Susan Montee, JD, CPA

Missouri State Auditor

Brentwood/Strassner Road Transportation Development District

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YELLOW SHEET

Findings in the audit of the Brentwood/Strassner Road Transportation Development District

Financial Status

The State Auditor's office (SAO) conducted an audit of the Brentwood/Strassner Road Transportation Development District (TDD) as required by Section 238.275, RSMo, to determine if the district's financial condition is such that it may be abolished prior to submitting the question of abolishing the district to a vote.

The Brentwood/Strassner Road TDD was organized in May 2004, after petition by the City of Brentwood and St. Louis County and approval of the registered voters within the district. It is located in the City of Brentwood, in St. Louis County. The district was formed for the purpose of acquiring and constructing several transportation projects with a total estimated cost of approximately $8.4 million. The City of Brentwood, St. Louis County, Metro, and the Missouri Department of Transportation were the public entities with jurisdiction over these projects.

In October 2008, a petition was filed to create the Hanley Road Corridor TDD, which includes a portion of the area encompassed by the Brentwood/Strassner Road TDD. This new TDD was subsequently organized in 2009 for the purpose of consolidating the activities and paying the costs of financing or refinancing certain transportation-related improvements of the Brentwood/Strassner Road TDD and four other local TDDs. In November 2009, the Brentwood/Strassner Road TDD Board approved a resolution formalizing its intent to dissolve the district and request an audit by the SAO as required by state law, prior to submitting the question of abolishing the district to a vote.

Our audit of the Brentwood/Strassner Road TDD concluded the district's financial condition is such that it may be abolished and the TDD's Board of Directors can proceed with the abolishment of the district.

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SUSAN MONTEE, JD, CPA
Missouri State Auditor

Pat Kelly, Chairman
and
Board of Directors
Brentwood/Strassner Road Transportation Development District
Brentwood, Missouri

The State Auditor is required under Section 238.275, RSMo, to audit a transportation development district prior to the question of abolishment being submitted to a vote. On November 30, 2009, the Board of Directors of the Brentwood/Strassner Road Transportation Development District approved a resolution of its intent to dissolve the district and request an audit as required by state law. The State Auditor was subsequently notified of this resolution.

The district engaged Hochschild, Bloom & Company LLP, Certified Public Accountants (CPAs) to audit the district's financial statements for the year ended December 31, 2009. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2009. The objectives of our audit were to:

1. Evaluate the financial status of the district and determine whether the district may be abolished pursuant to law.

2. Review the receipts, disbursements, and cash and investment balances of the district.

3. Evaluate the district's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, financial records, and other pertinent documents; and interviewing various representatives of the district, as well as certain external parties.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Management Advisory Report presents our findings arising from our audit of the Brentwood/Strassner Road Transportation Development District.

Susan Montee

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Robert L. McArthur II

Financial Status

Our audit of the Brentwood/Strassner Road Transportation Development District (TDD) indicates the district's financial condition is such that it may be abolished since the district's assets exceed or meet its outstanding liabilities.

The Brentwood/Strassner Road TDD was organized in May 2004, after petition by the City of Brentwood and St. Louis County and approval of the registered voters within the district. The TDD's Board of Directors and officers include representatives of the city, county, and Metro (the owner/operator of the St. Louis metropolitan region's public transportation system).

The qualified voters of the district, in this case the registered voters, approved the imposition of a 1/2-cent sales tax on all transactions which are taxable within the boundaries of the district, effective July 2004. The sales tax was expected to remain in effect for 11 years, unless terminated sooner. The retail establishments within the district collected the sales taxes and forwarded 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. The district is primarily bounded by South Brentwood Boulevard to the west, South Hanley Road to the east, Manchester Road to the south, and Eager Road to the north. The TDD encompasses various developments, including Brentwood Square and Brentwood Promenade, that include retail, grocery, department store, and banking establishments. The TDD has a fiscal year end of December 31. An annual financial audit of the district was conducted by an independent auditor for 2009.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately $8.4 million:

- Design and construction of a new MetroLink bridge, the "Strassner Road Bridge" (in accordance with plans approved by the Bi-State Development Agency, the former agency name of Metro).

- Acquisition, design, and construction of the "Strassner Road Extension".

- Design and construction of improvements to Eager Road or other arterial county roads within or adjacent to and benefiting the district.

- Relocation within the city of its public works facility.

- Acquisition, design, and construction of a pedestrian trail system.

- Design and construction of improvements to Wrenwood Lane.

- Other similar or related infrastructure or improvement and incidental right-of-way.

