CITY OF BALLWIN, MISSOURI

FINANCIAL REPORT
(Audited)

Year Ended December 31, 2007

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Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITORS' REPORT

May 1, 2008

Honorable Mayor and Board of Aldermen
CITY OF BALLWIN, MISSOURI

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF BALLWIN, MISSOURI** (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of December 31, 2007, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

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In accordance with *Government Auditing Standards*, we have also issued a report dated May 1, 2008 on our consideration of the City'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 required supplemental information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hochschild, Bloom + Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

The management's discussion and analysis of the City of Ballwin, Missouri's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements following this narrative.

FINANCIAL HIGHLIGHTS

- In the government-wide financial statements, the assets of the City were more than its liabilities at the close of fiscal year 2007 by $46,156,353 (net assets). Cash on hand and investments increased while long-term obligations decreased.

- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $12,852,160, an increase of $923,190 in comparison with the adjusted fund balance at fiscal year end December 31, 2006. 58% of the total governmental fund balances, or $7,493,541, is unreserved and available for spending at the City's discretion.

- At the end of the current fiscal year, unreserved fund balance for the General Fund was $6,816,532, or approximately 50% of total General Fund expenditures ($13,535,344).

- The City's total debt decreased by $2,231,168 during the current fiscal year, leaving a debt balance of $28,460,309.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplemental information and other supplemental information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements provide both long-term and short-term information about the City's overall financial status.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include parks and recreation, police, judicial, public works, and general government.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The City maintains governmental funds and one fiduciary fund.

Governmental funds. Governmental funds are used to account for most of the City's basic services which focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances remaining at year-end that are readily available for spending. Governmental funds use the modified accrual method of accounting to focus on the near-term inflows and outflows of expendable resources and balances of year-end expendable resources. This detailed short-term view helps readers determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements.

The City maintains several funds. These funds are represented separately on the governmental funds balance sheet, as well as on the statement of revenues, expenditures, and changes in fund balances. The individual funds are the General Fund, Special Allocation Fund, Capital Projects Fund, Town Center Debt Service Fund, and Aquatic Center Debt Service Fund. These are all considered to be major funds.

A General Fund annual appropriations budget is adopted by the City as required by the General Statutes. A separate Capital Projects Fund budget and Special Allocation Fund budget are also adopted annually. The General Fund budget is a legally adopted document that incorporates input from the management of the City and the decisions of the Board of Aldermen about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budget "workshop" meeting, as well as the budget adoption meeting, is open to the public. Budgetary comparison statements have been provided for all budgeted funds to demonstrate legal compliance with the respective adopted budgets.

Fiduciary funds. The City is the trustee, or fiduciary, for its police employees' pension plan. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City excludes these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the basic financial statements. These notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

Required supplemental information. This management's discussion and analysis and budgetary comparison schedule for the General Fund and Special Revenue Fund represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes.

Other supplemental information. This part of the annual report includes a budgetary comparison schedule for the Capital Projects Fund. This other supplemental information is provided to address certain specific needs of various users of the City's annual report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a city's financial position over time. This is the fifth year of GASB 34 reporting compliance. The City uses its capital assets (land, buildings, machinery and equipment, and infrastructure) to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A condensed version of the statement of net assets is as follows:

	December 31	
	2007	2006
ASSETS		
Current and other assets	$14,968,454	13,814,411
Capital assets, net	62,159,041	63,425,801
Total Assets	77,127,495	77,240,212
LIABILITIES		
Long-term liabilities	28,460,309	30,691,477
Other liabilities	2,510,833	2,311,945
Total Liabilities	30,971,142	33,003,422
NET ASSETS		
Invested in capital assets, net of related debt	51,665,930	51,614,668
Restricted	5,400,290	5,516,214
Unrestricted (deficiency)	(10,909,867)	(12,894,092)
Total Net Assets	$46,156,353	44,236,790

A portion of the City's net assets represents resources that are subject to external restrictions on how they may be used.

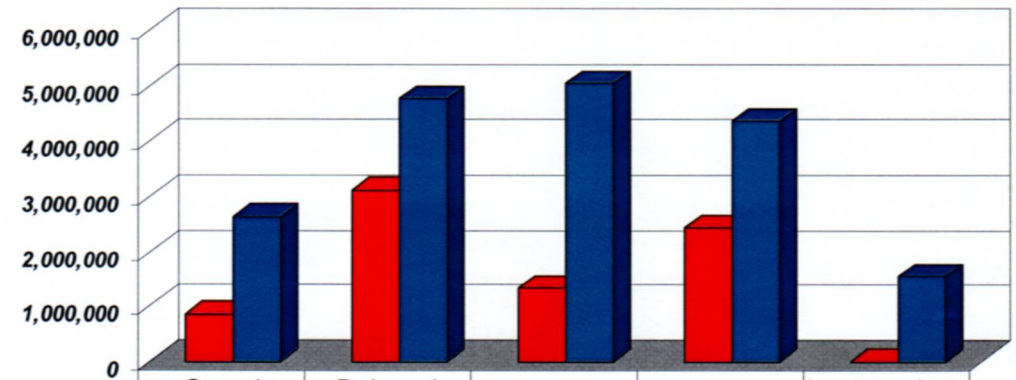
Unrestricted net assets are negative due to $17,565,000 in outstanding Tax Increment Financing Refunding Bonds Series 2002 for infrastructure assets not owned by the City. These bonds are limited obligations of the City and are funded only by incremental revenues generated within the TIF 2-A district.

Governmental activities. Governmental activities increased the City's net assets by $1,919,563.

