

## AUDIT REPORT TRACKING SYSTEM (ARTS)

SECTION I: SUMMARY INFORMATION			
<b>Audit Title:</b>	Independence Avenue Community Improvement District Should Improve Accountability and Transparency	<b>Audit Release Date:</b>	04/26/2017
<b>Department:</b>	Independence Avenue Community Improvement District	<b>Last Report Date:</b>	11/08/2017
<b>Department Director:</b>	Bobbi Baker	<b>This Report Date:</b>	10/31/2018
<b>Contact Person/Phone:</b>	Bobbi Baker 816-215-6813	<b>Expected Presentation Date:</b> (submitted to PZ&ED Committee)	11/01/2018
SECTION II: RECORD OF IMPLEMENTED RECOMMENDATIONS			
1. Implemented November 16, 2017		6. Implemented May 18, 2017	
2. Implemented July 20, 2017.		7. Implemented April 19, 2017	
3. Implemented May18, 2017		8. Implemented September 21, 2017	
4. Implemented May 18, 2017		9. Implemented May 31, 2017	
5. Implemented July 20, 2017		10. Implemented May 31, 2017	
SECTION III: SUMMARY OF IMPLEMENTATION EFFORTS			
<p><b>Recommendation 1: The IACID Board should engage a qualified certified public accountant (CPA) knowledgeable in the principles of government accounting and auditing to conduct an annual financial audit, review all prior payments and reimbursements for adequate documentation and compliance with contracts, and identify improper payments for which the IACID should seek recovery.</b></p>			
<p><i>Status of Recommendation: Implemented</i></p>			
<p>Submitted completed audit to IACID Board for approval on November 16, 2017. It was approved unanimously. The firm found no inconsistencies based on review of process and policies.</p>			
SECTION IV: ADDITIONAL OUTCOMES			
<p>We have recently sent to various CPA firms an RFP for an audit of 2017-18. We will schedule annual audits to continually improve compliance with standard government operating processes.</p>			

*Ralph C. Johnson & Company, p.c.*

Certified Public Accountants  
4609 The Paseo  
Kansas City, Missouri 64110-1825  
(816) 472-8900  
Fax (816) 472-4633

To the Board of Directors  
Independence Avenue  
Community Improvement District  
Kansas City, MO 64124

We have audited the financial statements of Independence Avenue Community Improvement District (IACID) for the year ended April 30, 2017, and have issued our report thereon dated October 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 30, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by IACID are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were not sensitive or significant estimates which would affect the financial statements except for the computation of allowance for depreciation.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and the fiscal staff were extremely helpful, and the audit process went as smoothly as could be expected for a first year engagement. Management and staff are to be commended for their help and dedication during the audit process.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such material misstatements. In addition, none of the misstatements detected as a result of audit procedures and not corrected by management were not material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 30, 2017.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of IACID and is not intended to be, and should not be, used by anyone other than these specified parties.

KANSAS CITY  
30 October 2017  
OUR 47<sup>TH</sup> YEAR

*Ralph C. Johnson & Company, P.C.*

**INDEPENDENCE AVENUE  
COMMUNITY IMPROVEMENT DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
APRIL 30, 2017**

*Ralph C. Johnson & Company, p.c.*  
Certified Public Accountants  
Kansas City

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
**INDEPENDENCE AVENUE  
COMMUNITY IMPROVEMENT DISTRICT**  
Kansas City, Missouri

We have audited the accompanying modified cash basis financial statements of the Independence Avenue Community Improvement District (IACID) (a political subdivision), which comprise the statement of financial position as of April 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**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 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IACID as of April 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis of Accounting**

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

Kansas City  
30 October 2017  
OUR 47th YEAR

*Ralph C. Johnson & Company, P.C.*

**AUDITED FINANCIAL STATEMENTS**



**INDEPENDENCE AVENUE COMMUNITY IMPROVEMENT DISTRICT  
STATEMENTS OF FINANCIAL POSITION  
APRIL 30, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	411,895
<b>TOTAL CURRENT ASSETS</b>		<u>411,895</u>

**OTHER ASSETS**

Mortgage escrow		4,191
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**CAPITAL ASSETS**