In addition, if funds were available, the district was to fund the design and construction of a new MetroLink station. The district issued approximately $9.85 million in tax-exempt revenue bonds in June 2004 to finance the cost of the projects.

Certain portions of the projects were acquired or constructed by Metro or the City of Brentwood, including the design and construction of the "Strassner Road Bridge" and the relocation of the city public works facility. As a result, the district agreed to reimburse Metro $1,673,480 for cost overruns on the "Stassner Road Bridge" project and the city $400,000 for costs incurred related to the public works facility.

The City of Brentwood, St. Louis County, Metro, and the Missouri Department of Transportation (MoDOT) were the public entities with jurisdiction over these projects. These entities have accepted dedication of the completed projects.

Because the district is partially located within two different tax increment financing (TIF) areas, 50 percent of the sales taxes collected from retailers in the TIF areas was paid to the City of Brentwood for deposit to the accounts relating to the TIF projects.

In October 2008, the Brentwood Point and Folk Avenue South TDDs jointly filed a petition to create the Hanley Road Corridor (HRC) TDD, which includes a portion of the area encompassed by the Brentwood/Strassner Road TDD (that portion which includes the businesses charging the sales tax). The HRC TDD was officially organized in March 2009 for the purpose of paying the cost of financing or refinancing certain transportation-related improvements, including the refinancing of the Brentwood/Strassner Road TDD's outstanding debt obligations. The creation of the HRC TDD served to effectively consolidate the activities of the Brentwood/Strassner TDD and four other local TDDs by refinancing and/or accepting the debt of those TDDs and assuming all other financial responsibilities within the newly-created HRC TDD.

On July 31, 2009, the District Board approved a resolution repealing its sales tax upon the effective date of a sales tax imposed and issuance of obligations by the HRC TDD. The HRC TDD's bonds were subsequently issued on August 31, 2009, resulting in the liquidation of $9.3 million in

Brentwood/Strassner Road TDD debt-related obligations, including debt principal ($8.3 million), accrued interest, and other debt refunding expenses. In addition, approximately $2.1 million in HRC TDD bond proceeds were used to relieve the TDD of the remaining liability due Metro and the City of Brentwood for the "Strassner Road Bridge" and relocation of the city public works facility. The HRC TDD sales tax became effective September 1, 2009, with the Brentwood/Strassner Road TDD sales tax being repealed that same date.

On November 30, 2009, the District Board approved a resolution formalizing its intent to dissolve the district, authorizing legal counsel and the State Auditor to proceed with all necessary actions as required pursuant to Section 238.275, RSMo. The State Auditor's office (SAO) was advised of these resolutions on February 26, 2010. According to a district representative, the district anticipates submitting a ballot question to abolish the TDD to its voters in November 2010.

The SAO has performed an audit of the Brentwood/Strassner Road TDD as required by Section 238.275, RSMo. That statute requires the State Auditor to audit the district to determine the financial status of the district, and determine whether the district may be abolished pursuant to law. That law also states the district board shall not propose the question to abolish the district while there are outstanding claims or causes of action pending against the district; if its liabilities exceed its assets; or while the district is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.

The following table presents the financial activity and cash balances of the district for the year ended December 31, 2009 (as presented on a cash basis):

		Year Ended December 31, 2009
RECEIPTS		
Sales taxes	$	451,083
Investment income		413
Intergovernmental receipt - HRC TDD		275,850
Total Receipts		727,346
DISBURSEMENTS		
Legal costs		73,693
Administration		6,526
Audit		6,568
Insurance		2,458
Transportation development		26,182
Intergovernmental payment - HRC TDD		977,719
Debt service		635,450
Total Disbursements		1,728,596
RECEIPTS OVER (UNDER) DISBURSEMENTS		(1,001,250)
BEGINNING CASH		1,001,250
ENDING CASH	$	0

Based on our audit of the district, the district's cash balance and recorded liabilities at December 31, 2009, were zero. To cover final expenses of the TDD prior to abolishment, additional funding is to be provided by the HRC TDD on behalf of the Brentwood/Strassner Road TDD in accordance with the Amended and Restated Intergovernmental Cooperation Agreement and the HRC TDD Bond Indenture. In July 2010, the balance of the account maintained for the additional funding provided under the HRC TDD Bond Indenture was $34,957.

The district's legal counsel estimates the district's outstanding liabilities for final administrative costs (legal fees, election costs, and audit costs) at approximately $30,000. Based upon the legal counsel's estimate, the district's assets (the funding provided by the HRC TDD) will be sufficient to pay any remaining obligations and costs of the district.

Based on our audit of the district, the TDD's Board of Directors can proceed with the abolishment of the district in accordance with Section 238.275, RSMo.