

The Grove Community Improvement District

Independent Auditor's Report and Financial Statements

For the year ended June 30, 2016



The Grove Community Improvement District
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June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
the Grove Community Improvement District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grove Community Improvement District (the "District") as of and for the year ended June 30, 2016, 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. 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

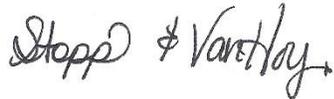
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Grove Community Improvement District, as of June 30, 2016, and the respective changes in financial position 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 page 15 be presented to supplement the basic financial statements. Management has omitted the management's discussion and analysis that accounting principles accepted in the United States require to 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. Our opinion on the basic financial statements is not affected by this missing information. 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.

Handwritten signature in cursive script, reading "Stopp & VanHoy".

Creve Coeur, Missouri
December 13, 2016

**The Grove Community Improvement District
Statement of Net Position
June 30, 2016**

	Governmental Activities
Assets	
Current Assets	
Cash and cash equivalents	\$ 336,908
Receivables:	
Taxes	22,080
Other	14,649
Prepaid expenses	1,909
Total Current Assets	375,546
Noncurrent Assets	
Intangible assets, net of amortization	11,121
Total Noncurrent Assets	11,121
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 386,667
Liabilities	
Current Liabilities	
Accounts payable	\$ 35,783
Accrued expenses	31,518
Unearned revenue	76,942
Total Current Liabilities	144,243
Deferred Inflows of Resources	-
Net Position	
Net investment in intangible assets	11,121
Unrestricted net position	231,303
Total Net Position	242,424
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 386,667

See Notes to the Financial Statements

The Grove Community Improvement District
Statement of Activities
For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Administrative	\$ (31,098)	\$ 4,583	\$ -	\$ -	\$ (26,515)
Marketing and special events	(180,299)	122,548	-	-	(57,751)
Public improvements	(19,736)	2,070	-	-	(17,666)
Public services	(43,099)	7,488	-	-	(35,611)
Security, public safety and parking	(205,052)	51,107	65,000	-	(88,945)
Total Governmental Activities	<u>\$ (479,284)</u>	<u>\$ 187,796</u>	<u>\$ 65,000</u>	<u>\$ -</u>	<u>\$ (226,488)</u>
			General Revenues:		
			Sales tax	\$ 226,934	
			Investment income	319	
			Miscellaneous income	122	
				<u>227,375</u>	
			Change in Net Position		887
			Net Position - Beginning of Year (restated)		<u>241,537</u>
			Net Position - End of Year		<u>\$ 242,424</u>

See Notes to the Financial Statements

**The Grove Community Improvement District
Balance Sheet - Governmental Fund
June 30, 2016**

	General Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 336,908
Receivables:	
Taxes	22,080
Other	14,649
Prepaid expenses	1,909
Total Current Assets	375,546
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 375,546
Liabilities	
Current Liabilities	
Accounts payable	\$ 35,783
Accrued expenses	15,429
Unearned revenue	76,942
Total Current Liabilities	128,154
Deferred Inflows of Resources	-
Fund Balance	
Nonspendable	1,909
Unassigned	245,483
Total Net Fund Balance	247,392
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 375,546

See Notes to the Financial Statements

The Grove Community Improvement District
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balance	\$	247,392
Amounts reported for governmental activities in the statement of net position are different because:		
Accounts receivable collected 60 days after the end of the year are not financial resources and, therefore, are not reported in the funds		-
Intangible assets, net of amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds		11,121
Certain long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Accrued expenses		<u>(16,089)</u>
Net Position of Governmental Activities	\$	<u>242,424</u>

See Notes to the Financial Statements

The Grove Community Improvement District
Statement of Revenue, Expenditures, and Change in Fund Balance
For the year ended June 30, 2016

	General Fund
Revenues	
Sales tax	\$ 226,934
Special assessments	65,153
Charges for services	3,093
Special events	119,550
Grant revenue	74,750
Investment income	319
Miscellaneous income	122
Total Revenues	\$ 489,921
Expenditures	
Current:	
Administrative	\$ 37,139
Marketing and special events	178,973
Public improvements	20,030
Public services	42,427
Security, public safety and parking	200,874
Capital Outlay	5,775
Total Expenditures	\$ 485,218
Excess (Deficiency) of Revenues over Expenditures	4,703
Other Financing Sources (Uses)	
Proceeds from debt issuance	\$ -
Transfers in	-
Transfers out	-
	\$ -
Net Change in Fund Balance	4,703
Fund Balance - Beginning of Year (restated)	242,689
Fund Balance - End of Year	\$ 247,392