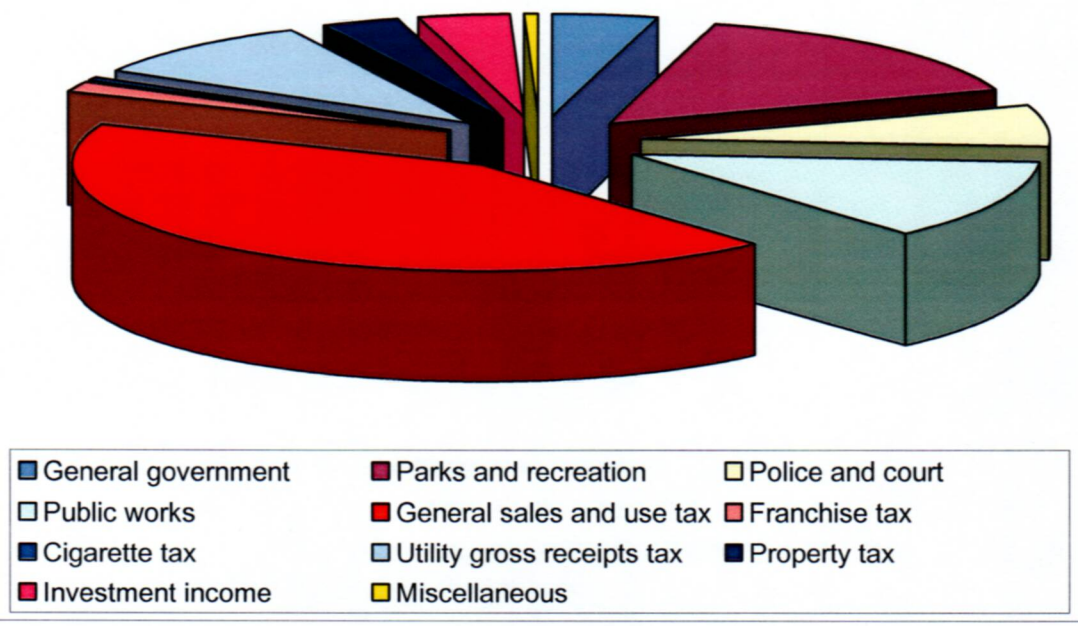
A condensed version of the statement of activities is as follows:

	For The Years Ended December 31	
	2007	**2006**
REVENUES		
Program revenues:		
Charges for services	$ 5,277,619	5,331,916
Operating grants/contributions	2,479,508	2,108,473
	7,757,127	7,440,389
General revenues:		
Taxes	11,683,302	11,418,647
Investment income	708,743	400,263
Miscellaneous	111,972	243,269
Total Revenues	20,261,144	19,502,568
EXPENSES		
General government	2,631,042	2,836,880
Parks and recreation	4,752,689	4,435,626
Police and court	5,028,559	4,734,670
Public works	4,373,302	3,946,210
Interest on long-term debt	1,555,989	1,637,328
Total Expenses	18,341,581	17,590,714
CHANGE IN NET ASSETS	1,919,563	1,911,854
NET ASSETS, JANUARY 1	44,236,790	42,324,936
NET ASSETS, DECEMBER 31	$46,156,353	44,236,790

Significant changes in fund net assets. The increase in net assets is primarily attributable to increased tax revenue, increased investment income earned in 2007 due to higher interest rates, and a $2,231,168 reduction in debt.



	General government	Parks and recreation	Police and court	Public works	Interest on long-term debt
Revenues	853,821	3,122,100	1,336,476	2,444,730	-
Expenses	2,631,042	4,752,689	5,028,559	4,373,302	1,555,989



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For the fiscal year ended December 31, 2007 the governmental funds reflected a combined fund balance of $12,852,160. The $923,190 increase in fund balance from December 31, 2006 is due to higher than anticipated revenues, and lower than anticipated operating and capital expenditures.

The major capital expenditures for 2007 were $945,705 in street improvements, replacement police vehicles totaling $116,804, and park improvements, offset by a County grant, totaling $232,788. The majority of remaining capital expenditures was for payment towards long-term debt.

A total of $7,493,541, or 58% of the combined total fund balances, constitutes unreserved fund balance, which generally is available for spending at the City's discretion.

GENERAL FUND BUDGETARY HIGHLIGHTS

A re-appropriation between accounts in all the funds budgets was approved by the Board of Aldermen in December 2007. However, this did not affect the bottom line totals of the budgets. Budgeted revenues were realized at close to 102%, while expenses were realized at 95% - this was primarily due to turnover in personnel and lag time in replacing positions at a lower salary, but offset by higher motor fuel, oil by-products, and energy costs.

Most revenues were relatively constant with budget. Various permits netted more revenue than budgeted due to more building projects in 2007. Interest rates earned on investments were higher than anticipated and netted $103,450 more than budgeted. Most recreational fees met budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At December 31, 2007, the City's net capital assets totaled $62,159,041. These assets include land and improvements, historical treasures, construction in progress, infrastructure reconstruction, buildings and improvements, furniture and fixtures, intangible assets, machinery and equipment, and vehicles.

	December 31 2007
Capital assets:	
Land and improvements	$ 6,668,577
Buildings and improvements	21,875,428
Historical treasures	210,556
Furniture and fixtures	60,426
Machinery and equipment	2,176,683
Vehicles	1,845,114
Intangible assets	116,250
Infrastructure	82,229,710
Right-of-way	12,798,034
Construction in progress	60,598
	128,041,376
Less - Accumulated depreciation	(65,882,335)
Total	$ 62,159,041

The City had capital asset disposals of $87,753, which consisted primarily of police autos.

Capital assets added in 2007 totaled $1,314,875. The largest portion of this involved infrastructure improvements of $611,547. Depreciation totaling $2,493,882 resulted in net capital assets decreasing $1,179,007.

Additional information for capital assets can be found at Note C in the notes to financial statements.

Long-term debt. At December 31, 2007, the City had outstanding long-term debt obligations in the amount of $28,460,309. This debt includes $4,535,000 in general obligation bonds (rated Aa2-Moody's), $5,935,000 in certificates of participation issue (rated Aaa-Moody's), and $17,565,000 in tax increment financing bonds. Capital lease obligations include $23,111 for fitness equipment and compensated absences totaled $402,198.

No new long-term debt was issued for the City in 2007.

The City's long-term debt is detailed below:

	December 31	
	2007	2006
General obligation bonds, Series 1998	$ 4,535,000	5,335,000
Certificates of participation, Series 2002	5,935,000	6,420,000
TIF bonds - 2002 issue	17,565,000	18,475,000
Capital lease obligations	23,111	56,133
Compensated absences	402,198	405,344
	$28,460,309	30,691,477

Additional information can be found at Note F in the notes to financial statements.

