



**CITY OF BALLWIN,  
MISSOURI**

**FINANCIAL REPORT  
(Audited)**

Year Ended December 31, 2013

**CITY OF BALLWIN, MISSOURI**  
**FINANCIAL REPORT**

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

## **INDEPENDENT AUDITOR'S REPORT**

May 7, 2014

Honorable Mayor and Board of Aldermen  
**CITY OF BALLWIN, MISSOURI**

### **REPORT ON THE FINANCIAL STATEMENTS**

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

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. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Hochschild, Bloom & Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF BALLWIN, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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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, 2013. We encourage readers to consider 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 2013 by \$57,718,634 (net position). Assets include \$59,216,260 of capital assets. Both short and long-term obligations decreased from the prior year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,020,647, an increase of \$887,500 in comparison with the total fund balance at fiscal year end December 31, 2012. 51% of the total governmental fund balances, or \$6,579,911, is *unassigned* and available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,579,911, or approximately 37% of total General Fund revenues (\$17,620,540) and 39% of General Fund expenditures (\$16,786,993).
- The City's total long-term debt resulted in a net decrease of \$1,373,929. This decrease includes final payoff of the City's certificates of participation made in 2013. A debt balance of \$14,188,178 remains, which is primarily tax increment financing bonds.

**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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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).

**CITY OF BALLWIN, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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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 and court, 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 only.

**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 financial statements.

The City maintains four major funds: General Fund, Capital Projects Fund, Special Allocation Fund, and the Town Center Debt Service Fund. 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. Data from other governmental funds, such as the Debt Service Fund, Sewer Lateral Fund, Federal Asset Seizure Fund, and P.O.S.T. Fund are combined into a single, aggregated presentation called "other governmental funds". Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the other supplemental information section of this report.

An annual appropriations budget is adopted by the City as required by the General Statutes. The General Fund, Capital Projects Fund, Special Allocation Fund, Sewer Lateral Fund, Debt Service Fund, Federal Asset Seizure Fund, and P.O.S.T. Fund budgets are included in the budget document. 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. Budget workshop meetings, as well as the budget adoption meeting, are open to the public. Budgetary comparison statements have been provided for all budgeted funds.

**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.

**CITY OF BALLWIN, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Required Supplemental Information.** This management's discussion and analysis and budgetary comparison schedule for the General Fund and Special Allocation 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 financial statements, fund financial statements, and notes.

**Other Supplemental Information.** This part of the annual report includes financial information such as combining statements for the nonmajor governmental funds and budgetary comparison schedules for the Capital Projects Fund, Sewer Lateral Fund, Debt Service Fund, Federal Asset Fund, and the P.O.S.T. 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 position may serve as a useful indicator of a government's financial position over time. 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 position is as follows:

|                                  | <u>December 31</u>   |                    | <u>2013 Change</u> |                |
|----------------------------------|----------------------|--------------------|--------------------|----------------|
|                                  | <u>2013</u>          | <u>2012</u>        | <u>Amount</u>      | <u>Percent</u> |
| <b>ASSETS</b>                    |                      |                    |                    |                |
| Current and other assets         | \$ 14,418,622        | 14,182,716         | 235,906            | 1.7 %          |
| Capital assets, net              | 59,216,260           | 59,167,841         | 48,419             | 0.1            |
| Total Assets                     | <u>73,634,882</u>    | <u>73,350,557</u>  | <u>284,325</u>     | 0.4            |
| <b>LIABILITIES</b>               |                      |                    |                    |                |
| Long-term liabilities            | 14,455,908           | 15,807,420         | (1,351,512)        | (8.5)          |
| Other liabilities                | 1,460,340            | 1,802,432          | (342,092)          | (19.0)         |
| Total Liabilities                | <u>15,916,248</u>    | <u>17,609,852</u>  | <u>(1,693,604)</u> | (9.6)          |
| <b>NET POSITION</b>              |                      |                    |                    |                |
| Net investment in capital assets | 59,174,369           | 58,484,942         | 689,427            | 1.2            |
| Restricted                       | 3,612,109            | 3,933,812          | (321,703)          | (8.2)          |
| Unrestricted (deficiency)        | <u>(5,067,844)</u>   | <u>(6,678,049)</u> | <u>1,610,205</u>   | 24.1           |
| Total Net Position               | <u>\$ 57,718,634</u> | <u>55,740,705</u>  | <u>1,977,929</u>   | 3.5 %          |

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

**CITY OF BALLWIN, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

Unrestricted net position are primarily negative due to \$13,550,000 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.

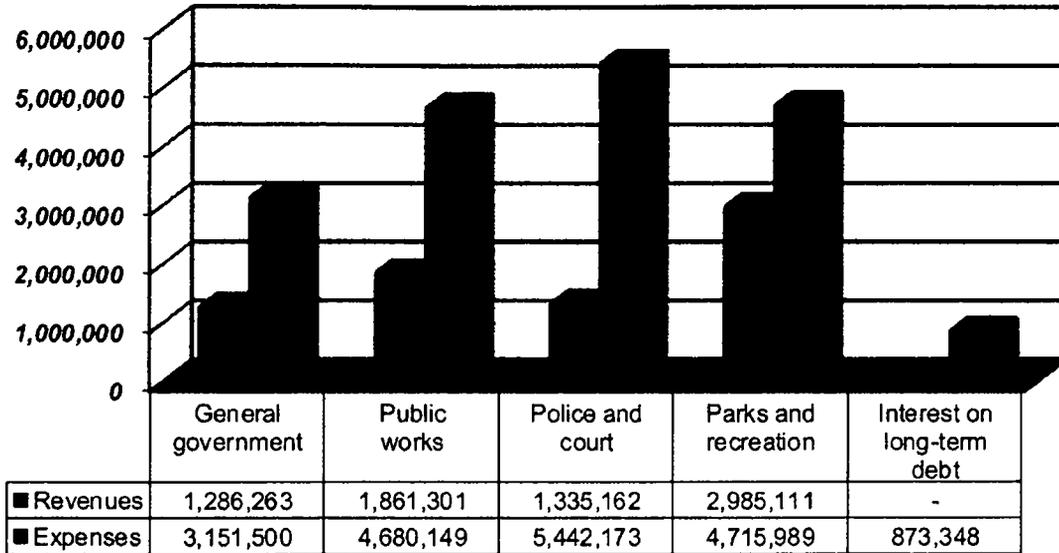
**Governmental activities.** Governmental activities increased the City's net position by \$1,977,929.

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

|                                    | <b>For The Years</b>        |                          | <b>2013 Change</b>      |                |
|------------------------------------|-----------------------------|--------------------------|-------------------------|----------------|
|                                    | <b>Ended December 31</b>    |                          | <b>Amount</b>           | <b>Percent</b> |
|                                    | <b>2013</b>                 | <b>2012</b>              |                         |                |
| <b>REVENUES</b>                    |                             |                          |                         |                |
| Program revenues:                  |                             |                          |                         |                |
| Charges for services               | \$ 5,293,338                | 4,963,818                | 329,520                 | 6.6 %          |
| Operating grants and contributions | 1,770,574                   | 345,669                  | 1,424,905               | 412.2          |
| Capital grants and contributions   | 403,925                     | 1,383,824                | (979,899)               | (70.8)         |
| General revenues:                  |                             |                          |                         |                |
| Taxes                              | 13,193,476                  | 14,522,190               | (1,328,714)             | (9.1)          |
| Investment income                  | 11,421                      | 80,357                   | (68,936)                | (85.8)         |
| Miscellaneous                      | 168,354                     | 232,559                  | (64,205)                | (27.6)         |
| Total Revenues                     | <u>20,841,088</u>           | <u>21,528,417</u>        | <u>(687,329)</u>        | <u>(3.2)</u>   |
| <b>EXPENSES</b>                    |                             |                          |                         |                |
| General government                 | 3,151,500                   | 2,949,090                | 202,410                 | 6.9            |
| Public works                       | 4,680,149                   | 4,271,294                | 408,855                 | 9.6            |
| Police and court                   | 5,442,173                   | 5,159,400                | 282,773                 | 5.5            |
| Parks and recreation               | 4,715,989                   | 4,571,003                | 144,986                 | 3.2            |
| Interest on long-term debt         | 873,348                     | 953,404                  | (80,056)                | (8.4)          |
| Total Expenses                     | <u>18,863,159</u>           | <u>17,904,191</u>        | <u>958,968</u>          | <u>5.4</u>     |
| <b>CHANGE IN NET POSITION</b>      | 1,977,929                   | 3,624,226                | (1,646,297)             | (45.4)         |
| NET POSITION, JANUARY 1            | <u>55,740,705</u>           | <u>52,116,479</u>        | <u>3,624,226</u>        | 7.0            |
| <b>NET POSITION, DECEMBER 31</b>   | <u><u>\$ 57,718,634</u></u> | <u><u>55,740,705</u></u> | <u><u>1,977,929</u></u> | <u>3.5 %</u>   |

**CITY OF BALLWIN, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**



- General government
- Police and court
- General sales and use tax
- Cigarette tax
- Parks and recreation
- Public works
- Franchise tax
- Utility gross receipts

**CITY OF BALLWIN, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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**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, 2013, the governmental funds reflected a combined fund balance of \$13,020,647. The \$887,500 increase in fund balance from December 31, 2012 is attributed to a 7% increase in sales tax revenue, higher community center revenue, and less than anticipated expenditures.

The major expenditures in the Capital Projects Fund incurred during 2013 were \$394,709 for the remodeling of the boardroom and \$390,045 for improvements to Ferris Park. In addition, there were transfers out totaling \$504,510 for the City's final debt payment.

A total of \$6,579,911, or 51% of the combined total fund balances, constitutes *unassigned fund balance*, which generally is available for spending at the government's discretion.

**BUDGETARY HIGHLIGHTS**

The City's Board of Aldermen approved an amendment of the 2013 Budget in November of 2013. This amendment was to reduce projections for sales tax revenue, increase court fine revenue and to reduce expenditures for mill and repave due to favorable bids received. Expenditures for the Great Streets Project have again been deferred to a future period. Additional adjustments were made to line items in conjunction with program reallocations.

