

**The Arbors of Rockwood
Community Improvement District**

Basic Financial Statements

And Management's Discussion and Analysis

For The Year Ended June 30, 2022

The Arbors of Rockwood Community Improvement District

Table of Contents

June 30, 2022

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-6
Governmental Funds Balance Sheet and Statement of Net Position - Cash Basis	7
Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities - Cash Basis	8
Notes to Financial Statements	9-14
Supplementary Information:	
Statement of Revenues Collected and Expenditures Paid – General Fund - Budget and Actual - Cash Basis	15
Compliance Section:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Arbors of Rockwood Community Improvement District
Eureka, Missouri

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of The Arbors of Rockwood Community Improvement District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise The Arbors of Rockwood Community Improvement District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of The Arbors of Rockwood Community Improvement District, as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Arbors of Rockwood Community Improvement District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arbors of Rockwood Community Improvement District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arbors of Rockwood Community Improvement District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of The Arbors of Rockwood Community Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Arbors of Rockwood Community Improvement District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arbors of Rockwood Community Improvement District's internal control over financial reporting and compliance.

Wade Stables P.C.

Wade Stables P.C.
Certified Public Accountants

December 20, 2022
Hannibal, Missouri

**Management's Discussion
and Analysis**

The Arbors of Rockwood Community Improvement District
Management's Discussion and Analysis
For the Year Ended June 30, 2022
(Unaudited)

The discussion and analysis of The Arbors of Rockwood Community Improvement District's financial performance provides an overview and analysis of the District's financial statements for the year ended June 30, 2022. It should be read in conjunction with the accompanying basic financial statements.

Financial Highlights

- The assets of The Arbors of Rockwood Community Improvement District exceeded its liabilities at the close of the year ended June 30, 2022 by \$515,496. Of this amount, \$515,496 (unrestricted net position) could be used to meet the District's ongoing obligations to citizens and creditors.
- The assets of The Arbors of Rockwood Community Improvement District exceeded its liabilities at the close of the year ended June 30, 2021 by \$317,004. Of this amount, \$317,004 (unrestricted net position) could be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$198,492 for the year ended June 30, 2022. The primary reason for this is because the District received \$210,328 in total revenues and spent \$11,836 on total expenses.
- The District's total net position increased by \$143,202 for the year ended June 30, 2021. The primary reason for this is because the District received \$157,112 in total revenues and spent \$13,910 on total expenses.
- The District did not issue any debt for the years ending June 30, 2022 and 2021.

Using This Special Purpose Framework

The financial statements are presented on a basis of cash receipts and cash disbursements, an accounting basis other than Generally Accepted Accounting Principles (GAAP). These statements include all assets and liabilities arising from cash transactions; a basis of accounting takes into consideration all of the current year's revenues collected and expenditures paid, but does not include capital assets, amounts due in the future from others, or liabilities payable from future revenues.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to The Arbors of Rockwood Community Improvement District's basic financial statements. The District's financial statements are comprised of two components, combined government-wide and fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Combined Government-wide and Fund Financial Statements

Government-wide and Fund financial statements are combined as allowed by the Governmental Accounting Standards Board for special purpose governments. As such, these combined statements show each major fund as well as the primary government as a whole.

Governmental Fund - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of the funds and the balance left at year-end that is available for spending. The funds are reported using the cash basis of accounting. This measurement focus reports on revenues received and expenditures paid during the period. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The Arbors of Rockwood Community Improvement District internally maintains one individual governmental fund, however to conform with Governmental Accounting Standards, reporting is summarized into one major fund. Information is presented in the Governmental Funds Balance Sheet and Statement of Net Position – Cash Basis, for the General Fund, which is considered a major fund. The General Fund consists of: the Special Trust Fund.

The Arbors of Rockwood Community Improvement District
 Management's Discussion and Analysis
 For the Year Ended June 30, 2022
 (Unaudited)

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found immediately following the basic financial statements.

The District as a Whole – Government-Wide Financial Analysis

The District's combined net position was \$515,496 as of June 30, 2022.

