from 5 to 40 years. All of the districts established as of December 31, 2005, have imposed a sales tax, with rates ranging from one-eighth of one percent (1/8 %) to one percent on retail items sold within the districts' boundaries. As a result, all retail establishments located within a TDD charge a higher total sales tax than the retail establishments that lie outside the district's boundaries. Also, 6 of the 98 TDDs have imposed a special assessment or property tax in addition to a sales tax.

The boundaries of 42 (43 percent) of the TDDs established as of December 31, 2005, were located either completely or partially in a tax increment financing redevelopment (TIF) area. Pursuant to Section 99.845, RSMo, 50 percent of the additional tax revenues generated in such areas are to be used for the purposes of that particular TIF area. After the TIF portion of the TDD revenues are disbursed to the applicable city for deposit into a TIF account, the remaining portion is to be used by the TDD to fund its transportation project(s). However, as similarly

noted in the previous audit, in some instances the applicable city has allowed the TDD to apply most, if not all, of its sale tax revenue to its own transportation project costs.

Previously Reported Public Awareness/Involvement and Accountability and Compliance Issues

In our previous audit of TDDs (SAO Report No. 2006-12, issued March 2006), we reported various issues regarding TDDs in the areas of public awareness/involvement and accountability and compliance as follows:

- There was no requirement for the public to be notified when a property owner(s)/developer filed a petition with the circuit court to form a TDD. In addition, public hearings regarding the establishment of TDDs were not required to be held.
- Neither registered voters nor their elected representatives were involved in the decision to levy taxes for most TDDs.
- The individuals/entities responsible for initiating the establishment of a TDD were not required to include the estimated transportation project costs or anticipated revenues to be collected in their petition to the circuit court. (**Recently passed legislation, if signed by the Governor, will require this information to be included in a petition filed to establish a TDD.**)
- There was no requirement for an independent review or oversight of TDD transportation project costs or other expenditures.
- It was not clear whether the construction of a TDD-funded transportation project(s) could be started prior to the legal establishment of the applicable TDD.
- Unlike most other sales tax revenues collected in the state, very few TDD sales taxes were administered by the Missouri Department of Revenue.² This situation provided less assurance these revenues were properly collected and accounted for and less ability to monitor the level of sales tax distributions to the TDDs.
- Many of the TDDs had not filed annual financial reports with the State Auditor's Office (SAO), as required.
- The SAO was not notified when a TDD was established. In addition, current audit requirements related to TDDs needed to be reconsidered.
- Payment of project-related costs by the developer complicated the audit process and weakened accountability over those costs.

² Sections 238.235 and 238.236, RSMo, provide that any sales taxes imposed by TDDs, except for those districts that consist of an entire county(ies) or city(ies), are to be collected by the districts themselves. The Department of Revenue is only responsible for administering the sales taxes of those TDDs that consist of an entire county(ies) or city(ies).

- The revenues of TDDs located in TIF areas were being handled in different manners, and in some instances there was not adequate assurance TDD sales tax revenues were only used to pay the TDD's share of bond financing costs.

Because many of the issues noted above required legislative change to address the matters reported, we recommended the General Assembly review these public awareness, accountability, and compliance issues and work with MoDOT, the SAO, and other governmental entities to make necessary revisions to the TDD-related statutes. During the 2007 legislative session, only one change was made to the TDD statutes to address any of the issues reported in the prior audit as noted above. While most of other unaddressed issues and our recommendation to the General Assembly have not been repeated in the current report, further changes to the TDD statutes should be considered in future legislation.

Current Audit Results

Our current audit disclosed various issues regarding the 17 selected TDDs in the areas of construction contracts and project management, professional services, budgetary matters, financial reporting, and other matters as presented below. This section summarizes the results of the audit work performed related to those selected districts. Additionally, the Financial Reporting issue updates a problem reported in the previous audit.

1. Construction Contracts and Project Management

Various concerns were noted related to construction contracts and/or project management services involving transportation projects.

For 9 districts, competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be determined based on the circumstances and/or the available records. In 2 of these instances, the contractor was a related party (i.e. the developer or a district board member) and work on the projects had already begun when the construction contract was entered into.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 involving a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder. While the developer hired the construction contractor in some of the instances noted, since TDD monies either paid or will pay the costs of this construction, the procurement of the contractor or subcontractor(s) through a competitive bid process would have been advisable or appropriate in such instances.

Formal bidding procedures for major purchases provide a framework for economical management of the district's resources and help ensure the districts receive fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given equal opportunity to participate in the district's business. Complete documentation should be maintained of all bids received and reasons noted why a bid was selected.

In addition, for 6 districts, proposals were either not solicited for project management services (in most of these instances the general contractor also acted as the project manager) or documentation was not available to provide assurance that such proposals were solicited. In 4 of these 6 instances, the project manager was a related party. In addition, in 1 district, the only proposal received for the project management services was from a related party.

Soliciting proposals for such services help provide a range of possible choices and allows the district to make a better-informed decision to ensure necessary services are obtained from the best qualified provider at the lowest and best cost.

Also, written contracts related to the construction services or the construction management services were not always prepared or approved in a timely manner. For 2 districts, written construction contracts were not entered into between the district and the project manager (who also may have acted as the general contractor). Also, in 4 districts, the construction contracts were either not approved by the district board or were not approved prior to the contractor beginning work on the transportation projects. Signed written contracts are necessary to document the duties and responsibilities of the applicable parties and to prevent misunderstandings. These contracts should also be approved by the district's board in a timely manner. In addition, Section 432.070, RSMo, requires all contracts of the district to be in writing.

Some of the exceptions noted above related to the same TDDs.

2. Professional Services

Requests for proposals for various professional services were either not properly solicited or documentation was not available to provide assurance that such proposals were solicited for all 17 districts. These services noted included primarily those provided by engineers, architects, and legal counsel. In many of these instances, the firm providing the professional services was selected by the developer, sometimes prior to the formal establishment of the district. If the costs of the professional services are to be subsequently paid or reimbursed to the developer, such services should be solicited and selected through a competitive proposal process.

Soliciting proposals for such services is a good business practice, helps provide a range of possible choices, and allows the district to make a better-informed decision to ensure necessary services are obtained from the best qualified provider, taking expertise, experience, and cost into consideration.

3. Budgetary Matters

Various problems were noted related to the annual budgets of 13 districts. The problems noted included:

- The budget did not include all funds of the district (1 district).

- The budgets were not approved in a timely manner (7 districts).
- The budgets did not present comparative statements of revenues and expenditures for the two preceding years; did not include a budget message describing the important features of the budget and major changes from the previous year; and/or did not include a general budget summary (4 districts).
- The budgets did not include beginning and projected ending fund balances (6 districts). In 2 of these instances, budgeted expenditures exceeded budgeted revenues for one or more years resulting in those TDDs not presenting balanced budgets for those years.
- The budget was overspent in one or more years (2 districts). For another selected district, a budget amendment was approved supporting the overspending; however, the amendment was not approved until after the end of the district's fiscal year.

Sections 67.010 to 67.040, RSMo, include statutory provisions regarding annual budgets. Those sections require each political subdivision of the state to prepare annual budgets with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by classification, and include the beginning available resources and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message and a budget summary.

In addition, Section 67.080, RSMo, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The budget process provides a means to allocate financial resources in advance. Failure to adhere to the expenditure limits imposed by the budgets weakens the effectiveness of this process. To be of maximum benefit, the district budget should be adopted prior to the beginning of the fiscal year.

4. Financial Reporting

As similarly noted in our previous report, many of the TDDs had not filed annual financial reports with the State Auditor's Office (SAO), as required.

As of December 31, 2005, we identified 22 of 98 TDDs (22 percent) that had not filed an annual financial report with the SAO, as statutorily required. Section 105.145, RSMo, requires that all political subdivisions file an annual financial report with the SAO, and 15 CSR 40-3.030 provides that 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 can be filed within 6 months of the entity's fiscal year-end.

The following table presents the 22 TDDs that had financial activity, but did not file a financial report with the SAO by December 31, 2005, for fiscal year 2004.

TDD Name	Date Established	Fiscal Year-End
Gravois Bluffs	12/07/99	12/31
370/Missouri Bottom Road/Taussig Road	11/01/00	12/31
Boonville Riverfront	02/09/01	12/31
Mark Twain Mall	02/20/01	12/31
Ballwin Town Center	04/26/01	12/31
Platte County Missouri South I	06/19/01	12/31
Platte County Missouri South II	04/12/02	12/31
Interstate Plaza/North Town Village	11/06/01	12/31
Shoppes at Old Webster	11/29/01	12/31
Raintree North	08/19/02	12/31
Hanley/Eager Road	12/16/02	12/31
US Highway 65 and Truman Dam Access	03/12/03	12/31
I-70 and Adams Dairy Parkway	03/25/03	12/31
M150 and 135th Street	05/15/03	12/31
Belton Town Centre	11/17/03	12/31
71 Highway & 150 Highway	11/20/03	12/31
Brentwood/Strassner Road	02/24/04	12/31
Hanley Road and North of Folk Avenue	05/19/04	12/31
Hyannis Port Road	07/16/04	12/31
St. Joseph Gateway	07/20/04	12/31
Park Hills	07/28/04	12/31
Stadium Corridor	10/04/04	12/31

There were also 11 other TDDs that had not filed a report for 2004 because no financial activity had occurred. In such situations, a TDD should notify the SAO that it had no financial activity.

As of December 31, 2006, only 11 of the TDDs noted in the table above had provided their 2004 financial reports to the SAO. In addition, 11 other TDDs established as of December 31, 2005, had not filed annual financial reports/audits for fiscal year 2005. Of these, 9 represented districts established prior to 2005, including 6 of the TDDs listed in the above chart. There were also 20 other TDDs that had not filed a report for 2005 because no financial activity had occurred. The TDDs should make every effort to ensure the required annual financial reports/audits are filed by the time frames specified in 15 CSR 40-3.030. The timely filing of financial reports was found to be a problem in 6 of the selected districts reviewed.

The state regulation also provides that an audit report submitted to satisfy the financial reporting requirements of Section 105.145, RSMo, should be prepared in conformity with generally accepted government auditing standards (GAGAS). Of the 32 districts included in the scope of our 2005 review, it was noted that 18 of the districts had received

independent financial audits. A number of those audits were conducted in accordance with generally accepted auditing standards (GAAS) rather than GAGAS. To fully comply with 15 CSR 40-3.030 reporting requirements, financial audits submitted in lieu of annual financial reports should be conducted in accordance with GAGAS.

5. Other Matters

Related Party Transactions. As noted in 1. above, in some instances the developers or other board members have participated in the transportation projects' construction as project managers and/or contractors. In addition, we noted that some of the individuals providing professional services were related parties.

Such transactions could represent conflicts or the appearance of conflicts, could compromise the TDDs' financial interests, and should be avoided. If these situations cannot be avoided, discussions and decisions concerning situations where potential conflicts exist should be completely documented so that the public has assurance that no district official has benefited improperly.

Financial Condition. In 2 districts, the revenues of the district may not be sufficient to meet the financial obligations of the district or fully reimburse the developer for transportation-related costs incurred. In addition, in 1 district the delay in a development's establishment resulted in decreased revenues for a TIF whose debt financed some transportation projects. If the TIF is unable to make up the shortfall in revenues, this could add to the potential debt burden of the applicable TDD.

The applicable districts should continue to seek additional and/or improved revenue streams.

Reimbursement of Transportation Project Costs. Various matters were noted related to transportation projects costs claimed for reimbursement by the developers. In 2 districts, even though the applicable transportation projects had been completed for more than two years, the costs incurred by the developer were not certified and approved for payment on a timely basis because adequate documentation to support the project costs incurred had not been provided. One of these instances involved questions surrounding the legal documents prepared to support a land purchase.

For 2 districts, documentation of project costs was only supported by a summary of the costs applicable to the district. Detailed invoices supporting the project costs were not available because the district's projects were combined with costs of other private or public development projects. In one of these instances, it appeared the costs claimed by the developer for reimbursement were included twice, overstating reimbursement requests by approximately \$123,800.

All project costs should be supported by adequate documentation to ensure the obligation was actually incurred and the expenditures represent appropriate uses of district funds.

Sales Tax Collections. In 1 district, customers of the major retailer within the district were incorrectly charged sales tax at a rate higher than that approved by the district for an 8-month period, resulting in an overpayment of sales taxes by the retailer to the district of approximately \$60,000 for this time period.

Distribution of TIF monies. In 1 district, the tax increment financing portion (50 percent) of the district's sales tax collections were not properly allocated and distributed to the applicable city for a 4-month period, resulting in a liability to the district of approximately \$50,000. The amount owed was subsequently paid in December 2006.

Segregation of Duties. In 1 district, the accounting duties were found not to be adequately segregated and there was not adequate board oversight.

Untimely Deposits. In 1 district, receipts were not being deposited in a timely manner.

In responding to the matters noted above, some TDDs indicated the project manager and/or construction company involved in its transportation projects were selected by the developer and the related expenditures incurred, before the establishment of the TDD. Some TDDs also pointed out there is no state law which requires that proposals be solicited in the procurement of professional services. Some of the applicable TDDs acknowledged their annual budgets were not approved timely, that annual financial reports were not submitted to the SAO on a timely basis, as required, and that proper documentation was lacking in some instances. Officials/representatives of 4 TDDs acknowledged receipt of the report information related to their applicable TDD, but did not provide a formal response.

Audits of Selected Districts

The following section reports information related to the 17 individual TDDs that were selected for review. The selected districts represented TDDs that were established in 2003 or prior, and had not previously been audited by the SAO. The selected districts are presented in the order of date established. This information was shared with each applicable selected district and included a response from the district, if one was provided. A Schedule of Receipts, Disbursements, and Cash Balances for the selected districts is located at Appendix D.

- **Meramec Station Road and Highway 141 TDD**

The Meramec Station Road and Highway 141 TDD was organized in September 2000 by petition of the property owners, one of which was Drury Development Corporation, the developer of the property within the proposed district. The TDD's Board of Directors and officers include various employees/representatives of the property owners.

The qualified voter(s) of the district, in this case the property owners, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective in October 2003. In addition, pursuant to Section 238.230, RSMo, a special assessment of \$0.50 per rented room for all hotels was also approved. The sales tax and special assessment are currently expected to remain in effect

for 40 years, unless terminated sooner. The retail establishments and hotels collect sales tax revenues while the hotels also collect the special assessments. These revenues are forwarded to the district, which serves as its own collection agent.

The TDD is located in an unincorporated area of south St. Louis County, and includes property including and adjacent to Meramec Station Road from Highway 141 to Smizer Mill Road and Lambert Drury Drive from Highway 141 to Meramec Station Road. The Drury Acres development includes hotel, restaurant, retail and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district have been conducted by an independent auditor annually since fiscal year 2004.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$7.8 million:

- Relocation and improvements to Meramec Station Road.
- Improvements to Highway 141.
- Construction of and improvements to local connector roads.
- All grading and fill necessary to complete the construction, relocation and/or improvement of these roads.
- Accompanying curb, gutters, storm facilities and required revision or installation of signalization at the intersections of these roads.

The district is located within a TIF area. In 1997, the city of Peerless Park approved a TIF redevelopment plan; however, in 1999 the city disincorporated. As a result, St. Louis County succeeded the city in assuming jurisdiction over the TIF projects and upon the TDD's establishment, the county became the public entity with jurisdiction over the TDD projects and accepted dedication of the completed projects. Because the TDD is located in a TIF area, 50 percent of the non-hotel room-related sales taxes collected in the TDD district are paid to the TIF district for deposit to the accounts relating to the TIF projects.

The developer initially paid the costs of the TDD projects. The developer has not yet been reimbursed for all the costs incurred, but the district has issued this corporation revenue notes totaling \$11.8 million for repayment of project costs of about \$7.8 million and accrued interest of about \$4 million. Four series of notes were issued. Notes A and B were issued for transportation project costs of \$4.4 million plus accrued interest of \$1.4 million, while Notes C and D were issued for transportation project costs previously included in the city of Peerless Park's 1997 TIF notes of about \$3.4 million plus accrued interest of about \$2.6 million. Under the agreement, Notes C and D are subordinate to Notes A and B and no payment shall be made on Notes C and D until Notes A and B are redeemed. In addition, Notes C and D will only be redeemed to the extent and in the amount that the original city of Peerless Park's TIF notes are not redeemed prior to their maturity in 2020. Finally, project costs not reimbursed may accrue compounded interest at a rate not to exceed 10 percent per year.

St. Louis County, the Metropolitan Sewer District, and MoDOT were responsible for overseeing various aspects of the projects' construction. In addition, the district's board,

along with the assistance of the project manager, oversaw the projects' construction and the review and approval of contractor invoices.