Most revenues were relatively constant with budget. Final sales tax revenues were 4% higher than those budgeted and permits of all types exceeded budget by 21%. Public utility revenues were higher than anticipated due to increased electric rates and weather conditions. Recreation fees from the City's community recreation center exceeded the budget by 8% as members renewed early in advance of a rate increase.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** At December 31, 2013, the City's net capital assets totaled \$59,216,260. These assets include land and improvements, rights-of-way, historical treasures, construction in progress, infrastructure reconstruction, buildings and improvements, furniture and fixtures, intangible assets, machinery and equipment, and vehicles.

**CITY OF BALLWIN, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                 | December 31   |              |
|---------------------------------|---------------|--------------|
|                                 | 2013          | 2012         |
| Land and improvements           | \$ 7,460,439  | 7,271,150    |
| Buildings and improvements      | 22,752,647    | 22,395,681   |
| Historical treasures            | 247,573       | 247,573      |
| Furniture and fixtures          | 109,074       | 109,074      |
| Machinery and equipment         | 2,681,580     | 2,517,593    |
| Vehicles                        | 2,375,748     | 2,154,983    |
| Intangible assets               | 524,001       | 517,642      |
| Infrastructure                  | 89,289,651    | 88,049,531   |
| Right-of-way                    | 13,268,557    | 13,230,346   |
| Construction in progress        | 324,741       | 56,857       |
|                                 | 139,034,011   | 136,550,430  |
| Less - Accumulated depreciation | (79,817,751)  | (77,382,589) |
| Total Capital Assets            | \$ 59,216,260 | 59,167,841   |

The City had capital asset disposals and transfers of \$368,716, which consisted of police, public works, and parks vehicles as well as parks equipment. Property adjacent to the Ballwin Athletic Association was transferred to that organization. Accumulated depreciation on these assets totaled \$168,049, leaving net capital asset disposals at \$200,667.

Capital assets added in 2013 totaled \$2,852,297. The largest portion of this involved infrastructure totaling \$1,240,120, of which \$110,850 represents donations of streets, a sidewalk, and right-of-way to the City. Other additions include building improvements of \$423,243, vehicle purchases totaling \$320,707 and equipment purchases of \$351,822. Depreciation totaling \$2,603,211 resulted in net capital assets increasing by \$48,419.

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

**Long-term Debt.** At December 31, 2013, the City had outstanding long-term debt obligations in the amount of \$14,188,178. This debt includes \$13,550,000 in tax increment financing bonds. These bonds are payable solely from payments in lieu of taxes, transportation development district revenues and economic activity tax revenues generated within the redevelopment area and do not constitute a general obligation or indebtedness of the City. A capital lease for fitness equipment was issued in 2012 with a balance of \$41,891 at year end. Compensated absences liability totaled \$596,287.

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

**CITY OF BALLWIN, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | December 31   |            |
|---|---------------|------------|
|   | 2013          | 2012       |
| Certificate of participation, Series 2002 | \$ -          | 600,000    |
| TIF bonds - 2002 issue                    | 13,550,000    | 14,300,000 |
| Capital lease obligations                 | 41,891        | 82,899     |
| Compensated absences                      | 596,287       | 579,208    |
| Total Long-Term Debt                      | \$ 14,188,178 | 15,562,107 |

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

**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES**

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

- Deferral of the purchase of laptops for Inspectors and favorable results with several technology bids resulted in a savings of \$35,046 in Administration.
- \$12,458 in overtime budgeted for snow removal was not needed due to fewer snow events occurring outside of normal work schedules. Lower usage of snow plows and salt spreaders resulted in equipment maintenance savings of \$11,380. Additional savings of \$91,551 were realized from inventories of unused salt.
- Overtime budgeted for leaf collection of \$19,622 was not needed due to efficiencies in scheduling. Part-time employees were hired to assist full-time employees.
- Ballwin's portion of a joint street reconstruction project with the City of Ellisville came in \$11,345 under budget.
- Salaries and benefits for the Police Field Operations and Communications programs ended the year with \$39,538 and \$14,325 respectively not being spent due to turnover of personnel and a delay in replacing staff.
- A savings of \$12,055 was realized though lower than expected expenditures for maintenance of equipment at the community center.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

While sales taxes grew at a healthy rate in both 2012 and 2013, much of this growth is attributed to new business activity in the area. A new upscale grocery store opened in the fall of 2012 along with a clothing retailer, a flooring retailer, an appliance store, a fast food restaurant, a baby item retailer, an arms supplier and a discount store. New businesses in 2013 include several eating establishments, a shoe retailer, a fitness club, and

**CITY OF BALLWIN, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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a convenience store. At least two new businesses are expected to open in 2014. A conservative 2.5% increase is projected.

General Fund unassigned fund reserves of \$348,044 are anticipated to balance the 2014 budget. An additional \$1,975,326 of assigned fund reserves is budgeted to be transferred to the Capital Projects Fund, leaving a budgeted deficit of \$2,323,370 in the General Fund for 2014. Maintenance and improvement projects will include resurfacing of the community center pool, completion of the police station remodeling, sealing and striping of several parking lots and data system wiring. Heavy equipment in public works and golf course mowers will be replaced. Expenditures for street improvements are budgeted to increase by 10% over 2013 spending. The position of Arborist will once again be filled and in-house mosquito fogging will resume.

The 2014 Capital Improvement Plan budget allows for the redesign and update of the HVAC system at the community center under a guaranteed energy savings contract. This project will utilize \$1,975,326 of General Fund fund balance with the remaining \$2,000,000 to be financed over three years. Additional projects include the rehabilitation of the Holloway Road culvert.

**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 POSITION**  
**DECEMBER 31, 2013**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>   |                                    |
| Cash and cash equivalents                                 | \$ 1,390,518                       |
| Certificates of deposit                                   | 2,919,526                          |
| Investments   | 3,149,573                          |
| Prepaid items   | 401,378                            |
| Receivables:  |                                    |
| Taxes   | 2,569,759                          |
| Court   | 102,081                            |
| Grants  | 11,409                             |
| Other   | 256,994                            |
| Inventories   | 142,756                            |
| Restricted assets:  |                                    |
| Cash and cash equivalents                                 | 3,474,628                          |
| Capital assets:   |                                    |
| Land and other nondepreciable assets                      | 21,301,310                         |
| Other capital assets, net of accumulated depreciation     | 37,914,950                         |
| Total Assets  | 73,634,882                         |
| <b>LIABILITIES</b>  |                                    |
| Accounts payable  | 421,942                            |
| Accrued wages and benefits                                | 394,649                            |
| Accrued liabilities                                       | 414,195                            |
| Deposits  | 23,548                             |
| Accrued interest  | 206,006                            |
| Noncurrent liabilities:                                   |                                    |
| Due within one year                                       | 1,106,891                          |
| Due in more than one year                                 | 13,081,287                         |
| Due in more than one year - net OPEB obligation           | 98,414                             |
| Due in more than one year - net LAGERS pension obligation | 169,316                            |
| Total Liabilities   | 15,916,248                         |
| <b>NET POSITION</b>                                       |                                    |
| Net investment in capital assets                          | 59,174,369                         |
| Restricted for debt service                               | 2,651,952                          |
| Restricted for sewer lateral                              | 333,815                            |
| Restricted for police                                     | 241,059                            |
| Restricted for capital projects                           | 285,126                            |
| Restricted for other                                      | 100,157                            |
| Unrestricted (deficiency)                                 | (5,067,844)                        |
| Total Net Position  | \$ 57,718,634                      |

See notes to financial statements

**CITY OF BALLWIN, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                      | Program Revenues |                         |  | Net Revenues<br>(Expenses) And<br>Changes In<br>Net Position |                            |
|--------------------------------------|------------------|-------------------------|--|--|----------------------------|
| FUNCTIONS/PROGRAMS                   | Expenses         | Charges For<br>Services | Operating<br>Grants And<br>Contributions | Capital<br>Grants And<br>Contributions                       | Governmental<br>Activities |
| <b>Governmental Activities</b>       |                  |                         |  |  |                            |
| General government                   | \$ 3,151,500     | 1,283,921               | 2,342                                    | -  | (1,865,237)                |
| Public works                         | 4,680,149        | -                       | 1,693,876                                | 167,425  | (2,818,848)                |
| Police and court                     | 5,442,173        | 1,293,229               | 41,933                                   | -  | (4,107,011)                |
| Parks and recreation                 | 4,715,989        | 2,716,188               | 32,423                                   | 236,500  | (1,730,878)                |
| Interest on long-term debt           | 873,348          | -                       | -  | -  | (873,348)                  |
| Total Governmental Activities        | \$ 18,863,159    | 5,293,338               | 1,770,574                                | 403,925  | (11,395,322)               |
| <br><b>General Revenues</b>          |                  |                         |  |  |                            |
| Taxes:                               |                  |                         |  |  |                            |
| General sales and use                |                  |                         |  |  | 8,350,271                  |
| Franchise                            |                  |                         |  |  | 530,722                    |
| Cigarette                            |                  |                         |  |  | 80,718                     |
| Utility gross receipts               |                  |                         |  |  | 3,799,136                  |
| Property                             |                  |                         |  |  | 432,629                    |
| Investment income                    |                  |                         |  |  | 11,421                     |
| Miscellaneous                        |                  |                         |  |  | 168,354                    |
| Total General Revenues               |                  |                         |  |  | 13,373,251                 |
| <br><b>CHANGE IN NET POSITION</b>    |                  |                         |  |  | 1,977,929                  |
| <br><b>NET POSITION, JANUARY 1</b>   |                  |                         |  |  | 55,740,705                 |
| <br><b>NET POSITION, DECEMBER 31</b> |                  |                         |  |  | \$ 57,718,634              |

