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Missouri State Auditor

Neosho Transportation Development District

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Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Neosho Transportation Development District

Background

The Neosho Transportation Development District (TDD) was formed in February 2011 for the purpose of improving Highway 60 and Adams Drive in the City of Neosho and Newton County. These projects generally included traffic signals, curb, gutter, storm sewer, storm drainage, a roundabout, and various improvements. The first, second, and third project phases were completed in 2016, 2017, and 2022, respectively. In addition, the Neosho TDD made repairs to Adams Drive, which were completed in May 2024. Upon dissolution of the district, the City of Neosho will continue ongoing maintenance, receive the allocation of excess revenues, and accept ownership of the project. The Neosho TDD's total portion of the project costs was \$4,940,920.

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 April 2011.

In October 2014, the Board of Directors entered into an agreement with Arvest Bank to issue revenue notes to pay for the project costs as well as other costs related to the redevelopment project. The Neosho TDD satisfied this debt in November 2023. The Board of Directors approved rescinding the sales tax and notifying the Department of Revenue to stop collecting the district's sales tax on February 20, 2024. The sales tax officially expired on March 31, 2024.

Based on the audit, the cash balance of the Neosho TDD as of April 30, 2024, was \$478,364. According to the district's Executive Director, as of February 19, 2024, the district is expected to incur approximately \$152,500 in fees to dissolve the district. After the district's final costs and professional fees are paid, the TDD will distribute the surplus funds to the City of Neosho in accordance with the cooperative agreement dated March 29, 2012, and state law.

Financial Status

The audit of the Neosho 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.

Neosho Transportation Development District

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SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

Steve Roark, Chairman and Director
and
Board of Directors
Neosho Transportation Development District
Neosho, 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 October 19, 2023, the Board of Directors of the Neosho 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 Hardy, Wrestler & Associates, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended December 31, 2023. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the 2 years 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 Neosho Transportation Development District.

Scott Fitzpatrick
State Auditor

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

Financial Status

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

The Neosho TDD is located in Newton County, in the City of Neosho. The district was organized in February 2011 by petition of the property owners/developers within the proposed TDD. The district consisted of 41 property owners at the time of formation. The members of the Board of Directors consist of 6 representatives appointed by the property owners. The district has a fiscal year end of December 31.

The Neosho TDD was established for the purpose of improving Highway 60 and Adams Drive in the City of Neosho and Newton County. These projects generally included traffic signals, curb, gutter, storm sewer, storm drainage, a roundabout, and various improvements. The Missouri Highways and Transportation Commission (MHTC) serves as the transportation authority with jurisdiction over the portion of the project intended to be merged into the state highways and transportation system. The City of Neosho serves as a local transportation authority with jurisdiction over the local portion of the project. The first, second, and third project phases were completed in 2016, 2017, and 2022, respectively. In addition, the Neosho TDD made repairs to Adams Drive, which were completed in May 2024. Upon dissolution of the district, the City of Neosho will continue ongoing maintenance, receive the allocation of excess revenues, and accept ownership of the project. The Neosho TDD's total portion of the project costs was \$4,940,920.

In February 2011, 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 the sales tax rate to be effective April 2011 for 20 years unless terminated sooner.

In October 2014, the Board of Directors entered into an agreement with Arvest Bank to issue revenue notes to pay for the project costs as well as other costs related to the redevelopment project. The Neosho TDD satisfied this debt in November 2023.

The Board of Directors approved rescinding the sales tax and notifying the Department of Revenue to stop collecting the district's sales tax on February 20, 2024. The sales tax officially expired on March 31, 2024.

In October 2023, the Neosho TDD Board of Directors 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



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

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 for the year ended December 31, 2023.

	Year Ended December 31, 2023
RECEIPTS	
Sales Tax\$	\$ 849,793
Interest	19,004
Total Receipts	<u>868,797</u>
DISBURSEMENTS	
Administrative	253
Legal Fees	17,396
Insurance	1,626
Infrastructure Maintenance	28,992
Capital Outlay	23,833
Debt Service	622,502
Bank Fees	1,909
Contract Services	9,427
Total Disbursements	<u>705,938</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	162,859
BEGINNING CASH	120,929
ENDING CASH	<u>\$ 283,788</u>

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

Based on our audit, the cash balance of the Neosho TDD as of April 30, 2024, was \$478,364. According to the district's Executive Director, as of February 19, 2024, the district is expected to incur approximately \$152,500 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 TDD will distribute the surplus funds to the City of Neosho in accordance with the cooperative agreement dated March 29, 2012, 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.