During our audit work related to this TDD, we noted the following additional matters:

- District officials indicated that because of the disincorporation of the city of Peerless Park and subsequent transfer of the city's TIF projects to St. Louis County, the development's establishment was delayed several years, decreasing expected revenues. Currently, it is estimated the TIF can only pay 50 percent of the interest on its debt, while the principal and remaining 50 percent of interest on the debt is compounding additional interest annually. Because 10 years have already elapsed on the 23 year lifespan of the TIF, the TIF may not be able to make up the shortfall in the remaining timeframe, adding to the potential debt burden of the TDD. As discussed above, the TDD will be responsible for any of the TDD project costs financed by TIF debt (\$3.4 million plus accrued interest) not paid at the conclusion of the life of the TIF.
- As indicated previously, in December 2005, the district issued revenue notes to the developer in the amount of \$11.8 million. As a result of delays in completing the development, these note issuances included accrued interest charges totaling over \$4 million. Interest rates were computed using the prime interest rate plus an additional 2.5 percent, and ranged from 6.62 percent in 2003 to 11.73 percent in 2000. Under the development agreement, the TDD's notes shall bear interest at a rate not to exceed 10 percent per year.
- Upon the approval of the TIF redevelopment projects, the developer served and was compensated as general contractor/project manager to oversee the completion of the proposed projects, including those of the TDD. Based on discussions with district officials, no proposals were solicited for these services nor was a written contract entered into related to these services. In addition, the selection and approval of the general contractor/project manager was not documented in the district's minutes.

The developer initially requested reimbursement of over \$1 million in fees for its services related to the transportation projects; however, the developer subsequently agreed to reduce this amount to about \$735,000 during the process of certifying the reimbursable transportation project costs. This reduced amount represented approximately 20 percent of the applicable projects' construction costs not previously financed by the TIF, and these fees/costs were included in the revenue notes issued to the developer discussed above.

- The district did not solicit requests for proposals for various professional services, including the project engineer and legal counsel. Engineering services were selected by the developer prior to the establishment of the district. According to district officials, the developer selected the engineer because the two companies have had a long-standing working relationship. In addition, the owner/developer

apparently checked the engineering firm's billing rates and found them to be comparable to those of other local engineering firms. Approximately \$102,400 was expended for these engineering services during the course of the projects.

The appointment of the district's legal counsel was approved by the TDD board in October 2000. According to district officials, the TDD selected the legal counsel based on a recommendation of another developer, after checking the legal counsel's references. In addition, the TDD believed its appointment of their legal counsel was a sole source procurement, based on the legal counsel's experience with TIFs and TDDs. Approximately \$60,400 was expended on legal services from its establishment in 2000 through the end of 2005, with the district being billed at rates ranging from \$110 to \$400 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between \$110 and \$260 per hour.

- The district's annual budgets have not always been approved in a timely manner. The annual budgets for 2001, 2002, and 2003 were not approved until February 2004. In addition, the district's 2004 and 2005 budgets were not approved until June 2005. The district's 2006 budget was approved in a timely manner. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

Meramec Station Road and Highway 141 TDD's Response:

Delay of development's establishment. Your observation regarding the delay in the development's establishment discloses two significant factors resulting in the delay, however we would like to note that there were other factors in addition to the ones you specifically identified.

Selection of the project manager. The City of Peerless Park selected the developer as construction manager prior to the formation of the TDD. Accordingly, the TDD was not in a position to solicit proposals for construction management. The development agreement provides for the TDD to reimburse the developer for costs associated with the TDD projects, including costs related to construction management. The developer incurred costs in excess of \$1 million in performing construction management related to the TDD projects. However, the developer chose to limit its request for reimbursement to \$735,000, which amount represents approximately 20% of the applicable TDD projects' costs.

Professional services. There is no requirement under Missouri law that the TDD solicits proposals for professional services. However, the TDD acknowledges that soliciting such proposals may, under certain circumstances, enable the TDD to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.

Budgets. The TDD acknowledges that it did not submit annual budgets timely through 2005. Beginning with 2006's budget, the TDD has submitted and received approval of the budget in a timely manner. We are committed to continuing with timely submissions in the future.

- **370/Missouri Bottom Road/Taussig Road TDD**

The 370/Missouri Bottom Road/Taussig Road TDD was organized in November 2000 by petition of the owners/developer of property within the proposed district. The TDD's Board of Directors and officers include representatives of the owners/developer.

The qualified voter(s) of the district, in this case the property owners/developer, approved the imposition of a three-fourths of one percent (0.75%) sales tax on all transactions which are taxable within the boundaries of the district, effective in March 2001. The sales tax was increased to one percent (1%) effective in November 2002. In addition, a special assessment was approved in October 2002; however, the assessment will only be applied if sales taxes are not sufficient to service the district's debt. No special assessments have been levied so far.

The sales tax is currently expected to remain in effect for 40 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Hazelwood.

The TDD is located in both the cities of Hazelwood and Bridgeton, in St. Louis County, at the intersection of State Highway 370 and Missouri Bottom Road. The St. Louis Mills development includes retail, restaurant, and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district have been conducted by an independent auditor every year since fiscal year 2002.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately \$34 million:

- Construction of an interchange at State Highway 370 and Missouri Bottom Road.
- Relocation of Missouri Bottom Road to accommodate the interchange improvements.
- Leasing of land and construction of a public parking field within the boundaries of the district.
- Construction of St. Louis Mills Circle around the district, including its intersection with St. Louis Mills Boulevard.
- Widening of Taussig Road, including the demolition and construction of a new railroad overpass.

The cities of Hazelwood and Bridgeton, St. Louis County, and MoDOT are the public entities with jurisdiction over these projects and will accept dedication (ownership) of the completed projects.

Because a portion of the district is located within a city of Hazelwood TIF area, 50 percent of the sales tax collected from retailers in the TIF area has been paid to the city of Hazelwood for deposit to the accounts relating to the TIF projects.

The developer initially funded the costs of the projects prior to the district issuing approximately \$39.5 million in revenue bonds in 2002. After the district's bonds were issued, the developer was reimbursed for the costs incurred. All subsequent costs of the projects were paid from the bond proceeds.

The cities of Hazelwood and Bridgeton, St. Louis County, and MoDOT were responsible for overseeing the projects' construction while the city of Hazelwood provided some independent financial oversight by reviewing and approving reimbursement requests prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit proposals for the company that served as the general contractor/project manager for the district's transportation projects. According to the district's legal counsel, the owner/developer had a prior business relationship with this company, having used their services previously on the construction of a similar project.

Prior to the establishment of the TDD, the general contractor/project manager was brought to St. Louis to work with the owner/developer on the TIF redevelopment projects. As a result, the district believed savings could be realized in the areas of start-up time and costs by using this same contractor to manage the transportation projects. During the course of the district's projects, the general contractor/project manager oversaw the competitive procurement and completion of over \$16 million in subcontract work. The general contractor/project manager's fee for these services was approximately \$420,000.

- The district did not solicit requests for proposals for various other professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

Over \$1.5 million was expended during the course of the project for services provided by the district's primary engineer. Approximately \$780,000 was expended from 2002 through the end of 2005 for services provided by the district's primary legal counsel. The legal services were billed at rates ranging from \$100 to \$400 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates ranging from \$100 to \$330.

- The district did not submit annual financial reports to the State Auditor's Office in a timely manner. The district submitted its 2005 and 2004 audit reports in August and June 2006, respectively.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that 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 four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

370/Missouri Bottom Road/Taussig Road TDD's Response:

General contractor/project manager services. The general contractor/project manager fee was less than three percent (3%) of the total cost of subcontract work overseen by the general contractor/project manager. The District believes that, had it solicited proposals for a general contractor/project manager, no other responsible bidder could have reasonably provided the same services at a comparable fee.

Professional services. There is no requirement under Missouri law that the District solicit proposals for professional services. However, the District acknowledges that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.

Financial reports. The District acknowledges that it did not submit its 2004 and 2005 annual financial statements to the State Auditor's Office in a timely manner. The District plans to submit its 2006 audit to the State Auditor's Office in a timely manner and is committed to continuing with timely submittal of annual audits in the future.

• **St. John's Church Road TDD**

The St. John's Church Road TDD was organized in April 2001 by petition of the owners of the property within the proposed district. The district's developer (Costco Wholesale Corporation) was not the property owner at the time the district was established. Shortly after final judgment was issued on the creation of the district, the property owners sold the property to the developer. The TDD's Board of Directors and officers are representatives of the property owner/developer.

The qualified voter(s) of the district, in this case the property owners (including the developer and a banking institution that purchased a portion of the property from the developer) approved the imposition of a one-half of one percent (1/2%) sales tax on all transactions which are taxable within the boundaries of the district, effective July 2002. The sales tax is currently expected to remain in effect for a period of up to 40 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's administrator.

The TDD is located in an unincorporated area of south St. Louis County, southwest of the intersection of Interstate 55 and Lindbergh Boulevard. The Costco/Target development includes retail, restaurant, and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district for the years ended December 31, 2005, 2004, 2003 and 2002, are being conducted by an independent auditor as of January 2007. The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated total cost of approximately \$12 million:

- Construction of an extension off St. John's Church Road south of Lindbergh Boulevard.
- Construction of a cul-de-sac at the end of existing Elm Road.
- Construction of improvements at the intersection of St. John's Church Road and Lindbergh Boulevard.
- Construction of Brotman Way from Rusty Road to Elm Park Drive.
- Construction of improvements to existing Elm Park Drive.
- Construction of improvements to Bi-State Industrial Drive.
- Payment of Traffic Generation Assessments imposed by St. Louis County in connection with the retail development proposed within the district.
- Accompanying curb, gutter, sidewalk, stormwater facilities or other similar or related infrastructure or improvement.

St. Louis County and MoDOT are the public entities with jurisdiction over these projects and will accept dedication of the completed projects. Only the initial phase of the projects has been completed. At an estimated \$4 million, construction on the second phase of the projects began in 2006, although the owner/developer has not yet submitted those costs to the district for reimbursement.

The developer funded the initial costs of the transportation projects prior to the district authorizing the issuance of up to \$12 million in revenue notes in November 2002. After the district's loan was obtained, the developer was reimbursed for these initial costs, as well as all subsequent project costs incurred. Draws made by the district on the revenue notes through 2005 totaled approximately \$7.6 million.

MoDOT and St. Louis County were responsible for overseeing the projects' construction while the bank trustee administers the district's funds and makes payments.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's legal counsel, the \$4.5 million construction contract for the initial phase of projects was competitively bid, however, documentation of the bids obtained and the contractor selection process was not received and maintained by the records custodian. As a result, the district had no evidence that the bidding process related to this construction was handled properly. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.
- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

Approximately \$245,200 was expended for engineering services during the course of the project. Approximately \$141,000 was expensed for legal services from 2002 through the end of 2005, with the district being billed at rates ranging from \$105 to \$125 per hour for paralegal services and from \$175 to \$230 per hour for attorney services.

- The district did not prepare a budget for its Project Fund maintained by the bank trustee for 2004, 2003, or 2002. In addition, the district's 2005 budgets were not approved in a timely manner. The district did not approve its 2005 budgets until June 2006, approximately six months after the end of the fiscal year. Further, the district overspent its Debt Service Fund in 2005 and 2004. This was the result of the district receiving more sales tax revenues than expected which were used to retire additional district debt; however, a formal budget amendment was not approved authorizing the additional expenditures. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.

St. John's Church Road TDD's Response:

Construction contract services. *The District's custodian of records requested that the firm that served as the project manager provide a copy of the documentation regarding bids obtained and the contractor selection process related to the Transportation Project financed by the District. However, these documents have not been provided to the District's custodian of records to date. The District's custodian of records will continue to request that this information be provided.*

Professional services. *There is no requirement under Missouri law that the District solicit proposals for professional services. However, the District acknowledges that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.*

Budgets. The District acknowledges that it did not prepare a budget for its Project Fund for 2002, 2003 or 2004. However, beginning in 2005, the District began preparing a budget for its Project Fund and is committed to doing so in the future. The District acknowledges that it did not approve its 2005 budget in a timely manner. The District is committed to timely approval of its budgets in the future. The District acknowledges that it should have amended its 2004 and 2005 to provide for the additional payment of interest and principal on its Notes. The District is committed to approving budget amendments in the future, as necessary.

- **Thirty-Ninth Street TDD**

The Thirty-Ninth Street TDD was organized in April 2002, after petition by the city of Independence (the developer) and approval of the registered voters within the district. The TDD's Board of Directors and officers were elected by the registered voters in the district and reside within the district.

The qualified voter(s) of the district, in this case the registered voters, approved the imposition of a one-eighth of one percent (0.125%) sales tax on all transactions which are taxable within the boundaries of the district, effective in September 2002. The sales tax is currently expected to remain in effect for 30 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Independence.

The TDD is located in the city of Independence, in Jackson County, near the Interstate 70 and Interstate 470 interchange. The TDD includes the Independence Center and other developments that include retail, fast food, and other service establishments. The TDD has a fiscal year end of June 30. Financial audits of the district were conducted by an independent auditor for fiscal years 2005, 2004, and 2003.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$15 million:

- Expansion and improvement of portions of 39th Street from Lee's Summit Road to Crackerneck Road (first phase).
- Expansion and improvement of portions of 39th Street from Arrowhead Drive to Jackson Drive.
- Extension and realignment of 39th Street from Little Blue Parkway to R.D. Mize Road.
- Expansion and improvement of R.D. Mize Road from the proposed new alignment of 39th Street to Duncan Road.

- Improvement and enlargement of the existing right-of-way of 39th Street and Pink Hill Road from the point of the beginning of the proposed new alignment of 39th Street, east of Little Blue Parkway, to R.D. Mize Road.
- Improvement of ingress and egress on public streets to and from the Independence Center shopping mall.

The city of Independence is the public entity with jurisdiction over these projects. Under the terms of the cooperative agreement with the city, title to the improvements will remain with the district until all project costs and any related debt have been paid. In addition, MoDOT also had jurisdiction over the first phase of the projects due to the district receiving federal funds for its completion. The first phase of the projects was completed in May 2005, and is the only phase of the projects that has been completed.

Because the district is located within several TIF areas, 50 percent of the TDD sales tax collected in those areas has been paid to the city of Independence for deposit in special allocation funds under the TIF plans.

The district entered into a note payable in the amount of \$942,000 in March 2003 for the purpose of acquiring property along the Thirty-Ninth Street Redevelopment area. This note was paid in full with proceeds from a \$7.25 million revenue bond issuance in July 2003. In addition to repaying the note payable, these bonds were used to finance the design of the entire project and the construction of the initial phases of the district's projects.

The city of Independence has provided some independent oversight for the first phase of the projects and was responsible for overseeing the project's construction and the review and approval of contractor invoices prior to payment. In addition, due to the federal funding provided, MoDOT also approved and oversaw construction of the first phase of the projects. The district's board chairman and executive director review and approve all general operating expenditures prior to payment by a private contractor.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the city of Independence prior to the establishment of the district.

Approximately \$450,000 and \$562,000 was expended for engineering and legal services from fiscal year 2003 through fiscal year 2005, respectively. Legal services were billed at \$95 per hour for paralegals and \$195 per hour for attorneys. Effective January 1, 2006, the rate for attorney services increased to \$205 per hour.

Thirty-Ninth Street TDD's Response:

Professional services. With regard to the comment that the TDD did not solicit requests for proposals for engineering and legal services, the TDD would like to clarify that the engineering firm and law firm, as selected by the City of Independence, provided significant engineering and legal services, respectively, to this project before the TDD was formed. Preliminary engineering work was necessary to determine proposed improvements and project costs. Copies of preliminary engineering drawings were included in the petition filed to form the TDD. Preliminary legal work was necessary to determine how to finance the proposed improvements, prepare the formation petition, and coordinate the formation election with the Jackson County Election Board. The engineering firm and law firm performed all of this work in consultation with the City of Independence. In fact, the City of Independence initiated the formation of the TDD and was the lead plaintiff in the formation petition. After TDD formation, the TDD board adopted resolutions authorizing contracts for the engagement of the engineering firm to provide engineering services and the law firm to provide legal services to the TDD.

The City of Independence has procedures for selecting qualified professionals for projects of this sort. The TDD further notes that the engineering firm and law firm selected performed this preliminary work at considerable risk. If the registered voters had not approved the TDD and the TDD sales tax, there would have been no funds available to pay for such work.

Regarding the engineering and legal service payments for 2003, 2004 and 2005, the TDD would like to clarify with respect to the legal service payments that a significant amount of legal fees paid in 2003 were incurred in 2001 and 2002 before the TDD was formed and before the TDD sales tax became effective in September 2002. In addition, the TDD issued bonds in 2003 and a portion of the legal fees paid in 2003 related to work performed as bond counsel.

- **Douglas Station TDD**

The Douglas Station TDD was organized in June 2002 by petition of the owner/developer of the property within the proposed district. The Douglas Station TDD's Board of Directors and officers include the owner/developer and various associates/relatives. In November 2002, the Douglas Station TDD and the Douglas Square TDD (another local TDD in which the owner/developer has an ownership interest), entered into an agreement adopting each others' transportation projects in order to enhance and complement each other's development projects. This agreement allowed each TDD's sales tax revenues to be used to fund the various transportation projects of the two districts.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective in August 2003. The sales tax is currently expected to remain in effect for 20 years, unless terminated sooner. The retail

establishments collect the sales tax and forward the collections to the bank trustee or a private accounting contractor.

