

**Ballwin Town Center Transportation
Development District**

Auditor's Report, Financial Statements and
Supplemental Information

December 31, 2008

Ballwin Town Center Transportation Development District
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For the Year Ended December 31, 2008

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Independent Auditor's Report

To the Board of Directors
Ballwin Town Center Transportation Development District
Ballwin, Missouri

We have audited the accompanying financial statements of the governmental activities and each major fund of Ballwin Town Center Transportation Development District (the "District") as of and for the year ended December 31, 2008, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Ballwin Town Center Transportation Development District, as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2009, on our consideration of the 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 important for assessing the results of our audit.

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The management's discussion and analysis and budgetary comparison schedule for the Special Revenue Fund as listed in the table of contents, 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 the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Diel & Ferguson, LLC

June 10, 2009

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

To the Board of Directors
Ballwin Town Center Transportation Development District
Ballwin, Missouri

We have audited the financial statements of the governmental activities and each major fund of Ballwin Town Center Transportation Development District (the "District") as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 10, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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 misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the 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 District's internal control.

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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 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 the Board of Directors and management of the District, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dial & Ferguson, LLC". The signature is written in black ink and is positioned above the date.

June 10, 2009

**Ballwin Town Center Transportation Development District
Management's Discussion and Analysis
For the year Ended December 31, 2008
(Unaudited)**

The management's discussion and analysis of the Ballwin Town Center Transportation Development District's (the "District") financial performance provides an overall review of the financial activities of the District for the year ended December 31, 2008. We encourage readers to consider the information here in conjunction with the accompanying financial statements and notes following this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Government-wide financial statements

The District's annual report includes two government-wide financial statements. These statements provide information about the activities of the District as a whole. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the Statement of Net Assets. This statement presents information on all of the District'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 one useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall economic health of the District would also extend to other non-financial factors such as changes in the District's sales tax base in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which presents information showing how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's sales taxes and other sources.

Fund financial statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Ballwin Town Center Transportation Development District
Management's Discussion and Analysis
For the year Ended December 31, 2008
(Unaudited)**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements focus on the near-term inflows and outflows of spendable resources during the fiscal year and balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating annual financing requirements of governmental operations and the commitment of spendable resources for the near-term.

The District maintains only one governmental fund – the Special Revenue Fund. The District adopts an annual budget for this fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget.

Notes to the basic financial statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

Required supplementary information

This Management's Discussion and Analysis and the Special Revenue Fund Budgetary Comparison Schedule represent financial information required by the Governmental Accounting Standards Board (GASB) to be presented.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of the District's financial position. However, due to the Missouri state statutes and agreements the District operates under, net assets should always be zero.

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current assets	\$ 18,960	\$ 17,303
Current liabilities	<u>18,960</u>	<u>17,303</u>
Net assets	<u>\$ -</u>	<u>\$ -</u>

**Ballwin Town Center Transportation Development District
Management's Discussion and Analysis
For the year Ended December 31, 2008
(Unaudited)**

Analysis of the District's Operations

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program/function reported to the right. The result is net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the District's taxpayers and other sources. It also identifies how much each program/function draws from general revenues or if it is self-financing through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

The following table provides a summary of the District's operations for the fiscal year ended December 31, 2008 with comparative totals for the fiscal year ended December 31, 2007.

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
<u>Revenues</u>		
General revenues		
Sales taxes	\$ 135,765	\$ 142,844
Interest income	59	122
Total revenues	<u>135,824</u>	<u>142,966</u>
<u>Expenses</u>		
General government	<u>135,824</u>	<u>142,966</u>
Change in net assets	-	-
Net assets - January 1	-	-
Net assets - December 31	<u>\$ -</u>	<u>\$ -</u>

Total revenues and related expenses decreased from the previous year by \$7,142 or 5.0%. The decrease in revenues is not significant, but results from the slowing of the economy. The retailers operating within the District's boundaries provide personal services and consumer goods. District expenses are determined by the revenues generated due to the Missouri state statutes and agreements the District operates under.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

For the fiscal years ended December 31, 2008 and 2007, no adjustments have been necessary to convert the fund balances of the District's governmental funds to the net assets of the governmental activities.

**Ballwin Town Center Transportation Development District
Management's Discussion and Analysis
For the year Ended December 31, 2008
(Unaudited)**

Special Revenue Fund Budgetary Highlights

The District made revisions to the original budget approved by the Board of Directors. Overall these changes resulted in the following: 1) increase in budgeted revenues by \$68,600 or 96.0%; and 2) increase in budgeted expenditures by \$68,600 or 96.0%. The significant variance for revenues and expenditures resulted from the District not factoring in the sales tax collected and related payment to the City of Ballwin for the Economic Activity Taxes.

