

The Thirty-Ninth Street
Transportation Development District

Basic Financial Statements
Together with
Independent Auditor's Report

For the year ended June 30, 2020



COCHRAN HEAD VICK & CO., P.C.

& C

Certified Public Accountants

THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of
The Thirty-Ninth Street Transportation Development District
Independence, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Thirty-Ninth Street Transportation Development District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2020 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 debt service fund budgetary schedule, on page 22, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The debt service fund budgetary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 debt service fund budgetary schedule 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 December 3, 2020, 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 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 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.

Cochran Head Vick & Co., P.C.

Kansas City, Missouri
December 3, 2020

The Thirty-Ninth Street Transportation Development District Management Discussion and Analysis Year ended June 30, 2020

As the governing body responsible for the management of the Thirty-Ninth Street Transportation Development District (the "District"), the District's Board of Directors offers readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2020.

Financial Highlights

As of the close of the current fiscal year, the District reported ending fund balances of \$327,914, a decrease of \$202,807 in comparison to the prior year. Of the fund balance, \$260,523 is restricted for debt service.

During the year ended June 30, 2020, the District completed the transfer of certain property and improvements to the City of Independence, Missouri (the City).

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 consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. The basic financial statements present two different views of the District through the use of government-wide statements and fund financial statements.

Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the District's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the District's government. These statements provide more detail than the government-wide statements.

The next section of the basic financial statements are notes to the basic financial statements which explain in detail some of the data contained in those statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances, similar in format to a financial statement of a private-sector business. The government-wide financial statements provide short and long-term information about the District's financial status as a whole.

The statement of net position represents information on the District's assets, deferred outflow of resources and liabilities, with the difference between them reported as net position. Measuring net position is one way to gauge the District's financial condition.

The statement of activities presents information showing how the District's net position changed during the year. This statement includes all of the District's revenues and expenses, regardless of when the cash is received or paid.

Fund Financial Statements

The fund financial statements provide a more detailed look at the District's most significant activities. 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 Thirty-Ninth Street Transportation Development District
Management Discussion and Analysis
Year ended June 30, 2020

Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the District's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements provide a detailed short-term view that helps the reader determine if there are more or fewer financial resources available to finance the District's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Notes to the Basic 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.

Analysis of the Basic Financial Statements

Our analysis below focuses on the net position and changes in net position of the District for the year ended June 30, 2020.

	Statements of Net Position (Deficit)		
	2020	2019	Increase (Decrease)
Current and other assets	\$ 385,961	\$ 590,330	\$ (204,369)
Total assets	<u>385,961</u>	<u>590,330</u>	<u>(204,369)</u>
Deferred charge on refunding	410,142	443,412	(33,270)
Total deferred outflows of resources	<u>410,142</u>	<u>443,412</u>	<u>(33,270)</u>
Other liabilities	121,201	127,342	(6,141)
Long-term debt	7,655,000	8,210,000	(555,000)
Total liabilities	<u>7,776,201</u>	<u>8,337,342</u>	<u>(561,141)</u>
Net position (deficit):			
Restricted	260,523	476,183	(215,660)
Unrestricted (deficit)	(7,240,621)	(7,779,783)	539,162
Total net position (deficit)	<u>\$ (6,980,098)</u>	<u>\$ (7,303,600)</u>	<u>\$ 323,502</u>

The Statement of Net Position (Deficit) presents information on all the District's assets, deferred outflows, and liabilities, with the difference between them reported as net position. The current and other assets are comprised primarily of cash and restricted cash and investments, \$168,214 of which is being held in trust in accordance with the terms of the Series 2018 revenue bonds.

Generally, net position may serve over time as a useful indicator of the District's financial position. However, since the District has transferred certain property and improvements to the City before the Series 2018 revenue bonds have been retired (i.e., incurring debt for assets that will be owned and maintained by other parties) the District reports a deficit net position.