Table 1
Summary of Net Position
at June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Current and other assets	\$ 515,496	\$ 317,004
Total Assets	<u>\$ 515,496</u>	<u>\$ 317,004</u>
Net Position:		
Restricted	\$ -	\$ -
Unrestricted	515,496	317,004
Total Net Position	<u>\$ 515,496</u>	<u>\$ 317,004</u>

Table 2
Changes in Net Position

	Governmental Activities	
	2022	2021
General Revenues:		
Special assessment	\$ 210,328	\$ 157,112
Total revenues	<u>\$ 210,328</u>	<u>\$ 157,112</u>
Expenses:		
General government	\$ 11,836	\$ 13,910
Total expenses	<u>\$ 11,836</u>	<u>\$ 13,910</u>
Increase (decrease) in net position	\$ 198,492	\$ 143,202
Net position at beginning of year	317,004	173,802
Net position at end of year	<u>\$ 515,496</u>	<u>\$ 317,004</u>

PROPERTY, PLANT AND EQUIPMENT AND DEBT

Property, Plant and Equipment

During the year ending June 30, 2022, the District did not have any capital additions.

The Arbors of Rockwood Community Improvement District
Management's Discussion and Analysis
For the Year Ended June 30, 2022
(Unaudited)

Debt

At the year ended June 30, 2022, the District did not have any long-term debt. However, pursuant to Resolution 21-001 the certificates were approved contingent upon receipt of the Certificate of Substantial Completion. The Certificate of Substantial Completion was received after June 30, 2022. On September 15, 2022, the District issued the Taxable Special Assessment Revenue Notes, Series 2022A in the amount of \$3,413,574.

General Fund Budgeting Highlights

For the year ending June 30, 2022, actual expenditures on a budgetary basis were \$11,836 compared to the budget amount of \$13,840. The primary reason for the \$2,004 positive variance is the result of the District budgeting too much for legal and professional fees.

For the year ending June 30, 2022, actual revenues on a budgetary basis were \$210,328 compared to the budget amount of \$209,675. The reason for the \$653 positive variance is the result of the District not budgeting enough for special assessment revenues.

Economic Factors and Next Year's Budget

Local, national and international economic factors influence the District's revenues. Positive economic growth correlates with increased revenues from property taxes. Economic growth in the local economy may be measured by a variety of indicators such as employment growth, unemployment, and new construction and assessed valuation. The District has prepared its budget for the next fiscal year considering the economic factors discussed above.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District.

The Arbors of Rockwood Community Improvement District

Governmental Funds Balance Sheet and
Statement of Net Position - Cash Basis
June 30, 2022

	<u>General Fund</u>	<u>Total Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets				
Cash and equivalents	-	-	-	-
	\$ 515,496	\$ 515,496	\$ -	\$ 515,496
Total Assets	<u>\$ 515,496</u>	<u>\$ 515,496</u>	<u>\$ -</u>	<u>\$ 515,496</u>
Liabilities and Fund Balances / Net Position				
Fund Balance:				
Restricted for:				
Debt Service	\$ -	\$ -	\$ -	\$ -
Capital Projects	-	-	-	-
Unassigned	515,496	515,496	(515,496)	-
Total Liabilities and Fund Balances	<u>\$ 515,496</u>	<u>\$ 515,496</u>	<u>\$ (515,496)</u>	<u>\$ -</u>
Net Position:				
Restricted for:				
Debt Service			\$ -	\$ -
Capital Projects			-	-
Unrestricted			515,496	515,496
Total Net Position			<u>\$ 515,496</u>	<u>\$ 515,496</u>

The accompanying notes to financial statements are an integral part of this statement.

The Arbors of Rockwood Community Improvement District
 Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and
 Statement of Activities - Cash Basis
 June 30, 2022

	General Fund	Total Funds	Adjustments	Statement of Activities
Expenditures/Expenses:				
Administrative expenses	\$ 8,510	\$ 8,510	\$ -	\$ 8,510
Insurance expense	1,200	1,200	-	1,200
Legal and professional fees	2,126	2,126	-	2,126
Total Expenditures/Expenses	\$ 11,836	\$ 11,836	\$ -	\$ 11,836
General Revenues:				
Special assessment revenues	\$ 210,328	\$ 210,328	\$ -	\$ 210,328
Total General Revenues	\$ 210,328	\$ 210,328	\$ -	\$ 210,328
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 198,492	\$ 198,492	\$ (198,492)	\$ -
Change in net position			198,492	198,492
Fund balance/net position:				
Beginning of Year	317,004	317,004	-	317,004
End of Year	\$ 515,496	\$ 515,496	\$ -	\$ 515,496

The accompanying notes to financial statements are an integral part of this statement.

The Arbors of Rockwood Community Improvement District

Notes to Financial Statements
For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pursuant to the Community Improvement District Act, Sections 67.1401 to 67.1571 of the Revised Statutes of Missouri, as amended (the "CID Act"), The Arbors of Rockwood Community Improvement District (the "District") was formed by Ordinance No. 2394 (the "Ordinance") adopted on October 18, 2016 by the City of Eureka, Missouri (the "City") for the purpose of undertaking certain improvements within the boundaries of the District (the "CID Project").