See notes to financial statements

**CITY OF BALLWIN, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2013**

|  | General              | Special<br>Allocation | Capital<br>Projects | Town<br>Center<br>Debt<br>Service | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------|---------------------|-----------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                       |                     |                                   |                                |                                |
| Cash and cash equivalents  | \$ 1,330,269         | -                     | 60,249              | -                                 | -                              | 1,390,518                      |
| Certificates of deposit  | 2,919,526            | -                     | -                   | -                                 | -                              | 2,919,526                      |
| Investments  | 3,149,573            | -                     | -                   | -                                 | -                              | 3,149,573                      |
| Prepaid items  | 401,378              | -                     | -                   | -                                 | -                              | 401,378                        |
| Receivables:   |                      |                       |                     |                                   |                                |                                |
| Taxes  | 2,181,251            | 91,379                | 214,585             | -                                 | 82,544                         | 2,569,759                      |
| Court  | 102,081              | -                     | -                   | -                                 | -                              | 102,081                        |
| Grants   | 11,409               | -                     | -                   | -                                 | -                              | 11,409                         |
| Other  | 23,141               | -                     | 233,853             | -                                 | -                              | 256,994                        |
| Inventories  | 142,756              | -                     | -                   | -                                 | -                              | 142,756                        |
| Restricted assets:   |                      |                       |                     |                                   |                                |                                |
| Cash and cash equivalents  | 419,857              | 445,241               | 83,615              | 2,054,743                         | 471,172                        | 3,474,628                      |
| Due from other funds   | -                    | 60,889                | -                   | 558,332                           | -                              | 619,221                        |
|  | <u>\$ 10,681,241</u> | <u>597,509</u>        | <u>592,302</u>      | <u>2,613,075</u>                  | <u>553,716</u>                 | <u>15,037,843</u>              |
| <b>LIABILITIES</b>   |                      |                       |                     |                                   |                                |                                |
| Accounts payable   | \$ 235,801           | 300                   | 185,841             | -                                 | -                              | 421,942                        |
| Accrued wages and benefits   | 394,649              | -                     | -                   | -                                 | -                              | 394,649                        |
| Accrued liabilities  | 414,195              | -                     | -                   | -                                 | -                              | 414,195                        |
| Due to other funds   | 29,521               | 558,332               | 31,368              | -                                 | -                              | 619,221                        |
| Deposits   | 23,548               | -                     | -                   | -                                 | -                              | 23,548                         |
|  | <u>1,097,714</u>     | <u>558,632</u>        | <u>217,209</u>      | <u>-</u>                          | <u>-</u>                       | <u>1,873,555</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                      |                       |                     |                                   |                                |                                |
| Unavailable revenues:  |                      |                       |                     |                                   |                                |                                |
| Court  | 102,081              | -                     | -                   | -                                 | -                              | 102,081                        |
| Grants   | 2,683                | -                     | -                   | -                                 | -                              | 2,683                          |
| Property taxes   | -                    | 38,877                | -                   | -                                 | -                              | 38,877                         |
|  | <u>104,764</u>       | <u>38,877</u>         | <u>-</u>            | <u>-</u>                          | <u>-</u>                       | <u>143,641</u>                 |
| <b>FUND BALANCES</b>   |                      |                       |                     |                                   |                                |                                |
| Nonspendable:  |                      |                       |                     |                                   |                                |                                |
| Prepaid items  | 401,378              | -                     | -                   | -                                 | -                              | 401,378                        |
| Inventories  | 142,756              | -                     | -                   | -                                 | -                              | 142,756                        |
| Restricted for:  |                      |                       |                     |                                   |                                |                                |
| Capital projects   | -                    | -                     | 285,126             | -                                 | -                              | 285,126                        |
| Debt service   | -                    | -                     | -                   | 2,613,075                         | -                              | 2,613,075                      |
| Sewer lateral  | -                    | -                     | -                   | -                                 | 333,815                        | 333,815                        |
| Police   | 21,158               | -                     | -                   | -                                 | 219,901                        | 241,059                        |
| Community programs   | 10,190               | -                     | -                   | -                                 | -                              | 10,190                         |
| Recreation   | -                    | -                     | 72,598              | -                                 | -                              | 72,598                         |
| Special projects   | -                    | -                     | 17,369              | -                                 | -                              | 17,369                         |
| Assigned for:  |                      |                       |                     |                                   |                                |                                |
| Subsequent year's budget -<br>appropriation of fund balance            | 2,323,370            | -                     | -                   | -                                 | -                              | 2,323,370                      |
| Unassigned:  |                      |                       |                     |                                   |                                |                                |
| General Fund   | 6,579,911            | -                     | -                   | -                                 | -                              | 6,579,911                      |
|  | <u>9,478,763</u>     | <u>-</u>              | <u>375,093</u>      | <u>2,613,075</u>                  | <u>553,716</u>                 | <u>13,020,647</u>              |
| Total Liabilities, Deferred Inflows Of<br>Resources, And Fund Balances | <u>\$ 10,681,241</u> | <u>597,509</u>        | <u>592,302</u>      | <u>2,613,075</u>                  | <u>553,716</u>                 | <u>15,037,843</u>              |

**CITY OF BALLWIN, MISSOURI**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

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|  |               |
|--|---------------|
| Total Fund Balances - Governmental Funds   | \$ 13,020,647 |
| Amounts reported for governmental activities in the statement of net position 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 \$139,034,011 and the accumulated depreciation is \$79,817,751.   | 59,216,260    |
| Municipal court receivables are assessed by the City, but are not collected as of December 31, 2013 and unavailable within the governmental funds financial statements. However, revenue for this amount is recognized in the government-wide financial statements.                            | 102,081       |
| Grant revenues earned by the City, but not collected as of December 31, 2013 are unavailable within the governmental funds financial statements. However, revenue for this amount is recognized in the government-wide financial statements.   | 2,683         |
| TIF Payments in Lieu of Taxes (PILOTs), property taxes assessed in 2013, but not collected by the City as of December 31, 2013 are unavailable within the governmental funds financial statements. However, revenue for this amount is recognized in the government-wide financial statements. | 38,877        |
| 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   | (596,287)     |
| Tax increment bonds  | (13,550,000)  |
| Capital leases   | (41,891)      |
| Accrued interest payable   | (206,006)     |
| Net OPEB obligation  | (98,414)      |
| Net LAGERS pension obligation  | (169,316)     |
| Total Net Position Of Governmental Activities  | \$ 57,718,634 |

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, 2013**

|   | General             | Special<br>Allocation | Capital<br>Projects | Town<br>Center<br>Debt<br>Service | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|-----------------------|---------------------|-----------------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>                               |                     |                       |                     |                                   |                                |                                |
| Taxes   | \$ 8,151,503        | 1,424,008             | 1,164,343           | -                                 | 295,440                        | 11,035,294                     |
| Licenses and permits                          | 1,519,203           | -                     | -                   | -                                 | -                              | 1,519,203                      |
| Public utility licenses                       | 3,771,432           | 27,704                | -                   | -                                 | -                              | 3,799,136                      |
| Court fines                                   | 952,511             | -                     | -                   | -                                 | -                              | 952,511                        |
| False alarm fines                             | 6,375               | -                     | -                   | -                                 | -                              | 6,375                          |
| Police and communications                     | 235,382             | -                     | -                   | -                                 | 20,045                         | 255,427                        |
| Community programs                            | 2,716,188           | -                     | -                   | -                                 | -                              | 2,716,188                      |
| Investment income                             | 10,902              | 110                   | -                   | 153                               | 256                            | 11,421                         |
| Donations                                     | 18,008              | -                     | -                   | -                                 | -                              | 18,008                         |
| Grants and entitlements                       | 59,996              | -                     | 521,732             | -                                 | -                              | 581,728                        |
| Miscellaneous                                 | 179,040             | -                     | 4,956               | -                                 | -                              | 183,996                        |
| Total Revenues                                | <u>17,620,540</u>   | <u>1,451,822</u>      | <u>1,691,031</u>    | <u>153</u>                        | <u>315,741</u>                 | <u>21,079,287</u>              |
| <b>EXPENDITURES</b>                           |                     |                       |                     |                                   |                                |                                |
| Current:                                      |                     |                       |                     |                                   |                                |                                |
| Administration                                | 2,698,280           | 9,849                 | 7,817               | 4,651                             | 306,349                        | 3,026,946                      |
| Public works                                  | 2,839,694           | -                     | 74,627              | -                                 | -                              | 2,914,321                      |
| Police  | 5,299,222           | -                     | -                   | -                                 | 10,545                         | 5,309,767                      |
| Parks and recreation                          | 3,952,126           | -                     | -                   | -                                 | -                              | 3,952,126                      |
| Capital outlay                                | 1,954,881           | -                     | 776,937             | -                                 | -                              | 2,731,818                      |
| Debt service:                                 |                     |                       |                     |                                   |                                |                                |
| Principal                                     | 41,008              | -                     | -                   | 750,000                           | 600,000                        | 1,391,008                      |
| Interest                                      | 1,782               | -                     | -                   | 867,356                           | 24,000                         | 893,138                        |
| Total Expenditures                            | <u>16,786,993</u>   | <u>9,849</u>          | <u>859,381</u>      | <u>1,622,007</u>                  | <u>940,894</u>                 | <u>20,219,124</u>              |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <u>833,547</u>      | <u>1,441,973</u>      | <u>831,650</u>      | <u>(1,621,854)</u>                | <u>(625,153)</u>               | <u>860,163</u>                 |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>     |                     |                       |                     |                                   |                                |                                |
| Transfers in                                  | -                   | 141,646               | -                   | 1,583,619                         | 504,510                        | 2,229,775                      |
| Transfers out                                 | (67,222)            | (1,583,619)           | (578,934)           | -                                 | -                              | (2,229,775)                    |
| Sale of capital assets                        | 27,337              | -                     | -                   | -                                 | -                              | 27,337                         |
| Total Other Financing<br>Sources (Uses)       | <u>(39,885)</u>     | <u>(1,441,973)</u>    | <u>(578,934)</u>    | <u>1,583,619</u>                  | <u>504,510</u>                 | <u>27,337</u>                  |
| <b>NET CHANGE IN FUND BALANCES</b>            | 793,662             | -                     | 252,716             | (38,235)                          | (120,643)                      | 887,500                        |
| <b>FUND BALANCES, JANUARY 1</b>               | <u>8,685,101</u>    | <u>-</u>              | <u>122,377</u>      | <u>2,651,310</u>                  | <u>674,359</u>                 | <u>12,133,147</u>              |
| <b>FUND BALANCES, DECEMBER 31</b>             | <u>\$ 9,478,763</u> | <u>-</u>              | <u>375,093</u>      | <u>2,613,075</u>                  | <u>553,716</u>                 | <u>13,020,647</u>              |

**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, 2013**

Net Change In Fund Balances - Governmental Funds \$ 887,500

Amounts reported for governmental activities in the statement of activities are different because:

|   |                |                     |
|---|----------------|---------------------|
| Capital outlays are reported in the 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 over the capitalization threshold (\$2,733,970) exceeded depreciation (\$2,603,211) in the current period.  |                | 130,759             |
| The net effect of various miscellaneous transactions involving capital assets:  |                |                     |
| Cost of disposals, net of accumulated depreciation  | (193,190)      |                     |
| Contribution of infrastructure and land   | <u>110,850</u> | (82,340)            |
| Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds financial statements.  |                | (329,292)           |
| 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 position, 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 position. |                |                     |
| Repayments during the current year:   |                |                     |
| Principal payments on bonds and certificates of participation   | 1,350,000      |                     |
| Principal payments on leases included in fund expenditures  | <u>41,008</u>  | 1,391,008           |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:   |                |                     |
| Accrued compensated absences  | (17,079)       |                     |
| Accrued interest on debt  | 19,790         |                     |
| Net OPEB obligation   | (16,374)       |                     |
| Net LAGERS pension obligation   | <u>(6,043)</u> | <u>(19,706)</u>     |
| Change In Net Position Of Governmental Activities   |                | <u>\$ 1,977,929</u> |

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The **CITY OF BALLWIN, MISSOURI** (the City) was incorporated December 29, 1950. The City operates as a fourth-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 accounting principles generally accepted in the United States of America 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 any component units, entities which are financially accountable to the City. The City does not currently have any component units.