The District's actual expenditures did not exceed the revised budget for the fiscal year.

Capital Asset and Debt Administration

The District issued two promissory notes totaling \$850,000 to pay for transportation related improvements within its boundaries. The notes were refunded when the City of Ballwin, Missouri issued its Tax Increment Refunding and Improvement Revenue Bonds, Series 2002. In addition, the District transferred ownership and control of the improvements to the City of Ballwin, Missouri. Thus, the District does not report capital assets or related debt obligations in its Government-Wide Financial Statements.

Economic Factors and Next Year's Budget

Since there was no economic growth in sales taxes for the current year, the District's budget for the upcoming fiscal year ending December 31, 2009 is fairly consistent with this year.

Request for Information

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's office: Ballwin Town Center Transportation Development District, James Mello, Executive Director, c/o Armstrong Teasdale LLP, One Metropolitan Square, Suite 2600, St. Louis, MO 63102.

**Ballwin Town Center Transportation Development District
Government-Wide Statement of Net Assets
December 31, 2008**

	Governmental Activities
Assets	
Cash	\$ 5,453
Sales taxes receivable	13,507
Total assets	18,960
 Liabilities	
Collection fees payable	135
Economic activity taxes payable	6,686
Transportation development district revenues payable	12,139
Total liabilities	18,960
 Net Assets	
Unrestricted	-
Total net assets	\$ -

See accompanying notes to financial statements.

**Ballwin Town Center Transportation Development District
Government-Wide Statement of Activities
For the Year Ended December 31, 2008**

Functions / Programs	Expenses	Net (Expenses) Revenues Governmental Activities
General Government		
General and administrative	\$ <u>135,824</u>	\$ <u>(135,824)</u>
Total governmental activities	\$ <u><u>135,824</u></u>	<u>(135,824)</u>
 General Revenues		
Sales taxes		135,765
Interest income		<u>59</u>
Total general revenues		<u>135,824</u>
	Change in Net Assets	-
	Net Assets - Beginning	<u>-</u>
	Net Assets - Ending	\$ <u><u>-</u></u>

See accompanying notes to financial statements.

**Ballwin Town Center Transportation Development District
Balance Sheet
Governmental Funds
December 31, 2008**

	<u>Special Revenue Fund</u>
Assets	
Cash	\$ 5,453
Sales taxes receivable	<u>13,507</u>
Total assets	<u>\$ 18,960</u>
 Liabilities and Fund Balances	
Liabilities	
Collection fees payable	\$ 135
Economic activity taxes payable	6,686
Transportation development district revenues payable	<u>12,139</u>
Total liabilities	<u>18,960</u>
 Fund Balances	
Unreserved	<u>-</u>
Total fund balances	<u>-</u>
Total liabilities and fund balances	<u>\$ 18,960</u>

See accompanying notes to financial statements.

**Ballwin Town Center Transportation Development District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
December 31, 2008**

	<u>Special Revenue Fund</u>
Revenues	
Sales taxes	\$ 135,765
Interest income	<u>59</u>
Total revenues	<u>135,824</u>
 Expenditures	
Current	
General government	
Collection fees	1,358
Economic activity taxes	67,204
Administrative costs	14,065
Transportation development district revenues appropriated	<u>53,197</u>
Total expenditures	<u>135,824</u>
 Change in Fund Balances	 -
Fund Balances - Beginning	 <u>-</u>
Fund Balances - Ending	 \$ <u><u>-</u></u>

See accompanying notes to financial statements.

Ballwin Town Center Transportation Development District
Notes to Financial Statements
For the Year Ended December 31, 2008

Note 1 - Overview

On October 11, 1999, the City of Ballwin, Missouri (the "City") adopted Ordinance No. 99-52 which approved the following: 1) the Ballwin Town Center Tax Increment Financing (TIF) Redevelopment Plan (the "Redevelopment Plan"), and 2) the redevelopment projects for Redevelopment Project Area 2 as described in the Redevelopment Proposal and the Redevelopment Plan (the "Redevelopment Project"). The City also adopted Ordinance No. 99-53 which approved tax increment financing within the Redevelopment Project Area 2.

