



Honorable Mayor and Members of the City Council
of City of Olivette, Missouri

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining funds of City of Olivette, Missouri for the year ended June 30, 2009, and have issued our report thereon dated November 20, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Olivette, Missouri are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management records and depreciates capital assets according to the City's Capital Asset policy as described in Note 1 to the financial statements. Depreciation is calculated based on the estimated useful lives of the assets.
- Management estimates the amount of accumulated sick leave the City will pay out when an employee retires.

We evaluated the key factors and assumptions used to develop the estimates in determining their reasonableness in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. The disclosures are an integral part of the financial statements and should be read in conjunction with them.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We identified no known or likely misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

One item that should be considered by management and the governing body is the software used by the City to track and depreciate capital assets. The current software package is very difficult to use and lends itself to error because of its lack of functionality. We recommend the City consider two options. Either purchase new software or engage the audit firm to enter capital asset information into its software.

Accounting firms generally have sophisticated depreciation software and can enter the capital asset information into its software for a fraction of the cost of the actual software package.

This information is intended solely for the use of the Mayor, the City Council and management of City of Olivette, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Botz, Deal & Company
November 20, 2009

CITY OF OLIVETTE, MISSOURI

***FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

CITY OF OLIVETTE, MISSOURI

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS:	
Statement Of Net Assets	9
Statement Of Activities	10
Balance Sheet - Governmental Funds	11
Reconciliation Of The Statement Of Net Assets Of Governmental Funds To The Balance Sheet	12
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - All Governmental Fund Types	13
Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities	14
Statement Of Fiduciary Net Assets	15
Statement Of Changes In Fiduciary Net Assets - Pension Trust Fund	16
Notes To Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	32
Notes To Required Supplementary Information	33
Schedules Of Funding Progress	34
SUPPLEMENTARY INFORMATION:	
Combining balance Sheet - Nonmajor Governmental Funds	36
Combining Statement Of Revenues, Expenditures And Changes In Fund Balances - Nonmajor Governmental Funds	37

INDEPENDENT AUDITORS' REPORT



The Honorable Mayor and Members of the City Council
CITY OF OLIVETTE, MISSOURI

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Olivette, Missouri, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 of Olivette, Missouri, as of June 30, 2009, and the respective changes in the financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information and schedules of funding progress on pages 2 through 8 and 31 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Botz Deal + Company

November 20, 2009

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**CITY OF OLIVETTE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

The discussion and analysis of the City of Olivette's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2009. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Accomplishment of financial targets established in the adopted budget for fiscal period 2008-09.
- Implementation of an interactive and participative strategic planning process to identify redevelopment strategies in the community to initiate long-term community transformation and foster financial stability.
- Maintenance of relatively healthy fund balances in the City's operating fund.
- Continuation of an aggressive policy to collect special assessments due the City, resulting in a collection rate of 96%.

REPORT LAYOUT

This report consists of Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statement, notes to the financial statements, and supplementary information. The first two statements are highly condensed and present a government-wide view of the City's finances in compliance with Governmental Accounting Standards Board (GASB No. 34). Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, parks and recreation, planning, inspection and engineering, municipal courts and general government administration. The City currently does not have any business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City, giving a broad perspective on the City's overall financial condition.

Basic Financial Statements

- The government-wide financial statements are reported on the accrual basis of accounting. The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities.
- The Statement of Net Assets focuses on resources available for future operation. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The governmental activities are reported on the accrual basis of accounting.

Basic Financial Statements - continued

- The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. Each of the City's major governmental funds are presented in their own column and the remaining funds are combined into a column title "Other Non-major Funds" (including governmental funds created to track the use of earmarked sales taxes authorized by voters). A budgetary comparison for the General Fund is presented as required supplementary information.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

THE CITY AS A WHOLE

Government-wide Financial Analysis

The City's combined net assets were \$7,107,846 as of June 30, 2009. This analysis focuses on the net assets (table 1) and changes in general revenues (table 2) and significant expenses of the City's governmental activities.