**2. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 60 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.

Sales 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.

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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

**4. Investments**

The City 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 fair value. Fair values for all other investments is based on quoted market prices.

**5. Restricted Assets**

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

**6. Capital Assets**

Capital assets include land and land improvements, buildings and building improvements, infrastructure (e.g. roads, bridges, sidewalks, and similar items), furniture and fixtures, vehicles and equipment, historical treasures and right-of-ways. Capital assets are defined by the City as assets with an initial cost of more than \$7,500 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 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.

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. Capital Assets (Continued)**

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

| Asset                   | Years   |
|-------------------------|---------|
| Buildings               | 15 - 50 |
| Building improvements   | 15 - 50 |
| Furniture and fixtures  | 5 - 20  |
| Infrastructure          | 20 - 50 |
| Intangible assets       | 5 - 15  |
| Machinery and equipment | 3 - 25  |
| Vehicles                | 3 - 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 discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 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**

Fund equity in the governmental fund financial statements is classified as fund balance. Generally, fund balance represents the difference between assets, liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. Fund Equity (Continued)**

- **Nonspendable** -- Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted** -- Fund balances are reported as restricted when there are limitations imposed on their use either through external parties such as grantors, creditors, constitutional provisions, or enabling legislation.
- **Committed** -- Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen. Only the Board may modify or rescind the commitment.
- **Assigned** -- Fund balances are reported as assigned when amounts are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned** -- Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the other fund balance type's criterion. The City reports positive unassigned fund balance in the General Fund only. Negative unassigned fund balances may be reported in all governmental funds.

When both restricted and unrestricted resources are available, the City will spend the most restricted amounts before the least restricted.

**Minimum Unrestricted Fund Balance**

The City recognizes that the maintenance of a fund balance is essential to provide for unforeseen expenses or emergencies and to provide working capital in the beginning of a fiscal year until sufficient revenues are available to fund operations. The maintenance of an appropriate level of fund balance is necessary to make designated purchases and cover operational expenditures, as well as to demonstrate the financial stability necessary to preserve or enhance its bond rating.

The unassigned fund balance in the General Fund will be maintained at a level sufficient to provide the resources required to meet operating cost needs, to allow for unforeseen emergencies, and to permit orderly adjustment to changes resulting from fluctuations in revenues. The City's policy is to maintain a minimum unassigned fund balance no less than 25% of total operating expenditures at the end of each annual fiscal period.

The annual proposed budget will include a projection of the year-end unassigned fund balance for the current year as well as the projected budget year.

If, for any reason, the unassigned General Fund balance should fall below the minimum balance, the City will develop a plan to replenish the unassigned fund balance to the established minimum level within two (2) years.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. Net Position**

In the government-wide financial statements, equity is classified as net position and displayed in three components. Net investment in capital assets, consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those net position. Net position is reported as restricted when there are constraints imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. All other net position that do not meet the definition of restricted or net investment in capital assets, are reported as unrestricted. The City first utilized restricted resources to finance qualifying activities.

**11. Interfund Transactions**

In the fund financial statements, the City has the following types of transactions among funds:

**Transfers** -- Transfers of resources from a fund receiving revenue to the fund through which resources are to be expended are recorded as transfers. Such transfers are reported as other financing sources (uses).

**Due To/From Other Funds** -- Current portions of long-term interfund loans receivable/payable are considered "available spendable resources" and are reported as assets and liabilities of the appropriate funds.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

**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).

**13. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not currently have any deferred outflows.

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**13. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from various sources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**14. Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2013, the carrying amount of cash deposits amounted to \$2,778,542 and the bank balances totaled \$3,339,301. Of the City's bank balances, \$250,000 was covered by federal depository insurance, and \$3,000,000 was covered by additional letters of credit. The amount of uninsured or uncollateralized deposits amounted to \$89,301.

**2. Investments**

As of December 31, 2013, the City had the following investments:

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE B - CASH AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

| <u>Security</u>                       | <u>Fair Value</u>   | <u>Less Than One Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> | <u>Credit Risk</u> |
|---------------------------------------|---------------------|---------------------------|------------------|-------------------|--------------------|
| Certificates of deposit               | \$ 2,919,526        | 596,006                   | 2,078,158        | 245,362           | N/A                |
| Money market funds                    | 2,084,385           | 2,084,385                 | -                | -                 | Not rated          |
| U.S. Government and agency securities | <u>3,149,573</u>    | <u>499,212</u>            | <u>2,408,566</u> | <u>241,795</u>    | AAA                |
| Total Investments                     | <u>\$ 8,153,484</u> | <u>3,179,603</u>          | <u>4,486,724</u> | <u>487,157</u>    |                    |

**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.

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE C - CAPITAL ASSETS**

Capital asset activity was as follows:

|                                       | <b>For The Year Ended December 31, 2013</b> |                  |                  |                    |
|---------------------------------------|---|------------------|------------------|--------------------|
|                                       | <b>December 31</b>                          | <b>Transfers</b> | <b>Transfers</b> | <b>December 31</b> |
|                                       | <b>2012</b>                                 | <b>And</b>       | <b>And</b>       | <b>2013</b>        |
|                                       |   | <b>Additions</b> | <b>Deletions</b> |                    |
| Capital assets not being depreciated: |   |                  |                  |                    |
| Land                                  | \$ 5,466,173                                | -                | -                | 5,466,173          |
| Land improvements                     | 1,804,977                                   | 189,289          | -                | 1,994,266          |
| Historical treasures                  | 247,573                                     | -                | -                | 247,573            |
| Right-of-way                          | 13,230,346                                  | 38,211           | -                | 13,268,557         |
| Construction in progress              | 56,857                                      | 275,361          | 7,477            | 324,741            |
| <b>Total Capital Assets Not</b>       |   |                  |                  |                    |
| <b>Being Depreciated</b>              | <u>20,805,926</u>                           | <u>502,861</u>   | <u>7,477</u>     | <u>21,301,310</u>  |
| Capital assets being depreciated:     |   |                  |                  |                    |
| Buildings                             | 21,562,949                                  | -                | 66,277           | 21,496,672         |
| Building improvements                 | 832,732                                     | 423,243          | -                | 1,255,975          |
| Furniture and fixtures                | 109,074                                     | -                | -                | 109,074            |
| Infrastructure                        | 88,049,531                                  | 1,240,120        | -                | 89,289,651         |
| Intangible assets                     | 517,642                                     | 13,544           | 7,185            | 524,001            |
| Machinery and equipment               | 2,517,593                                   | 351,822          | 187,835          | 2,681,580          |
| Vehicles                              | 2,154,983                                   | 320,707          | 99,942           | 2,375,748          |
| <b>Total Capital Assets Being</b>     |   |                  |                  |                    |
| <b>Depreciated</b>                    | <u>115,744,504</u>                          | <u>2,349,436</u> | <u>361,239</u>   | <u>117,732,701</u> |
| Less - Accumulated depreciation for:  |   |                  |                  |                    |
| Buildings                             | 9,310,508                                   | 592,271          | 40,539           | 9,862,240          |
| Building improvements                 | 154,410                                     | 39,824           | -                | 194,234            |
| Furniture and fixtures                | 69,315                                      | 12,451           | -                | 81,766             |
| Infrastructure                        | 64,811,713                                  | 1,647,772        | -                | 66,459,485         |
| Intangible assets                     | 117,131                                     | 21,013           | 3,713            | 134,431            |
| Machinery and equipment               | 1,627,056                                   | 118,981          | 55,694           | 1,690,343          |
| Vehicles                              | 1,292,456                                   | 170,899          | 68,103           | 1,395,252          |
| <b>Total Accumulated Depreciation</b> | <u>77,382,589</u>                           | <u>2,603,211</u> | <u>168,049</u>   | <u>79,817,751</u>  |
| <b>Total Capital Assets Being</b>     |   |                  |                  |                    |
| <b>Depreciated, Net</b>               | <u>38,361,915</u>                           | <u>(253,775)</u> | <u>193,190</u>   | <u>37,914,950</u>  |
| <b>Total Capital Assets, Net</b>      | <u>\$ 59,167,841</u>                        | <u>249,086</u>   | <u>200,667</u>   | <u>59,216,260</u>  |

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

|                      |                     |
|----------------------|---------------------|
| Administration       | \$ 83,505           |
| Public works         | 1,780,622           |
| Police               | 92,655              |
| Parks and recreation | 646,429             |
| <b>Total</b>         | <u>\$ 2,603,211</u> |

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE D - INTERFUND BALANCES**

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

| <b>Receivable Fund</b>   | <b>Payable Fund</b> | <b>December 31<br/>2013</b> |
|--------------------------|---------------------|-----------------------------|
| Special Allocation       | General             | \$ 29,521                   |
| Special Allocation       | Capital Projects    | 31,368                      |
| Town Center Debt Service | Special Allocation  | 558,332                     |
| Total                    |                     | \$ 619,221                  |

All of these interfund balances are due to timing differences. All interfund balances are expected to be repaid during the next fiscal year.

