

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, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

**Strother Interchange
Transportation Development District**

Report No. 2021-068

September 2021

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Strother Interchange Transportation Development District

Financial Status

The audit of the Strother Interchange 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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NICOLE GALLOWAY, CPA

Missouri State Auditor

Michael Atcheson, Chairman & Executive Director
and
Board of Directors
Strother Interchange 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 17, 2018, the Board of Directors of the Strother 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 on September 2, 2020.

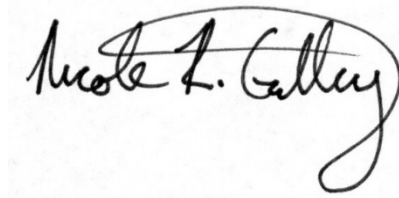
The district engaged DWSA, Certified Public Accounts (CPAs) to audit the district's financial statements for the year ended December 31, 2020. To minimize duplication of effort, we reviewed the report of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended 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 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 Strother 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 name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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

Financial Status

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

The Strother Interchange TDD is located in Jackson County, in the City of Lee's Summit. The district was organized in January 2000 by petition of the property owners within the boundaries of the proposed district. The members of the Board of Directors and officers are property owners and a representative of the property owners. The district has a fiscal year end of December 31 and obtained independent audits annually.

In February 2000, the Board of Directors passed a resolution formally approving the submission of the proposed sales tax rate to the qualified voters and establishing the sales tax rate to be effective May 1, 2000. In April 2000, the qualified voters of the district approved a one-half (0.50%) percent sales tax on all taxable transactions within the boundaries of the district. The initial term of the sales tax was 20 years. The sales tax was extended for an additional 15 years in 2007 by an election of the qualified voters of the district in order to pay for additional project costs. From 2010 through 2020, the Strother Interchange TDD received \$2,316,237 in sales taxes from the Missouri Department of Revenue (DOR).¹

The Strother Interchange TDD was formed for the purpose of acquiring and constructing a new interchange at the intersection of Interstate 470 and Strother Road, and a realignment and reconstruction of Strother Road, Independence Avenue, and Ralph Powell Road. In 2007, the project was expanded to include construction of additional intersections and infrastructure improvements on Woods Chapel Road, NE Dick Howser Drive, and Akin Boulevard. The City of Lee's Summit is the public entity with jurisdiction over the local portion of the project and serves as the Local Transportation Authority (LTA). The Missouri Highways and Transportation Commission (MHTC) serves as the entity with jurisdiction over the state portion of the project. The project was completed, and both the City of Lee's Summit and the MHTC accepted dedication of it, in 2010.

In 2001, 2004, and 2006, the Strother Interchange TDD issued bonds for \$8,280,000, \$8,530,000, and \$7,005,000; respectively, to pay for project costs. Debt service on the bonds was funded through the TDD sales tax revenue and tax increment financing (TIF) revenue from the Chapel Ridge TIF Plan and the North TIF Plan. The bond debt was satisfied in May 2017.

In December 2018, the Board of Directors approved a resolution formalizing their intent to dissolve the district. The Board of Directors approved a

¹ Sales tax revenue prior to 2010 was not available.



Strother Interchange Transportation Development District
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resolution in May 2020² to repeal the sales tax effective July 1, 2020, and subsequently notified the DOR. The Strother Interchange TDD's legal counsel advised the State Auditor's Office (SAO) of these resolutions 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 Strother Interchange TDD as required by Section 238.275, RSMo. That statute requires the State Auditor to audit the TDD 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 Strother Interchange TDD for the year ended December 31, 2020.

	<u>Year Ended</u> <u>December 31, 2020</u>
RECEIPTS	
Sales Tax	\$ 188,644
Interest	75
Total Receipts	<u>188,719</u>
DISBURSEMENTS	
Professional Fees	40,473
Prepaid Insurance	11,946
Street Lights	9,866
Miscellaneous Expenses	4,907
Total Disbursements	<u>67,192</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	121,527
BEGINNING CASH	<u>137,108</u>
ENDING CASH	<u><u>\$ 258,635</u></u>

Source: Compiled by the SAO using the TDD's bank statements and transaction register.

Based on our audit, the cash balance of the Strother Interchange TDD as of December 31, 2020, was \$258,635. The Strother Interchange TDD's legal counsel indicated the district had debts of \$364 as of June 21, 2021 for billed and unbilled legal services and expenses. Based on this representation, district

² The delay from December 2018 to May 2020 was due to the district completing additional street light improvements in cooperation with the LTA.



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assets will be sufficient to pay any remaining costs and obligations. Pursuant to the Dissolution Agreement between the Strother Interchange TDD, the City of Lee's Summit, and the MHTC, 60 percent and 40 percent of the remaining money will be distributed to the City of Lee's Summit and the MHTC, respectively.

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