

SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT

BASIC FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2021



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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Smithville Commons Community Improvement District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Smithville Commons Community Improvement District (the District) (a component unit of the City of Smithville, Missouri), as of and for the year ended October 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Smithville Commons Community Improvement District as of October 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the General Fund budgetary comparison information on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.



CliftonLarsonAllen LLP

St. Joseph, Missouri
April 26, 2022

BASIC FINANCIAL STATEMENTS

**SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION
OCTOBER 31, 2021**

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 297,096	\$ -	\$ 297,096
Taxes Receivable	58,461	-	58,461
Total Assets	<u>\$ 355,557</u>	<u>\$ -</u>	<u>\$ 355,557</u>
LIABILITIES			
Accrued Administrative Fees	\$ 3,558	\$ -	\$ 3,558
Due to Other Governments	177,778	-	177,778
Total Liabilities	<u>181,336</u>	<u>-</u>	<u>181,336</u>
FUND BALANCE / NET POSITION			
Restricted for: Projects	<u>174,221</u>	<u>-</u>	<u>174,221</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 355,557</u>	<u>\$ -</u>	<u>\$ 355,557</u>

See accompanying Notes to Basic Financial Statements.

**SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED OCTOBER 31, 2021**

	General Fund	Adjustments	Statement of Activities
REVENUES			
Sales and Use Taxes, Net	\$ 170,577	\$ -	\$ 170,577
Total Revenues	<u>170,577</u>	<u>-</u>	<u>170,577</u>
EXPENDITURES/EXPENSES			
Current:			
General Government:			
Administrative Fees	3,558	-	3,558
Total Expenditures/Expenses	<u>3,558</u>	<u>-</u>	<u>3,558</u>
CHANGE IN FUND BALANCE/NET POSITION	167,019	-	167,019
Fund Balance/Net Position - Beginning of Year	<u>7,202</u>	<u>-</u>	<u>7,202</u>
FUND BALANCE/NET POSITION - END OF YEAR	<u>\$ 174,221</u>	<u>\$ -</u>	<u>\$ 174,221</u>

See accompanying Notes to Basic Financial Statements.

SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Smithville Commons Community Improvement District (the District) was established on August 1, 2017 under the Missouri Community Improvement District Act Sections 67.1401 to 67.1571 of the Revised Statutes of Missouri (RSMO). The District was created to levy certain taxes for the purpose of funding the approved District Projects as well as District Projects that may be subsequently approved. The District is the basic level of government which has financial accountability and control over the activities related to the funding of the improvements. The District's Board of Directors are appointed by the Mayor of the City of Smithville, Missouri (the City) with consent of the City's Board of Aldermen to four-year terms.

Generally accepted accounting principles require that the basic financial statements present the District (the primary government) and its component units. Component units are required to be included in the District's reporting entity because of the significance of their operational or financial relationships with the District. Based on the evaluation criteria, there are no component units related to the District which should be included in the basic financial statements. The District is considered to be a fiduciary component unit of the City.

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America. The more significant accounting and reporting policies and practices employed by the District are what follow. The District applies all applicable Governmental Accounting Standards Board pronouncements.

Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales for support. This District does not have any business-type activities to report.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include special assessments, sales tax, grants, and donations. Revenues from sales taxes are recognized at the time the underlying taxable event occurs. Revenues from grants and donations are recognized in the fiscal period in which all eligibility requirements have been satisfied. Because the criteria for measurement and recognition of revenues and expenses differ at the government-wide level and the fund level, there may be differences between the amounts recorded on these financial statements. Therefore, the governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental fund financial statements are reported on the “current financial resources” measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period.

In applying the modified accrual basis, certain revenue sources are accrued when deemed both measurable and available (collectible within the current period or within sixty (60) days of period-end and available to pay obligations of the current period). This includes investment earnings and sales taxes.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which have not matured are recognized when due.

SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, fund balances, and revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Major Governmental Funds

- *General Fund*

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Government-Wide Net Position

Net Position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of restricted assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of the government; or (b) law through constitutional provisions or enabling legislation.

Unrestricted – Consists of the net amounts of the assets that are not included in the determination of “net investment in capital assets” or the “restricted” component of net position.

It is the District’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Directors-the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes the specified use by taking the same type of action imposing the commitment.

Assigned Fund Balance – This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes but are neither restricted nor committed. The Board of Directors and the District management have the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 2 DEPOSITS

Missouri State Statutes authorize the District, with certain restrictions, to deposit funds in open accounts and time deposits and to invest in certificates of deposit; bonds of the state of Missouri, of the United States or of any wholly-owned corporation of the United States; or in other short-term obligations of the United States. Statutes also require that collateral pledged against deposits must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the District or an independent third party and must be of the kind prescribed by state statutes and approved by the State.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's has not specific policy for custodial credit risk, but follows the requirements stipulated by state statute. Statutes require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the District or an independent third-party and must be of the kind prescribed by state statutes.