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES

In the General Fund, the following significant variances occurred between budget and actual expenditures:

- Regular Pay for Program 31 (Police Field Operations) varied $73,761 less than budgeted due to two officers terminating during the year and not being replaced.
- Police Pension under Program 31 varied $27,201 less than budgeted due to two officers terminating during the year and not being replaced.
- Regular Pay for Program 32 (Police Communications) varied $41,119 less than budgeted due two personnel terminating and not being replaced.
- $15,000 budgeted in the Administration Community Services program for a citizens' survey was not spent.
- $16,616 in Public Works Snow Overtime was spent over budget due to a major ice storm in January 2007. The City recouped 85% of expenses from FEMA and SEMA.

In the Capital Projects Fund, the following significant variances occurred between the amended budget and actual expenditures:

- $20,000 budgeted for new streetlights was not expended due to increased AmerenUE costs.
- The $358,243 variance between budget and actual for Capital Contingency was due to a deteriorating ramp entrance to the Government Center project that was not done.
- $35,000 budgeted for Government Center wiring upgrade was not done.
- $50,000 budgeted for business license/permit software was not spent.
- $120,000 for the Holloway Road storm culvert project was not expended because an offsetting grant was not awarded.
- Park improvement costs came in $35,324 less than budgeted.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Current sales tax trends seem to be holding steady even with the loss of a few businesses. A new Office Max (office supplies) will be opening in 2008 at the location previously leased by Walgreen's. Walgreen's re-opened in August 2007 at its newly constructed site. A Mexican restaurant will open in 2008 in a location left vacant in 2005.

The 2008 budgets for the City reflect no increase in sales tax revenues due to relatively stagnant economic activity in the retail sector. $410,618 of General Fund balance will be needed to balance the proposed operating budget, while $674,671 in funds not spent in 2007 will be used to balance the capital budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, 14811 Manchester Road, Ballwin, MO 63011.

CITY OF BALLWIN, MISSOURI

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	Governmental Activities
ASSETS	
Cash	$ 2,231,911
Investments	3,551,390
Prepaid items	261,339
Receivables:	
Taxes	2,703,333
Court	13,821
Grants	216,477
Interest	7,940
Other	10,133
Inventories	8,101
Restricted assets:	
Cash	2,285,563
Investments	3,678,446
Capital assets:	
Land and other nondepreciable assets	19,737,765
Other capital assets, net of accumulated depreciation	42,421,276
Total Assets	77,127,495
LIABILITIES	
Accounts payable	285,081
Accrued wages and benefits	193,173
Accrued liabilities	1,593,589
Deposits	27,909
Unearned revenue	2,721
Accrued interest	408,360
Noncurrent liabilities:	
Due within one year	2,268,111
Due in more than one year	26,192,198
Total Liabilities	30,971,142
NET ASSETS	
Invested in capital assets, net of related debt	51,665,930
Restricted for debt service	4,484,784
Restricted for sewer lateral	238,497
Restricted for capital assets	677,009
Unrestricted (deficiency)	(10,909,867)
Total Net Assets	$ 46,156,353

See notes to financial statements

CITY OF BALLWIN, MISSOURI

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants And Contributions	Net Revenues (Expenses) And Change In Net Assets
Governmental Activities				
General government	$ 2,631,042	851,047	2,774	(1,777,221)
Public works	4,373,302	293,061	2,151,669	(1,928,572)
Police and court	5,028,559	1,322,185	14,291	(3,692,083)
Parks and recreation	4,752,689	2,811,326	310,774	(1,630,589)
Interest on long-term debt	1,555,989	-	-	(1,555,989)
Total Governmental Activities	$ 18,341,581	5,277,619	2,479,508	(10,584,454)
General Revenues				
Taxes:				
General sales and use				8,663,332
Franchise				355,625
Cigarette				105,564
Utility gross receipts				1,923,464
Property				635,317
Investment income				708,743
Miscellaneous				111,972
Total General Revenues				12,504,017
CHANGE IN NET ASSETS				1,919,563
NET ASSETS, JANUARY 1				44,236,790
NET ASSETS, DECEMBER 31				$ 46,156,353

See notes to financial statements

CITY OF BALLWIN, MISSOURI

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2007

	General	Special Allocation	Capital Projects	Debt Service Town Center	Debt Service Aquatic Center	Total Governmental Funds
ASSETS						
Cash	$ 2,168,036	-	63,875	-	-	2,231,911
Investments	3,551,390	-	-	-	-	3,551,390
Prepaid items	261,339	-	-	-	-	261,339
Receivables:						
Taxes	1,439,869	577,000	686,464	-	-	2,703,333
Court	13,821	-	-	-	-	13,821
Grants	4,328	-	212,149	-	-	216,477
Interest	5,509	312	2,119	-	-	7,940
Other	7,412	-	2,721	-	-	10,133
Inventories	8,101	-	-	-	-	8,101
Restricted assets:						
Cash	1,923,803	145,641	216,119	-	-	2,285,563
Investments	-	-	-	2,905,178	773,268	3,678,446
Due from other funds	131,061	83,522	-	806,338	-	1,020,921
Total Assets	$ 9,514,669	806,475	1,183,447	3,711,516	773,268	15,989,375

See notes to financial statements

(Continued)

	General	Special Allocation	Capital Projects	Debt Service Town Center	Debt Service Aquatic Center	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 172,754	-	112,327	-	-	285,081
Accrued wages and benefits	193,173	-	-	-	-	193,173
Accrued liabilities	1,577,221	-	16,368	-	-	1,593,589
Due to other funds	40,230	806,475	174,216	-	-	1,020,921
Deposits	27,909	-	-	-	-	27,909
Deferred revenue	13,821	-	2,721	-	-	16,542
Total Liabilities	2,025,108	806,475	305,632	-	-	3,137,215
Fund Balances						
Reserved for:						
Prepaid items	261,339	-	-	-	-	261,339
Inventories	8,101	-	-	-	-	8,101
Debt service	-	-	-	3,711,516	773,268	4,484,784
Sewer lateral	238,497	-	-	-	-	238,497
Police	163,179	-	-	-	-	163,179
Community programs	1,913	-	-	-	-	1,913
Recreation	-	-	60,408	-	-	60,408
Special projects	-	-	140,398	-	-	140,398
Unreserved:						
General Fund	6,816,532	-	-	-	-	6,816,532
Capital Projects Fund	-	-	677,009	-	-	677,009
Total Fund Balances	7,489,561	-	877,815	3,711,516	773,268	12,852,160
Total Liabilities And Fund Balances	$ 9,514,669	806,475	1,183,447	3,711,516	773,268	15,989,375

