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March 30, 2023

VIA ELECTRONIC MAIL

State Auditor's Office
ATTN: Local Government Unit
P.O. Box 869
Jefferson City, Missouri 65102

Director of Revenue
Harry S. Truman State Office Building
301 West High Street
Jefferson City, Missouri 65101

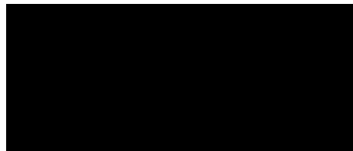
Re: Phoenix Center II Community Improvement District

To Whom It May Concern:

Enclosed is the audited financial statement for the above-referenced District for the fiscal year ended September 30, 2022.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

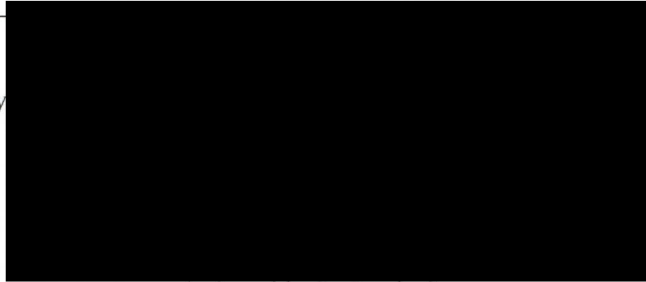


Shannon W. Creighton

SWC:etm
Enclosure

CERTIFICATION

I, Shannon W. Creighton, Legal Counsel, to Phoenix Center II Community Improvement District
with, this report is a true and accurate account of all financial
2022.



ERIN TIERNEY MEARA
NOTARY PUBLIC - NOTARY SEAL
STATE OF MISSOURI
MY COMMISSION EXPIRES MARCH 8, 2025
ST. LOUIS COUNTY
COMMISSION #17194578

Commissioned in St. Louis County

My Commission Expires: March 8, 2025

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
(A Component Unit of the City of Washington)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended September 30, 2022

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
FINANCIAL REPORT**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Phoenix Center II Community Improvement District
Washington, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Phoenix Center II Community Improvement District (the District), a component unit of the City of Washington, Missouri, as of and for the year ended September 30, 2022, and the related notes to financial statements, which collectively comprise the 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 financial position of the governmental activities and each major fund of the Phoenix Center II Community Improvement District as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under these 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 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.

Responsibilities of Management 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 and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS 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 GAAS 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 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 District's ability to continue as a going concern for a reasonable period of time.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023 on our consideration of the 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 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 District's internal control over financial reporting and compliance.

Sikich LLP

Washington, Missouri
March 28, 2023

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

As management of the Phoenix Center II Community Improvement District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements (attached).

FINANCIAL HIGHLIGHTS

- * The liabilities of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$23,203,893.
- * The District's total net position increased by \$436,344. This increase is due to the refunding of long-term debt.
- * As of the close of the current fiscal year, the District's governmental funds reported ending fund balances of \$1,526,600. Approximately 97% of this amount, \$1,477,195, is restricted and \$15,891 is nonspendable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide statements provide short- and long-term information about the District's financial status as a whole. The government-wide financial statements exclude fiduciary fund activities.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Increases or decreases in net position serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities represents information showing how the District's net position changed during the most recent fiscal year. All change in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal years.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include administrative and economic development.

The government-wide financial statements can be found in the basic financial statements.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only maintains governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the Operating Fund, Revenue Fund, Trust Fund, and Debt Service Fund which are considered to be major funds.

The District adopts an annual appropriation budget for all governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget.

The governmental funds financial statements can be found in the government-wide financial statements, but in more detail.

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.

Required supplemental information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning budgetary presentations of budget to actual amounts.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$23,203,893 at the close of the most recent fiscal year.