The TDD is located in the city of Lee's Summit, in Jackson County, between Northeast Douglas Street and Sloan Street. The Douglas Station development includes retail, restaurant, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$1.5 million:

- Grading and construction of a portion of Sloan Street.
- Grading and construction of a new unnamed street (subsequently named Sycamore Street) between N.E. Douglas Street and Sloan Street.
- Construction of sidewalks adjacent to the new streets.
- Installation of a traffic signal at the intersection of Northeast Douglas Street and the new unnamed street.
- Construction of related drainage and public infrastructure in the city's right-of-way.

The city of Lee's Summit is the public entity with jurisdiction over these projects and accepted dedication of the completed projects.

The developer funded the initial costs of the projects prior to the district obtaining a \$1.6 million commercial loan in 2002. After the district's loan was obtained, the developer was reimbursed for the costs incurred. All subsequent costs of the projects were paid from the loan proceeds.

The city of Lee's Summit's Public Works Department was responsible for overseeing the projects' construction. According to the district's legal counsel, the district's board chairman reviewed and approved the TDD's expenditures prior to their payment by a private accounting contractor.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's records, on July 25, 2002, the district entered into a contract with a project manager and on September 9, 2002, hired a construction company to complete the proposed projects. These two companies were owned by the district's developer, who is also the chairman of the TDD board. Concerns were noted regarding the selection, approval, and handling of these contracts.

Included in the project manager's contract was a requirement that following approval of the plans and specifications, the manager would solicit bids for construction of the project. Even though the construction contract was dated September 9, 2002, the documentation provided indicated the district did not advertise for bids for the construction services associated with the proposed projects until September 9 and September 13, 2002. It appears only one bid proposal was received, that being on September 17, 2002, from the construction company owned by the district's developer. That construction bid, totaling \$1.18 million, was accepted. It appears no other bid proposals were received related to this project nor were any further efforts made to solicit other bids/proposals for these construction services. Ultimately, this construction company was paid about \$1,289,000 for the work performed, which included about \$106,000 in approved change orders. The project manager received no compensation for their services. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

It was also noted that work on the project by the developer's construction company actually began in July 2002, according to applicable progress invoices. The district's attorney indicated the developer was reimbursed approximately \$15,000 for preliminary work done by the developer's construction company prior to the work being advertised for bid or the construction contract being awarded.

Lastly, the selection and approval of the contracts with the project manager and construction company were not documented in the district's minutes in a timely manner, but only formally approved at a recent board meeting in September 2006.

- The district did not solicit requests for proposals for various professional services, including the project surveyor, engineer, and legal counsel. These professional services were selected by the developer prior to the establishment of the district.

A total of about \$87,300 was expended for services provided by the project surveyor and engineer during the course of the project. The district expended about \$153,700 on legal services from its establishment in 2002 through the end of 2005. The engagement letter accepted by the district for these services indicated rates would be charged at \$95 per hour for law clerks and \$125 to \$325 per hour for attorneys. During our review of invoices, we noted that most of the legal services billed the district were charged at rates between \$95 and \$250 per hour.

- The district's annual budgets did not include some necessary information. The district's budgets for various years failed to include information such as a budget message and summary, the beginning available resources, estimated ending fund balance(s), and comparisons of actual revenues and expenditures for the two preceding fiscal years. In addition, the district amended its 2005 and 2004 budgets after the end of the fiscal year to cover budgetary overspending that

occurred during each of those years. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

Douglas Station TDD's Response:

Construction and project manager services. With regard to the statement that the District and the construction company entered into the construction contract on September 9, 2002 (“construction contract”), prior to the publication of the notice for bids and selection of a contractor, the date of the construction contract was a scrivener’s error. The construction contract was not effective until after the single bid was approved by the District and the City of Lee’s Summit, Missouri (“City”).

Regarding the single bid being submitted by a construction company which has the same owner as Douglas Station, LLC, the developer of the commercial shopping center within District, we would like to clarify that the construction contract is permitted under Missouri law where, as here, the District awarded such contract following a competitive bid process to the lowest bidder.

In regard to the construction work on the public road project beginning in July 2002 prior to the selection of a contractor and execution of the construction contract, this work occurred in conjunction with site clearance of the commercial shopping center which was already underway. The applicable invoice, totaling about \$15,000, shows that the preliminary site work for the District’s project consisted of “clearing, chipping and hauling trees,” which represented a small portion of the overall work performed under the Construction Contract. Douglas Station, LLC, paid this invoice on August 1, 2002, not the District. Thus, although the construction company performed minimal site work before the District awarded the construction contract, the District was already formed and did not reimburse Douglas Station, LLC for such work until November 22, 2002, after the construction contract was in place and the District had sufficient funds in the form of loan proceeds. The reimbursement was authorized by the Agreement for Construction Management Services between the District and Douglas Station, LLC dated July 25, 2002 (“Management Contract”).

In regard to the management contract and the construction contract not being formally approved in a timely manner, we would like to clarify that both contracts have been fully performed and that the District’s public road project has been completed and accepted by the District and the City. The District ratified, confirmed and approved all actions taken by the District in 2002 at the District’s annual meeting on January 31, 2003, as evidenced by Resolution 2003-02. Furthermore, once the District discovered the apparent failure to specifically approve the contracts, the District took action to specifically approve and ratify both contracts at a special board meeting held on September 26, 2006.

Professional services. In regard to the District not soliciting proposals for contracts for various professional services, we would like to clarify that, pursuant to Section 8.285, RSMo, the District may negotiate contracts for engineering and land surveying services

on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable prices. In addition, the District properly engaged its legal counsel by adoption of Resolution 2002-06 at the organizational meeting of the board of directors on July 1, 2002, which approved and authorized the execution of the engagement letter for legal services dated the same date. The management contract authorized Douglas Station, LLC to contract with consultants for the project and authorized the District to reimburse the Douglas Station, LLC for such costs.

Budgets. With regard to matters noted related to the District's budgetary procedures, the District will make an effort to implement your comments on future budgets.

- **CenterState TDD**

The CenterState TDD was organized in August 2002 by petition of the owner/developer of property within the proposed district. The CenterState TDD's Board of Directors and officers include the owner/developer and project engineer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective May 1, 2003. However, sales tax collections did not begin until 2005, upon the opening of the development. The sales tax is currently expected to remain in effect for 40 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Columbia.

The TDD is located in the city of Columbia, in Boone County, at the intersection of U.S. Highway 63 and Vandiver Drive. The development includes retail (a Bass Pro Shop), restaurant, hotel, and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district have been recently conducted by an independent auditor for the years ended December 31, 2005, 2004, and 2003.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$7.5 million:

- State right-of-way projects including the construction of a new interchange between U.S. Highway 63 and Vandiver Drive, including entrance/exit ramps and acceleration/deceleration lanes on U.S. Highway 63, and the construction of a new bridge over U.S. Highway 63 along Vandiver Drive.
- Local right-of-way projects including the construction of new interior roads and widening of existing roads throughout the district and the construction of a pedestrian trail along Hinson Creek.

The city of Columbia and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects in July and September 2003, respectively.

The city of Columbia, Boone County, and the developer advanced money and/or land to MoDOT for the construction of the projects. Neither the city, county, or the developer have been fully reimbursed by the district for their respective contributions, but hold revenue notes issued by the district for repayment of project costs plus accrued interest totaling approximately \$1.2 million. In June 2004, the district issued revenue notes in the amount of \$1.12 million and \$7.62 million, respectively. In October 2004, the district issued revenue bonds totaling \$1.49 million, refunding the earlier \$1.12 million revenue note issuance. Additional interest accrues at 6.85 and 6 percent, respectively until the debt is paid in full. In May 2006, the District issued a subordinate revenue note to the developer in a principal amount of up to \$450,000 for reimbursement of the costs associated with the construction of Lake Ridgeway Road. This note is currently outstanding in a principal amount of \$367,000 plus accrued interest from the date of issuance at the rate of ten percent (10%) per annum.

MoDOT was responsible for overseeing the project's construction and approving contractor invoices prior to payment. The city of Columbia administers the district's sales taxes, with a district official's approval.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not solicit requests for proposals for engineering services. These services were solicited by the developer prior to the establishment of the district. In addition, upon the establishment of the district, the president of one of these engineering firms was asked to serve as a director on the district's board.

In March 2004, the district approved the certification of the reimbursable transportation project costs. The board minutes indicate the applicable board member who was a party to one of the engineering contracts voted to approve the certified costs. The total engineering costs paid by the developer during the course of the projects were approximately \$1 million, of which \$709,900 was incurred by the board member's engineering firm.

- The district did not solicit requests for proposals for legal services. These services were also solicited by the developer prior to the establishment of the district. The district incurred approximately \$76,600 in legal expenses from its establishment in 2003 through the end of 2005, with the district being billed at rates ranging from \$100 to \$125 per hour for paralegal services and from \$175 to \$210 per hour for attorney services.
- The district's 2005 budget was not approved in a timely manner. The budget for that year was not approved until February 2006, after the end of the fiscal year. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

CenterState TDD's Response:

Engineering services. The individual identified as the president of one of the developer's engineering firms was elected to the District's Board of Directors by the qualified voters of the District in 2002 and served until 2006. At no time during this period did the District enter into a contract with the individual's engineering firm. Instead, the developer engaged the engineering firm in question and paid the engineering firm's invoices directly. After payment of such invoices, the developer then sought reimbursement from the District for some of the engineering fees it had paid. The District's legal counsel has advised that, in March 2004, the individual in question did not have a statutorily prohibited conflict of interest when he voted to approve the developer's reimbursement request because the engineering firm had already received payment from the developer for such fees and it did not appear that the individual in question derived any special monetary benefit from the District's vote to approve reimbursement of the developer.

Professional/legal services. There is no requirement under Missouri law that the District solicit proposals for professional services. However, the District acknowledges that soliciting such proposals may, under certain circumstances, enable the District to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.

Budgets. The District acknowledges that it did not approve its 2005 budget in a timely manner. The District did adopt its 2007 budget in a timely manner and is committed to continuing with timely approval of its budgets in the future.

- **Raintree North TDD**

The Raintree North TDD was organized in August 2002 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include the owner/developer and various relatives.

The qualified voter(s) of the district, in this case the property owners/developer, approved the imposition of a one-half of one percent (1/2%) sales tax on all transactions which are taxable within the boundaries of the district, effective August 2003. The sales tax is currently expected to remain in effect for 14 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Lee's Summit.

The TDD is located in the city of Lee's Summit, in Jackson County, just west of the intersection of Missouri Highway 150 and Missouri Highway 291. The Raintree North development includes grocery, retail, and service establishments. The TDD has a fiscal year end of December 31. A financial audit of the district is in progress for fiscal year 2003 (the audit's completion and issuance have been delayed until the project costs incurred by the developer have been approved by the city) and audits are planned for fiscal years 2004 and 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$1.7 million:

- Construction of Greenwich Drive and Cosentino Drive.
- Auxiliary lane widening and improvements to the south side of Missouri Highway 150.
- Auxiliary lane widening and improvements to both the east and west sides of Missouri Highway 291 West Outer Road (Market Street).
- A temporary span wire traffic signal at the intersection of Cheddington Drive and Missouri Highway 150 and permanent modifications to the traffic signal at the intersection of Missouri Highway 150 and Missouri Highway 291 West Outer Road (Market Street).
- Accompanying storm sewers, sidewalks, median and lighting.

The city of Lee's Summit and MoDOT are the public entities with jurisdiction over these projects, but will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district. The projects have been completed and the development was opened around August 2003.

The developer advanced the costs of the projects, and entered into a reimbursement agreement with the district in October 2003, for repayment of the project costs. The developer has not yet been reimbursed for any of the transportation project costs.

MoDOT and the city of Lee's Summit Public Works Department were responsible for overseeing the projects' construction. In addition, the city of Lee's Summit Finance Department is providing some independent financial oversight as they are responsible for reviewing and approving developer reimbursement requests prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- As of January 30, 2007, the district has yet to receive approval from the city of Lee's Summit to reimburse the developer for transportation project costs incurred by that party even though the transportation projects were completed and the Raintree North development was opened in August 2003.

Adequate documentation of the owner/developer's project costs has not been provided to support the February 2006 reimbursement request submitted to the city of Lee's Summit. As a result, the project costs have not been approved for reimbursement. According to district records, the costs allocated to the TDD projects totaled approximately \$1.7 million, however, adequate documentation supporting these costs was not provided.

As a result of the district's untimely action with regard to this matter, an independent audit of the district for fiscal year 2003 has not been completed and audits of the district for fiscal years 2004 and 2005 have not yet been started.

- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

Approximately \$97,300 was expended for engineering services during the course of the project. Approximately \$55,000 was incurred in legal expenses from 1999 through the end of 2005, with the legal services being billed at rates ranging from \$75 to \$395 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between \$75 and \$225 per hour.

- The district's annual budgets did not include some necessary information, with beginning available resources and reasonable estimates of the ending fund balance(s) not being included. In addition, the district overspent its 2004 budget by approximately \$8,240.

Furthermore, the district has not always prepared and approved an annual budget in a timely manner. The district's 2003 budget was not approved and submitted to the city of Lee's Summit until September 2003. In addition, the 2004 budget was not approved by the district board until October 2004. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.

- The district did not submit annual financial reports to the State Auditor's Office in a timely manner. The district did not submit its 2004 and 2003 financial reports until April 2006 and September 2004, respectively.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that 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 four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Raintree North TDD's Response:

Documentation of developer's project cost. While the developer's costs have not yet been documented fully, neither has the developer been reimbursed for any project costs after advancing approximately \$1.7 million. Efforts to obtain this information have been made by District counsel, the Budget Officer and Treasurer of the District, the CPA and the independent auditor, working with the developer's internal accountant. The effort to fully document the costs has been taken over by an outside accounting firm. The outside accounting firm reports that they have now retrieved most of the documentation.

Engineering and legal services. The Transportation Development District Act in Chapter 238 RSMo, requires that only construction contracts in excess of \$5,000 be bid. As a practical matter, much of the engineering and legal work with respect to transportation development districts must be done before they are even formed, as was the case here. It would not make sense to select different engineers and attorneys once the district is formed, as such would incur unnecessary costs and delays. Furthermore, the engineering firm and law firm involved charged the District on the basis of their normal rates, and provided itemized statements for all work done.

Budgets. The District budgets include all information required by Section 67.010, RSMo, including all anticipated revenues and expenditures on a cash basis. Anticipated revenue surpluses are stated on a year-by-year basis. The budgets do not include statements of assets on hand or account balances not resulting from annual revenues, which are reflected on the District's full accounting statements. Expenditures made from fund balances other than revenues are noted as appropriate; see, for example, the District budget for fiscal year 2006. In 2004, the expenditure of funds in excess of budgeted expenses was approved by the Board of Directors as required by Section 67.040, RSMo. The expenditure did not result in expenses exceeding revenues. Due to ongoing negotiation with the City of Lee's Summit, Missouri, the District Board of Directors considered, but did not timely approve, budgets for the 2003 and 2004 fiscal years pending review and approval by the City.

Financial reports. The audited financials were delayed because of problems with documenting costs, mentioned above.

- **Shoppes at Cross Keys TDD**

The Shoppes at Cross Keys TDD was organized in September 2002 by petition of the owner of property within the proposed district. In November 2002, that owner sold the property to the developer. The TDD's Board of Directors and officers include relatives of the current owner/developer.

The qualified voter(s) of the district, in this case the owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective August 2003. The sales tax is currently expected to remain in effect for 23 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Florissant.

The TDD is located in the city of Florissant, in St. Louis County, at the intersection of Lindbergh Boulevard (Highway 67) and New Halls Ferry Road. The Shoppes at Cross Keys development includes retail, grocery, restaurant, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of improving roadways within the district and widening, access and signalization improvements to Lindbergh Boulevard and New Halls Ferry Road at a total cost of approximately \$4.9 million.

The city of Florissant and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects.

The district is located within a TIF area, thus, the city of Florissant could claim 50 percent of the sales tax collected for purposes of the TIF. However, pursuant to a formal agreement with the city, the district has agreed to disburse all the TDD sales tax revenues, less administrative and collection costs, to the bond trustee to pay debt service on the TDD-portion of the TIF bonds until they are retired.

The city of Florissant issued approximately \$19 million in TIF bonds in November 2002 to finance the TIF redevelopment projects and the district's transportation projects. Subsequently, the developer submitted reimbursement requests to the city for the construction of the TDD projects. The projects were completed at the end of 2004.

MoDOT and the city of Florissant were responsible for overseeing the projects' construction. The city of Florissant was also responsible for reviewing and approving reimbursement requests from the developer for project costs incurred. The bank trust company reviews and approves all other expenses.