Pursuant to the Ordinance and Section 67.1521 of the CID Act, the Board of Directors of the District adopted Resolution No. 17-005 (the "Special Assessment Resolution"), levying a special assessment (the "Special Assessment") against real property within the boundaries of the District and providing a procedure for the levy and collection of the Special Assessment, which Special Assessment shall terminate no later than October 18, 2048.

On February 22, 2017, the City, the District and Brewster Road, LLC the "Developer") entered into a Development Agreement (the "Development Agreement") to provide the process by which the District will use the revenues from the Special Assessment to reimburse the Developer for certain costs related to the CID Project, to provide for the payment of Operating Costs (as defined in the Development Agreement) and to provide assurances to the City regarding the implementation of the CID Project.

The District Project consists generally of the construction and installation of the following public improvements: lawns, trees, and other landscape, sidewalks, streets, traffic signs and signals, utilities, drainage, water, storm and sewer systems, and other site improvements, streetscape, and lighting within the proposed District, and undertaking the construction of other useful, necessary, or desired improvements within the proposed District. The Project may be completed in one or more phases.

The location of the project is a tract of land being part of Lot 5 and all of Lots 8 and 9 of "Calvin M. Christy's Subdivision" a subdivision according to the plat thereof recorded in Plat Book 4 Page 31 of the St. Louis County, Missouri Records in U.S. Survey 2010 and part of the Northeast Quarter of Fractional Section 34 and Part of the West Half of Fractional Section 35, Township 44 North, Range 3 East, City of Eureka, St. Louis County, Missouri.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

The Arbors of Rockwood Community Improvement District

Notes to Financial Statements
For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) BASIS OF PRESENTATION

Special-purpose governments engaged in a single governmental program and having no component units may present financial statements as combining fund financial statements with government-wide statements. This is illustrated on the Governmental Funds Balance Sheet and Statement of Net Position - Cash Basis and Governmental Fund Revenues, Expenditures and Changes in Fund Balances and Statement of Activities - Cash Basis.

In the fund financial statements, financial transactions and accounts of the District are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The fund statements are also presented on a cash basis of accounting. Major individual governmental funds are reported as separate columns in fund financial statements.

The district reports the following major governmental funds:

Governmental Funds

General Fund – The District maintains one fund that makes up the General fund, as follows:

Special Trust Fund - The Special Trust Fund is the fund that special assessment revenues deposit into. Revenues are derived primarily from special assessments.

B) BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Government-wide financial statements and Fund Financial Statements are prepared using the cash basis of accounting, a special purpose framework. Under the cash basis, revenues are recognized when received rather than when earned and expenditures are recognized when cash is disbursed rather than when the obligation is incurred.

C) BUDGETS AND BUDGETARY ACCOUNTING

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

- 1) In accordance with Section 67 of the Missouri Revised Statutes, the budget officer, as designated by the District, prepares and adopts an annual budget which represents the complete financial plan for the ensuing budget year. The budget includes at least the following information:
 - a) A budget message describing the important features of the budget and major changes from the preceding year;
 - b) Estimated revenues to be collected from all sources for the budget year, with a comparative statement of actual or estimated revenues for the two years next preceding, itemized by year, fund, activity and object;
 - c) The amount required for the payment of interest, amortization, and redemption charges on the debt of the District;

The Arbors of Rockwood Community Improvement District

Notes to Financial Statements
For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) BUDGETS AND BUDGETARY ACCOUNTING (CONCLUDED)

- d) A general budget summary.
- i. In no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.
- ii. The District may revise, alter, increase or decrease the items in the proposed budget, subject to such limitations as may be provided by law provided, that in no event, shall the total authorized expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.
- 4) The District shall, before the beginning of the fiscal year, approve the budget and approve or adopt such orders, motions, resolutions or ordinances as may be required to authorize the budgeted expenditures and produce the revenues in the budget.
- 5) After the District has approved the budget and approved or adopted the orders, motions, resolutions or ordinances required to authorize the expenditures proposed in the budget, the District shall not increase the total amount authorized for expenditure from any fund, unless the District Board adopts a resolution setting forth the facts and reasons making the increase necessary and approves or adopts an order, motion resolution or ordinance to authorize the expenditures.

The 2022 budget was approved at the regularly scheduled Board of Directors' meeting. Annual budgets are prepared and adopted by fund on a basis consistent with the cash basis of accounting for the major individual governmental funds. All annual appropriations lapse at fiscal year end.

