



Susan Montee, JD, CPA
Missouri State Auditor

Transportation Development Districts



February 2010
Report No. 2010-22

auditor.mo.gov



Office of the
Missouri State Auditor
Susan Montee, JD, CPA

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

As of December 31, 2007, 139 transportation development districts (TDDs) had been established in the state of Missouri, including 18 TDDs established in 2007. 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 statutory changes made that year that 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 resulted in a dramatic increase in the number of TDDs established, with the rate of growth peaking in 2005 and declining since that time.

Of the 139 TDDs established as of December 31, 2007, 134 (or 96 percent) were initiated by a petition filed by the property owners. In a survey of those TDDs, officials or representatives of the TDDs reported total estimated transportation project costs of over \$1.26 billion. In addition, those TDDs reported total estimated revenues of over \$1.54 billion would be collected over the lives (ranging from 5 to 40 years) of the respective TDDs. In addition, 42 percent of the TDDs established as of December 31, 2007, 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 sale tax revenue to its own transportation project costs.

Our initial audit of TDDs (Report No. 2006-12, *Transportation Development Districts*, issued in March 2006), reported various issues in the areas of public awareness and involvement, accountability, and compliance. We recommended the General Assembly review these issues and work with the Missouri Department of Transportation, the State Auditor's Office (SAO), and other governmental entities to make necessary revisions to the TDD-related statutes. During the 2009 legislative session, legislation was passed which addressed several of the most significant issues/concerns reported previously. This new legislation requires (1) the petition filed to initiate the creation of a district to set forth details of the budgeted expenditures; (2) at least one public hearing regarding the creation and funding of the proposed district, if the petition was filed by the property owners; (3) the Department of Revenue to be responsible for the administration and collection of TDD sales taxes; and (4) the imposition of a fine not to exceed \$500 per day for the failure of a TDD to submit a copy of its annual financial statement to the SAO on a timely basis. This legislation was subsequently signed by the Governor and became effective August 28, 2009.

YELLOW SHEET

Our current audit reviewed 14 TDDs established in 2005 or prior. Various concerns were noted related to the competitive procurement of construction contracts. In some districts, competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be determined. In one instance, the contractor was a related party and work on the projects had already begun prior to the establishment of the district. In another instance, construction materials were purchased from a related party without competitive bids.

Requests for proposals (RFPs) for various professional services were not properly solicited in several instances, with substantial costs incurred prior to the establishment of the applicable districts. These services were provided primarily by engineers, legal counsel, and bond underwriters.

For two districts, members of the districts' boards were not Missouri residents, as required, and two district boards failed to meet annually. Two other districts borrowed from their debt service accounts to pay for a portion of principal and/or interest due on bond issues because the initial sales tax revenue projections for both districts were inaccurate. As a result of these borrowings, these districts reported material events to the Securities and Exchange Commission, as required by federal regulations.

Various problems were noted related to the annual budgets of many of the selected districts. In addition, many of the TDDs (20 percent of all districts established) had not filed one or more annual financial reports with the SAO, as statutorily required. Other findings in the audit report related to prevailing wage issues and monies not fully collateralized.

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TRANSPORTATION DEVELOPMENT DISTRICTS

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, 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 our audit included, but was not necessarily limited to, TDDs established since the inception of the Transportation Development District Act in 1990 through December 31, 2007. The objectives of our audit were to:

1. Report selected information regarding the various TDDs.
2. Determine and report the TDDs' estimated transportation project 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 our initial audit of TDDs, (Report No. 2006-12, *Transportation Development Districts*, issued in March 2006).
4. Perform and report on audit work related to 14 selected TDDs that were established in 2005 or prior, involving a more in-depth review of the districts' transportation projects, financial activity, procurement practices, and statutory compliance.

Our methodology included reviewing financial reports or audits filed with the State Auditor's office and information maintained by the Missouri Department of Transportation (MoDOT); reviewing minutes and financial records and other information maintained by or received from various TDD officials/representatives and municipal officials; testing selected transactions; and interviewing various TDD officials/representatives and municipal officials. Some of the selected TDDs had engaged 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.

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



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

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

OBJECTIVES, SCOPE, AND METHODOLOGY

TRANSPORTATION DEVELOPMENT DISTRICTS OBJECTIVES, SCOPE, AND METHODOLOGY

Sections 238.200 to 238.280, 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. Therefore, most TDDs generally will not exist for more than 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, the majority of which are 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 within the proposed TDD; (2) by all the owners of real property located within its proposed boundaries, if there are no eligible registered voters residing within the proposed district; (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, 2007, 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, 2007, and information regarding their establishment.

State law requires a copy of the petition filed to establish a TDD to 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 Sections 99.800 to 99.865, RSMo, and these statutes allow 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 A for information regarding whether a particular TDD is located within a TIF area.

¹ Section 238.202, RSMo, currently defines qualified voters as any persons residing within the proposed or established district who have registered to vote pursuant to Chapter 115, RSMo, and the owners of real property, who shall receive one vote per acre, provided that any registered voter who also owns property must elect whether to vote as an owner or a registered voter.

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.

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.

As noted in our previous report, in April 2007, the SAO was advised of plans to abolish the Eureka South I-44 TDD, in St. Louis County. Because no taxes had been imposed by this district nor had any other financial activity occurred, no final audit was required and the TDD was formally abolished in June 2008. In addition, in March 2008, the SAO was advised of plans to abolish the Troy/Lincoln County TDD. The SAO subsequently performed an audit of this TDD (Report No. 2008-71, *Troy/Lincoln County Transportation Development District*, issued in October 2008), and this TDD was formally abolished in January 2009.

Objectives

The objectives of this audit were to (1) report selected information regarding the various TDDs; (2) determine and report the TDDs' estimated transportation project 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 our initial audit of TDDs, (Report No. 2006-12, *Transportation Development Districts*, issued in March 2006); and (4) perform and report on audit work related to 14 selected TDDs, 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, 2007. At December 31, 2007, 139 TDDs had been established in the state of Missouri. Forty-four of these TDDs were established in 2005 or prior, had existed for portions of at least 3 fiscal years, and had not previously been considered or selected for review by the SAO for at least 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 238.280, 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.
- 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 districts or their records custodian.

Methodology

During our audit, we used annual financial reports or audit reports filed by the various TDDs with the SAO, as well as an internal database established by the SAO, to identify those TDDs established in 2007 and prior and to account for the various financial reports/audits received.

We gathered additional information regarding the TDDs established in 2007 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 (e.g., 1 percent). Some of this information is presented in Appendix A.

Similar to procedures used in our previous audits, survey questionnaires were sent to each TDD established in 2007, requesting information including, but not limited to, the geographic location of the TDD, estimated total project costs, how project costs were financed and the amount of 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, whether financial audits have been conducted by an independent auditor, 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 A.

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 2007. 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 2007.

The selected districts included 6 of 24 districts that were audited by an independent auditor and 8 of 20 districts that were unaudited. The audited districts were selected because of the significance of their financial activity, with all of them having recorded project cost expenses in excess of \$5 million during the 3 fiscal years ended 2007.

The 8 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 2007 (these districts were established in 2005). The reported disbursements of the 12 unaudited districts that were not selected totaled approximately \$1.92 million during the 3 fiscal years ended 2007.

The following table includes the 44 TDDs considered for review during our current audit, including the 14 TDDs selected for review. The TDDs established prior to 2005 were considered for review during a previous audit of TDDs. 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
210 Highway	09/23/97	03/31		X		
Gravois Bluffs	12/07/99	12/31	X			
Strother Interchange	01/21/00	12/31	X			
Fenton Crossing	02/08/00	12/31				X
Kenilworth (1)	08/15/00	12/31		X		
Douglas Square	09/21/00	12/31				X
Boonville Riverfront	02/09/01	12/31				X
I-470 and I-350	03/17/01	12/31		X		
Ballwin Town Center	04/26/01	12/31		X		
Brentwood Pointe	05/16/01	12/31		X		
Platte County Missouri South I & II	06/19/01	12/31		X		
Truman Road	06/25/01	12/31				X
Country Club Plaza of Kansas City, Missouri	07/12/01	12/31		X		
Wentzville	11/16/01	12/31		X		
Shoppes at Old Webster	11/29/01	12/31				X
Grindstone Plaza	01/31/05	12/31	X			
Residence Inn Downtown St. Louis	02/14/05	06/30		X		
Bowman	02/17/05	12/31				X
Farris Family	02/17/05	12/31				X
Mid Rivers/N (2)	02/17/05	12/31		X		
Wentzville Parkway I	03/03/05	12/31		X		

St. Charles Riverfront	03/04/05	12/31		X		
Wentzville II (1)	03/07/05	12/31		X		
Branson Landing	03/17/05	09/30			X	
Highlands	04/20/05	12/31				X
Kingsmill	05/05/05	12/31			X	
Broadway-Fairview	05/10/05	12/31	X			
US 36/I-72	06/03/05	06/30		X		
Osage Station	07/19/05	12/31			X	
Northwoods	07/22/05	12/31		X		
Glenwood-Watson	07/26/05	12/31		X		
Commons of Hazel Hills	08/11/05	12/31				X
Dardenne Town Square	08/18/05	12/31	X			
Hanley Station	09/29/05	12/31			X	
Raintree Lake Village	10/19/05	12/31			X	
1717 Market Place	11/25/05	12/31			X	
Chesterfield Valley	11/28/05	12/31	X			
Cripple Creek	11/28/05	12/31				X
Hawthorne Development	11/30/05	12/31		X		
Conley Road	12/09/05	12/31		X		
Tuileries Plaza	12/09/05	12/31			X	
Harrisonville Towne Center	12/12/05	12/31			X	
Elm Grove	12/20/05	12/31				X
Tuscany Village	12/21/05	12/31				X

(1) Independently audited through fiscal year 2005.

(2) Independently audited for fiscal year 2007 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 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) report the results of audit work on the selected TDDs in the following areas, including but not limited to: internal controls, cash, receipts, disbursements, 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 financial data of the selected TDDs. 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 14 selected districts is presented in Appendix C. The financial information presented on this appendix reflects the financial activity and balances of the selected TDDs during the applicable years; however, it does not reflect any project-related costs incurred by the developers that had not yet been reimbursed by the applicable districts. In some cases, those unreimbursed developer-incurred

costs are substantial. A summary of audit findings reported by the various independent auditors (of the applicable 6 selected districts) is presented in Appendix D.

Limitations

Some data presented in Appendixes A and C was compiled from survey information submitted by officials/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 Appendix A 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 C 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 D were extracted from the independent auditors' reports (i.e. non-compliance required to be reported under general accepted government auditing standards (GAGAS)) or management letters (i.e. internal control weaknesses not required to be reported under GAGAS). These comments were not verified by us through additional audit procedures for accuracy, validity, or completeness.

OBSERVATION AND RESULTS

TRANSPORTATION DEVELOPMENT DISTRICTS OBSERVATIONS AND RESULTS

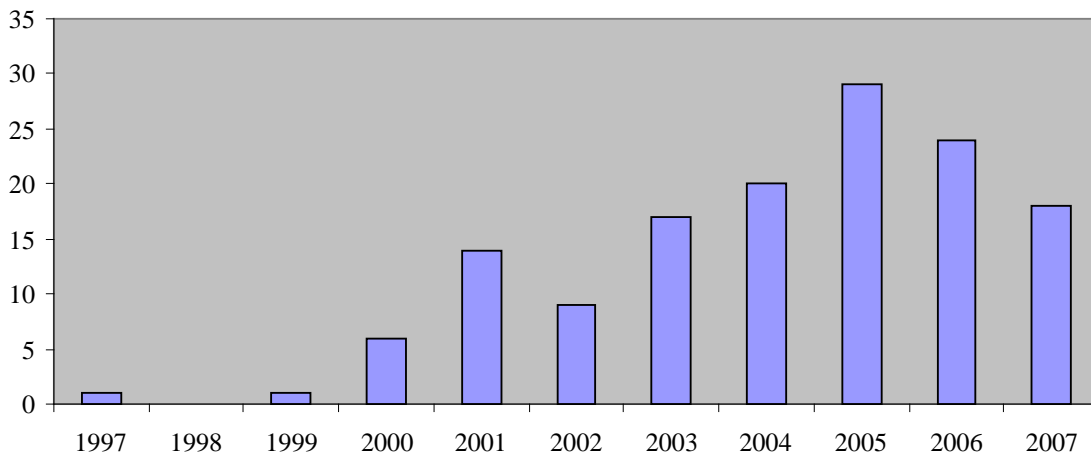
Background

As of December 31, 2007, 139 transportation development districts (TDDs) had been established in Missouri, including 18 TDDs established in 2007. Almost 70 percent of the districts have been established in the state's two biggest metropolitan areas, with 66 and 31 of the TDDs being located in the St. Louis and Kansas City metropolitan areas,¹ respectively.

As noted in our previous reports, 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 resulted in a dramatic increase in the number of TDDs established, with the rate of growth peaking in 2005 and declining since that time, as shown in the following graph.

Number of TDDs Established by Year



Of the 139 TDDs established as of December 31, 2007, 134 (or 96 percent) were initiated by a petition filed by the property owners. The rate of decline in the number of newly-established TDDs that began in 2006 continued in 2008, with only 14 additional TDDs established during that year (according to MoDOT's records). While we were unable to determine all factors that

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.

might have resulted in fewer TDD being established since 2005, some recent legislative changes may have contributed to this decline.

In a survey of the 139 TDDs established as of December 31, 2007, officials/representatives of the TDDs reported total estimated transportation project costs of over \$1.26 billion. In addition, those officials/representatives reported total estimated revenues of over \$1.54 billion would be collected over the lives of the respective TDDs. Estimated project costs and anticipated revenue information was not reported for a few of the TDDs because the information had not been determined or could not be located. In one instance, the TDD was abolished before estimated transportation project costs and revenues were determined. In another instance, the TDD was determined no longer to be feasible at the present time. Two other TDDs (Harrisonville Market Place A and Harrisonville Market Place B) did not respond to our survey.

The total estimated project costs and anticipated revenue amounts provided by the various TDDs are presented in Appendix A. It appears interest costs on TDD debt and administrative expenses of various districts account for the difference when total anticipated revenues exceed total estimated project costs. In other instances where total estimated project costs exceed total anticipated revenues, TDD sales tax revenues are most likely being used to pay only a portion of the total project costs, with the remaining project costs being funded from other revenue sources (i.e. private financing, other government or TIF funding, etc.).

The table below breaks down the total estimated project costs and anticipated revenues of the 139 TDDs into various dollar ranges.

Dollar Range	Number of TDDs	
	Estimated Transportation Project Costs	Expected Revenues
\$0 to \$1million	18	11
\$1 million to \$5 million	58	43
\$5 million to \$10 million	20	26
\$10 million to \$15 million	16	12
\$15 million to \$35 million	17	22
More than \$35 million	5	8
Not reported	5	17

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 139 TDDs will range from 5 to 40 years. Based on information provided by the TDDs, all but six of the districts established as of December 31, 2007, have imposed a sales tax, with rates ranging from 1/8-cent (0.125 percent) to 1-cent (1 percent) on retail items sold within the districts' boundaries (three districts had not yet imposed a sales tax, another district was dissolved in June 2008 prior to imposing a sales tax, and two districts have not provided us any information regarding whether a sales tax has been imposed or the rate). As a result, all retail establishments located within a TDD that has imposed a sales tax charge a higher total sales tax than retail establishments that lie

outside the district's boundaries. Also, based on information provided by the TDDs, 13 of the 139 TDDs receive revenue from a source in addition to/or in lieu of a sales tax (i.e. special assessment, property tax, parking fee, airport fee, or other related fee).

The boundaries of 56 (42 percent) TDDs, established as of December 31, 2007, 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 noted in previous audits, 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, Accountability, and Compliance Issues

In our initial audit of TDDs (Report No. 2006-12, *Transportation Development Districts*, issued in March 2006), we reported various issues regarding TDDs in the areas of public awareness/involvement, 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.
- 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 (DOR).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.

² Sections 238.235 and 238.236, RSMo, provided that any sales taxes imposed by TDDs, except for those districts that consist of an entire county(ies) or city(ies), were to be collected by the districts themselves. The DOR was only responsible for administering the sales taxes of those TDDs that consisted of an entire county(ies) or city(ies).

- 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.
- The revenues of TDDs located in TIF areas were 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 these issues required legislative change to address the matters reported, we recommended the General Assembly review these issues and work with MoDOT, the SAO, and other governmental entities to make necessary revisions to the TDD-related statutes. In 2007, statutory language was changed to require that a petition filed to establish a TDD must include the estimated project costs and the anticipated revenues to be collected.