During our audit work related to this TDD, we noted the following additional matters:

- The district did not advertise or otherwise solicit competitive bids for the primary construction contract related to the transportation projects. According to district officials, the district requested a quote from a contractor which the owner/developer had satisfactory experience with on previous projects. No efforts were made to solicit any other bids for these construction services. Ultimately, the construction contractor was paid approximately \$2.75 million for the work performed. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.
- The district did not solicit requests for proposals for various professional services, including the project engineer, legal counsel, and project manager. In addition, a written contract was not entered into related to the project management services.

The engineering and legal services were provided by firms that had provided these services to the owner/developer on previous projects. The owner/developer served and was compensated as project manager to oversee the completion of the proposed TIF redevelopment projects, including those of the TDD.

Approximately \$221,000 was expended on other reimbursable costs, including professional services, from the district's establishment through the end of 2005.

The district was billed for the legal services at an average rate of \$86 per hour for paralegals and \$180 per hour for attorneys.

- The district's annual budgets for various years did not include some necessary information such as; a budget message and summary, the beginning available resources and estimated ending fund balance(s), and comparisons of actual revenues and expenditures for the two preceding fiscal years. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.

The Shoppes at Cross Keys TDD acknowledged receipt of this information, but did not provide a formal response.

- **Hanley/Eager Road TDD**

The Hanley/Eager Road TDD was organized in December 2002 by petition of the owners/developer of the property within the proposed district. The Hanley/Eager Road TDD's Board of Directors and officers include members of the owners/developer group and various associates.

The qualified voter(s) of the district, in this case the property owners/developer, approved the imposition of a one percent (1%) sales tax, effective in August 2003, on all transactions which are taxable within the boundaries of the district. Sales tax collections actually began in January 2004. In addition, a parking garage fee not to exceed 10 percent of all other parking fees was also approved. However, the parking garage fee is contingent upon the construction of Phase 2 of the project, which has not yet been completed. In addition, it is not anticipated that any other parking fees will be charged for the use of any parking garage with the TDD.

The sales tax is currently expected to remain in effect for 40 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the city of Brentwood.

The TDD is located in the city of Brentwood, in St. Louis County, at the intersection of Hanley Road and Eager Road just south of Interstate 64 (U.S. Highways 40/61). The Meridian at Brentwood development includes retail, banking and office space. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2005, 2004, and 2003.

The district was formed for the purpose of acquiring and constructing the following transportation projects with an estimated cost of approximately \$12 million:

- Widen and improve Eager Road along the northern boundary of the district, and extending eastward along Eager Road to Hanley Road.

- Widen and improve Hanley Road along the eastern boundary of the district, and extending along such eastern boundary and including the intersection of Eager Road and Hanley Road.
- Construction of a new roadway commencing and intersecting with Eager Road at the northeastern boundary of the district, passing through the district, first in a southerly direction and thence eastwardly to an intersection with Hanley Road aligned approximately with the current intersection of Hanley Road and Dale Drive.
- Demolition, rebuilding, and widening of the bridge currently located on Eager Road over the Metrolink right-of-way.
- Accompanying right-of-way acquisition, utility relocation, grading sidewalks, retaining walls, fencing, lighting, signalization, paving, landscaping and related improvements.

The city of Brentwood and St. Louis County are the public entities with jurisdiction over these projects.

Because the district is located within a TIF area, 50 percent of the sales tax collected has been paid to the city of Brentwood for deposit into the accounts relating to the TIF projects. However, the sales tax allocated will be capped at \$115,000 should it exceed this amount in any semi-annually period.

The TDD issued approximately \$5.68 million in revenue notes to the owners/developer for easements purchased from the owners/developer. The district also sold \$6.3 million in revenue notes in 2003 to an investment management firm to finance the remaining project costs.

The city of Brentwood was responsible for overseeing the projects' construction while the bank trustee administers the district's funds and makes payments.

During our audit work related to this TDD, we noted the following additional matters:

- On September 8, 2003, the district board accepted a bid for \$5.39 million submitted by a construction company to construct and complete the district's transportation projects and awarded a contract to that company. This company was owned by a non-controlling member of the owners/developer group, who also serves as the treasurer of the TDD board.

Documentation was provided indicating the district advertised for bids related to this construction work on August 21 and August 29, 2003, with the bids being due on September 3, 2003. In addition, the invitation for bids required the projects to be completed by October 24, 2003. Only one bid was subsequently received by the deadline date, that being from the construction company owned by the non-

controlling member of the owners/developer group. The limited time frame required to submit bids and complete the construction work may have contributed to only one bid being received related to this bid letting. It was also noted that some pre-development work was performed by the construction company and various other independent vendors on the project prior to September 2003, including initial site clearing.

Ultimately, this construction company (the successful bidder) was paid about \$5,578,600 for the work performed, which included about \$160,600 in approved change orders. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The revenues generated by the TDD may not be adequate in the short term to meet the financial obligations of the district. In October 2005, the district borrowed an additional \$22,500 from the developer to meet its financial obligations. In January 2006, the district ratified and approved the prior borrowing and passed a resolution authorizing the district to borrow additional monies up to \$100,000 from the developer, if necessary to meet future obligations. These loans bear interest at the rate of 5 percent per year.

District officials indicated the loans from the developer are only a temporary source of funding for the district. Those officials indicated that they were informed by the developer that construction on Phase 2 of the redevelopment project will begin in the summer of 2007, adding a parking garage and additional retail space. They estimated that the Phase 2 project work will be completed by fall 2008. With the additional retail space as noted above and projected growth in sales, district officials believe sufficient revenues will be generated to repay the district's debt to the investment management firm (but not the owners/developer) within the timeframe allowed by TDD statutes.

- The district did not solicit requests for proposals for various professional services, including the project architect, engineer, and legal counsel. These services were solicited by the owner/developer prior to the establishment of the district. According to district officials, the owner/developer interviewed several professional firms for these services during the negotiations related to the redevelopment project and selected the architect, engineer, and legal counsel based on experience and price. Later, these firms were engaged to represent the district because of their familiarity with the TIF redevelopment project.

Approximately \$157,000 was expended for architect and engineering services during the course of the projects. In addition, about \$78,300 was expended on legal services from 2003 through the end of 2005, with the district being billed at rates ranging from \$125 to \$250 per hour for attorney services and \$70 per hour for paralegal services.

- The district did not submit annual financial reports to the State Auditor's Office in a timely manner. The district did not submit its 2005, 2004, and 2003 audited financial statements until November 2006, February 2006, and January 2005, respectively.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that 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 four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Hanley/Eager Road TDD's Response:

Financial reports. The district fully intends to comply in a timely manner in the future.

• **U.S. Highway 65 and Truman Dam Access TDD**

The U.S. Highway 65 and Truman Dam Access TDD was organized in March 2003 by petition of the owner of the property within the proposed district. The district's developer (Wal-Mart) was not the property owner at the time the district was established. Shortly after final judgment was issued on the creation of the district, the property owner sold the property to the developer. The TDD's Board of Directors and officers are employees of the current property owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective November 1, 2003. The sales tax is currently expected to remain in effect for 25 years unless terminated sooner. The retail establishment collects the sales tax and forwards the collections to the district's bank.

The TDD is located in the city of Warsaw, in Benton County, just southwest of the intersection of US Highway 65 and Truman Dam Access Road. The North Town Center development includes one retail establishment (a Wal-Mart). The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects at a total cost of approximately \$2 million:

Local Transportation Projects

- Construction of a portion of Commercial Street beginning at the intersection of the centerline of Long View Drive and centerline of Hilltop Drive, including all storm drainage requirements.

- Construction of Polk Street beginning at the intersection of the centerline of the newly constructed Commercial Street extension and near the relocated County Road, running westerly. This also includes all storm drainage improvements.

State Transportation Projects

- Construction of the northbound highway ramp at the intersection of U.S. Highway 65 and Truman Dam Access Road ("Ramp 3").
- Construction of the southbound highway ramp at the intersection of U.S. Highway 65 and Truman Dam Access Road ("Ramp 4").
- Accompanying storm drainage improvements.

The city of Warsaw and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects.

The owner/developer advanced the costs of the state and local projects. Funds for the state projects were deposited with MoDOT. Upon completion of the state projects, excess funds were returned to the owner/developer. The owner/developer has not yet been reimbursed for all the costs incurred, but has entered into a reimbursement agreement with the district for repayment of project costs plus accrued interest. Under the agreement, project costs not reimbursed may accrue compounded interest at a rate equal to six percent per year. At December 31, 2005, over \$1.75 million was owed to the owner/developer related to unreimbursed costs.

MoDOT was responsible for handling the owner/developer's funds advanced for the state portion of the projects and oversaw those projects' construction, while the city of Warsaw was responsible for giving final approval of the local portion of the projects' construction. The district's board reviewed and approved contractor invoices prior to payment for the local portion of the projects and approves other regular monthly operating expenses.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's minutes, two responsive bids were received in 2003 for improvements associated with the local portion of the proposed construction projects. The amount of the initial construction contract was for approximately \$480,200; however, the construction contractor was ultimately paid almost \$534,600 as a result of approved change orders of approximately \$54,400. Documentation of the bids and contractor selection process was not received and maintained by the records custodian, therefore, verification of the proper handling of the bidding process related to this construction contract could not be completed. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.
- The district did not solicit requests for proposals for various professional services, including the project engineer for the local portion of the projects and legal

counsel. These services were solicited by the developer prior to the establishment of the district.

Approximately \$42,600 in expenses were incurred for services provided by the project engineer during the course of the projects. The district also incurred approximately \$74,800 in legal expenses from its establishment in 2003 through the end of 2005, with the district being billed at rates ranging from \$90 to \$395 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between \$90 and \$225 per hour.

- The district's annual budgets did not include some necessary information, with beginning available resources and reasonable estimates of the ending fund balance(s) not being included. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.
- The district did not submit annual financial reports to the State Auditor's Office in a timely manner. The district submitted its 2005 financial report in May 2006; however, the 2004 financial report was not submitted until July 2006.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that 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 four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

U.S. Highway 65 and Truman Dam Access TDD's Response:

Documentation of developer's project cost. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a Transportation Development District ("District") and a private contractor be competitively bid and awarded to the lowest and best bidder. As the State Auditor stated there were two responsive bids for the local transportation projects. These bids were received by the developer who reported the results in a public District Board meeting. The District reviewed the submitted costs of the developer and found them reasonable. The same contractor was also the lowest and best bidder for the Missouri Department of Transportation improvements which were financed by this District.

Engineering and legal services. The Transportation Development District Act in Chapter 238 RSMo requires that only construction contracts in excess of \$5,000 be bid. As a practical matter, much of the engineering and legal work with respect to transportation development districts must be done before a petition may be filed to form the District. It would not make sense to select different engineers and attorneys once the district is formed, as such would incur unnecessary costs and delays. Furthermore, the engineering firm and law firm involved charged the District on the basis of their normal rates, and provided itemized statements for all work done.

Budgets. The District budgets include all information required by Section 67.010, RSMo, including all anticipated revenues and expenditures on a cash basis. Anticipated revenue surpluses are stated on a year-by-year basis. The budgets do not include statements of assets on hand or account balances not resulting from annual revenues, which are reflected on the District's full accounting statements. Expenditures made from fund balances other than current revenues are noted as appropriate.

Lake of the Woods TDD

The Lake of the Woods TDD was organized in March 2003 by petition of the owners of the property within the proposed district. The district's developer was also a property owner at the time the district was established. The TDD's Board of Directors and officers include the owner/developer and various employees.

The qualified voter(s) of the district, in this case the property owners, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective August 1, 2003. The sales tax is currently expected to remain in effect for 30 years unless terminated sooner. The retail establishment collects the sales tax and forwards the collections to the district's collection agent, the city of Columbia.

The TDD is located in the city of Columbia, in Boone County, just southeast of the intersection of Interstate 70 and St. Charles Road. When fully developed it is anticipated that the development will include retail, banking, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$2.7 million:

- Widening the entrance/exit ramps on I-70 at the Lake of the Woods interchange.
- Demolition, reconstruction and relocation of the existing southeast outer road near I-70 and St. Charles Road, including a new intersection of the remaining portion of the southeast outer road with a newly constructed road running south into the district.
- Construction of Bull Run Drive and Hunley Drive within the district, including a new intersection of the two new roads.
- Construction of a new interchange at Bull Run Drive and St. Charles Road, including construction of 100 feet of Bull Run Drive east into the district and 100 feet of a new southwest outer road west of St. Charles Road.

- Improvements along St. Charles Road, including construction of turn lanes and signalization at various intersections.
- Accompanying right-of-way acquisition, drainage, curb, gutter, stormwater facilities, utility relocation, grading, sidewalks, lighting, signalization, paving, and related improvements.

The city of Columbia and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects. The projects were completed in February 2004.

The developer paid the costs of the projects totaling approximately \$2.7 million. In May 2004, \$2,678,815 in reimbursable transportation development costs, and \$42,085 in administrative costs were approved by the TDD board. TDD officials indicated they intend to issue revenue bonds to reimburse the developer for all or a portion of these costs when district revenues are sufficient to warrant a bond issue.

MoDOT and the city of Columbia were responsible for overseeing the projects' construction. The city of Columbia will provide some independent financial oversight by reviewing and approving contractor invoices during the certification process.

During our audit work related to this TDD, we noted the following additional matters:

- The district may not generate sufficient revenues over its life to fully reimburse the developer for the project costs previously paid. As of December 31, 2005, the district had one retail/service establishment in operation which collected about \$18,800 in sales tax revenues for the district. Several lots within the boundaries of the district have been sold to businesses that will generate little or no sales tax revenues; however, it should be noted that a furniture store opened in the district in 2006 and will generate additional sales tax revenues for the district.
- The district did not solicit requests for proposals for professional services provided by the project engineers, legal counsel, and architect. The project engineers and legal counsel were solicited by the developer prior to the establishment of the district.

Approximately \$371,400 was incurred by the developer for services provided by project engineers during the course of the projects. These services included a traffic study, design plan, environmental analysis, and other engineering costs. In addition, approximately \$54,400 in legal expenses have been incurred and paid by the developer from 2003 through the end of 2005, with legal services being billed at rates ranging from \$105 to \$250 per hour for paralegal and attorney services. Most of the legal services were billed at rates between \$105 and \$225 per hour.

Further, \$7,320 in expenses were incurred by the developer for architectural services. These services were provided by a board member's company while

acting as a liaison for the district during rezoning meetings with the city of Columbia. As of December 31, 2005, these costs still have to be officially certified prior to reimbursement of the developer.

- The district has not always prepared and approved an annual budget in a timely manner. The district's 2004 budget was not approved until May 2004, and the district's 2005 and 2006 budgets were not approved until April 2006. In addition, an annual budget was not prepared for 2003, the district's first year of existence. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

Lake of the Woods TDD's Response:

Sufficiency of revenues. *The District contains approximately 9 acres suitable for future retail development. In addition to the revenue-generating projects you mentioned, it is anticipated that there will be a hotel, and other retail development over the next several years.*

Professional services. *State law does not require solicitation of requests for professional services for transportation development districts.*

The majority of traffic, design, and engineering services were requested and/or required by MoDOT.

The architectural services provided were provided at below market cost to the District, and were approved by minutes of the Board of Directors of the District on May 26, 2004, after full disclosure.

Budgets. *The District prepared no budget in 2003, as no revenues were anticipated to be collected until 2004. Further, the District has not historically processed expenditures out of the District revenues collected; the developer has paid administration expenses directly. Budgets are typically adopted during the annual meeting of the District, which has historically been held in April or May of each year.*

• **I-70 and Adams Dairy Parkway TDD**

The I-70 and Adams Dairy Parkway TDD was organized in March 2003 by petition of the owner/developer (Home Depot) of the property within the proposed district. The TDD's Board of Directors and officers are employees of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective September 1, 2003. The sales tax is currently expected to remain in effect for 10 years unless terminated sooner. The retail establishment collects the sales tax and forwards the collections to the district's bank.

The TDD is located in the city of Blue Springs, in Jackson County, just south of Interstate 70 at the intersection of Adams Dairy Parkway and Northeast Coronado Drive. The development includes one retail establishment, a home improvement center (Home Depot). The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$1.95 million:

- Construction of Coronado Drive and including right-of-way acquisition, storm sewers, sanitary and waterline location, utility relocation, sidewalks, bike trail, landscaping, lighting, and modifications to the traffic signal at the intersection of Coronado Drive and Adam's Dairy Parkway.
- Construction of a parking lot and required landscaping within the district.
- Construction of a bike trail artistic amenity to be located on a portion of the bike trail at the southwest corner of the intersection of Adam's Dairy Parkway and Coronado Drive.

The city of Blue Springs was the public entity with jurisdiction over these projects and accepted dedication of the projects upon completion.

The developer paid the costs of the projects. The developer has not yet been reimbursed for all the costs incurred, but has a signed reimbursement agreement with the district for repayment of project costs plus accrued interest. Under the agreement, project costs not reimbursed may accrue compounded interest at a rate equal to six percent per year. At December 31, 2005, over \$1.3 million was owed to the owner/developer related to unreimbursed costs.