See notes to financial statements

CITY OF BALLWIN, MISSOURI

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2007

Total Fund Balances - Governmental Funds	$ 12,852,160
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is $128,041,376 and the accumulated depreciation is $65,882,335.	62,159,041
Municipal court receivables are assessed by the City, but are not collected as of December 31, 2007 and deferred within the governmental funds financial statements. However, revenue for this amount is recognized in the government-wide financial statements.	13,821
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:	
Compensated absences	(402,198)
General obligation bonds	(4,535,000)
Certificates of participation	(5,935,000)
Tax increment bonds	(17,565,000)
Capital lease obligations	(23,111)
Accrued interest payable	(408,360)
Total Net Assets Of Governmental Activities	$ 46,156,353

See notes to financial statements

CITY OF BALLWIN, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Special Allocation	Capital Projects	Debt Service: Town Center	Debt Service: Aquatic Center	Total Governmental Funds
REVENUES						
Taxes	$ 6,684,042	1,502,508	3,469,071	-	-	11,655,621
Licenses and permits	1,206,672	-	-	-	-	1,206,672
Public utility licenses	1,910,328	13,136	-	-	-	1,923,464
Court fines	776,990	-	-	-	-	776,990
False alarm fines	5,325	-	-	-	-	5,325
Police and communications	526,693	-	9,000	-	-	535,693
Community programs	2,811,325	-	-	-	-	2,811,325
Investment income	348,450	6,776	42,378	253,203	57,936	708,743
Donations	4,174	-	106,294	-	-	110,468
Grants and entitlements	200,794	-	209,899	-	-	410,693
Miscellaneous	96,310	-	15,662	-	-	111,972
Total Revenues	14,571,103	1,522,420	3,852,304	253,203	57,936	20,256,966
EXPENDITURES						
Current:						
Administration	2,514,516	9,333	-	18,833	-	2,542,682
Public works	2,384,260	-	-	-	-	2,384,260
Police	4,930,068	-	-	-	-	4,930,068
Parks and recreation	3,706,500	-	-	-	-	3,706,500
Capital outlay	-	-	2,025,219	-	-	2,025,219
Debt service:						
Principal	-	-	800,000	910,000	485,000	2,195,000
Interest	-	-	240,155	1,091,700	249,511	1,581,366
Total Expenditures	13,535,344	9,333	3,065,374	2,020,533	734,511	19,365,095
REVENUES OVER (UNDER) EXPENDITURES	1,035,759	1,513,087	786,930	(1,767,330)	(676,575)	891,871
OTHER FINANCING SOURCES (USES)						
Transfers in	-	90,031	-	1,603,118	710,340	2,403,489
Transfers out	(45,015)	(1,603,118)	(755,356)	-	-	(2,403,489)
Sale of capital assets	4,901	-	26,418	-	-	31,319
Total Other Financing Sources (Uses)	(40,114)	(1,513,087)	(728,938)	1,603,118	710,340	31,319
NET CHANGE IN FUND BALANCES	995,645	-	57,992	(164,212)	33,765	923,190
FUND BALANCES, JANUARY 1	6,493,916	-	819,823	3,875,728	739,503	11,928,970
FUND BALANCES, DECEMBER 31	$ 7,489,561	-	877,815	3,711,516	773,268	12,852,160

See notes to financial statements

CITY OF BALLWIN, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

Net Change In Fund Balances - Governmental Funds	$ 923,190
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays under the capitalization threshold ($1,314,875) exceeded depreciation ($2,493,882) in the current period.	(1,179,007)
The net effect of various miscellaneous transactions involving capital assets:	
Cost of disposals, net of accumulated depreciation	(87,753)
Revenues in the statement of activities that do not provide current financial resources are not reported in the fund financial statements.	4,178
Bond proceeds are reported as financing sources in the governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements but reduces the liability in the statement of net assets.	
Repayments during the current year:	
Principal payments on bonds	2,195,000
Principal payments on leases included in fund expenditures	33,022
Compensated absences reported on the statement of activities differs from the amount reported in the governmental funds because the short-term liability is recorded as an expenditure in the governmental funds at year-end, whereas the long-term portion does not require the use of current financial resources.	3,146
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	27,787
Change In Net Assets Of Governmental Activities	$ 1,919,563

See notes to financial statements

CITY OF BALLWIN, MISSOURI

STATEMENT OF FIDUCIARY NET ASSETS - POLICE PENSION FUND

DECEMBER 31, 2007

ASSETS	
Cash and investments	$ 4,898,962
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 4,898,962

See notes to financial statements

CITY OF BALLWIN, MISSOURI

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - POLICE PENSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2007

ADDITIONS	
Employer contributions	$ 229,347
Investment income:	
Net appreciation in fair value of investments and interest and dividends	347,262
Total Additions	576,609
DEDUCTIONS	
Benefits	248,178
CHANGE IN NET ASSETS	328,431
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, JANUARY 1	4,570,531
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, DECEMBER 31	$ 4,898,962

See notes to financial statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CITY OF BALLWIN, MISSOURI** (the City) was incorporated December 29, 1950. The City operates as a forth-class city under the Missouri state statutes. It has a mayor/aldermanic/city administrator form of government and provides the following services: legislative, general services, finance and accounting, community development, public works, police, judicial, and parks and recreation.

The accounting policies and financial reporting practices of the City conform to U.S. generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant policies:

1. Reporting Entity

The financial statements of the City include the financial activities of the City and its component units. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the City. Based on these criteria, the City has determined that its financial reporting entity consists of the City (the primary government) and no other reporting units.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using 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 measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund -- This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Allocation Fund -- This fund was established to account for a portion of the revenues derived from the tax increment financing activities.

Capital Projects Fund -- This fund is used to account for the acquisition or construction of major capital facilities.

Town Center Debt Service Fund -- This fund is used to account for the debt service activity for the tax increment bonds.

