

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

**St. John Crossing
Transportation Development District**

Report No. 2020-027

June 2020

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of St. John Crossing Transportation Development District

Financial Status	The audit of the St. John Crossing Transportation Development District (district) indicates the financial condition of the district is such that it may be abolished.
Noncompliant Expenditures	The district paid for City of St. John (city) expenses, which is not allowed by state law, a court order, or by the agreement between the city and the district.
Delay in Rescinding Sales Tax	The district has failed to take timely action to rescind the district sales tax resulting in excess taxation to the public.

Due to the nature of this report, no rating is provided.

St. John Crossing Transportation Development District

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NICOLE GALLOWAY, CPA **Missouri State Auditor**

John R. Morris, Chairman
and
Board of Directors
St. John Crossing Transportation Development District
St. John, Missouri

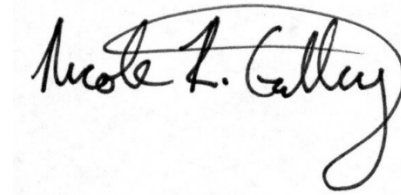
The State Auditor is required under Section 238.275, RSMo, to audit a transportation development district prior to the question of abolishment being submitted to a vote. On December 13, 2019, the Board of Directors of the St. John Crossing Transportation Development District formalized its intent to dissolve the district and requested an audit as required by statute. The State Auditor was subsequently notified of this request.

The district engaged Botz, Deal & Company, P.C., Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended December 31, 2018. To minimize duplication of effort, we reviewed the report of the CPA firm. The objectives of our audit were to:

1. Evaluate the financial status of the district and determine whether it may be abolished pursuant to law.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

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.

For the areas audited, we (1) determined the Board of Directors may proceed with abolishment of the district in accordance with Section 238.275, RSMo, (2) identified noncompliance with certain legal provisions, and (3) identified deficiencies in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the St. John Crossing Transportation Development District.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Robert E. Showers, CPA, CGAP
Audit Manager:	Wayne T. Kauffman, MBA, CPA, CFE, CGAP
In-Charge Auditor:	Tori Riley, MBA, CFE

St. John Crossing Transportation Development District

Introduction

Background

The St. John Crossing Transportation Development District (district) is located in St. Louis County, in the City of St. John. The district was organized in June 2002 by petition of the property owner and the City of St. John filed with the Circuit Court of St. Louis County. The members of the Board of Directors consist of three City of St. John employees, a representative of the property owner, and a representative of a consulting firm. The district has a fiscal year end of December 31 and obtained independent audits annually.

In July 2002, the qualified voter¹ of the district approved a 1/4 of 1 percent sales tax on all taxable transactions within the boundaries of the district. The Board of Directors subsequently passed a resolution formally establishing the sales tax rate to be effective August 1, 2002, for 40 years unless terminated sooner. The retail establishments within the district collected and remitted the sales tax to the district until 2010. Starting in 2010, due to a change in state law, the retail establishments within the district collected and remitted the sales tax to the Missouri Department of Revenue (DOR). In turn, the DOR disbursed the sales tax monies to the district.

The district was formed for the purpose of improving St. Charles Rock Road, Bristol Avenue, and Orlando Avenue and the construction of new traffic signals, new lanes, a center median, and other road improvements in the City of St. John. A portion of the district project was intended to be merged into the state highways and transportation system. The Missouri Highways and Transportation Commission (Commission) approved this state transportation project. Additionally, a portion of the district project was not intended to be part of the state highway and transportation system. The City of St. John approved this local transportation project. The project was completed in September 2002. The Commission accepted dedication of the state transportation project in August 2005. The City of St. John accepted dedication of the local transportation project in September 2002.

The City of St. John issued a revenue bond for the district project and local tax increment financing (TIF) project in 2002 for a combined \$6,740,000, of which \$858,000 was attributable to the district. This bond was refinanced in November 2006 when the City issued a second revenue bond for \$6,405,000. The bond debt was satisfied in May 2019. Over the life of the district a total of approximately \$1,160,000 in sales tax was collected and distributed. See Appendixes A and B for district financial activity from 2002 through January 2020.

In December 2019, the district Board formalized its intent to dissolve the district. A district official subsequently advised the State Auditor's Office

¹ The only qualified voter in the district was the developer/property owner, St. John Crossings, LLC.



St. John Crossing Transportation Development District Introduction

(SAO) of this resolution and requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo. That statute requires the State Auditor to audit the district to determine its financial status, and determine whether it may be abolished pursuant to law. That law also states the board shall not propose the question to abolish the district while there are outstanding claims or causes of action pending against it; if its liabilities exceed its assets; or while the district is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.

Scope and Methodology

The scope of our audit included, but was not necessarily limited to, the fiscal year ended December 31, 2019 and the period from January 1 through January 31, 2020.

