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Basic Financial Statements, 2007

Crestwood Market Community Improvement District

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**Crestwood Market Community
Improvement District**

Basic Financial Statements

And Management's Discussion and Analysis

Year Ended December 31, 2007



Wade Stables P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**Crestwood Market Community
Improvement District**

Basic Financial Statements

And Management's Discussion and Analysis

Year Ended December 31, 2007

Crestwood Market Community Improvement District

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Independent Auditors' Report

To the Board of Directors
Crestwood Market Community Improvement District
Crestwood, Missouri

We have audited the accompanying financial statements of the governmental activities of Crestwood Market Community Improvement District as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities of Crestwood Market Community Improvement District as of December 31, 2007 and the respective change in financial position - cash basis, for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of the Crestwood Market Community Improvement 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Wade Stables P.C.
Certified Public Accountants

August 15, 2008
Hannibal, Missouri

Management's Discussion and Analysis

Crestwood Market Community Improvement District

Management's Discussion and Analysis For the Year Ended December 31, 2007 (Unaudited)

The discussion and analysis of the Crestwood Market Community Improvement District's financial performance provides an overview and analysis of the District's financial statements for the year ended December 31, 2007. It should be read in conjunction with the accompanying basic financial statements.

Financial Highlights

- The assets of Crestwood Market Community Improvement District exceeded its liabilities at the close of the year ending December 31, 2007 by \$106,004. Of this amount, \$12,869 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- For year ending December 31, 2006, the District's assets exceeded the liabilities by \$104,211. Of this amount, \$12,406 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$1,793 for the year ended December 31, 2007. The primary reason for this is because the District collected more in property taxes than they spent on expenses.
- The District's total net assets increased by \$104,374 for the year ended December 31, 2006. The primary reason for this is because the District issued Taxable Community Improvement Revenue Refunding Bonds, Series 2006 (Series 2006 Bonds) in the amount of \$1,155,000 and Taxable Subordinate Community Improvement Revenue Notes Series B (Series B Notes) in the amount of \$102,671. From these proceeds, the District funded the Debt Service Reserve Fund in the amount of \$86,600 and the Operating Fund in the amount of \$12,000. The District also received CID Revenues in the amount of \$105,355; this along with the Bond proceeds and the Notes proceeds exceeded the amount of expenditures for interest, cost of issuance fees, underwriter's discount, debt repayment, bank service charges and trustee fees.
- As of December 31, 2007, the District has a balance on the Refunding Bonds, Series 2006 in the amount of \$1,100,000 and a balance on the Revenue Notes, Series B in the amount of \$102,671. During the year, the District made principal payments in the amount of \$10,000 and interest payments of \$83,425 on the Revenue Bonds, Series 2006.
- As of December 31, 2006, the District had a balance on the Refunding Bonds, Series 2006 in the amount of \$1,110,000 and a balance on the Revenue Notes, Series B in the amount of \$102,671. During the year, the District made principal payments in the amount of \$45,000 and interest payments of \$42,195 on the Revenue Bonds, Series 2006. The District used the Refunding Bond, Series 2006 proceeds, and the Revenue Note, Series B proceeds to refund the \$1,000,000 of Revenue Notes, Series 2005 and they made interest payments on those Series 2005 Notes in the amount of \$103,611.

Using This Other Comprehensive Basis of Accounting Report (OCBOA)

The financial statements are presented on a basis of cash receipts and cash disbursements, a basis of accounting other than Generally Accepted Accounting Principles (GAAP). These statements include all assets and liabilities arising from cash transactions; a basis of accounting takes into consideration all of the current year's revenues collected and expenditures paid, but does not include capital assets, amounts due in the future from others, or liabilities payable from future revenues.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to Crestwood Market Community Improvement District's basic financial statements. The District's financial statements are comprised of two components, combined government-wide and fund financial statements and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Crestwood Market Community Improvement District

Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

Combined Government-wide and Fund Financial Statements

The fund financial statements provide detailed information about the major funds.

Governmental fund - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of the funds and the balance left at year-end that is available for spending. The funds are reported using the cash basis of accounting. This measurement focus reports on revenues received and expenditures paid during the period. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The Crestwood Market Community Improvement District maintains six individual governmental funds. Information is presented in the Statement of Net Assets - Cash Basis, for the Special Trust Fund, the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Project Fund and the Operating Fund, which are considered major funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found immediately following the basic financial statements.

Special Trust Fund Budgeting Highlights

For the year ending December 31, 2007, actual expenditures on a budgetary basis were \$0, compared to the budget amount of \$0. For the year ending December 31, 2007, the District did budget transferring \$105,392 from the Special Trust Fund to the Revenue Fund and the actual transfer was \$105,392.