See Notes to the Financial Statements

The Grove Community Improvement District
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance
of the Governmental Fund to the Statement of Activities
For the year ended June 30, 2016

Net Change in Fund Balance - Total Governmental Funds	\$	4,703
Amounts reported for governmental activities in the statement of activities are different because:		
Some revenue reported in the Statement of Activities do not represent financial resources and therefore is not reported as revenue in the funds		(9,750)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchase capitalized	5,775	
Amortization expense	(654)	5,121
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Accrued expenses		813
Change in Net Position of Governmental Funds	\$	887

See Notes to the Financial Statements

The Grove Community Improvement District
Notes to the Financial Statements
For the year ended June 30, 2016

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The Financial Reporting Entity

The accompanying financial statements represent the accounts of The Grove Community Improvement District (the "District"). The District has been operating since July 28, 2008 when The Grove Community Improvement District was created by petition of property owners in the Forest Park Southeast neighborhood in St. Louis, Missouri and approved by Ordinance of the City of St. Louis Board of Alderman. The term of the District began July 28, 2008 and will expire July 28, 2028. The District has also been established as a political subdivision of the State of Missouri.

The purpose of the District is to improve a specific area of the Forest Park Southeast neighborhood in St. Louis, Missouri, primarily through public space improvements, maintenance, security, economic development, and other programs. All revenues and expenditures of the District are recorded in the accounts of the District. The District is not a component unit of any other entity and, as such, is presented in the financial statements as a stand-alone entity. The District is exempt from federal and state taxes.

The specific services, benefits, and improvements to be provided by the District are set forth in the petition authorized by the above referenced ordinance. In August of 2008, the District's Board of Directors authorized a one percent sales and use tax for the purpose of paying the costs and expenses to be incurred in the implementation of the District's budget. Additionally, in August of 2008, the District's Board of Directors authorized a special assessment against real property benefited within the District. This special assessment was authorized for five calendar years beginning in 2008, and was renewed for an additional seven years beginning in 2013. The City of St. Louis bills and collects the special assessment on behalf of the District. The special assessment is levied by the City of St. Louis in August and mailed to residents in October as an attachment to the real property tax bills. The balance is payable on or before January 1 of the following year. The City remits all special assessments collected to the District on a monthly basis.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the District as a whole. The primary government consists only of a general fund and reports only governmental activities, primarily supported by sales taxes and special assessments.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds. The only major fund, the General Fund, is reported in the fund financial statements.

Basis of Presentation/Measurement Focus/Basis of Accounting

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all District activities. 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 when a liability is incurred, regardless of the timing of the related cash flows.

The Grove Community Improvement District
Notes to the Financial Statements
For the year ended June 30, 2016

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (continued)

Basis of Presentation/Measurement Focus/Basis of Accounting (continued)

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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The general fund is currently the only operating fund of the District.

Fund Equity

The government-wide statements are classified in the following categories:

Net investment in capital (or intangible) assets - represents capital or intangible assets, net of accumulated depreciation or amortization, less the outstanding balances of any notes, lease or other borrowings that are attributable to the acquisition, construction, or improvements of the assets. Net investment in capital/intangible assets excludes unspent bond and loan proceeds.

Restricted - net assets are legally restricted or identified for specific purposes by outside parties or by law through constitutional provisions or enabling legislation. The District has no restricted assets as of June 30, 2016.

Unrestricted - net assets are the residual assets and represent assets available for future operations or distribution.

The governmental fund equities, under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, are classified in the following categories:

Nonspendable - fund balances are amounts that cannot be spent because they are either a.) not in spendable form (i.e. inventory and prepaid items) or b.) legally or contractually required to be maintained intact.

Restricted - fund balances are amounts that can be used only for specific purposes because of a.) constitutional provisions or enabling legislation or b.) externally imposed constraints such as creditors, grantors, laws or other governments. The District has no restricted fund balances as of June 30, 2016.

Committed - fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by the Board of Directors through an ordinance or resolution. The District has no committed fund balances as of June 30, 2016.

Assigned - fund balances are any amounts for which it is the District's intent that the funds be used for specific purposes but there exist no legal or binding restrictions or commitments. Assignments are made by the District's management. The District has no assigned fund balances as of June 30, 2016.

Unassigned - fund balances are residual amounts for the government's general fund and include all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources, as needed.

The Grove Community Improvement District
Notes to the Financial Statements
For the year ended June 30, 2016

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting

The budget is a non-appropriated budget (i.e. not subject to the approval of taxpayers) and its approval is consistent with the legislation adopted by the State of Missouri. The District follows the procedures outlined below in establishing its budget:

No earlier than 180 days and no later than 90 days prior to the first day of each fiscal year, the District shall submit to the City of St. Louis Board of Alderman a proposed annual District budget, setting forth expected expenditures, revenues and rates of assessments for such fiscal year. The Board of Aldermen may review and comment on the proposed budget but such comments shall not constitute requirements and shall only be recommendations. The Grove Community Improvement District must then hold an annual meeting and adopt the annual budget no later than 30 days prior to the first day of each fiscal year.