Aquatic Center Debt Service Fund -- This fund is used to account for the debt service activity for the certificates of participation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund type:

Police Pension Fund -- This fund accounts for the accumulation of resources for qualified police employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payment-in-lieu of taxes and other charges and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

4. Investments

The City Treasurer maintains a cash and investment pool that is available for use by all funds. Interest income on pooled cash and investments is recorded within each fund. State statutes authorize Missouri local governments to invest in obligations of the U.S. Treasury and U.S. government agencies, obligations of the State of Missouri, time certificates of deposit, and repurchase agreements. Deposits in financial institutions must be collateralized by securities pledged to the City by these same institutions.

Investments are stated at fair value. Fair value for certain U.S. government securities which mature within less than one year from purchase is determined by calculating amortized cost, which approximates market value. Fair values for all other investments are based on quoted market prices.

5. Restricted Assets

Certain resources set aside for escrow amounts and for the repayment of debt which are classified as restricted assets on the balance sheet because their use is limited by liability or by applicable debt covenants.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

Depreciation is being computed on the straight-line method, using asset lives as follows:

Asset	Years
Buildings	20 - 40
Building improvements	20 - 40
Furniture and fixtures	5 - 10
Infrastructure	20 - 50
Intangible assets	5 - 10
Machinery and equipment	6 - 10
Vehicles	5 - 10

7. Compensated Absences

Vacations accrue to employees based on weeks of continuous service. Upon leaving the employ of the City, an employee is entitled to payment for accrued vacation. A liability for unused vacation compensation has been recorded as long-term debt as it is expected to be paid from future resources. Sick leave is based upon continuous weeks of service and is only available to provide compensation during periods of illness.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discount, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, if any. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt, if any.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Long-Term Obligations (Continued)

are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

10. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at year-end, if any, are reported as reservations of fund balances since they do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

11. Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers. Such transfers are reported as other financing sources (uses) in the governmental fund types. All of these interfund balances are due to timing differences. All interfund balances are expected to be repaid during the fiscal year ending December 31, 2008.

12. Prepaid Items and Inventory

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. Inventories of consumable supplies are recorded at cost (determined on a first-in, first-out basis). Prepaid items and inventory are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

13. Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2007, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

2. Investments

As of December 31, 2007, the City had the following investments:

Investments	Fair Market Value	No Maturity	Less Than One Year	6 - 10 Years	More Than 10 Years	Credit Risk
Primary Government						
Certificates of deposit	$ 3,551,390	-	3,551,390	-	-	N/A
Repurchase agreement	2,189,000	2,189,000	-	-	-	AAA
Government securities:						
Federal agencies	2,712,271	-	-	1,398,295	1,313,976	AAA
Money market funds	966,175	966,175	-	-	-	Not rated
Total Primary Government Investments	9,418,836	3,155,175	3,551,390	1,398,295	1,313,976	
Fiduciary Funds						
Money market funds	56,480	56,480	-	-	-	Not rated
Mutual funds	4,842,482	4,842,482	-	-	-	Not rated
Total Fiduciary Funds Investments	4,898,962	4,898,962	-	-	-	
Grand Total Investments	$14,317,798	8,054,137	3,551,390	1,398,295	1,313,976	

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

Investments Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City minimizes credit risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business and diversifying the portfolio to reduce potential losses on individual securities.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing primarily in shorter term securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City minimizes concentration of credit risk by diversifying the investment portfolio.

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended December 31, 2007			
	December 31 2006	Additions	Deletions	December 31 2007
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 5,183,891	-	-	5,183,891
Land improvements	1,253,703	230,983	-	1,484,686
Historical treasures	195,556	15,000	-	210,556
Right-of-way	12,798,034	-	-	12,798,034
Construction in progress	31,418	53,870	24,690	60,598
Total Capital Assets Not Being Depreciated	19,462,602	299,853	24,690	19,737,765
Capital assets being depreciated:				
Buildings	21,546,961	15,988	-	21,562,949
Building improvements	312,479	-	-	312,479
Furniture and fixtures	26,278	34,148	-	60,426
Infrastructure	81,618,163	611,547	-	82,229,710
Intangible assets	109,064	7,186	-	116,250
Machinery and equipment	2,106,161	122,100	51,578	2,176,683
Vehicles	1,794,379	224,053	173,318	1,845,114
Total Capital Assets Being Depreciated	107,513,485	1,015,022	224,896	108,303,611
Less - Accumulated depreciation for:				
Buildings	5,672,742	610,015	-	6,282,757
Building improvements	21,603	17,992	-	39,595
Furniture and fixtures	4,168	2,382	-	6,550
Infrastructure	55,655,518	1,535,596	-	57,191,114
Intangible assets	89,807	3,595	-	93,402
Machinery and equipment	1,149,681	175,886	43,415	1,282,152
Vehicles	956,767	148,416	118,418	986,765
Total Accumulated Depreciation	63,550,286	2,493,882	161,833	65,882,335
Total Capital Assets Being Depreciated, Net	43,963,199	(1,478,860)	63,063	42,421,276
Governmental Activities Capital Assets, Net	$ 63,425,801	(1,179,007)	87,753	62,159,041

Depreciation expense was charged to functions/programs of the primary government as follows:

	For The Year Ended December 31 2007
Governmental activities:	
General government	$ 46,553
Public works	1,658,264
Police and court	73,529
Parks and recreation	715,536
	$2,493,882

NOTE D - INTERFUND BALANCES

The due to and due from other funds consist of the following:

Receivable Fund	Payable Fund	December 31 2007
General	Capital Projects	$ 130,924
General	Special Allocations	137
Special Allocation	General	40,230
Special Allocation	Capital Projects	43,292
Town Center Debt Service	Special Allocation	806,338
		$1,020,921

NOTE E - INTERFUND TRANSACTIONS

Individual interfund transactions for the year ended December 31, 2007 are as follows:

	Transfers In			
	Special Allocation	Town Center Debt Service	Aquatic Center Debt Service	Total
Transfers out:				
General	$45,015	-	-	45,015
Special Allocation	-	1,603,118	-	1,603,118
Capital Projects	45,016	-	710,340	755,356
Total	$ 90,031	1,603,118	710,340	2,403,489

Interfund transfers may be used to 1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them and 2) use unrestricted revenues collected to finance expenditures in other funds in accordance with budgetary authorization.