Property and Equipment	\$	662,244
Less, Accumulated Depreciation		<u>37,703</u>
		<u>624,541</u>

<b>TOTAL ASSETS</b>		<u><u>\$ 1,040,627</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	8,720
Mortgage - Current Amount		15,672
Accrued Payroll Taxes		<u>110</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>24,502</u>

**LONG-TERM LIABILITIES**

Mortgage		<u>243,846</u>
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**NET ASSETS**

Unrestricted Net Assets		<u>772,279</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 1,040,627</u></u>
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**INDEPENDENCE AVENUE COMMUNITY IMPROVEMENT DISTRICT  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED APRIL 30, 2017**

**PROGRAM INCOME**

Sales Tax - Missouri	\$ 767,339	
Use Tax - Missouri	13,255	
Assessment Tax - Jackson County	36,770	
Fee for Services	7,890	
Other Income	<u>4,932</u>	
<b>TOTAL REVENUE</b>		<b>\$ <u>830,186</u></b>

**EXPENSES**

General and Administrative	58,059	
Professional Fees	163,062	
Vehicle Expenses	11,468	
Supplies & Equipment	11,435	
Payroll	246,376	
Program Service and Expenses	<u>314,272</u>	
<b>TOTAL EXPENSES</b>		<b>\$ <u>804,672</u></b>

**INCREASE IN NET ASSETS**

	25,514
NET ASSETS BEGINNING OF YEAR	<u>746,765</u>
NET ASSETS END OF YEAR	<b><u><u>\$ 772,279</u></u></b>

**INDEPENDENCE AVENUE COMMUNITY IMPROVEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED APRIL 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in net assets		\$ 25,514
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 19,179	
Decrease in accounts receivable	12,265	
Decrease in other assets	(4,541)	
Decrease in accounts payable	9,523	36,426
Cash provided by operating activities		61,940

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Principal payments on long-term debt		243,846
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**CASH FLOWS FROM INVESTING ACTIVITIES:**

Cash payments for the purchase of property		<u>(609,062)</u>
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<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(303,276)
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Cash and equivalents, beginning of year		<u>714,821</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>		<u><u>\$ 411,545</u></u>

INTEREST PAID		\$ <u><u>8,051</u></u>
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INCOME TAXES PAID		\$ <u><u>NONE</u></u>
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**INDEPENDENCE AVENUE  
COMMUNITY IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2017**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Nature of Activities

Independence Avenue Community Improvement District (the District) was formed as a political subdivision of the State of Missouri on March 21, 2013. The District is governed by an elected five member board of directors. The purpose of the District is to: facilitate safety and security measures; to assist property owners, business owners, their patrons; to improve the appearance and image of the CID; to hire or contract for personnel to staff and provide services in the District; to provide marketing services for businesses and special events; and to increase patronage of business within the District.

The District prepares its financial statements in conformity with a modified cash basis of accounting which is a basis of accounting other than generally accepted accounting principles (GAAP). The modified cash basis followed by the District recognizes revenue when cash is received. This modified cash basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No 958. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: unrestricted net assets, and permanently restricted net assets. The Organization is considered to be a single-function entity, and expenditures incurred in connection with its operation are summarized on a functional basis, therefore, there is no statement of functional expenses presented with its financial statements.

Unrestricted net assets: Unrestricted net assets are not subject to donor-imposed stipulations.

Permanently restricted net assets: Permanently restricted net assets are subject to donor-imposed stipulations that expire neither by the passage of time nor by actions of the District.

Cash and Investments

Missouri State Statutes authorize the District, with certain restrictions, to deposit funds in open accounts, time deposits, investment pools and certificates of deposit. Statutes also require that collateral pledged 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.

The District's cash on hand is in demand deposit accounts which are fully insured by Federal Deposit Insurance Corporation (FDIC) insurance.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for

**INDEPENDENCE AVENUE  
COMMUNITY IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2017**

repairs and maintenance are expensed as incurred. Capital assets at the end of April 30, 2017 totaled \$662,244.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. TAX REVENUES**

The District is authorized to impose and levy District sales tax up to an aggregate levy up to one percent (1%) on sales within the District. The District also receives a special property tax assessment on property within the District which is not to exceed \$300 per lot. The District received \$780,594 in sales and use tax revenues during the year ending April 30, 2107. The District also received special property tax assessment revenues of \$36,770 during the year ending April 30, 2017.