During the 2009 legislative session, legislation (House Bill 191) was introduced and subsequently passed which addressed several of the most significant issues/concerns noted above. Provisions of this legislation require (1) the petition filed to initiate the creation of a district to set forth details of the budgeted expenditures, including estimated expenditures for real physical improvements, estimated land acquisition expenses, estimated expenses for professional services, and estimated interest charges; (2) at least one public hearing on the creation and funding of the proposed district, if the petition for creating such district was filed by the owners of record of all real property within the proposed district; (3) the DOR to perform all functions related to the administration and collection of TDD sales taxes; and (4) the imposition of a fine not to exceed \$500 per day for the failure of a TDD to timely submit a copy of its annual financial statement to the State Auditor. This legislation was signed by the Governor and became effective August 28, 2009.

The General Assembly should consider further legislation to address the remaining issues noted above, particularly whether the construction of a TDD-funded transportation project(s) can be started prior to the legal establishment of the applicable TDD. Requiring a TDD to be established prior to the construction of the related transportation project(s) would provide more assurance that statutory requirements related to the competitive bidding of construction work on publicly funded projects are complied with.

Current Audit Results

Our current audit disclosed various issues regarding the 14 selected TDDs in the areas of construction contracts, 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. Some of the problems reported were similarly noted during

our review of other selected districts in previous TDD audits. In addition, the financial reporting issue updates a problem reported in previous TDD audits.

1. Construction Contracts

Various concerns were noted related to the competitive procurement of construction contracts.

For seven districts, competitive bids were either not solicited during the procurement and selection of the construction contractor or appropriate bidding procedures could not be verified based on the circumstances and/or the available records. In one of these instances, the contractor was a related party (i.e. a manager and/or executive member of the developer was also an official of the contractor) and work on the projects had already begun prior to the establishment of the district. Also, during the construction of the transportation projects for another district, construction materials were purchased from a related party (the developer) without competitive bids.

Section 238.252, RSMo, requires 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 paid the costs of this construction, the procurement of the contractor or subcontractor 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.

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

2. Professional Services

It is a common practice for substantial costs to be incurred related to TDDs prior to the formal establishment of the district, particularly costs related to professional services provided by engineers, architects, and/or legal counsel. Requests for proposals (RFPs) for such professional services were either not properly solicited or documented for six districts. 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.

In addition, the sale of four districts' bonds were either negotiated or private sales. Under these sales, RFPs were not solicited for underwriting firms, who purchased the bonds for resale in the normal course of their business activities (secondary market), or for a

financial consulting firm, which provided services related to the financing and sale of the bonds. In addition, in some cases the underwriters appeared to have acted as the district's financial advisor, rather than the respective districts hiring independent financial advisors.

Soliciting proposals for professional 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. In addition, Section 8.285, RSMo, includes provisions regarding contracts for architectural and engineering services.

3. Budgetary Matters

Various problems were noted related to the annual budgets of 12 districts. Some districts had multiple problems. The problems noted included:

- Budgets were not prepared (three districts).
- Budgets were not approved in a timely manner (two districts).
- Budgets were incomplete for some TDDs (four districts), with a budget summary, budget message, actual revenues and expenditures for the preceding 2 years, and/or a statement of indebtedness not included in some instances.
- The budget was overspent in some years (six districts).
- The budget was deficit budgeted (two districts).
- The budget did not accurately reflect the district's beginning fund balance (one district).

Sections 67.010 to 67.040, RSMo, include 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, district budgets should be adopted prior to the beginning of the fiscal year.

4. Financial Reporting

Many of the TDDs have not filed annual financial reports with the SAO, as required.

As of December 31, 2008, we identified 28 of 139 TDDs (20 percent) that had not filed one or more annual financial reports with the SAO, as statutorily required. Section 105.145, RSMo, requires all political subdivisions file an annual financial report with the SAO, and 15 CSR 40-3.030 provides 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 28 TDDs that had financial activity, but did not file a financial report with the SAO by December 31, 2008, for fiscal years 2007 or 2006.

TDD Name	Date Established	Fiscal Year End	FY 07	FY 06
Kenilworth	08/15/00	12/31	X	X
Truman Road	06/25/01	12/31	X	
Country Club Plaza of Kansas City, Missouri	07/12/01	12/31	X	
Stardust-Munger-Diamond	10/16/01	12/31	X	
Interstate Plaza/North Town Village	11/06/01	12/31	X	
St. John Crossings	06/25/02	12/31		X
CenterState	08/05/02	12/31	X	
Station Plaza	12/04/02	12/31	X	
Hanley/Eager Road	12/16/02	12/31	X	
Lee's Summit, Missouri New Longview	07/31/03	12/31	X	X
Belton Town Centre	11/17/03	12/31	X	X
71 Highway & 150 Highway	11/20/03	12/31	X	X
Southtown	04/12/04	12/31	X	X
Stadium Corridor	10/04/04	12/31	X	
Eureka Old Town	10/12/04	06/30	X	
North Main/Malone	11/19/04	12/31	X	
Farris Family	02/17/05	12/31	X	X
Wentzville II	03/07/05	12/31	X	X
Hanley Station	09/29/05	12/31	X	
1717 Market Place	11/25/05	12/31	X	
Chesterfield Valley	11/28/05	12/31		X
Harrisonville Towne Center	12/12/05	12/31	X	
Blue Ridge Town Centre	02/04/06	12/31	X	
College Station	03/16/06	06/30	X	
Horseshoe Bend	04/13/06	12/31	X	
Meadows	01/29/07	12/31	X	
St. Cyr Road	02/20/07	12/31	X	
CB 5421/5975	03/05/07	12/31	X	

There were also 11 other TDDs that had not filed a report(s) through fiscal year 2007 because no financial activity had occurred. In such situations, a TDD should notify the SAO that it had no financial activity.

As of August 31, 2009, only eight of the TDDs noted in the table above had provided their 2007 and/or 2006 financial reports to the SAO. The 71 Highway & 150 Highway and Farris Family TDDs have never provided an annual financial report to the SAO. 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 four of the selected districts reviewed.

The state regulation also provides 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 44 districts included in the scope of our 2007 review, 22 districts received independent financial audits. Four of those TDD 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 above, in one instance an official of a developer participated in the transportation project's construction as the contractor and in another instance a developer sold materials to the district used in construction of the transportation projects without competitive bids.

Such transactions could represent actual 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 the public has assurance that no district official has benefited improperly.

Financial Condition Two districts borrowed from the Debt Service Reserve Fund to pay for a portion of principal and/or interest due on bond issues because the initial sales tax revenue projections for both districts were inaccurate. In addition, the current declining economy also had an effect on each district's inability to meet initial sales tax projections. As a result of these borrowings, these districts reported material events to the Securities and Exchange Commission (SEC), as required by federal regulations.

For one of these districts, the developer tendered an offer to purchase a portion of the outstanding bonds to reduce the required principal and interest payment on these bonds to a more manageable annual amount for the district. The other district continued to be unable to make the required principal and interest payments on its bonds without borrowing from the Debt Service Reserve Fund and subsequently reported additional material events to the SEC.

Board Members Various matters were noted related to district boards or board members, including:

- Members of some districts' boards were not Missouri residents (two districts). Article VII, Section 8, Missouri Constitution, requires all persons elected or appointed to any civil office in this state be a United States citizen and a resident of Missouri for 1 year immediately preceding his or her election.
- One district had a vacant position for more than 3 years because a prospective member of the Board did not accept the position to which she was appointed and never attended any meetings. Section 238.207.4(7), RSMo, requires a district board to consist of at least five members.
- The Board failed to meet annually (two districts). District boards should meet at least annually to conduct business as necessary to run the district, including the approval of an annual budget.

Reimbursement of Transportation Project Costs In one district, adequate documentation to support a charge for construction administration was not provided. As a result of this situation, the appropriateness of the cost incurred and reimbursement paid to the developer could not be verified.

Cooperative Agreement In one district, a written cooperative agreement was not entered into between the district and the local transportation authority (the city). Signed written contracts are necessary to document the duties and responsibilities of the applicable parties and to prevent misunderstandings. In addition, Section 432.070, RSMo, requires all contracts of the district to be in writing.

District Debt In one district, no procedures have been established to ensure the district's revenues are only used to pay the TDD's share of bond financing costs. TDD sales tax revenues should not be used to fund, reimburse, or pay any costs other than the TDD's portion of project costs and accrued interest. Section 238.235.1.(6), RSMo, requires all district sales tax revenues designated for transportation development be used solely for that purpose.

Compliance With Prevailing Wage Laws Based on the available records for two districts, certified payrolls from the contractors were not reviewed or, at a minimum, affidavits of compliance with prevailing wage laws were not obtained, by the TDD to ensure compliance with prevailing wage laws. Sections 290.210 to 290.340, RSMo, include provisions regarding prevailing wages.

Collateral Securities In one district, monies held in the district's accounts were not fully collateralized. Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC.

In responding to the matters noted above, some TDDs pointed out there is no state law which requires proposals be solicited in the procurement of professional services. In addition, some of the applicable TDDs acknowledged their annual budgets were not approved timely and annual financial reports were not submitted to the SAO on a timely basis, as required. Officials/representatives of all but one of the TDDs selected provided a formal written response.

Audits of Selected Districts

The following section reports information related to the 14 individual TDDs selected for review. The selected districts include (1) 12 TDDs established in 2005 that had not previously been audited by the SAO and (2) 2 TDDs reviewed in our initial report (Report No. 2006-12, *Transportation Development Districts*, issued in March 2006) that had significant construction activity during the current period under review. The selected districts are presented in the order of date established. This information was shared with each applicable selected district and includes 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 C.

- **Gravois Bluffs TDD**

The Gravois Bluffs TDD was organized in December 1999 by petition of the owner/developer of property within the proposed district and the City of Fenton, also a property owner. The TDD Board of Directors and officers are employees of the developer.

The qualified voters of the district, in this case the property owners, approved the imposition of a 1-cent (1 percent) sales tax on all transactions taxable within the boundaries of the district, effective October 2000. At the time the sales tax was imposed, it was authorized for a period of up to 40 years, unless terminated sooner. Currently, the sales tax is expected to remain in effect for approximately 24 years or through November 2024. The retail establishments collect the sales tax and forward the collections to the district's collection agent, the City of Fenton.

The TDD is located in the City of Fenton, in St. Louis County, near the intersection of Missouri Highway 141 and Gravois Road (Missouri Highway 30). The Gravois Bluffs development includes grocery, restaurant, retail, and other 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 2007, 2006, and 2005.

The district was initially formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately \$12.7 million:

- Gravois Road and South Old Highway 141 connection streets.
- Missouri Highway 141 intersection.

- Country Home Road and Old Smizer Mill Road Connection Street.
- Curbs, gutters, sidewalks, storm water facilities, and traffic signalization, as needed.

The construction of the above transportation projects was considered within the scope of the initial audit the SAO performed of this TDD. Completion of these projects, as well as the construction of additional projects discussed below, were considered during the SAO's current audit.

Additional transportation projects with a total estimated cost of approximately \$12.6 million were approved through a consent judgment between the developer and City of Fenton in December 2005. These projects included the construction of a road extending Summit Road from its intersection with Missouri Highway 30 to and connecting with the western boundary of Gravois Bluffs Boulevard and the extension of Gravois Bluffs Boulevard to an interchange with Missouri Highway 30.

In November 2006, the TDD also approved an additional transportation project consisting of a right-in/right-out entrance off of Missouri Highway 141, near a major retailer in the district. This project had not been started as of December 31, 2007. In December 2007, the St. Louis County Circuit Court authorized an expansion of the boundaries of the TDD to include approximately 15 acres of adjacent property acquired by the developer for an additional phase of the retail development.

MoDOT has jurisdiction over those projects related to the state highway and transportation system. The City of Fenton is the public entity with jurisdiction over the remaining projects and has accepted dedication of the projects as they are completed.

The City of Fenton issued \$39,610,000 and \$19,035,000 in TIF revenue bonds in 2001 and 2002, respectively, to finance the district's projects and the city's TIF-related projects. Prior to the issuance of these TIF bonds, the developer financed the cost of the TDD projects and received TDD and TIF notes. When the TIF revenue bonds were issued, the previous notes were retired.

Because the district (except for the 15 acres added in December 2007) is located within a TIF area, 50 percent of the sales tax collected in the applicable area is paid to the City of Fenton for deposit into the accounts relating to the TIF projects. In addition, pursuant to a formal agreement with the city, the district had previously agreed to disburse all the applicable sales tax revenues, less administrative and collection costs, to the city to pay debt service on the TIF bonds until they were retired. Effective December 2005, the city agreed to allow the district to retain 50 percent of the applicable district sales tax revenues, less administrative and collection costs, to pay the costs of the additional projects. This change was possible as the prior TIF bonds were fully refunded in April 2006, with the city's issuance of \$48.6 million series 2006 TIF refunding bonds.

In June 2007, the district issued approximately \$20.5 million in revenue bonds to pay all or a portion of the costs of the additional transportation projects (which included the Summit Road Extension), as well as other costs in accordance with the consent judgment. Prior to this bond issuance, the district had borrowed \$3 million against a loan agreement to finance the additional transportation projects.

The City of Fenton was responsible for overseeing the projects' construction. The City of Fenton was also responsible for reviewing and approving reimbursement requests from the developer for project costs incurred.

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

- Documentation was not provided by the district to verify the general contractor selected in November 2006 to construct the Summit Road Extension/Gravois Bluffs Boulevard projects was solicited through a competitive bidding process.

The project work awarded to the general contractor for these projects totaled \$12.6 million. These projects included excavation work on the Gravois Bluffs Boulevard project that was bid and awarded to a subcontractor in the amount of \$4.75 million (the lowest and best bid). Through December 31, 2007, total construction costs of \$10.5 million were paid to the general contractor.

Section 238.252, RSMo, requires all construction contracts in excess of \$5,000 between a TDD and a private contractor to be competitively bid and awarded to the lowest and best bidder.

- Monies held in the district's accounts were not fully collateralized. The district's account balance was under collateralized by over \$211,000 and \$268,000 at December 31, 2007 and 2006, respectively. Section 110.020, RSMo, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC.
- Several district funds were overspent in 2007, most notably in the district's Project Fund where the budget was overspent by more than \$3 million. Formal budget amendments were not approved authorizing the additional expenditures. Sections 67.101 to 67.040, RSMo, include statutory provisions regarding annual budgets.

Gravois Bluffs TDD's Response:

General contractor services Pursuant to the consent judgment, the developer was designated as the construction manager for the additional transportation projects and, as such, was responsible for retaining a general contractor and for complying with bidding requirements. Based upon information provided by the developer, the general contractor selected for the additional transportation projects had previously served as general contractor for the city's TIF-related projects and those portions of the transportation project financed by the city's TIF bonds and was concurrently serving as general

contractor for the construction of private improvements on the 15 acres of adjacent property that was being added to the boundaries of the TDD by the developer. Furthermore, the general contractor agreed to competitively bid and award all subcontracts to the lowest and best bid and to limit its general contractor fee to 3% on all excavation work and 5% on all other work. Based upon these factors, the district's board of directors found that it was reasonable to approve the developer's selection of the general contractor even though the general contractor itself was not selected by competitive bid.

Collateral securities The district will work with its depository bank to make every effort to ensure that its accounts are fully collateralized in accordance with state law.

Budgets This matter was brought to the district's attention by its independent auditors. This occurred due to the fact that the developer commenced construction of the additional transportation projects prior to the issuance of the district's bonds, which resulted in the district obtaining an interim loan as bridge financing for the \$3 million in project costs that were incurred prior to the issuance of the district's bonds. The excess expenditures of \$3 million over the amount budgeted consisted of the repayment of the principal balance on the interim loan. Had the district not taken out the interim loan, the amount of project expenditures would have been within 2% of the amount budgeted. In the future, the district will continue to use every effort to ensure that its expenditures are within budget and that its budgets are amended to authorize additional expenditures.

- **Strother Interchange TDD**

The Strother Interchange TDD was organized in January 2000 by petition of the owner/developer of property within the proposed district. The TDD Board of Directors and officers are employees of the developer and its affiliates.

The qualified voter of the district, in this case the owner/developer, approved the imposition of a 1/2-cent (0.50 percent) sales tax on all transactions taxable within the boundaries of the district, effective May 2000. The sales tax was initially expected to remain in effect for 20 years, but was extended to 35 years in 2007 by an election of the qualified voters of the district. The retail establishments collect the sales tax and forward the collections to a private contractor acting as the district's collection agent.

