



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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Interstate 470 and 350  
Transportation Development  
District



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of Interstate 470 and 350 Transportation Development District

### Financial Status

Our audit of the Interstate 470 and 350 Transportation Development District (TDD) indicates the financial condition of the district is such that it may be abolished. In April 2001, the qualified voters of the Interstate 470 and 350 TDD approved a 1-cent (1 percent) sales tax on all taxable transactions within the boundaries of the district. During 2001, the Interstate 470 and 350 TDD Board issued \$14,755,000 of tax-exempt transportation sales tax revenue bonds. In October 2018, the TDD Board of Directors approved a resolution to repeal the sales tax at the earliest possible date and no later than December 31, 2018. The TDD was notified by the Missouri Department of Revenue that the sales tax would be repealed effective December 31, 2018. Full repayment of the TDD debt occurred in November 2018. Based on our audit, the cash balance of the Interstate 470 and 350 TDD at November 30, 2018 was \$464,593. The TDD subsequently received sales tax collections in December 2018 and January 2019, increasing the cash balance to approximately \$895,089 as of January 9, 2019. Based on our audit, the Board of Directors may proceed with the abolishment of the district in accordance with Section 238.275, RSMo.

Due to the nature of this report, no rating will be given.

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

Melissa Goodson, Chairperson  
and  
Board of Directors  
Interstate 470 and 350 Transportation Development District  
Lee's Summit, 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 October 10, 2018, the Board of Directors of the Interstate 470 and 350 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.

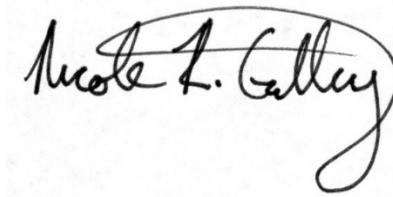
The district engaged Deborah Loomis, CPA, LLC to audit the district's financial statements for the years ended December 31, 2017 and 2016. To minimize duplication of effort, we reviewed the reports of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2017, and the period from January 1 through November 30, 2018. 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 district's Board of Directors may proceed with abolishment of the district in accordance with Section 238.275, RSMo.

The accompanying Management Advisory Report presents our findings arising from our audit of the Interstate 470 and 350 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:	Todd M. Schuler, CPA
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# Interstate 470 and 350 Transportation Development District Management Advisory Report - State Auditor's Findings

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## **Financial Status**

Our audit of the Interstate 470 and 350 Transportation Development District (TDD) indicates the financial condition of the district is such that it may be abolished.

The Interstate 470 and 350 TDD is located in the city of Lee's Summit. The district was organized in 2001 by petition of the property owners within the boundaries of the proposed TDD. The members of the Board of Directors are representatives of the property owner. The district has a fiscal year end of December 31 and obtained an independent audit for the year ended December 31, 2017.

In April 2001, the qualified voters of the Interstate 470 and 350 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 October 1, 2001, for 40 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 Interstate 470 and 350 TDD was formed for the purpose of acquiring land, conducting site work, conducting work on Pryor and Chipman Roads, conducting work on U.S. 50 Highway ramps at Chipman Road, implementing improvements to Pryor Road south of Chipman Road, acquiring highway right-of-way, and constructing half diamond interchange ramps and an overpass at Interstate 470 and Pryor Road. The City of Lee's Summit and the Missouri Department of Transportation (MoDOT) are the public entities with jurisdiction over the project and serve as the Local Transportation Authorities. The project was completed in 2009 and MoDOT accepted dedication of the project in March 2009. City of Lee's Summit officials could not provide the exact date of when they accepted dedication; however, they confirmed it occurred prior to December 2018.

During 2001, the Interstate 470 and 350 TDD Board issued \$14,755,000 of tax-exempt transportation sales tax revenue bonds (Series 2001). During 2007, the TDD issued \$18,765,000 of tax-exempt transportation revenue bonds (Series 2007) to refund the Series 2001 bonds and to finance the completion of the I-470 and Pryor Road improvements. The Series 2001 bonds were refunded in 2008. All sales tax proceeds collected by the TDD were pledged to repay the bonds. Full repayment of the Series 2007 bonds occurred in November 2018.

In October 2018, the TDD Board of Directors approved a resolution to repeal the sales tax at the earliest possible date and no later than December 31, 2018. The TDD was notified by DOR that the sales tax would be repealed effective December 31, 2018. In October 2018, the TDD Board of Directors approved a resolution formalizing its intent to dissolve the TDD. The TDD's legal counsel advised the State Auditor's Office (SAO) of these resolutions and



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 Management Advisory Report - State Auditor's Findings

requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo.

The SAO has performed an audit of the Interstate 470 and 350 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 Interstate 470 and 350 TDD for the year ended December 31, 2017, and the period from January 1 through November 30, 2018.

	January 1, 2018 to November 30, 2018	Year Ended December 31, 2017
<b>RECEIPTS</b>		
Sales taxes and other revenues	\$ 1,937,107	2,158,936
Total Receipts	<u>1,937,107</u>	<u>2,158,936</u>
<b>DISBURSEMENTS</b>		
Debt service: interest	141,312	229,655
Debt service: principal	4,135,000	1,715,000
Administration expenses	77,932	108,262
Total Disbursements	<u>4,354,244</u>	<u>2,052,917</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,417,137)	106,019
BEGINNING CASH	<u>2,881,730</u>	<u>2,775,711</u>
ENDING CASH	<u>\$ 464,593</u>	<u>2,881,730</u>

Based on our audit, the cash balance of the Interstate 470 and 350 TDD at November 30, 2018 was \$464,593. The TDD subsequently received sales tax collections in December 2018 and January 2019, increasing the cash balance to approximately \$895,089 as of January 9, 2019. The TDD's Attorney estimated future obligations for the district to close out are less than \$59,000. Based on this representation, TDD assets will be sufficient to pay any remaining costs and obligations. The remaining balance will be distributed to the city of Lee's Summit and Missouri Highways and Transportation Commission (MHTC) in accordance with the TDD Act and in relative proportion to the TDD improvements within the jurisdiction of the city and MHTC, respectively.

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