The Thirty-Ninth Street Transportation Development District
Management Discussion and Analysis
Year ended June 30, 2020

Statements of Activities			
	2020	2019	Increase (Decrease)
General revenues:			
Sales taxes	\$ 797,801	\$ 811,128	\$ (13,327)
Interest	6,842	3,497	3,345
Other income	10	10	-
Total revenues	804,653	814,635	(9,982)
Expenses:			
General government	52,500	64,335	(11,835)
Economic development	-	10,082,478	(10,082,478)
Interest on long-term debt	428,651	443,956	(15,305)
Total expenses	481,151	10,590,769	(10,109,618)
Change in net position	323,502	(9,776,134)	10,099,636
Net position - beginning of year	(7,303,600)	2,472,534	(9,776,134)
Net position (deficit) - end of year	\$ (6,980,098)	\$ (7,303,600)	\$ 323,502

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. The expenses are composed of interest on long-term debt totaling \$428,651 and general government operating costs of \$52,500. Revenues consist of \$797,801 in net sales taxes collected from the approved one-eighth of one percent sales tax on retail sales within the District, \$6,842 of interest earned on the District's cash and investment balances, and \$10 of other income.

Financial Analysis of the District's Funds

The Balance Sheet for Governmental Funds includes balances for the District's major funds: the General Fund and the Debt Service Fund. The Balance Sheet for Governmental Funds includes assets of \$385,961 primarily in the form of restricted cash and cash equivalents. Liabilities totaling \$58,047 consist of accounts payable. The total fund balances are \$327,914 of which \$260,523 is restricted for debt service; \$640 is nonspendable for prepaid items, and an unassigned fund balance of \$66,751.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds provides a detail of the revenues, expenditures and financing activities for the year. The District generated total net revenues of \$804,653 with expenditures totaling \$1,007,460 for the year ended June 30, 2020. The expenditures included administrative operating costs of \$52,500 and principal, interest and fiscal charges totaling \$954,960. In 2018, the District issued its Series 2018 revenue bonds in the amount of \$8,400,000 to advance refund the remaining outstanding Series 2008 revenue bonds.

General Fund Budgetary Highlights

For the year ended June 30, 2020, general fund actual expenditures were less than budgeted appropriations by \$11,104 primarily resulting from less professional fees and lower insurance premiums than were budgeted.

The Thirty-Ninth Street Transportation Development District
Management Discussion and Analysis
Year ended June 30, 2020

Capital Assets

As of June 30, 2020, the District did not report any investment in capital assets as well as June 30, 2019. The District had previously initiated the process of transferring title of certain property and improvements to the City. This process was formally completed during the year ended June 30, 2019. Additional information on the District's capital assets can be found in Note 1 to the Basic Financial Statements.

Long-term Debt

As of June 30, 2020, the District had outstanding debt obligations of \$7,655,000 consisting of the Series 2018 revenue bonds. Additional information on the District's long-term debt can be found in Note 5 to the Basic Financial Statements.

Requests for Information

This financial report is designed to provide a general overview of the Thirty-Ninth Street Transportation Development District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Thirty-Ninth Street Transportation Development District, c/o 5 W St., Lake Lotawana, Missouri 64086.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash	\$ 70,151
Restricted investments	168,214
Sales taxes receivable	146,956
Prepaid items	640
Total assets	385,961
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	410,142
Total deferred outflows of resources	410,142
LIABILITIES:	
Accounts payable	58,047
Interest payable	63,154
Long-term debt:	
Due in one year	240,000
Due after one year	7,415,000
Total liabilities	7,776,201
NET POSITION (DEFICIT):	
Restricted for:	
Debt service	260,523
Unrestricted	(7,240,621)
Total net position (deficit)	\$ (6,980,098)

See notes to the basic financial statements.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Position Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government:					
Governmental activities					
General government	\$ 52,500	\$ -	\$ -	\$ -	\$ (52,500)
Interest on long-term debt	428,651	-	-	-	(428,651)
Total primary government	\$ 481,151	\$ -	\$ -	\$ -	(481,151)

General revenues:

Sales taxes	797,801
Interest	6,842
Other income	10
Total general revenues	804,653
Change in net position	323,502
Net position (deficit) - beginning of year	(7,303,600)
Net position (deficit) - end of year	\$ (6,980,098)

See notes to the basic financial statements.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 70,151	\$ -	\$ 70,151
Restricted investments	-	168,214	168,214
Sales taxes receivable	-	146,956	146,956
Prepaid items	640	-	640
	<u>640</u>	<u>-</u>	<u>640</u>
Total assets	<u>\$ 70,791</u>	<u>\$ 315,170</u>	<u>\$ 385,961</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 3,400	\$ 54,647	\$ 58,047
	<u>3,400</u>	<u>54,647</u>	<u>58,047</u>
Total liabilities	<u>3,400</u>	<u>54,647</u>	<u>58,047</u>
FUND BALANCES:			
Nonspendable:			
Prepaid items	640	-	640
Restricted for:			
Debt service	-	260,523	260,523
Unassigned:			
District operating	66,751	-	66,751
	<u>66,751</u>	<u>-</u>	<u>66,751</u>
Total fund balances	<u>67,391</u>	<u>260,523</u>	<u>327,914</u>
Total liabilities and fund balances	<u>\$ 70,791</u>	<u>\$ 315,170</u>	<u>\$ 385,961</u>

See notes to the basic financial statements.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020**

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

Ending fund balances - total governmental funds	\$	327,914
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and deferred charge on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Deferred charge on refunding		410,142
Interest payable		(63,154)
Long-term debt		(7,655,000)
		<u>(7,655,000)</u>

Total net position of governmental activities	\$	<u>(6,980,098)</u>
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See notes to the basic financial statements.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Debt Service	Total Governmental Funds
REVENUES:			
Sales tax	\$ -	\$ 1,009,945	\$ 1,009,945
Less: sales tax - tax increment financing	-	(212,144)	(212,144)
Interest income	2,729	4,113	6,842
Other income	10	-	10
	<u>2,739</u>	<u>801,914</u>	<u>804,653</u>
Total revenues			
EXPENDITURES:			
Current:			
Professional services	47,850	-	47,850
Insurance	1,280	-	1,280
Miscellaneous	756	2,614	3,370
Debt Service:			
Principal payments on long-term deb	-	555,000	555,000
Interest and fiscal charges	-	399,960	399,960
	<u>49,886</u>	<u>957,574</u>	<u>1,007,460</u>
Total expenditures			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(47,147)	(155,660)	(202,807)
OTHER FINANCING SOURCES (USES):			
Transfers in	60,000	-	60,000
Transfers out	-	(60,000)	(60,000)
	<u>60,000</u>	<u>(60,000)</u>	<u>-</u>
Total other financing sources (uses)			
NET CHANGE IN FUND BALANCE	12,853	(215,660)	(202,807)
FUND BALANCE, Beginning of year	54,538	476,183	530,721
FUND BALANCE, End of yea	\$ 67,391	\$ 260,523	\$ 327,914

See notes to the basic financial statements.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

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

Net changes in fund balances - total governmental funds	\$ (202,807)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and deferred charge on refunding when debt is first issued, whereas certain amounts are deferred and amortized in the statement of activities. The following amounts are the net effect of these differences in the treatment of long-term debt and related items.

Long-term debt principal payments	555,000
Amortization of deferred charges on refunding	(33,270)
Change in interest payable	<u>4,579</u>

Total changes in net position of governmental activities	<u><u>\$ 323,502</u></u>
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See notes to the basic financial statements.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Thirty-Ninth Street Transportation Development District (the "District") was established on April 25, 2002 under the Missouri Transportation Development District Act (the "Act"), sections 238.200 to 238.275 of the Revised Statutes of Missouri. The District was created to levy certain taxes for the purpose of funding the expansion and improvements of portions of Thirty-Ninth Street in the City of Independence, Missouri (the "City"). The District is the basic level of government, which has financial accountability and control over the activities related to the funding of the improvements. The District's Board of Directors are elected by the owners of all real property located within the District to three-year terms.

