

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

**US Highway 65 and
Truman Dam Access Road
Transportation Development District**

Report No. 2022-105

November 2022

auditor.mo.gov



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the US Highway 65 and Truman Dam Access Road Transportation Development District

Financial Status

The audit of the US Highway 65 and Truman Dam Access Road 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

Cale Haddock, Executive Director
and
Board of Directors
US Highway 65 and Truman Dam Access Road Transportation Development District
Warsaw, 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 June 24, 2022, the Board of Directors of the US Highway 65 and Truman Dam Access Road 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, 2021, and the period from January 1 through June 30, 2022. 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 financial records and other pertinent documents; and interviewing various personnel of the district, as well as certain external parties. 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 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 US Highway 65 and Truman Dam Access Road Transportation Development District.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

US Highway 65 and Truman Dam Access Road Transportation Development District Management Advisory Report - State Auditor's Findings

Financial Status

Our audit of the US Highway 65 and Truman Dam Access Road Transportation Development District (TDD) indicates the financial condition of the district is such that it may be abolished.

The US Highway 65 and Truman Dam Access Road TDD is located in Benton County, in the City of Warsaw. The district was organized in March 2003 by petition of the property owner/developer within the proposed TDD. The district consisted of 1 property owner at the time of formation with another entity becoming a property owner within the district's boundaries subsequent to the establishment of the district. The members of the Board of Directors and officers consist of 1 City of Warsaw employee and 4 representatives of a property owner/developer. The district has a fiscal year end of December 31.

The US Highway 65 and Truman Dam Access Road TDD was formed for the purpose of improving the roadways with construction of Commercial Street, Polk Street, storm drainage, and northbound and southbound highway ramps. The City of Warsaw is the public entity with jurisdiction over the local portion of the project and serves as the Local Transportation Authority. The Missouri Highways and Transportation Commission (MHTC) serves as the entity with jurisdiction over the state portion of the project. The project was completed in 2005, and the City of Warsaw and the MHTC subsequently accepted ownership of the project. The US Highway 65 and Truman Dam Access Road TDD's portion of the project costs was \$1,905,534.

In October 2003, the qualified voters of the district approved a 1/2-cent (0.5 percent) sales tax on all taxable transactions within the boundaries of the district. The Board of Directors subsequently passed a resolution formally establishing that sales tax rate to be effective October 31, 2003, for 40 years unless terminated sooner.

In September 2004, the US Highway 65 and Truman Dam Access Road TDD Board entered into a reimbursement agreement with the property owner/developer to pay for the project costs with a 6 percent interest rate. The US Highway 65 and Truman Dam Access Road TDD satisfied this debt in January 2020.

The Board waited approximately 2.5 years, until June 2022, to approve rescinding the sales tax and notifying the Department of Revenue to stop collecting the district's tax. Legal counsel for the district indicated the delay was caused by the Board not meeting between 2012 and June 2022. This delay by the district Board resulted in significant over taxation of the public. From the time the district paid the debt to the district board's approval of rescinding the sales tax, approximately \$627,000 in sales taxes were collected by the district. None of these taxes were needed to pay for project costs.



US Highway 65 and Truman Dam Access Road
 Transportation Development District
 Management Advisory Report - State Auditor's Findings

From the TDD's inception in 2003 through June 30, 2022, the US Highway 65 and Truman Dam Access Road TDD received \$3,723,178 in sales tax revenues, and paid the initial property owner/developer \$1,905,534 in project costs and \$1,079,268 in interest costs. See the table below for district financial activity from 2003 through 2020, the year ended December 31, 2021, and the period January 1, 2022, through June 30, 2022.

In June 2022, the US Highway 65 and Truman Dam Access Road TDD Board formalized its intent to dissolve the district. The district subsequently 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. 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. It 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 from March 2003 through December 2020, the year ended December 31, 2021, and the period from January 1, 2022, through June 30, 2022.

	January 1, 2022, through June 30, 2022	Year Ended December 31, 2021	March 2003 through December 31, 2020
RECEIPTS			
Sales Tax	\$ 129,764	264,566	3,328,848
Interest	142	518	9,622
Total Receipts	129,906	265,084	3,338,470
DISBURSEMENTS			
Project	0	0	1,905,534
Interest	0	0	1,079,268
Legal	7,071	5,507	62,979
Accounting	877	1,553	37,519
Bank Fees	21	42	383
Total Disbursements	7,969	7,102	3,085,683
RECEIPTS OVER (UNDER) DISBURSEMENTS	121,937	257,982	252,787
BEGINNING CASH	510,769	252,787	0
ENDING CASH	\$ 632,706	510,769	252,787

Source: Compiled by the SAO using the district's bank statements and financial statements



US Highway 65 and Truman Dam Access Road
Transportation Development District
Management Advisory Report - State Auditor's Findings

Based on our audit, the cash balance of the US Highway 65 and Truman Dam Access Road TDD as of June 30, 2022, was \$632,706. As of September 30, 2022, the cash balance increased to \$709,646. As of July 6, 2022, the fees for legal services are estimated at \$10,000 before abolishment and \$5,000 in accounting fees. There are no pending, threatened, or unasserted claims or assessments against the district according to district legal counsel. District officials confirmed the district is not insolvent, in receivership, or under the jurisdiction of a bankruptcy court. Based on these representations, district assets are sufficient to pay any remaining costs and obligations. Therefore, the district meets the abolishment criteria established in Section 238.275.3, RSMo. After the district's final costs and professional fees are paid, the remaining balance will be distributed to the City of Warsaw in accordance with Section 238.275.5(1), RSMo.

Based on our audit, the Board of Directors may proceed with the abolishment of the US Highway 65 and Truman Dam Access Road Transportation Development District in accordance with Section 238.275, RSMo.