**NOTE E - INTERFUND TRANSACTIONS**

Individual interfund transactions are as follows:

|                          | <b>Transfers Out</b> |                               |                             | <b>Total</b> |
|--------------------------|----------------------|-------------------------------|-----------------------------|--------------|
|                          | <b>General</b>       | <b>Special<br/>Allocation</b> | <b>Capital<br/>Projects</b> |              |
| Transfers in:            |                      |                               |                             |              |
| Special Allocation       | \$ 67,222            | -                             | 74,424                      | 141,646      |
| Town Center Debt Service | -                    | 1,583,619                     | -                           | 1,583,619    |
| Debt Service             | -                    | -                             | 504,510                     | 504,510      |
| Total                    | \$ 67,222            | 1,583,619                     | 578,934                     | 2,229,775    |

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.

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE F - LONG-TERM DEBT**

A summary of changes are as follows:

|                               | <u>For the Year Ended December 31, 2013</u>          |                  |                  | <u>Balance</u><br><u>December 31,</u><br><u>2013</u> | <u>Amounts</u><br><u>Due</u><br><u>Within</u><br><u>One Year</u> |
|-------------------------------|--|------------------|------------------|--|--|
|                               | <u>Balance</u><br><u>December 31,</u><br><u>2012</u> | <u>Increases</u> | <u>Decreases</u> |  |  |
| Bonds payable:                |  |                  |                  |  |  |
| Tax increment bonds           | \$ 14,300,000  | -                | 750,000          | 13,550,000   | 850,000  |
| Other long-term debt:         |  |                  |                  |  |  |
| Certificates of participation | 600,000  | -                | 600,000          | -  | -  |
| Capital leases                | 82,899   | -                | 41,008           | 41,891   | 41,891   |
| Compensated absences          | 579,208  | 232,079          | 215,000          | 596,287  | 215,000  |
| Total                         | <u>\$ 15,562,107</u>                                 | <u>232,079</u>   | <u>1,606,008</u> | <u>14,188,178</u>                                    | <u>1,106,891</u>   |

**Tax Increment Bonds**

The Series 2002A (\$16,650,000) and 2002B (\$3,450,000) tax increment refunding and improvement revenue bonds were issued for the purpose of financing the costs in connection with the Ballwin Town Center Redevelopment Project. The bonds are special, limited obligations of the City, payable solely from payments in lieu of taxes, transportation development district revenues and economic activity tax revenues generated within the redevelopment area and certain moneys on deposit under the indenture. The City and Transportation Development District have agreed to request an annual appropriation of economic activity tax revenue and transportation development district revenues, respectively, but the City and the Transportation Development District are not legally obligated to make any such appropriations. In addition, the City has agreed to request an annual appropriation of the lesser of 35% of its portion of economic activity tax revenues or \$250,000 for repayment of the bonds, but the City is not legally obligated to make any such appropriation. The bonds do not constitute a general obligation or indebtedness of the City.

The Series 2002A term bonds are due in 2015, 2017, and 2022. Interest is payable at 6.0% to 6.5%. The Series 2002B term bonds are due October 1, 2022. Interest is payable at 5.125%.

**Certificates of Participation**

The Series 2002 (\$8,210,000) certificates of participation were due in annual installments through September 1, 2013 with interest payable at 4%.

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE F - LONG-TERM DEBT (Continued)**

**Capital Leases**

In 2012, the City financed the acquisition of exercise equipment totaling \$125,690 using a capital lease with an effective interest rate of 2.15% payable in installments of \$42,791 per year through June 2014.

Future long-term debt maturities are as follows:

| <b>For The<br/>Years Ended<br/>December 31</b> | <b>Capital Leases</b> |                 | <b>Tax Increment Bonds</b> |                  | <b>Total Long-term Debt</b> |                  |
|--|-----------------------|-----------------|----------------------------|------------------|-----------------------------|------------------|
|  | <b>Principal</b>      | <b>Interest</b> | <b>Principal</b>           | <b>Interest</b>  | <b>Principal</b>            | <b>Interest</b>  |
| 2014   | \$ 41,891             | 901             | 850,000                    | 822,356          | 891,891                     | 823,257          |
| 2015   | -                     | -               | 930,000                    | 771,356          | 930,000                     | 771,356          |
| 2016   | -                     | -               | 1,195,000                  | 715,556          | 1,195,000                   | 715,556          |
| 2017 - 2021                                    | -                     | -               | 7,850,000                  | 2,333,181        | 7,850,000                   | 2,333,181        |
| 2022   | -                     | -               | 2,725,000                  | 166,331          | 2,725,000                   | 166,331          |
| <b>Total</b>                                   | <b>\$ 41,891</b>      | <b>901</b>      | <b>13,550,000</b>          | <b>4,808,780</b> | <b>13,591,891</b>           | <b>4,809,681</b> |

**NOTE G - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)**

**1. Plan Description**

The City participates in 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 401(a) 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 rates are 6.5% (general) and 9.4% (police) 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.

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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

**3. Annual Pension Cost**

The City's annual pension cost (APC) and net pension obligation (NPO) for the current year were as follows:

|  |                          |
|--|--------------------------|
| Annual required contribution               | \$ 541,012               |
| Interest on net pension obligation         | 11,837                   |
| Adjustment to annual required contribution | <u>(13,368)</u>          |
| APC  | 539,481                  |
| Actual contributions                       | <u>533,438</u>           |
| Increase in NPO                            | 6,043                    |
| NPO beginning of year                      | <u>163,273</u>           |
| NPO End Of Year                            | <u><u>\$ 169,316</u></u> |

The required contribution was determined as part of the February 28, 2011 and 2012 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 included: a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually; b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on 75% of the RP-2000 Combined Health table set back zero years for men and zero years for women; and e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back zero years for men and zero years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair 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, 2011 was 30 years for the General division. The amortization period as of February 29, 2012 was 16 years for the General division and 30 years for the Police division.

**Trend Information**

| For The<br>Fiscal Years<br>Ended<br>June 30 | APC        | Percentage<br>Of APC<br>Contributed | NPO        |
|---|------------|-------------------------------------|------------|
| 2013  | \$ 539,481 | 98.9 %                              | \$ 169,316 |
| 2012  | 298,335    | 89.7                                | 163,273    |
| 2011  | 307,239    | 74.3                                | 132,556    |

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

**3. Annual Pension Cost (Continued)**

As of February 28, 2013, the most recent actuarial valuation date, the plan was 98% funded. The actuarial accrued liability for benefits was \$10,084,264 and the actuarial value of assets was \$9,872,063, resulting in an unfunded accrued liability of \$212,201. The covered payroll (annual payroll of active employees covered by the plan) was \$6,822,461.

**NOTE H - FINES AND COURT COSTS FOR TRAFFIC VIOLATIONS**

RSMo 302.341.2 requires an accounting of the percentage of annual fines and court costs for traffic violations, including amended charges from any charged traffic violation, occurring within the City to total general operating revenue, to be included in the annual financial report. At this point in time the Regional Justice Information System (REJIS), the organization through which the Municipal Court would obtain this information is unable to provide the specific information necessary to separate the annual fines and court costs for traffic violations from total fines and court costs for all violations. During the year, the amount of fines, forfeitures and court costs of all types, the general operating revenue, and related percent amounted to \$952,511, \$14,691,377, and 6%, respectively, which is below the threshold of 30% identified in RSMo 302.341.2.

**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 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 of 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.

**CITY OF BALLWIN, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE J - RESTRICTED COMPONENTS OF NET POSITION**

The government-wide statement of net position reports \$3,612,109 of restricted net position, of which \$960,157 is restricted by enabling legislation.

**NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS**

**Plan Description**

The City provides healthcare benefits to employees defined as city retirees who have attained age 55 plus 10 years of service until attainment of Medicare Eligibility Age. Individual-only medical and prescription drug benefits are available to retirees in the St. Louis Area Insurance Trust's (SLAIT) self-insured pool. The retiree pays the monthly group health insurance premium. The Plan, as stated in the City's personnel policy and established by City ordinance, assigned the authority to establish and amend plan benefit provisions to the City. The plan does not issue a separate stand-alone report.

**Funding Policy**

The City currently pays for the post-employment healthcare benefits on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities.

The City's annual OPEB cost for the current year and the related information are as follows:

|   |                         |
|---|-------------------------|
| ARC                                     | \$ 26,011               |
| Interest on net OPEB obligation         | 3,282                   |
| Adjustment to ARC                       | <u>(4,744)</u>          |
| Annual OPEB Cost                        | 24,549                  |
| Contributions made                      | <u>(8,175)</u>          |
| Increase in OPEB obligation             | 16,374                  |
| Net OPEB obligation - beginning of year | <u>82,040</u>           |
| Net OPEB Obligation - End Of Year       | <u><u>\$ 98,414</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

**CITY OF BALLWIN, MISSOURI**  
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**DECEMBER 31, 2013**

**NOTE K - OTHER POST-EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS (Continued)**

| <u>For The<br/>Years Ended<br/>December 31</u> | <u>Annual<br/>OPEB<br/>Cost</u> | <u>Percentage Of<br/>Annual OPEB<br/>Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|--|---------------------------------|---|--------------------------------|
| 2013   | \$ 24,549                       | 33.3 %  | \$ 98,414                      |
| 2012   | 21,769                          | 42.8  | 82,040                         |
| 2011   | 21,981                          | 45.8  | 69,590                         |

**Funded Status and Funding Program**

As of January 1, 2013, the most recent actuarial valuation date, the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) and the actuarial accrued liability for benefits of \$232,892. The covered payroll (annual payroll of active employees covered by the plan) was \$7,377,000, and the ratio of the UAAL to the covered payroll was 3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial assumptions used in the valuation are as follows:

|                       |   |
|-----------------------|---|
| Valuation method      | Projected unit credit method                              |
| Latest valuation date | January 1, 2013   |
| Discount rate         | 4% per annum  |
| Amortization period   | 30 years for initial unfunded actuarial accrued liability |
| Mortality             | RP2000 Blended Mortality Table projected to 2007          |
| Medical premium rates | 9.0% initial rate; 5% ultimate rate                       |

**NOTE L - FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, will require the City to record UAAL on the government-wide statement of net position. UAAL equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. GASB 68 may also require changes to the projection of benefit payments and the rate used to discount the projected benefit payments. GASB 68 will be effective for the City for the year ending December 31, 2015.

**NOTE M - SUBSEQUENT EVENT**

In February 2014, the City entered into an agreement in which the City will finance \$2,000,000 for the redesign and update of the HVAC system at the community center under a guaranteed energy saving contract. The total project will cost \$3,975,326 with the \$2,000,000 being financed and the remainder will be paid from available fund balance. The loan will be payable over a three-year period.