For the year ending December 31, 2006, actual expenditures on a budgetary basis were \$0, compared to the budget amount of \$1,169. The \$1,169 positive variance was due to the fact the District budgeted for the 1% collection fee and bank service charges and there were no expenses on the year. For the year ending December 31, 2006, the District did budget transferring \$105,756 from the Special Trust Fund to the Debt Service Fund and the actual transfer was \$105,355. This positive \$401 variance was due to the fact that the actual CID revenues received were less than the budgeted CID revenues.

For the year ending December 31, 2007, actual revenues on a budgetary basis were \$105,392, compared to the budget amount of \$105,856. The \$406 negative variance was primarily due to the CID property tax revenues being less than budgeted.

For the year ending December 31, 2006, actual revenues on a budgetary basis were \$105,399, compared to the budget amount of \$106,925. The \$1,526 negative variance was primarily due to the CID property tax revenues being less than budgeted.

Local, national and international economic factors influence the District's revenues. Positive economic growth correlates with increased revenues from sales taxes. Economic growth in the local economy may be measured by a variety of indicators such as employment growth, unemployment, and new construction and assessed valuation. The District has prepared its budget for the next fiscal year considering the economic factors discussed above.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District.

Crestwood Market Community Improvement District

Statement of Net Assets and Governmental
Funds Balance Sheet - Cash Basis
December 31, 2007

| | Special Trust Fund | Revenue Fund | Debt Service Fund | Debt Service Reserve Fund | Project Fund | Operating Fund | Total Governmental Funds | Adjustments | Statement of Net Assets |
|--|--------------------------|-----------------|----------------------|---------------------------------|-----------------|-------------------|--------------------------------|---------------------|----------------------------|
| Assets | | | | | | | | | |
| Cash and equivalents | \$ - | \$ 13 | \$ 6,465 | \$ 86,670 | \$ - | \$ 12,856 | \$ 106,004 | \$ - | \$ 106,004 |
| Total Assets | <u>\$ -</u> | <u>\$ 13</u> | <u>\$ 6,465</u> | <u>\$ 86,670</u> | <u>\$ -</u> | <u>\$ 12,856</u> | <u>\$ 106,004</u> | <u>\$ -</u> | <u>\$ 106,004</u> |
| Liabilities and Fund Balance / Net Assets | | | | | | | | | |
| Fund Balance: | | | | | | | | | |
| Reserved for debt service | \$ - | \$ - | \$ 6,465 | \$ 86,670 | \$ - | \$ - | \$ 93,135 | \$ (93,135) | \$ - |
| Unreserved | - | 13 | - | - | - | 12,856 | 12,869 | (12,869) | - |
| Total liabilities and fund balance | <u>\$ -</u> | <u>\$ 13</u> | <u>\$ 6,465</u> | <u>\$ 86,670</u> | <u>\$ -</u> | <u>\$ 12,856</u> | <u>\$ 106,004</u> | <u>\$ (106,004)</u> | <u>\$ -</u> |
| Net Assets: | | | | | | | | | |
| Restricted for debt service | | | | | | | | \$ 93,135 | \$ 93,135 |
| Unrestricted | | | | | | | | 12,869 | 12,869 |
| Total Net Assets | | | | | | | | <u>\$ 106,004</u> | <u>\$ 106,004</u> |

The accompanying notes to financial statements are an integral part of this statement.

Crestwood Market Community Improvement District
Statement of Activities and Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances - Cash Basis
For the Year Ended December 31, 2007