The TDD is located in the City of Lee's Summit, in Jackson County, southwest of the intersection of Interstate 470 and Woods Chapel Road. The TDD encompasses the Chapel Ridge development, a mixed use commercial and retail development including grocery, hotel, restaurants, retail, 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 2007, 2006, and 2005.

The district was originally formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately \$25.8 million:

- Interstate 470 and Strother Road interchange (a state project).
- Strother Road intersection with Independence Avenue and Ralph Powell Road.
- East Road design and construction.
- Ralph Powell Road realignment and reconstruction.

Effective July 2006, the City of Lee's Summit approved the Redevelopment Project II as part of the Chapel Ridge TIF Plan. As a result, in August 2006, the district modified the scope of its projects to coincide with the TIF projects to include the following additional improvements:

- Improvements to the intersection of Ralph Powell Road and Woods Chapel Road.
- Improvements to the intersection of Independence Avenue and Woods Chapel Road.
- Design and construction of Independence Avenue between Woods Chapel Road and North East Dick Howser Drive as a connector road connecting to Lakewood Drive.
- Design and construction of Akin Drive and Akin Boulevard.
- Design and construction of additional lanes on Interstate 470 from Woods Chapel Road to Colbern Road as may be required by MoDOT for the construction of the interchange at Interstate 470 and Strother Road.
- Design and construction of a connector road, approximately 2.5 miles in length, located east of Interstate 470 and connecting Woods Chapel Road on the north with Rice Road at Leinweber Road south of Strother Road and connecting to Colbern Road on the south as may be required by MoDOT and the City of Lee's Summit for the construction of the interchange at Interstate 470 and Strother Road.
- Such other road improvements as may be required by MoDOT or the City of Lee's Summit to be part of the project modifications.

The City of Lee's Summit and MoDOT are the public entities with jurisdiction over these projects. The city will not accept dedication of the completed projects until the project costs and related debt have been paid in full by the district. The first of several project phases is complete (local projects). The district anticipates completion of all phases in 2010.

Because the district is located within a TIF area, 50 percent of the sales tax collected could have been retained by the City of Lee's Summit. However, pursuant to a formal

agreement with the district, the city has agreed to allow the TIF portion of the district's sales tax to be retained by the district and applied to its debt service costs.

The district issued \$8.28 million in revenue bonds in 2001 to finance a portion of the costs of the projects. Prior to the issuance of the revenue bonds, the developer funded some costs of the TDD projects. When the TDD revenue bonds were issued, the developer was reimbursed and all subsequent costs were paid with the remaining bond proceeds. The district issued \$8.53 million in refunding revenue bonds in 2004 to refinance the prior outstanding bond issuance in the amount of \$7.57 million and fund a portion of the costs of the engineering designs and plans for a new interchange at the intersection of Interstate 470 and Strother Road. In 2006, the district issued an additional \$7.01 million in revenue bonds to finance costs of the project's additional phases and retire a portion of the 2004 debt.

The City of Lee's Summit has provided some independent oversight (local projects) and was responsible for reviewing and approving contractor invoices prior to payment by the trustee.

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

- The district did not solicit RFPs for the professional services provided by their legal counsel, architect, and bond underwriter.

Engagement of the legal counsel was authorized in February 2000, at rates ranging from \$65 to \$250 per hour for paralegal and attorney services. The same legal counsel has been used by the district ever since, but rates have increased ranging from \$95 to \$395 for the same services.

The district contracted with an architectural firm to provide design services on the local portion of the projects in September 2001. According to the developer, that firm was selected because it had previously completed similar work and was already familiar with the district's projects. In August 2006, the TDD Board approved modification of the transportation projects to coincide with the road improvements included in the first amended and restated Chapel Ridge TIF Plan approved by the City of Lee's Summit in July 2006. However, the district continued to use the same architect without reviewing and documenting current rates to ensure those proposed by the architect were fair and reasonable. For the 3 years ended December 31, 2007, the district paid the architect over \$300,000 for these services.

The sale of the district's 2006 bonds was negotiated with a bond underwriter. RFPs were not solicited for the underwriting firm, which purchased the bonds for resale in the normal course of its business activities (secondary market). The underwriting fee was approximately \$140,000.

Soliciting proposals for professional 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. In addition, Section 8.285, RSMo, includes provisions regarding contracts for architectural and engineering services.

Strother Interchange TDD's Response:

Professional Services State law does not require that a district solicit bids for professional services. A district may select a professional service provider based upon a provider's demonstrated competence and qualifications and a provider's familiarity with a project is an important factor in this process as it reduces the costs associated with the project. The district hired Piper Jaffray & Co. as underwriter for the district's 2006 bonds. Piper Jaffray & Co. also served as underwriter for the district's 2004 bonds. In addition, Section 238.242, RSMo, provides that bonds issued by a district may be sold at a public or private sale.

- **Grindstone Plaza TDD**

The Grindstone Plaza TDD was organized in January 2005 by petition of the owners/developers of property within the proposed district. Shortly after final judgment was issued on the creation of the district, one of the property owners/developers sold its property to the other developer. The TDD Board of Directors and officers include employees and officers of companies affiliated with the remaining owner/developer.

The qualified voters of the district, in this case the owners/developer, approved the imposition of a 1/2-cent (0.50 percent) sales tax on all transactions taxable within the boundaries of the district, effective March 2006. 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 Columbia.

The TDD is located in the City of Columbia, in Boone County, being the northeast and northwest quadrants of the Grindstone Parkway and Green Meadows Drive intersection. The Grindstone Plaza and Red Oak Plaza developments includes retail, restaurant, and other 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 2007, 2006, and 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately \$9.4 million:

- Construction of extension of Green Meadows Drive from the east boundary of Providence Road to the north boundary of Grindstone Parkway.

- Construction of improvements at both the Providence Road and Grindstone Parkway intersections.
- Construction of turn lanes, widening, street lights, and traffic signalization associated with the intersection of Grindstone Plaza development and Green Meadows Drive.
- Construction of Gray Oak Drive and Red Oak Drive through the developments.
- Widening and other improvements to Grindstone Parkway along the developments.
- Construction of pedways and pedestrian paths, surface water drainage structures, and acquisition of necessary right-of-ways and easements.

MoDOT and the City of Columbia are the public entities with jurisdiction over these projects and have accepted dedication of the projects upon completion.

In 2005 and 2006, the property owner/developer funded the projects' initial administrative and capital outlay expenditures. In October 2006, the district issued approximately \$11.3 million in revenue bonds to repay these advances and finance additional project costs. In 2007, the owner again funded additional project costs that were repaid in May and August 2007, when the district issued \$900,000 (series 2006B) and \$14,400 (subordinate series 2007B) in additional revenue bonds, respectively.

MoDOT and the City of Columbia were responsible for overseeing the projects' construction. The TDD Board reviews and approves all expenses prior to the bond trustee making payments from the district's bond proceeds.

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

- According to legal counsel, it was represented to the district that original sales tax revenue projections prepared for the district were based on then available information. The current economic decline contributed to lower than expected sales tax revenues, and affected the district's ability to meet initial revenue projections. As a result, the district did not have the ability to make the required principal and interest payments on its series 2006A bonds without using monies from its Debt Service Reserve Fund. In August 2007, the district borrowed \$14,400 from its Debt Service Reserve Fund to make these payments. As a result of this borrowing, the district reported a material event to the SEC, indicating it had made unscheduled draws from bond reserve funds to make principal and interest payments.

Subsequently, the developer tendered an offer to repurchase approximately \$2.7 million of the 2006A bonds to reduce the required principal and interest payment on the remaining debt to a more manageable annual amount. These new bonds became subordinate series 2008A bonds.

- The district did not solicit RFPs for the professional services provided by its legal counsel, primary engineer, and underwriting firm.

The legal counsel was chosen based on its long standing relationship (over 30 years) with the developer. Approximately \$227,500 was expended for legal counsel through December 2007, with the district billed at rates ranging from \$135 to \$195 per hour for attorney services.

According to the district's legal counsel, the district's primary engineer was retained due to being a local firm, having a good reputation, its long-standing working relationship with the developer, and knowledge of the project. In addition, it was originally estimated that total engineering costs would not exceed \$100,000 so no proposals were obtained in accordance with district policy; however, engineering costs paid to this engineering firm ultimately totaled approximately \$197,000 for the related projects, exceeding the established policy threshold.

The sale of the district's bonds was a negotiated sale with a bond underwriter. RFPs were not solicited for the underwriting firm, which purchased the bonds for resale in the normal course of their business activities (secondary market). In addition, the underwriter appeared to have acted as financial advisor, rather than the district hiring an independent financial advisor. The underwriting fee was 2 percent of the amount of financing, or approximately \$250,000.

Soliciting proposals for professional 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. In addition, Section 8.285, RSMo, includes provisions regarding contracts for engineering services.

- The district overspent its 2007 and 2006 budgets by approximately \$179,000 and \$5.3 million, respectively. The overspending in 2007 was the result of the budgeted interest payments on district debt being based on the previous year's interest payments, which did not reflect interest costs for a full year. The overspending in 2006 was the result of the repayment of the 2005 and 2006 short-term notes issued by the TDD to the developer for costs funded by the developer. Formal budget amendments were not approved in either year authorizing the additional expenditures. Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets.

Grindstone Plaza TDD's Response:

Sales tax projections The District would like to clarify that based on the information available to it when it was provided revenue projections, the District had no reason to

suspect that the revenue projections were improper or inaccurate. Unfortunately, the economic downturn contributed to a slower than anticipated lease-up of the retail space and lower than expected sales tax receipts. The District is optimistic that this is a cyclical problem that will be righted with a turnaround in the economy.

Professional services There is no requirement under Missouri law that the District solicit proposals for professional services. As a practical matter, much of the engineering and legal work with respect to the transportation project must be performed before the District is even formed, which was the case for some of the District costs for this project. It would have resulted in delays and unnecessary costs to select different engineers or attorneys after the District was formed. The District also believes that had it solicited proposals, no other responsible bidder could have provided the same level of quality service for less cost. 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. The District acknowledges, however, 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 best and lowest cost.

Budgets The audit report makes a point that the District's 2006 and 2007 budgets were a deficit budget. The 2007 expenditures were greater than anticipated due to capital outlays occurring that year that were not planned until 2008. However, due to the timing of those outlays, the expenditures were incurred prior to any amendment to the budget taking place. The 2006 expenditures were greater than anticipated due to a bond issuance that permitted the District to repay outstanding obligations that had been incurred for the purposes of completing the public projects.

- **Branson Landing TDD**

The Branson Landing TDD was organized in March 2005 by petition of the City of Branson, the owner of the property within the proposed district. The TDD Board of Directors and officers are city officials.

The qualified voter of the district, in this case the city, approved the imposition of a 1-cent (1 percent) sales tax on all transactions taxable within the boundaries of the district, effective April 2006. The sales tax is currently expected to remain in effect for 23 years, unless terminated sooner. The retail establishments and hotel collect the sales tax and forward the collections to the City of Branson, which serves as its own collection agent.

The TDD is located in the City of Branson, in Taney County, adjacent to the Lake Taneycomo waterfront and extending several blocks in the downtown area. The Branson Landing development includes a hotel and convention center, mixed-use retail establishments, and commercial and residential properties. The TDD has a fiscal year end of September 30. The TDD has elected not to have separate financial audits of the district conducted beyond the periodic audits performed by the SAO 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 \$53.8 million:

- Widening and improvements to Business Highway 65 from its intersections with Missouri Highway 248/U.S. Highway 65 on the north to Skaggs Road on the south.
- Intersection improvements, including a roundabout, at the intersection of Business Highway 65 and Skaggs Road.
- A bridge over Roark Creek, east of the existing Business Highway 65.
- The reconstruction, realignment, and extension of Boxcar Willie Drive through the property.
- Improvements and widening of Sycamore Street from Atlantic Street on the north to Long Street on the south.
- A new parking structure at the intersection of College Street and Sycamore Street and improvements to an existing parking structure at the northwest corner of Pacific Street and Sycamore Street.
- Two improved parking lots on the Branson Landing property.
- The town center and public domain dock, wharf, lake port and river port improvements on the property adjacent to Lake Taneycomo (including public pedestrian paths, paving and sidewalks, signage and related improvements).
- The boardwalk dock, wharf, lake port and river port improvements on the property adjacent to Lake Taneycomo (including pedestrian paths, paving, sidewalks, wood boardwalks, piers, boardwalk shelters, improvements for marinas, boat docks and boat dock connections, signage and related improvements).

MoDOT and the City of Branson are the public entities with jurisdiction over these projects and will accept dedication of the completed projects.

Because the district is located within a TIF area, 50 percent of the sales tax collected has been paid to the City of Branson for deposit into the accounts relating to the TIF projects. In addition, pursuant to a formal agreement with the city, the district has agreed to disburse the remaining TDD sales tax revenues, less administrative and collection costs, to the city to pay transportation project costs financed by the city.

The Missouri Development Finance Board issued approximately \$176.3 million in Infrastructure Facility Revenue Bonds on behalf of the city in December 2002 (\$56.3

million), June 2004 (\$40 million), and September 2005 (\$80 million) to finance the costs of the Branson Landing Redevelopment Project and refund certain other obligations of the city. A portion of the 2004 and 2005 bonds were used to finance TDD-eligible costs totaling approximately \$12.4 million. It is currently estimated the district's debt service obligation on its portion of these bonds is approximately \$42.6 million.

MoDOT and the City of Branson are responsible for overseeing the projects' construction. The City of Branson is also responsible for reviewing and approving transportation project costs incurred.

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

- The district began collecting revenue and disbursing funds in fiscal year 2006; however, the district did not prepare an annual budget for fiscal year 2007 or 2006. The first budget prepared by the district was for fiscal year 2008. Sections 67.101 to 67.040, RSMo, include provisions regarding annual budgets.

Branson Landing TDD's Response:

Budgets The District Board of Directors approved the Fiscal Year 2008 budget in September 2007. Because the City is moving to a calendar year fiscal year beginning January 1, 2010, the District is doing the same. Consequently, in September, 2009, the District Board of Directors approved a budget for the three month period from October 1, 2009, through December 31, 2009, and for Fiscal Year 2010 beginning January 1, 2010, and ending December 31, 2010.

The Fiscal Year 2008 budget adopted by the Board of Directors contains accurate information for prior fiscal years. The expenditures for Fiscal Years 2006 and 2007 did not exceed the revenues and unencumbered balances from previous years (as applicable during the first full fiscal year of the District). All of the District revenue, except for collection fees, was dedicated to the repayment of the bonds that have been issued on behalf of the City for the Branson Landing Project.

The District has in place the appropriate procedures to prepare an annual budget for each future fiscal year.

- **Kingsmill TDD**

The Kingsmill TDD was organized in May 2005 by petition of the owners/developer of property within the proposed district. The TDD Board of Directors and officers include property owners and various employees of the developer (who are also relatives).

The qualified voters of the district, in this case the property owners, approved the imposition of a 1-cent (1 percent) sales tax on all transactions taxable within the boundaries of the district, effective June 2005. However, sales tax collections did not begin until 2008, upon the opening of the related 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 O'Fallon.

The TDD is located in the City of O'Fallon, in St. Charles County, southeast of the intersection of Missouri Highway K and Crusher Drive. The Kingsmill Crossing development, the related development, includes fast food, retail, 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 SAO 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 \$2.2 million:

- Highway K and Crusher Drive intersection improvements, making it a full-access signalized intersection.
- Construction of an extension of Crusher Drive from Missouri Highway K to Technology Drive.
- Technology Drive and Crusher Drive intersection improvements, creating of a full-access curb-cut including certain widening improvements associated with the proposed construction of a roundabout by the adjacent property owner.
- Missouri Highway K and Colter Trail Drive intersection improvements, creating a full-access entrance/exit with a right turn deceleration lane.
- Construction of an 8-foot wide multipurpose trail along Missouri Highway K (i.e. bike trail).

MoDOT and the City of O'Fallon are the public entities with jurisdiction over these projects and have accepted dedication of the completed projects.

The developer funded the costs of the transportation projects. In July 2007, the district executed a trust indenture to facilitate the issuance and payment of a district revenue note not to exceed \$2,287,500. At December 31, 2007, the balance of the revenue note was approximately \$214,900 (including accrued interest). Under the agreement, project costs not reimbursed may accrue compounded interest at a rate equal to 2 percent above the prime rate. Other project-related costs incurred by the developer in 2007 and prior years related to subsequent draws on the revenue note in 2008.