The City's net assets consist of its investment in capital assets (e.g., land, buildings and improvements, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding and unrestricted balances. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Table 1

	June 30, 2009	June 30, 2008	Increase (Decrease)
Current and other assets	\$ 7,009,468	\$ 6,845,217	\$ 164,251
Capital assets	<u>2,260,854</u>	<u>2,293,601</u>	<u>(32,747)</u>
Total assets	<u>9,270,322</u>	<u>9,138,818</u>	<u>131,504</u>
Current and other liabilities	770,001	836,423	(66,422)
Long-term liabilities	<u>1,392,475</u>	<u>1,759,646</u>	<u>(367,171)</u>
Total liabilities	<u>2,162,476</u>	<u>2,596,069</u>	<u>(433,593)</u>
Net assets:			
Invested in capital assets	1,873,165	1,791,861	81,304
Restricted	2,602,149	2,582,471	19,678
Unrestricted	<u>2,632,532</u>	<u>2,168,417</u>	<u>464,115</u>
Total net assets	<u>\$ 7,107,846</u>	<u>\$ 6,542,749</u>	<u>\$ 565,097</u>

Government-wide Financial Analysis - continued

Governmental activities increased the City's net assets by \$565,104. The key elements of this increase for the fiscal year ending June 30, are as follows:

Table 2

	2009	2008	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for service	\$ 1,228,469	\$ 1,385,273	\$ (156,804)
Capital grants and contributions	70,847	23,063	47,784
General revenues:			
Taxes	7,862,893	8,338,607	(475,714)
Contributed capital assets	-	50,000	(50,000)
Interest income	64,943	143,170	(78,227)
Transfers	3,344	8,157	(4,813)
Miscellaneous	59,859	55,013	4,846
Loss on disposal of assets	(29,426)	(3,504)	(25,922)
Total revenues	<u>9,260,929</u>	<u>9,999,779</u>	<u>(738,850)</u>
Expenses:			
Administrative	1,361,855	1,326,074	35,781
Public safety	4,482,322	4,536,734	(54,412)
Public works	1,780,774	1,803,862	(23,088)
Parks and recreation	965,163	945,568	19,595
Public health	41,176	44,822	(3,646)
Interest and fiscal charges	64,535	73,069	(8,534)
Total expenses	<u>8,695,825</u>	<u>8,730,129</u>	<u>(34,304)</u>
Increase (decrease) in net assets	565,104	1,269,650	(704,546)
Net assets, beginning of year	6,542,742	5,273,092	1,269,650
Net assets, end of year	<u>\$ 7,107,846</u>	<u>\$ 6,542,742</u>	<u>\$ 565,104</u>

Total 2009 revenues shown in Table 2 of \$9,260,929 reflect a decrease of \$738,850 over 2008 revenues of \$9,999,779. Overall, revenues were down for the fiscal year ended June 30, 2009 primarily due to two revenue sources. Disregarding any audit accruals and just looking at actual revenues for the fiscal year, overall revenues were down from the previous year due to the economic collapse in September of 2008. The results of the collapse affected primarily the city's public utility licenses and other revenue. In particular, public utility revenue was down 14% from the previous year and other revenue was down 18% from the previous year. These categories of revenue are included in Chart 2 above under taxes and interest income.

Government-wide Financial Analysis - continued

The 2009 expenses decreased to \$8,695,825 from \$8,730,129 in 2008. These differences are attributable to the following:

The difference between actual expenditures ending FY 2009 and the previous year are due to the economic collapse in September 2008. Decreasing revenues resulted in discussions and subsequently action on the part of City Council and City Management to reduce departmental expenditures by: 1) Buying only necessary items required to maintain current level of service to the residents and 2) Delaying funding of non-critical positions until revenues improved. In addition, the purchase of a 1 ton truck for Public Works was delayed due to the timing of actually taking possession of the truck, which resulted in the truck being purchased under FY2009-10 budget.

Governmental Funds

The following table presents the amount of revenues from various sources on the modified accrual basis of accounting for the fiscal year ending June 30.

Table 3

	2009	2008	Increase (Decrease)	Percentage Change
General Fund:				
Taxes	\$ 5,480,366	\$ 5,913,926	\$ (433,560)	(7.3) %
Licenses and permits	450,078	439,462	10,616	2.4
Fines and court costs	312,821	460,033	(147,212)	(32.0)
Intergovernmental	30,847	8,661	22,186	256.1
Investment income	58,765	129,104	(70,339)	(5.4)
Charges for service	465,570	485,778	(20,208)	(4.2)
Miscellaneous	69,644	66,240	3,404	5.1
Total general revenues	\$ <u>6,868,091</u>	\$ <u>7,503,204</u>	\$ <u>(635,113)</u>	(8.5) %

Total General Fund revenue decreased to \$6,868,091 from \$7,503,204 in 2008, an 8.5% decrease. As indicated above in Table 3, the city had decreased revenue in taxes of \$433,560, which includes public utility licenses. In addition, investment income showed a decrease of \$70,339. As such, investment income was and continues to have a large impact on revenues due to the economy. Fines and court costs are down due to the completion of the replacement bridge at Olive Blvd. and I170 interchange. During the previous fiscal year, the City was still receiving grants for more traffic enforcement tied directly to the construction of the new bridge. In addition, fines were doubled in a construction zone. Although the City continued to receive enforcement grants from the State, the construction projected ended in the previous year and therefore fines reverted back to normal fees for FY 2008-09.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2009, the City had \$3,944,723 invested in a broad range of capital assets, including police, fire and public works equipment, buildings and park facilities. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$147,973 or 3.9% over the prior fiscal year.