| | Special Trust Fund | Revenue Fund | Debt Service Fund | Debt Service Reserve Fund | Project Fund | Operating Fund | Total Governmental Funds | Adjustments | Statement of Activities |
|---|--------------------------|-------------------|----------------------|---------------------------------|-----------------|--------------------|--------------------------------|-------------------|----------------------------|
| Expenditures/Expenses: | | | | | | | | | |
| Bank service charges | \$ - | \$ 1 | \$ 70 | \$ 85 | \$ - | \$ 60 | \$ 216 | \$ - | \$ 216 |
| Administrative fees | - | - | - | - | - | 2,994 | 2,994 | - | 2,994 |
| Legal fees | - | - | - | - | - | 4,861 | 4,861 | - | 4,861 |
| Audit fees | - | - | - | - | - | 3,250 | 3,250 | - | 3,250 |
| Insurance | - | - | - | - | - | 1,295 | 1,295 | - | 1,295 |
| Trustee fees | - | 3,135 | - | - | - | - | 3,135 | - | 3,135 |
| Revenue bond principal repayment | - | - | 10,000 | - | - | - | 10,000 | - | 10,000 |
| Interest expense | - | - | 83,425 | - | - | - | 83,425 | - | 83,425 |
| Total Expenditures/Expenses | \$ - | \$ 3,136 | \$ 93,495 | \$ 85 | \$ - | \$ 12,460 | \$ 109,176 | \$ - | \$ 109,176 |
| General Revenues: | | | | | | | | | |
| CID Revenues | \$ 105,392 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 105,392 | \$ - | \$ 105,392 |
| Miscellaneous income | - | - | - | - | - | - | - | - | - |
| Revenue note proceeds | - | - | - | - | - | - | - | - | - |
| Revenue bond proceeds | - | - | - | - | - | - | - | - | - |
| Interest income | - | 26 | 1,783 | 2,925 | - | 843 | 5,577 | - | 5,577 |
| Total General Revenues | \$ 105,392 | \$ 26 | \$ 1,783 | \$ 2,925 | \$ - | \$ 843 | \$ 110,969 | \$ - | \$ 110,969 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 105,392 | \$ (3,110) | \$ (91,712) | \$ 2,840 | \$ - | \$ (11,617) | \$ 1,793 | \$ - | \$ 1,793 |
| Other Financing Sources (Uses) | | | | | | | | | |
| Transfers in | \$ - | \$ 109,902 | \$ 94,713 | \$ - | \$ - | \$ 12,384 | \$ 216,999 | \$ - | \$ 216,999 |
| Transfers out | (105,392) | (107,096) | - | (4,511) | - | - | (216,999) | - | (216,999) |
| Total Other Financing Sources (Uses) | \$ (105,392) | \$ 2,806 | \$ 94,713 | \$ (4,511) | \$ - | \$ 12,384 | \$ - | \$ - | \$ - |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | \$ - | \$ (304) | \$ 3,001 | \$ (1,671) | \$ - | \$ 767 | \$ 1,793 | \$ (1,793) | \$ - |
| Change in net assets | - | - | - | - | - | - | - | 1,793 | 1,793 |
| Fund balance/net assets: | | | | | | | | | |
| Beginning of Year | - | 317 | 3,464 | 88,341 | - | 12,089 | 104,211 | - | 104,211 |
| End of Year | \$ - | \$ 13 | \$ 6,465 | \$ 86,670 | \$ - | \$ 12,856 | \$ 106,004 | \$ - | \$ 106,004 |

The accompanying notes to financial statements are an integral part of this statement.

Crestwood Market Community Improvement District

Notes to Financial Statements
December 31, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pursuant to the Community Improvement District Act, Sections 67.1401 to 67.1571, inclusive, of the Revised Statutes of Missouri, as amended (the "CID Act") and Ordinance No. 3820 approved on March 4, 2004 (the "Approving Ordinance"), the City of Crestwood, Missouri (the "City") approved formation of the Crestwood Market Community Improvement District (the "District") for the purpose of financing the construction of the project defined in the Development Agreement.

The District is generally bounded by Watson Road to the north, Crestwood Drive to the east, Arban Drive to the south and Sappington Road to the west and has been declared to be blighted pursuant to the CID Act. The property within the boundaries of the District is owned by Milpitas-Fleming Associates, a California general partnership, and Black Industries, LLC, a Missouri limited liability company (collectively, the "Developer").

Pursuant to Resolution No. 04-002 and Resolution No. 04-007 of the Board of Directors of the District, the District and the Developer entered into a First Amended Development Agreement (the "Development Agreement") dated as of December 22, 2004, pursuant to which the Developer agreed to construct and implement the Project and the District agreed to issue obligations to finance a portion of the Project.

The Project is described as follows:

Working toward the elimination of blight factors within the District, including the demolition and reconstruction of the interior of a K-Mart store of approximately 175,000 square feet (including the existing garden center) located within the District.

Resolution No. 04-006 of the Board of Directors of the District authorized a tax upon real property located within the District at a rate of \$5.00 per \$100 equalized assessed valuation for a period of 20 years from the date such tax is approved by qualified voters of the District (the "CID Real Property Tax"). The qualified voters of the District approved the CID Real Property Tax at an election held on March 29, 2005.

Pursuant to Resolution No. 04-008 of the Board of Directors of the District and a Trust Indenture dated January 1, 2005, by and between the District and the Trustee, the District issued its Community Improvement Revenue Notes, Series 2005 (the "Series 2005 Notes") in the amount of \$1,000,000 for the purpose of (a) financing certain costs associated with the construction and implementation of the Project, (b) paying accrued interest, and (c) paying Administrative Costs including without limitation Costs of Issuance of the Series 2005 Note.