By far the largest portion of the District's net position reflects its debt. The District does not record capital assets because they do not own the assets for which the debt was issued to develop the projects.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

A condensed version of the statement of net position is as follows:

	September 30	
	2022	2021
ASSETS		
Cash	\$ 1,289,219	1,845,435
Taxes receivable	236,698	211,995
Other assets	15,891	15,891
Total Assets	1,541,808	2,073,321
DEFERRED OUTFLOWS OF RESOURCES		
	221,243	-
LIABILITIES		
Other liabilities	552,069	1,077,561
Long-term liabilities	24,414,875	24,635,997
Total Liabilities	24,966,944	25,713,558
NET POSITION		
Restricted	1,477,195	2,020,874
Unrestricted	(24,681,088)	(25,661,111)
Total Net Position	\$ (23,203,893)	(23,640,237)

Governmental activities. Governmental activities increased the District's net position by \$436,344.

A condensed version of the statement of activities is as follows:

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	For The Years Ended September 30	
	2022	2021
REVENUES		
General revenues:		
Sales tax	\$ 1,642,827	1,507,887
Investment income	4,265	151
Total General Revenues	1,647,092	1,508,038
 EXPENSES		
Administrative	14,408	35,225
Interest and fiscal charges	1,196,340	1,734,788
Total Expenses	1,210,748	1,770,013
 CHANGE IN NET POSITION	436,344	(261,975)
 NET POSITION, OCTOBER 1	(23,640,237)	(23,378,262)
 NET POSITION, SEPTEMBER 30	\$ (23,203,893)	(23,640,237)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported ending fund balances of \$1,526,600.

BUDGETARY HIGHLIGHTS

The District did revise its budget for the year.

LONG-TERM DEBT

At the end of the current fiscal year, the District had debt outstanding of \$24,414,875.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Sales tax income will be the main source of revenue for the District at over 98% of total revenues. Debt service payments required the greatest usage of resources. The District will not have any more capital outlay expenditures and all future revenues will be used to fund administrative expenditures and make principal and interest payments on the transportation revenue bonds. These factors were considered in preparing the District's 2022 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our residents and taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Mary J. Sprung, CPA, Finance Director, City of Washington, 405 Jefferson Street, Washington, MO 63090.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Governmental Activities
ASSETS	
Cash	\$ 5,319
Cash with agent	1,283,900
Taxes receivable	236,698
Prepaid items	15,891
Total Assets	1,541,808
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	221,243
 LIABILITIES	
Accounts payable	15,208
Accrued interest payable	536,861
Noncurrent liabilities:	
Due within one year	670,000
Due in more than one year	23,744,875
Total Liabilities	24,966,944
 NET POSITION	
Restricted for debt service	1,477,195
Unrestricted	(24,681,088)
Total Net Position	\$ (23,203,893)

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Expenses	Net Revenues (Expenses) And Changes In Net Position
FUNCTIONS/PROGRAMS		
Governmental Activities		
Administrative	\$ 14,408	(14,408)
Interest and fiscal charges	1,196,340	(1,196,340)
Total Governmental Activities	\$ 1,210,748	(1,210,748)
General Revenues		
Sales tax		1,642,827
Investment income		4,265
Total General Revenues		1,647,092
CHANGE IN NET POSITION		436,344
NET POSITION, OCTOBER 1		(23,640,237)
NET POSITION, SEPTEMBER 30		\$ (23,203,893)

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	General Fund	Revenue Fund	Trust Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash	\$ 5,319	-	-	-	5,319
Cash with agent	43,403	-	1,750	1,238,747	1,283,900
Taxes receivable	-	147,789	88,909	-	236,698
Prepaid items	15,891	-	-	-	15,891
Total Assets	<u>\$ 64,613</u>	<u>147,789</u>	<u>90,659</u>	<u>1,238,747</u>	<u>1,541,808</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 15,208	-	-	-	15,208
Fund Balances					
Nonspendable:					
Prepaid items	15,891	-	-	-	15,891
Restricted for:					
Debt service	-	147,789	90,659	1,238,747	1,477,195
Unassigned	33,514	-	-	-	33,514
Total Fund Balances	<u>49,405</u>	<u>147,789</u>	<u>90,659</u>	<u>1,238,747</u>	<u>1,526,600</u>
Total Liabilities And Fund Balances	<u>\$ 64,613</u>	<u>147,789</u>	<u>90,659</u>	<u>1,238,747</u>	<u>1,541,808</u>