MoDOT and the City of O'Fallon were responsible for overseeing the projects' construction. The district's legal counsel and the project engineer were responsible for reviewing and approving reimbursement requests from the developer for project costs incurred. Disbursements from the note payable were authorized by the District Board and processed by the bank trustee.

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

- Bid tabulations were not maintained to support the selection of various contractors awarded work on the district's transportation projects. In addition, approval of the bids awarding work to the various contractors was not documented in the Board meeting minutes.

The district established and approved bidding and contracting guidelines in May 2005, and it subsequently advertised for bids for construction of separate portions of the transportation projects in January and August 2006, but received no bids. As a result, according to the district's legal counsel the general contractor for the district (the developer) solicited bids from contractors on an "as needed" basis throughout the construction of the projects (the developer received no fees for serving as general contractor). We were provided with numerous bids from various contractors; however, we were not provided with bid tabulations and the district's decisions were not documented in the Board meeting minutes. Therefore, the proper handling of the bidding and award of the various construction-related contracts could not be verified.

Section 238.252, RSMo, requires all construction contracts in excess of \$5,000 between a district and a private contractor to be competitively bid and awarded to the lowest and best bidder. Complete documentation should be maintained of all bids received and the reasons noted why a bid was selected.

- The district did not solicit RFPs for the professional services provided by its primary legal counsel and project engineer. These service providers were selected by the developer prior to the establishment of the district. Approximately \$49,500 and \$122,700 was expended for legal and engineering services through December 2007, respectively. Legal services were billed the district at rates ranging from \$100 to \$300 per hour.

Soliciting proposals for professional 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. In addition, Section 8.285, RSMo, includes provisions regarding contracts for architectural and engineering services.

- The district's 2007 budget was not approved in a timely manner. The budget was not approved until December 2007, near the end of the district's fiscal year and after the Board's initial payment of \$206,128 in July to reimburse the developer for some project costs previously incurred. The annual budget should be approved at the beginning of the year, prior to incurring any expenditures.

In addition, the district's 2008 budget did not include the actual revenues and expenditures for the preceding year (2007), as required. Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets.

Kingsmill TDD's Response:

Construction services *The TDD is committed to implementing procedures to assure adequate documentation and record-keeping with respect to all future bid solicitations by the TDD and the TDD's acceptance of bids.*

Professional services *There is no requirement under Missouri law that the TDD solicit proposals for legal and engineering services of the type provided to the TDD. Missouri Attorney General Opinion Letters Nos. 22-80, 102-83, and 7-85 have consistently found that contractual services subject to bid under the state's purchasing laws do not include the services of attorneys. This position is consistent with the longstanding finding in Layne-Western Co. v. Buchanan County, 85 F.2d 343 (8th Cir. 1936). The TDD properly engaged legal counsel by adoption of Resolution No. 2005-6 at the first meeting of the District's Board of Directors on May 18, 2005, which approved and authorized the execution of the engagement letter for legal services dated the same date. Similarly, Missouri Attorney General Opinion Letter No. 153-91 reiterated the policy of Section 8.285, RSMo, allowing political subdivisions to negotiate contracts for engineering services on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable prices. Resolution No. 2005-9 dated May 18, 2005, authorized representatives of the TDD to take such actions and execute such documents as may be necessary in connection with the TDD projects and to implement the purpose of the TDD.*

Budgets *The TDD acknowledges that the 2007 budget was not approved until December 2007. Pending approval, the TDD operated under the budget for the preceding year pursuant to Section 67.070, RSMo, and Article VI, §9 of the TDD's by-laws. The TDD is committed to implementing procedures to assure timely approval of all future budgets and to assure that said budgets include all required entries.*

- **Broadway-Fairview TDD**

The Broadway-Fairview TDD was organized in May 2005 by petition of the owner/developer of property within the proposed district. The TDD Board of Directors and officers include employees and officers of companies affiliated with the property owner/developer.

The qualified voter of the district, in this case the property owner/developer, approved the imposition of a 1/2-cent (0.50 percent) sales tax on all transactions taxable within the boundaries of the district, effective March 2006. 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, northwest of the intersection of Fairview Road and West Broadway. The Fairview Marketplace development, the related development, includes retail/grocery, 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 2007 and 2006. The district had no financial activity in fiscal year 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately \$5 million:

- Widening of Fairview Road from West Broadway to Worley Street to three travel lanes.
- Acquisition of right-of-way and construction of a deceleration lane along the north side of West Broadway adjacent to the district.
- Construction of a three-quarters access intersection approximately in the center of the area between Fairview Road and Park DeVille Road on the north side of West Broadway, including a median along West Broadway and traffic alignment and control devices.
- Construction of improvements to the intersections of West Broadway and Fairview Road and West Broadway and Park DeVille Road.
- Acquisition of right-of-way and construction of a parking lot for the Paxton Keeley Elementary School.

MoDOT and the City of Columbia are the public entities with jurisdiction over these projects and have accepted dedication of the projects upon completion.

The owner/developer funded the initial costs of the development prior to the district issuing \$6.8 million in revenue bonds in July 2006. In addition, the owner/developer funded additional costs of the development prior to the district issuing \$100,000 in subordinate revenue bonds in May 2007. These bonds were purchased by the developer.

MoDOT and the City of Columbia were responsible for overseeing the projects' construction. The TDD Board reviews and approves all expenses prior to the bond trustee making payments from the district's bond proceeds.

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

- According to legal counsel, it was represented to the district that original sales tax revenue projections prepared for the district were based on then available information. The current economic decline contributed to lower than expected sales tax revenues, and affected the district's ability to meet the initial revenue projections. As a result, the district did not have the ability to make required

principal and interest payments on its 2006 revenue bonds without using monies from its Debt Service Reserve Fund. In May 2007 (also in 2008), the district borrowed from its Debt Service Reserve Fund to make these payments. As a result of these borrowings, the district reported material events to the SEC indicating it had made unscheduled draws from bond reserve funds to make principal and interest payments. The balance of the Debt Service Reserve Fund was subsequently replenished in 2007 with the issuance of the subordinate revenue bonds discussed above; however, subsequent unscheduled draws from this fund have not been replenished.

- The district did not solicit requests of proposals for the professional services provided by its legal counsel, primary engineer, and underwriting firms.

The legal counsel was chosen based on its long standing relationship with the developer. Approximately \$157,000 was expended for legal services through December 2007, with the district billed at rates ranging from \$135 to \$195 per hour for attorney services.

The district's primary engineer also was chosen based on its long standing relationship with the developer. According to the district's legal counsel, the engineer was retained due to being a local vendor, having a good reputation and working relationship with the developer, and knowledge of the project. However, this information was not documented in the district's meeting minutes when the contract was approved in January 2006. Engineering costs totaled approximately \$304,000 for the projects.

The sale of the district's 2006 revenue bonds was a negotiated sale with a bond underwriter. RFPs were not solicited for the underwriting firm, which purchased the bonds for resale in the normal course of its business activities (secondary market). In addition, the underwriter appeared to have acted as financial advisor, rather than the district hiring an independent financial advisor. The underwriting fee was 2 percent of the amount of financing, or approximately \$140,000.

Soliciting proposals for professional 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. In addition, Section 8.285, RSMo, includes provisions regarding contracts for architectural and engineering services.

- The 2007 budget was deficit budgeted as estimated expenditures exceeded projected revenues and beginning fund balance by approximately \$1.5 million. When preparing the 2007 budget, the district appears to have carried forward the estimated ending fund balance from the 2006 budget to use as the beginning balance, instead of re-estimating the 2007 beginning balance when preparing the 2007 budget.

Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets.

Broadway-Fairview TDD's Response:

Sales tax projections *The District would like to clarify that based on the information available to it when it was provided revenue projections, the District had no reason to suspect that the revenue projections were improper or inaccurate. Unfortunately, the economic downturn contributed to a slower than anticipated lease-up of the retail space and lower than expected sales tax receipts. The District is optimistic that this is a cyclical problem that will be righted with a turnaround in the economy. The audit report also notes that the Debt Service Reserve Fund has not been replenished. However, subsequent to the audit, the Board of Directors did authorize certain unused funds in the district's project account be used to replenish the Debt Service Reserve Fund to its original amount.*

Professional services *There is no requirement under Missouri law that the District solicit proposals for professional services. As a practical matter, much of the engineering and legal work with respect to the transportation project must be performed before the District is even formed, which was the case for some of the District costs for this project. It would have resulted in delays and unnecessary costs to select different engineers or attorneys after the District was formed. The District also believes that had it solicited proposals, no other responsible bidder could have provided the same level of quality service for less cost. 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. The District acknowledges, however, 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 best and lowest cost.*

Budgets *The audit report makes a point that the District's 2007 budget was a deficit budget. The 2007 expenditures were greater than anticipated due to capital outlays occurring that year that were not planned until 2008. However, due to the timing of those outlays, the expenditures were incurred prior to any amendment to the budget taking place. The carry forward of the estimated ending fund balance is a proper way for the District to prepare the next fiscal year's District budget. The actual ending fund balance will not be available when the budgeting process for the next fiscal year begins. Therefore, the District must utilize some number and the estimated ending fund balance is a logical choice. Instead of re-estimating the new fiscal year's beginning fund balance, the District proposes to re-examine its estimates after the actual prior year's numbers are available and adjust the current fiscal year's budget as necessary.*

- **Osage Station TDD**

The Osage Station TDD was organized in July 2005 by petition of the owner/developer of property within the proposed district. The TDD Board of Directors and officers include representatives of the developer.

The qualified voter of the district, in this case the property owner/developer, approved the imposition of a 3/4-cent (0.75 percent) sales tax on all transactions taxable within the boundaries of the district, effective September 2005. However, sales tax collections did not begin until June 2006, upon the opening of the related development. 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 a private accounting contractor, the district's collection agent.

The TDD is located in the City of Osage Beach, in Camden County, southwest of the intersection of U.S. Highway 54 and Missouri Highway 42. The Osage Station development includes a restaurant, retail, 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 SAO pursuant to Section 238.272, RSMo.

The district was formed for the purpose of providing design, right-of-way acquisition by negotiation and condemnation, as required, and construction of a new roadway bisecting the property included in the district. Infrastructure improvements included storm sewer and lighting related to the new roadway. This transportation project was completed prior to the establishment of the district at a cost of approximately \$1.27 million.

MoDOT and the City of Osage Beach are the public entities with jurisdiction over this project. The City of Osage Beach had not yet accepted dedication of the completed project as of July 2009.

The developer funded the costs of the project. The developer has not yet been reimbursed for costs incurred, but has a signed reimbursement agreement with the district for reimbursement of the project costs plus accrued interest. Under the agreement, project costs not reimbursed may accrue compounded interest at a rate equal to 2 percent above the prime rate. At December 31, 2007, approximately \$1.73 million (including \$411,000 in accrued interest) was owed to the owner/developer related to unreimbursed costs.

The new roadway was built prior to the formation of the TDD in accordance with city standards, but was first a private construction project. Therefore, while MoDOT and the City of Osage Beach were responsible for overseeing the project's construction, this review was limited. The district's executive director 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:

- During the construction of the road and development projects, fill dirt was purchased from the developer without competitive bids, with \$309,600 of the costs subsequently charged to the district. According to a district representative, the developer already had fill dirt at another project site and the district ultimately saved money because of the potential costs of transporting the dirt.

Section 238.252, RSMo, requires all construction contracts in excess of \$5,000 between a district and a private contractor to be competitively bid and awarded to the lowest and best bidder.

- The members of the district's Board are not Missouri residents. The district's Board is made up of representatives of the developer; however, according to the district's legal counsel, the developer, a corporation registered in the state of Kansas, has no business presence in the state of Missouri other than this development. Article VII, Section 8, Missouri Constitution, requires members of the board to be residents of the state.
- The district overspent its 2007 budget by approximately \$7,800. The overspending was the result of interest payments made on the district's debt to the developer not being budgeted. A formal budget amendment was not approved authorizing these additional expenditures. Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets.

Osage Station TDD's Response:

Procurement of project materials The fill dirt was obtained by the developer from an adjacent project site, which resulted in a significant cost savings to the district. The developer billed the district for the dirt at a cost of \$4 per cubic yard. Verbal bids obtained by Twehous Excavating Company, Inc., the developer's contractor, at that time ranged from \$8 to \$9 per cubic yard. The developer has requested a statement from the contractor confirming the range of verbal bids. The developer was able to sell the dirt to the district at a reduced cost because the developer did not have to factor in transportation costs and because of the availability of quality shot rock from the adjacent project site. The district will reexamine its practices to ensure that any future construction work is competitively bid in accordance with state law.

District Board The district is aware of the residency requirement in Article VII, Section 8 of the Missouri Constitution. The district, however, is in compliance with Section 238.220.2(1), RSMo, which states that the owners of real property in the district and their representatives are deemed to be residents of the district for purposes of board membership. It is the district's understanding that the legislature intended to define "resident" to address the constitutional requirement. In an effort to ensure compliance with state law, the district is continuing to evaluate the qualifications for a director.

Budgets The district relied upon third parties to comply with state law budget requirements. The district will review its budget procedures with the third parties and ensure that the third parties make any changes necessary to meet state law budget requirements.

- **Dardenne Town Square TDD**

The Dardenne Town Square TDD was organized in August 2005 by petition of the owners/developer of property within the proposed district. The TDD Board of Directors and officers include employees of the developer and city officials.

The qualified voters of the district, in this case the property owners/developer, approved the imposition of a 1/2-cent (0.50 percent) sales tax on all transactions taxable within the boundaries of the district, effective October 2005. The sales tax is currently expected to remain in effect for up to 40 years, unless terminated sooner due to the retirement of all district debt. The retail establishments collect the sales tax and forward the collections to a private administrator/contractor acting as the district's collection agent.

The TDD is located in the City of Dardenne Prairie, in St. Charles County, at the intersection of U.S. Highway 40/61 and Missouri Highway N. The Dardenne Town Square development includes retail establishments, a grocery store, restaurants, and a theater. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2007 and 2006. The district had no financial activity in fiscal year 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total cost of approximately \$21.6 million:

- The expansion and relocation of La-Le Drive to its new intersection with Missouri Highway N, including construction of a roundabout at the intersection of La-Le Drive and the future North Outer Road (existing U.S. Highway 40).
- Improvements to Henke Road, including dedicated turn lanes at proposed entrances to the development and installation of traffic signals at its intersection with Feise Road.
- Construction of an overpass of Missouri Highway N at U.S. Highway 40.
- Widening of existing Missouri Highway N from La-Le Drive to Bryan Road and construction of dedicated turn lanes on its intersection with Hawk Ridge Trail/South Outer Road.
- Construction of an off-ramp from westbound U.S. Highway 40 onto the North Outer Road.
- Utility relocation and other similar or related infrastructure or improvements, as well as related engineering, design, legal, and lending fees in connection with the above items.

MoDOT and the Cities of Dardenne Prairie and Lake Saint Louis are the public entities with jurisdiction over these projects and have accepted dedication of the completed projects.

The developer initially funded the cost of the projects, with these costs to be reimbursed by the district's sales tax revenues, plus up to 67 percent of the City of Dardenne Prairie's general revenue sales taxes received from businesses and activities related to the properties within the district (matching the sales tax generated by the district). In 2006, the district issued \$17.6 million in revenue bonds to reimburse the developer for a portion of the project costs. To reimburse the developer for the remaining project costs, the district also issued \$3.5 million and \$466,989 in supplemental and subordinate revenue notes in 2006 and 2007, respectively.

MoDOT and the Cities of Dardenne Prairie and Lake Saint Louis were responsible for overseeing the projects' construction while the bank trustee reviewed and approved construction invoices for payment. The district Board reviews and approves all other expenses.

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

- The district did not solicit RFPs for the professional services provided by its legal counsel, engineers, and bond underwriter.

Through December 31, 2007, approximately \$203,200 in legal costs had been certified for reimbursement.

The district's primary engineer was chosen based on a letter of recommendation from the construction manager, which included the engineer's qualifications. However, there was no documentation of any discussions with other engineering firms or the solicitation of proposals in the district's meeting minutes. In addition, another engineering firm was hired to provide subsurface exploration, construction observation, and testing services. Through December 31, 2007, engineering costs totaling approximately \$1.96 million had been certified for reimbursement.