**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

**CITY OF BALLWIN, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                    | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Over</u>    |
|------------------------------------|-------------------------|------------------|------------------|----------------|
|                                    | <u>Original</u>         | <u>Final</u>     |                  | <u>(Under)</u> |
| <b>REVENUES</b>                    |                         |                  |                  |                |
| <b>Taxes</b>                       |                         |                  |                  |                |
| Sales tax                          | \$ 6,310,000            | 6,160,000        | 6,376,909        | 216,909        |
| Motor vehicle fees                 | 1,115,000               | 1,075,000        | 1,102,420        | 27,420         |
| County road tax                    | 615,000                 | 615,000          | 591,456          | (23,544)       |
| Cigarette                          | 85,000                  | 85,000           | 80,718           | (4,282)        |
| Total Taxes                        | <u>8,125,000</u>        | <u>7,935,000</u> | <u>8,151,503</u> | <u>216,503</u> |
| <b>Licenses and Permits</b>        |                         |                  |                  |                |
| Building and sign permits          | 87,500                  | 72,500           | 73,444           | 944            |
| Cable television franchise fees    | 507,000                 | 517,000          | 530,722          | 13,722         |
| Inspection and occupancy permits   | 75,850                  | 112,850          | 127,869          | 15,019         |
| Liquor licenses                    | 19,000                  | 19,000           | 18,431           | (569)          |
| Merchants and contractors licenses | 635,000                 | 635,000          | 636,046          | 1,046          |
| Mechanical and electrical permits  | 57,650                  | 57,650           | 69,700           | 12,050         |
| Plumbing and excavation permits    | 44,000                  | 44,000           | 62,991           | 18,991         |
| Total Licenses And Permits         | <u>1,426,000</u>        | <u>1,458,000</u> | <u>1,519,203</u> | <u>61,203</u>  |
| <b>Public Utility Licenses</b>     |                         |                  |                  |                |
| Electric                           | 1,517,500               | 1,497,500        | 1,560,905        | 63,405         |
| Telephone                          | 1,148,500               | 1,108,500        | 1,083,470        | (25,030)       |
| Gas                                | 754,200                 | 779,200          | 808,665          | 29,465         |
| Water                              | 326,500                 | 326,500          | 318,392          | (8,108)        |
| Total Public Utility Licenses      | <u>3,746,700</u>        | <u>3,711,700</u> | <u>3,771,432</u> | <u>59,732</u>  |
| <b>Court Fines</b>                 | <u>850,000</u>          | <u>945,000</u>   | <u>952,511</u>   | <u>7,511</u>   |
| <b>False Alarm Fines</b>           | <u>5,000</u>            | <u>5,000</u>     | <u>6,375</u>     | <u>1,375</u>   |
| <b>Police and Communications</b>   | <u>235,645</u>          | <u>235,645</u>   | <u>235,382</u>   | <u>(263)</u>   |
| <b>Community Programs</b>          |                         |                  |                  |                |
| Pool:                              |                         |                  |                  |                |
| Concessions                        | 136,200                 | 117,200          | 117,465          | 265            |
| Daily admissions                   | 224,000                 | 214,000          | 206,951          | (7,049)        |
| Season passes                      | 144,085                 | 144,085          | 153,194          | 9,109          |

(Continued)

**CITY OF BALLWIN, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Over<br/>(Under)<br/>Budget</u> |
|---|-------------------------|------------------|------------------|------------------------------------|
|   | <u>Original</u>         | <u>Final</u>     |                  |                                    |
| <b>REVENUES (Continued)</b>                 |                         |                  |                  |                                    |
| <b>Community Programs (Continued)</b>       |                         |                  |                  |                                    |
| Pool (Continued):                           |                         |                  |                  |                                    |
| Swim team                                   | 18,000                  | 18,000           | 20,682           | 2,682                              |
| Rental fees                                 | 16,500                  | 16,500           | 14,397           | (2,103)                            |
| Miscellaneous                               | 16,050                  | 16,050           | 21,199           | 5,149                              |
| Total Pool                                  | <u>554,835</u>          | <u>525,835</u>   | <u>533,888</u>   | <u>8,053</u>                       |
| Community center:                           |                         |                  |                  |                                    |
| Concessions                                 | 15,000                  | 15,000           | 18,971           | 3,971                              |
| Daily admissions                            | 94,000                  | 89,000           | 93,861           | 4,861                              |
| Punch cards                                 | 41,000                  | 55,000           | 62,631           | 7,631                              |
| Season passes                               | 717,850                 | 717,850          | 792,036          | 74,186                             |
| Program fees                                | 283,200                 | 256,200          | 271,322          | 15,122                             |
| Summer camp fees                            | 174,000                 | 174,000          | 172,356          | (1,644)                            |
| Rental fees                                 | 66,000                  | 66,000           | 70,432           | 4,432                              |
| Identification fees                         | 12,000                  | 12,000           | 11,827           | (173)                              |
| Miscellaneous                               | 120                     | 120              | 85               | (35)                               |
| Total Community Center                      | <u>1,403,170</u>        | <u>1,385,170</u> | <u>1,493,521</u> | <u>108,351</u>                     |
| Golf course:                                |                         |                  |                  |                                    |
| Green fees                                  | 417,500                 | 385,000          | 396,194          | 11,194                             |
| Cart rental                                 | 131,500                 | 119,500          | 119,217          | (283)                              |
| Program fees                                | 3,000                   | 3,000            | 4,586            | 1,586                              |
| Season passes                               | 4,650                   | 4,650            | 4,725            | 75                                 |
| Miscellaneous                               | 2,200                   | 2,200            | 2,017            | (183)                              |
| Total Golf Course                           | <u>558,850</u>          | <u>514,350</u>   | <u>526,739</u>   | <u>12,389</u>                      |
| Recreational complex and golf shop:         |                         |                  |                  |                                    |
| Concessions and miscellaneous               | 87,900                  | 72,400           | 70,972           | (1,428)                            |
| Complex rental fees                         | 34,400                  | 34,400           | 32,625           | (1,775)                            |
| Total Recreational Complex<br>And Golf Shop | <u>122,300</u>          | <u>106,800</u>   | <u>103,597</u>   | <u>(3,203)</u>                     |
| Ballwin Days                                | 75,000                  | 58,000           | 58,443           | 443                                |
| Total Community Programs                    | <u>2,714,155</u>        | <u>2,590,155</u> | <u>2,716,188</u> | <u>126,033</u>                     |

(Continued)

**CITY OF BALLWIN, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                | <u>Budgeted Amounts</u> |              | <u>Actual</u> | <u>Over<br/>(Under)<br/>Budget</u> |
|--------------------------------|-------------------------|--------------|---------------|------------------------------------|
|                                | <u>Original</u>         | <u>Final</u> |               |                                    |
| <b>REVENUES (Continued)</b>    |                         |              |               |                                    |
| <b>Investment Income</b>       | 53,200                  | 53,200       | 10,902        | (42,298)                           |
| <b>Donations</b>               | 6,550                   | 6,550        | 18,008        | 11,458                             |
| <b>Grants and Entitlements</b> | 32,575                  | 52,320       | 59,996        | 7,676                              |
| <b>Miscellaneous</b>           |                         |              |               |                                    |
| Administration                 | 51,355                  | 133,555      | 146,790       | 13,235                             |
| Rental income                  | 20,700                  | 20,700       | 20,475        | (225)                              |
| Miscellaneous                  | 8,700                   | 8,700        | 11,775        | 3,075                              |
| Total Miscellaneous            | 80,755                  | 162,955      | 179,040       | 16,085                             |
| Total Revenues                 | 17,275,580              | 17,155,525   | 17,620,540    | 465,015                            |
| <b>EXPENDITURES</b>            |                         |              |               |                                    |
| <b>Administration</b>          |                         |              |               |                                    |
| Planning and zoning            | 58,922                  | 58,922       | 58,940        | 18                                 |
| Inspections                    | 397,309                 | 394,529      | 390,017       | (4,512)                            |
| Community services             | 660,894                 | 686,119      | 678,481       | (7,638)                            |
| Legal                          | 391,253                 | 372,253      | 367,266       | (4,987)                            |
| Support services               | 364,729                 | 294,629      | 286,902       | (7,727)                            |
| Information services           | 378,019                 | 375,019      | 333,233       | (41,786)                           |
| Municipal Court                | 188,333                 | 189,633      | 190,268       | 635                                |
| Finance                        | 544,320                 | 456,620      | 449,249       | (7,371)                            |
| Total Administration           | 2,983,779               | 2,827,724    | 2,754,356     | (73,368)                           |
| <b>Public Works</b>            |                         |              |               |                                    |
| Engineering                    | 267,296                 | 240,346      | 235,349       | (4,997)                            |
| Sidewalks                      | 223,488                 | 198,238      | 189,702       | (8,536)                            |
| Pavement maintenance           | 2,730,717               | 2,450,917    | 2,409,500     | (41,417)                           |
| Traffic control                | 84,035                  | 87,235       | 79,540        | (7,695)                            |
| Snow and ice control           | 283,878                 | 266,778      | 142,075       | (124,703)                          |
| Property services              | 311,541                 | 326,641      | 300,615       | (26,026)                           |
| Support services               | 806,666                 | 932,816      | 931,723       | (1,093)                            |
| Total Public Works             | 4,707,621               | 4,502,971    | 4,288,504     | (214,467)                          |

(Continued)