D) CAPITAL ASSETS AND LONG-TERM LIABILITIES

In accordance with the cash basis of accounting, the government-wide and fund financial statements report capital asset additions as expenditures when cash is expended and debt proceeds are shown as other financing sources when cash is received. Debt principal payments are shown as expenditures when payments are made. Capital assets and long term liabilities are not maintained on these financial statements but long term debt is disclosed later in these notes to the financial statements.

E) FUND BALANCE AND NET POSITION

Net Position represents the difference between assets and liabilities. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by laws or regulations of the government. All other net position that does not meet the definition of "restricted" are reported as unrestricted net position. It is the District's policy to expend restricted resources first if the restrictions are met.

Fund balances are classified as follows:

Nonspendable- This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District did not have any nonspendable fund balance as of June 30, 2022.

The Arbors of Rockwood Community Improvement District

Notes to Financial Statements
For the Year Ended June 30, 2022

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

E) FUND BALANCE AND NET POSITION (CONCLUDED)

Restricted- This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or law or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District did not have any restricted fund balance as of June 30, 2022.

Committed- This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District had no committed resources as of June 30, 2022.

Assigned- This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District Board through budgetary process. The District had no assigned resources as of June 30, 2022.

Unassigned- All amounts not included in other spendable classifications.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

2) CASH AND CASH EQUIVALENTS

The District complies with various regulations on deposits and investments, which are imposed by the state statutes as follows:

Deposits - All deposits with financial institutions must be collateralized in an amount at least equal to uninsured deposits.

Investments - The District may invest in bonds of the State of Missouri or any wholly owned corporation of the United States; or in other short-term obligations of the United States.

Cash of the District at June 30, 2022 is as follows:

Deposits

At June 30, 2022, the carrying amount of the District's deposits was \$515,496 and the bank balance was \$515,496. The bank balance in the Sales Tax Trust Fund was \$515,496 at year end. Of the bank balance, \$250,000 was covered by federal depository insurance and \$265,496 was collateralized with securities held by the pledging bank in the District's name.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. State statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

The Arbors of Rockwood Community Improvement District

Notes to Financial Statements
For the Year Ended June 30, 2022

2) CASH AND CASH EQUIVALENTS (CONCLUDED)

Investments

There were no investments at June 30, 2022.

3) COMMITMENTS

On February 22, 2017, the City, the District and Brewster Road, LLC the "Developer") entered into a Development Agreement (the "Development Agreement") to provide the process by which the District will use the revenues from the Special Assessment to reimburse the Developer for certain costs related to the CID Project, to provide for the payment of Operating Costs (as defined in the Development Agreement) and to provide assurances to the City regarding the implementation of the CID Project.

4) LITIGATION

At June 30, 2022, there were no claims or lawsuits pending against the District.

5) SPECIAL ASSESSMENT

Pursuant to the Ordinance and Section 67.1521 of the CID Act, the Board of Directors of the District adopted Resolution No. 17-005 (the "Special Assessment Resolution"), levying a special assessment (the "Special Assessment") against real property within the boundaries of the District and providing a procedure for the levy and collection of the Special Assessment, which Special Assessment shall terminate no later than October 18, 2048.

Pursuant to the Special Assessment Resolution, the District set forth the following four (4) classes of real property within the District for the purpose of the Special Assessment, which classes will be distinguished by the width of each dwelling unit constructed on the residential tax parcels located within the District, and shall be conclusively established by measuring the original front building line footings as of the first day after construction of the dwelling unit is completed, the width of each dwelling unit to be measured by the Developer (or its authorized representative) and written notice of the width to be provided to the District:

- a. The "Villas" class shall consist of all tax parcels within the proposed District that have a dwelling unit with a structure width ranging from 0 – 35.99 feet (the "Villas Class");
- b. The "Baysides" class shall consist of all tax parcels within the proposed District that have a dwelling unit with a structure width ranging from 36.00 – 45.99 feet (the "Bayside Class");
- c. The "Oakwoods" class shall consist of all tax parcels within the proposed District that have a dwelling unit with a structure width ranging from 46.00 – 51.99 feet (the "Oakwood Class"); and
- d. The "Timberwoods" class shall consist of all tax parcels within the District that have a dwelling unit with a structure width of 52.00 feet or larger (the "Timberwood Class", along with the Villas Class, the Bayside Class, and the Oakwood Class, each individually, a "Class", and, collectively, the "Classes").

Pursuant to the Special Assessment Resolution, the method of imposing such Special Assessment on each residential tax parcel shall be based upon the determination of (i) the type of Class for such residential tax parcel and (ii) the initial issuance of an occupancy permit after completion of a dwelling unit (or equivalent documentation indicating a dwelling unit is ready for occupancy) on such residential tax parcel (the "Initial Certificate of Occupancy").

The Arbors of Rockwood Community Improvement District

Notes to Financial Statements
For the Year Ended June 30, 2022

5) SPECIAL ASSESSMENT (CONCLUDED)

During each calendar year that the Special Assessment is in effect, any residential tax parcel having been issued an Initial Certificate of Occupancy prior to July 31 of such calendar year shall be assessed the annual rate of Special Assessment as given below and the annual Special Assessment roll (the "Annual Assessment Roll") shall be provided by the District to the St. Louis County Collector of Revenue on or before August 31 of each year with payment of the annual Special Assessment due and payable on or before December 31 of each year.

<u>Class</u>	<u>Prior to issuance of Initial Certificate of Occupancy</u>	<u>After issuance of Initial Certificate of Occupancy</u>
Villas Class	\$ -	\$ 500
Bayside Class	\$ -	\$ 600
Oakwood Class	\$ -	\$ 700
Timberwood Class	\$ -	\$ 800

6) LONG-TERM DEBT

At the year ended June 30, 2022, the District did not have any long-term debt. However, pursuant to Resolution 21-001 the certificates were approved contingent upon receipt of the Certificate of Substantial Completion. The Certificate of Substantial Completion was received after June 30, 2022. On September 15, 2022, the District issued the Taxable Special Assessment Revenue Notes, Series 2022A in the amount of \$3,413,574.

7) PROJECT COSTS

No project costs were incurred for the year ending June 30, 2022.

8) INTERFUND TRANSFERS

During the fiscal year ended June 30, 2022, the District did not have any interfund transfers.

9) SUBSEQUENT EVENTS

These financial statements considered subsequent events through December 20, 2022, the date the financial statements were available to be issued. On September 15, 2022, the District issued the Taxable Special Assessment Revenue Notes, Series 2022A in the amount of \$3,413,574.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The long-term impact of the COVID-19 pandemic on CID Sales/Use Tax Revenues is difficult to determine at this point. The District cannot predict (a) the duration or extent of the COVID-19 pandemic; (b) the duration or expansion of related business closings, public health orders, regulations and legislation; (c) what effect the COVID-19 pandemic will continue to have on global, national, and local economies; (d) whether recent job losses resulting from COVID-19-related business closures will be temporary or permanent and what effect such losses will have on consumer confidence; or (e) the impact the COVID-19 pandemic will have on CID Sales/Use Tax Revenues available for appropriation by the District. Developments regarding COVID-19 continue to occur on a daily basis and the extent to which COVID-19 will impact the CID Sales/Use Tax Revenues in the future is highly uncertain and cannot be predicted.

Supplementary Information

The Arbors of Rockwood Community Improvement District

Statement of Revenues Collected and Expenditures Paid -
General Fund - Budget and Actual - Cash Basis
June 30, 2022

	<u>Budgeted Amount Original</u>	<u>Budgeted Amount Final</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Special assessment revenues	\$ 205,300	\$ 209,675	\$ 210,328	\$ 653
Total Revenues	<u>\$ 205,300</u>	<u>\$ 209,675</u>	<u>\$ 210,328</u>	<u>\$ 653</u>
Expenditures:				
Bank fees	\$ 150	\$ 150	\$ -	\$ 150
Administrative expenses	7,316	8,510	8,510	-
Legal and professional fees	3,900	3,900	2,126	1,774
Insurance expense	1,280	1,280	1,200	80
Audit fees	2,750	-	-	-
Project costs	497,000	-	-	-
Total Expenditures	<u>\$ 512,396</u>	<u>\$ 13,840</u>	<u>\$ 11,836</u>	<u>\$ 2,004</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (307,096)</u>	\$ 195,835	\$ 198,492	<u>\$ 2,657</u>
Fund Balances - at beginning of the year		<u>317,004</u>	<u>317,004</u>	
Fund Balances - at end of the year		<u>\$ 512,839</u>	<u>\$ 515,496</u>	

Compliance Section



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
The Arbors of Rockwood Community Improvement District
Eureka, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of The Arbors of Rockwood Community Improvement District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise The Arbors of Rockwood Community Improvement District's basic financial statements, and have issued our report thereon dated December 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arbors of Rockwood Community Improvement District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arbors of Rockwood Community Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of The Arbors of Rockwood Community Improvement District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arbors of Rockwood Community Improvement District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONCLUDED)

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wade Stables P.C.

Wade Stables P.C.
Certified Public Accountants

December 20, 2022
Hannibal, Missouri