On June 13, 2000, the City and Regency/DS Ballwin, LLC (the "Developer") entered into an Amended and Restated Redevelopment Agreement (the "Redevelopment Agreement"). Pursuant to Section 3.18 of the Redevelopment Agreement, the Developer shall petition the Circuit Court for St. Louis County, Missouri for the creation of a transportation development district under the Transportation Development District Act.

In March 2001, Regency/DS Ballwin, LLC filed a petition (as sole owner of all real property within the District) with the Circuit Court of St. Louis County, Missouri for the creation of a transportation development district. On April 26, 2001, the Court entered an order organizing a transportation development district which established the Ballwin Town Center Transportation Development District (the "District") as a political subdivision of the state of Missouri under the Missouri Transportation Development District Act, Sections 238.200 through 238.275 of the Revised Statutes of Missouri, as amended (the "TDD Act").

In April 2006, Olde Town Plaza, LLC purchased Regency/DS Ballwin's real property within the District.

The District is governed by a Board of Directors and is operated for the purpose of financing the Transportation Project. The Transportation Project includes the following: 1) construction of a connector road, which shall consist of a loop road connecting Seven Trails Drive and Kehrs Mill in Ballwin, Missouri, including a traffic signal at Holloway and Kehrs Mill and related improvements, and 2) any additional "project" within the meaning of Section 238.202.1(5) of the TDD Act that is contemplated by the Redevelopment Plan, as approved by the City October 11, 1999, pursuant to Ordinance No. 99-52, as such plan may from time to time be amended.

Note 2 - Summary of Significant Accounting Policies

The accounting policies and financial reporting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The accounting and reporting framework and more significant accounting policies of the District are described below.

Ballwin Town Center Transportation Development District
Notes to Financial Statements
For the Year Ended December 31, 2008

a) The Reporting Entity

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity are as follows:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District has determined that no other organization meets the above criteria and, therefore, no other organization has been included as a component unit in the District's financial statements. In addition, the District is not aware of any organization that would exercise such oversight that would result in the District being considered a component unit of the organization.

b) Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e. Statement of Net Assets and Statement of Activities) report information on all the activities of the District. All of the District's activities are classified as governmental activities, which normally are supported by tax revenues, as opposed to business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. 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 program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes (even if restricted for a specific purpose) and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. The District only uses governmental funds which consist of the following:

Ballwin Town Center Transportation Development District
Notes to Financial Statements
For the Year Ended December 31, 2008

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the District. It is used to account for the 0.25% transportation development district sales tax legally restricted for financing the Transportation Project and operating the District.

c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

In the government -wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus.

In the fund financial statements, governmental funds are presented using the "current financial resources" measurement focus.

Economic Resources Measurement Focus

All assets, liabilities, revenues and expenditures (whether current or noncurrent, financial or capital, expendable or nonexpendable) are reported.

Current Financial Resources Measurement Focus

Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. The funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government -wide Statement of Net Assets and Statement of Activities , governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred.

d) Cash and Cash Equivalents

The District considers all investment instruments purchased with a maturity of three months or less to be cash equivalents. The District's cash and cash equivalents consist of a checking account.

Ballwin Town Center Transportation Development District
Notes to Financial Statements
For the Year Ended December 31, 2008

e) Net Assets

Net assets present the difference between assets and liabilities in the Statement of Net Assets of the government-wide financial statements. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. All other net assets are reported as unrestricted if they do not meet the definition of "invested in capital assets, net of related debt" or "restricted". When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

f) Fund Balances

Fund balances present the difference between assets and liabilities in the Balance Sheet of the fund financial statements. The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditure in the governmental fund balance sheet. Unreserved fund balance indicates that portion of fund equity, which is available for appropriations or expenditure, in future periods.

g) Program and General Revenues

In the Statement of Activities, revenues that are derived directly from each function or program are reported as program revenues. The District had no program revenues for 2008. All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

h) Use of Estimates

The preparation of financial statements requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 - Deposits and Investments

State statutes require the District's funds to be deposited into banking institutions in the state of Missouri. Banking institutions include banks, trust companies, savings and loan associations, credit unions, production credit associations authorized by act of the United States Congress, and other financial institutions which are authorized by law to accept funds for deposit or which in the case of production credit associations, issue securities.

In accordance with state statute, all public funds deposited in financial institutions must be secured with acceptable collateral. The value of the collateral must at all times be not less than one hundred percent of the actual amount of the funds on deposit with the financial institution, less the amount, if any, insured by the Federal Deposit Insurance Corporation.