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

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant accounting and reporting policies and practices employed of the District.

B. Basis of Presentation

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds).

Government-wide financial statements

The statement of net position and the statement of activities display information about the District, the primary government, as a whole. Governmental activities are generally financed through sales taxes.

The government-wide statement of activities presents a comparison between expenses and program revenues for each program of the governmental activities. Expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All of the District's funds are considered major funds.

The major governmental funds of the District are described below:

General Fund is the primary operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in a different fund.

THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Debt Service Fund is used to account for resources to be used for the payment of principal, interest and related costs of the revenue bonds and certain other long-term obligations of the District.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include sales tax which are recognized in the fiscal year in which the underlying exchange occurs. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental Fund Financial Statements

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within forty-five (45) days of year-end and available to pay obligations of the current period). This includes investment earnings, sales taxes, and other revenues.

Expenditure Recognition

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

D. Budgetary Basis Accounting and Information

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

THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

E. Capital Assets

Capital assets, which include land and construction in process, are reported in the governmental activities columns in the government-wide financial statements. Construction in process consists of costs relating to infrastructure, such as streets, sewer, traffic signals, etc. Such costs are accumulated and recorded as construction in process until the project is completed. Upon completion, the infrastructure assets will be transferred to the City and removed from construction in process. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation. In 2019, the District formally completed the transfers of all capital assets to the City.

F. Deferred outflows/inflows of resources

In addition to assets, the statement of net 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. The District has one item, which arises under the accrual basis of accounting that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District did not have any items that would be reported as a deferred inflow of resources.

G. Interfund Activity

Permanent reallocations of resources between funds of the District are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Temporary reallocations of resources between funds of the District are classified as interfund balances. For the purpose of the Statement of Net Position, all interfund balances between individual governmental funds have been eliminated.

H. Net Position and Fund Balance Classifications

Government Wide - As noted previously, in the Government-wide statements, equity is classified as net position and displayed in three components:

- (1) *Net investment in capital assets* – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) *Restricted net position* – consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District first utilizes restricted resources to finance qualifying activities.
- (3) *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Governmental Funds - Fund balances in governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District should honor constraints on the specific purposes for which amounts in those funds can be spent. The District's policy is to use restricted resources first when an expenditure is incurred, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

In the governmental fund financial statements, fund balance is composed in five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance:

This portion of fund balance cannot be spent either because it is in nonspendable form or is required to be maintained intact. The District's nonspendable fund balance includes:

- Prepaid items - this is the amount paid in advance for the following year's goods and services, which are not spendable resources.

Restricted Fund Balance

This portion of fund balance is restricted to specific purposes by state or federal laws, or externally imposed conditions by grantors and creditors. This portion of the District's fund balance is restricted for debt service.

Committed Fund Balance

This portion of fund balance can be used only for the specific purposes determined by a resolution approved by the board of directors. As of June 30, 2020, the District did not have a committed fund balance.

Assigned Fund Balance

The intended use of this portion of fund balance can be established by the District's Board of Director's. It can be appropriated to eliminate a projected deficit in the subsequent year's operating budget. As of June 30, 2020, the District did not have an assigned fund balance.

Unassigned Fund Balance

This is the residual net resources after nonspendable, restricted, committed, and assigned.

I. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

2. DEPOSITS AND INVESTMENTS

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

At June 30, 2020 the carrying values of deposits and the fair value of investments, which approximates cost, are summarized as follows:

Cash	\$ 70,151
Restricted investments	168,214
Total cash and investments	\$ 238,365

Credit Risk

The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. As of June 30, 2020, the District's entire portfolio is held in cash or open-ended money market mutual funds that invest in U.S. Treasury obligations, government securities and repurchase agreements relating to such securities which are not subject to such risks.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover 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 to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The District does not have a policy with respect to the management of custodial credit risk on cash deposits. As of June 30, 2020, there were no uninsured or uncollateralized cash deposits considered to be exposed to custodial credit risk.