The sale of the district's bonds was a negotiated sale with a bond underwriter. RFPs were not solicited for the underwriting firm, which purchased the bonds for resale in the normal course of its business activities (secondary market). In addition, the underwriter appeared to have acted as financial advisor, rather than the district hiring an independent financial advisor. The underwriter's discount was \$395,100 less a net original issue discount of approximately \$228,400, plus accrued interest.

Soliciting proposals for professional 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. In addition, Section 8.285, RSMo, includes provisions regarding contracts for architectural and engineering services.

- The district overspent its 2007 budget as actual expenses exceeded budgeted amounts for various funds, including the Revenue Fund (\$1,935), Debt Service Fund (\$170,000), Debt Service Reserve Fund (\$5,181), and Project Fund (\$1,895). The overspending was primarily the result of the payment of trustee fees and principal on the district's debt from the issuance of bonds and subordinate notes payable in 2007. Formal budget amendments were not approved authorizing these additional expenditures. Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets.

Dardenne Town Square TDD's Response:

Professional services Generally, 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. In the future, the district will look for opportunities to solicit such proposals for professional services in those instances where an overall cost savings can be reasonably expected. The district has been advised by its legal counsel that it has complied with the policy set forth in Section 8.285, RSMo., regarding contracts for architectural and engineering services.

Budgets This matter was brought to the district's attention by its administrator. This occurred due to the fact that it was the first fiscal year following issuance of the district's bonds and, as such, the district had no budget history with respect to (a) trustee maintenance fees on the various district funds, (b) interest earnings on the debt service reserve fund, which were available for redemption of principal on the district's bonds, and (c) the amount of sales tax revenues that would be available for redemption of principal on the district's bonds after exhausting the moneys on deposit in the capitalized interest fund. Since the district's bonds utilize a super-sinker structure, all excess moneys were automatically applied to redemption of principal on the district's bonds. In the future, the district will use every effort to ensure that its expenditures are within budget and that its budgets are amended to authorize additional expenditures.

- **Hanley Station TDD**

The Hanley Station TDD was organized in September 2005 by petition of the owner/developer of property within the proposed district. The TDD Board of Directors and officers include various employees of the developer and the City of Brentwood.

The qualified voter of the district, in this case the owner/developer, approved the imposition of a 1-cent (1 percent) sales tax on all transactions taxable within the boundaries of the district, effective November 2005. The sales tax is currently expected

to remain in effect for 19 years, unless terminated sooner. The retail establishments and hotel 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 South Hanley Road and Strassner Drive. The Hanley Station development includes apartment units, a hotel, restaurants, and retail 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 SAO 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 up to \$2.5 million:

- South Hanley Road and Strassner Drive Improvements - Connect the existing intersection of South Hanley Road and Bruno Avenue with Strassner Drive, widen the west side of South Hanley Road, create a deceleration and acceleration lane for entrance or exit from South Hanley Road and Strassner Drive, and improve the traffic along South Hanley Road.
- Strassner Drive Construction - Construct Strassner Drive to connect the South Hanley Road/Bruno Avenue intersection with Hanley Industrial Court.
- Hanley Industrial Court/Strassner Drive Improvements - Improve the existing intersection of Hanley Industrial Court and provide entrance and exit from Strassner Drive.

However, the district Board subsequently passed a resolution in December 2007 canceling reimbursement of \$1.25 million in expenses for projects west of the district boundary (i.e. west of the Metro railway). These costs are instead to be reimbursed from the proceeds of TIF bonds, not TDD debt.

The City of Brentwood and St. Louis County are the public entities with jurisdiction over these projects and have accepted dedication of the completed 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. However, pursuant to a formal agreement with the district, the city has agreed to return all TDD sales tax revenues, less administrative and collection costs, to the district to pay the project costs.

The developer initially funded the costs of the transportation projects and was issued promissory notes from the district. As noted above, a portion of these notes were cancelled in December 2007. The remaining notes were liquidated in February 2008 upon the district's issuance of approximately \$1.48 million in revenue bonds and \$198,221 in subordinate revenue notes.

The City of Brentwood and St. Louis County were responsible for overseeing the projects' construction. The district Board was responsible for reviewing and approving reimbursement requests from the developer for project costs incurred. Disbursements from the 2008 revenue bond issuance were authorized by the Board and processed by the bank trustee.

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

- The district did not solicit RFPs for the professional services provided by its legal counsel and engineer.

Both the legal counsel and engineer had previously provided services in regard to the district prior to its establishment. The engineer was also the city's engineer on a redevelopment project, and according to the district's legal counsel, the engineer's inherent knowledge of the entire site and improvements made the firm the best choice for the district's projects.

Through December 2007, approximately \$1.8 million in eligible project costs, including legal and engineering costs, had been submitted to the district for reimbursement by the developer. However, the potential total project costs to be reimbursed by the TDD were capped at \$1.25 million.

Soliciting proposals for professional 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. In addition, Section 8.285, RSMo, includes provisions regarding contracts for engineering services.

- The district's 2007 budget was not approved in a timely manner, with that budget not being approved until December 2007. In addition, the 2007 budget reflected a budget deficit, with estimated expenditures exceeding projected revenues and beginning available resources by \$5,000.

Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets.

- The district did not submit an annual financial report to the SAO for 2007. Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO.

Hanley Station TDD's Response:

Professional services There is no requirement under Missouri law that the TDD solicit proposals for legal and engineering services of the type provided to the TDD. Missouri Attorney General Opinion Letters Nos. 22-80, 102-83, and 7-85 have consistently found that contractual services subject to bid under the state's purchasing laws do not include

the services of attorneys. This position is consistent with the longstanding finding in Layne-Western Co. v. Buchanan County, 85 F.2d 343 (8th Cir. 1936). The TDD properly engaged legal counsel by adoption of Resolution No. 2005-6 at the first meeting of the District's Board of Directors on October 13, 2005, which approved and authorized the execution of the engagement letter for legal services dated the same date. Similarly, Missouri Attorney General Opinion Letter No. 153-91 reiterated the policy of Section 8.285, RSMo, allowing political subdivisions to negotiate contracts for engineering services on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable prices. Resolution No. 2005-9 authorized representatives of the TDD to take such actions and execute such documents as may be necessary in connection with the TDD projects and to implement the purpose of the TDD.

The Development Agreement (the "Agreement") between the TDD and MLP Hanley Station, L.L.C. (the "Developer") provided for the TDD to reimburse the Developer for TDD project costs in an amount not to exceed \$1,250,000 for expenditures related to the Strassner Road extension (hereafter known as the East Projects). The Developer submitted approximately \$1,800,000 in reimbursable project costs to the TDD for the East Projects. However, the TDD issued a promissory note to the Developer pursuant to the Agreement in an aggregate principal amount of only \$1,250,000, as follows:

<i>Resolution No. 2006-05 dated July 20, 2006</i>	<i>\$ 890,000 (East Projects)</i>
<i>Resolution No. 2006-11 dated December 20, 2006</i>	<i>\$ 360,000 (East Projects)</i>
<i>TOTAL APPROVED FOR REIMBURSEMENT</i>	<i>\$ 1, 250,000</i>

Budgets *The TDD acknowledges that the 2007 budget was not approved until December 2007. Pending approval, the TDD operated under the budget for the preceding year pursuant to Section 67.070, RSMo, and Article VI, §9 of the TDD's by-laws. The TDD is committed to implementing procedures to assure timely approval of all future budgets.*

Financial reports *The TDD submitted its 2007 annual financial report to the SAO on August 26, 2009. The TDD is committed to implementing procedures to assure timely submission of all future annual financial reports.*

- **Raintree Lake Village TDD**

The Raintree Lake Village TDD was organized in October 2005 by petition of the owner/developer of property within the proposed district. The TDD Board of Directors and officers include representatives of the property owner.

The qualified voter of the district, in this case the property owner/developer, approved the imposition of a 1-cent (1 percent) sales tax on all transactions taxable within the boundaries of the district, effective November 2005. However, sales tax collections did not begin until February 2007, upon the opening of the related development. The sales tax is currently expected to remain in effect for 24 years, unless terminated sooner. The retail establishments collect the sales tax and forward the collections to a private accounting contractor, the district's collection agent.

The TDD is located in the City of Lee's Summit, in Jackson County. The TDD is bounded by Ward Road on the west, Missouri Highway 150 on the north, and Regatta Drive on the east. The Raintree Lake Village development includes restaurant and retail and/or 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 SAO pursuant to Section 238.272, RSMo.

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

- Various improvements to Missouri Highway 150, including an eastbound right-turn lane and raised median, eastbound and westbound left-turn lanes at Regatta Drive, an extension of the second eastbound through lane to Regatta Drive terminating as a right-turn lane, a span-wire traffic signal at Regatta Drive, and improvements from Missouri Highway 291 on the east to the western boundary of the City of Lee's Summit.
- Various improvements to Ward Road, including modifications of the median to allow full access, a southbound left-turn lane, a northbound right-turn lane, a second northbound left-turn lane at Missouri Highway 150 with modifications to the traffic signal to accommodate a future second lane on Missouri Highway 150 west of Ward Road.
- Construction of LeMans Lane between Ward Road and Regatta Drive.
- Construction of Boardwalk Lane between Missouri Highway 150 and LeMans Lane.
- A northbound approach at Regatta Drive to provide for two northbound lanes extending from Missouri Highway 150 to LeMans Lane.

MoDOT and the City of Lee's Summit are the public entities with jurisdiction over these projects and have accepted dedication of the completed projects.

The developer funded the costs of the transportation projects. The developer has not yet been reimbursed for all the costs incurred, but signed a reimbursement agreement with the district for repayment of approximately \$700,000 in project costs plus accrued interest. Approximately \$1 million in project costs incurred by the developer was reimbursed by the TDD in 2007 from loan proceeds received from a local bank.

MoDOT and the City of Lee's Summit were responsible for overseeing the projects' construction. The district's executive director reviewed and approved TDD expenditures prior to their payment by a private accounting contractor.

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

- The district's general contractor was not solicited through a competitive bidding process. According to the district's records, in August 2005 (prior to the establishment of the TDD), the development company entered into a contract with a general contractor for street and utility improvements within Raintree Lake Village. In October 2005, after the district was established, it approved a preliminary work agreement with the developer that acknowledged construction was to be completed by the contractor which had been selected by the developer. A manager and/or executive member of the development company was also associated with the general contractor. Total construction costs of \$1.5 million were paid to the general contractor related to the TDD's transportation projects.

Section 238.252, RSMo, requires all construction contracts in excess of \$5,000 between a TDD and a private contractor to be competitively bid and awarded to the lowest and best bidder.

- The district overspent its 2007 budget by approximately \$920,000. The overspending was the result of the loan received from the bank and the resulting reimbursement to the developer not being budgeted. A formal budget amendment was not approved authorizing this additional expenditure. Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets.

Raintree Lake Village TDD's Response:

General contractor services The construction contract between the developer and the contractor was in place before the district was formed. The TDD statute allows payment of qualified project costs incurred before a district is formed provided the plans and specifications for such improvements are first approved by the appropriate transportation authority. Section 238.205.1, RSMo, allows a district to "fund, promote, plan, design, construct, improve, maintain, and operate one or more projects or to assist in such activity." The payment of project costs associated with construction undertaken prior to the formation of a district assists in funding and constructing such an improvement. Section 238.202.1(5), RSMo, specifies which projects may be funded and constructed by a district and includes "any bridge, street, road, highway, access road, interchange, intersection, signing, signalization...and any similar or related improvement or infrastructure." This language leaves open the possibility of turn-key construction.

The developer constructed and financed the public improvements pursuant to a development agreement with the City of Lee's Summit. In addition, the district entered into separate cooperative agreements between the district and the City of Lee's Summit and between the district and the Missouri Department of Transportation regarding construction and financing of the district's project. The developer and the district also entered into a preliminary work agreement pursuant to which the developer assigned its interest in the public improvements to the district in consideration of the district's obligation to reimburse the developer for certain project costs. The City of Lee's Summit

and the Missouri Department of Transportation approved the plans and specifications for the public improvements and accepted the public improvements, respectively, upon completion.

Budgets The district will reexamine its budget procedures and make any changes necessary to meet state law requirements.

- **1717 Market Place TDD**

The 1717 Market Place TDD was organized in November 2005 by petition of the owners/developer of property within the proposed district. The TDD Board of Directors and officers include representatives of the property owners/developer and the district's legal counsel.

The qualified voters of the district, in this case the property owners/developer, approved the imposition of a 1/8-cent (0.125 percent) sales tax on all transactions taxable within the boundaries of the district, effective December 2005. 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 Joplin.

The TDD is located in the City of Joplin, in Jasper County, at the intersection of 17th Street and Rangeline Road. The 1717 Market Place development includes restaurant and retail 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 SAO 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 \$1.4 million:

- Street improvements, including excavating and removal of existing public ways known as 15th Street and 17th Street, both east of Rangeline Road.
- Reconstructing to public road standards such ways and dedication of 15th Street and 17th Street (as public), east of Rangeline Road.
- Signalization at 17th Street and Rangeline Road.
- Lighting of all streets in the district, storm and sanitary sewer and utility relocations, and landscaping.

MoDOT and the City of Joplin are the public entities with jurisdiction over these projects and have accepted dedication of the projects upon completion.

Because the district is located within a TIF area, 50 percent of the sales tax collected has been paid to the City of Joplin for deposit into the accounts relating to the TIF projects.

The developer has funded the costs of the transportation projects and the developer has not yet been reimbursed for the costs incurred. At December 31, 2007, over \$1.15 million was owed to the owner/developer related to unreimbursed costs (including over \$147,000 in accrued interest).

MoDOT and the City of Joplin are responsible for overseeing the projects' construction. The City of Joplin is also responsible for reviewing and approving project costs and for tracking the balance of the district's liability to the developer. The district Board is responsible for reviewing and approving all other expenses.

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

- Although a TDD official indicated all the construction work was competitively bid by the developer, documentation of the procurement process, the bids received, and how the contractors were selected was not made available for our review. As a result of this situation, the proper bidding of approximately \$1 million in construction costs (the portion of the costs allocated to the transportation projects) could not be verified.

Section 238.252, RSMo, requires 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. Complete documentation should be maintained of all bids received and the reasons noted why a bid was selected.

- There was no documentation to indicate the contractors had complied with prevailing wage laws related to the district's projects. Certified contractor payrolls reviewed by the district or, at a minimum, an affidavit of compliance with prevailing wage laws from the contractor were not made available to us. According to a TDD official, union wages were paid on the projects and union wages were greater than the prevailing wage requirements. Sections 290.210 to 290.340, RSMo, include provisions regarding prevailing wages.
- The City of Joplin and the district did not enter into a formal written cooperative agreement. Such an agreement is necessary to address and clarify the city's and district's responsibilities regarding the construction and maintenance of the transportation projects. Section 432.070, RSMo, requires all contracts of the district to be in writing.
- The TDD Board did not hold any formal meetings in 2007 or 2006. The district Board should meet at least annually to conduct business as necessary to run the district, including the approval of the annual budget.
- The district did not prepare and adopt a budget for 2007. In addition, the district's annual budget for 2006 did not include some necessary information, including a budget message, budget summary, and revenue and expenditure estimates by

proper classification. Sections 67.010 to 67.040, RSMo, include provisions regarding the annual budgets.

- The district did not submit complete and accurate annual financial reports for 2007 and 2006 in a timely manner or in the form as prescribed by the SAO. The district submitted, at our request, both reports more than 12 months after they were required to be filed. In addition, both years' financial reports lacked beginning and ending account balances, adequately detailed receipts and disbursements, and a statement of indebtedness. Also, neither report was certified by the district as to its accuracy.

Section 105.145, RSMo, and 15 CSR 40-3.030 require political subdivisions to file an annual financial report with the SAO and include provisions that describe the content and filing requirements related to these financial reports.

1717 Market Place TDD did not provide a formal response.

- **Chesterfield Valley TDD**

The Chesterfield Valley TDD was organized in November 2005 by petition of the City of Chesterfield and St. Louis County, and after approval of the registered voters within the district. The TDD Board of Directors and officers include officials of the City of Chesterfield and St. Louis County, as well as the district's legal counsel.

The qualified voters of the district, in this case the registered voters, approved the imposition of a 3/8-cent (0.375 percent) sales tax on all transactions taxable within the boundaries of the district, effective March 2006. 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's collection agent, the City of Chesterfield.

The TDD is located in the City of Chesterfield, in St. Louis County, in the Chesterfield Valley which is bisected by Interstate 64 and bordered by the Missouri River. The Chesterfield Commons development, the primary development in the district, includes mixed use retail establishments, restaurants, and manufacturing, medical, and office space. In addition, there are numerous other retailers in the district not included within the development. The TDD has a fiscal year end of December 31. Financial audits of the district were conducted by an independent auditor for fiscal years 2007 and 2006. The district had no financial activity in fiscal year 2005.