**3. CAPITAL ASSETS**

Capital assets consisted of the following as of April 30, 2017:

2657-2659 Independence Ave	\$ 604,052
Vehicles	58,192
Less accumulated depreciation	<u>37,703</u>
	<u>\$ 624,541</u>

**4. LONG-TERM LIABILITIES**

The District financed the purchase of property located at 2657-2659 Independence Avenue with Central Bank of Kansas City on August 12, 2016 in the amount of \$275,189.36. The mortgage has a term of 36 payments and is amortized over 120 payments, with an interest rate of 4.5% and a maturity date of August 12, 2019. The monthly payment is \$3,168.27, with \$2,965.35 for principal and interest and \$202.92 in escrow account.

Future minimum payments are:

2018	\$ 24,405
2019	25,526
2020	<u>203,023</u>
	<u>\$ 252,954</u>

**5. MANAGEMENT FEE**

The Independence Community Improvement District has an agreement with Northeast Kansas City Chamber of Commerce (NEKCCOC) to perform certain services on the ICID's behalf to facilitate the purpose of the District. The fee is 18% of the actual tax revenues received during the year. The agreement commenced on August 1, 2013 and expired on July 31, 2014. The agreement renews automatically for additional one year terms unless terminated by either party. The fee paid to NEKCCOC for the year ending April 30, 2017 amounted to \$146,834.

**6. RELATED PARTIES**

The Chief Executive Officer of Northeast Kansas City Chamber of Commerce (NEKCCOC) is also the manager of the IACID. The District's manager is compensated entirely by NEKCCOC for her services to the District.

**INDEPENDENCE AVENUE  
COMMUNITY IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2017**

**7. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 30, 2017 which is the date the financial statements were available to be issued. No events have occurred for which a disclosure is required.

**SCHEDULE OF EXPENSES**

INDEPENDENCE AVENUE COMMUNITY IMPROVEMENT DISTRICT  
 SCHEDULE OF EXPENSES  
 YEAR ENDED APRIL 30, 2017

	General and Administrative	Professional Fees	Vehicle Expenses	Supplies and Equipment	Payroll	Program Service and Expenses	Totals
Accounting and Audit							2,819
Advertising and Promotional	\$					36,441	36,441
Bank Fees	162					162	162
Board Expenses	150					150	150
Boulevard Improvements						67,945	67,945
Computer Repairs/Software/Internet	111					111	111
Consulting	2,170	2,519				2,117	6,806
Contractors						156,042	156,042
Depreciation	20,118					20,118	20,118
Dues and Subscriptions	350					350	350
Legal			8,560			8,560	8,560
Liability and Vehicle Insurance	8,116					8,116	8,116
Management Fee		146,834				1,691	146,834
Meetings						138	1,691
Miscellaneous	907			6,878		138	1,045
Mortgage Interest	8,051			1,391		6,878	8,051
Office Equipment						49,898	6,878
Office Supplies						51,289	51,289
Payroll Expense and Benefits					246,376	248,706	248,706
Postage & Shipping	54	2,330				54	54
Property Insurance	1,756					1,756	1,756
Property Tax	3,649					3,649	3,649
Repairs and maintenance				3,166		3,166	3,166
Security	503					503	503
Telephone	4,750					4,750	4,750
Transportation			11,468			11,468	11,468
Trash	460					460	460
Utilities	6,752					6,752	6,752
	<u>\$ 58,059</u>	<u>\$ 163,062</u>	<u>\$ 11,468</u>	<u>\$ 11,435</u>	<u>\$ 246,376</u>	<u>\$ 314,272</u>	<u>\$ 804,672</u>



[Managing Partner]

[CPA Firm]

[Street Address]

[City, State, Zip]

Dear Sir or Madam:

Our organization is accepting proposals from CPA firms to provide audit services for the Independence Avenue Community Improvement District (IACID). We invite your firm to submit a proposal to us by November 30, 2018, for consideration. A description of our organization, the services needed, and other pertinent information follows:

## **Background of Independence Avenue Community Improvement District**

The IACID, established in 2013, is a political subdivision of the state funded primarily through sales and use taxes collected from the public. The purpose of the IACID is to provide safety and security, public area maintenance, and marketing services for the benefit of district members. The IACID signed a management agreement with the Northeast Kansas City Chamber of Commerce (NEKCCoC). The IACID agreed to a managing fee of 18% of its revenues from special assessment and sales tax collections. The IACID has over \$900,000 in annual revenues. The IACID maintains the same year-end as the City of Kansas City, Missouri, April 30<sup>th</sup>. The IACID would like to have the audit completed by January 31, 2019 and in subsequent years by September 30<sup>th</sup> of each year, but we are open to a discussion on best times for scheduling this work.

## **Services to Be Performed**

Your proposal is expected to cover the following services:

1. Annual audit to be completed in compliance with generally accepted government auditing standards and meetings with audit committee and or board of directors, as necessary
2. Recommendations for improvement and implementation of the IACID internal controls

## **Key Personnel**

Following are key contacts for information you may seek in preparing your proposal:

Ms. Bobbi Baker	NEKCCoC CEO and IACID District Mgr.	(816) 215-6813
Ms. Ellen Schwaller Goebel	IACID/NEKCCoC Bookkeeper	(816) 695-8524

Requests for additional information, visits to our site, review of prior financial statements, and appointments with the CEO or Bookkeeper should be coordinated through the NEKCoC CEO, Bobbi Baker. You may reach her at the number listed in this proposal. Please return the completed proposal to her attention at the address provided.

## **Audit History**

The IACID does not require an annual audit, but it was suggested by the Office of the City Auditor of Kansas City, Missouri in a performance audit conducted for the fiscal year ending April 2017. These services were provided by Ralph C. Johnson and Company, PC for the fiscal year ending April 30, 2017. In preparing your proposal, be advised that management will give permission to contact the prior auditors.

## **Your Response to This Request for Proposal**

In responding to this request, we request the following information:

1. Detail your firm's experience in providing auditing and tax services to similar governmental organizations.
2. Discuss the firm's independence with respect to the IACID.
3. Discuss commitments you will make to staff continuity, including your staff turnover experience in the last three years.
4. Identify the five largest governmental clients your firm (or office) has lost in the past three years and the reasons. Also discuss, in instances when loss of the client was due to an unresolved auditing or accounting matter, the process of attempting to resolve the issue(s).
5. Identify the partner, manager, and in-charge accountant who will be assigned to our job if you are successful in your bid and provide biographies. Indicate any complaints against them that have been leveled by the state board of accountancy or other regulatory authority, if any. Indicate any corrective actions that have been taken by the firm with respect to these people.
6. Describe how your firm will approach the audit of the IACID, including the use of any association or affiliate member firm personnel and the areas that will receive primary emphasis. Also discuss the firm's use of technology in the audit. And finally, discuss the communication process used by the firm to discuss issues with the management and audit committees of the board.
8. Set forth your fee proposal for the 2018 audit, with whatever guarantees can be given regarding increases in future years. Your fee proposal should also delineate hours by level of staff.
9. Describe how you will bill for questions on technical matters that may arise throughout the year.
10. Furnish current standard and discounted billing rates for classes of professional personnel.
11. Provide the names and contact information for other similarly sized clients of the partner and manager that will be assigned to our organization for reference purposes.
12. Describe how and why your firm is different from other firms being considered, and why our selection of your firm as our external accountants is the best decision we could make.

13. Include a copy of your firm's most recent peer review report, the related letter of comments, and the firm's response to the letter of comments.

## **Evaluation of Proposals**

The Independence Avenue Community Improvement District will evaluate proposals on a qualitative basis. This includes our review of the firm's peer review report and related materials, interviews with senior engagement personnel to be assigned to our organization, results of discussions with other clients, and the firm's completeness and timeliness in its response to us.

We would also appreciate a response if you decline to submit a proposal.

Sincerely,

Ms. Bobbi Baker  
CEO/President NEKCCoC  
IACID District Manager

Attachments:  
Most recent financial statements