NOTE F - LONG-TERM DEBT

A summary of changes are as follows:

NOTE F - LONG-TERM DEBT (Continued)

	For The Year Ended December 31, 2007				Amounts Due Within One Year
	Balance December 31 2006	Increases	Decreases	Balance December 31 2007	
Bonds payable:					
General obligation bonds	$ 5,335,000	-	800,000	4,535,000	830,000
Tax increment bonds	18,475,000	-	910,000	17,565,000	695,000
Other long-term obligations:					
Certificates of participation	6,420,000	-	485,000	5,935,000	500,000
Capital lease obligations	56,133	-	33,022	23,111	23,111
Compensated absences	405,344	212,354	215,500	402,198	220,000
Total Long-Term Liabilities	$30,691,477	212,354	2,443,522	28,460,309	2,268,111

The general obligation bonds are liquidated by the Capital Projects Fund. The tax increment bonds are liquidated by the Town Center Debt Service Fund. The certificates of participation are liquated by the Aquatic Center Debt Service Fund. Compensated absences are liquated by the General Fund and the Capital Projects Fund.

General Obligation/Tax Increment Bonds

Long-term debt includes the following bonds:

	December 31 2007
$12,285,000 Series 1998A and 1998B general obligation bonds, principal due in annual installments through September 1, 2012; interest payable at 4.5% to 8.2%.	$ 4,535,000
$16,650,000 Series 2002A tax increment refunding and improvement revenue bonds, principal due in annual installments through October 1, 2013; term bonds due in 2015, 2017, and 2022 thereafter; interest payable at 2.75% to 6.25%. $3,450,000 5.125% Series 2003B term bonds due October 1, 2022.	17,565,000
	$22,100,000

Certificates of Participation

Long-term debt includes the following certificates of participation:

NOTE F - LONG-TERM DEBT (Continued)

	December 31 2007
$8,210,000 Series 2002 certificates of participation, principal due in annual installments through September 1, 2017; interest payable at 3% to 4.4%.	$5,935,000

Capital Lease Obligations

In 2005, the City financed the acquisition of exercise equipment totaling $97,266 using a capital lease with an effective interest rate of 5.9% payable in installments of $2,953 per month through August 2008.

The assets acquired through capital leases within the governmental activities are as follows:

Equipment	$97,266
Less - Accumulated depreciation	92,372
	$ 4,894

Future long-term debt maturities are as follows:

For The Years Ended December 31	General Obligation Bonds		Tax Increment Bonds		Certificates Of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 830,000	205,755	695,000	1,045,819	500,000	234,961
2009	865,000	169,650	760,000	1,010,200	515,000	218,461
2010	905,000	130,725	535,000	969,350	535,000	200,436
2011	945,000	90,000	595,000	939,925	555,000	180,641
2012	990,000	46,530	680,000	906,456	575,000	159,551
2013 - 2017	-	-	5,030,000	3,817,494	3,255,000	428,663
2018 - 2022	-	-	9,270,000	1,858,644	-	-
	$4,535,000	642,660	17,565,000	10,547,888	5,935,000	1,422,713

NOTE F - LONG-TERM DEBT (Continued)

For The Years Ended December 31	Capital Leases		Total Long-Term Debt	
	Principal	Interest	Principal	Interest
2008	$23,111	510	2,048,111	1,487,045
2009	-	-	2,140,000	1,398,311
2010	-	-	1,975,000	1,300,511
2011	-	-	2,095,000	1,210,566
2012	-	-	2,245,000	1,112,537
2013 - 2017	-	-	8,285,000	4,246,157
2018 - 2022	-	-	9,270,000	1,858,644
	$23,111	510	28,058,111	12,613,771

NOTE G - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

1. Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by state statute, Section RSMo 70.600 - 70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under Internal Revenue Code Section 401a and it is tax exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

2. Funding Status

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 5.3% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

3. Annual Pension Cost

For 2007, the City's annual pension cost of $229,877 was equal to the required and actual contributions. The required contribution was determined as part of the February 28/29,

NOTE G - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (Continued)

3. Annual Pension Cost (Continued)

2005 and 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; b) projected salary increases of 4% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6% per year, depending on age, attributable to seniority/ merit; d) pre-retirement mortality based on the RP-2000 Combined Health Table setback zero years for men and zero years for women; and e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2007 was 15 years.

Trend Information

For The Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2007	$229,877	100%	$ -
2006	235,226	100	-
2005	233,642	100	-

Schedule of Funding Progress

For The Actuarial Valuation Years Ended February 28/29	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability	Excess Assets
2007	$7,176,218	$6,082,806	$1,093,412
2006	6,425,031	5,466,706	958,325
2005	5,991,228	5,226,729	764,499

NOTE G - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (Continued)

3. Annual Pension Cost (Continued)

For The Actuarial Valuation Years Ended February 28/29	Funded Ratio	Annual Covered Payroll	Excess Assets As A Percentage Of Covered Payroll
2007	118%	$4,034,481	27.1%
2006	118	3,744,405	25.6
2005	115	3,908,735	19.6

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2007 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, contact the LAGERS' office in Jefferson City, MO.

NOTE H - POLICE PENSION PLAN

The City police are covered by a pension plan under the management and control of a Retirement Committee as provided by City ordinance. The police pension plan is a defined contribution plan which provides normal retirement, early retirement, death, and disability benefits to participants meeting certain eligibility requirements. The plan is funded entirely from City contributions, which are invested in individual investment funds as elected by the Plan participants. City contributions are determined based on a percentage of gross wages. Contributions for the year ended December 31, 2007 were $229,347. City contributions are funded from the General Fund. Benefits accruing to vested participants are available only to the extent of accumulated contributions and earnings thereon. Participants are partially vested after two years of employment with full vesting after six years. Accumulated contributions and earnings of forfeited participants are used to meet City contributions to current participants.

NOTE I - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is a member of the St. Louis Area Insurance Trust (SLAIT), which is a not-for-profit, self-insurance risk pool formed by various St. Louis County municipalities to cover workers' compensation and general liability matters. The purpose of this trust is to distribute the cost of self-insurance over similar entities. In addition to insurance protection, the program provides risk management services

NOTE I - RISK MANAGEMENT (Continued)

with emphasis in loss control, claims administration, and management information services. SLAIT is fully funded by its member participants and employs an outside service company to process all claims.