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balances - Governmental Funds \$ 1,526,600

Amounts reported for governmental activities in the statement of net position are different because:

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Sales tax revenue bonds	(24,461,002)
Unamortized bond discount	46,127
Unamortized bond deferred charges	221,243
Accrued interest payable	<u>(536,861)</u>

Net Position Of Governmental Activities \$ (23,203,893)

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Revenue Fund</u>	<u>Trust Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Sales tax	\$ 6,069	1,027,333	609,425	-	1,642,827
Investment income	2	1,274	739	2,250	4,265
Total Revenues	<u>6,071</u>	<u>1,028,607</u>	<u>610,164</u>	<u>2,250</u>	<u>1,647,092</u>
EXPENDITURES					
Administrative fees	3,658	-	10,750	-	14,408
Debt service:					
Principal	-	-	-	1,144,000	1,144,000
Advance refunding escrow	-	-	-	751,576	751,576
Interest and fiscal charges	-	-	-	269,125	269,125
Bond issuance costs	-	-	-	373,285	373,285
Total Expenditures	<u>3,658</u>	<u>-</u>	<u>10,750</u>	<u>2,537,986</u>	<u>2,552,394</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,413</u>	<u>1,028,607</u>	<u>599,414</u>	<u>(2,535,736)</u>	<u>(905,302)</u>
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	-	-	9,735,000	9,735,000
Discount on refunding bonds issued	-	-	-	(48,675)	(48,675)
Payment to bond escrow agent	-	-	-	(9,307,289)	(9,307,289)
Transfers in	15,000	357,478	275,492	2,666,157	3,314,127
Transfers out	-	(1,370,011)	(864,527)	(1,079,589)	(3,314,127)
Total Other Financ- ing Sources (Uses)	<u>15,000</u>	<u>(1,012,533)</u>	<u>(589,035)</u>	<u>1,965,604</u>	<u>379,036</u>
NET CHANGE IN FUND BALANCES	17,413	16,074	10,379	(570,132)	(526,266)
FUND BALANCES, OCTO- BER 1	<u>31,992</u>	<u>131,715</u>	<u>80,280</u>	<u>1,808,879</u>	<u>2,052,866</u>
FUND BALANCES, SEP- TEMBER 30	<u>\$ 49,405</u>	<u>147,789</u>	<u>90,659</u>	<u>1,238,747</u>	<u>1,526,600</u>

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Changes In Fund Balances - Governmental Funds \$ (526,266)

Amounts reported for governmental activities in the statement of activities
are different because:

The issuance of long-term debt (e.g., sales tax revenue bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds, however, it has no effect on net position. This amount is the effect of these differences in the treatment of long-term debt.

Unpaid interest added to principal	(1,059,403)	
Debt issued:		
Sales tax refunding bonds issued	(9,735,000)	
Discount on issuance of long-term debt	48,675	
Repayments:		
Payments on sales tax revenue bonds	10,996,100	
Amortization	<u>(14,771)</u>	235,601

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest on bonds		<u>727,009</u>
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Change In Net Position Of Governmental Activities \$ 436,344

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **PHOENIX CENTER II COMMUNITY IMPROVEMENT DISTRICT** (the District), incorporated in 2006, is a political subdivision duly organized under the laws of the State of Missouri. The District operates under the direction of a Board of Directors, the members of which are appointed by the Mayor and approved by the City Council. The component unit financial statements reflect the results of certain transactions between the City of Washington, Missouri (the City) and the District under this arrangement. The District was formed for the purpose of construction of certain public infrastructure improvement projects to serve a new commercial redevelopment project in the City. Generally, the District is authorized to impose a sales tax within its boundaries and issue revenue bonds payable from this sales tax.

The more significant accounting policies consistently applied by the District in the preparation of the accompanying financial statements are summarized below:

1. Reporting Entity

The financial statements of the District include the financial activities of the District and any component units, entities which are financially accountable to the District. It was determined that the District does not have any component units. The District is a component unit of the City, and is included as a component unit in the City's basic financial statements. These component unit financial statements present only the operations of the District.