The district was formed for the purpose of acquiring and constructing the following transportation projects with a total estimated cost of approximately \$41.6 million (of which it was estimated the district would contribute \$25.2 million towards the completion of all the projects):

County Projects -

- Alignment and improvement of a single signalized intersection of Wildhorse Creek Road, Long Road, and Kehrs Mills Road.
- Widening of Long Road from Chesterfield Airport Road to Wildhorse Creek Road.
- Wildhorse Creek Road realignment at/near Chesterfield Airport Road and Chesterfield Parkway.

City Projects -

- Partial funding for a full diamond interchange at Interstate 64 and Long Road.
- Construction of a levee trail/bikeway system along the Monarch Levee.
- Conducting a study of the mass transit needs of the Chesterfield Valley, as well as improvements to local roads and right-of-way and acquisition of public easements in an amount of up to \$2.15 million within the district.
- Improvements to local roads and right-of-way and acquisition of public easements within the area bounded by and including Long Road on the west, Baxter Road on the east, Interstate 64 on the north, and Edison Avenue on the south.

District Project -

- Improvements to Chesterfield Airport Road at its intersection with Spirit of St. Louis Boulevard and at its intersection with Old Olive Street Road.

MoDOT, St. Louis County, and the City of Chesterfield are the public entities with jurisdiction over these projects and will accept dedication of the completed projects. St. Louis County accepted dedication of the Wildhorse Creek Road realignment at/near Chesterfield Airport Road and Chesterfield Parkway project in May 2009, after the project's completion. In addition, the City of Chesterfield spent approximately \$1.24 million on the acquisition of public easements in the project area and in connection with the levee trail/bikeway system. In addition, the district has spent \$500,000 on the improvements to Chesterfield Airport Road at its intersection with Spirit of St. Louis Boulevard. All other projects are currently in progress or in the planning phase.

Because most of the district is located within a TIF area, 50 percent of the sales tax collected within the TIF area has been paid to the City of Chesterfield for deposit into the accounts relating to the TIF projects. It was expected these payments would continue until the TIF expired in 2009. However, TIF obligations were retired in October 2007, at which time the district was no longer required to remit 50 percent of its sales tax collections within the TIF area to the city.

The district issued \$22.5 million in transportation sales tax revenue bonds in 2006 to finance TDD-related project costs. The remaining project costs will be financed by the city, county, and either MoDOT or the Chesterfield Commons TDD.

MoDOT, St. Louis County, and the City of Chesterfield are responsible for overseeing the projects' construction. The district Board is responsible for reviewing and approving all expenditures prior to disbursement.

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

- The district did not submit its 2006 annual financial report to the SAO in a timely manner. This report was not received by the SAO until January 2009, 6 months after the 2007 report was submitted.

Section 105.145, RSMo, requires political subdivisions to 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, but an audit report can be filed within 6 months of the entity's fiscal year end.

Chesterfield Valley TDD's Response:

Financial reports The district obtained an independent audit of its financial statements for the fiscal year ended December 31, 2006. This audit was completed on June 21, 2007, which was within 6 months of the district's fiscal year end. However, due to turnover of district staff, a copy of this audit was not submitted to the State Auditor's Office in a timely manner. In the future, the district will make every effort to complete and submit its annual financial reports or its audited financial statements in a timely manner as required by state law.

- **Tuileries Plaza TDD**

The Tuileries Plaza TDD was organized in December 2005 by petition of the owner/developer of property within the proposed district. The TDD Board of Directors and officers include the owner/developer, relatives of the developer, and business owners within the district.

The qualified voter of the district, in this case the owner/developer, approved the imposition of a 1-cent (1 percent) sales tax on all transactions taxable within the boundaries of the district, effective January 2006. The sales tax is currently expected to remain in effect for 35 years, unless terminated sooner. The retail establishments collect the sales tax and forward the collections to a private accounting contractor, the district's collection agent.

The TDD is located in the City of Kansas City, in Platte County, south of Missouri Highway 45 between North Cosby Avenue and North Lucerne Avenue. The Tuileries Plaza development is an upscale, planned, mixed-use commercial development. 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 SAO 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 \$3.7 million:

- Widening, addition of turn lanes, traffic signals, and other improvements at Northwest 64th Street's (Missouri Highway 45) intersections of North Cosby Avenue and North Lucerne Avenue.
- Extension of North Lucerne Avenue one block.
- Construction of North Cosby and Northwest 63rd Street extensions.
- Construction of sidewalks from North Cosby Avenue to Mattox Road on Northwest 62nd Street.
- Any remaining funds will be contributed to the construction of a parking lot adjacent to the district.

MoDOT and the City of Kansas City are the public entities with jurisdiction over these projects and have accepted dedication of the completed projects.

The developer initially funded the costs of the transportation projects completed prior to the establishment of the district. The developer then loaned the district approximately \$1 million in 2006 to pay for a portion of additional project costs. In June 2007, the district issued \$2.75 million in revenue bonds to partially reimburse the developer for costs incurred. This amount represented the maximum amount of revenue bonds the district could sell at that time. At December 31, 2007, in addition to the bond debt, over \$2.14 million (including accrued interest) was owed to the developer related to unreimbursed costs.

MoDOT and the City of Kansas City were responsible for overseeing the projects' construction, while bond proceeds have been administered by a bank trustee. The district's executive director reviewed and approved other TDD expenditures prior to their payment by a private accounting contractor.

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

- The district advertised for bids for approximately \$1.2 million in construction work on district projects in late January 2006, and again in early February 2006, in accordance with state statute. However, some other construction projects were

completed prior to the establishment of the district. According to the district's legal counsel, these projects were bid by the developer and the lowest bids were selected; however, documentation of the procurement process related to this construction work was not retained. Additional construction costs incurred prior to the establishment of the district totaled approximately \$2 million.

Section 238.252, RSMo, requires all construction contracts in excess of \$5,000 between a TDD and a private contractor to be competitively bid and awarded to the lowest and best bidder. Complete documentation should be maintained of all bids received and the reasons noted why a bid was selected.

- The district overspent its 2007 and 2006 budgets by approximately \$1.96 million and \$960,000, respectively. The overspending was the result of the district's failure to budget for construction expenses related to loan/bond proceeds. Formal budget amendments were not approved authorizing these additional expenditures. In addition, the budgets for those years did not include some necessary information, including a budget message and a budget summary. Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets.

Tuileries Plaza TDD's Response:

Construction services A portion of the district's project was completed before formation of the district. These public improvements were improvements to the City of Kansas City road system. The TDD statute allows payment of qualified project costs incurred before a district is formed provided that the plans and specifications for such improvements are first approved by the appropriate transportation authority. Section 238.205.1, RSMo, allows a district to "fund, promote, plan, design, construct, improve, maintain, and operate one or more projects or to assist in such activity." The payment of project costs associated with construction undertaken prior to the formation of a district assists in funding and constructing such an improvement. Section 238.202.1(5), RSMo, specifies which projects may be funded and constructed by a district and includes "any bridge, street, road, highway, access road, interchange, intersection, signing, signalization... and any similar or related improvement or infrastructure." This language leaves open the possibility of turn-key construction. The City of Kansas City approved the plans and specifications for the public improvements and accepted the improvements upon their completion.

Budgets The district will reexamine its budget procedures and make any changes necessary to meet state law requirements.

- **Harrisonville Towne Center TDD**

The Harrisonville Towne Center TDD was organized in December 2005 by petition of the owners/developer of property within the proposed district. The TDD Board of Directors and officers include various representatives of the developer and a local business.

The qualified voters of the district, in this case the property owners, approved the imposition of a 1-cent (1 percent) sales tax on all transactions taxable within the boundaries of the district, effective December 2005. However, sales tax collections did not begin until March 2007. 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 Harrisonville.

The TDD is located in the City of Harrisonville, in Cass County, at the intersection of U.S. Highway 71 and South Commercial Street. At the time of our review, the Harrisonville Towne Center development included two retail establishments and construction of a motel had begun; however, the development has not progressed as envisioned, apparently due to the recent downturn in the economic conditions and the resultant vacancy of two pad sites in the development. 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 SAO 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 \$1.83 million:

- Improvement and widening of Commercial Street along Harrisonville Towne Center to accommodate a center turn lane north of U.S. Highway 71.
- Addition of a full access intersection to Harrisonville Towne Center.
- Construction of three right-hand turn lanes into Harrisonville Towne Center.

MoDOT and the City of Harrisonville are the public entities with jurisdiction over these projects and have accepted dedication of the completed projects.

Because the district is located within a TIF area, 50 percent of the sales tax collected has been paid to the City of Harrisonville for deposit into the TIF Special Allocation Fund, as required by law, to finance the construction of the TIF projects. In addition, pursuant to a formal agreement with the city, the district has agreed to disburse the remaining TDD sales tax revenues, less administrative and collection costs, to the city to pay debt service on the TDD-portion of the TIF bonds until they are retired.

The developer funded the costs of the transportation projects prior to the City of Harrisonville issuing \$8.63 million in TIF/TDD revenue bonds in June 2007. Upon issuance of the bonds, the developer was reimbursed for project costs incurred. Subsequent project costs incurred have been paid from the bond proceeds.

MoDOT and the City of Harrisonville were responsible for overseeing the projects' construction. The City of Harrisonville was also responsible for reviewing and approving reimbursement requests from the developer for project costs incurred.

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

- According to discussions with a current district representative, there has been little recent progress on the related development due to a dispute between the developer and his legal counsel and current economic conditions. As a result, the district Board (made up primarily of developer representatives) failed to hold an annual meeting since June 2006, and appears to have ceased to exist as a functioning body. Also, the original district Board appointed in December 2005 had five members; however, one person listed as a member never formally accepted the position or attended a meeting. Further, three members of the Board may not be Missouri residents.

A district Board should meet at least annually to conduct business as necessary to run the district, including the approval of the annual budget. In addition, Section 238.207.4(7), RSMo, requires the board to consist of at least five members. Further, Article VII, Section 8, Missouri Constitution, requires members of the board to be residents of the state.

- Excavation work related to the transportation projects in the amount of \$180,000 was not competitively bid. Section 238.252, RSMo, requires all construction contracts in excess of \$5,000 between a district and a private contractor to be competitively bid and awarded to the lowest and best bidder.
- The city reviewed and approved the reimbursement of costs incurred by the developer related to the district's transportation projects. One invoice submitted to the city by the developer, totaling approximately \$141,400, was not adequately detailed and no additional documentation was provided to support this payment. According to a current district representative, this payment was a flat fee paid to the developer for his oversight of the development, including the transportation projects. Without adequate supporting documentation, the appropriateness of the cost incurred and reimbursement paid to the developer could not be verified.
- There was no documentation to indicate the contractors had complied with prevailing wage laws related to the district's projects. There were no records to indicate the district requested and reviewed certified payrolls from the contractors or, at a minimum, obtained affidavits of compliance with prevailing wage laws from the contractors. Sections 290.210 to 290.340, RSMo, include provisions regarding the payment of prevailing wages on a public works project.
- Based on discussions with City of Harrisonville officials, no procedures have been established to ensure the district's revenues are only used to pay the TDD's share of bond financing costs. As noted above, the City of Harrisonville issued \$8.63 million in TIF/TDD revenue bonds, a portion of which were used to reimburse the developer for costs incurred and to fund additional transportation project costs. To ensure the TDD sales tax revenues are only used to pay the debt service costs related to the district's transportation projects, procedures should be

established to track the principal owed on the debt as it relates to the district's transportation projects. In addition, Section 238.235.1.(6), RSMo, requires all district sales tax revenues designated for transportation development be used solely for that purpose.

- The district's 2007 budget did not include some necessary information, including a budget message and a budget summary. In addition, the district's 2007 budget did not accurately reflect the district's beginning fund balance. This problem occurred because the 2007 budget was approved well before the end of the previous fiscal year when the district Board last met in June 2006. Further, no budgets have been approved for years subsequent to 2007. Sections 67.010 to 67.040, RSMo, include provisions regarding annual budgets.
- The district did not submit an annual financial report to the SAO for 2007. Section 105.145, RSMo, requires political subdivisions to file an annual financial report with the SAO.

Harrisonville Towne Center TDD's Response:

District Board In early 2009, the City of Harrisonville ("City") began taking steps to cause the District's Board to regain its functionality by hiring special counsel to identify the issues related to the District's lack of activity and to develop a plan to regain the District's functionality. In March and April of 2009, this plan was formulated and was communicated to your office prior to your representatives' visit to review the District's records on May 7. The City's special counsel then worked to gather the consensus of the developer and the other initial members of the District's board, which ultimately led to a meeting of the de facto district board described in your report. On August 6, 2009, the de facto district board met to call a meeting of the property owners for the purpose of electing a new District board.

The property owners' meeting and election was held August 26, 2009. The new District Board is properly composed of five members, each of whom is a Missouri resident as required by the Missouri Constitution.

Excavation services Neither the members of the District's current Board of Directors, nor the City's special counsel whom is assisting with returning the District's functionality, were in place at the time the excavation work related to the transportation projects should have been competitively bid. We have reviewed the District's records that have been made available to us, but also did not locate records to indicate that competitive bidding requirements had been complied with. A request for documentation regarding this issue was sent to the District's former counsel via e-mail transmission on October 2, 2009. However, as of the date of this writing the District has not received a response to its request for documents.

Documentation to support reimbursement of costs The District was created to provide a funding source for certain public transportation-related improvements

that are a component of a larger tax increment financing plan. Therefore, the District's reimbursable project costs are tied to the authorized reimbursable expenses in the TIF Plan. Among these approved reimbursable costs was a line item for a construction management fee, payable to the developer, for coordination and oversight of the construction of the public improvement projects. The developer submitted its request for \$141,400 in accordance with the authorized TIF reimbursable amount.

Compliance with prevailing wage laws Neither the members of the District's current Board of Directors, nor the City's special counsel whom is assisting with returning the District's functionality, were in place at the time the construction work on the transportation projects was completed. We have reviewed the District's records that have been made available to us, but also did not locate records to indicate that prevailing wage law had been complied with. A request for documentation regarding this issue was sent to the District's former counsel via e-mail transmission on October 2, 2009. However, as of the date of this writing the District has not received a response to its request for documents.

Use of TDD sales tax The District will work with the City to ensure that District revenues are used only to pay for transportation-related costs that were financed by the TIF-TDD revenue bonds.

Budgets Neither the members of the District's current Board of Directors, nor the City's special counsel whom is assisting with returning the District's functionality, were in place at the time the 2007 budget was adopted. The City's special counsel has advised the current District Board of this issue and the District is working to ratify/re-adopt District budgets in compliance with Sections 67.010 to 67.040, RSMo. As soon as these budgets are approved, we will forward them to the State Auditor's office.

Financial reports Neither the members of the District's current Board of Directors, nor the City's special counsel whom is assisting with returning the District's functionality, were in place at the time the District's annual financial report for fiscal year 2007 should have been submitted to the State Auditor's office. As indicated in the response to the previous point, the current District Board is working to ratify/re-adopt District budgets in compliance with Sections 67.010 to 67.040, RSMo. Once these budgets have been adopted, the District's Board will complete the necessary financial reports and submit them to the State Auditor's office.