The city of Blue Springs was responsible for overseeing the projects' construction while the district's board certified the construction costs and agreed to an amount to be reimbursed to the owner/developer. In addition, a representative of the property owner/developer (Home Depot) reviews and approves monthly operating expenses prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- Progress invoices submitted to the owner/developer by the construction contractor included both the district's transportation project costs and the owner/developer costs to erect its new retail establishment. The total combined project costs were about \$5.7 million. Neither the district nor the owner/developer was separately invoiced for the transportation project costs. During the certification of reimbursable transportation project costs, the contractor was asked to submit a breakdown for construction costs related to the transportation projects. Project

cost information totaling approximately \$1.16 million was subsequently provided and consisted of project totals for the applicable transportation projects.

In addition, the district obtained a signed statement from owner/developer's legal counsel indicating that all contracts and materials, labor, and services included in the district's projects were competitively bid and awarded to the lowest and best bidder. However, documentation of the bids and contractor selection process was not received and maintained by the records custodian, therefore, verification of the proper handling of the bidding process related to this construction contract could not be completed. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

Approximately \$26,000 was expended for engineering services during the course of the project. Approximately \$98,600 was incurred in legal expenses from 2003 through the end of 2005, with the legal services being billed at rates ranging from \$75 to \$395 per hour for paralegal and attorney services. Most of the legal services billed the district were charged at rates between \$75 and \$225 per hour.

- Some project costs paid by the owner/developer for legal fees, a traffic signal, and the general contractor's expense reimbursements were included twice in the Developer's Certification for Cost Reimbursement due to an error made when compiling the cost information. As a result, project costs included in the reimbursement agreement between the owner/developer and the district were overstated by approximately \$123,800.
- The district's accountant discovered the district's only retail establishment (Home Depot) incorrectly charged a 1 percent sales tax on all of its retail sales from September 2003 to April 2004. As noted above, the district only approved the imposition of a one-half percent (0.50%) sales tax. This resulted in an overpayment of sales taxes by the retailer to the district of approximately \$60,000 for this time period.
- The district's annual budgets did not include some necessary information, with beginning available resources and reasonable estimates of the ending fund balance(s) not being included. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.
- The district did not submit an annual financial report to the State Auditor's Office (SAO) for 2004. Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO. The district's 2005 financial report was submitted to the State Auditor's Office as required.

I-70 and Adams Dairy Parkway TDD's Response:

Documentation of developer's project costs. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a Transportation Development District ("District") and a private contractor be competitively bid and awarded to the lowest and best bidder. The District was not a party to the construction contracts for the transportation projects in this development. The transportation project costs were bid and constructed, as part of a larger in scope contract of the developer, which resulted in, among other advantages, better pricing. The District advised the developer of their responsibilities and obtained not simply a signed statement, but the affidavit of a developer representative that the projects were competitively bid and awarded to the lowest and best bidder. In addition, the affiant acknowledged the application of Missouri's prevailing wage law to the projects.

Engineering and legal services. The Transportation Development District Act in Chapter 238 RSMo requires that only construction contracts in excess of \$5,000 be bid. As a practical matter, much of the engineering and legal work with respect to transportation development districts must be done before a petition may be filed to form the District. It would not make sense to select different engineers and attorneys once the district is formed, as such would incur unnecessary costs and delays. Furthermore, the engineering firm and law firm involved charged the District on the basis of their normal rates, and provided itemized statements for all work done.

Error in compiling the cost information. The District is appreciative of this audit comment and plans to review and resolve this comment.

Incorrect tax levy charged by retailer. The District has notified the retailer that the District believes the Retailer has overpaid its District sales tax and tendered a refund. The Retailer disagreed. The District will honor any timely filed refund requests.

Budgets. The District budgets include all information required by Section 67.010, RSMo, including all anticipated revenues and expenditures on a cash basis. Anticipated revenue surpluses are stated on a year-by-year basis. The budgets do not include statements of assets on hand or account balances not resulting from annual revenues, which are reflected on the District's full accounting statements. Expenditures made from fund balances other than current revenues are noted as appropriate.

• **Crestwood Point TDD**

The Crestwood Point TDD was organized in May 2003 by petition of the owners of the property within the proposed district, the developer and the city of Crestwood. The TDD's Board of Directors and officers include representatives of the owner/developer and various city officials.

The qualified voter(s) of the district, in this case the owner/developer and the city, approved the imposition of a one percent (1%) sales tax on all transactions which are

taxable within the boundaries of the district, effective November 2003. The sales tax is currently expected to remain in effect for 40 years unless terminated sooner. The retail establishment collects the sales tax and forwards the collections to the district's collection agent, the city of Crestwood.

The district is located in the city of Crestwood, in St. Louis County, at the intersection of Watson Road and Sappington Road. The Crestwood Point development includes one retail establishment (a Kohl's department store). The district has a fiscal year end of December 31. The board has hired an independent auditor to conduct financial audits of the district for fiscal years 2003 to 2006, but those audits had not been completed at the time of our review.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$3 million:

- Demolition and reconstruction of an existing parking lot on property owned by the city.
- Improvements to Sappington Road, including a dual left-hand turn lane from southbound Sappington Road to eastbound Watson Road.
- Construction of cross access between Watson Plaza and a commercial development to be constructed within the district.
- Relocation of curb cut on Watson Road serving as the entrance to the commercial development to be constructed within the district.
- Accompanying grading, drainage, pavement, curb, gutter, sidewalk, stormwater facilities, signing, lighting, traffic signals or other similar or related infrastructure or improvement.

The city of Crestwood, St. Louis County, and MoDOT are the public entities with jurisdiction over these projects. St. Louis County and MoDOT accepted dedication and future responsibility for the completed projects within their jurisdiction. Responsibility for the future maintenance of the remaining projects rests with the city or the developer.

Because the district is located within a TIF area, 50% of the sales taxes collected have been paid to the city of Crestwood for deposit to the accounts relating to the TIF projects.

The developer advanced the costs of the projects. The developer has not yet been reimbursed for the costs incurred, but has submitted several reimbursement requests to the district, which requests were partially approved by the district on March 28, 2007. Upon approval of the reimbursement requests, the district plans to issue revenue bonds to reimburse the developer.

MoDOT, St. Louis County, and the city of Crestwood were responsible for overseeing the projects' construction while the city of Crestwood has provided some independent financial oversight. The TDD board is controlled by the city (3 of 5 voting members) and is responsible for reviewing and approving the developer's reimbursement requests prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- Even though the majority of the transportation projects were completed in November 2005 (the city parking lot project had not been started, as of January 2007), the district did not certify the reimbursable transportation costs until March 28, 2007, and has yet to pay any of the reimbursable transportation project costs incurred by the developer.

The owner/developer submitted seven reimbursement requests totaling \$2.485 million in transportation project costs to the district between December 2003 and October 2006. These requests account for the project costs incurred to-date, but had not been approved by the district board until March 28, 2007. According to the district's legal counsel, the delay in approval of reimbursement of the owner/developer has been the result of two factors: significant turnover of several key positions in the city of Crestwood, including mayor, finance director, city administrator (these positions hold two of the three city seats on the district board) and some controversy related to a land acquisition involving the development and transportation projects.

In December 2002, the owner/developer reportedly purchased two parcels of real property (what was formerly the Crestwood Swim Club) from the property owner for \$850,000, with one parcel (approximately 1 acre) to be used in the construction of the Kohl's department store and parking lot and the other parcel (approximately 0.7 acres) to be used by the city for the construction of a city parking lot (one of the transportation projects).

Problems arose when the legal documents submitted by the owner/developer as part of the reimbursement request in connection with this property acquisition did not support the sales transaction described above. Specifically, the sales agreement related to this real estate sale indicated only the 1 acre parcel was the subject of the sale. In addition, the 0.7 acre parcel acquired by the city was deeded directly to the city from the owner of the swim club rather than being deeded from the owner to the developer and then to the city. In an effort to clarify the circumstances surrounding this transaction, affidavits were obtained from representatives of the swim club, the developer, and the city which stated that the \$850,000 paid by the developer to the owner of the swim club was consideration for both the conveyance of the 1 acre parcel to the developer and the conveyance of the 0.7 acre parcel to the city.

In addition to addressing the legal questions regarding this property acquisition, there has been some disagreement in the amount which should be reimbursed to the developer. The developer included \$800,000 (94% of the total purchase cost) in its reimbursement requests for the city's parcel of land. According to the district's legal counsel, the developer contended that the city's portion of the property was more valuable than the parcel used for the Kohl's development. However, the district's board of directors found that there was insufficient evidence to support the \$800,000 reimbursement request and this reimbursement request was not approved.

To resolve this issue, in December 2006 the district hired an independent appraiser to give an "opinion of value" of the two parcels of land as of the date of acquisition. In March 2007, the appraiser determined the value of the parcel associated with the city parking lot at the date of acquisition to be \$295,000. The TDD board subsequently certified project costs totaling approximately \$1,925,000 for reimbursement to the developer (including the \$295,000 discussed above), and it intends to move forward with the bond financing of those costs.

- The district did not solicit proposals for the company that served as the general contractor/project manager for the district's transportation projects. The general contractor/project manager was selected by the owner/developer prior to the establishment of the district.

According to the owner/developer, the general contractor/project manager was selected after competitive bidding for all the work associated with the TIF redevelopment projects which included, in part, the transportation projects. However, the owner/developer has not provided the district's custodian of records with documentation of the bids obtained and the contractor selection process. The general contractor/project manager received approximately \$88,000 in project management fees. In addition, during the course of the district's projects, the general contractor/project manager provided construction work related to utility relocations in the amount of approximately \$27,400. The owner/developer has indicated that this work was competitively bid; however, the owner/developer has not provided the district's custodian of records with documentation of the bids obtained or the contractor selection process. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder.

- The district did not solicit requests for proposals for various professional services, including architectural/engineering services and legal counsel. With the exception of the district's primary legal counsel, these professional services were solicited by the owner/developer prior to the establishment of the district. The district selected its primary legal counsel at the time of its establishment without soliciting requests for proposals.

Approximately \$82,400 was incurred in architectural/engineering expenses during the course of the project. Approximately \$86,900 was incurred in legal expenses, including condemnation petition proceedings, from 2002 through the end of 2005. The district's primary legal counsel billed the district at rates ranging from \$100 to \$125 per hour for paralegal services and from \$175 to \$210 per hour for attorney services.

- The district's annual budgets were not always approved in a timely manner. Prior to December 2006, the last board meeting held by the district was in 2004; therefore, the district's 2005 and 2006 budgets were not approved until the December 2006 board meeting. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

Crestwood Point TDD's Response:

General contractor/project manager services. The district's custodian of records requested that the owner/developer provide a copy of the documentation regarding bids obtained and the contractor selection process related to the transportation projects financed by the District. However, these documents have not been provided to the District's custodian of records to date. The District's custodian of records will continue to request that this information be provided.

Professional services. There is no requirement under Missouri law that the district solicit proposals for professional services. However, the district acknowledges that soliciting such proposals may, under certain circumstances, enable the district to ensure that professional services are obtained from the best qualified service provider at the lowest and best cost.

Budgets. The district acknowledges that it did not submit its 2005 and 2006 budgets in a timely manner. The District approved its 2007 budget in a timely manner and is committed to continuing with timely approval of budgets in the future.

• **M150 and 135th Street TDD**

The M150 and 135th Street TDD was organized in May 2003 by petition of the owners/developers of the property within the proposed district. The TDD's Board of Directors and officers include the owners/developers.

The qualified voter(s) of the district, in this case the property owners/developers, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective November 1, 2003. The sales tax is currently expected to remain in effect for 20 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to a bank, the district's collection agent.

The TDD is located in the city of Kansas City, in Jackson County, southeast of the intersection of Missouri Highway 150 and Kenneth Road. The State Line Shops development includes primarily retail businesses, but it also includes some banking, restaurant, and service establishments. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2005 and 2004.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately \$12 million:

- Phase 1 - Construct new four lane road from Kenneth Parkway to West Loop Drive, construct new three lane road from West Loop Drive to Madison Avenue, and construct Madison Avenue south of 136th Street extending to the drainage channel; construct thru/turn lanes at the intersections of 136th Street and the above roads, as well as 136th Street and M-150; install new traffic signal at the intersection of 136th Street and Kenneth Parkway; and modify the traffic signal at 136th Street and M-150.
- Phase 2 - Construct Inverness Road south of 135th street extending to the drainage channel, construct Entrance Drive A connecting 135th Street to Inverness Road, extend Inverness Road from the drainage channel to Entrance Drive B, construct Entrance Drive B, and connect Entrance Drive B to Wyandotte Street; construct thru/turn lanes at the intersections of 135th Street and Entrance Drive A, 135th Street and Inverness Road, and Inverness Road and Entrance Drive B; and install a new traffic signal at the intersection of 135th Street and Inverness Road.
- Phase 3 - Extend Madison Avenue from the drainage channel to 138th Terrace, construct a new road from Madison Avenue to M-150, and construct a new southbound lane from State Line Road to 136th Street; construct thru/turn lanes at the intersections of Wyandotte Street and Madison Avenue, Wyandotte Street and M-150, Madison Avenue and 138th Terrace, and 138th Terrace and M-150; construct a second turn lane and acceleration/deceleration lanes at the intersection of 136th Street and M-150; install a new traffic signal at the intersection of 138th Street and M-150; and modify the traffic signal at the intersection of Wyandotte Street and M-150.
- Phase 4 - On June 30, 2005 the property owners of the district voted to expand the district's boundaries to include 14.76 acres of land located to the south and east of the district's original boundaries, also known as Phase 4. The transportation projects related to this phase were included in the Phase 2 improvements.

The Phase 1 and Phase 2 projects were completed in 2004 and 2005, respectively. Phase 3 of the project is currently under development and Phase 4 of the project was completed in January 2006.

The city of Kansas City and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the projects upon completion.

The district issued \$9.6 million in revenue bonds in 2004 to finance a portion of the cost of the projects. The district also issued a 2004 promissory note payable to the Phase 1 developer for reimbursement of approximately \$899,000 in eligible public transportation improvements paid by the developer on behalf of the district. Any remaining costs of the projects will be advanced by the developers, with the district issuing them promissory notes for their reimbursement. These notes will be subordinate to the revenue bond issue. MoDOT and the city of Kansas City were responsible for overseeing the projects' construction while the district's board reviewed and approved contractor invoices prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- In May 2003, the district hired a company as project manager for Phase 1 of the district's transportation projects. Two owners/officials of the company hired as project manager also serve on the TDD board. Their company submitted the only proposal or bid for this service at a cost of approximately \$198,000. The contract's term was from May through September 2003; however, the contract was not approved by the board until August 2003. The board's minutes indicate that one of the two applicable board members voted to approve the contract of which his company was a party, but only after disclosing his affiliation with the company and indicating he had no involvement in preparing the proposal. It appears the other applicable board member did not attend that meeting.

The board also has plans to approve an agreement to reimburse the Phase 2 developer approximately \$2.6 million in costs paid to construct a portion of the district's transportation improvements. The same company that served as the Phase I project manager was also the project manager for Phase 2 of the transportation projects. These costs were advanced by the developer, but have not been certified and approved by the district for reimbursement.

The project manager for the Phase I and Phase 2 projects was also a subcontractor on the district's transportation projects and received payments totaling \$1.3 million for construction work and construction management services performed through December 31, 2005.

- The district did not solicit requests for proposals for various professional services, including legal counsel, auditing, and accounting services. The legal counsel was selected by the developers prior to the establishment of the district. Approximately \$174,000 was incurred in legal expenses from the district's

establishment in 2003 through the end of 2005, with the district being billed at rates ranging from \$90 to \$225 per hour for paralegal and attorney services. In addition, the district expended approximately \$19,000 for auditing and accounting services in 2004 and 2005. Legal counsel indicated district officials viewed the auditing and accounting services as a sole source procurement.

- The district did not submit its 2004 annual financial report to the State Auditor's Office in a timely manner. The district submitted its 2004 financial report on June 30, 2006.

Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the State Auditor's Office, and 15 CSR 40-3.030 provides that 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 four months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end. The district's 2005 financial report was submitted timely.

M150 and 135th Street TDD's Response:

Board approval of project manager contract. *Of the two members of the Board of Directors affiliated with the company approved by the District Board of Directors as project manager, one did not attend the August 23, 2003 meeting at which the contract was approved. The second affiliated Board member, being required for a quorum, did vote after full disclosure of his affiliation and a statement that he had not participated in preparation or submission of the bid. The disclosure and statement of the affiliated Board member are included in the minutes of the meeting. Most importantly, the District received only one proposal in response to its request for proposals for the project manager contract, which request for proposals was published in full compliance with all statutory requirements. All contracts awarded to the project manager for Phase I and Phase II, including construction subcontracts, were awarded pursuant to public request for proposals and full consideration by the Board of Directors of competing bid proposals when received.*

Professional services. *Section 238.252.2 of the Missouri Transportation Development District Act requires only that construction contracts in excess of \$5,000 be bid. As much of the engineering and legal work with respect to transportation development districts must be done before a petition for formation of a district may be filed, it would be highly inefficient to select different engineers and attorneys once the district is formed, as such would incur unnecessary costs and delays. Furthermore, the engineering firm and law firm involved charged the District on the basis of their normal rates, and provided itemized statements for all work done.*

Financial reports. *Following preparation and submission of the District's audited 2004 annual financial report, the District implemented procedures to assure timely completion of all future reports. As noted, the District's 2005 annual financial report was timely*

submitted, and the District anticipates its 2006 annual financial report will be submitted timely as well.