Table 4

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Increase (Decrease)</u>
Land	\$ 471,300	\$ 471,300	\$ -
Buildings and improvements	1,012,130	861,901	150,229
Equipment	1,160,089	1,142,850	17,239
Vehicles	1,301,204	1,320,699	(19,495)
Total	<u>\$ 3,944,723</u>	<u>\$ 3,796,750</u>	<u>\$ 147,973</u>

The most significant additions to capital assets this fiscal year were the addition of a new pavilion and restroom at one of the City's parks.

DEBT

In September, 2005, the City issued bonds to refund the 1997 Neighborhood Improvement District bonds to take advantage of lower interest rates since the initial bond issue.

As of June 30, 2009, the City had \$755,000 in outstanding neighborhood improvement district bonds compared to \$1,040,000 at the end of the prior fiscal year, a decrease of \$285,000 or 27.4% in total bonded debt. The City has obtained a bond rating of Aa3 from Moody's Investor Service in connection with the 2005 refunding. The City also purchased two fire trucks and a phone system with leases, during the fiscal year 2005. As of June 30, 2009, capital leases outstanding totaled \$387,689. More detailed information on the City's long-term liabilities is presented in the note 8 to the financial statements.

THE CITY'S FUNDS

At the close of the City's fiscal year on June 30, 2009, the governmental funds of the City reported a combined fund balance of \$5,114,207. This ending balance includes a decrease in fund balance of \$92,020 in the City's General Fund. Total fund balance decreased by \$156,747.

General Fund Budgetary Highlights

For the fiscal year ending June 30, 2009, actual revenues on a budgetary basis were \$6,868,091 compared to the budget amount of \$7,987,122. The \$1,119,031 difference in revenues was primarily due to decreased revenues as discussed on Page 4, Table 2 discussion and Page 5, Table 3 discussion.

For the fiscal year ended June 30, 2009 actual expenditures on a budgetary basis were \$7,001,455 as compared to the budget amount of \$7,176,532. The \$175,077 in expenditures under the budget amount is not only due to what was previously discussed within the second paragraph on page 5 of this report, the City also decreased its public relations firm contract as well as seeing a decrease overall in the cost of fuel from the previous fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Recent national and international economic dislocations have had, without a doubt, a tremendous adverse impact on the local economy in the City of Olivette as well as on the long-term fiscal stability of the City.

Several primary revenue sources for the City will continue to be impacted by the deepening recession, increased unemployment, decline in property values resulting from the mortgage and liquidity crisis, significantly reduced retail sales, state legislative action on property taxes and growing stresses for local taxpayers and businesses. In addition, the City's long-range plans for redevelopment and additional economic development opportunities for our citizens have been put on hold due to lack of financing sources for new development and the growing caution of developers and lenders in pursuing new projects in the current economic climate.

Some of the specific anticipated impacts include the following:

- Slow or no growth in property tax revenues due to lower assessed valuations for residential and commercial properties. This concern is exacerbated by legislation adopted by the Missouri General Assembly in 2008 that limits tax rate adjustments by political jurisdictions in reassessment years. The failure of reform legislation in the 2009 Session of the Missouri General Assembly will adversely impact the fiscal stability and public service mission of taxing districts in St. Louis County, including the City of Olivette.
- Strong fiscal pressure for increased contributions to the City's defined benefit pension fund due to investment losses in 2008-09 due to the poor performance of the investment markets and retirements of several long-term City employees
- Increased cost pressures for personnel services, fuel, utilities, and other general services and commodities required to deliver basic services.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - continued

- Slowing sales tax receipts for all sources due to lack of consumer confidence and the general economic slowdown, creating significant fiscal pressure on City operating funds dependent on sales taxes.
- Lowered gross receipts and general sluggish business prospects for Olivette businesses with a growing vacancy rate for retail and commercial office space.
- Increased borrowing costs and the difficulty in marketing and selling municipal tax-exempt debt in the current credit environment, including the resistance of the general public to approve new debt or taxes to support it given economic conditions.
- Significant limitations in growing the City's overall revenue base to meet new requirements and new projects to serve citizens due to legislative restrictions and lack of incentives in the regional and national development community due to economic conditions. The City of Olivette is currently exploring joint redevelopment opportunities in the Olive Boulevard corridor with the neighboring City of University City to take advantage of economies of scale, joint infrastructure development, and creation of a diverse urban village concept.
- Slowdown in construction of new residences and renovations of existing residences due to lack of financing and a contracting residential market regionally