APPENDIXES

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
 INFORMATION REGARDING ESTABLISHMENT, ESTIMATED PROJECT COSTS, AND ANTICIPATED REVENUES OF TDDs (IN ORDER OF DATE ESTABLISHED)

District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues ****	Sales Tax Rate *****	TDD Within a TIF district?
210 Highway	09/23/97	Clay	Kansas City	Property Owners	1	\$ 8,587,389	11 Years	\$ 5,972,759	1 1.000% A	No
Gravois Bluffs	* 12/07/99	St. Louis	Fenton	Property Owners & City of Fenton	2	25,300,000	24 Years	30,211,614	1.000%	Yes
Strother Interchange	* 01/21/00	Jackson	Lee's Summit	Property Owners	1	25,846,800	35 Years	4,231,781	1 0.500%	Yes
Fenton Crossing	* 02/08/00	St. Louis	Fenton	Property Owners	1	4,574,762	20 Years	8,000,000	1.000%	Yes
Kenilworth	* 08/15/00	St. Louis	Brentwood	Property Owners	1	1,500,000	14.5 Years	3,859,150	0.250%	Yes
Meramec Station Road and Highway 141	09/07/00	St. Louis	N/A	Property Owners	2	6,720,000	40 Years	15,700,000	1.000% B	Yes
Douglas Square	09/21/00	Jackson	Lee's Summit	Property Owners	4	450,000	20 Years	4,320,746	2 1.000%	No
370/Missouri Bottom Road/Taussig Road	11/01/00	St. Louis	Bridgeton/Hazelwood	Property Owners	2	34,010,000	17 Years	54,596,724	1.000% B	Yes
Boonville Riverfront	02/09/01	Cooper	Boonville	Property Owners & City of Boonville	1	3,908,420	40 Years	4,000,000	1.000%	No
Mark Twain Mall	02/20/01	St. Charles	St. Charles	Property Owners	1	1,500,000	30 Years	5,000,000	1.000%	Yes
I-470 and I-350	03/17/01	Jackson	Lee's Summit	Property Owners	1	17,080,627	40 Years	134,326,373	3 1.000%	Yes
St. John's Church Road	04/17/01	St. Louis	N/A	Property Owners	9	12,000,000	40 Years	27,000,000	1.000%	No
Ballwin Town Center	* 04/26/01	St. Louis	Ballwin	Property Owners	1	1,300,000	21 Years	5,751,400	0.250%	Yes
Brentwood Pointe	05/16/01	St. Louis	Brentwood	Property Owners	2	5,101,697	20 Years	13,503,100	1.000%	Yes
Platte County Missouri South I	* 06/19/01	Platte	Kansas City	Property Owners	3	24,000,000	30 Years	52,000,000	1.000%	No
Big Bend Crossing	06/25/01	St. Louis	Crestwood	Property Owners & City of Crestwood	1	1,487,415	20 Years	2,500,000	1.000%	No
Truman Road	06/25/01	Jackson	Independence	Property Owners	1	232,700	21 Years	483,363	1.000%	Yes
Country Club Plaza of Kansas City, Missouri	07/12/01	Jackson	Kansas City	Property Owners & TIF Commission of KC	3	11,149,363	20 Years	30,163,825	0.500%	Yes
Stardust-Munger-Diamond	10/16/01	Marion	Hannibal	Property Owners & City of Hannibal	1	4,704,000	19 Years	11,678,000	0.625%	Yes
Interstate Plaza/North Town Village	* 11/06/01	Pulaski	St. Robert	Property Owners & City of St. Robert	27	3,980,000	20 Years	6,500,000	0.500%	Yes
Wentzville	* 11/16/01	St. Charles	Wentzville	Property Owners	5	3,150,000	15 Years	5,921,700	0.250%	No
Shoppes at Old Webster	11/29/01	St. Louis	Webster Groves	Property Owners	3	520,000	20 Years	865,000	1.000%	No
Platte County Missouri South II	04/12/02	Platte	Kansas City	Property Owners	1	-	-	-	4 1.000%	No
Thirty-Ninth Street	04/25/02	Jackson	Independence	City of Independence	**	15,075,640	23 Years	23,614,406	0.125%	Yes
St. John Crossings	06/25/02	St. Louis	St. John	Property Owners & City of St. John	1	901,630	22 Years	2,354,600	0.250%	Yes
Douglas Station	06/27/02	Jackson	Lee's Summit	Property Owners	1	1,742,852	20 Years	3,461,671	1.000%	No
CenterState	08/05/02	Boone	Columbia	Property Owners	1	7,542,000	21 Years	8,000,000	1.000%	No
Raintree North	* 08/19/02	Jackson	Lee's Summit	Property Owners	1	1,700,000	14 Years	1,700,000	1.000%	No
Shoppes at Cross Keys	09/18/02	St. Louis	Florissant	Property Owners	1	4,900,000	23 Years	12,000,000	1.000%	Yes
Station Plaza	* 12/04/02	St. Louis	Kirkwood	Property Owners & City of Kirkwood	1	1,550,000	25 Years	3,461,395	1.000%	No
Hanley/Eager Road	12/16/02	St. Louis	Brentwood	Property Owners	6	12,000,000	30 Years	22,924,051	1.000%	Yes
US Highway 65 and Truman Dam Access	03/12/03	Benton	Warsaw	Property Owners	1	2,000,000	25 Years	4,250,000	0.500%	No
Lake of the Woods	* 03/24/03	Boone	Columbia	Property Owners	2	2,700,000	30 Years	Unknown	5 0.500%	No
I-70 and Adams Dairy Parkway	* 03/25/03	Jackson	Blue Springs	Property Owners	1	1,950,000	10 Years	1,883,723	0.500%	No
Ozark Centre	04/25/03	Christian	Ozark	Property Owners	1	3,408,293	20 Years	6,000,000	0.250%	No
Crestwood Point	05/15/03	St. Louis	Crestwood	Property Owners & City of Crestwood	2	2,986,000	40 Years	4,827,000	1.000%	Yes
M 150 and 135th Street	05/15/03	Jackson	Kansas City	Property Owners	1	12,000,000	20 Years	18,817,000	0.500%	No
Boscherts Landing	05/16/03	St. Charles	St. Peters	Property Owners	2	553,342	40 Years	Unknown	5 1.000%	No
Salt Lick Road	05/16/03	St. Charles	St. Peters	Property Owners	1	1,406,281	30 Years	Unknown	5 1.000%	No
Parkville Commons	06/09/03	Platte	Parkville	Property Owners	1	8,000,000	22 Years	12,000,000	1.000%	Yes
Pershall Road	07/30/03	St. Louis	Ferguson	Property Owners & City of Ferguson	1	620,000	25 Years	993,000	1.000%	No
Lee's Summit Missouri New Longview	07/31/03	Jackson	Lee's Summit	Property Owners	1	5,900,000	20 Years	10,500,000	1.000%	Yes
Prewitt Point	08/22/03	Miller	Osage Beach	Property Owners	2	4,750,000	25 Years	16,152,000	0.500%	Yes
Branson Regional Airport	* 09/04/03	Taney	Branson	Property Owners	1	150,000,000	30 Years	Unknown	5 N/A C	No
WingHaven	09/11/03	St. Charles	O'Fallon	Property Owners	12	3,048,098	20 Years	8,178,263	6 0.625%	No
Merchant's Laclede	10/08/03	N/A	St. Louis	Property Owners	2	6,510,000	30 Years	10,080,000	1.000% D	No
Belton Town Centre	* 11/17/03	Cass	Belton	Property Owners	10	19,000,000	23 Years	5,480,360	1 0.250%	Yes

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District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues ****	Sales Tax Rate *****	TDD Within a TIF district?
71 Highway & 150 Highway	11/20/03	Jackson	Grandview	Property Owners	2	450,000	23 Years	763,850	1.000%	Yes
Brentwood/Strassner Road	* 02/24/04	St. Louis	Brentwood	City of Brentwood and St. Louis County	**	8,365,000	11 Years	8,550,000	0.500%	Yes
Hutchings Farm Plaza	* 03/04/04	St. Charles	O'Fallon	Property Owners	1	600,000	8 Years	816,000	1.000%	No
Mexico Road	* 04/08/04	St. Charles	O'Fallon	Property Owners	1	2,600,000	40 Years	3,000,000	1.000%	No
Southtown	* 04/12/04	N/A	St. Louis	Property Owners	1	1,231,292	23 Years	4,204,762	1.000%	Yes
Francis Place	04/13/04	St. Louis	Richmond Heights	Property Owners	1	4,400,000	23 Years	10,000,000	3 1.000%	Yes
Poplar Bluff Conference Center	* 05/04/04	Butler	Poplar Bluff	Property Owners	1	2,400,000	40 Years	2,000,000	1 1.000%	No
Eureka Commercial Park	05/10/04	St. Louis	Eureka	Property Owners	4	1,430,000	40 Years	Unknown	5 0.875% A	No
Hanley Road and North of Folk Avenue	05/19/04	St. Louis	Maplewood	Property Owners	1	16,300,000	25 Years	30,900,000	1.000%	No
Megan Shoppes	* 06/07/04	St. Charles	O'Fallon	Property Owners	2	1,145,834	40 Years	5,520,000	1.000%	No
Folk Avenue South	07/14/04	St. Louis	Maplewood	Property Owners	2	6,958,609	26 Years	19,500,000	1.000%	Yes
St. Joseph Gateway	* 07/20/04	Buchanan	St. Joseph	Property Owners	1	4,000,000	23 Years	1,821,212	1 1.000%	Yes
Park Hills	* 07/28/04	St. Francois	Park Hills	Property Owners	2	750,000	20 years	200,000	1 0.500%	Yes
Hawk Ridge	09/02/04	St. Charles	Lake St. Louis	Property Owners & City of Lake St. Louis	3	19,400,000	25 Years	38,700,000	0.750%	No
Olive Boulevard	* 09/09/04	St. Louis	Creve Coeur	Property Owners & City of Creve Coeur	2	6,590,000	20 Years	8,881,735	3 0.500% B	Yes
Shoppes at Stadium	09/27/04	Boone	Columbia	Property Owners	1	2,500,000	15 Years	4,000,000	1.000%	No
Stadium Corridor	10/04/04	Boone	Columbia	Property Owners	4	13,819,603	25 Years	16,120,457	1.000%	No
Troy/Lincoln County***	* 10/05/04	Lincoln	Troy	City of Troy & Lincoln County	**	900,000	5 Years	900,000	7 1.000%	No
Chesterfield Commons	10/12/04	St. Louis	Chesterfield	Property Owners	1	12,000,000	30 Years	Unknown	5 1.000%	Yes
Eureka Old Town	10/12/04	St. Louis	Eureka	Property Owners & City of Eureka	4	1,367,500	30 Years	1,260,000	8 1.000%	No
North Main/Malone	* 11/19/04	Scott	Sikeston	Property Owners	1	8,600,000	23 Years	1,398,084	1 1.000%	Yes
Grindstone Plaza	01/31/05	Boone	Columbia	Property Owners	3	9,400,000	30 Years	24,000,000	0.500%	No
Residence Inn Downtown St. Louis	02/14/05	N/A	St. Louis	Property Owners	1	500,000	20 Years	1,500,000	1.000%	No
Mid Rivers/N	02/17/05	St. Charles	St. Peters	Property Owners	1	2,206,225	20 Years	8,400,000	0.500%	No
Bowman	* 02/17/05	Pulaski	Waynesville	Property Owners	1	125,000	20 Years	500,000	0.500%	No
Farris Family	* 02/17/05	Pulaski	St. Robert	Property Owners	4	250,000	10 Years	250,000	0.500%	No
Wentzville Parkway I	03/03/05	St. Charles	Wentzville	Property Owners	1	3,830,625	30 Years	Unknown	5 0.500%	No
St. Charles Riverfront	03/04/05	St. Charles	St. Charles	Property Owners	1	10,000,000	20 Years	8,500,000	1 1.000%	No
Wentzville II	03/07/05	St. Charles	Wentzville	Property Owners	1	2,800,000	25 Years	7,500,000	0.500%	No
Branson Landing	03/17/05	Taney	Branson	City of Branson	1	53,759,228	23 Years	47,106,055	1 1.000%	Yes
Highlands	04/20/05	N/A	St. Louis	Property Owners	2	700,000	23 Years	733,119	1.000%	Yes
Kingsmill	05/05/05	St. Charles	O'Fallon	Property Owners	2	1,525,000	40 Years	1,525,000	1.000%	No
Broadway-Fairview	05/10/05	Boone	Columbia	Property Owners	1	5,000,000	40 Years	17,000,000	0.500%	No
US 36/I-72	06/03/05	Marion	Macon/Hannibal	Transportation Corporation, 5 Counties & 6 Cities	**	136,000,000	15 Years	43,000,000	1 0.500%	Yes
Osage Station	* 07/19/05	Camden	Osage Beach	Property Owners	1	1,700,000	23 Years	1,700,000	0.750%	No
Northwoods	07/22/05	Boone	Columbia	Property Owners	1	1,120,000	30 Years	6,000,000	1.000%	No
Glenwood-Watson	07/26/05	St. Louis	Crestwood	Property Owners	2	2,350,000	23 Years	1,952,005	1 1.000%	Yes
Commons of Hazel Hills	* 08/11/05	Cole	Jefferson City	Property Owners	1	12,000,000	15 Years	23,000,000	1.000%	No
Dardenne Town Square	* 08/18/05	St. Charles	Dardenne Prairie/Lake Saint Louis	Property Owners	10	15,000,000	40 Years	10,750,000	1 0.500%	No
Hanley Station	* 09/29/05	St. Louis	Brentwood	Property Owners	1	2,000,000	19 Years	6,670,000	1.000%	Yes
Raintree Lake Village	10/19/05	Jackson	Lee's Summit	Property Owners	1	1,530,000	24 Years	4,767,995	1.000%	No
1717 Market Place	* 11/25/05	Jasper	Joplin	Property Owners	2	1,428,680	23 Years	2,070,000	0.125%	Yes
Cripple Creek	11/28/05	Butler	Poplar Bluff	Property Owners	1	2,087,628	Unknown	Unknown	5 1.000%	No
Chesterfield Valley	11/28/05	St. Louis	Chesterfield	City of Chesterfield	**	37,300,000	25 Years	25,175,000	1 0.375%	Yes
Hawthorne Development	11/30/05	Johnson	Warrensburg	Property Owners	7	17,524,000	20 Years	8,807,602	1 0.500%	No
Tuileries Plaza	* 12/09/05	Platte	Kansas City	Property Owners	1	3,600,000	35 Years	8,700,000	1.000%	No
Conley Road	12/09/05	Boone	Columbia	Property Owners	3	20,000,000	35 Years	57,000,000	1.000%	No
Harrisonville Towne Center	12/12/05	Cass	Harrisonville	Property Owners	1	1,124,000	23 Years	Unknown	5 1.000%	Yes

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District Name	Date Established	County	Municipality	Petition To Establish Was Filed By:	Number of Property Owners	Estimated Project Costs	TDD's Estimated Life	Total Anticipated Revenues ****	Sales Tax Rate *****	TDD Within a TIF district?
Elm Grove	* 12/20/05	St. Louis	Hazelwood	Property Owners	2	750,000	40 Years	2,000,000	1.000%	No
Tuscany Village	12/21/05	Buchanan	St. Joseph	Property Owners	1	13,000,000	23 Years	7,200,000	1 0.250%	Yes
Koch Plaza	01/19/06	St. Louis	Florissant	Property Owners	1	650,000	Unknown	Unknown	5 0.500%	No
Barathaven	* 01/26/06	St. Charles	Dardenne Prairie	Property Owners	3	4,215,000	20 Years	9,493,639	1.000% A	No
Blue Ridge Town Centre	02/04/06	Boone	Columbia	Property Owners	1	Unknown	Unknown	Unknown	9 1.000%	No
Tower	02/15/06	Clay	Gladstone	Property Owners	2	1,000,000	30 Years	1,700,000	0.500%	No
Heer's Tower	03/16/06	Greene	Springfield	Property Owners & City of Springfield	3	8,826,627	25 Years	187,500	1 1.000%	No
College Station	03/16/06	Greene	Springfield	Property Owners & City of Springfield	2	8,600,000	25 Years	4,400,000	1 1.000%	No
Horseshoe Bend	* 04/13/06	Miller	Lake Ozark	Property Owners	1	23,500,000	25 Years	113,079,775	1.000%	Yes
Briarcliff Parkway and Highway 9	05/17/06	Clay	Kansas City	Property Owners	1	7,036,020	20 Years	3,450,988	1 0.500%	Yes
Fulton South Business 54	06/12/06	Callaway	Fulton	Property Owners & City of Fulton	4	1,400,000	30 Years	2,700,000	0.500%	Yes
Crackerneck Creek	07/26/06	Jackson	Independence	Property Owners & City of Independence	3	15,231,975	24 Years	21,980,746	1.000%	Yes
Columbia Mall	08/04/06	Boone	Columbia	Property Owners	4	22,000,000	22 Years	10,500,000	1 0.500%	No
Arnold Triangle	* 08/13/06	Jefferson	Arnold	Property Owners & City of Arnold	5	9,000,000	29 Years	14,000,000	10 1.000%	Yes
University Place	09/06/06	St. Louis	N/A	The Curators of the University of Missouri	1	15,415,000	25 Years	26,300,000	1.000% B	No
Broadway Hotel	09/06/06	N/A	St. Louis	Property Owners	1	6,500,000	25 Years	11,500,000	1.000%	No
620 Market	09/06/06	N/A	St. Louis	Property Owners	1	991,600	30 Years	2,670,000	1.000%	No
U.S. Highway 50/63 and City View	09/25/06	Cole	Jefferson City	Property Owners	2	14,700,000	20 Years	8,000,000	1 1.000%	No
Cornerstone Pointe	10/10/06	Cass	Belton	Property Owners	1	2,000,000	25 Years	5,910,656	1.000%	No
Eureka South I-44***	10/19/06	St. Louis	Eureka	Property Owners & City of Eureka	1	-	-	-	11 N/A	No
Town and Country Crossing	10/20/06	St. Louis	Town and Country/Ballwin	Property Owners	1	10,500,000	17 Years	13,000,000	0.500%	No
Belton/Raymore Interchange	10/30/06	Cass	Belton/Raymore	Property Owners & City of Belton	3	13,000,000	20 Years	Unknown	5 1.000%	No
Wentzville Three	12/04/06	St. Charles	Wentzville	Property Owners	1	2,750,000	40 Years	Unknown	5 0.250%	No
Indian Ridge Resort	12/07/06	Stone	Branson West/Village of Indian Point	Property Owners	4	28,152,034	30 Years	34,797,760	1.000%	No
1200 Main/South Loop	12/11/06	Jackson	Kansas City	Property Owners & City of Kansas City	10	40,583,010	25 Years	64,637,467	1.000%	Yes
Gans Road and U.S. 63	12/12/06	Boone	Columbia	Property Owners	2	29,000,000	Unknown	30,000,000	0.500% A	No