The District does not have a policy with respect to the management of custodial credit risk on investments. As of June 30, 2020, the District's entire investment portfolio is held in open-ended mutual funds and, therefore, is not exposed to custodial credit risk.

Interest Rate Risk

The District does not have a policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2020, the District's entire investment portfolio is held in money market mutual funds with maturities of less than one year.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs such as third-party pricing services for identical assets; Level 3 inputs are significant unobservable inputs. The District's investments at June 30, 2020 are as follows:

Investments	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	<u>\$ 168,214</u>	<u>\$ 168,214</u>	<u>\$ -</u>	<u>\$ -</u>

3. COOPERATIVE AGREEMENT

The District entered into a Cooperative Agreement ("the Agreement") with the City for public road improvements in the Thirty-Ninth Street Redevelopment Area. Under the terms of the Agreement, title to the improvements will remain with the District until all project costs have been paid in full and any District bonds issued to fund construction of the improvements are repaid unless the City consents to an earlier transfer of title provided by the Act. During the year ended June 30, 2020, the District completed the transfer of certain property and improvements to the City.

4. SALES TAX REVENUES

Qualified voters of the District approved a one-eighth of one percent sales tax on retail sales for a period of not more than thirty years in the District, excluding motor vehicles, trailers, boats, outboard motors and utilities. Effective January 1, 2010, per amendments to RSMo 285.235, the Missouri Department of Revenue became responsible for collection, enforcement and operation of the sales tax. The District receives Economic Activity Taxes (TIF revenues) under the terms of the Crackerneck Creek, Independence Regional Medical Center, Eastland Center, Hartman Heritage Park, Stone Canyon, I-70 and Little Blue Parkway, and Trinity Tax Increment Financing Plans and transfers the TIF revenues each quarter to the City for deposit in the appropriate special allocation fund under the Tax Increment Financing Plans.

5. LONG-TERM DEBT

The following is a summary of the change in long-term debt obligations for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Revenue Bonds, Series 2018	<u>\$ 8,210,000</u>	<u>\$ -</u>	<u>\$ 555,000</u>	<u>\$ 7,655,000</u>	<u>\$ 240,000</u>

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Revenue Bonds, Series 2018

On June 19, 2018 the District issued Series 2018 revenue bonds in the amount of \$8,400,000 to advance refund the remaining \$8,765,000 of the outstanding District's Series 2008 revenue bonds. The bonds are limited special obligations of the District payable solely from and secured as to payments of principal and interest by a pledge or the proceeds from the District sales tax, subject to annual appropriation. The bonds mature on November 1, 2032. Interest is payable semi-annually on May 1 and November 1 at 4.95%.

The Series 2018 Bonds are subject to optional redemption by the District in whole or in part at any time at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date. The Series 2018 Bonds are also subject to special mandatory redemption and payment prior to the stated maturity thereof, in whole or in part on any interest payment date in inverse order of maturity, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium, solely from amounts on deposit in the Redemption Account of the Debt Service Fund.

The following is the estimated redemption schedule of the Series 2018 Bonds:

Year ending June 30:	Principal	Interest	Total
2021	\$ 240,000	\$ 377,932	\$ 617,932
2022	450,000	376,943	826,943
2023	535,000	376,943	911,943
2024	645,000	376,943	1,021,943
2025	735,000	376,943	1,111,943
2026-2030	4,710,000	1,884,712	6,594,712
2031-2032	340,000	188,471	528,471
	<u>\$ 7,655,000</u>	<u>\$ 3,958,889</u>	<u>\$ 11,613,889</u>

6. INTERFUND ACTIVITY

A summary of the District's transfers for the year ended June 30, 2020, are as follows:

	Transfers In	Transfers Out
General Fund	\$ 60,000	\$ -
Debt Service Fund	-	60,000
	<u>\$ 60,000</u>	<u>\$ 60,000</u>

The District's transfer of \$60,000 from the Debt Service Fund was used to reimburse the General Fund for certain administrative costs incurred during the year.

