



Office of Missouri State Auditor
Nicole Galloway, CPA

**Hospital Interchange
Transportation Development
District**



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Hospital Interchange Transportation Development District

Financial Status

Our audit of the Hospital Interchange Transportation Development District (TDD) indicates the Board of Directors may proceed with the abolishment of the district in accordance with Section 238.275, RSMo, including timely repeal of the sales tax.

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

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Hospital Interchange Transportation Development District Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	Financial Status4
---	-------------------------



NICOLE GALLOWAY, CPA **Missouri State Auditor**

Brian Hasek, Chairman
and
Board of Directors
Hospital Interchange Transportation Development District
Harrisonville, 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 6, 2016, the Board of Directors of the Hospital Interchange 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.

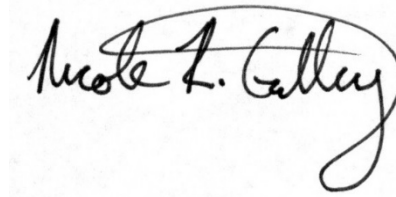
The scope of our audit included, but was not necessarily limited to, the fiscal year ended December 31, 2016 and the period from January 1 through September 30, 2017. The objectives of our audit were to evaluate the financial status of the district and determine whether it may be abolished pursuant to law.

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. 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 applicable contract, grant agreement, 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 may proceed with abolishment of the district in accordance with Section 238.275, RSMo.

The accompanying Management Advisory Report presents our finding arising from our audit of the Hospital Interchange 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 word "Galloway".

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Douglas J. Porting, CPA, CFE
Audit Manager:	Todd M. Schuler, CPA
Audit Staff:	Amanda G. Flanigan, MAcc

Hospital Interchange Transportation Development District Management Advisory Report - State Auditor's Findings

Financial Status

Our audit of the Hospital Interchange Transportation Development District (TDD) indicates the financial condition of the district is such that it may be abolished pursuant to state law.

The Hospital Interchange TDD is located in Cass County, with a portion of the TDD located in the city of Harrisonville. The district was organized in December 2010 by petition filed by Cass County.

The members of the Board of Directors are the Cass County Presiding Commissioner, the Mayor of Harrisonville, and a member appointed by each local transportation authority within the boundaries of the district, consisting of the above mentioned county and city. The district has a fiscal year end of December 31.

In March 2011, the qualified voters of the Hospital Interchange TDD approved a 1-cent (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 April 13, 2011, for 50 years unless terminated sooner. 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 Hospital Interchange TDD was formed for the purpose of improving the Highway 71 corridor in Cass County and Harrisonville by reworking an interchange, upgrading frontage roads, and constructing several bridges. Cass County, the City of Harrisonville, and the Missouri Highways and Transportation Commission (the Commission) are the public entities with jurisdiction over the project and serve as the local transportation authorities. The project was not started due to the lack of a viable funding plan.

In December 2016, the TDD Board of Directors approved a resolution formalizing its intent to dissolve the TDD. The TDD's legal counsel subsequently advised the State Auditor's Office (SAO) of the resolution to abolish in October 2017 and requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo. The TDD has not yet repealed the sales tax.

In July 2017, the TDD Board of Directors approved an amendment to the cooperative agreement between the TDD, the city, and the county. This agreement states the county and city would each pay \$12,500 to the TDD's legal counsel in full satisfaction of outstanding legal costs associated with the formation and operation of the TDD, as well as the termination costs anticipated by legal counsel.



Hospital Interchange Transportation Development District Management Advisory Report - State Auditor's Findings

The SAO has performed an audit of the Hospital Interchange TDD as required by 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.

The following table presents the financial activity and cash balances of the Hospital Interchange TDD for the fiscal year ended December 31, 2016, and the period from January 1 through September 30, 2017, obtained from the district.

	Period of January 1, 2017, to September 30, 2017	Year Ended December 31, 2016
RECEIPTS		
Sales taxes	\$ 2,194	2,101
Interest	14	6
Total Receipts	<u>2,208</u>	<u>2,107</u>
DISBURSEMENTS		
Administration	75	21
Insurance	1,872	1,872
Total Disbursements	<u>1,947</u>	<u>1,893</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	261	214
BEGINNING CASH	<u>3,268</u>	<u>3,054</u>
ENDING CASH	<u>\$ 3,529</u>	<u>3,268</u>

Based on our audit, the cash balance of the Hospital Interchange TDD at September 30, 2017 was \$3,529. The TDD's legal counsel estimates there will be no further obligations for the district, since the city and county have already paid any remaining legal costs for the district. Based on this representation, TDD assets and subsidies from the city and county will be sufficient to pay any remaining costs and obligations.

Based on our audit, the Board of Directors may proceed with the abolishment of the district in accordance with Section 238.275, RSMo, including timely repeal of the sales tax.