

MORGAN COUNTY BUSINESS DISTRICT

Osage Beach, Missouri

INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Morgan County Business District
Osage Beach, Missouri:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Morgan County Business District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

December 16, 2021

MORGAN COUNTY BUSINESS DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 88,948
Accounts Receivable	3,802
Prepaid Expenses	8,044
TOTAL ASSETS	<u>100,794</u>
LIABILITIES	
Accounts Payable	1,505
Due to TCLA	9,756
TOTAL LIABILITIES	<u>11,261</u>
NET POSITION	
Unrestricted	89,533
TOTAL NET POSITION	<u>\$ 89,533</u>

The accompanying notes are an integral part of these financial statements.

MORGAN COUNTY BUSINESS DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenditures	Program Revenues		Net (Expenditures)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Total Governmental Activities
Governmental Activities:				
General Government	\$ (1,342)	\$ -	\$ -	\$ (1,342)
Transfers to TCLA	(23,550)	-	-	(23,550)
Total Governmental Activities	<u>\$ (24,892)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(24,892)</u>
General Revenues:				
Lodging Tax Collector				66,753
Interest				31
Total General Revenues				<u>66,784</u>
Increase (Decrease) in Net Position				41,892
Net Position, Beginning of Year				<u>47,641</u>
Net Position, End of Year				<u>\$ 89,533</u>

The accompanying notes are an integral part of these financial statements.

MORGAN COUNTY BUSINESS DISTRICT

BALANCE SHEET – GOVERNMENTAL FUND

JUNE 30, 2021

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents - Small	\$ 104,541
Cash and Cash Equivalents - Medium	(15,593)
Accounts Receivable - Small	3,802
Prepaid Advertising - Small	8,044
Total Assets	<u>\$ 100,794</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable - Small	\$ 1,505
Due to TCLA - Small	9,756
Total Liabilities	<u>11,261</u>
Fund Balance:	
Nonspendable	8,044
Unassigned	81,489
Total Fund Balance	<u>89,533</u>
Total Liabilities and Fund Balance	<u>\$ 100,794</u>

The accompanying notes are an integral part of these financial statements.

MORGAN COUNTY BUSINESS DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>
REVENUES	
Lodging Tax Collector - Small	\$ 66,753
Interest Income - Small	31
Total Revenues	<u>66,784</u>
EXPENDITURES	
Bank Charges - Small	55
County Fees - Small	1,287
Transfer to TCLA - Small	23,550
Total Expenditures	<u>24,892</u>
Excess of Revenues Over (Under) Expenditures	41,892
Fund Balance, Beginning of Year	<u>47,641</u>
Fund Balance, End of Year	<u><u>\$ 89,533</u></u>

The accompanying notes are an integral part of these financial statements.

MORGAN COUNTY BUSINESS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES: (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The fund of the financial reporting entity is described below:

Governmental Fund Types:

Governmental Funds are those through which general governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources are accounted for through Governmental Funds. The following is the District's only Governmental Fund:

General Fund

The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-Wide Financial Statements – The government-wide financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

Governmental Fund Financial Statements – Governmental fund financial statements are reported using the 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. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

MORGAN COUNTY BUSINESS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES: (Continued)

Equity Classification

Government-Wide Financial Statements:

Net position is classified and displayed in three components:

Invested in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

Restricted – Consists of restricted assets with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the restricted component of net position.

It is the District's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted balances are available. As of the year ended, the District had no invested capital assets, net of related debt, or restricted net assets.

Fund Financial Statements:

Governmental fund equity is classified as fund balance.

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

- **Nonspendable:** Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

MORGAN COUNTY BUSINESS DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES: (Continued)

Equity Classification (Continued)

Fund Financial Statements: (Continued)

- **Committed:** Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District’s highest level of decision-making authority (i.e. the Board of Directors).
- **Assigned:** Amounts constrained by the District’s intent to be used for specific purposes but that are neither restricted nor committed. Intent can be expressed by the District’s Board of Directors or by an official body to which the Board of Directors delegates authority.
- **Unassigned:** The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

As of the year ended, fund balances are composed of the following:

	<u>General Fund</u>
Nonspendable:	
Prepays	\$ 8,044
Unassigned	<u>81,489</u>
Total Fund Balance	<u>\$ 89,533</u>

It is the District’s policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also District policy to use committed fund balances before assigned fund balances are available and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

The District has not formal minimum fund balance policies or any formal stabilization arrangements in place.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the District's taxpayers are reported as program revenues. The District has no program revenues.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

MORGAN COUNTY BUSINESS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES: (Continued)

Accounting Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Control

As further explained in Note 5, the District is a member of Tri-County Lodging Association. Tri-County Lodging Association prepares an annual budget. Each of the three members of Tri-County agrees to support a percentage of that budget. Any funds not obligated to support the Tri-County budget is available for use by the individual associations. There are no budgets prepared by the Districts for these funds.

Prepaid Items

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the nonspendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

NOTE 2 – DEPOSITS AND INVESTMENTS:

The District follows the policies of state law for deposits and investments. Missouri State Statutes authorize the District to deposit funds in open accounts, U.S. Treasury securities, U.S. Agency securities, repurchase agreements, collateralized certificates of deposit, banker's acceptance, and commercial paper.

Collateral is required for demand deposits and certificates of deposit. Custodial credit risk is the risk that in the event of a bank failure, the District deposits may not be returned to it. Statutes require the collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Obligations that may be pledged as collateral are of the same type in which the District may invest. As of the year ended, the carrying amount of the District's deposits was \$88,948, and the bank balance was \$88,948.

All District deposits and certificates of deposit were insured by depository insurance or secured with collateral held by the District's agent in the District's name as of the year ended.

MORGAN COUNTY BUSINESS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3 – RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to provide coverage for general liability, property damage, and workers' compensation. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

NOTE 4 – LODGING TAX:

A three percent lodging tax is paid by all transient guests of hotels, motels, and resorts. The tax is collected by the lodging businesses and remitted monthly, quarterly, or annually to the county collector. After retaining a two percent fee for the cost of collection, the collector remits the lodging tax to the District. In accordance with the District's by-laws, lodging businesses are categorized as follows:

- A. Lodging businesses with fifty or less rooms, camping spaces, or houseboats: Small Category.
- B. Lodging businesses with at least fifty-one, but less than three hundred rooms, camping spaces, or houseboats: Medium Category.
- C. Lodging businesses with at least three hundred rooms, camping spaces, or houseboats: Large Category.

NOTE 5 – OPERATIONS:

The District is a member of the Tri-County Lodging Association (the "TCLA"), a 501(c)(6) non-profit organization. Through advertising, the TCLA promotes and encourages the travel and tourism industry for business engaged in furnishing lodging within the business districts of Camden, Miller, and Morgan counties. The TCLA contracts with the Greater Lake Ozark Convention and Visitor's Bureau to perform the promotion activities.

In order to carry out these tasks, the TCLA establishes an annual operating budget. Lodging establishments submit their lodging tax collections to their respective County Collector's office. The County Collector tabulates the collections monthly and then remits them to the District, less a 2% retainage. The District then remits funds to cover their percentage of the expenses to the TCLA on a monthly basis.

MORGAN COUNTY BUSINESS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 – EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through December 16, 2021, the date which the financial statements were available to be issued.

On March 11, 2020, Coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization (the WHO). As of the date of this report, any potential effects of COVID-19, whether operational or financial, for the District are unknown. An estimate of the actual effects, whether operational or financial, cannot be reasonably determined as of the date of this report.