Our methodology included reviewing minutes of meetings, financial records, and other pertinent documents; interviewing a district official, as well as certain external parties; visually inspecting the project; and testing selected transactions. 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 applicable 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.

St. John Crossing Transportation Development District Management Advisory Report State Auditor's Findings

1. Financial Status

Our audit of the St. John Crossing Transportation Development District (district) indicates the financial condition of the district is such that it may be abolished.

The district satisfied its bond debt in May 2019. As of January 31, 2020, the cash balance of the district was \$15,499 (see Appendix A). As of March 10, 2020, all fees for legal services have been paid in full and are current and there are no pending, threatened, or unasserted claims or assessments against the district according to district legal counsel. District officials confirmed the district is not insolvent, in receivership, or under the jurisdiction of the bankruptcy court. Therefore, the district meets the abolishment criteria established in Section 238.275.3, RSMo.

Recommendation

The Board of Directors continue with the abolishment of the district.

Auditee's Response

The district's written response is included at Appendix C.

2. Noncompliant Expenditures

The district paid for City of St. John (city) expenses, which is not allowed by state law, a court order, or the agreement between the city and the district.

Based on comments from the City Attorney, after the district debt had been satisfied, the City Council authorized a firm to provide consulting services, totaling \$17,850, during the year ended December 31, 2019, and January 2020. These services included analyzing if the district could adopt another project and then petitioning the property owner of the district to adopt another project. The firm reported the results directly to the City Council. Instead of the city paying for these consulting services, the district paid for these city expenses. However, the district's Board did not authorize these consulting services and does not have the legal authority to pay for city expenses.

Section 238.235.1(1), RSMo, limits the use of the sales tax to the transportation development purposes designated in the sales tax ballot. The sales tax ballot wording limits the use of the sales tax to installation and construction of the transportation project. Additionally, the Intergovernmental Agreement between the city and the district limits the use of the district sales tax to district administrative costs and debt service payments of the district's project.

The City Attorney stated it was appropriate for the city to shift these expenses to the district because the consulting services provided an indirect benefit to the district. However, no district Board minutes show that the Board authorized these expenses. Additionally, nothing provided by the city or the district indicated how the consulting services pertained to administrative costs of the district's project or were otherwise authorized under the intergovernmental agreement with the city.



St. John Crossing Transportation Development District
Management Advisory Report - State Auditor's Findings

Recommendation

The Board of Directors ensure future expenditures are in compliance with state law and other legal documents.

Auditee's Response

The district's written response is included at Appendix C.

**3. Delay in Rescinding
Sales Tax**

The district has failed to take timely action to rescind the district sales tax resulting in excess taxation to the public.

A district official was informed in March 2019 by the bond trustee that the district's bonds would be paid in full on May 1, 2019. However, the Board waited until the annual meeting in December 2019 to approve requesting a closeout audit from the State Auditor's Office (SAO). In addition, the Board did not approve rescinding the district sales tax in the December 2019 meeting. A district official indicated the district was waiting for the SAO to conduct the audit before rescinding the sales tax; however, there is no requirement that the district wait until after the audit to rescind the tax. This information was communicated to the district official by the SAO on February 18, 2020. However, as of April 17, 2020, the district had not yet rescinded the district sales tax. The district's cash balance had increased from \$240 on May 1, 2019, to \$15,499 on January 31, 2020.

Section 238.235.6, RSMo, allows the district to repeal the sales tax as long as the repeal will not affect the district's ability to repay any liabilities of the district. Section 238.275.5(1), RSMo, requires the district to transfer all real estate and personal property, including the accumulated cash balances and revenues due, to the commission or the appropriate local transportation authority² once the majority of those voting within the district have voted to abolish and the State Auditor has determined the district may be abolished.

Recommendation

The Board of Directors rescind the district sales tax and ensure the remaining funds are disbursed to the commission and the city, as appropriate.

Auditee's Response

The district's written response is included at Appendix C.

² The commission refers to the Missouri Highways and Transportation Commission and the local transportation authority is the City of St. John.



Appendix A
 St. John Crossing Transportation Development District
 Statement of Receipts, Disbursements, and Ending Cash Balance - Cash Basis
 Year Ended December 31, 2019, and Month Ended January 31, 2020

	Month Ended January 31, 2020	Year Ended December 31, 2019
RECEIPTS		
Sales taxes	\$ 5,086	51,703
Interest	0	106
Total Receipts	5,086	51,809
DISBURSEMENTS		
Consulting	4,499	15,851
Tax increment financing	0	10,553
Accounting and auditing	0	3,750
Debt service	0	3,644
Insurance	0	2,560
Administration	80	480
Legal	633	275
Total Disbursements	5,212	37,113
RECEIPTS OVER (UNDER) DISBURSEMENTS	(126)	14,696
BEGINNING CASH	15,625	929
ENDING CASH	\$ 15,499	15,625

Source: Prepared by the SAO using the district's checkbook ledger and bank statements.