- **Parkville Commons TDD**

The Parkville Commons TDD was organized in June 2003 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include representatives of the developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective January 2004. The sales tax is currently expected to remain in effect for 22 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district.

The TDD is located in the city of Parkville, in Platte County, at the intersection of Missouri Highway 45 and Missouri Highway 9. The Parkville Commons Shopping Center development includes retail, grocery, restaurant, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately \$8 million:

- Construction of a public road or thoroughfare across the district, running generally north and south to/from Missouri Highway 45, then intersecting 63rd Street, then running generally east and west to/from Missouri Highway 9.
- Construction of parking stalls along the road noted above.
- Construction of traffic circles.
- Construction and/or improving access points for the district to and from Bell Road, Missouri Highway 45, and Missouri Highway 9.
- Construction and/or improving storm sewers, sidewalks, and green spaces associated with the roads noted above.

The city of Parkville and MoDOT are the public entities with jurisdiction over these projects and accepted dedication of the completed projects.

The district is located within a TIF area, thus, the city of Parkville could claim 50 percent of the sales tax collected for purposes of the TIF. However, the city has agreed to allow the TIF portion of the TDD sales tax to be remitted to Platte County and applied to the

district's portion of debt service costs incurred related to the development and transportation projects.

In December 2004, Platte County, on behalf of the Parkville Commons Neighborhood Improvement District (NID), issued \$8.35 million and \$5.795 million in Series A and Series B NID bonds, respectively, to refinance temporary notes previously issued by the county to finance the district's projects as well as the redevelopment projects. The NID levies an assessment on all real property within the district. The district's sales tax collections are used to pay its portion of these assessments. These assessments are paid to Platte County which uses them to pay a portion of the principal and interest on the NID bonds (the TIF redevelopment area also pays an assessment on its real property).

MoDOT and the city of Parkville's Public Works Department were responsible for overseeing the projects' construction while the city of Parkville and Platte County provided financial oversight by reviewing and approving contractor invoices prior to payment.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's records, the city of Parkville (the city) requested proposals from potential developers for a redevelopment project in October 2001. The redevelopment project would include transportation improvements also authorized with the establishment of the TDD. One developer submitted a proposal for the redevelopment project. No other responses were received. In December 2001, the city selected this developer to implement the redevelopment plan and later entered into an agreement with the developer related to this redevelopment plan (capping reimbursable redevelopment project costs). In addition, the developer entered into a subcontract with a contractor to construct the improvements outlined in the agreement. These improvements included both the redevelopment projects and the transportation projects. The developer did not advertise or otherwise solicit competitive bids for the primary subcontractor related to these improvements.

According to district officials, the developer selected the primary subcontractor based on several factors, including that company's experience with other projects of similar size. Ultimately, construction costs related to the combined projects totaled approximately \$13.4 million, with debt issuance costs increasing the total project costs to approximately \$14.3 million. A substantial portion of the construction costs were paid to the primary subcontractor. In November 2004, the Platte County Commission issued an order determining that 50.4 percent, or approximately \$7.2 million, of the project costs was determined to be attributable to the TDD's transportation projects. As a result, this percentage was used to determine the transportation portion of the NID bond debt, and the TDD's sales tax collections have been used to pay the NID assessments used to retire that debt.

Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded

to the lowest and best bidder. While the developer contracted with the primary subcontractor to perform the construction work related to these projects, the procurement of the subcontractor through a competitive bid process would have been advisable considering TDD revenues will ultimately pay the transportation-related project costs (indirectly through the payment of NID assessments).

- Approximately \$250,000 of the transportation projects costs discussed previously were incurred for services provided by the project engineer during the course of the transportation projects. Engineering services used in the redevelopment projects (which included the transportation projects) were selected by the developer prior to the establishment of the district. Neither the TDD nor the developer provided documentation to indicate that proposals were solicited for these professional services. In addition, according to the district's legal counsel, the district did not execute any contracts for professional services.
- The district's annual budgets did not include some necessary information such as; a budget message and summary, the beginning available resources and estimated ending fund balance(s), and comparisons of actual revenues and expenditures for the two preceding fiscal years, if applicable.

In addition, the district's 2005 and 2006 budgets were deficit budgeted as estimated expenditures exceeded projected revenues. Even if the district had included their beginning available resources (cash) in the budget documents, they still would have projected ending deficit cash balances by a significant amount. The deficits were the result of the district's annual NID assessments presented on the budgets exceeding projected sales tax revenues. Sections 67.010 to 67.040, RSMo, include statutory provisions regarding the annual budgets.

The Parkville Commons TDD acknowledged receipt of this information, but did not provide a formal response.

- **Lee's Summit Missouri New Longview TDD**

The Lee's Summit Missouri New Longview TDD was organized in July 2003 by petition of the owner/developer of the property within the proposed district. Members of the TDD's Board of Directors and officers include associates and employees of the owner/developer.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one percent (1%) sales tax on all transactions which are taxable within the boundaries of the district, effective January 1, 2006. The sales tax is currently expected to remain in effect for 20 years unless terminated sooner. The retail establishment(s) will collect the sales tax and forward the collections to the district's collection agent, the city of Lee's Summit.

The TDD is located in the city of Lee's Summit, in Jackson County, just east of Longview Community College. The New Longview development will include retail and

office space as well as residences and apartments and is expected to be completed in 8-10 years. The TDD has a fiscal year end of December 31. Financial audits of the district have been conducted by an independent auditor for fiscal years 2005, 2004, and 2003.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$10.7 million:

- Construction of Longview Boulevard (a project of interest to the city, financed through annual payments appropriated from city funds).
- Construction of two east-west arterial roads, from the Longview College entrances on Longview Road, easterly to the two roundabout intersections with Longview Boulevard.
- Improvements to Longview Road from the intersection of View High Road and 3rd Street to the southernmost roundabout on Longview Road.

The city of Lee's Summit is the public entity with jurisdiction over these projects and will accept dedication of the projects upon payment of the project costs and any related debt financing.

The district is located within a TIF area, thus, the city of Lee's Summit could claim 50 percent of the sales tax collected for purposes of the TIF. However, per a formal agreement, the city has agreed that the TIF portion of the TDD sales tax will be remitted to the trustee and applied to the district's debt service costs. In addition, the city appropriated monies from its excise tax and capital improvement sales tax funds in fiscal years 2003, 2004 and 2005 which were applied to the district's debt service costs. Further, the city expects to make additional appropriations on an annual basis through 2007.

The TDD issued \$5.44 million in revenue bonds in 2003 to partially finance the construction of the district projects. This financing was available as a result of annual appropriations of an equal amount approved by the city of Lee's Summit for the construction of Longview Boulevard. Project costs are paid by the developer and then a reimbursement is requested from the bond funds held by the TDD. The developer has signed a reimbursement agreement with the district for repayment of the remaining project costs advanced over and above the original bond issue.

The city of Lee's Summit has been responsible for overseeing the projects' construction and reviewing and approving invoices, while the district's funds have been administered by a bank trustee.

During our audit work related to this TDD, we noted the following additional matters:

- The owner/developer has served as the project manager for the district's transportation projects. No proposals were solicited for these services and a written contract specifically addressing the services to be provided and the fees to be charged was not entered into between the district and the owner/developer. Approximately \$73,000 was billed to the district by the owner/developer through the end of 2005 for these services.
- The district did not solicit requests for proposals for the professional services provided by its legal counsel. The legal counsel was selected by the owner/developer prior to the establishment of the district. Approximately \$61,200 has been spent on legal services provided by the district's primary legal counsel, from the district's establishment in 2003 through 2005. The district was billed at rates ranging from \$285 to \$350 per hour for these attorney services. Most of these attorney services billed the district were charged at the \$285 per hour rate.
- The district's 2005 budget estimated an ending deficit cash balance of about \$4.4 million. The beginning cash available plus estimated revenues equaled approximately \$4.2 million, while estimated expenditures were projected at about \$8.6 million. The deficit was the result of the district budgeting transportation project costs to be incurred by the developer (the developer advanced funds on behalf of the district to pay these costs). However, these costs were not to be cash disbursements of the district in 2005. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.

The Lee's Summit Missouri New Longview TDD acknowledged receipt of this information, but did not provide a formal response.

- **Prewitt Point TDD**

The Prewitt Point TDD was organized in August 2003 by petition of the owner/developer of property within the proposed district. The TDD's Board of Directors and officers include the owner/developer and various employees/relatives.

The qualified voter(s) of the district, in this case the property owner/developer, approved the imposition of a one-half of one percent (0.50%) sales tax on all transactions which are taxable within the boundaries of the district, effective January 1, 2004. The sales tax is currently expected to remain in effect for 25 years unless terminated sooner. The retail establishments collect the sales tax and forward the collections to the district.

The TDD is located in the city of Osage Beach, in Miller County, at the intersection of U.S. Highway 54 and State Route 42. The Prewitt Point development includes retail, grocery, restaurant, and service establishments. The TDD has a fiscal year end of December 31. The TDD has elected not to have separate financial audits of the district

conducted beyond the periodic audits performed by the State Auditor's Office pursuant to Section 238.272, RSMo.

The district was formed for the purpose of acquiring, designing, engineering, constructing and/or financing five roads or streets within the district; together with associated curb, gutter, storm sewer, signage and signalization. The cost of these projects totaled approximately \$4.75 million. The projects were completed and the Prewitt Point development was opened at the end of 2003.

The city of Osage Beach is the public entity with jurisdiction over these projects, but will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district.

Because the district is located within a TIF area, 50% of the sales taxes collected have been paid to the city of Osage Beach for deposit to the accounts relating to the TIF projects. However, in August 2006, the TIF agreement was amended allowing the district to retain the TIF portion of future sales taxes to be used to reimburse project costs or retire any outstanding debt related to these costs.

The developer advanced the costs of the projects. The developer has not yet been reimbursed for all the costs incurred, but the district issued a \$5.6 million promissory note in December 2004, pledging to reimburse the developer for the project costs incurred plus accrued interest totaling \$769,700. Accrued interest was charged on project costs advanced by the developer at a rate of 6 percent. At December 31, 2005, approximately \$5.87 million was owed to the owner/developer pursuant to this note related to unreimbursed project costs and accrued interest. Additional interest accrues until the note is paid in full.

The city of Osage Beach provided limited oversight of the projects' construction while the district's board reviewed and approved construction costs advanced by the developer. The district's board also reviews and approves operating expenses of the district.

During our audit work related to this TDD, we noted the following additional matters:

- According to the district's records, in July 2000 the developer had entered into a TIF development agreement with the city of Osage Beach related to this development. Subsequently, in December 2000, the developer entered into a contract with a construction manager whereby that contractor became responsible for managing the redevelopment project, including the subcontracting of work to various construction companies. It appears no proposals were solicited for these construction management services. The subcontractors included the construction manager's own company, which constructed applicable sewer improvements. In addition, upon the establishment of the district, the project manager was asked to be a director on the district's board.

According to the district's legal counsel, when the TIF development agreement was signed, the developer did not know he would later establish a TDD. Therefore, the developer began work on the development under the terms of the TIF agreement. As a result, the TIF projects, including what would later become TDD projects, were negotiated and contracted as a larger combined project. The total combined project costs reimbursable from TIF revenues totaled about \$23.2 million. Progress invoices submitted to the owner/developer included both TIF and TDD transportation project costs without separate invoices or records of the district's transportation project costs being prepared/maintained.

Prior to the approval of the promissory note issued by the district to the developer, the construction manager was asked to prepare and submit a breakdown of construction costs incurred by the developer related to the transportation projects. The project manager provided the district a spreadsheet indicating approximately \$4.5 million of the total construction costs related to the district's transportation projects. The promissory note was subsequently approved by the district board in December 2004, and the applicable board member (the construction manager) who was a party to the construction contracts moved to adopt the applicable resolution approving the agreement. According to the district minutes, the motion unanimously carried and the resolution was adopted.

According to the construction manager, the district did not advertise or otherwise solicit competitive bids for the construction services, but rather negotiated with potential contractors for the combined TIF/TDD projects prior to the establishment of the district. All actions on behalf of the district were retroactively approved at the first board meeting in September 2003. Ultimately, pursuant to the promissory note, the district agreed to reimburse the owner/developer \$409,900 for the sewer improvements performed by the construction manager; \$3,225,400 for subcontracted earthwork; and \$380,300 for subcontracted asphalt pavement, curb and guttering work. Section 238.252, RSMo, requires that all construction contracts in excess of \$5,000 between a TDD and a private contractor be competitively bid and awarded to the lowest and best bidder. In addition, the construction manager also received compensation totaling about \$214,600 for his project management services.

- The district did not solicit requests for proposals for various professional services, including engineering services and legal counsel. These professional services were solicited by the owner/developer prior to the establishment of the district.

According to the construction manager, some of the preliminary engineering work had already been done prior to his hiring. Therefore, upon his hiring he negotiated rates for completion of the civil engineering services to ensure these engineering costs were reasonable. He also indicated bids were received from two firms for geotechnical engineering; however, documentation was not provided.

Approximately \$119,400 and \$158,000 was expended for geotechnical and civil engineering services, respectively, during the course of the project. The district expended about \$16,700 on legal services from its establishment in 2003 through the end of 2005. The engagement letter accepted by the district for these services indicated rates would be charged at \$225 per hour for attorney services (as of 2003). Most of the legal services billed the district were charged at rates between \$90 to \$140 per hour for paralegal and secretarial services and \$225 to \$250 per hour for attorney services.

- During negotiations related to the amended TIF Plan, the district stopped disbursing 50 percent of the sales tax collections to the city of Osage Beach as required by the original TIF Plan. According to city officials, the district owed the city an estimated \$50,000 as a result of this oversight. The amount owed the city was subsequently paid in December 2006.
- The district's 2004 budget was not prepared in a timely manner as it was not approved by the district board until December 2004. In addition, the district's 2004 and 2005 budgets failed to include a budget message, while the 2005 budget did not include a comparison of actual revenues and expenditures for the preceding fiscal year. Sections 67.010 to 67.040, RSMo, include the statutory provisions regarding annual budgets.
- Sales tax receipts were not deposited in a timely manner. Deposits were usually only made once or twice a month and averaged several thousand dollars.
- Accounting duties are not adequately segregated. The district's Secretary/Treasurer's duties include receiving and depositing the sales tax collections, preparing and signing checks for district expenditures, preparing bank reconciliations, and maintaining the accounting records. In addition, the district's board provides little oversight by approving invoices or other supporting documentation after the payments have been made. The district board approved 2004 and 2005 expenditures in December 2004 and February 2006, respectively.

The Prewitt Point TDD acknowledged receipt of this information, but did not provide a formal response.

