



Thomas A. Schweich
Missouri State Auditor

Independence Avenue and Colbern Road Transportation Development District



March 2012
Report No. 2012-21

<http://auditor.mo.gov>



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CITIZENS SUMMARY

Findings in the audit of the Independence Avenue and Colbern Road Transportation Development District

Background	The Independence Avenue and Colbern Road Transportation Development District (TDD) was organized in May 2007, and is located in the City of Lee's Summit in Jackson County. The qualified voters of the TDD, in this case the property owners/developer, approved a 3/4-cent sales tax on all taxable transactions within the TDD. They later voted to increase the tax to 1-cent. The TDD was formed for the purpose of constructing approximately \$900,000 worth of transportation projects, but the projects were not completed. The City of Lee's Summit subsequently took responsibility for the projects and the related funding, and plans to begin construction in the summer of 2012. On September 27, 2011, the TDD Board of Directors approved a resolution formalizing its intent to dissolve the TDD and repeal its sales tax effective January 1, 2012, and the State Auditor's office was notified.
Statutory Requirement	Section 238.275, RSMo, requires the State Auditor to determine the financial status of a TDD before it may be abolished. The law prohibits the abolishment of a TDD while there are outstanding claims or causes of action pending against it, if its liabilities exceed its assets; or while the TDD is insolvent, in receivership or under the jurisdiction of a bankruptcy court.
Financial Status	The Independence Avenue and Colbern Road TDD had a cash balance of \$18,320 at February 8, 2012, which the TDD's legal counsel estimates will be sufficient to pay any remaining costs and obligations. Based upon our audit, the Board of Directors may proceed with the abolishment of the Independence Avenue and Colbern Road TDD.

Because of the limited objective of this audit, no overall rating is provided.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Independence Avenue and Colbern Road TDD did not receive any federal stimulus monies during the audited time period.
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Thomas A. Schweich
Missouri State Auditor

Dave Meyer, Chairman
and
Board of Directors
Independence Avenue and Colbern Road 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 September 27, 2011, the Board of Directors of the Independence Avenue and Colbern Road Transportation Development District (TDD) 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 2 years ended December 31, 2011. The objective of our audit was to evaluate the financial status of the TDD and determine whether the district 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 TDD, as well as certain external parties. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. 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 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 can proceed with abolishment of the district in accordance with Section 238.275, RSMo.

The accompanying Management Advisory Report presents our finding arising from our audit of the Independence Avenue and Colbern Road Transportation Development District.

A handwritten signature in black ink that reads "Thomas A. Schweich". The signature is written in a cursive style with a large, sweeping initial 'T'.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Robert McArthur II

Independence Avenue and Colbern Road Transportation Development District Management Advisory Report - State Auditor's Findings

Financial Status

Our audit of the Independence Avenue and Colbern Road Transportation Development District (TDD) indicates the financial condition of the TDD is such that the TDD may be abolished.

The Independence Avenue and Colbern Road Transportation Development District was organized in May 2007 by petition of the owners/developer of property within the proposed district. The Board of Directors and officers include the property owners/developer and a relative of a property owner.

The qualified voters of the TDD, in this case the property owners/developer, approved the imposition of a 3/4-cent sales tax on all transactions which are taxable within the boundaries of the district, effective June 2007. The sales tax was expected to remain in effect for 30 years, unless terminated sooner. An increase in the sales tax to 1-cent (1 percent) was subsequently approved by the qualified voters, effective March 2009. The retail establishments within the district collected the sales taxes and forwarded the collections to the Missouri Department of Revenue.

The TDD is located in the City of Lee's Summit, in Jackson County. The TDD has a fiscal year end of December 31 and did not have independent audits performed during the 2 years ended December 31, 2011.

The TDD was formed for the purpose of constructing transportation projects with a total estimated cost of approximately \$900,000; however, the projects were not completed.

The Missouri Department of Transportation and the City of Lee's Summit were the public entities with jurisdiction over these projects. The City of Lee's Summit has subsequently taken responsibility and will provide the funding for the TDD's proposed projects. The city confirmed its plans to begin construction the summer of 2012.

On September 27, 2011, the Independence Avenue and Colbern Road TDD Board approved resolutions formalizing its intent to dissolve the district and repealing its sales tax effective January 1, 2012. In October 2011, the TDD's legal counsel advised the SAO of the Board's intent to dissolve the TDD 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 Independence Avenue and Colbern Road 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 the TDD may be abolished pursuant to law. That law also states the board shall not propose the question to abolish the TDD while there are outstanding claims or causes of action pending against it, if its



Independence Avenue and Colbern Road
Transportation Development District
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liabilities exceed its assets, or while the TDD is insolvent, in receivership, or under the jurisdiction of a bankruptcy court.

The following table presents the financial activity and cash balances of the TDD for the 2 years ended December 31, 2011 (as presented on the cash basis):

	Year Ended December 31,	
	2011	2010
RECEIPTS		
Sales taxes	\$ 46,328	38,570
Total Receipts	46,328	38,570
DISBURSEMENTS		
Legal costs	4,933	14,559
Accounting/tax collection fees	2,256	3,358
Debt service *	39,191	14,577
Total Disbursements	46,380	32,494
RECEIPTS OVER (UNDER)		
DISBURSEMENTS	(52)	6,076
BEGINNING CASH	11,951	5,875
ENDING CASH	\$ 11,899	11,951

* Repayment by agreement of costs paid directly by the developer, including certified project costs and additional legal and accounting costs.

Based on our audit, the cash balance of the TDD at December 31, 2011, was \$11,899. The TDD subsequently received its final 2 sales tax collections and as of February 8, 2012, maintained a balance in its account of \$18,320. The TDD's legal counsel estimates the outstanding liabilities for final administrative costs (legal, accounting and audit costs) to be equal to or less than the TDD account balance. Based on legal counsel's representations, TDD assets will be sufficient to pay any remaining costs and obligations.

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