2. Government-wide and Fund Financial Statements

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 primary government. For the most part, the effect of interfund activity has been removed from these statements. 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 fees and charges for support. The District has no business-type activities.

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: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, all governmental funds utilize a “current financial resources” measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred under accrual accounting. However, debt service expenditures as well as expenditures related to claims and litigation are recorded only when payment is due.

Sales taxes and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have to be recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund -- This fund is used to account for the payment of operating expenditures.

Revenue Fund -- This fund is used for the accumulation of District sales tax revenues transferred from the Trust Fund and certain monies appropriated by the City and Franklin County (the County) for the payment of debt service on the District’s obligations. Pursuant to a Development Agreement dated as of May 15, 2006: 1) the City is required to pay to the District an amount equal to 50% of the sales tax revenues generated within the District by the City’s 1% general sales tax, ½% capital improvement sales tax, and ½% transportation sales tax and 2) the County is required to pay to the District an amount equal to 50% of the sales tax revenues generated within the District by the County’s ½% general sales tax.

Trust Fund -- This fund is used for the accumulation of District sales tax revenues used to fund the project costs.

Debt Service Fund -- This fund accounts for the accumulation of resources for the payment of long-term debt principal and interest.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements on the consumption method. Prepaid items are recorded as expenditures when consumed rather than purchased.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current year. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Concentrations

The District relies solely on sales tax revenues from stores within the District.

7. Fund Balance Policies

The fund balance amounts are reported in the following applicable categories listed from the most restrictive to the least restrictive:

Nonspendable -- The portion of fund balance that is not in a spendable form, required, or contractually required to be maintained intact.

Restricted -- The portion of fund balance that is constrained to specific purposes by their providers either externally imposed restrictions or imposed by law through constitutional provisions or by enabling legislation.

Committed -- The portion of fund balance that is constrained to specific purposes by the District itself using its highest level of decision-making authority (ordinance). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level action to remove or change the constraint.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Fund Balance Policies (Continued)

Assigned -- The portion of fund balance that the District intends to use for a specific purpose, intent expressed by the governing body or by an official to which the governing body delegates the authority.

Unassigned -- Amounts that are available for any purpose; these positive amounts are reported only in the Operating Fund.

When both restricted and unrestricted resources are available, the District will spend the restricted amounts and then the least restricted - committed, assigned, and then unassigned.

8. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition of the capital assets. Net position is reported as restricted when there are constraints imposed through external restrictions imposed by creditors, grantors, contributors, or laws or regulations. All other amounts of net position are reported as unrestricted.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, defer inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

10. Risk Management

The District is exposed to various risks of loss; however, management believes that there are no significant losses that would have been covered by insurance.

11. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the District or trustee institution. The value of the securities must amount to the total of the District's cash not insured by the Federal Deposit Insurance Corporation.

As of September 30, 2022, the District's bank balances were entirely insured or collateralized with securities by the District or by their agents in the District's name.

2. Investments

Investments Policies

Investments are stated at fair value. State statutes and debt covenants authorize the District to invest in certain obligations of the U.S. Treasury, U.S. agencies, repurchase agreements, and various other investment types.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a written investment policy covering credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not have a written investment policy covering interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a written investment policy covering concentration of credit risk.

3. Fair Value Measurement

The District classifies its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are prices quoted in active markets for those securities; Level 2 inputs are significant other observable inputs using a matrix technique; and Level 3 inputs are significant unobservable inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The inputs and methodologies used for valuing investment securities are not necessarily an indication of risk associated with investing in those securities.