The District authorized the issuance of (i) its Crestwood Market Community Improvement District Taxable Community Improvement Revenue Refunding Bonds, Series 2006 (the "Bonds") for the purpose of (a) refunding the Series 2005 Notes, (b) funding a debt service reserve fund for the Bonds, and (c) paying the Costs of Issuance of the Obligations; (ii) its Crestwood Market Community Improvement District Taxable Subordinate Community Improvement Revenue Notes, Series A (the "Series A Subordinate Notes") for the purpose of reimbursing certain payments made pursuant to the PILOTs Agreement; and (iii) its Crestwood Market Community Improvement District Taxable Subordinate Community Improvement Revenue Notes, Series B (the "Series B Subordinate Notes") for the purpose of paying additional costs of the Project.

Pursuant to Resolution No. 06-002 of the Board of Directors of the District, the District is authorized to execute and deliver the Trust Indenture for the purpose of (i) issuing and securing the Bonds in an aggregate principal amount of \$1,155,000; (ii) issuing and securing, subordinate to the Bonds, Series A Subordinate Notes in an aggregate principal amount not to exceed \$1,155,000; and (iii) issuing and securing, subordinate to the Bonds and the Series A Subordinate Notes, the Series B Subordinate Notes in an aggregate principal amount of \$102,671.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District.

Crestwood Market Community Improvement District

Notes to Financial Statements

December 31, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

A) BASIS OF PRESENTATION

Special-purpose governments engaged in a single governmental program and having no component units may present financial statements as combining fund financial statements with government-wide statements. This is illustrated on page 4 for Statement of Net Assets and Governmental funds Balance Sheet - Cash Basis and page 5 for Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances - Cash Basis.

In the fund financial statements, financial transactions and accounts of the District are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The fund statements are also presented on a cash basis of accounting.

The following is a brief description of the specific funds used by the District.

Governmental Funds

Special Trust Fund - The Special Trust Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes.

Revenue Fund - On or before the 10th calendar day of each month, (or the next Business Day thereafter if the 10th is not a Business Day) while the Obligations are outstanding, the District shall cause to be transferred all Pledged Revenues from the Special Trust Fund to the Trustee for deposit into the Revenue Fund.

Moneys on deposit in the Revenue Fund shall be disbursed by the Trustee on the 40th day (or if such day is not a Business Day, the immediately preceding Business Day), except as otherwise provided, prior to each Interest Payment Date, to the extent necessary for the purposes and in such amounts as follows:

First, for transfer to the Operating Fund such amount as may be required to cause the total deposits to the Operating Fund for that calendar year to equal the Annual Operating Fund Deposit requirement for such calendar year (\$12,000);

Second, transfer to the Debt Service Account of the Debt Service Fund an amount sufficient to pay the interest becoming due and payable on the Bonds on the next succeeding Interest Payment Date;

Third, transfer to the Debt Service Account of the Debt Service Fund an amount sufficient to pay the interest becoming due and payable on the Bonds on the second succeeding Interest Payment Date if such second succeeding Interest Payment Date is September 1;

Crestwood Market Community Improvement District

Notes to Financial Statements

December 31, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) BASIS OF PRESENTATION (CONTINUED)

Fourth, for transfer to the Debt Service Account of the Debt Service Fund an amount sufficient to pay the principal next becoming due and payable on the Bonds;

Fifth, for transfer to the Debt Service Reserve Fund such amount as may be required to restore any deficiency in the Debt Service Reserve Fund if such amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Requirement (\$86,600);

Sixth, to the Trustee or any paying Agent, an amount sufficient for payment of fees and expenses which are due and owing to the Trustee or any Paying Agent, upon approval for payment by the District of an invoice for such amounts;

Seventh, if no Series A Subordinate Notes are then Outstanding, transfer to the Redemption Account of the Debt Service Fund all moneys the remaining which shall be applied to the payment of the principal of and accrued interest on all Bonds that are subject to redemption on the next succeeding Interest Payment Date ;

Eighth, if Series A Subordinate Notes are then Outstanding, transfer to the Redemption Account of the Debt Service Fund an amount which, when added to the amount of principal of Bonds previously paid by reason of maturity, mandatory sinking fund redemption or special mandatory redemption, equals the cumulative amounts to be redeemed as shown in Schedule 1 in the Trust Indenture (which cumulative amounts approximate the amount necessary to amortize the Bonds on a substantially level basis through March 1, 2022);

Ninth, if Series A Subordinate Notes are then Outstanding, transfer to the Subordinate Obligation Account of the Debt Service Fund an amount sufficient to pay the principal of and accrued interest on all Series A Subordinate Notes that are subject to redemption on the next succeeding Interest Payment Date, then transfer to the Redemption Account of the Debt Service Fund all moneys then remaining, which shall be applied to the payment of the principal of and accrued interest on all Bonds that are subject to redemption on the next succeeding Interest Payment Date; and

Tenth, if no Bonds or Series A Subordinate Notes are then Outstanding, transfer to the Subordinate Obligation Account of the Debt Service Fund an amount sufficient to pay the principal of and accrued interest on all Series B Notes that are subject to redemption on the next succeeding Interest Payment Date.

