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Missouri State Auditor

Hanley Road and North of
Folk Avenue
Transportation Development
District

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CITIZENS SUMMARY

Findings in the audit of the Hanley Road and North of Folk Avenue Transportation Development District

Background	<p>The Hanley Road and North of Folk Avenue Transportation Development District (TDD) was organized in May 2004 and is located in the City of Maplewood, in St. Louis County. This TDD approved a 1-cent sales tax to finance the costs of various transportation projects totaling \$13.4 million. This sales tax was expected to remain in effect for 25 years.</p> <p>In March 2009, the Hanley Road Corridor (HRC) TDD was organized and effectively consolidated the activities of this and four other local TDDs by refinancing or accepting the debt of these TDDs. The Hanley Road and North of Folk Avenue TDD Board voted to repeal its sales tax once the HRC TDD sales tax became effective, and, in November 2010, the TDD Board expressed its intent to dissolve.</p>
Statutory Requirement	<p>Section 238.275, RSMo, requires the State Auditor to determine the financial status of a TDD before it may be abolished. The law prohibits the abolition of a TDD while there are outstanding claims or causes of action pending against it, if its liabilities exceed its assets, or while the TDD is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.</p>
Financial Status	<p>Based upon our audit and an estimate of outstanding liabilities for final administrative costs received from legal counsel, the Hanley Road and North of Folk Avenue TDD assets will be sufficient to pay any remaining costs and the Board of Directors may proceed with its abolishment.</p>

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

<p>American Recovery and Reinvestment Act 2009 (Federal Stimulus)</p>	<p>The Hanley Road and North of Folk Avenue TDD did not receive any federal stimulus monies during the audited time period.</p>
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Thomas A. Schweich

Missouri State Auditor

Shelley Ball, Chairman
and
Board of Directors
Hanley Road and North of Folk Avenue Transportation Development District
Maplewood, Missouri

The State Auditor is required under Section 238.275, RSMo, to audit a transportation development district prior to the question of abolishment being submitted to a vote. In November 2010, legal counsel of the Hanley Road and North of Folk Avenue Transportation Development District (TDD) advised the State Auditor's office of the TDD Board's intent to dissolve the district and requested an audit be performed pursuant to this statute.

The TDD engaged Deborah Loomis, Certified Public Accountant (CPA), to audit the district's financial statements for the year ended December 31, 2009. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the 2 years ended December 31, 2010. The objective of our audit was to evaluate the financial status of the TDD and determine whether it may be abolished pursuant to law.

Our methodology included reviewing minutes of meetings, financial records, and other pertinent documents; and interviewing various representatives of the TDD, as well as certain external parties. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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

The audit determined the Board of Directors can proceed with abolishment of the TDD in accordance with Section 238.275, RSMo.

The accompanying Management Advisory Report presents our findings arising from our audit of the Hanley Road and North of Folk Avenue Transportation Development District.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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

Hanley Road and North of Folk Avenue Transportation Development District Management Advisory Report - State Auditor's Findings

Financial Status

Our audit of the Hanley Road and North of Folk Avenue Transportation Development District (TDD) indicates the financial condition of the TDD is such that the TDD may be abolished since its assets exceed or meet its outstanding liabilities.

The Hanley Road and North of Folk Avenue TDD was organized in May 2004 by petition of the owner/developer of property within the proposed district. The Board of Directors and officers include various employees of the owner/developer.

The qualified voter of the TDD, in this case the property owner/developer, approved the imposition of a 1-cent (1 percent) sales tax on all transactions which are taxable within the boundaries of the district, effective November 2004. The sales tax was expected to remain in effect for 25 years, unless terminated sooner. The retail establishments within the district collected the sales taxes and forwarded the collections to the TDD collection agent, the City of Maplewood.

The TDD is located in the City of Maplewood, in St. Louis County, northeast of the intersection of Hanley Road and Folk Avenue. The Maplewood Commons development includes large retail establishments. The TDD has a fiscal year end of December 31. An annual financial audit of the district was conducted by an independent auditor for 2009.

The TDD was formed for the purpose of acquiring property (right-of-way and/or easements) and constructing various transportation projects with a total cost of approximately \$13.4 million. The developer funded the costs of the transportation projects prior to the TDD issuing \$13.8 million in revenue bonds in June 2005 and a \$1 million subordinate promissory note payable during that year. After the TDD debt was issued, the developer was reimbursed.

The City of Maplewood and St. Louis County were the public entities with jurisdiction over these projects and ownership of the projects was transferred to these entities in June 2006.

In October 2008, the Brentwood Point and Folk Avenue South TDDs jointly filed a petition to create the Hanley Road Corridor (HRC) TDD, which includes the entire area encompassed by the Hanley Road and North of Folk Avenue TDD. The HRC TDD was officially organized in March 2009 for the purpose of paying the cost of financing or refinancing certain transportation-related improvements, including the refinancing of the outstanding debt obligations of the Hanley Road and North of Folk Avenue TDD. The creation of the HRC TDD served to effectively consolidate the activities of the Hanley Road and North of Folk Avenue TDD and four other local TDDs by refinancing and/or accepting the debt of those TDDs and



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assuming all other financial responsibilities within the newly-created HRC TDD.

On August 12, 2009, the Hanley Road and North of Folk Avenue TDD Board approved a resolution repealing its sales tax upon the effective date of a sales tax imposed and issuance of obligations by the HRC TDD. The HRC TDD bonds were subsequently issued on August 31, 2009, resulting in the liquidation of over \$14.5 million in Hanley Road and North of Folk Avenue TDD debt-related obligations, including debt principal, accrued interest, and other debt refunding expenses. The HRC TDD sales tax became effective September 1, 2009, with the Hanley Road and North of Folk Avenue TDD sales tax being repealed that same date.

In November 2010, the TDD's legal counsel advised the State Auditor's office (SAO) of the Board's intent to dissolve the TDD and requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo.

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

The following table presents the financial activity and cash balances of the TDD for the 2 years ended December 31, 2010 (as presented on the cash basis):



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	Year Ended December 31,	
	2010	2009
RECEIPTS		
Sales taxes	\$ 0	900,930
Interest	3	1,300
Intergovernmental receipt - HRC TDD	15,000	14,616,502
Total Receipts	15,003	15,518,732
DISBURSEMENTS		
Administration	2,964	43,471
Legal costs	9,416	0
Audit	7,500	0
Intergovernmental payment - HRC TDD	0	1,908,866
Debt service	0	15,211,267
Total Disbursements	19,880	17,163,604
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,877)	(1,644,872)
BEGINNING CASH	26,924	1,671,796
ENDING CASH	\$ 22,047	26,924

Note - the ending cash balance at each year end represents the balance of an account maintained on behalf of the Hanley Road and North of Folk Avenue TDD by the HRC TDD under the HRC TDD bond indenture.

Based on our audit, the cash balance of the TDD at December 31, 2010, was \$22,047. To cover final expenses of the TDD prior to abolishment, additional funding of \$15,000 is to be provided annually by the HRC TDD on behalf of the Hanley Road and North of Folk Avenue TDD in accordance with the HRC TDD bond indenture. As of February 22, 2011, the cash balance of the TDD was \$36,211.

The TDD's legal counsel estimates the outstanding liabilities for final administrative costs (legal fees, accounting costs and audit costs) at approximately \$17,500. Based on legal counsel's estimate, TDD assets will be sufficient to pay any remaining costs and obligations.

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