District Costs

The various District costs consist of the following:

Security, Public Safety and Parking: Services in this category may include, but are not limited to (a) the contracting of security services to private security providers, off duty police officers, or local police department; (b) the purchase, installation, and maintenances of security cameras within the District; (c) the purchase of communication equipment designed to address security related issues; (d) the purchase, installation, and maintenance of lighting for the security of the District; (e) the purchase of bicycles or automobiles for security personnel and (f) assistance with the lease, acquisition, or development of parking lots and parking structures for District businesses.

Public Service: Services in this category may include the contracting of cleaning services to a maintenance provider. Those maintenance activities include, but are not limited to (a) scheduled street cleaning; (b) additional trash collection; (c) landscape and street scope maintenance within the District; (d) maintenance of street furniture, public art, decorations, improvements, banners, lighting, and signage; (e) graffiti removal and (f) the purchase of equipment to assist in the above-listed cleaning and maintenance services.

Public Improvements: Services in this category may include, but are not limited to (a) the purchase, installation, and maintenance of street lighting within the District; (b) the purchase, installation, and maintenance of street furniture; (c) the purchase, installation, and maintenance of beautification materials throughout the District; (d) the contracting of services for installation of street improvements throughout the District; (e) the matching of funds for grants and projects intended to benefit the District; (f) the purchase, acquisition, or lease of parking lots or parking structures and (g) transportation-related services and equipment, including but not limited to, shuttle buses.

Marketing and Special Events: Services in this category may include, but are not limited to (a) the contracting of services for the purpose of marketing the District; (b) the purchase of marketing materials such as banners, way-finding markers, newsletters, and other promotional materials; (c) funds to help in the planning and implementation of district-wide events and (d) the purchase or lease of tents, bleachers, and other similar equipment for use at district-wide events.

Administrative Support: Services in this category may include, but are not limited to (a) the purchase of administrative support materials such as office supplies, postage, reporting, and necessary equipment; (b) fees associated with the administrative activities of the District and (c) the contracting of services with a separate entity for the administration of the District.

The Grove Community Improvement District
Notes to the Financial Statements
For the year ended June 30, 2016

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. All purchased capital assets are valued at historical cost. Donated assets are valued at fair market value at the date of donation. Repairs and maintenance are recorded as expense and renewals and betterments are capitalized. All purchases of capital assets over \$500 are capitalized. Depreciation is calculated using the straight-line method over the asset's useful life. Useful lives are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Software	3-5 years
Equipment/Furniture	5-7 years
Improvements	10-40 years

Use of Estimates

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

Cash and cash equivalents

The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Note 2 - Deposits and Investments

Deposits

At June 30, 2016, the carrying value of the District's deposits was \$336,908 and the bank balance was \$367,552. Missouri Statutes (RSMo.) require that all funds of the District on deposit in financial institutions must be collateralized by the depository institution with appropriate securities to the extent not provided by FDIC (Federal Deposit Insurance Corporation) insurance. As of June 30, 2016, all balances were covered by FDIC insurance.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits might not be recovered. The District currently has not adopted a deposit policy for custodial credit risk.

Investments

At June 30, 2016, the District had no investments. Additionally, the district has not formally adopted an investment policy including addressing the various types of risks (credit risk, custodial credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk).

The Grove Community Improvement District
Notes to the Financial Statements
For the year ended June 30, 2016

Note 3 - Intangible Assets

Intangible asset activity for the year ended June 30, 2016 was as follows:

	Balance July 01, 2015	Additions	Deletions	Balance June 30, 2016
Nonamortizable Assets:				
Construction in process	\$ 6,000	\$ -	\$ 6,000	\$ -
Amortizable Assets:				
Intangible Assets	\$ -	\$ 11,175	\$ -	\$ 11,175

Amortization expense charged for the year ended June 30, 2016 was \$654.

Note 4 - Special Assessment Revenue

The District is partially funded by a levy of assessments on real property within the District (see Note 1). The assessments are calculated based on parcel square footage and ground floor square footage of any building located on a parcel for each individual tax parcel located in the District. A service fee of approximately 1.5 % of gross assessments is paid to the City for this administration and is netted against assessment revenues. Special assessment income and related receivables are recognized as the related expenditures are made in accordance with GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments*. District expenditures can only occur to the extent special assessments have been collected. The difference between amounts received and amounts recognized as income is recorded as unearned revenue on the balance sheet.

