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Missouri State Auditor

Troy/Lincoln County Transportation Development District



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Missouri State Auditor
Susan Montee, CPA

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The following was reported in our audit of the Troy/Lincoln County Transportation Development District.

The Troy/Lincoln County Transportation Development District (TDD) was established on October 5, 2004, and is located in the city of Troy in Lincoln County. The district was initially formed for the purpose of renovating and upgrading the U.S. Highway 61/Highway 47 interchange and overpass, and the completion of other road work in that area. The district's registered voters approved the imposition of a 1 percent sales tax on all taxable transactions within the district effective November 1, 2004. The costs of the district's transportation projects were originally estimated at approximately \$14 million. However, in August 2005, the district's registered voters repealed the district's sales tax. The district received approximately \$1.2 million in sales tax revenues before it was repealed.

In October 2005, the board entered into an agreement with the Missouri Department of Transportation (MoDOT) to share in the cost of funding a reduced scope road project at an estimated cost of \$1.8 million, with the district agreeing to pay \$900,000 of the project costs. In June 2008, the district reimbursed MoDOT \$900,000 for its portion of the transportation project costs incurred. In July 2008, the board and MoDOT entered into a supplemental agreement whereby the district agreed to provide \$196,000 in additional funding to MoDOT to help pay the costs of a signal project at Missouri Highway 47/Fairgrounds Road/Ellis Avenue. The agreement provided that this payment was to be made to MoDOT in September 2008.

On April 9, 2008, the board approved a resolution formalizing its intent to: dissolve the district, request the required audit, and subsequently submit to its voters a ballot question to abolish the district. The State Auditor's Office has performed an audit of this TDD as required by state law. Our audit indicated the TDD's cash and investments balance at June 30, 2008, was sufficient to pay any remaining obligations and costs of the district, and concluded the TDD's Board of Directors can proceed with the abolishment of the district.

In addition, the district did not solicit requests for proposals for some professional services, overspent its budget in some years, and did not always submit its annual financial reports to the State Auditor's Office in a timely manner. Because this district is in the process of being abolished, no recommendations were made regarding these matters.

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YELLOW SHEET

TROY/LINCOLN COUNTY
TRANSPORTATION DEVELOPMENT DISTRICT

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

Charles H. Kemper, Jr., Chairman
and
Board of Directors
Troy/Lincoln County Transportation Development District
Troy, MO 63379

The State Auditor is required under Section 238.275, RSMo, to audit a transportation development district prior to the question of abolishment being submitted to a vote. On April 9, 2008, the Board of Directors of the Troy/Lincoln County Transportation Development District approved a resolution of its intent to dissolve the district and request an audit as required by statute. The State Auditor was subsequently notified of this resolution.

The district engaged Croghan & Croghan P.C., Certified Public Accountants (CPAs), and Wade Stables P.C., CPAs, to audit the district's financial statements for the year ended June 30, 2005, and the two years ended June 30, 2007, respectively. To minimize duplication of effort, we reviewed the reports and substantiating working papers of the CPA firms. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2008, 2007, 2006 and 2005. The objectives of our audit were to:

1. Evaluate the financial status of the district and determine whether the district may be abolished pursuant to law.
2. Review the receipts, disbursements, and cash and investment balances of the district.
3. Determine if the district has complied with certain legal provisions.
4. Report our findings to the district's Chairman and Board of Directors.

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

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and

placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

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

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

The accompanying Management Advisory Report presents our findings arising from our audit of the Troy/Lincoln County Transportation Development District.



Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Audit Manager: Gregory A. Slinkard, CPA, CIA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TROY/LINCOLN COUNTY
TRANSPORTATION DEVELOPMENT DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Financial Status

Our audit of the Troy/Lincoln County Transportation Development District (TDD) indicates the district's financial condition is such that it may be abolished, as it appears the district's assets exceed or meet its outstanding liabilities.

The Troy/Lincoln County TDD was established on October 5, 2004, by a circuit court order pursuant to a petition filed by the city of Troy and Lincoln County. The district's Board of Directors includes representatives from the city and county, and a local contractor. The registered voters of the district approved the imposition of a one percent (1%) sales tax on all transactions taxable within the boundaries of the district, effective November 1, 2004.

The TDD is located in the city of Troy in Lincoln County, at the intersection of U.S. Highway 61 and Missouri Highway 47, extending west to Mennemeyer Road and encompassing Lincoln Drive. The district includes retail, hotel/motel, restaurant, grocery, and other service establishments. Financial audits of the district were conducted by independent auditors for the three years ended June 30, 2007.

The district was initially established for the purpose of the renovation, upgrading, and replacement of the U.S. Highway 61/Missouri Highway 47 interchange and overpass; widening Missouri Highway 47 from Town Branch Creek to Mennemeyer Road; improvements to north and south Lincoln Drive; and the addition of a pedestrian walkway over Missouri Highway 47. The costs of these transportation projects were originally estimated at approximately \$14 million. However, in August 2005, the district's registered voters repealed the district's sales tax. The district received approximately \$1.2 million in sales tax revenues before the sales tax levy was repealed.