**CITY OF BALLWIN, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>Budgeted Amounts</u> |                   | <u>Actual</u>       | <u>Over<br/>(Under)<br/>Budget</u> |
|---|-------------------------|-------------------|---------------------|------------------------------------|
|   | <u>Original</u>         | <u>Final</u>      |                     |                                    |
| <b>EXPENDITURES (Continued)</b>         |                         |                   |                     |                                    |
| <b>Police</b>                           |                         |                   |                     |                                    |
| Management and auxiliary services       | 472,577                 | 459,927           | 442,655             | (17,272)                           |
| Field operations                        | 3,604,017               | 3,663,417         | 3,598,947           | (64,470)                           |
| Communications                          | 719,363                 | 735,363           | 709,023             | (26,340)                           |
| Criminal investigations                 | 638,798                 | 658,498           | 653,202             | (5,296)                            |
| Total Police                            | <u>5,434,755</u>        | <u>5,517,205</u>  | <u>5,403,827</u>    | <u>(113,378)</u>                   |
| <b>Parks and Recreation</b>             |                         |                   |                     |                                    |
| Parks                                   | 577,632                 | 528,797           | 506,949             | (21,848)                           |
| Golf operations                         | 1,186,707               | 1,118,907         | 1,048,252           | (70,655)                           |
| Pool                                    | 594,500                 | 553,000           | 536,745             | (16,255)                           |
| Community center                        | 1,788,516               | 1,748,166         | 1,669,453           | (78,713)                           |
| Building systems                        | 510,825                 | 512,025           | 504,538             | (7,487)                            |
| Ballwin days                            | 76,141                  | 78,041            | 74,369              | (3,672)                            |
| Total Parks And<br>Recreation           | <u>4,734,321</u>        | <u>4,538,936</u>  | <u>4,340,306</u>    | <u>(198,630)</u>                   |
| Total Expenditures                      | <u>17,860,476</u>       | <u>17,386,836</u> | <u>16,786,993</u>   | <u>(599,843)</u>                   |
| <b>REVENUES OVER (UNDER)</b>            |                         |                   |                     |                                    |
| <b>EXPENDITURES</b>                     | <u>(584,896)</u>        | <u>(231,311)</u>  | <u>833,547</u>      | <u>1,064,858</u>                   |
| <b>OTHER FINANCING SOURCES</b>          |                         |                   |                     |                                    |
| <b>(USES)</b>                           |                         |                   |                     |                                    |
| Transfers in                            | 4,364                   | 4,364             | -                   | (4,364)                            |
| Transfers out                           | (57,528)                | (67,228)          | (67,222)            | (6)                                |
| Sale of capital assets                  | 28,000                  | 28,000            | 27,337              | (663)                              |
| Total Other Financing<br>Sources (Uses) | <u>(25,164)</u>         | <u>(34,864)</u>   | <u>(39,885)</u>     | <u>(5,021)</u>                     |
| <b>NET CHANGE IN FUND BALANCE</b>       | <u>\$ (610,060)</u>     | <u>(266,175)</u>  | 793,662             | <u>1,059,837</u>                   |
| <b>FUND BALANCE, JANUARY 1</b>          |                         |                   | <u>8,685,101</u>    |                                    |
| <b>FUND BALANCE, DECEMBER 31</b>        |                         |                   | <u>\$ 9,478,763</u> |                                    |

**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, 2013**

|   | <b>Original<br/>And Final<br/>Budgeted<br/>Amounts</b> | <b>Actual</b>      | <b>Over<br/>(Under)<br/>Budget</b> |
|---|--|--------------------|------------------------------------|
| <b>REVENUES</b>                         |  |                    |                                    |
| Taxes                                   | \$ 1,080,000   | 1,424,008          | 344,008                            |
| Public utility licenses                 | -  | 27,704             | 27,704                             |
| Investment income                       | 158  | 110                | (48)                               |
| Total Revenues                          | <u>1,080,158</u>                                       | <u>1,451,822</u>   | <u>371,664</u>                     |
| <b>EXPENDITURES</b>                     |  |                    |                                    |
| Administration                          | <u>10,250</u>  | <u>9,849</u>       | <u>(401)</u>                       |
| <b>REVENUES OVER EXPENDITURES</b>       |  |                    |                                    |
|   | <u>1,069,908</u>                                       | <u>1,441,973</u>   | <u>372,065</u>                     |
| <b>OTHER FINANCING SOURCES (USES)</b>   |  |                    |                                    |
| Transfers in                            | 123,367  | 141,646            | 18,279                             |
| Transfers out                           | <u>(1,193,275)</u>                                     | <u>(1,583,619)</u> | <u>390,344</u>                     |
| Total Other Financing<br>Sources (Uses) | <u>(1,069,908)</u>                                     | <u>(1,441,973)</u> | <u>372,065</u>                     |
| <b>NET CHANGE IN FUND BALANCE</b>       |  |                    |                                    |
|   | <u>\$ -</u>  | <u>-</u>           | <u>-</u>                           |
| <b>FUND BALANCE, JANUARY 1</b>          |  |                    |                                    |
|   |  | <u>-</u>           |                                    |
| <b>FUND BALANCE, DECEMBER 31</b>        |  |                    |                                    |
|   |  | <u>\$ -</u>        |                                    |

**CITY OF BALLWIN, MISSOURI  
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO  
SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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**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 Town Center Debt Service Fund.
- 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 accounting principles generally accepted in the United States of America, except that the other financing source and related capital outlay of capital leases and debt issues in the year the City enters into the agreement are not budgeted.

For the year ended December 31, 2013, expenditures for the Sewer Lateral Fund exceeded the budget by \$7,964.

**CITY OF BALLWIN, MISSOURI  
REQUIRED SUPPLEMENTAL INFORMATION -  
SCHEDULE OF FUNDING PROGRESS FOR LAGERS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value<br/>Of Assets<br/>(a)</b> | <b>Entry Age<br/>Actuarial<br/>Accrued<br/>Liability<br/>(b)</b> | <b>Unfunded<br/>Accrued<br/>Liability<br/>(UAL)<br/>(b-a)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Annual<br/>Covered<br/>Payroll<br/>(c)</b> | <b>UAL As A<br/>Percentage<br/>Of Covered<br/>Payroll<br/>((b-a) / c)</b> |
|---|--|--|---|-----------------------------------|---|---|
| 2/28/2013                               | \$ 9,872,063                                     | \$ 10,084,264  | \$ 212,201  | 98 %                              | \$ 6,822,461                                  | 3 %   |
| 2/29/2012                               | 9,191,119  | 8,845,812  | (345,307)   | 104                               | 4,031,501                                     | -   |
| 2/28/2011                               | 8,329,751  | 8,471,478  | 141,727   | 98                                | 3,998,487                                     | 4   |

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, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, contact the LAGERS' office in Jefferson City, MO.

**CITY OF BALLWIN, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE**  
**OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value<br/>Of Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(b)</b> | <b>Unfunded<br/>Accrued<br/>Liability<br/>(UAL)<br/>(b-a)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAL As A<br/>Percentage<br/>Of Covered<br/>Payroll<br/>((b-a) / c)</b> |
|---|--|--|---|-----------------------------------|------------------------------------|---|
| 1/1/2013                                | \$ -   | \$ 232,892   | \$ 232,892  | - %                               | \$ 7,377,000                       | 3 %   |
| 1/1/2010                                | -  | 196,496  | 196,496   | -                                 | 6,698,000                          | 3   |
| 1/1/2008                                | -  | 254,000  | 254,000   | -                                 | 6,700,000                          | 4   |

**OTHER SUPPLEMENTAL INFORMATION SECTION**

**CITY OF BALLWIN, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - COMBINING**  
**BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2013**

|  | <u>Sewer<br/>Lateral</u> | <u>Federal<br/>Asset<br/>Seizure</u> | <u>P.O.S.T</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|--------------------------|--------------------------------------|----------------|--|
| <b>ASSETS</b>                          |                          |                                      |                |  |
| Receivables:                           |                          |                                      |                |  |
| Taxes                                  | \$ 82,544                | -                                    | -              | 82,544   |
| Restricted assets:                     |                          |                                      |                |  |
| Cash and cash equivalents              | <u>251,271</u>           | <u>137,718</u>                       | <u>82,183</u>  | <u>471,172</u>                                       |
| Total Assets                           | <u>\$ 333,815</u>        | <u>137,718</u>                       | <u>82,183</u>  | <u>553,716</u>                                       |
| <b>LIABILITIES</b>                     |                          |                                      |                |  |
| Accounts payable                       | <u>\$ -</u>              | <u>-</u>                             | <u>-</u>       | <u>-</u>   |
| <b>FUND BALANCES</b>                   |                          |                                      |                |  |
| Restricted for:                        |                          |                                      |                |  |
| Sewer lateral                          | 333,815                  | -                                    | -              | 333,815  |
| Federal Asset                          | -                        | 137,718                              | -              | 137,718  |
| P.O.S.T.                               | -                        | -                                    | 82,183         | 82,183   |
| Total Fund Balances                    | <u>333,815</u>           | <u>137,718</u>                       | <u>82,183</u>  | <u>553,716</u>                                       |
| Total Liabilities And<br>Fund Balances | <u>\$ 333,815</u>        | <u>137,718</u>                       | <u>82,183</u>  | <u>553,716</u>                                       |

**CITY OF BALLWIN, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT**  
**OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>Sewer<br/>Lateral</u> | <u>Debt<br/>Service</u> | <u>Federal<br/>Asset<br/>Seizure</u> | <u>P.O.S.T</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|---|--------------------------|-------------------------|--------------------------------------|----------------|--|
| <b>REVENUES</b>                               |                          |                         |                                      |                |  |
| Taxes   | \$ 295,440               | -                       | -                                    | -              | 295,440  |
| Police and communications                     | -                        | -                       | 12,979                               | 7,066          | 20,045   |
| Investment income                             | -                        | 13                      | 155                                  | 88             | 256  |
| Total Revenues                                | <u>295,440</u>           | <u>13</u>               | <u>13,134</u>                        | <u>7,154</u>   | <u>315,741</u>                                       |
| <b>EXPENDITURES</b>                           |                          |                         |                                      |                |  |
| Administration                                | 306,349                  | -                       | -                                    | -              | 306,349  |
| Police  | -                        | -                       | 9,463                                | 1,082          | 10,545   |
| Debt service:                                 |                          |                         |                                      |                |  |
| Principal                                     | -                        | 600,000                 | -                                    | -              | 600,000  |
| Interest                                      | -                        | 24,000                  | -                                    | -              | 24,000   |
| Total Expenditures                            | <u>306,349</u>           | <u>624,000</u>          | <u>9,463</u>                         | <u>1,082</u>   | <u>940,894</u>                                       |
| <b>REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | (10,909)                 | (623,987)               | 3,671                                | 6,072          | (625,153)  |
| <b>OTHER FINANCING SOURCES</b>                |                          |                         |                                      |                |  |
| Transfers in                                  | -                        | 504,510                 | -                                    | -              | 504,510  |
| <b>NET CHANGE IN FUND BALANCE</b>             | (10,909)                 | (119,477)               | 3,671                                | 6,072          | (120,643)  |
| FUND BALANCES, JANUARY 1                      | <u>344,724</u>           | <u>119,477</u>          | <u>134,047</u>                       | <u>76,111</u>  | <u>674,359</u>                                       |
| <b>FUND BALANCES, DECEMBER 31</b>             | <u>\$ 333,815</u>        | <u>-</u>                | <u>137,718</u>                       | <u>82,183</u>  | <u>553,716</u>                                       |