The trust requires an annual premium payment by members to cover estimated claims payable and reserves for claims. The members of the trust have no legal interest in the assets, liabilities or fund balances of the insurance trust. However, the City is contingently liable to fund its pro rata share if any deficit incurred by the trust should the trust cease operation at some future date.

The City also purchases commercial insurance to cover other risks. Settled claims from these risks have not exceeded coverage in any of the past three years.

NOTE J - RESTRICTED NET ASSETS

The government-wide statement of net assets reports $5,400,290 of restricted net assets, which is restricted by enabling legislation.

NOTE K - FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* (GASB 45), established accounting and financial reporting standards for postemployment benefits other than pensions. As part of a total compensation package, many governments offer postemployment benefit plans other than pensions such as healthcare, life insurance, and so forth. GASB 45 establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), not disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers. GASB 45 will be effective for the City for the fiscal year ending December 31, 2008. Management of the City has not yet completed its assessment of the statement.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
REVENUES				
Taxes				
Sales tax	$ 5,450,000	5,450,000	5,337,528	(112,472)
Motor vehicle fees	423,000	423,000	406,895	(16,105)
County road tax	440,000	440,000	540,994	100,994
Cigarette	110,000	110,000	105,564	(4,436)
Sewer lateral fees	272,976	272,976	293,061	20,085
Total Taxes	6,695,976	6,695,976	6,684,042	(11,934)
Licenses and Permits				
Building and sign permits	72,000	72,000	119,335	47,335
Cable television franchise fees	346,000	346,000	355,625	9,625
Inspection and occupancy permits	102,900	102,900	112,460	9,560
Liquor licenses	13,700	13,700	15,361	1,661
Merchants and contractors licenses	493,000	493,000	509,230	16,230
Mechanical permits	25,000	25,000	28,660	3,660
Plumbing and excavation permits	44,800	44,800	66,001	21,201
Total Licenses And Permits	1,097,400	1,097,400	1,206,672	109,272
Public Utility Licenses				
Electric	840,000	840,000	792,293	(47,707)
Telephone	350,000	350,000	308,499	(41,501)
Gas	700,000	700,000	660,208	(39,792)
Water	150,000	150,000	149,328	(672)
Total Public Utility Licenses	2,040,000	2,040,000	1,910,328	(129,672)
Court Fines	600,000	600,000	776,990	176,990
False Alarm Fines	9,500	9,500	5,325	(4,175)
Police and Communications	689,053	689,053	526,693	(162,360)
Community Programs				
Pool:				
Concessions	155,275	155,275	165,697	10,422
Daily admissions	277,000	277,000	262,525	(14,475)
Season passes	167,995	167,995	160,964	(7,031)
Swim team	17,500	17,500	18,500	1,000
Rental fees	14,500	14,500	17,099	2,599
Miscellaneous	5,100	5,100	4,416	(684)
Total Pool	637,370	637,370	629,201	(8,169)

(Continued)

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
REVENUES (Continued)				
Community Programs (Continued)				
Community center:				
Concessions	34,000	34,000	24,141	(9,859)
Daily admissions	125,000	125,000	123,063	(1,937)
Punch cards	97,000	97,000	95,626	(1,374)
Season passes	647,620	647,620	734,014	86,394
Program fees	299,200	299,200	257,340	(41,860)
Summer camp fees	59,600	59,600	55,650	(3,950)
Rental fees	62,800	62,800	78,042	15,242
Identification fees	20,000	20,000	15,762	(4,238)
Miscellaneous	190	190	8	(182)
Total Community Center	1,345,410	1,345,410	1,383,646	38,236
Golf course:				
Green fees	465,000	465,000	454,296	(10,704)
Cart rental	127,500	127,500	130,916	3,416
Miscellaneous	2,550	2,550	2,606	56
Total Golf Course	595,050	595,050	587,818	(7,232)
Recreational complex and golf shop:				
Concessions and miscellaneous	91,200	91,200	94,927	3,727
Complex rental fees	42,480	42,480	38,320	(4,160)
Total Recreational Complex And Golf Shop	133,680	133,680	133,247	(433)
Ballwin days	75,000	75,000	77,413	2,413
Total Community Programs	2,786,510	2,786,510	2,811,325	24,815
Investment Income	245,000	245,000	348,450	103,450
Donations	3,000	3,000	4,174	1,174
Grants and Entitlements	-	-	200,794	200,794
Miscellaneous				
Administration	32,379	32,379	46,086	13,707
Rental income	20,800	20,800	20,800	-
Miscellaneous	3,500	3,500	29,424	25,924
Total Miscellaneous	56,679	56,679	96,310	39,631
Total Revenues	14,223,118	14,223,118	14,571,103	347,985

(Continued)

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
EXPENDITURES				
Administration				
Planning and zoning	66,611	66,611	53,484	(13,127)
Inspections	415,450	416,350	388,333	(28,017)
Sewer lateral	280,000	290,000	289,746	(254)
Community services	519,037	544,037	522,812	(21,225)
Legal	364,419	373,919	353,011	(20,908)
Support services	346,381	300,527	253,762	(46,765)
Information services	184,390	184,390	169,051	(15,339)
Municipal Court	163,892	163,892	160,977	(2,915)
Finance	337,742	337,742	323,340	(14,402)
Total Administration	2,677,922	2,677,468	2,514,516	(162,952)
Public Works				
Engineering	144,964	144,964	136,936	(8,028)
Sidewalks	173,332	173,332	155,037	(18,295)
Pavement maintenance	1,044,331	1,044,331	968,185	(76,146)
Traffic control	49,266	49,266	45,114	(4,152)
Snow and ice control	318,794	321,794	324,865	3,071
Pest control	40,986	37,986	29,536	(8,450)
Storm drainage	17,594	17,594	15,923	(1,671)
Leaf collection	336,466	336,466	316,758	(19,708)
Support services	409,607	409,607	391,906	(17,701)
Total Public Works	2,535,340	2,535,340	2,384,260	(151,080)
Police				
Management and auxiliary services	447,843	459,843	436,701	(23,142)
Field operations	3,518,594	3,507,048	3,356,971	(150,077)
Communications	696,179	696,179	639,947	(56,232)
Criminal investigations	495,895	495,895	496,449	554
Total Police	5,158,511	5,158,965	4,930,068	(228,897)
Parks and Recreation				
Parks	714,964	772,964	741,918	(31,046)
Golf operations	771,650	771,650	739,863	(31,787)
Pool	543,834	543,834	544,267	433
Golf club	85,197	85,197	76,735	(8,462)
Community center	1,733,997	1,691,432	1,534,050	(157,382)
Ballwin days	90,828	75,393	69,667	(5,726)
Total Parks And Recreation	3,940,470	3,940,470	3,706,500	(233,970)
Total Expenditures	14,312,243	14,312,243	13,535,344	(776,899)