7. COMMITMENTS AND CONTINGENCIES

A. Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has purchased commercial insurance to address its exposure to these risks. Settlements have not exceeded insurance coverage in the past three fiscal years

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

B. Project Reimbursement Agreement

The City applied for and was awarded a federal grant through the Mid-America Regional Council to construct a new bridge along 39th Street. Under the grant funding agreement, the City is to provide certain matching funds. In connection with the bridge project, the District entered into a project reimbursement agreement with the City subject to final review and approval to reimburse the City for certain project matching costs not to exceed \$800,000. The District's project reimbursement obligation is subordinate to the District's revenue bonds.

8. Covid-19

On March 11, 2020, the World Health Organization declared the COVID-19 virus outbreak a world-wide pandemic. Due to the COVID-19 pandemic, businesses within the District and the entire State of Missouri were subject to a stay at home order. Management is closely monitoring the situation and the impact on its operations. The ultimate effect on the District's financial statements is not currently determinable.

9. SUBSEQUENT EVENTS

The District evaluated subsequent events through December 3, 2020, the date the financial statements were available to be issued. There was no subsequent events that require recognition or disclosure in the financial statements.

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:				
Interest and other income	\$ 160	\$ 160	\$ 230	\$ 70
Total revenues	<u>160</u>	<u>160</u>	<u>230</u>	<u>70</u>
EXPENDITURES:				
Current:				
Professional services	51,800	62,072	55,422	6,650
Insurance	7,200	7,200	4,133	3,067
Miscellaneous	1,000	1,004	780	224
Total expenditures	<u>60,000</u>	<u>70,276</u>	<u>60,335</u>	<u>9,941</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(59,840)	(70,116)	(60,105)	(9,871)
OTHER FINANCING SOURCES:				
Transfers in	59,840	72,167	60,000	(12,167)
NET CHANGES IN FUND BALANCE	<u>\$ -</u>	<u>\$ 2,051</u>	(105)	<u>\$ (22,038)</u>
FUND BALANCE, Beginning of year			<u>54,643</u>	
FUND BALANCE, End of year			<u>\$ 54,538</u>	

**THE THIRTY-NINTH STREET TRANSPORTATION DEVELOPMENT DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
REVENUES:				
Sales tax	\$ 1,029,393	\$ 1,014,180	\$ 1,014,036	\$ (144)
Less: sales tax - tax increment financing	(206,058)	(203,013)	(202,908)	105
Interest income	50	50	3,277	3,227
Total revenues	<u>823,385</u>	<u>811,217</u>	<u>814,405</u>	<u>3,188</u>
EXPENDITURES:				
Current:				
Miscellaneous	4,050	4,050	4,000	50
Debt service:				
Principal, interest and fiscal charges	776,888	776,888	545,658	231,230
Total expenditures	<u>780,938</u>	<u>780,938</u>	<u>549,658</u>	<u>231,280</u>
EXCESS OF REVENUES OVER EXPENDITURES	42,447	30,279	264,747	234,468
OTHER FINANCING SOURCES (USES):				
Transfers out	(59,840)	(72,167)	(60,000)	12,167
Total other financing sources (uses)	<u>(59,840)</u>	<u>(72,167)</u>	<u>(60,000)</u>	<u>12,167</u>
NET CHANGES IN FUND BALANCES	<u>\$ (17,393)</u>	<u>\$ (41,888)</u>	204,747	<u>\$ 246,635</u>
FUND BALANCE, Beginning of year			<u>271,436</u>	
FUND BALANCE, End of year			<u>\$ 476,183</u>	



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**Independent Auditor's Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With Government Auditing Standards**

To the Board of Directors
The Thirty-Ninth Street Transportation Development District
Independence, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Thirty-Ninth Street Transportation Development District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2020.

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) to determine the 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 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 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 determination of financial statement amounts. 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.

Cochran Head Vick + Co., P.C.

Kansas City, Missouri
December 3, 2020

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