**CITY OF BALLWIN, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SEWER LATERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                   | <u>Original<br/>And Final<br/>Budgeted<br/>Amounts</u> | <u>Actual</u>     | <u>Over<br/>(Under)<br/>Budget</u> |
|-----------------------------------|--|-------------------|------------------------------------|
| <b>REVENUES</b>                   |  |                   |                                    |
| Taxes (sewer lateral fees)        | \$ 294,000   | 295,440           | 1,440                              |
| <b>EXPENDITURES</b>               |  |                   |                                    |
| Administration:                   |  |                   |                                    |
| Sewer lateral repairs             | 265,000  | 271,588           | 6,588                              |
| Administration costs              | 33,385   | 34,761            | 1,376                              |
| Total Expenditures                | <u>298,385</u>   | <u>306,349</u>    | <u>7,964</u>                       |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ (4,385)</u>                                      | (10,909)          | <u>(6,524)</u>                     |
| <b>FUND BALANCE, JANUARY 1</b>    |  | <u>344,724</u>    |                                    |
| <b>FUND BALANCE, DECEMBER 31</b>  |  | <u>\$ 333,815</u> |                                    |

**CITY OF BALLWIN, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                    | <b>Original<br/>And Final<br/>Budgeted<br/>Amounts</b> | <b>Actual</b>    | <b>Over<br/>(Under)<br/>Budget</b> |
|------------------------------------|--|------------------|------------------------------------|
| <b>REVENUES</b>                    |  |                  |                                    |
| Investment income                  | \$ -   | 13               | 13                                 |
| <b>EXPENDITURES</b>                |  |                  |                                    |
| Debt service:                      |  |                  |                                    |
| Principal                          | 600,000  | 600,000          | -                                  |
| Interest                           | 24,000   | 24,000           | -                                  |
| Total Expenditures                 | 624,000  | 624,000          | -                                  |
| <b>REVENUES UNDER EXPENDITURES</b> | (624,000)  | (623,987)        | 13                                 |
| <b>OTHER FINANCING SOURCES</b>     |  |                  |                                    |
| Transfers in                       | 506,500  | 504,510          | (1,990)                            |
| <b>NET CHANGE IN FUND BALANCE</b>  | <b>\$ (117,500)</b>                                    | <b>(119,477)</b> | <b>(1,977)</b>                     |
| FUND BALANCE, JANUARY 1            |  | 119,477          |                                    |
| FUND BALANCE, DECEMBER 31          |  | \$ -             |                                    |

**CITY OF BALLWIN, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - FEDERAL ASSET SEIZURE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                   | <u>Original<br/>And Final<br/>Budgeted<br/>Amounts</u> | <u>Actual</u>     | <u>Over<br/>(Under)<br/>Budget</u> |
|-----------------------------------|--|-------------------|------------------------------------|
| <b>REVENUES</b>                   |  |                   |                                    |
| Police and communications         | \$ 31,000  | 12,979            | (18,021)                           |
| Investment income                 | 175  | 155               | (20)                               |
| Total Revenues                    | <u>31,175</u>  | <u>13,134</u>     | <u>(18,041)</u>                    |
| <b>EXPENDITURES</b>               |  |                   |                                    |
| Police                            | <u>35,000</u>  | <u>9,463</u>      | <u>(25,537)</u>                    |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ (3,825)</u>                                      | 3,671             | <u>7,496</u>                       |
| FUND BALANCE, JANUARY 1           |  | <u>134,047</u>    |                                    |
| <b>FUND BALANCE, DECEMBER 31</b>  |  | <u>\$ 137,718</u> |                                    |

**CITY OF BALLWIN, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - P.O.S.T. FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                   | <u>Original<br/>And Final<br/>Budgeted<br/>Amounts</u> | <u>Actual</u>    | <u>Over<br/>(Under)<br/>Budget</u> |
|-----------------------------------|--|------------------|------------------------------------|
| <b>REVENUES</b>                   |  |                  |                                    |
| Police and communications         | \$ 6,400   | 7,066            | 666                                |
| Investment income                 | 95   | 88               | (7)                                |
| Total Revenues                    | <u>6,495</u>   | <u>7,154</u>     | <u>659</u>                         |
| <b>EXPENDITURES</b>               |  |                  |                                    |
| Police                            | <u>8,500</u>   | <u>1,082</u>     | <u>(7,418)</u>                     |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ (2,005)</u>                                      | 6,072            | <u>8,077</u>                       |
| FUND BALANCE, JANUARY 1           |  | <u>76,111</u>    |                                    |
| FUND BALANCE, DECEMBER 31         |  | <u>\$ 82,183</u> |                                    |

**CITY OF BALLWIN, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | <u>Over<br/>(Under)<br/>Budget</u> |
|---|-------------------------|------------------|-------------------|------------------------------------|
|   | <u>Original</u>         | <u>Final</u>     |                   |                                    |
| <b>REVENUES</b>                         |                         |                  |                   |                                    |
| Taxes                                   | \$ 1,090,000            | 1,125,000        | 1,164,343         | 39,343                             |
| Grants and Entitlements                 | 370,000                 | 602,500          | 521,732           | (80,768)                           |
| Miscellaneous                           | -                       | -                | 4,956             | 4,956                              |
| Total Revenues                          | <u>1,460,000</u>        | <u>1,727,500</u> | <u>1,691,031</u>  | <u>(36,469)</u>                    |
| <b>EXPENDITURES</b>                     |                         |                  |                   |                                    |
| Administration:                         |                         |                  |                   |                                    |
| Support services                        | <u>345,305</u>          | <u>414,005</u>   | <u>394,709</u>    | <u>(19,296)</u>                    |
| Public works:                           |                         |                  |                   |                                    |
| Pavement maintenance                    | 6,000                   | 6,000            | 5,557             | (443)                              |
| Property services                       | 70,000                  | 70,000           | 69,070            | (930)                              |
| Total Public Works                      | <u>76,000</u>           | <u>76,000</u>    | <u>74,627</u>     | <u>(1,373)</u>                     |
| Parks and recreation:                   |                         |                  |                   |                                    |
| Parks                                   | 462,500                 | 468,000          | 390,045           | (77,955)                           |
| Total Expenditures                      | <u>883,805</u>          | <u>958,005</u>   | <u>859,381</u>    | <u>(98,624)</u>                    |
| <b>REVENUES OVER EXPENDITURES</b>       | <u>576,195</u>          | <u>769,495</u>   | <u>831,650</u>    | <u>62,155</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                         |                  |                   |                                    |
| Transfers in                            | 4,364                   | 4,364            | -                 | (4,364)                            |
| Transfers out                           | <u>(572,340)</u>        | <u>(577,340)</u> | <u>(578,934)</u>  | <u>(1,594)</u>                     |
| Total Other Financing<br>Sources (Uses) | <u>(567,976)</u>        | <u>(572,976)</u> | <u>(578,934)</u>  | <u>(5,958)</u>                     |
| <b>NET CHANGE IN FUND BALANCE</b>       | <u>\$ 8,219</u>         | <u>196,519</u>   | 252,716           | <u>56,197</u>                      |
| FUND BALANCE, JANUARY 1                 |                         |                  | <u>122,377</u>    |                                    |
| FUND BALANCE, DECEMBER 31               |                         |                  | <u>\$ 375,093</u> |                                    |



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**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***

**INDEPENDENT AUDITOR'S REPORT**

May 7, 2014

Honorable Mayor and Board of Aldermen  
**CITY OF BALLWIN, MISSOURI**

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2014.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

#### **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hochschild, Bloom & Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS



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

May 7, 2014

Honorable Mayor and Board of Aldermen  
**CITY OF BALLWIN, MISSOURI**

In planning and performing our audit of the financial statements of the **CITY OF BALLWIN, MISSOURI** (the City) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the internal control over financial reporting (internal control) 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the internal control. Per our independent auditor's report, we applied limited procedures to the supplemental information.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during the audit we became aware of certain comments for management.

The attachment that accompanies this letter entitled "Schedule of Management Comments and Recommendations" summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 7, 2014 on the financial statements. We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various personnel.

There were no significant changes to the accounting policies or estimate policies, except that for the year ended December 31, 2013, the City adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In addition, these policies were discussed with management and were not a condition of our retention. There were no disagreements or difficulties encountered in performing the audit. There were no uncorrected misstatements aggregated by us during the audit that would be material individually or in the aggregate to the financial statements taken as a whole. We have requested certain representations from management.

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

We wish to express our appreciation for the cooperation and courtesy extended to us by all personnel. We will be pleased to discuss these recommendations with you in greater detail at your convenience. Should you desire assistance in the implementation of these recommendations, please do not hesitate to contact us.

*Hochschild, Bloom + Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF BALLWIN, MISSOURI**  
**SCHEDULE OF MANAGEMENT COMMENTS**  
**AND RECOMMENDATIONS**

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**Findings for the year ended December 31, 2013:**

**1. COMMENT**

We noted the City's bank deposits were not entirely insured or collateralized. State law requires municipal bank deposits to be insured or collateralized.

**RECOMMENDATION**

We recommend the City and bank more closely monitor the amount of collateral compared to the bank deposits periodically.

**2. COMMENT**

We noted the City has a Policy Manual with various documented policies and procedures. We noted the City has investments policies, section 14, which requires an investment report be provided monthly to the City Administrator. We also noted that the City Code section 2-125 that has provisions for a Finance and Administration Committee, but that committee does not have specific meetings.

**RECOMMENDATION**

We recommend the City consider review of their policies and procedures and implement requirements accordingly.

**3. COMMENT**

We noted that the City's credit card receipts are usually approved. We noted that various department head and some other employee's receipts submitted do not have approval. We also noted the City does not have documented policies and procedures regarding credit card receipts and approval.

**RECOMMENDATION**

We recommend the City consider having a policy to review detailed credit card receipts including documented approval of receipts.

**4. COMMENT**

We noted the City collects fines in the Court Department but does not reconcile the collections with the receivable amount on a monthly basis.

**RECOMMENDATION**

We recommend the City consider reconciling the court fines collected and incurred with the fines receivable on a monthly basis.

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