



CITIZENS SUMMARY

Findings in the audit of the Lake Lotawana Community Improvement District

Background	The Lake Lotawana Community Improvement District (CID), located in Jackson County, was formally established in 2005 for the purpose of constructing sanitary sewer facilities and providing, maintaining, and operating streets, sidewalks, surface water control and open space within the district. The district issued bond anticipation bonds (BAB) of \$7 million in 2006 and \$1.85 million in 2007. As of August 2010, approximately 25 homes had been built on 352 lots, and the Lone Summit Bank and Gibson General Store were the only commercial developments. Land within the district owned by Lightfoot Development, LLC, was foreclosed on in December 2010.
Financial Condition	The district is in poor financial condition and filed for Chapter 9 bankruptcy in August 2010. The district received \$8.85 million from two BAB issues, which it used, in part, to pay for the construction of the wastewater treatment plant, pay interest to bond holders, repay a "bridge" loan, and repay a loan obtained from Lightfoot Development, LLC. The district was unable to obtain financing for refunding revenue bonds when the BABs came due, and the approved bankruptcy court plan extended the maturity date of the bonds to July 1, 2016. Adequate special assessments were not collected to make interest payments on the BABs, and the district made loans of \$100,000 to Lone Summit Development Group and \$60,000 to Lightfoot Development, LLC, which have not been repaid.
Minutes and Meetings	The district does not maintain minutes for closed meetings, as required by state law, and open minutes do not always document the specific section of law which allows for the closed meeting, the specific reason for closing the meeting, and the roll call vote for holding a closed meeting. In addition, the Board went nearly 7 months without meeting between September 19, 2011, and April 12, 2012.
Budgets and Financial Reporting	The district's annual budgets do not contain all elements required by state law, and the district has not submitted annual financial reports to the State Auditor's office. Moreover, the district submitted inaccurate reports to the City of Lake Lotawana and the Missouri Department of Economic Development, which overstated revenues and failed to reflect a loan made by the district.
Conflicts of Interest	Former District Board members Klonda Holt and Pat Holt, representing Lightfoot Development, LLC, voted to approve a \$60,000 loan to Lightfoot in January 2010, creating at least the appearance of a conflict of interest. Moreover, these two directors continued to serve on the Board after Lightfoot no longer owned property and they no longer met the requirements to serve on the Board. The district claimed to be leasing the use of office space from Lightfoot, but the payments were made to former Board President Klonda Holt personally instead of to the company, and the district continued to pay Ms. Holt after Lightfoot no longer owned the office space. Ms. Holt was paid \$1,650 in 2011 and \$1,800 in 2010. The district

paid another former Board Director, Larry Lightfoot, \$952 for snow removal but did not obtain bids for these services. These payments were contrary to state law, which places restrictions on when directors can receive additional consideration from the governing body.

In the areas audited, the overall performance of this entity was **Poor**.*

American Recovery and
Reinvestment Act
(Federal Stimulus)

The Lake Lotawana Community Improvement District did not receive any federal stimulus monies during the audited time period.

*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.