APPENDIXES

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
210 Highway	09/23/97	Clay	Kansas City	Property Owners	1
Gravois Bluffs	12/07/99	St.Louis	Fenton	Property Owners & City of Fenton	2
Strother Interchange	01/21/00	Jackson	Lee's Summit	Property Owners	1
Fenton Crossing	02/08/00	St. Louis	Fenton	Property Owners	1
Kenilworth	08/15/00	St. Louis	Brentwood	Property Owners	1
Meramec Station Road and Highway 141	09/07/00	St. Louis	N/A	Property Owners	2
Douglas Square	09/21/00	Jackson	Lee's Summit	Property Owners	4
370/Missouri Bottom Road/Taussig Road	11/01/00	St. Louis	Bridgeton/Hazelwood	Property Owners	2
Boonville Riverfront	02/09/01	Cooper	Boonville	Property Owners & City of Boonville	1
Mark Twain Mall	02/20/01	St.Charles	St. Charles	Property Owners	1
I-470 and I-350	03/17/01	Jackson	Lee's Summit	Property Owners	1
St. John's Church Road	04/17/01	St. Louis	N/A	Property Owners	9
Ballwin Town Center	04/26/01	St. Louis	Ballwin	Property Owners	1
Brentwood Pointe	05/16/01	St. Louis	Brentwood	Property Owners	2
Platte County Missouri South I	06/19/01	Platte	Kansas City	Property Owners	3
Big Bend Crossing	06/25/01	St. Louis	Crestwood	Property Owners & City of Crestwood	1
Truman Road	06/25/01	Jackson	Independence	Property Owners	1
Country Club Plaza of Kansas City, Missouri	07/12/01	Jackson	Kansas City	Property Owners & TIF Commission of KC	3
Stardust-Munger-Diamond	10/16/01	Marion	Hannibal	Property Owners & City of Hannibal	1
Interstate Plaza/North Town Village	11/06/01	Pulaski	St. Robert	Property Owners & City of St. Robert	27
Wentzville	11/16/01	St. Charles	Wentzville	Property Owners	5
Shoppes at Old Webster	11/29/01	St. Louis	Webster Groves	Property Owners	3
Platte County Missouri South II	04/12/02	Platte	Kansas City	Property Owners	1
Thirty-Ninth Street	04/25/02	Jackson	Independence	City of Independence	**
St. John Crossings	06/25/02	St. Louis	St. John	Property Owners & City of St. John	1
Douglas Station	06/27/02	Jackson	Lee's Summit	Property Owners	1
CenterState	08/05/02	Boone	Columbia	Property Owners	1
Raintree North	08/19/02	Jackson	Lee's Summit	Property Owners	1
Shoppes at Cross Keys	09/18/02	St. Louis	Florissant	Property Owners	1
Station Plaza	12/04/02	St. Louis	Kirkwood	Property Owners & City of Kirkwood	1
Hanley/Eager Road	12/16/02	St. Louis	Brentwood	Property Owners	6
US Highway 65 and Truman Dam Access	03/12/03	Benton	Warsaw	Property Owners	1
Lake of the Woods	03/24/03	Boone	Columbia	Property Owners	2
I-70 and Adams Dairy Parkway	03/25/03	Jackson	Blue Springs	Property Owners	1
Ozark Centre	04/25/03	Christian	Ozark	Property Owners	1
Crestwood Point	05/15/03	St. Louis	Crestwood	Property Owners & City of Crestwood	2
M 150 and 135th Street	05/15/03	Jackson	Kansas City	Property Owners	1
Boscherts Landing	05/16/03	St. Charles	St.Peters	Property Owners	2
Salt Lick Road	05/16/03	St. Charles	St. Peters	Property Owners	1
Parkville Commons	06/09/03	Platte	Parkville	Property Owners	1
Pershall Road	07/30/03	St. Louis	Ferguson	Property Owners & City of Ferguson	1
Lee's Summit Missouri New Longview	07/31/03	Jackson	Lee's Summit	Property Owners	1
Prewitt Point	08/22/03	Miller	Osage Beach	Property Owners	2
Branson Regional Airport	09/04/03	Taney	Branson	Property Owners	1
WingHaven	09/11/03	St. Charles	O'Fallon	Property Owners	12
Merchant's Laclede	10/08/03	N/A	St. Louis	Property Owners	2
Belton Town Centre	11/17/03	Cass	Belton	Property Owners	10
71 Highway & 150 Highway	11/20/03	Jackson	Grandview	Property Owners	2
Brentwood/Strassner Road	02/24/04	St. Louis	Brentwood	City of Brentwood and St. Louis County	**
Hutchings Farm Plaza	03/04/04	St. Charles	O'Fallon	Property Owners	1

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
Mexico Road	04/08/04	St. Charles	O'Fallon	Property Owners	1
Southtown	04/12/04	N/A	St. Louis	Property Owners	1
Francis Place	04/13/04	St. Louis	Richmond Heights	Property Owners	1
Poplar Bluff Conference Center	05/04/04	Butler	Poplar Bluff	Property Owners	1
Eureka Commercial Park	05/10/04	St. Louis	Eureka	Property Owners	4
Hanley Road and North of Folk Avenue	05/19/04	St. Louis	Maplewood	Property Owners	1
Megan Shoppes	06/07/04	St. Charles	O'Fallon	Property Owners	2
Folk Avenue South	07/14/04	St. Louis	Maplewood	Property Owners	2
Hyannis Port Road	07/16/04	Jefferson	N/A	Property Owners & Jefferson County	3
St. Joseph Gateway	07/20/04	Buchanan	St. Joseph	Property Owners	1
Park Hills	07/28/04	St. Francois	Park Hills	Property Owners	2
Hawk Ridge	09/02/04	St. Charles	Lake St. Louis	Property Owners & City of Lake St. Louis	3
Olive Boulevard	09/09/04	St. Louis	Creve Coeur	Property Owners & City of Creve Coeur	2
Shoppes at Stadium	09/27/04	Boone	Columbia	Property Owners	1
Stadium Corridor	10/04/04	Boone	Columbia	Property Owners	4
Troy/Lincoln County	10/05/04	Lincoln	Troy	City of Troy & Lincoln County	**
Chesterfield Commons	10/12/04	St. Louis	Chesterfield	Property Owners	1
Eureka Old Town	10/12/04	St. Louis	Eureka	Property Owners & City of Eureka	4
North Main/Malone	11/19/04	Scott	Sikeston	Property Owners	1

New TDDs Established in 2005:

Grindstone Plaza	01/31/05	Boone	Columbia	Property Owners	3
Residence Inn Downtown St. Louis	02/14/05	N/A	St. Louis	Property Owners	1
Mid Rivers/N	02/17/05	St. Charles	St. Peters	Property Owners	1
Bowman	02/17/05	Pulaski	Waynesville	Property Owners	1
Farris Family	02/17/05	Pulaski	St. Robert	Property Owners	4
Wentzville Parkway I	03/03/05	St. Charles	Wentzville	Property Owners	1
St. Charles Riverfront	03/04/05	St. Charles	St. Charles	Property Owners	1
Wentzville II	03/07/05	St. Charles	Wentzville	Property Owners	1
Branson Landing	03/17/05	Taney	Branson	City of Branson	1
Highlands	04/20/05	N/A	St. Louis	Property Owners	2
Kingsmill	05/05/05	St. Charles	O'Fallon	Property Owners	2
Broadway-Fairview	05/10/05	Boone	Columbia	Property Owners	1
US 36/1-72	06/03/05	Marion	Macon/Hannibal	Transportation Corporation, 5 Counties & 6 Cities	**
Osage Station	07/19/05	Camden	Osage Beach	Property Owners	1
Northwoods	07/22/05	Boone	Columbia	Property Owners	1
Glenwood-Watson	07/26/05	St. Louis	Crestwood	Property Owners	2
Commons of Hazel Hills	08/11/05	Cole	Jefferson City	Property Owners	1
Dardenne Town Square	08/18/05	St. Charles	Dardenne Prairie/Lake Saint Louis	Property Owners	10
Hanley Station	09/29/05	St. Louis	Brentwood	Property Owners	1
Raintree Lake Village	10/19/05	Jackson	Lee's Summit	Property Owners	1
1717 Market Place	11/25/05	Jasper	Joplin	Property Owners	2
Cripple Creek	11/28/05	Butler	Poplar Bluff	Property Owners	1

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners
Chesterfield Valley	11/28/05	St. Louis	Chesterfield	City of Chesterfield	**
Hawthorne	11/30/05	Johnson	Warrensburg	Property Owners	7
Tuileries Plaza	12/09/05	Platte	Kansas City	Property Owners	1
Conley Road	12/09/05	Boone	Columbia	Property Owners	3
Harrisonville Towne Center	12/12/05	Cass	Harrisonville	Property Owners	1
Elm Grove	12/20/05	St. Louis	Hazelwood	Property Owners	2
Tuscany Village	12/21/05	Buchanan	St. Joseph	Property Owners	1

** The district has registered voters who approved the district's establishment.

Source: MoDOT TDD data base and the Judgement and Order issued by the Circuit Courts.

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS
ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**	TDD Within a TIF district?
210 Highway	\$ 8,587,389	11 Years	\$ 5,972,759	1 No
Gravois Bluffs	* 12,764,073	11.5 Years	30,211,614	Yes
Strother Interchange	25,846,800	20 Years	4,231,781	1 Yes
Fenton Crossing	* 4,574,762	20 Years	8,000,000	Yes
Kenilworth	* 1,500,000	14.5 Years	3,859,150	Yes
Meramec Station Road and Highway 141	6,720,000	40 Years	15,700,000	Yes
Douglas Square	450,000	20 Years	4,320,746	2 No
370/Missouri Bottom Road/Taussig Road	34,010,000	17 Years	54,596,724	Yes
Boonville Riverfront	3,908,420	40 Years	4,000,000	No
Mark Twain Mall	1,500,000	30 Years	5,000,000	Yes
I-470 and I-350	17,080,627	40 Years	134,326,373	3 Yes
St. John's Church Road	12,000,000	40 Years	27,000,000	No
Ballwin Town Center	* 1,300,000	21 Years	5,751,400	Yes
Brentwood Pointe	5,101,697	20 Years	13,503,100	Yes
Platte County Missouri South I	* 24,000,000	30 Years	52,000,000	No
Big Bend Crossing	1,487,415	20 Years	2,500,000	No
Truman Road	232,700	21 Years	483,363	Yes
Country Club Plaza	11,149,363	20 Years	30,163,825	Yes
Stardust-Munger-Diamond	4,704,000	19 Years	11,678,000	Yes
Interstate Plaza/North Town Village	* 3,980,000	20 Years	6,500,000	Yes
Wentzville	* 3,150,000	15 Years	5,921,700	No
Shoppees at Old Webster	520,000	20 Years	865,000	No
Platte County Missouri South II	-	-	-	4 No
Thirty-Ninth Street	15,075,640	23 Years	23,614,406	Yes
St. John Crossings	901,630	22 Years	2,354,600	Yes
Douglas Station	1,742,852	20 Years	3,461,671	No
Center State	7,542,000	21 Years	8,000,000	No
Raintree North	* 1,700,000	14 Years	1,700,000	No
Shoppees at Cross Keys	4,900,000	23 Years	12,000,000	Yes
Station Plaza	* 1,550,000	25 Years	3,461,395	No
Hanley/Eager Road	12,000,000	30 Years	22,924,051	Yes
US Highway 65 and Truman Dam Access	2,000,000	25 Years	4,250,000	No
Lake of the Woods	* 2,700,000	30 Years	Unknown	5 No
I-70 and Adams Dairy Parkway	* 1,950,000	10 Years	1,883,723	No
Ozark Centre	3,408,293	20 Years	6,000,000	No
Crestwood Point	2,986,000	40 Years	4,827,000	Yes
M 150 and 135th Street	12,000,000	20 Years	18,817,000	No
Boscherts Landing	553,342	40 Years	Unknown	5 No
Salt Lick Road	1,406,281	30 Years	Unknown	5 No
Parkville Commons	8,000,000	22 Years	12,000,000	Yes
Pershall Road	620,000	25 Years	993,000	No
Lee's Summit Missouri New Longview	5,900,000	20 Years	10,500,000	Yes
Prewitt Point	4,750,000	25 Years	16,152,000	Yes
Branson Regional Airport	* 150,000,000	30 Years	Unknown	5 No
WingHaven	3,048,098	20 Years	8,178,263	6 No
Merchant's Laclede	6,510,000	30 Years	10,080,000	No
Belton Town Centre	* 19,000,000	23 Years	5,480,360	1 Yes
71 Highway & 150 Highway	450,000	23 Years	763,850	Yes
Brentwood/Strassner Road	* 8,365,000	11 Years	8,550,000	Yes
Hutchings Farm Plaza	* 600,000	8 Years	816,000	No

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS
ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name	Estimated	TDD's	Total	TDD
	Project Costs	Estimated Life	Anticipated Revenues**	Within a TIF district?
Mexico Road	*	2,600,000	40 Years	3,000,000 No
Southtown	*	1,231,292	23 Years	4,204,762 Yes
Francis Place		4,400,000	23 Years	10,000,000 Yes
Poplar Bluff Conference Center		2,400,000	40 Years	Unknown 5 No
Eureka Commercial Park		1,430,000	40 Years	Unknown 5 No
Hanley Road and North of Folk Avenue		16,300,000	25 Years	30,900,000 No
Megan Shoppes	*	1,145,834	40 Years	5,520,000 No
Folk Avenue South		6,958,609	26 Years	19,500,000 Yes
Hyannis Port Road	*	564,512	5 Years	650,000 7 No
St. Joseph Gateway	*	Unknown	23 Years	1,821,212 8 Yes
Park Hills	*	750,000	20 years	200,000 1 Yes
Hawk Ridge		19,400,000	25 Years	38,700,000 No
Olive Boulevard	*	4,500,000	20 Years	8,881,735 Yes
Shoppes at Stadium		2,500,000	15 Years	4,000,000 No
Stadium Corridor		13,819,603	25 Years	16,120,457 No
Troy/Lincoln County	*	900,000	5 Years	900,000 9 No
Chesterfield Commons		12,000,000	30 Years	Unknown 5 Yes
Eureka Old Town		1,367,500	30 Years	1,260,000 10 No
North Main/Malone	*	8,600,000	23 Years	1,398,084 1 Yes

New TDDs Established in 2005

Grindstone Plaza	9,400,000	30 Years	24,000,000	No
Residence Inn Downtown St. Louis	500,000	20 Years	1,500,000	No
Mid Rivers/N	2,206,225	20 Years	8,400,000	No
Bowman	*	125,000	20 Years	500,000 No
Farris Family	250,000	Unknown	Unknown 5	No
Wentzville Parkway I	3,830,625	30 Years	Unknown 5	No
St. Charles Riverfront	10,000,000	20 Years	8,500,000 1	No
Wentzville II	2,800,000	25 Years	7,500,000	No
Branson Landing	53,759,228	23 Years	47,106,055 1	Yes
Highlands	700,000	23 Years	733,119	Yes
Kingsmill	1,525,000	40 Years	1,525,000	No
Broadway-Fairview	5,000,000	30 Years	17,000,000	No
US 36/I-72	136,000,000	15 Years	43,000,000 1	Yes
Osage Station	1,700,000	17 Years	1,700,000	No
Northwoods	1,120,000	30 Years	6,000,000	No
Glenwood-Watson	2,350,000	23 Years	1,952,005 1	Yes
Commons of Hazel Hills	*	12,000,000	15 Years	23,000,000 No
Dardenne Town Square	15,000,000	19 Years	10,750,000 1	No
Hanley Station	*	2,000,000	19 Years	6,670,000 Yes
Raintree Lake Village	1,530,000	24 Years	4,767,995	No
1717 Market Place	*	1,428,680	23 Years	2,070,000 Yes
Cripple Creek	2,087,628	Unknown	Unknown 5	No

APPENDIX B

TRANSPORTATION DEVELOPMENT DISTRICTS
ESTIMATED TDD PROJECT COSTS AND ANTICIPATED REVENUES

District Name	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues**	TDD Within a TIF district?
Chesterfield Valley	37,300,000	25 Years	25,175,000	1 Yes
Hawthorne	17,524,000	20 Years	8,807,602	1 No
Tuileries Plaza	3,600,000	16 Years	8,700,000	No
Conley Road	20,000,000	35 Years	57,000,000	No
Harrisonville Towne Center	1,124,000	23 Years	Unknown	5 Yes
Elm Grove	*	750,000	40 Years	2,000,000 No
Tuscany Village	13,000,000	23 Years	7,200,000	1 Yes
Total	\$ <u>923,704,118</u>		\$ <u>1,086,005,880</u>	

* The amount of project costs and anticipated revenues presented were amended by a district official or representative from the amounts initially reported on the TDD survey questionnaire.

**Interest costs on TDD debt and administrative costs of the districts would appear to account for the difference between total estimated project costs and total anticipated revenues for many of the TDDs. In addition, sales tax will be collected until the project's financing has been paid. If revenues exceed expectations this will decrease the TDD's estimated life.