The District only has money market funds as of September 30, 2022, which are not measured at fair value and are excluded from the fair value hierarchy.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE C - LONG-TERM DEBT

Notes payable consisted of the following:

	<u>September 30 2022</u>
Series 2021 sales tax refunding revenue bonds, authorized \$9,735,000, interest rate of 2.5% - 3.125%, interest payable semi-annually May 1 and November 1, due per the trust indenture with final maturity on November 1, 2037.	\$ 9,180,000
Series 2013B subordinate sales tax refunding revenue bonds, authorized \$11,801,153, interest rate of 6.75%, interest payable semi-annually May 1 and November 1, due per the trust indenture with final maturity on March 1, 2037. Includes unpaid interest which is compounded and added to principal semi-annually.	<u>15,281,002</u>
Total Long-term Debt	<u>\$ 24,461,002</u>

On March 1, 2013, the Series 2013B subordinate refunding revenue bonds in the amount of \$11,801,153 were issued to refund the Series 2006 sales tax revenue notes (principal and accreted interest).

In November 2021, the District issued \$9,735,000 of sales tax revenue bonds (Series 2021) to refund the Series 2013A Bonds, the Series 2014 Bonds, the Series 2016Bond and a portion of the Series 2013B bonds. The net proceeds (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase securities for deposit in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old debt. As a result the old debt is considered to be defeased and the liability for these debt issues have been removed from the District's financial statements. As of September 30, 2022, \$9,852,100 of debt is considered defeased. The District decreased its aggregated debt service payments by \$2,478,677 over 16 years which resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,839,685.

The refunding revenue bonds, which are limited obligations of the District, are payable solely from sales tax revenues and special assessments as provided in the indenture. The bonds do not constitute a general obligation of the District, the City, or the Missouri Highways and Transportation Commission.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE C - LONG-TERM DEBT (Continued)

The following is a summary of the changes in the District's long-term debt:

	<u>For The Year Ended September 30, 2022</u>			<u>Balance September 30 2022</u>	<u>Amounts Due Within One Year</u>
	<u>Balance September 30 2021</u>	<u>Additions</u>	<u>Deletions</u>		
Sales Tax Refunding					
Revenue Bonds					
Series 2013A	\$ 4,420,000	-	4,420,000	-	-
Less - Discount	(26,702)	-	(26,702)	-	-
Taxable Subordinate Sales					
Tax Refunding Revenue					
Bonds Series 2013B					
(Direct placement)	18,877,699	1,059,403 *	4,656,100	15,281,002	-
Sales Tax Revenue					
Bonds Series 2014	804,000	-	804,000	-	-
Sales Tax Revenue					
Bonds Series 2016	561,000	-	561,000	-	-
Sales Tax Revenue					
Bonds Series 2021	-	9,735,000	555,000	9,180,000	670,000
Less - Discount	-	(48,675)	(2,548)	(46,127)	-
Total	<u>\$ 24,635,997</u>	<u>10,745,728</u>	<u>10,966,850</u>	<u>24,414,875</u>	<u>670,000</u>

The District makes payments on the revenue bonds based on the amount of sales tax collected and, therefore, there is not a formal debt maturity schedule.

*Unpaid interest is compounded and added to principal semi-annually.

NOTE D - PLEDGED REVENUES

In May 2006, the City, the County, and Phoenix Center II Development Co., LLC (the Developer) entered into a Development Agreement, whereby the City and the County agreed to use a portion of their sales tax revenues from a shopping center being constructed by the Developer to pay for bonds for roads and other public improvements associated with the shopping center.

The sales bonds are payable solely from the sales taxes generated in the improved area. Total principal and interest remaining on the bonds per Note C is payable through November 2037. For the current year, principal and interest and sales tax revenues were \$1,413,125 and \$1,642,827, respectively.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE E - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2023, the date which the financial statements were available for issue.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION**

REQUIRED SUPPLEMENTAL INFORMATION SECTION

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE
OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Sales tax	\$ -	-	6,069	6,069
Investment income	-	2	2	-
Total Revenues	-	2	6,071	6,069
EXPENDITURES				
Administrative fees	13,200	10,000	3,658	(6,342)
REVENUES OVER (UNDER) EXPENDITURES	(13,200)	(9,998)	2,413	12,411
OTHER FINANCING SOURCES				
Transfers in	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	\$ 1,800	5,002	17,413	12,411
FUND BALANCE, OCTOBER 1			31,992	
FUND BALANCE, SEPTEMBER 30			\$ 49,405	