New TDDs Established in 2007:

Stone Ridge	01/24/07	Cole	Jefferson City	Property Owners	1	3,106,782	20 Years	2,350,000	12 1.000%	No
Meadows	01/29/07	St. Charles	Lake Saint Louis	Property Owners & City of Lake St. Louis	1	10,900,000	25 Years	27,883,277	0.750%	No
Shoppes at Hilltop	02/06/07	St. Louis	Eureka	Property Owners	1	2,500,000	20 Years	4,900,000	1.000% B	No
Spindler	02/07/07	Webster	Seymour	Property Owners	1	Unknown	Unknown	Unknown	13 Unknown	Unknown
St. Cyr Road	02/20/07	St. Louis	Moline Acres	Property Owners & City of Moline Acres	1	1,250,000	22 Years	1,452,155	0.625%	Yes
Cross Creek	02/26/07	Boone	Columbia	Property Owners	1	10,200,000	25 Years	5,084,948	1 0.500%	No
Highway 367 & Parker Road	03/02/07	St. Louis	N/A	Property Owners	1	1,000,000	21 Years	3,800,000	0.500%	Yes
CB 5421/5975	03/05/07	N/A	St. Louis	Property Owners	6	2,900,000	40 Years	4,000,000	1.000%	Yes
Platte Valley Plaza	03/09/07	Platte	Platte City	Property Owners	1	1,400,000	40 Years	1,400,000	0.625% B	No
Adler Lofts	03/12/07	N/A	St. Louis	Property Owners	1	1,000,000	19 Years	1,448,400	1.000% B	Yes
South Manchester	03/30/07	St. Louis	Manchester	Property Owners	5	2,500,000	25 Years	4,902,571	0.750%	No
Independence Avenue & Colbern Road	05/02/07	Jackson	Lee's Summit	Property Owners	4	900,000	30 Years	3,042,600	0.750%	No
Raytown Highway 350	05/07/07	Jackson	Raytown	Property Owners & Raytown Consolidated School District #2	2	6,141,276	30 Years	3,871,350	1 0.125%	Yes
The Market at McKnight I	05/11/07	St. Louis	Rock Hill	Property Owners	4	2,200,000	20 Years	3,305,933	1.000%	Yes
Bottle District	05/17/07	N/A	St. Louis	Property Owners	1	6,000,000	40 Years	6,000,000	1.000%	Yes
Euclid Buckingham	06/14/07	N/A	St. Louis	City of St. Louis	1	4,500,000	Unknown	1,200,000	1 Unknown	Yes
Harrisonville Market Place A	08/27/07	Cass	Harrisonville	Property Owners	1	Unknown	Unknown	Unknown	14 Unknown	Unknown
Harrisonville Market Place B	08/27/07	Cass	Harrisonville	Property Owners	2	Unknown	Unknown	Unknown	14 Unknown	Unknown
						<u>\$ 1,263,314,857</u>		<u>\$ 1,540,555,645</u>		

APPENDIX A

TRANSPORTATION DEVELOPMENT DISTRICTS
INFORMATION REGARDING ESTABLISHMENT, ESTIMATED PROJECT COSTS, AND ANTICIPATED REVENUES OF TDDs (IN ORDER OF DATE ESTABLISHED)

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

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

*** These districts had been abolished or were in the process of being abolished at December 31, 2008.

**** Interest costs on TDD debt and administrative costs of the districts 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.

***** In addition to sales tax, several districts have authorized the following additional revenue sources: property taxes (A); special assessments (B); private hanger rental, fueling, airline agreement, rental car agreement, and other collateral service fees (C); and parking fees (D).

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

Footnote legend for Total Anticipated Revenues

1. TDD sales tax revenues are used to supplement the project costs with the remaining project costs being funded from other revenue sources.
2. The additional revenue will be used to supplement the project costs related to an adjacent district.
3. The district's project(s) has more than one construction phase, with estimated project costs provided only for Phase I.
4. Project costs/life of district/anticipated revenues 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 August 2005, and the district was subsequently abolished in January 2009.
8. The district's projects were split into four phases and revenue was only estimated on two of the phases.
9. Anticipated project costs and revenues were not determined. It is expected infrastructure costs will be financed by a loan from the developer, which shall eventually be retired by sales tax revenue bonds.
10. At the time of the creation of the Arnold Retail Corridor (ARC) TDD in March 2008 and the imposition of the ARC TDD sales tax, the district repealed its sales tax and revised the scope of its original projects to include the ARC TDD's additional projects.
11. The district was formed in October 2006. The district's board passed a resolution to establish a sales tax; however, this issue was never submitted to the district's voters. The district was abolished in June 2008, before any project cost or revenue estimates were provided to us.
12. The additional revenues needed to finance the projects have not yet been determined.
13. After this TDD was created, the developer found the proposed projects not to be feasible. Therefore, nothing more than its creation has occurred.
14. As of August 31, 2009, these TDDs have not responded to our questionnaire soliciting applicable information.

Source: MoDOT TDD data base, the Judgment and Order issued by the Circuit Courts, TDD survey questionnaires, and communication with district officials/representatives.

APPENDIX C

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

	Gravois Bluffs	Strother Interchange *	Grindstone Plaza *	Branson Landing	Kingsmill
Beginning balance, Fiscal Year 2005	\$ 274,804	3,634,867	0	0	0
Receipts:					
Sales taxes	3,045,496	149,324	0	0	0
Interest	0	75,148	2,323	0	0
Revenue bond/note proceeds	0	0	2,857,438	0	0
Tax increment financing	0	1,737,270	0	0	0
Total Receipts	3,045,496	1,961,742	2,859,761	0	0
Disbursements:					
Professional fees	20,480	39,725	204,159	0	0
Debt service	1,452,919	1,953,468	0	0	0
Insurance	0	16,866	5,012	0	0
Accounting and auditing	5,500	0	687	0	0
Administrative	20,085	0	0	0	0
Transportation project costs	0	575,206	2,616,937	0	0
Collection fees	30,311	0	0	0	0
Tax increment financing	1,499,548	0	0	0	0
Other	0	20,711	0	0	0
Total Disbursements	3,028,843	2,605,976	2,826,795	0	0
Ending Balance, Fiscal Year 2005	291,457	2,990,633	32,966	0	0
Receipts:					
Sales taxes	3,120,016	145,391	63,265	271,128	0
Interest	7,777	282,001	29,989	0	0
Revenue bond/note proceeds	0	6,987,093	14,218,813	0	0
Tax increment financing	0	3,231,232	0	0	0
Other	0	0	20	0	0
Total Receipts	3,127,793	10,645,717	14,312,087	271,128	0
Disbursements:					
Bond/loan issuance costs	0	265,230	325,651	0	0
Professional fees	76,923	48,613	64,234	0	0
Debt service	418,802	2,835,210	6,153,143	132,853	0
Insurance	0	16,736	5,012	0	0
Accounting and auditing	4,500	0	10,618	0	0
Administrative	22,000	0	0	0	0
Transportation project costs	931,309	1,579,703	5,413,032	0	0
Collection fees	31,245	0	0	2,711	0
Tax increment financing	1,546,606	0	0	135,564	0
Other	16	23,725	2,736	0	0
Total Disbursements	3,031,401	4,769,217	11,974,426	271,128	0
Ending Balance, Fiscal Year 2006	387,849	8,867,133	2,370,627	0	0
Receipts:					
Sales taxes	3,250,940	166,164	288,366	1,091,176	300
Interest	273,790	345,512	85,316	0	0
Revenue bond/note proceeds	23,492,114	0	914,400	0	206,128
Tax increment financing	0	2,165,663	0	0	0
Other	0	8,614	0	0	0
Total Receipts	27,016,844	2,685,953	1,288,082	1,091,176	206,428
Disbursements:					
Bond/loan issuance costs	515,755	0	2,500	0	0
Professional fees	129,527	98,773	56,761	0	16,000
Debt service	3,746,009	1,929,644	644,588	534,676	0
Insurance	1,533	15,494	5,960	0	5,000
Accounting and auditing	4,967	0	18,884	0	0
Administrative	29,121	0	1,500	0	500
Transportation project costs	12,267,883	4,317,407	1,455,379	0	184,428
Collection fees	32,283	0	0	10,912	0
Tax increment financing	1,598,027	0	0	545,588	0
Other	17,734	26,945	0	0	500
Total Disbursements	18,342,839	6,388,263	2,185,572	1,091,176	206,428
Ending Balance, Fiscal Year 2007	\$ 9,061,854	5,164,823	1,473,137	0	0

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

APPENDIX C

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

	Broadway-Fairview *	Osage Station	Dardenne Town Square	Hanley Station	Raintree Lake Village
Beginning balance, Fiscal Year 2005	\$ 0	0	0	0	0
Receipts:					
Sales taxes	0	0	0	0	0
Interest	0	0	0	0	0
Revenue bond/note proceeds	0	0	0	0	0
Tax increment financing	0	0	0	0	0
Total Receipts	0	0	0	0	0
Disbursements:					
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
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 2005	0	0	0	0	0
Receipts:					
Sales taxes	38,270	5,497	50,434	0	0
Interest	54,853	0	0	0	0
Revenue bond/note proceeds	6,837,450	0	20,478,514	0	0
Tax increment financing	0	0	0	0	0
Other	3,093	0	0	0	0
Total Receipts	6,933,666	5,497	20,528,948	0	0
Disbursements:					
Bond/loan issuance costs	189,107	0	146,472	0	0
Professional fees	394,789	0	226,229	0	0
Debt service	149,777	0	0	0	0
Insurance	4,767	0	0	0	0
Accounting and auditing	4,627	0	0	0	0
Administrative	19,996	0	4,000	0	0
Transportation project costs	4,381,287	0	17,746,911	0	0
Collection fees	0	0	324	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	206	0	0
Total Disbursements	5,144,350	0	18,124,142	0	0
Ending Balance, Fiscal Year 2006	1,789,316	5,497	2,404,806	0	0
Receipts:					
Sales taxes	242,308	16,515	630,780	27,669	4,537
Interest	67,651	0	107,547	0	0
Revenue bond/note proceeds	100,000	0	466,989	0	1,019,112
Tax increment financing	0	0	0	0	0
Other	0	0	0	0	0
Total Receipts	409,959	16,515	1,205,316	27,669	1,023,649
Disbursements:					
Bond/loan issuance costs	0	0	0	0	17,136
Professional fees	49,620	0	0	0	255
Debt service	371,719	8,917	1,256,029	0	0
Insurance	2,439	0	1,429	0	3,878
Accounting and auditing	15,022	0	2,990	0	0
Administrative	5,000	4,656	8,000	0	0
Transportation project costs	471,864	0	486,039	0	1,000,000
Collection fees	0	0	3,102	0	0
Tax increment financing	0	0	0	0	0
Other	0	0	471	0	35
Total Disbursements	915,664	13,573	1,758,060	0	1,021,304
Ending Balance, Fiscal Year 2007	\$ 1,283,611	8,439	1,852,062	27,669	2,345

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

APPENDIX C

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

	1717 Market Place	Chesterfield Valley *	Tuileries Plaza	Harrisonville Towne Center
Beginning balance, Fiscal Year 2005	\$ 0	0	0	0
Receipts:				
Sales taxes	0	0	0	0
Interest	0	0	0	0
Revenue bond/note proceeds	0	0	0	0
Tax increment financing	0	0	0	0
Total Receipts	0	0	0	0
Disbursements:				
Professional fees	0	0	0	0
Debt service	0	0	0	0
Insurance	0	0	0	0
Accounting and auditing	0	0	0	0
Administrative	0	0	0	0
Transportation project costs	0	0	0	0
Collection fees	0	0	0	0
Tax increment financing	0	0	0	0
Other	0	0	0	0
Total Disbursements	0	0	0	0
Ending Balance, Fiscal Year 2005	0	0	0	0
Receipts:				
Sales taxes	113,148	1,473,685	26,426	0
Interest	0	82,953	882	0
Revenue bond/note proceeds	0	22,468,241	1,056,188	0
Tax increment financing	0	0	0	0
Other	0	0	120	0
Total Receipts	113,148	24,024,879	1,083,616	0
Disbursements:				
Bond/loan issuance costs	0	0	0	0
Professional fees	0	0	4,758	0
Debt service	0	379,759	138,563	0
Insurance	0	0	6,248	0
Accounting and auditing	0	0	0	0
Administrative	0	23,477	0	0
Transportation project costs	0	795,214	915,625	0
Collection fees	0	0	0	0
Tax increment financing	0	623,257	0	0
Other	128	0	5	0
Total Disbursements	128	1,821,707	1,065,199	0
Ending Balance, Fiscal Year 2006	113,020	22,203,172	18,417	0
Receipts:				
Sales taxes	62,937	2,159,098	63,014	83,380
Interest	0	1,058,124	16,140	0
Revenue bond/note proceeds	0	0	2,749,304	0
Tax increment financing	0	0	0	0
Other	0	0	0	0
Total Receipts	62,937	3,217,222	2,828,458	83,380
Disbursements:				
Bond/loan issuance costs	0	0	98,500	0
Professional fees	0	0	30,284	0
Debt service	0	1,357,764	0	0
Insurance	0	0	3,097	0
Accounting and auditing	0	0	5,225	0
Administrative	0	52,479	0	834
Transportation project costs	0	5,548,756	1,861,602	0
Collection fees	0	0	0	0
Tax increment financing	0	957,366	0	0
Other	70	0	1,305	0
Total Disbursements	70	7,916,365	2,000,013	834
Ending Balance, Fiscal Year 2007	\$ 175,887	17,504,029	846,862	82,546

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

APPENDIX D

TRANSPORTATION DEVELOPMENT DISTRICTS SUMMARY OF AUDIT FINDINGS REPORTED BY OTHER INDEPENDENT AUDITORS – SELECTED TDDS

Expenditures

- A district's bidding policy allowed expenditures less than \$100,000 to be purchased without bid. It was recommended this bidding threshold be lowered (Grindstone Plaza TDD).

Accounting Records and Procedures

- A written accounting policy and procedure manual was not maintained (Chesterfield Valley TDD).
- For two districts, a lack of segregation of duties was noted (Strother Interchange and Chesterfield Valley TDDs).
- Documentation of internal controls had not been prepared. Once internal controls had been documented, management and others charged with governance had a responsibility to understand the controls and ensure that they were operating effectively (Gravois Bluffs TDD).

Budgetary Procedures

- For three districts, actual expenditures exceeded budgeted expenditures (Strother Interchange, Gravois Bluffs and Chesterfield Valley TDDs).

Investments

- A written investment policy was not adopted authorizing investment options chosen by a district (Chesterfield Valley TDD).

Depository Collateral

- Deposits exceeded FDIC coverage (Strother Interchange TDD).

Conflict of Interest

- A written conflict of interest policy had not been adopted (Grindstone Plaza TDD).

Fraud Risk/Detection Program

- For two districts, a proper fraud risk assessment or detection program had not been developed (Chesterfield Valley and Gravois Bluffs TDDs).

Note - The above findings were included in the Management Letters and/or the Independent Auditor's Reports on Compliance and Internal Control issued with the independent audits of the selected districts.