In October 2005, the board entered into an agreement with the Missouri Department of Transportation (MoDOT) to share in the cost of funding a reduced scope road project, involving the widening of Missouri Highway 47 and improvements at the Lincoln Drive intersection. The cost of this project was estimated at \$1.8 million, with the district agreeing to pay 50 percent (or \$900,000) of the project costs. MoDOT was responsible for the design, planning, and construction of this project, which is expected to be completed in October 2008.

In June 2008, the district made a payment of \$900,000 to reimburse MoDOT for its portion of the transportation project costs incurred. In July 2008, the board and MoDOT entered into a supplemental agreement whereby the district agreed to provide \$196,000 in additional funding to MoDOT to help pay the costs of a signal project at Missouri

Highway 47/Fairgrounds Road/Ellis Avenue. The agreement provided that this payment was to be made to MoDOT in September 2008.

On April 9, 2008, the board approved a resolution formalizing its intent to dissolve the district, request an audit as required pursuant to Section 238.275, RSMo, and subsequently submit to its voters a ballot question to abolish the district. The State Auditor's Office (SAO) was advised of this resolution on June 27, 2008.

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

The following table presents the financial activity and cash balances of the district from its establishment through June 30, 2008:

	Year Ended June 30,			
	2008	2007	2006	2005
RECEIPTS				
Sales taxes	\$ 0	0	299,567	901,567
Gain on sale of/change in value of investments	16,234	12,504	5,299	0
Interest	32,679	39,822	12,488	0
Total Receipts	<u>48,913</u>	<u>52,326</u>	<u>317,354</u>	<u>901,567</u>
DISBURSEMENTS				
Engineering costs	0	2,331	598	31,893
Legal costs	3,611	7,469	35,639	6,308
Administration	15,000	16,000	16,196	13,452
Collection fees	0	0	4,397	7,623
Auditing fees	5,200	4,000	1,500	0
Insurance	5,808	6,104	6,206	6,850
Payment to MoDOT	900,000	0	0	0
Other	508	302	192	334
Total Disbursements	<u>930,127</u>	<u>36,206</u>	<u>64,728</u>	<u>66,460</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(881,214)	16,120	252,626	835,107
BEGINNING CASH AND INVESTMENTS				
	<u>1,103,853</u>	<u>1,087,733</u>	<u>835,107</u>	<u>0</u>
ENDING CASH AND INVESTMENTS				
	<u>\$ 222,639</u>	<u>1,103,853</u>	<u>1,087,733</u>	<u>835,107</u>

Based on our audit of the district, it appears the district's cash and investments balance of \$222,639 at June 30, 2008, will be sufficient to pay any remaining obligations and costs of the district. On September 3, 2008, the district made the \$196,000 payment to MoDOT in accordance with the July 2008 supplemental agreement. The district's legal counsel has indicated the district's remaining funds (approximately \$27,000) will be needed to pay the final legal and other administrative expenses associated with dissolving the district.

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

2.**Expenditures and Financial Reporting**

The district did not solicit requests for proposals for some professional services, overspent its budget in some years, and did not always submit its annual financial reports to the SAO in a timely manner.

- A. The district did not solicit requests for proposals for some professional services, including its primary legal counsel and administrator.

According to a district representative, the primary legal counsel was selected based on the firm's long-standing relationship with the city and county, its knowledge and background of the project, and the belief the selection would be the most cost effective and in the best interest of the district. Approximately \$50,000 was incurred in legal expenses from the district's establishment in 2004 through June 30, 2008, with the district being billed at \$150 per hour for these services.

In October 2004, the TDD entered into an agreement with a private administrative agency to provide tax collection and administrative services for the district. Approximately \$72,600 was paid to this administrative agency for these services through June 30, 2008.

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

- B. The district overspent its General Fund budget in 2006 and 2007 by \$1,007 and \$5,306, respectively. A formal budget amendment was not approved authorizing the additional expenditures in either year. Section 67.040, RSMo, provides that a political subdivision shall not increase the total amount authorized for expenditure unless a resolution is adopted setting forth the facts and reasons making the increase necessary, and an order or resolution authorizing the expenditures is approved.
- C. The district did not submit its 2006 or 2005 annual financial reports to the SAO in a timely manner. The district submitted a 2006 financial report in July 2007, followed by an audit report for the two years ended June 30, 2007 in December 2007. In addition, the district submitted a 2005 financial report in May 2006, followed by an audit report in September 2006.

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 four

months of the entity's fiscal year-end, but an audit report can be filed within six months of the entity's fiscal year-end.

Because this district is in the process of being abolished, we make no recommendations to the Board of Directors related to the above matters.