Unearned special assessment revenue as of June 30, 2015	\$ 41,060
Special assessments received during the year ended June 30, 2016	101,035
Special assessments recognized as revenue during the year ended June 30, 2016	(65,153)
Unearned special assessment revenue as of June 30, 2016	\$ 76,942

As of June 30, 2016, there was \$5,303 of delinquent special assessments due to the District through collection by the City.

Note 5 - Related Party Transaction

The administrator of the Grove Community Improvement District leases office space from a member of the Grove Community Improvement District's Board of Directors.

Also, the Grove Community Improvement District received a \$65,000 grant from an organization whose executive director is a member of the Board of Directors.

Note 6 - Subsequent Events

The Organization has evaluated events subsequent to June 30, 2016 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through December 13, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

The Grove Community Improvement District
Notes to the Financial Statements
For the year ended June 30, 2016

Note 7 - Prior Period Adjustment

During the current year, it was discovered items were not accrued for properly in the prior year. This adjustment will have no material effect on the operations of the Organization.

Net Position, as Previously stated on June 30, 2015	\$ 256,776
Prior Period Adjustment	<u>(15,239)</u>
Net Position, as Restated on June 30, 2015	<u>\$ 241,537</u>
Fund Balance, as Previously stated on June 30, 2015	\$ 257,928
Prior Period Adjustment	<u>(15,239)</u>
Fund Balance, as Restated on June 30, 2015	<u>\$ 242,689</u>

Required Supplementary Information

The Grove Community Improvement District
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual: General Fund
For the year ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Revenues						
Sales tax	\$ 188,150	\$ 188,150	\$ 234,970	\$ 46,820	\$ (8,036) (1)	\$ 226,934
Special assessments	88,000	88,000	101,035	13,035	(35,882) (2)	65,153
Charges for services	-	-	3,093	3,093	-	3,093
Special events	-	-	119,550	119,550	-	119,550
Grant revenue	65,000	65,000	74,750	9,750	-	74,750
Investment income	-	-	319	319	-	319
Miscellaneous income	-	-	122	122	-	122
Total Revenues	<u>\$ 341,150</u>	<u>\$ 341,150</u>	<u>\$ 533,839</u>	<u>\$ 192,689</u>	<u>\$ (43,918)</u>	<u>\$ 489,921</u>
Expenditures						
Current:						
Administrative	\$ 30,377	\$ 30,377	\$ 37,139	\$ 6,762	\$ -	\$ 37,139
Marketing and special events	35,898	35,898	178,973	143,075	-	178,973
Public improvements	19,331	19,331	20,030	699	-	20,030
Public services	35,900	35,900	42,427	6,527	-	42,427
Security, public safety and parking	219,644	219,644	200,874	(18,770)	-	200,874
Capital Outlay	-	-	5,775	5,775	-	5,775
Total Expenditures	<u>\$ 341,150</u>	<u>\$ 341,150</u>	<u>\$ 485,218</u>	<u>\$ 144,068</u>	<u>\$ -</u>	<u>\$ 485,218</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	48,621	48,621	(43,918)	4,703
Other Financing Sources (Uses)						
Lease purchase proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,621</u>	<u>\$ 48,621</u>	<u>\$ (43,918)</u>	<u>4,703</u>
Fund Balance - Beginning of Year						<u>242,689</u>
Fund Balance - End of Year						<u><u>\$ 247,392</u></u>

See Notes to the Required Supplementary Information

The Grove Community Improvement District
Notes to the Required Supplementary Information
For the year ended June 30, 2016

Note 1 - Explanation of Budgetary Process

The budget is a non-appropriated budget (i.e. not subject to the approval of taxpayers) and its approval is consistent with the legislation adopted by the State of Missouri. The District follows the procedures outlined below in establishing its budget:

No earlier than 180 days and no later than 90 days prior to the first day of each fiscal year, the District shall submit to the City of St. Louis Board of Alderman a proposed annual District budget, setting forth expected expenditures, revenues and rates of assessments for such fiscal year. The Board of Aldermen may review and comment on the proposed budget but such comments shall not constitute requirements and shall only be recommendations. The Grove Community Improvement District must then hold an annual meeting and adopt the annual budget no later than 30 days prior to the first day of each fiscal year.

Note 2 - Budget to Actual Reconciliation

The District prepares its annual budget 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 (GAAP). An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

- (1) The budget for sales tax inflows is prepared on the cash basis of accounting.
- (2) The budget for special assessment inflows is prepared based on anticipated monies received and not in accordance with the provisions for special assessments as determined by GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments*.