**Ballwin Town Center Transportation Development District
Notes to Financial Statements
For the Year Ended December 31, 2008**

State statutes allow the following investments: interest bearing time deposits or obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable no more than five years from the date of purchase; repurchase agreements maturing and becoming payable within ninety days secured by United States Treasury obligations or obligations of United States government agencies or instrumentalities of any maturity, as provided by law; banker's acceptances issued by domestic commercial banks possessing the highest rating issued by a nationally recognized rating agency maturing and becoming payable within one hundred eighty days from the date of purchase; commercial paper issued by domestic corporations which has received the highest rating issued by a nationally recognized rating agency maturing and becoming payable within one hundred eighty days from the date of purchase.

Deposits - Financial Institutions

The table presented below is designed to disclose the level of custodial credit risk assumed by the District based upon how its deposits were insured or secured with collateral at December 31, 2008. The categories of custodial credit risk are defined as follows:

- Category 1 Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the District or by its agent in its name.
- Category 2 Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 Uninsured and uncollateralized.

The District's financial institution deposits are as follows:

	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Bank #1	\$ 5,453	\$ 5,453	\$ -	\$ -	\$ 5,453

Investments

The District held no investments during the year.

Note 4 - Sales Tax

On June 1, 2001, the District authorized a transportation development district-wide sales tax pursuant to the TDD Act at a rate of 0.25% on all retail sales. The district-wide sales tax shall not apply to the sale or use of motor vehicles, trailers, boats or outboard motors, to sales of electricity or electrical current, water and gas, or to sales of service to telephone subscribers, either local or long distance. The sales tax became effective on October 1, 2001 and expires no later than September 30, 2031.

Ballwin Town Center Transportation Development District
Notes to Financial Statements
For the Year Ended December 31, 2008

Fourteen retailers operated within the District's boundaries for the year ended December 31, 2008. Lowe's generated approximately 50% of the sales tax revenues for the year ended December 31, 2008. At December 31, 2008, Lowe's also represents approximately 38% of the sales taxes receivable.

Note 5 - Financing of the District's Transportation Project

Pursuant to Section 3.15 of the Redevelopment Agreement and pursuant to notice dated November 30, 2000, the City elected to undertake the construction of the Transportation Project, and the Developer advanced a total of \$850,000 (the "Advance") to pay costs associated with constructing the Transportation Project. The Advance was made in two installments, consisting of a payment of \$400,000 on May 9, 2001 and another payment in the amount of \$450,000 on August 23, 2001. The District issued two promissory notes ("TDD Notes") to the Developer pursuant to the Redevelopment Agreement and the TDD Act to evidence the District's obligation to reimburse the Developer for the Advance.

In May 2002, pursuant to the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865 of the Revised Statutes of Missouri (the "TIF Act") and the Redevelopment Agreement, the City issued its Tax Increment Refunding and Improvement Revenue Bonds, Series 2002 (Ballwin Town Center Redevelopment Project) in the aggregate principal amount of \$20,100,000 (the "TIF Bonds") to provide funds for the purpose of (a) refunding the TIF Notes issued by the City, plus accrued interest thereon, (b) refunding the TDD Notes issued by the District, plus accrued interest thereon, (c) providing additional financing for the Transportation Project and the Redevelopment Project, (d) funding capitalized interest on the TIF Bonds, (e) funding a debt service reserve fund for the TIF Bonds, and (f) paying the costs of issuance of the TIF Bonds. The TIF Bonds are scheduled to mature October 1, 2022.

On May 1, 2002, the City and District entered into an Intergovernmental Cooperation Agreement (the "Cooperation Agreement") which provided for the following: 1) the City's administration, collection, enforcement, and operation of the TDD Sales Tax, and deposit of all proceeds of the TDD Sales Tax into a special trust account (the "Ballwin Town Center TDD Fund" held by the City) to be used to pay Transportation Project costs, including District administrative costs and debt service on the portion of the TIF Bonds related to the Transportation Project, and 2) the termination of the Sales Tax Collection Agreement dated October 1, 2001 between the City and District.

