

**Market at McKnight
Community Improvement District**

Basic Financial Statements

And Management's Discussion and Analysis

For The Year Ended March 31, 2023

Market at McKnight Community Improvement District

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March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Market at McKnight Community Improvement District
Rock Hill, Missouri

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund of Market at McKnight Community Improvement District as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Market at McKnight 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 Market at McKnight Community Improvement District, as of March 31, 2023, 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 Market at McKnight 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 Market at McKnight 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 Market at McKnight 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 June 21, 2023, on our consideration of the Market at McKnight 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 Market at McKnight 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 Market at McKnight Community Improvement District's internal control over financial reporting and compliance.

Wade Stables P.C.

Wade Stables P.C.
Certified Public Accountants

June 21, 2023
Hannibal, Missouri

**Management's Discussion
and Analysis**

Market at McKnight Community Improvement District

Management's Discussion and Analysis

For the Year Ended March 31, 2023

(Unaudited)

The discussion and analysis of Market at McKnight Community Improvement District's financial performance provides an overview and analysis of the District's financial statements for the year ended March 31, 2023. It should be read in conjunction with the accompanying basic financial statements.

Financial Highlights

- The assets of Market at McKnight Community Improvement District exceeded its liabilities at the close of the year ended March 31, 2023 by \$275. Of this amount, \$275 (unrestricted net position) could be used to meet the District's ongoing obligations to citizens and creditors.
- The assets of Market at McKnight Community Improvement District exceeded its liabilities at the close of the year ended March 31, 2022 by \$276. Of this amount, \$276 (unrestricted net position) could be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$1 for the year ended March 31, 2023. The primary reason for this is because the District received \$164,255 in total revenues and spent \$164,256 on total expenses.
- The District's total net position decreased by \$19 for the year ended March 31, 2022. The primary reason for this is because the District received \$152,493 in total revenues and spent \$152,512 on total expenses.
- The District did not issue any debt for the years ending March 31, 2023 and 2022.

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 Market at McKnight 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 information in addition to the basic financial statements themselves.

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 Funds - 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.

Market at McKnight 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 Sales Tax Trust Fund.

Market at McKnight Community Improvement District
Management's Discussion and Analysis
For the Year Ended March 31, 2023
(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 \$275 as of March 31, 2023.

Table 1
Summary of Net Position
at March 31, 2023 and 2022

	Governmental Activities	
	2023	2022
Current and other assets	\$ 275	\$ 276
Total Assets	<u>\$ 275</u>	<u>\$ 276</u>
Net Position:		
Restricted	\$ -	\$ -
Unrestricted	275	276
Total Net Position	<u>\$ 275</u>	<u>\$ 276</u>

Table 2
Changes in Net Position

	Governmental Activities	
	2023	2022
General Revenues:		
Taxes	\$ 164,255	\$ 152,493
Total Revenues	<u>\$ 164,255</u>	<u>\$ 152,493</u>
Expenses:		
General government	\$ 164,256	\$ 152,512
Total Expenses	<u>\$ 164,256</u>	<u>\$ 152,512</u>
Increase (decrease) in Net Position	\$ (1)	\$ (19)
Net position at beginning of year	276	295
Net position at end of year	<u>\$ 275</u>	<u>\$ 276</u>

PROPERTY, PLANT AND EQUIPMENT AND DEBT

Property, Plant and Equipment

During the years ending March 31, 2023 and 2022, the District did not have any capital additions.

Market at McKnight Community Improvement District

Management's Discussion and Analysis

For the Year Ended March 31, 2023

(Unaudited)

Debt

During the year ending March 31, 2023, the District did not have any debt. However, the CID is party to an amended and restated Intergovernmental Cooperation Agreement with the City of Rock Hill and the Market at McKnight TDD ("The TDD") to cooperate and cause the issuance of the Tax Increment and Improvement District Revenue Bonds, Series 2015A and the Subordinate Taxable Tax Increment and Improvement District Revenue Notes, Series 2015B. The debt is issued by the Industrial Development Authority of the City of Rock Hill, Missouri ("The Authority"). The District pledges certain CID tax revenues in accordance with a Financing Agreement with the Authority, the City and the TDD.