Debt Service Fund – All amounts paid and credited to the Debt Service Account and the Redemption Account of the Debt Service Fund shall be expended solely for the payment of the principal of, redemption premium, if any, and interest on the Bonds as the same mature and become due or upon the redemption thereof. All amounts paid and credited to the Subordinate Obligation Account of the Debt Service Fund shall be expended solely for the payment of the principal of, and interest on the Subordinate Obligations as the same mature and become due or upon the redemption thereof.

Project Fund – Moneys in the Refunding Account of the Project Fund shall be used by the District for the sole purpose of prepaying the Series 2005 Notes in full on the date of issuance of the Bonds. The Trustee is hereby directed, without further authorization, on the date of issuance of the Bonds to forward from the Refunding Account of the Project Fund to the paying agent for the Series 2005 Notes moneys sufficient for the payment on the date of issuance of the Bonds of the principal of and interest on the Series 2005 Notes, which moneys shall be irrevocably deposited with said paying agent and held uninvested.

Moneys in the Cost of Issuance Account of the Project Fund shall be disbursed, from time to time by the Trustee, to be paid upon receipt by the Trustee of invoices therefore, but without the necessity of receipt by the Trustee of a requisition therefore.

Upon the earlier of the prepayment of the Series 2005 Notes and the payment of the Costs of Issuance set forth in Schedule 2 of the Trust Indenture or the date (or if such date is not a Business Day, the next succeeding

Crestwood Market Community Improvement District

Notes to Financial Statements
December 31, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) BASIS OF PRESENTATION (CONCLUDED)

Business Day) which is six months after the date of issuance of the Bonds, any amounts remaining on deposit in the Project Fund shall be deposited in the Revenue Fund.

Debt Service Reserve Fund – Moneys in the Debt Service Reserve Fund shall be used by the Trustee without further authorization solely for the payment of the principal of and interest on the Bonds if moneys otherwise available for such purpose are insufficient to pay the same as they become due and payable and to make the final payment on the Bonds. The amount on deposit in the Debt Service Reserve Fund shall be valued by the Trustee forty-five (45) days prior to each Interest Payment Date (or if such date is not a Business Day, the immediately preceding Business Day) and the Trustee shall give prompt written notice to the District and the City if such amount is less than the Debt Service Reserve Requirement. For the purpose of determining the amount on deposit in the Debt Service Reserve Fund, each investment shall be valued at the lower of its original cost or its fair market value (inclusive of accrued interest thereon) on the date of such valuation. Moneys in the Debt Service Reserve Fund that are in excess of the Debt Service Reserve Requirement on any valuation date shall be deposited promptly by the Trustee without further authorization in the Revenue Fund.

Moneys in the Debt Service Reserve Fund may be used to pay principal of and interest on the Bonds upon final Maturity thereof. After payment in full of the principal of, redemption premium, if any, and interest on the Bonds (or provision having been made for the payment thereof as specified in the Indenture), and the fees, charges and expenses of the Trustee and any Paying Agent (exclusive of those relating to the Subordinate Obligations) and any other amounts required to be paid under the Indenture (exclusive of the Subordinate Obligations), all amounts remaining in the Debt Service Reserve Fund shall be paid to the District for deposit into the Special Trust Fund.

Operating Fund – Moneys in the Operating Fund shall be disbursed by the Trustee from time to time upon receipt of a written request of the Authorized District Representative to pay Administrative Costs, the principal of or interest on the Obligations, or any other lawful purpose of the District. Any Administrative Costs in excess of the Annual Operating Fund Deposit shall be carried forward for payment from the next deposit of the Annual Operating Fund Deposit.

B) BASIS OF ACCOUNTING

Basis of accounting refers to when 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 and Fund Financial Statements are prepared using the cash basis of accounting, a basis of accounting other than Generally Accepted Accounting Principles (GAAP). Under cash basis, revenues are recognized when received rather than when earned and expenditures are recognized when cash is disbursed rather than when the obligation is incurred.