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE
OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Sales tax	\$ 899,396	992,310	1,027,333	35,023
Investment income	20	330	1,274	944
Total Revenues	899,416	992,640	1,028,607	35,967
EXPENDITURES	-	-	-	-
REVENUES OVER EXPENDITURES	899,416	992,640	1,028,607	35,967
OTHER FINANCING SOURCES (USES)				
Transfers in	-	357,478	357,478	-
Transfers out	(899,416)	(1,350,120)	(1,370,011)	(19,891)
Total Other Financing Sources (Uses)	(899,416)	(992,642)	(1,012,533)	(19,891)
NET CHANGE IN FUND BALANCE	\$ -	(2)	16,074	16,076
FUND BALANCE, OCTOBER 1			131,715	
FUND BALANCE, SEPTEMBER 30			\$ 147,789	

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE
OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Sales tax	\$ 541,259	589,743	609,425	19,682
Investment income	10	178	739	561
Total Revenues	541,269	589,921	610,164	20,243
EXPENDITURES				
Administrative fees	7,250	19,500	10,750	(8,750)
REVENUES OVER EXPENDITURES	534,019	570,421	599,414	28,993
OTHER FINANCING SOURCES (USES)				
Transfers in	-	275,491	275,492	(1)
Transfers out	(534,019)	(845,912)	(864,527)	18,615
Total Other Financing Sources (Uses)	(534,019)	(570,421)	(589,035)	18,614
NET CHANGE IN FUND BALANCE	\$ -	-	10,379	10,379
FUND BALANCE, OCTOBER 1			80,280	
FUND BALANCE, SEPTEMBER 30			\$ 90,659	

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Budget Data

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

- a. The proposed budget is submitted to the Board of Directors for the fiscal year in September. The operating budget includes proposed expenditures and means of financing them, not to exceed the total revenues of the preceding year plus any unreserved balance at the end of such year for all funds, except for certain refinancing amounts.
- b. The budget is adopted by the Board of Directors. Current year budget includes amendments.
- c. Budget amendments may be adopted by the Board of Directors.
- d. All annual appropriations lapse at fiscal year-end.

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
OTHER SUPPLEMENTAL INFORMATION**

OTHER SUPPLEMENTAL INFORMATION SECTION

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT**
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original Budget	Final Budget	Actual	Over (Under) Budget
REVENUES				
Investment income	\$ 75	1,043	2,250	1,207
EXPENDITURES				
Administrative	-	-	-	-
Principal	1,004,000	1,144,000	1,144,000	-
Advance refunding escrow	-	751,576	751,576	-
Interest and fiscal charges	145,775	269,126	269,125	(1)
Bond issuance costs	-	373,285	373,285	-
Total Expenditures	1,149,775	2,537,987	2,164,701	(373,286)
REVENUES UNDER EXPENDITURES	(1,149,700)	(2,536,944)	(2,162,451)	374,493
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	8,121,750	9,735,000	9,735,000	-
Discount on refunding bonds issued	-	(48,675)	(48,675)	-
Payment to bond escrow agent	(8,815,581)	(9,307,289)	(9,307,289)	-
Transfers in	3,552,233	2,620,761	2,666,157	45,396
Transfers out	(2,133,800)	(1,072,700)	(1,079,589)	(6,889)
Total Other Financing Sources (Uses)	724,602	1,927,097	1,965,604	38,507
NET CHANGE IN FUND BALANCE	\$ (425,098)	(609,847)	(196,847)	413,000
FUND BALANCE, OCTOBER 1			1,808,879	
FUND BALANCE, SEPTEMBER 30			\$ 1,612,032	

**PHOENIX CENTER II COMMUNITY
IMPROVEMENT DISTRICT
INTERNAL CONTROL AND COMPLIANCE**

INTERNAL CONTROL AND 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**

Board of Directors
PHOENIX CENTER II COMMUNITY IMPROVEMENT DISTRICT

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 **PHOENIX CENTER II COMMUNITY IMPROVEMENT DISTRICT** (the District), a component unit of the City of Washington, Missouri, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated March 28, 2023.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the 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 District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District’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 may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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 statement. 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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Washington, Missouri
March 28, 2023