Pursuant to the TDD Act, the TIF Act, and the Cooperation Agreement the City applies the TDD Sales Tax proceeds in the following order:

Ballwin Town Center Transportation Development District
Notes to Financial Statements
For the Year Ended December 31, 2008

1. Payment to the City for the cost of collection of the TDD Sales Tax in an amount not to exceed 1% of the total amount collected (the "Collection Fees");
2. Payment to the City for the Economic Activity Taxes relating to the TIF Bonds in an amount not to exceed 50% of the TDD Sales Tax collected less the Collection Fees (the "EAT Payment");
3. Payment of District's operating costs (which are not to exceed \$20,000 annually); and
4. Payment of the remaining proceeds in the Ballwin Town Center TDD Fund to the TIF Bonds Trustee to be deposited into the City's Revenue Fund for payment of debt service on the portion of the TIF Bonds related to the Transportation Project (the "TDD Revenues Appropriated").

Pursuant to the Cooperation Agreement, the District's obligation to pay a portion of debt service on the TIF Bonds for Transportation Project Costs is payable only from TDD Revenues on deposit in the Ballwin Town Center TDD Fund and from no other source. The Cooperation Agreement states that the TDD Revenues sent to the Trustee shall in no event be applied to payment of more than 6.661% of the debt service on the TIF Bonds.

Note 6 - Related Parties

Property Owners / Board of Directors / Management / Advisors

The Board of Directors consists of five members and is elected by the owners of real property within the District. Per the District's By-Laws, each Director shall be an owner or a representative of an owner of real property in the District.

Pursuant to the District's By-Laws, the Board of Directors shall appoint the Officers of the District, which includes the Executive Director. The Executive Director of the District is a member of the District's legal counsel. The District paid \$11,115 in legal services for the year ended December 31, 2008.

Pursuant to Section 3.18(g) of the Cooperation Agreement, the District shall permit the City to appoint at least one advisor to the Board of Directors having the authority and rights set forth in Section 238.220.4 of the TDD Act. The advisor shall have no vote but shall have the authority to participate in all Board meetings and discussions, whether open or closed, and shall have access to all records of the District and its Board of Directors. The advisor of the District is an employee of the City of Ballwin, Missouri.

Ballwin Town Center Transportation Development District
Notes to Financial Statements
For the Year Ended December 31, 2008

Note 7 - Risk Management

The District is exposed to various risks of loss related to torts (a wrongful act, injury, or damage for which a civil action (lawsuit or claim) can be brought); theft of assets; errors and omissions; and natural disasters. It is the policy of the District not to purchase commercial insurance for the risks of losses to which it is exposed because of its prohibitive cost.

The District has not experienced any claim settlements or judgments since its inception. The District is not aware of any claims that have been incurred but not reported.

Ballwin Town Center Transportation Development District

Required Supplemental
Information

Ballwin Town Center Transportation Development District
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended December 31, 2008
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Sales taxes	\$ 71,400	\$ 140,000	\$ 135,765	\$ (4,235)
Interest income	88	88	59	(29)
Total revenues	<u>71,488</u>	<u>140,088</u>	<u>135,824</u>	<u>(4,264)</u>
Expenditures				
Collection fees	1,400	1,400	1,358	42
Economic activity taxes	-	70,000	67,204	2,796
Administrative costs	8,000	10,500	14,065	(3,565)
Transportation development district revenues appropriated	<u>62,088</u>	<u>58,188</u>	<u>53,197</u>	<u>4,991</u>
Total expenditures	<u>71,488</u>	<u>140,088</u>	<u>135,824</u>	<u>4,264</u>
Change in Fund Balance	-	-	-	-
Fund balance - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Ballwin Town Center Transportation Development District
Notes to Budgetary Comparison Schedule
For the Year Ended December 31, 2008

Note 1 - Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

Note 2 - Budget Law

The District follows these procedures as enumerated in Section 67 of the Missouri Revised Statutes in establishing the budgetary data reflected in the financial statements:

1. The budget officer, as designated by the District's Board of Directors, prepares an annual budget which represents the 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 and proposed expenditures for the budget year;
 - c. 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's Board of Directors may revise, alter, increase or decrease the items contained in the proposed budget, subject to such limitations as may be provided by law or charter, 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's Board of Directors shall, before the beginning of the fiscal year, approve the budget and related resolution to authorize budgeted expenditures and produce the revenues estimated in the budget.
5. After the District's Board of Directors has approved the budget and related resolution to authorize the expenditures proposed in the budget, the District shall not increase the total amount authorized for expenditure from any fund, unless the Board of Directors adopts a resolution setting forth the facts and reasons making the increase necessary and approves a resolution to authorize the expenditures.
6. During the budget year, the District may transfer any unencumbered balance or portion thereof from the expenditure authorization of one department, office, commission, or other classification to another, subject to such limitations as may be provided by law or charter.