C) BUDGETS AND BUDGETARY ACCOUNTING

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

- 1) In accordance with Section 67 of the Missouri Revised Statutes, the budget officer, as designated by the District, prepares and adopts an annual budget which represents the complete financial plan for the ensuing budget year. The budget includes at least the following information:
 - a) A budget message describing the important features of the budget and major changes from the preceding year;
 - b) Estimated revenues to be collected from all sources for the budget year, with a comparative statement of actual or estimated revenues for the two years next preceding, itemized by year, fund, activity and object;

Crestwood Market Community Improvement District

Notes to Financial Statements

December 31, 2007

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) BUDGETS AND BUDGETARY ACCOUNTING (CONCLUDED)

- c) The amount required for the payment of interest, amortization, and redemption charges on the debt of the District;
 - d) A general budget summary.
- 2) In no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.
 - 3) The District may revise, alter, increase or decrease the items in the proposed budget, subject to such limitations as may be provided by law provided, that in no event, shall the total authorized expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.
 - 4) The District shall, before the beginning of the fiscal year, approve the budget and approve or adopt such orders, motions, resolutions or ordinances as may be required to authorize the budgeted expenditures and produce the revenues in the budget.
 - 5) After the District has approved the budget and approved or adopted the orders, motions, resolutions or ordinances required to authorize the expenditures proposed in the budget, the District shall not increase the total amount authorized for expenditure from any fund, unless the District Council adopts a resolution setting forth the facts and reasons making the increase necessary and approves or adopts an order, motion resolution or ordinance to authorize the expenditures.

The 2007 budget was approved at the regular scheduled Board of Directors meetings.

2) CASH AND CASH EQUIVALENTS

The District complies with various restrictions on deposits and investments, which are imposed by the state statutes as follows:

Deposits - All deposits with financial institutions must be collateralized in an amount at least equal to uninsured deposits.

Investments - The District may invest in bonds of the State of Missouri or any wholly owned corporation of the United States; or in other short-term obligations of the United States.

Cash of the District at December 31, 2007 is as follows:

Deposits

At year ending December 31, 2007, the carrying amount of the District's deposits was \$106,004 and the bank balance was \$106,004. The balance in the Special Trust Fund was zero at year end; however, any balance maintained in this account would be covered by federal depository insurance up to \$100,000. All cash balances with the Trustee were invested in Fidelity U.S. Treasury Money Market accounts. Due to the short-term nature of investments, cash balances are classified as cash equivalents in the District's basic financial statements. The Fidelity U.S. Treasury Money Market Fund is not insured by federal depository insurance coverage. The Fund, however, invests only in direct obligations of the United States and repurchase agreements for direct obligations of the United States.

Investments

There were no investments at year ending December 31, 2007.

Crestwood Market Community Improvement District

Notes to Financial Statements

December 31, 2007

3) COMMITMENTS

On December 22, 2004, the District entered into a First Amended Development Agreement with Milpitas Fleming Associates (the "Developer"). Pursuant to this Agreement, the Developer affirmed its agreement to construct and implement the Project, the District affirmed its agreement to issue obligations to reimburse the Developer for such costs and the parties agreed that the accrued interest will be paid on certain Certificates of Reimbursable Project Costs in accordance with the Agreement.

On February 1, 2006, a PILOTS Agreement (Payments in Lieu of Taxes) by and between Milpitas Fleming Associates, a California general partnership, and Black Industry, LLC, a Missouri limited liability company (collectively, the "Owner") for the benefit of the Crestwood Market Community Improvement District and UMB Bank, N.A., as Trustee under the Bond Indenture.

On or before December 1 of each year, the Owner shall notify the District and the Trustee of the equalized assessed valuation of the Property, as determined by the St. Louis County Assessor. For each year that the equalized assessed valuation is less than the projected equalized assessed valuation of the Property, the Owner shall, on or before January 1 of the next succeeding year, make a payment to the Trustee in an amount equal to the product of (i) the projected equalized assessed valuation less the actual equalized actual assessed valuation (where the difference is zero), and (ii) \$.05 (each, a "PILOTs Payment").

The Trustee shall deposit each PILOTs Payment into the Debt Service Fund. The obligation to make PILOTs Payments, together with all other payment and performance obligations of the Owner, are sometimes referred to as the "Owners Obligations".

At the Owner's request, simultaneously with the deposit of any PILOTs Payments, the District shall issue subordinate obligations to the Owner in a principal amount equal to the amount of the PILOTs Payments by the Owner to the Trustee. The subordinate obligations shall bear interest at a rate of eight and eighty five hundredths percent (8.85%) per annum.

4) LITIGATION

At December 31, 2007, there were no claims or lawsuits pending against the District.

5) TAXES

The District has imposed a tax upon real property located within the District at a rate of \$5.00 per \$100 equalized assessed valuation for a period of 20 years from the date such tax is approved by qualified voters of the District (the "CID Real Property Tax"). The qualified voters of the District approved the CID Real Property Tax at an election held on March 29, 2005.

6) LONG-TERM DEBT

On March 7, 2006, the District issued its Taxable Community Improvement Revenue Refunding Bonds, Series 2006 in the amount of \$1,155,000 for the purpose of (a) currently refunding certain notes previously issued by the District, (b) funding a debt service reserve fund for the Bonds, and (c) paying the costs of issuance of the above-referenced obligations. The Bonds maturity schedule is as follows:

| | |
|-----------|--|
| \$ 60,000 | 7.00% Term Bonds Due March 1, 2011; priced at 100% |
| \$175,000 | 7.00% Term Bonds Due March 1, 2016; priced at 100% |
| \$355,000 | 7.00% Term Bonds Due March 1, 2021; priced at 100% |
| \$565,000 | 7.00% Term Bonds Due March 1, 2025; priced at 100% |

The Bonds maturing on March 1 in years 2011, 2016, 2021 and 2025 are subject to mandatory redemption and payment prior to Stated Maturity at the redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption. The District shall redeem on March 1 of each year, the following amounts of the

Crestwood Market Community Improvement District

Notes to Financial Statements

December 31, 2007

6) LONG-TERM DEBT (CONCLUDED)

Bonds:

| Term Bonds Maturing on March 1, 2011 | | Term Bonds Maturing on March 1, 2016 | |
|---|------------------|---|-------------------|
| <u>Date</u> | <u>Principal</u> | <u>Date</u> | <u>Principal</u> |
| 2007 | \$ 10,000 | 2012 | \$ 25,000 |
| 2008 | 10,000 | 2013 | 25,000 |
| 2009 | 10,000 | 2014 | 35,000 |
| 2010 | 15,000 | 2015 | 40,000 |
| 2011 | 15,000 | 2016 | 50,000 |
| | <u>60,000</u> | | <u>\$ 175,000</u> |

| Term Bonds Maturing on March 1, 2021 | | Term Bonds Maturing on March 1, 2025 | |
|---|-------------------|---|-------------------|
| <u>Date</u> | <u>Principal</u> | <u>Date</u> | <u>Principal</u> |
| 2017 | \$ 50,000 | 2022 | \$ 105,000 |
| 2018 | 65,000 | 2023 | 110,000 |
| 2019 | 70,000 | 2024 | 130,000 |
| 2020 | 80,000 | 2025 | 220,000 |
| 2021 | 90,000 | | <u>\$ 565,000</u> |
| | <u>\$ 355,000</u> | | |

The following is a summary of the Series 2006 Bonds payable as of December 31, 2007:

| | |
|--|---------------------|
| Revenue bonds payable, January 1, 2007 | \$ 1,110,000 |
| Bonds issued | - |
| Bonds retired | <u>(10,000)</u> |
| Revenue bonds payable, December 31, 2007 | <u>\$ 1,100,000</u> |

On March 7, 2006 the District issued Taxable Subordinate Community Improvement Revenue Notes Series B in the amount of \$102,671 for the purpose of paying additional costs of the Project. The following is a summary of the Series B Subordinate Notes as of December 31, 2007:

| | |
|--|-------------------|
| Revenue notes payable, January 1, 2007 | \$ 102,671 |
| Notes issued | - |
| Notes retired | - |
| Revenue notes payable, December 31, 2007 | <u>\$ 102,671</u> |

Required Supplementary Information

Crestwood Market Community Improvement District

Statement of Revenues Collected and Expenditures Paid -
 Special Trust Fund - Budget and Actual - Cash Basis
 For the Year Ended December 31, 2007

| | Budgeted Amount Original | Budgeted Amount Final | Actual | Variance - Favorable (Unfavorable) |
|--|--------------------------------|-----------------------------|---------------------|--|
| Revenues: | | | | |
| CID property tax revenue | \$ 105,856 | \$ 105,856 | \$ 105,392 | \$ (464) |
| Total Revenues | <u>\$ 105,856</u> | <u>\$ 105,856</u> | <u>\$ 105,392</u> | <u>\$ (464)</u> |
| Expenditures: | | | | |
| 1% collection fee | \$ - | \$ - | \$ - | \$ - |
| Bank service charges | - | - | - | - |
| Total Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - |
| Transfers out | (101,805) | (105,392) | (105,392) | - |
| Total Other Financing Sources (Uses) | <u>\$ (101,805)</u> | <u>\$ (105,392)</u> | <u>\$ (105,392)</u> | <u>\$ -</u> |
| Increase (Decrease) in Net Assets | <u>\$ 4,051</u> | <u>\$ 464</u> | <u>\$ -</u> | <u>\$ (464)</u> |
| Net Assets - at beginning of the year | <u>-</u> | <u>-</u> | <u>-</u> | |
| Net Assets - at end of the year | <u>\$ 4,051</u> | <u>\$ 464</u> | <u>\$ -</u> | |