Pledged and Assigned Revenues

The CID was established on May 5, 2015 by Ordinance No. 1821 of the City of Rock Hill, Missouri ("the City") for the purpose of undertaking certain public improvements within and adjacent to the boundaries of the District and financing the CID project by providing revenues to repay any obligations issued in relation to the CID project. On May 6, 2015, the CID's board of directors adopted Resolution No. 15-004 authorizing a community improvement district sales and use tax at the rate of one percent. The CID sales tax became effective on October 1, 2015.

The CID is party to an amended and restated Intergovernmental Cooperation Agreement with the City of Rock Hill and the Market at McKnight TDD ("The TDD") to cooperate and cause the issuance of the Tax Increment and Improvement District Revenue Bonds, Series 2015A and the Subordinate Taxable Tax Increment and Improvement District Revenue Notes, Series 2015B. The debt is issued by the Industrial Development Authority of the City of Rock Hill, Missouri ("The Authority"). The District pledges certain CID tax revenues in accordance with a Financing Agreement with the Authority, the City and the TDD.

On March 29, 2005, the City adopted Ordinance No. 1549, approving the Redevelopment Plan – Northwest/Southwest Redevelopment Area ("Redevelopment Plan") pursuant to the TIF Act designating a redevelopment area as defined in the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865 of the Revised Statutes of Missouri, as amended. On November 23, 2015, the Board of Directors' of the CID approved Resolution No. 15-007 stating the sales tax of the CID shall be considered an economic activity tax ("EATS tax") subject to deposit into the special allocation fund established by the City in accordance with the TIF act. Since the sales tax is considered an EATS tax, one half of all sales tax revenue generated by the District will be pledged to the TIF and will be deposited in the special allocation fund established by the City.

The remaining revenues generated by the CID, after deducting operating expenses of the CID, are pledged to paying the debt issued by the Authority and are considered CID revenue payments.

General Fund Budgeting Highlights

For the year ending March 31, 2023, actual expenditures on a budgetary basis were \$164,256 compared to the budget amount of \$163,000. The primary reason for the \$1,256 negative variance is the result of the District not budgeting enough for CID revenue payments.

For the year ending March 31, 2022, actual expenditures on a budgetary basis were \$152,512 compared to the budget amount of \$128,200. The primary reason for the \$24,312 negative variance is the result of the District not budgeting enough for CID revenue payments and EATS payments.

For the year ending March 31, 2023, actual revenues on a budgetary basis were \$164,255 compared to the budget amount of \$163,000. The primary reason for the \$1,255 positive variance is the result of the District not budgeting enough for CID use tax revenues.

For the year ending March 31, 2022, actual revenues on a budgetary basis were \$152,493 compared to the budget amount of \$128,200. The primary reason for the \$24,293 positive variance is the result of the District not budgeting enough for CID sales tax revenues.

Market at McKnight Community Improvement District

Management's Discussion and Analysis

For the Year Ended March 31, 2023

(Unaudited)

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.

Market at McKnight Community Improvement District

Governmental Funds Balance Sheet and
Statement of Net Position - Cash Basis
March 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Project Fund</u>	<u>Total Funds</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets						
Cash and equivalents	275	-	-	275	-	275
Total Assets	<u>275</u>	<u>-</u>	<u>-</u>	<u>275</u>	<u>-</u>	<u>275</u>
Liabilities and Fund Balances / Net Position						
Fund Balance:						
Restricted for:						
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Unassigned	275	-	-	275	(275)	-
Total Liabilities and Fund Balances	<u>275</u>	<u>-</u>	<u>-</u>	<u>275</u>	<u>(275)</u>	<u>-</u>
Net Position:						
Restricted for:						
Debt Service					-	-
Capital Projects					-	-
Unrestricted					275	275
Total Net Position					<u>275</u>	<u>275</u>

Market at McKnight Community Improvement District
 Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and
 Statement of Activities - Cash Basis
 March 31, 2023

	General Fund	Total Funds	Adjustments	Statement of Activities
Expenditures/Expenses:				
Bank fees	\$ 332	\$ 332	\$ -	\$ 332
Administrative expenses	7,140	7,140	-	7,140
Insurance expense	1,200	1,200	-	1,200
Legal and professional fees	2,098	2,098	-	2,098
Audit fees	2,400	2,400	-	2,400
EATS payment	81,962	81,962	-	81,962
CID revenue payment	69,124	69,124	-	69,124
Total Expenditures/Expenses	\$ 164,256	\$ 164,256	\$ -	\$ 164,256
General Revenues:				
CID sales tax revenues	\$ 159,566	\$ 159,566	\$ -	\$ 159,566
CID use tax revenues	4,689	4,689	-	4,689
Total General Revenues	\$ 164,255	\$ 164,255	\$ -	\$ 164,255
Net Change in Fund Balance	\$ (1)	\$ (1)	\$ 1	\$ -
Change in net position			(1)	(1)
Fund balance/net position:				
Beginning of Year	276	276	-	276
End of Year	<u>275</u>	<u>275</u>	<u>-</u>	<u>275</u>

Market at McKnight Community Improvement District

Notes to Financial Statements
For the Year Ended March 31, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

On March 29, 2005, pursuant to the Real Property Tax Increment Allocation Redevelopment Act, Section 99.800 to 99.865 of the Revised Statutes of Missouri, as amended, (the "TIF Act"), the City adopted Ordinance No. 1549 designating an area of the City as the "Northwest/Southwest Redevelopment Plan (the "Redevelopment Plan"), approving the Redevelopment Projects and adopting tax increment financing within the Redevelopment Area.

Pursuant to an Amended and Restated Redevelopment Agreement dated as of February 7, 2006 (the "Redevelopment Agreement"), by and between the City and Market at McKnight I, LLC, a Missouri limited liability company (as assignee of Novus Development Company) (the "Developer"), to provide for the redevelopment of the Redevelopment Area, the City and the Developer agreed to create a transportation development district pursuant to the Missouri Transportation Improvement District Act, Sections 238.200 to 238.275 of the Revised Statutes of Missouri, as amended (the "TDD Act"), for the purpose of undertaking certain transportation-related improvements contemplated by the Redevelopment Agreement.

Pursuant to the Redevelopment Agreement, the City agreed to issue TIF Notes to reimburse the Developer for up to \$13,800,000 of Redevelopment Project Costs, including \$2,200,000 of the costs incurred in designing, acquiring and constructing a portion of the Transportation Project. Pursuant to this Agreement, the City agrees to issue additional notes to reimburse the Developer for up to \$550,000 of additional costs incurred in designing, acquiring and constructing a portion of the Transportation Project (the "TDD Notes" and, together with the TIF Notes, the "TIF/TDD Notes") and bonds to refund the TIF/TDD Notes (the "TIF/TDD Bonds"), and the District agrees to pledge, subject to annual appropriation, its TDD Revenues to repayment of that portion of the TIF/TDD Notes of TIF/TDD Bonds related to the Transportation Project.

On May 5, 2015, 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 City of Rock Hill, Missouri (the "City") adopted Ordinance No. 1821 (the "CID Ordinance"), establishing the Market at McKnight Community Improvement District (the "District") as a political subdivision of the State of Missouri for the purpose of undertaking certain public improvements within and adjacent to the boundaries of the District (the "CID Project") and financing the CID Project by providing revenues to repay obligations issued in relation to the CID Project.

On May 6, 2015, the District adopted Resolution No. 15-004 authorizing the imposition of a community improvement district sales and use tax (the "CID Sales Tax") at the rate of one percent, which will become effective October 1, 2015.

On September 1, 2015, pursuant to Resolution 15-005, the City of Rock Hill, Missouri, the District and Market at McKnight Community Improvement District approved and authorized the execution of an Amended and Restated Intergovernmental Cooperation Agreement to add the CID as a party and refinance certain costs associated with the RPA 1 Redevelopment Project and the RPA 1 Transportation Project through the issuance of bonds, the proceeds of which will be used to refund the Series 2011 Notes. Pursuant to this resolution, the District also approved and authorized the execution of an Amended and Restated Right of Way Easement and Maintenance Agreement by and among the City of Rock Hill, Missouri, Market at McKnight I LLC and the District.

On November 23, 2015, pursuant to Resolution 15-008, the District approved the issuance by the Authority of the Tax Increment and Improvement District Revenue Bonds (Market at McKnight Redevelopment Project), Series 2015A, and Subordinate Taxable Tax Increment and Improvement District Revenue Notes (Market at McKnight Redevelopment Project), 2015B, for the purposes of refunding a portion of the Prior Notes, funding a debt service reserve fund to secure the Series 2015A Bonds, and the costs of issuance of the Bonds.

All debt is issued by the Authority; the District does not have any debt itself. Furthermore, EATS payments are calculated as half of the CID revenues and the CID revenue payments are calculated as the other half of the CID revenues less operating expenses.

Market at McKnight Community Improvement District

Notes to Financial Statements
For the Year Ended March 31, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The location of the project is at the southwest corner of Manchester and Rock Hill Roads. A general description of the project is as follows: (a) reconstruction of a median, (b) road widening, (c) construction of sidewalks, (d) construction of curb cuts and road and landscape improvements, (e) construction of a roundabout for Leonard Place, (f) construction of a roundabout for Rockman Place, (g) acquisition of real property and rights-of-way, (h) accompanying grading, drainage, pavement, curb, gutter, sidewalk, stormwater facilities, structures, signing, striping, lighting, traffic signals, landscaping, irrigation systems and utility relocation, and (i) related engineering, design, maintenance, legal and lending fees and expenses.

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.

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 the 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:

Sales Tax Trust Fund - The Sales Tax Trust Fund is the fund that the Missouri Department of Revenue deposits sales tax revenues into. Revenues are derived primarily from sales taxes.

Market at McKnight Community Improvement District

Notes to Financial Statements
For the Year Ended March 31, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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;
 - d) A general budget summary.
- 2) 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.
- 3) 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 2023 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.

Market at McKnight Community Improvement District

Notes to Financial Statements
For the Year Ended March 31, 2023

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

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 March 31, 2023.

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 March 31, 2023.

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 March 31, 2023.

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 March 31, 2023.

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.

Market at McKnight Community Improvement District

Notes to Financial Statements
For the Year Ended March 31, 2023

2) CASH AND CASH EQUIVALENTS (CONCLUDED)

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 March 31, 2023, is as follows:

Deposits

At March 31, 2023, the carrying amount of the District's deposits was \$275 and the bank balance was \$1,475. The bank balance in the Sales Tax Trust Fund was \$1,475 at year end. Any balance maintained in this account would be covered by federal depository insurance up to \$250,000. All cash balances with the Trustee were invested in Fidelity U.S. Treasury Money Market accounts. Due to the short-term nature of investments, these balances are classified as cash equivalents in the District's basic financial statements. The Fidelity U.S. Treasury Money Market Fund is not insured by federal depository insurance coverage. The Fund, however, invests only in direct obligations of the United States and repurchase agreements for direct obligations of the United States.

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.

Investments

There were no investments at March 31, 2023.

3) COMMITMENTS

On May 6, 2015, in accordance with the CID Act, the District's Board of Directors adopted Resolution No. 15-004 authorizing a community improvement district sales and use tax at the rate of one percent (1%) (the "CID Sales Tax"), which CID Sales Tax became effective on October 1, 2015 following its approval by the qualified votes of the District at a mail-in election held in accordance with the CID Act.

The revenues generated by the District are committed to the repayment of the Tax Increment and Improvement District Revenue Bonds (Market at McKnight Redevelopment Project), Series 2015A, and Subordinate Taxable Tax Increment and Improvement District Revenue Notes (Market at McKnight Redevelopment Project), 2015B issued by the Industrial Development Authority of the City of Rock Hill, Missouri.

Since the sales tax generated by the CID is considered an EATS tax, one half of all sales tax revenue generated by the District will be pledged to the TIF and will be deposited in the special allocation fund established by the City.

The remaining revenues generated by the CID, after deducting operating expenses of the CID, are pledged to paying the debt issued by the Authority and are considered CID revenue payments.

4) LITIGATION

At March 31, 2023, there were no claims or lawsuits pending against the District.

Market at McKnight Community Improvement District

Notes to Financial Statements
For the Year Ended March 31, 2023

5) TAXES

The District has imposed a sales tax pursuant to the CID Act at a rate of one percent (1%), (the "CID Sales Tax") on all retail sales made in the District which are subject to the taxation pursuant to the provision of Sections 144.010 to 144.525, RSMo, with certain exceptions listed in the CID Act. These exceptions include sale or use of motor vehicles, trailers, boats or outboard motors, sale of electricity or electrical current, water and gas, natural or artificial, and sales of service to telephone subscribers, whether local or long distance.

6) LONG-TERM DEBT

At the year ended March 31, 2023, the District did not have any long term debt. However, the CID is party to an amended and restated Intergovernmental Cooperation Agreement with the City of Rock Hill and the Market at McKnight TDD ("The TDD") to cooperate and cause the issuance of the Tax Increment and Improvement District Revenue Bonds, Series 2015A and the Subordinate Taxable Tax Increment and Improvement District Revenue Notes, Series 2015B. The debt is issued by the Industrial Development Authority of the City of Rock Hill, Missouri ("The Authority"). The District pledges certain CID tax revenues in accordance with a Financing Agreement with the Authority, the City and the TDD.

7) PROJECT COSTS

No project costs were incurred for the year ending March 31, 2023.

8) INTERFUND TRANSFERS

During the fiscal year ended March 31, 2023, the District did not have any interfund transfers.

9) SUBSEQUENT EVENTS

These financial statements considered subsequent events through June 21, 2023, the date the financial statements were available to be issued.

Other Information

Market at McKnight Community Improvement District

Statement of Revenues Collected and Expenditures Paid -

General Fund - Budget and Actual - Cash Basis

March 31, 2023

	<u>Budgeted Amount Original</u>	<u>Budgeted Amount Final</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
CID sales tax revenues	\$ 144,000	\$ 160,000	\$ 159,566	\$ (434)
CID use tax revenues	1,200	3,000	4,689	1,689
Total Revenues	<u>\$ 145,200</u>	<u>\$ 163,000</u>	<u>\$ 164,255</u>	<u>\$ 1,255</u>
Expenditures:				
Bank fees	\$ 305	\$ 305	\$ 332	\$ (27)
Administrative expenses	12,140	12,140	7,140	5,000
Legal and professional fees	9,000	9,000	2,098	6,902
Insurance expense	1,300	1,300	1,200	100
Audit fees	2,400	2,400	2,400	-
EATS payment	72,600	81,500	81,962	(462)
CID revenue payment	47,455	56,355	69,124	(12,769)
Total Expenditures	<u>\$ 145,200</u>	<u>\$ 163,000</u>	<u>\$ 164,256</u>	<u>\$ (1,256)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (1)</u>
Fund Balance - at beginning of the year		<u>276</u>	<u>276</u>	
Fund Balance - at end of the year		<u>\$ 276</u>	<u>\$ 275</u>	

Compliance Section



100 North Sixth Street • P.O. Box 796 • Hannibal, Missouri 63401-0796 • Phone (573) 221-5998 • Fax (573) 221-2044

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
Market at McKnight Community Improvement District
Rock Hill, 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 Market at McKnight Community Improvement District, as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise Market at McKnight Community Improvement District's basic financial statements, and have issued our report thereon dated June 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Market at McKnight 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 Market at McKnight Community Improvement District's internal control. Accordingly, we do not express an opinion on the effectiveness of Market at McKnight 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 Market at McKnight 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

June 21, 2023
Hannibal, Missouri