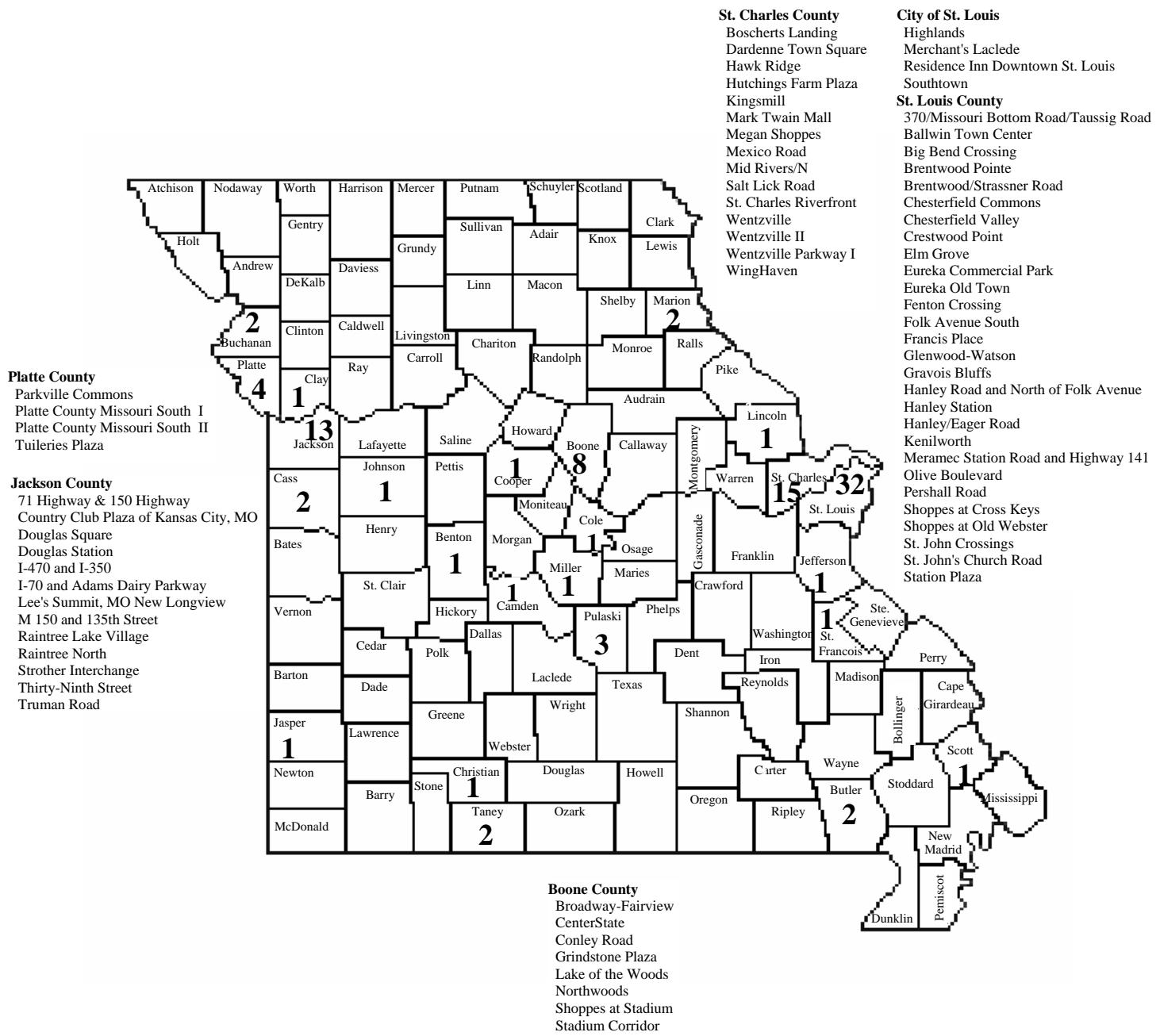
TIF - Tax Increment Financing - 50% of the sales tax collected is used for TIF projects unless an agreement specifies otherwise.

1. TDD sales tax revenues are used to supplement the project cost with the remaining project cost being funded from other revenue sources.
2. The additional revenue will be used to supplement the project cost related to an adjacent district.
3. The district's project(s) has several construction phases with estimated project costs provided only for Phase 1.
4. Project cost/life of district/anticipated revenue included in information presented for Platte County Missouri South I.
5. Anticipated revenues were not determined and sales tax will be collected until the project financing has been paid.
6. The estimated project costs reported by the district do not include an estimated annual expense of approximately \$200,000 for a trolley service system.
7. The district sales tax was repealed in November 2005, and the district was subsequently abolished in February 2007.
8. Projects will be determined as revenue is received.
9. The district sales tax was repealed August 2005; however, the district will remain in existence until the projects are completed (estimated at 3 additional years).
10. The district's project(s) was split into four phases and revenue was only estimated on two of the phases.

Source: TDD survey questionnaires and communication with district officials/representatives.

APPENDIX C

TRANSPORTATION DEVELOPMENT DISTRICTS
LOCATION OF TDDs BY COUNTY
(As of DECEMBER 31, 2005)



Note - Of the 32 TDDs located in the area identified as St. Louis, 28 of the districts are located in St. Louis County and 4 are located in the city of St. Louis.

Source: MoDOT TDD database

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Meramec Station Road and Highway 141 *	370/Missouri Bottom Road/ Taussig Road	St. John's Church Road	Thirty-Ninth Street * **	Douglas Station
Beginning balance, Fiscal Year 2003	\$ 0	35,818,315	68,117	0	0
Receipts:					
Sales taxes	3,202	0	326,691	571,663	4,481
Special assessments	0	0	0	0	0
Interest	0	599,144	640	0	0
Revenue bond/note proceeds	0	0	2,002,000	942,041	1,066,491
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	18,893
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	3,202	599,144	2,329,331	1,513,704	1,089,865
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	0	5,150	314,854	0
Debt service	0	2,773,624	288,007	12,454	80,703
Insurance	0	0	0	8,138	0
Accounting and auditing	0	0	0	1,000	0
Administrative	0	59,441	0	0	38,287
City transportation project costs	0	0	0	0	0
Transportation project costs	0	20,216,461	2,002,000	1,027,328	966,725
Collection fees	0	0	0	34,884	0
Tax increment financing	0	0	0	51,930	0
Other	17	0	290	2,514	0
Total Disbursements	17	23,049,526	2,295,447	1,453,102	1,085,715
Ending Balance, Fiscal Year 2003	3,185	13,367,933	102,001	60,602	4,150
Receipts:					
Sales taxes	44,367	1,172,719	361,783	824,913	43,913
Special assessments	19,833	0	0	0	0
Interest	0	291,027	1,140	54,999	3,619
Revenue bond/note proceeds	0	0	2,277,000	7,245,000	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	92,560
Donations	0	0	0	0	0
Other	0	0	50	0	26,685
Total Receipts	64,200	1,463,746	2,639,973	8,124,912	166,777
Disbursements:					
Bond issuance costs	0	0	0	295,154	0
Professional fees	0	0	3,400	167,789	0
Debt service	0	2,804,789	362,033	1,292,298	131,516
Insurance	0	0	0	6,142	0
Accounting and auditing	0	0	0	8,300	0
Administrative	0	19,034	0	0	15,964
City transportation project costs	0	0	0	0	0
Transportation project costs	0	2,904,815	2,277,000	1,122,489	0
Collection fees	0	0	0	14,960	0
Tax increment financing	0	572,504	0	100,771	0
Other	0	0	153	22,014	0
Total Disbursements	0	6,301,142	2,642,586	3,029,917	147,480
Ending Balance, Fiscal Year 2004	67,385	8,530,537	99,388	5,155,597	23,447
Receipts:					
Sales taxes	55,829	1,396,509	401,625	846,813	49,784
Special assessments	25,365	0	0	0	0
Interest	0	265,227	3,769	86,450	0
Revenue bond/note proceeds	11,795,813	791,507	0	0	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	91,981
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	11,877,007	2,453,243	405,394	933,263	141,765
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	39,208	0	2,051	34,514	0
Debt service	0	2,804,789	361,938	563,713	152,263
Insurance	0	0	0	6,491	0
Accounting and auditing	2,260	0	0	8,670	0
Administrative	0	142,836	0	13,200	9,458
City transportation project costs	0	0	0	0	0
Transportation project costs	11,795,813	661,371	0	250,005	0
Collection fees	0	0	0	20,646	0
Tax increment financing	1,529	573,905	0	113,897	0
Other	0	20,364	68	22,503	0
Total Disbursements	11,838,810	4,203,265	364,057	1,033,639	161,721
Ending Balance, Fiscal Year 2005	\$ 105,582	6,780,515	140,725	5,055,221	3,491

* Non-cash items presented on the TDD's financial statements were not presented on this schedule.

** The TDDs fiscal year end is June 30.

Source: TDD Annual Financial Reports or Audit Reports.

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	CenterState	Raintree North	Shoppes at Cross Keys	Hanley/Eager Road	US Highway 65 & Truman Dam Access
Beginning balance, Fiscal Year 2003	\$ 0	0	0	0	0
Receipts:					
Sales taxes	0	7,328	187,347	0	0
Special assessments	0	0	0	0	0
Interest	0	0	0	2,079	0
Revenue bond/note proceeds	0	0	0	11,978,595	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	44,024	200	0	0	0
Other	0	0	0	0	0
Total Receipts	44,024	7,528	187,347	11,980,674	0
Disbursements:					
Bond issuance costs	0	0	0	295,328	0
Professional fees	16,000	3,929	2,871	0	0
Debt service	0	0	163,980	68,335	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	26,361	0	0	0	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	10,877,674	0
Collection fees	0	0	1,664	0	0
Tax increment financing	0	0	0	0	0
Other	0	159	53	0	0
Total Disbursements	42,361	4,088	168,568	11,241,337	0
Ending Balance, Fiscal Year 2003	1,663	3,440	18,779	739,337	0
Receipts:					
Sales taxes	0	71,634	432,884	174,822	170,491
Special assessments	0	0	0	0	0
Interest	535	183	0	3,643	1,289
Revenue bond/note proceeds	10,230,018	0	0	0	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	10,230,553	71,817	432,884	178,465	171,780
Disbursements:					
Bond issuance costs	103,413	0	0	0	0
Professional fees	0	12,682	8,746	0	0
Debt service	1,120,000	0	385,716	276,412	0
Insurance	0	0	4,431	0	0
Accounting and auditing	0	5,657	0	0	0
Administrative	58	0	0	3,621	0
City transportation project costs	0	0	0	0	0
Transportation project costs	8,764,089	0	0	306,016	0
Collection fees	0	5,766	4,025	0	0
Tax increment financing	0	0	0	0	0
Other	0	3,001	28	0	0
Total Disbursements	9,987,560	27,106	402,946	586,049	0
Ending Balance, Fiscal Year 2004	244,656	48,151	48,717	331,753	171,780
Receipts:					
Sales taxes	58,149	84,489	707,535	179,078	163,296
Special assessments	0	0	0	0	0
Interest	5,726	0	0	9,075	5,020
Revenue bond/note proceeds	0	0	0	22,511	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	63,875	84,489	707,535	210,664	168,316
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	10,183	5,101	0	14,862
Debt service	98,614	0	686,786	276,412	297,469
Insurance	0	0	4,431	0	0
Accounting and auditing	0	0	0	3,670	4,238
Administrative	23,363	0	0	1,789	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	778	0
Collection fees	0	845	7,058	0	0
Tax increment financing	0	0	0	0	0
Other	0	1,994	42	0	0
Total Disbursements	121,977	13,022	703,418	282,649	316,569
Ending Balance, Fiscal Year 2005	\$ 186,554	119,618	52,834	259,768	23,527

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Lake of the Woods	I-70 & Adams Dairy Parkway	Crestwood Point	M150 & 135th Street *	Parkville Commons
Beginning balance, Fiscal Year 2003	\$ 0	0	0	0	0
Receipts:					
Sales taxes	0	0	18,010	18,451	0
Special assessments	0	0	0	0	0
Interest	0	0	0	0	0
Revenue bond/note proceeds	0	0	0	0	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	100	0	0	0	0
Other	0	0	0	0	0
Total Receipts	100	0	18,010	18,451	0
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	0	0	0	0
Debt service	0	0	0	0	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	0	0	0	0	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	0	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	0	0	0
Total Disbursements	0	0	0	0	0
Ending Balance, Fiscal Year 2003	100	0	18,010	18,451	0
Receipts:					
Sales taxes	7,897	206,502	162,382	153,114	138,245
Special assessments	0	0	0	0	0
Interest	0	1,135	0	15,970	340
Revenue bond/note proceeds	0	0	0	10,499,072	0
Payment from city	0	0	0	0	0
Payments from another TDD	0	0	0	0	0
Donations	0	0	0	0	0
Other	24	0	0	0	0
Total Receipts	7,921	207,637	162,382	10,668,156	138,585
Disbursements:					
Bond issuance costs	0	0	0	448,595	0
Professional fees	0	0	5,000	42,028	0
Debt service	0	0	0	219,474	0
Insurance	0	0	0	0	0
Accounting and auditing	0	0	0	0	0
Administrative	0	0	0	5,108	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	8,184,837	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	65	35	65	0	32
Total Disbursements	65	35	5,065	8,900,042	32
Ending Balance, Fiscal Year 2004	7,956	207,602	175,327	1,786,565	138,553
Receipts:					
Sales taxes	10,950	133,454	156,367	229,804	284,986
Special assessments	0	0	0	0	0
Interest	0	1,312	0	21,879	1,667
Revenue bond/note proceeds	0	0	0	0	0
Payment from city	0	0	0	0	0
Payments to another TDD	0	0	0	0	0
Donations	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	10,950	134,766	156,367	251,683	286,653
Disbursements:					
Bond issuance costs	0	0	0	0	0
Professional fees	0	49,885	0	22,432	0
Debt service	0	265,484	0	523,250	400,000
Insurance	0	0	0	0	0
Accounting and auditing	0	6,865	0	0	0
Administrative	0	0	0	13,901	0
City transportation project costs	0	0	0	0	0
Transportation project costs	0	0	0	829,817	0
Collection fees	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	7	0	60
Total Disbursements	0	322,234	7	1,389,400	400,060
Ending Balance, Fiscal Year 2005	\$ 18,906	20,134	331,687	648,848	25,146

* Non-cash items presented on the TDD's financial statements were not presented on this schedule.

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES - SELECTED TDDs

	Lee's Summit Missouri New Longview	Prewitt Point
Beginning balance, Fiscal Year 2003	\$ 0	0
Receipts:		
Sales taxes	0	0
Special assessments	0	0
Interest	0	0
Revenue bond/note proceeds	5,435,000	0
Payment from city	251,000	0
Payments from another TDD	0	0
Donations	0	0
Other	0	0
Total Receipts	<u>5,686,000</u>	<u>0</u>
Disbursements:		
Bond issuance costs	183,583	0
Professional fees	0	0
Debt service	0	0
Insurance	0	0
Accounting and auditing	0	0
Administrative	30,485	0
City transportation project costs	2,085,936	0
Transportation project costs	45,000	0
Collection fees	0	0
Tax increment financing	0	0
Other	0	0
Total Disbursements	<u>2,345,004</u>	<u>0</u>
Ending Balance, Fiscal Year 2003	<u>3,340,996</u>	<u>0</u>
Receipts:		
Sales taxes	0	74,795
Special assessments	0	0
Interest	27,545	0
Revenue bond/note proceeds	0	0
Payment from city	983,000	0
Payments from another TDD	0	0
Donations	0	300
Other	0	0
Total Receipts	<u>1,010,545</u>	<u>75,095</u>
Disbursements:		
Bond issuance costs	0	0
Professional fees	0	8,329
Debt service	964,464	0
Insurance	0	0
Accounting and auditing	0	532
Administrative	23,926	0
City transportation project costs	1,474,634	0
Transportation project costs	110,753	0
Collection fees	0	0
Tax increment financing	0	29,834
Other	0	74
Total Disbursements	<u>2,573,777</u>	<u>38,769</u>
Ending Balance, Fiscal Year 2004	<u>1,777,764</u>	<u>36,326</u>
Receipts:		
Sales taxes	0	228,908
Special assessments	0	0
Interest	61,803	1,993
Revenue bond/note proceeds	0	0
Payment from city	2,346,000	0
Payments to another TDD	0	0
Donations	0	0
Other	0	0
Total Receipts	<u>2,407,803</u>	<u>230,901</u>
Disbursements:		
Bond issuance costs	0	0
Professional fees	0	8,454
Debt service	2,361,588	100,000
Insurance	0	0
Accounting and auditing	0	114
Administrative	27,831	0
City transportation project costs	931,384	0
Transportation project costs	757,963	0
Collection fees	0	0
Tax increment financing	0	100,497
Other	0	222
Total Disbursements	<u>4,078,766</u>	<u>209,287</u>
Ending Balance, Fiscal Year 2005	<u>\$ 106,801</u>	<u>57,940</u>

APPENDIX E

TRANSPORTATION DEVELOPMENT DISTRICTS SUMMARY OF MANAGEMENT LETTER COMMENTS ISSUED BY INDEPENDENT AUDITORS – SELECTED TDDs

Expenditures

- Invoices were not effectively canceled after payment was made (Thirty-Ninth Street TDD).

Accounting Records and Procedures

- Three districts did not have a written accounting policies and procedures manual (CenterState, Hanley/Eager Road, and M150 & 135th Street TDDs).
- District activities were not separately reported in individual fund types (Thirty-Ninth Street TDD).
- Differences between sales tax collection reports and monthly deposits were not reconciled (Thirty-Ninth Street TDD).

Budgetary Procedures

- For three districts, the budget format was presented in a different method from the district's established funds (370/Missouri Bottom Road/Taussig Road, Thirty-Ninth Street, and Hanley/Eager Road TDDs).
- An annual budget was not adopted (Thirty-Ninth Street TDD).
- Expenditures exceeded budgetary appropriations in various funds (Thirty-Ninth Street TDD).

Investments

- A written investment policy was not adopted (M150 & 135th Street TDD).

Pledged Securities

- Monies held by banks were not fully collateralized (Thirty-Ninth Street TDD).

Fraud Detection Program

- Three district's did not have a proper fraud detection program (370/Missouri Bottom Road/Taussig Road, CenterState, and Hanley/Eager Road TDDs).

GASB 34 Implementation

- It was recommended in two districts that they continue to plan for the adoption of Governmental Accounting Standards Board, Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for States and Local Governments (Thirty-Ninth Street and Hanley/Eager Road TDDs).