All of these specific factors, combined with general economic conditions nationally and in our region, require close and frequent monitoring of general fiscal indicators, caution in matching available resources to spending needs, and establishment of clear priorities for service delivery and new initiatives. The City has been able to maintain service levels without major contractions over the past year due to careful management and the introduction of new cell phone license revenues resulting from recent legal settlements. However, projections of future fiscal challenges presented to the City Council indicate that maintenance of service levels and current facilities, in light of current economic conditions, will become increasingly difficult.

The City recognizes the pervasive impact that the current economic crisis has had on Olivette citizens and businesses and will respond with restraint and careful management of resources, while maintaining our commitment to excellent and efficient services and responsive governance.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

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CITY OF OLIVETTE, MISSOURI

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 5,255,154
Taxes receivable:	
Property	181,003
Other	517,155
Accounts receivable	86,416
Inventory	19,867
Bond issuance costs	23,917
Net pension assets	925,956
Capital assets - net	
Nondepreciable	471,300
Depreciable	1,789,554
TOTAL ASSETS	<u>9,270,322</u>
LIABILITIES	
Accounts payable	70,502
Accrued wages	133,993
Accrued vacation	382,348
Court bonds payable	13,120
Other liabilities	149,282
Interest payable	20,756
Noncurrent liabilities:	
Due in one year	431,680
Due in more than one year	960,795
TOTAL LIABILITIES	<u>2,162,476</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,873,165
Restricted:	
Capital projects	1,632,625
Debt service	145,245
Local parks and storm water	491,587
Sanitary sewer lateral program	332,692
Unrestricted	2,632,532
TOTAL NET ASSETS	<u>\$ 7,107,846</u>

The accompanying notes are an integral part of these financial statements.

CITY OF OLIVETTE, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Assets
		Charges for Service	Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Administrative	\$ 1,361,855	\$ 322,001	\$ -	\$ (1,039,854)
Public safety	4,482,322	313,521	2,901	(4,165,900)
Public works	1,780,774	177,444	10,000	(1,593,330)
Parks and recreation	965,163	415,503	57,946	(491,714)
Public health	41,176	-	-	(41,176)
Interest and fiscal charges	64,535	-	-	(64,535)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,695,825	\$ 1,228,469	\$ 70,847	(7,396,509)
Taxes:				
Sales				2,444,822
Utility				2,246,832
Property				2,518,137
Franchise				73,370
Other				579,732
Interest income				64,943
Transfers				3,344
Other miscellaneous revenue				59,859
Loss on disposal of assets				(29,426)
TOTAL GENERAL REVENUES				7,961,613
CHANGE IN NET ASSETS				565,104
NET ASSETS - BEGINNING OF YEAR				6,542,742
NET ASSETS - END OF YEAR				\$ 7,107,846

The accompanying notes are an integral part of these financial statements.

CITY OF OLIVETTE, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Capital Projects Fund	Other Non-major Funds	Total
ASSETS AND OTHER DEBITS				
Cash and investments	\$ 2,237,871	\$ 1,575,365	\$ 1,441,918	\$ 5,255,154
Taxes receivable:				
Property	162,253	18,750	-	181,003
Other	340,473	56,306	120,376	517,155
Accounts receivable	86,416	-	-	86,416
Due from (to) other funds	98,488	-	(98,488)	-
Inventory	19,867	-	-	19,867
TOTAL ASSETS	<u>\$ 2,945,368</u>	<u>\$ 1,650,421</u>	<u>\$ 1,463,806</u>	<u>\$ 6,059,595</u>
LIABILITIES				
Accounts payable	\$ 58,373	\$ 2,795	\$ 9,334	\$ 70,502
Accrued wages	114,737	6,225	13,031	133,993
Accrued vacation payable	358,212	8,776	15,360	382,348
Court bonds payable	13,120	-	-	13,120
Other liabilities	149,282	-	-	149,282
Deferred revenue	156,381	18,750	21,012	196,143
TOTAL LIABILITIES	<u>850,105</u>	<u>36,546</u>	<u>58,737</u>	<u>945,388</u>
FUND BALANCES:				
Fund balances:				
Reserved:				
Street improvement	-	1,613,875	-	1,613,875
Debt service payments	-	-	124,233	124,233
Unreserved:				
Designated:				
Equipment replacement	-	-	540,602	540,602
Undesignated:				
General fund	2,095,263	-	-	2,095,263
Special revenue	-	-	740,234	740,234
TOTAL FUND BALANCES	<u>2,095,263</u>	<u>1,613,875</u>	<u>1,405,069</u>	<u>5,114,207</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,945,368</u>	<u>\$ 1,650,421</u>	<u>\$ 1,463,806</u>	<u>\$ 6,059,595</u>

The accompanying notes are an integral part of these financial statements.