Crestwood Market Community Improvement District

Statement of Revenues Collected and Expenditures Paid -
 Operating Fund - Budget and Actual - Cash Basis
 For the Year Ended December 31, 2007

| | Budgeted Amount <u>Original</u> | Budgeted Amount <u>Final</u> | <u>Actual</u> | Variance - Favorable (Unfavorable) |
|--|---------------------------------------|------------------------------------|------------------|--|
| Revenues: | | | | |
| Interest earnings | \$ - | \$ - | \$ 843 | \$ 843 |
| Total Revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 843</u> | <u>\$ 843</u> |
| Expenditures: | | | | |
| Bank service charges | \$ - | \$ - | \$ 60 | \$ (60) |
| Administrative expenses | 4,660 | 2,160 | 2,994 | (834) |
| Legal fees | 2,750 | 4,150 | 4,861 | (711) |
| Audit fees | 3,250 | 3,250 | 3,250 | - |
| Insurance | 1,300 | 1,500 | 1,295 | 205 |
| Total Expenditures | <u>\$ 11,960</u> | <u>\$ 11,060</u> | <u>\$ 12,460</u> | <u>\$ (1,400)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ - | \$ 12,000 | \$ 12,384 | \$ 384 |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ 12,000</u> | <u>\$ 12,384</u> | <u>\$ 384</u> |
| Increase (Decrease) in Net Assets | <u>\$ (11,960)</u> | <u>\$ 940</u> | <u>\$ 767</u> | <u>\$ (173)</u> |
| Net Assets - at beginning of the year | <u>12,089</u> | <u>12,089</u> | <u>12,089</u> | |
| Net Assets - at end of the year | <u>\$ 129</u> | <u>\$ 13,029</u> | <u>\$ 12,856</u> | |

Crestwood Market Community Improvement District

Statement of Revenues Collected and Expenditures Paid -
 Summary of All Funds - Budget and Actual - Cash Basis
 For the Year Ended December 31, 2007

| | Budgeted Amount Original | Budgeted Amount Final | Actual | Variance - Favorable (Unfavorable) |
|--|--------------------------------|-----------------------------|-------------------|--|
| Revenues: | | | | |
| CID property tax revenue | \$ 105,856 | \$ 105,856 | \$ 105,392 | \$ (464) |
| Interest earnings | - | - | 5,577 | 5,577 |
| Total Revenues | \$ 105,856 | \$ 105,856 | \$ 110,969 | \$ 5,113 |
| Expenditures: | | | | |
| Bank service charges | - | - | 216 | (216) |
| Administrative fees | 4,660 | 2,160 | 2,994 | (834) |
| Legal fees | 2,750 | 4,150 | 4,861 | (711) |
| Audit fee | 3,250 | 3,250 | 3,250 | - |
| Insurance | 1,300 | 1,500 | 1,295 | 205 |
| Trustee fees | - | 2,000 | 3,135 | (1,135) |
| Revenue bond principal repayment | 10,000 | - | 10,000 | (10,000) |
| Interest expense | 89,805 | 80,000 | 83,425 | (3,425) |
| Total Expenditures | \$ 111,765 | \$ 93,060 | \$ 109,176 | \$ (16,116) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 101,805 | \$ 208,784 | \$ 216,999 | \$ 8,215 |
| Transfers out | (101,805) | (208,784) | (216,999) | (8,215) |
| Total Other Financing Sources (Uses) | \$ - | \$ - | \$ - | \$ - |
| Increase (Decrease) in Net Assets | \$ (5,909) | \$ 12,796 | \$ 1,793 | \$ (11,003) |
| Net Assets - at beginning of the year | 104,211 | 104,211 | 104,211 | |
| Net Assets - at end of the year | \$ 98,302 | \$ 117,007 | \$ 106,004 | |

Compliance Section



Members:

American Institute of CPAs
PCPS Alliance for CPA Firms
Missouri Society of CPAs
Illinois CPA Society

J.D. Valbracht, CPA
M.J. Mudd, CPA
P.L. Richards, CPA
S.S. Straub, CPA

L.L. Kennett, CPA
B.J. Schmid, CPA
A.C. Failor, CPA
S.T. Brune, CPA
R.A. Deien, CPA

Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Crestwood Market Community Improvement District
Crestwood, Missouri

We have audited the financial statements of the governmental activities and each major fund of Crestwood Market Community Improvement District, as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 15, 2008. As described in our report on the financial statements, the Crestwood Market Community Improvement District prepares its financial statements on the basis of cash receipts and disbursements. This basis is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with the U.S. generally accepted accounting principles and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crestwood Market Community Improvement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Crestwood Market Community Improvement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Crestwood Market Community Improvement District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Crestwood Market Community Improvement District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a material misstatement of the Crestwood Market Community Improvement District's financial statements that is more than inconsequential will not be prevented or detected by the Crestwood Market Community Improvement District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Crestwood Market Community Improvement District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crestwood Market Community Improvement District's financial statements are free of 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*.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this specified party.


Wade Stables P.C.
Certified Public Accountants

August 15, 2008
Hannibal, Missouri