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Missouri State Auditor

Douglas Square
Transportation Development District

Report No. 2021-034

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CITIZENS SUMMARY

Findings in the audit of the Douglas Square Transportation Development District

Financial Status	The audit of the Douglas Square Transportation Development District indicates the financial condition of the district is such that it may be abolished.

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

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Justin Cottrell, Chairman
and
Board of Directors
Douglas Square 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 December 10, 2020, the Board of Directors of the Douglas Square 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.

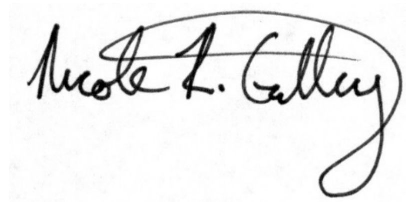
The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2020. The objectives of our audit were to evaluate the financial status of the district and determine whether it may be abolished pursuant to law.

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 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 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 findings arising from our audit of the Douglas Square Transportation Development District.



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
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Financial Status

Our audit of the Douglas Square Transportation Development District (TDD) indicates the financial condition of the district is such that it may be abolished.

The Douglas Square TDD is located in the city of Lee's Summit. The district was organized in 2000 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 owners. The district has a fiscal year end of December 31.

In March 2001, the qualified voters of the Douglas Square 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 June 1, 2001, for 10 years. In November 2002, the Board of Directors approved extending the sales tax for 20 years from when the tax was first imposed and approved to help pay for the projects of the Douglas Station TDD, a separate political subdivision. In 2003, the Boards of Directors of the Douglas Square TDD and Douglas Station TDD were controlled by the same individuals. The qualified voters of the Douglas Square TDD subsequently approved the additional projects and sales tax extension in February 2003.

The Douglas Square TDD was formed for the purpose of design, engineering, and construction of Missouri Road. The City of Lee's Summit is the public entity with jurisdiction over the project and serves as the Local Transportation Authority. The Douglas Square project was completed, and the City of Lee's Summit accepted dedication of it, in 2003. Also in 2003, the Douglas Square TDD agreed to help pay for projects not included within the boundaries of the district, including the grading and construction of Sloan Street and N.E. Sycamore Street, construction of sidewalks adjacent to the streets, installation of a traffic signal at the intersection of N.E. Douglas Street and N.E. Sycamore Street, and construction of related drainage. These projects were within the boundaries of the Douglas Station TDD.

In November 2002, the Douglas Square TDD Board entered into a $550,000 promissory note with a bank to pay for project costs. In February 2004, the Douglas Station TDD Board entered into a $1,600,000 promissory note with a bank to pay for project costs. Annually, the Douglas Square TDD budgeted to transfer funds to the Douglas Station TDD to pay a portion of the note issued by the Douglas Station TDD. Full repayment of the Douglas Square TDD note occurred in March 2019. The Douglas Station TDD note remains outstanding.

In December 2020, the Board of Directors of the Douglas Square TDD approved a resolution to repeal the sales tax effective April 1, 2021, and subsequently notified the Missouri Department of Revenue (DOR) of the resolution. In December 2020, the Board of Directors approved a resolution formalizing its intent to dissolve the TDD. The Douglas Square TDD's legal counsel advised the State Auditor's Office (SAO) of this resolution and requested the SAO proceed with all necessary actions as required pursuant to Section 238.275, RSMo.

The SAO has performed an audit of the Douglas Square 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 balance of the Douglas Square TDD for the year ended December 31, 2020.

		Year Ended December 31, 2020
RECEIPTS		
Sales taxes	$	176,765
Interest		109
Total Receipts		176,874
DISBURSEMENTS		
Payments for Douglas Station TDD Projects		164,427
Payments for Douglas Square TDD Projects (1)		0
Administration		7,291
Total Disbursements		171,718
RECEIPTS OVER (UNDER) DISBURSEMENTS		5,156
BEGINNING CASH		47,372
ENDING CASH	$	52,528

(1) The debt associated with the Douglas Square TDD Projects was paid off in March 2019.

The following table presents the financial activity of the Douglas Square TDD for the 16 years ended December 31, 2020.

		16 Years Ended December 31, 2020 (1)
RECEIPTS		
Sales taxes	$	2,703,649
Interest (2)		448
Total Receipts		2,704,097
DISBURSEMENTS		
Payments for Douglas Station TDD Projects		1,611,417
Payments for Douglas Square TDD Projects		907,462
Administration		157,853
Total Disbursements		2,676,732
RECEIPTS OVER (UNDER) DISBURSEMENTS	$	27,365

(1) Financial information prior to 2005 is not available.
(2) Interest revenue prior to 2019 was not available.

Based on our audit, the cash balance of the Douglas Square TDD as of December 31, 2020 was $52,528. The TDD subsequently received sales tax collections through April 2021. The Douglas Square TDD's cash balance on February 28, 2021, was $81,608. The TDD's Attorney estimated future obligations for the district to close out are less than $40,000. Based on this representation, TDD assets will be sufficient to pay any remaining costs and obligations. Pursuant to Board Resolution 2019-01, the Douglas Square TDD will transfer all remaining money to the Douglas Station TDD prior to termination.

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