As the District's fiscal agent, the City of Smithville, Missouri (the City) is the custodian of all cash deposits of the District and is held in the City's pooled cash account. At October 31, 2021, the District's portion of the City's carrying balance and bank balance was \$297,096. The City's pooled cash accounts were fully insured or collateralized by pledged collateral held in the name of the City at October 31, 2021.

NOTE 3 TAXES

Qualified voters of the District approved a 1% CID Sales Tax by Ordinance 3041-19 on July 16, 2019. This tax is authorized for a period of no more than 23 years from the date upon which sales tax was first levied within the District. The District has contracted with the City of Smithville, Missouri (the City) to administer the collection of the taxes and to keep records of such receipts.

The District is subject to tax abatements through a redevelopment program implemented by the City of Smithville, Missouri, which include Tax Increment Financing (TIF). The enacting authority for TIF is Chapter 99, RSMO. A TIF project diverts tax revenue, above an established base level of taxes, to a special allocation fund that allows certain project costs to be reimbursed to developers for up to 23 years. Most commonly, the two sources of funds that are diverted are Payments In Lieu of Taxes (PILOTs) and Economic Activity Taxes (EATs). Generally, 100% of PILOTs (real property based taxes) and 50% of EATs (sales, utilities, and earnings based taxes) are diverted. A basic requirement, as outlined in Section 99.810.1 (1), RSMO, is: "The redevelopment area on the whole is a blighted area, a conservation area, or an economic development area, and has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing." Each agreement will vary from project to project.

SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 3 TAXES (CONTINUED)

The reduction in the District's sales and use tax revenues from economic activity tax abatements was \$170,576 for the year ending October 31, 2021.

Gross Sales and Use Taxes	\$ 341,153
Less Economic Activity Taxes	<u>(170,576)</u>
Sales and Use Taxes, Net	<u><u>\$ 170,577</u></u>

NOTE 4 RELATED PARTY TRANSACTIONS

The State of Missouri is the collection agent for the District and remits those collections to the City. The City also performs accounting and administrative functions for the District. The City receives, as compensation for these services, an administrative fee equal to 1% of the taxes collected. For the year ended October 31, 2021, the District incurred \$3,558 in administrative fees for services rendered by the City. As of October 31, 2021, administrative fees due to the City totaled \$3,558.

The District had \$177,778 due to the City for economic activity taxes at October 31, 2021.

For the year ended September 30, 2021, there were no amounts paid to the developer to fund project costs.

REQUIRED SUPPLEMENTARY INFORMATION

**SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE —
GENERAL FUND
YEAR ENDED OCTOBER 31, 2021**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
REVENUES			
Sales and Use Taxes	\$ 300,000	\$ 297,096	\$ (2,904)
Total Revenues	<u>300,000</u>	<u>297,096</u>	<u>(2,904)</u>
EXPENDITURES			
Current:			
General Government			
Economic Activity Taxes	150,000	-	(150,000)
Administrative Fees	3,000	-	(3,000)
Other Operating	5,000	-	(5,000)
Developer Advances	142,000	-	(142,000)
Total Expenditures	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	297,096	297,096
NET CHANGE IN FUND BALANCE	-	297,096	297,096
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 297,096</u>	<u>\$ 297,096</u>

See accompanying Notes to Required Supplementary Information.

SMITHVILLE COMMONS COMMUNITY IMPROVEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED OCTOBER 31, 2021

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

NOTE 1 BASIS OF ACCOUNTING – BUDGETARY SCHEDULE

The annual budget is prepared under the cash basis of accounting and is adopted prior to the beginning of each fiscal year for the General Fund. Under Missouri state law, control of budget appropriations is exercised at the fund level.

The information below summarized the differences between the budgetary inflows and outflows and modified accrual basis revenues and expenditures.

SOURCES/INFLOWS OF RESOURCES

Total Revenues - Modified Accrual Basis	\$ 170,577
Economic Activity Taxes Abated	170,576
Change in Taxes Receivable	(44,057)
Total Revenues - Budgetary Basis	<u>\$ 297,096</u>

USES/OUTFLOWS OF RESOURCES

Total Expenditures - Modified Accrual Basis	\$ 3,558
Change in Accrued Administrative Fees	(3,558)
Total Expenditures - Budgetary Basis	<u>\$ -</u>

NOTE 2 BUDGET APPROVAL

The District's budgets are proposed and approved annually by the District's Board of Directors. Budgets are submitted annually to the City of Smithville's Board of Aldermen for review and comment.