(Continued)

REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
REVENUES OVER (UNDER) EXPENDITURES	(89,125)	(89,125)	1,035,759	1,124,884
OTHER FINANCING SOURCES (USES)				
Transfers out	(46,351)	(46,351)	(45,015)	1,336
Sale of capital assets	3,500	3,500	4,901	1,401
Total Other Financing Sources (Uses)	(42,851)	(42,851)	(40,114)	2,737
NET CHANGE IN FUND BALANCE	$ (131,976)	(131,976)	995,645	1,127,621
FUND BALANCE, JANUARY 1			6,493,916	
FUND BALANCE, DECEMBER 31			$ 7,489,561	

CITY OF BALLWIN, MISSOURI

REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL ALLOCATION FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 1,606,500	1,606,500	1,502,508	(103,992)
Public utility licenses	-	-	13,136	13,136
Investment income	3,920	3,920	6,776	2,856
Total Revenues	1,610,420	1,610,420	1,522,420	(88,000)
EXPENDITURES				
Administration	6,330	9,080	9,333	253
REVENUES OVER EXPENDITURES	1,604,090	1,601,340	1,513,087	(88,253)
OTHER FINANCING SOURCES (USES)				
Transfers in	92,704	92,704	90,031	(2,673)
Transfers out	(1,696,700)	(1,694,044)	(1,603,118)	90,926
Total Other Financing Sources (Uses)	(1,603,996)	(1,601,340)	(1,513,087)	88,253
NET CHANGE IN FUND BALANCE	$ 94	-	-	-
FUND BALANCE, JANUARY 1			-	
FUND BALANCE, DECEMBER 31			$ -	

Budgetary Data

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

a. Each year the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal period. The operating budget includes proposed expenditures and the means of financing them for all funds except the Debt Service Funds.
b. The budget is legally enacted by ordinance after public hearings are held to obtain taxpayer comments.
c. Budgetary amounts are reported as originally adopted, or as amended by the Board of Aldermen.
d. Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

OTHER SUPPLEMENTAL INFORMATION SECTION

OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
REVENUES				
Taxes				
Sales tax	$ 2,667,000	2,667,000	2,458,612	(208,388)
Gasoline	885,000	885,000	912,131	27,131
County road tax	80,000	80,000	98,328	18,328
Total Taxes	3,632,000	3,632,000	3,469,071	(162,929)
Police and Communications	18,000	18,000	9,000	(9,000)
Investment Income	30,000	30,000	42,378	12,378
Donations	10,000	10,000	106,294	96,294
Grants and Entitlements	304,880	304,880	209,899	(94,981)
Miscellaneous				
Administration	-	-	2,456	2,456
Miscellaneous	-	-	13,206	13,206
Total Miscellaneous	-	-	15,662	15,662
Total Revenues	3,994,880	3,994,880	3,852,304	(142,576)
EXPENDITURES				
Capital Outlay				
Administration:				
Planning and zoning	34,000	56,000	47,688	(8,312)
Community services	20,000	20,000	-	(20,000)
Support services	440,000	410,800	13,831	(396,969)
Information services	110,100	117,300	64,908	(52,392)
Finance	7,200	7,200	7,171	(29)
Total Administration	611,300	611,300	133,598	(477,702)
Public works:				
Sidewalks	16,000	16,000	1,225	(14,775)
Pavement maintenance	1,011,300	1,011,300	945,705	(65,595)

(Continued)

OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
EXPENDITURES (Continued)				
Public works (continued):				
Snow and ice control	47,500	47,500	47,557	57
Storm drainage	120,000	120,000	-	(120,000)
Leaf collection	12,500	12,500	12,090	(410)
Support services	65,300	65,300	53,393	(11,907)
Total Public Works	1,272,600	1,272,600	1,059,970	(212,630)
Police:				
Field operations	115,954	115,954	113,286	(2,668)
Criminal investigations	21,200	21,200	20,055	(1,145)
Total Police	137,154	137,154	133,341	(3,813)
Parks and recreation:				
Parks	424,377	402,377	340,360	(62,017)
Golf operations	111,600	111,600	101,101	(10,499)
Pool	48,000	48,000	38,894	(9,106)
Golf club	8,500	8,500	5,467	(3,033)
Community center	199,460	221,460	212,488	(8,972)
Total Parks And Recreation	791,937	791,937	698,310	(93,627)
Total Capital Outlay	2,812,991	2,812,991	2,025,219	(787,772)
Debt Service				
Principal	800,000	800,000	800,000	-
Interest	240,155	240,155	240,155	-
Total Debt Service	1,040,155	1,040,155	1,040,155	-
Total Expenditures	3,853,146	3,853,146	3,065,374	(787,772)
REVENUES OVER EXPENDITURES	141,734	141,734	786,930	645,196

(Continued)

OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
OTHER FINANCING SOURCES (USES)				
Transfers out	(766,863)	(766,863)	(755,356)	11,507
Sale of capital assets	26,000	26,000	26,418	418
Total Other Financing Sources (Uses)	(740,863)	(740,863)	(728,938)	11,925
NET CHANGE IN FUND BALANCE	$ (599,129)	(599,129)	57,992	657,121
FUND BALANCE, JANUARY 1			819,823	
FUND BALANCE, DECEMBER 31			$ 877,815	

INTERNAL CONTROL AND COMPLIANCE SECTION

Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

May 1, 2008

Honorable Mayor and Board of Aldermen
CITY OF BALLWIN, MISSOURI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF BALLWIN, MISSOURI** (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 1, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 the City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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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 City's internal control.

Our consideration of 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 the City'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*.

We noted certain matters that we reported to management of the City in a separate letter dated May 1, 2008.

This report is intended solely for the information and use of management, others within the City, and all applicable regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hochschild, Bloom + Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS