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Missouri State Auditor

Hawthorne Development Transportation Development District

Report No. 2024-055

August 2024

auditor.mo.gov



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CITIZENS SUMMARY

Findings in the audit of the Hawthorne Development Transportation Development District

Background

The Hawthorne Development Transportation Development District (TDD) was formed in November 2005 for the purpose of making improvements to Hawthorne Boulevard, Highway 13, Simpson Street, Cooper Boulevard, Basswood Street, Northern Hill Drive, and Thompson Street. Phase 1 included improving and relocating intersections, upgrading traffic signals, and adding additional turn lanes. Phase 2 included construction of a roundabout, installing a permanent ground mounted traffic signal, and ingress and egress improvements. Phase 3 included construction of an extension of Cooper Boulevard. The first, second, and third project phases were completed in 2011, 2019, and February 2024, respectively, and the City of Warrensburg and the Missouri Highways and Transportation Commission (MHTC) subsequently accepted ownership of the project. Project costs for the Hawthorne Development TDD totaled \$5,700,000.

The project was funded by a 1/2-cent (0.5 percent) sales tax on all taxable transactions within the boundaries of the district. The sales tax was effective January 2006.

In April 2006, the Board of Directors entered into an agreement with Commerce Bank to issue revenue bonds up to \$4,265,000 for phase one of the project. In April 2017, the Board of Directors entered into an agreement with Commerce Bank to issue revenue bonds up to \$2,530,000 for phase two. This agreement included the redemption of the Series 2006 bonds with the Series 2017 bond issuance. The Hawthorne Development TDD satisfied the debt in October 2022. In January 2023, the Board of Directors entered into an amended cooperative agreement with the City of Warrensburg. Pursuant to the agreement, the Hawthorne Development TDD reimbursed the City of Warrensburg \$1,052,556 in April 2024 for phase three project costs incurred. The Board of Directors approved rescinding the sales tax and notifying the Department of Revenue to stop collecting the district's sales tax on December 29, 2023. The sales tax officially expired on March 31, 2024.

Based on the audit, the cash balance of the Hawthorne Development TDD as of April 30, 2024, was \$542,470. According to district legal counsel, as of April 4, 2024, the district is expected to incur approximately \$75,000 in fees to dissolve the district. After the district's final costs and professional fees are paid, the remaining balance will be distributed to the City of Warrensburg in accordance with the amended cooperative agreement dated January 9, 2023, and state law.

Financial Status

The audit of the Hawthorne Development Transportation Development District indicates the financial condition of the district is such that it may be abolished.

Because of the nature of this audit, no rating is provided.

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SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

Courtney Christensen, Chairperson
and
Board of Directors
Hawthorne Development Transportation Development District
Warrensburg, 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 18, 2023, the Board of Directors of the Hawthorne Development 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 Hood and Associates CPAs, PC, to audit the district's financial statements for the year ended December 31, 2022. To minimize duplication of effort, we reviewed the CPA firm's audit report for the year ended December 31, 2022, since the year ended December 31, 2023, financial statements will not be audited. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2023. 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; 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 this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the 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 a reasonable basis for our findings and conclusions based on our audit objectives.

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 Hawthorne Development Transportation Development District.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive, flowing style.

Scott Fitzpatrick
State Auditor

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

Financial Status

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

The Hawthorne Development TDD is located in Johnson County, in the City of Warrensburg. The district was organized in November 2005 by petition of the property owners/developers within the proposed TDD. The district consisted of 7 property owners at inception. The members of the Board of Directors consist of 3 City of Warrensburg employees and 2 representatives of the property owner/developer. The district has a fiscal year end of December 31.

The Hawthorne Development TDD was established for the purpose of making improvements to Hawthorne Boulevard, Highway 13, Simpson Street, Cooper Boulevard, Basswood Street, Northern Hill Drive, and Thompson Street. Phase 1 included improving and relocating intersections, upgrading traffic signals, and adding additional turn lanes. Phase 2 included construction of a roundabout, installing a permanent ground mounted traffic signal, and ingress and egress improvements. Phase 3 included construction of an extension of Cooper Boulevard. These projects reside within the City of Warrensburg and were completed for a total cost of \$5,700,000. The City of Warrensburg serves as the Local Transportation Authority with approval over the local portion of the project. The Missouri Highways and Transportation Commission (MHTC) serves as the entity with jurisdiction over the state portion of the project. The first, second, and third project phases were completed in 2011, 2019, and February 2024, respectively, and the City of Warrensburg and MHTC subsequently accepted ownership of the project.

In December 2005, 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. Additionally, the Board of Directors subsequently passed a resolution formally establishing the sales tax rate to be effective January 2006.

In April 2006, the Board of Directors entered into an agreement with Commerce Bank to issue revenue bonds up to \$4,265,000 for phase one of the project. In April 2017, the Board of Directors entered into an agreement with Commerce Bank to issue revenue bonds up to \$2,530,000 for phase two. This agreement included the redemption of the Series 2006 bonds with the Series 2017 bond issuance. The Hawthorne Development TDD satisfied the debt in October 2022. In January 2023, the Board of Directors entered into an amended cooperative agreement with the City of Warrensburg. Pursuant to the agreement, the Hawthorne Development TDD reimbursed the City of Warrensburg \$1,052,556 in April 2024 for phase three project costs incurred. The Board of Directors approved rescinding the sales tax and notifying the Department of Revenue to stop collecting the district's sales tax on December 29, 2023. The sales tax officially expired on March 31, 2024.



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

In December 2023, the Hawthorne Development TDD Board of Directors formalized its intent to dissolve the district. The district subsequently advised the State Auditor's Office (SAO) in April 2024 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 presents the financial activity and cash balances for the year ended December 31, 2023.

	Year Ended December 31, 2023
RECEIPTS	
Sales Tax	\$ 742,218
Interest Income	37,817
Total Receipts	<u>780,035</u>
DISBURSEMENTS	
Administrative fees	33,876
Total Disbursements	<u>33,876</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	746,159
BEGINNING CASH	581,145
ENDING CASH	<u>\$ 1,327,304</u>

Source: Compiled by the SAO using the district's unaudited financial statements.

During 2024 the district continued to collect sales tax through March, and expended over \$1 million in project costs in April. Based on our audit, the cash balance of the Hawthorne Development TDD as of April 30, 2024, was \$542,470. According to district legal counsel, as of April 4, 2024, the district is expected to incur approximately \$75,000 in fees to dissolve the district. 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. After the district's final costs and professional fees are paid, the remaining balance will be distributed to the City of Warrensburg in accordance with the amended cooperative agreement dated January 9, 2023, and Section 238.275.5(1), RSMo.

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