Appendix B
St. John Crossing Transportation Development District
Statement of Revenues and Expenses - Accrual Basis
Year Ended December 31, 2002, through Year Ended December 31, 2018,
Summarized

	<u>Year Ended December 31,</u> <u>2002 through 2018</u>
REVENUES	
Sales taxes	\$ 1,124,824
Interest	16
Total Revenues	<u>1,124,840</u>
EXPENSES	
Tax increment financing	555,920
Debt service	468,987
Administration	87,591
Miscellaneous	5,784
Total Expenses	<u>1,118,282</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$ 6,558</u>

Source: Compiled by the SAO using audited financial statements.



Appendix C
St. John Crossing Transportation Development District
St. John Crossing Transportation Development District Response

**ST. JOHN CROSSINGS TRANSPORTATION
DEVELOPMENT DISTRICT**

8944 St. Charles Rock Road
St. John, Missouri 63114
314-427-8700

May 29, 2020

Mr. Wayne Kauffman
Audit Manager
Missouri State Auditor's Office
P.O. Box 869
Jefferson City, MO 65102

Re: St. John Crossings Transportation Development District

Dear Mr. Kauffman:

This letter will constitute the written response of the St. John Crossings Transportation Development District ("the District") to the Missouri State Auditor's written Recommendations contained in your Management Advisory Report. The District's Responses are as follows:

1. Financial Status

Recommendation: We recommend the Board of Directors continue with the abolishment of the district.

Auditee's Response: The Board of Directors of the District is continuing with an uninterrupted course of action to effect abolishment of the District.

2. Noncompliant Expenditures

Recommendation: We recommend the Board of Directors ensure future expenditures are in compliance with state law and other legal documents.

Auditee's Response: The Board of Directors of the District will ensure that all future expenditures are in compliance with State Law and other pertinent legal documents.

3. Delay in Rescinding Sales Tax

Recommendation: The Board of Directors rescind the district sales tax and ensure the remaining funds are disbursed to the commission and the city as appropriate.

Auditee's Response: The Board of Directors of the District rescinded/repealed the District Sales Tax by Order dated May 28, 2020 (copy attached) and the Missouri Department of Revenue is being advised accordingly. Distribution of the remaining funds will be distributed as agreed to by the Commission and the City of St. John (as Local Transportation Authority).



Appendix C
St. John Crossing Transportation Development District
St. John Crossing Transportation Development District Response

Page 2

If there are any questions about the above Responses, please contact Hardy Menees, Legal Counsel, at (314)821-1111, or Julie Vetter, Executive Director/Finance Officer at (314)427-8700.

Sincerely,

A handwritten signature in black ink that reads "Hardy C. Menees".

Hardy C. Menees
Legal Counsel

cc: John R. Morris, Chairman, Board of Directors
Robert Connell, City Manager, City of St. John



Appendix C
St. John Crossing Transportation Development District
St. John Crossing Transportation Development District Response

ORDER NUMBER 2020-01

**An Order by the St. John Crossings Transportation Development District Board
Forthwith Repealing the Sales Tax Imposed Within The District.**

BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE ST JOHN CROSSINGS
TRANSPORTATION DEVELOPMENT DISTRICT, AS FOLLOWS:

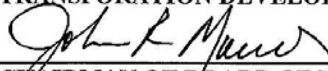
Section 1. Pursuant to Section 238.235.6(1), and further pursuant to the recommendation of the Office of Missouri State Auditor, the Board hereby repeals and holds for naught any sales tax currently imposed by or on behalf of the St. John Crossings Transportation Development District. The Board specifically finds that the repeal of said tax will not impair The District's ability to repay any liabilities which it has incurred, money which it has borrowed or revenue bonds, notes or other obligations which it has issued. The Board further finds that neither the Missouri Highway Commission nor the City of St. John, as Local Transportation Authority of The District, have issued any bonds, notes or other obligations to finance any project or projects within The District.

Section 2. A sealed copy of this Order shall be transmitted forthwith to the Missouri Department of Revenue and to any other party who is entitled to receive Notice of any Board action under any Agreement or Indenture entered into by The District or as provided in the By-Laws of The District.

Section 3. The Order shall be in full force and effect from and after its passage and approval.

Passed this 28th day of May, 2020.

**THE BOARD OF DIRECTORS OF THE ST. JOHN CROSSINGS
TRANSPORTATION DEVELOPMENT DISTRICT**



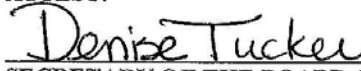
CHAIRMAN OF BOARD OF DIRECTORS
John R. Morris

NAME: *Please Print*

Dated: 5-28-2020

(SEAL)

ATTEST:



SECRETARY OF THE BOARD OF DIRECTORS
Denise Tucker

NAME: *Please Print*

Dated: 5-28-2020