CITY OF OLIVETTE, MISSOURI
 RECONCILIATION OF THE STATEMENT OF NET ASSETS
 OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
 AS OF JUNE 30, 2009

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

Total fund balance per balance sheet	\$ 5,114,207
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,260,854
Net pension assets are not current financial resources and, therefore are not reported in the funds.	925,956
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	196,143
Bond issuance costs are not expensed in the government-wide statements, but are amortized over the life of the debt.	23,917
Liabilities recorded in the statement of net assets that do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(20,756)
Long-term liabilities, including bonds payable, capital leases and accrued sick leave are not due and payable in the current period and therefore, are not reported in the funds.	<u>(1,392,475)</u>
Net assets of governmental activities	<u><u>\$ 7,107,846</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF OLIVETTE, MISSOURI

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Capital Projects Fund	Other Non-major Funds	Total
REVENUES				
Taxes	\$ 5,480,366	\$ 666,761	\$ 1,660,675	\$ 7,807,802
Licenses and permits	450,078	-	-	450,078
Fines and court costs	312,821	-	-	312,821
Intergovernmental	30,847	-	40,000	70,847
Investment income	58,765	-	6,178	64,943
Charges for service	465,570	-	-	465,570
Miscellaneous	69,644	-	-	69,644
TOTAL REVENUES	<u>6,868,091</u>	<u>666,761</u>	<u>1,706,853</u>	<u>9,241,705</u>
EXPENDITURES				
Current:				
Administrative	844,222	-	516,374	1,360,596
Public safety	4,344,431	-	256,447	4,600,878
Public works	1,187,389	495,646	-	1,683,035
Parks and recreation	481,430	-	372,572	854,002
Public health	41,176	-	-	41,176
Capital outlay	85,513	86,626	290,776	462,915
Debt service:				
Principal, interest and fiscal charges	17,294	31,667	350,233	399,194
TOTAL EXPENDITURES	<u>7,001,455</u>	<u>613,939</u>	<u>1,786,402</u>	<u>9,401,796</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(133,364)	52,822	(79,549)	(160,091)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	41,344	-	(38,000)	3,344
NET CHANGE IN FUND BALANCE	(92,020)	52,822	(117,549)	(156,747)
FUND BALANCES - BEGINNING OF YEAR	<u>2,187,283</u>	<u>1,561,053</u>	<u>1,522,618</u>	<u>5,270,954</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,095,263</u>	<u>\$ 1,613,875</u>	<u>\$ 1,405,069</u>	<u>\$ 5,114,207</u>

The accompanying notes are an integral part of these financial statements.

CITY OF OLIVETTE, 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 JUNE 30, 2009

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

Change in fund balance-total governmental funds	\$ (156,747)
Revenues that do not provide current financial resources are not included in the fund financial statements.	55,091
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	234,732
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(228,268)
The net effect of transactions involving capital asset disposals.	(39,211)
Interest is reported as an expenditure when due in the governmental funds but is accrued in the statement of activities.	4,543
The change in the net pension obligation and accrued sick leave affect the change in net assets in the statement of activities and have no affect on fund balance in the fund statements.	364,848
Issuance costs for debt issues are recognized as expenditures in the governmental funds, but are deferred and amortized over the life of the debt in the statement of activities.	(11,959)
Payment of bond principal and capital lease payments are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net assets.	<u>342,075</u>
Change in net assets of governmental activities	<u>\$ 565,104</u>

The accompanying notes are an integral part of these financial statements.

CITY OF OLIVETTE, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2008 AND JUNE 30, 2009

	December 31, 2008	June 30, 2009
	Pension Trust Fund	Agency Fund
CURRENT ASSETS		
Cash	\$ -	\$ 258,048
Investments	14,605,388	-
TOTAL ASSETS	\$ 14,605,388	\$ 258,048
 CURRENT LIABILITIES		
Deposits held	-	258,548
TOTAL LIABILITIES	-	\$ 258,548
 NET ASSETS		
Held in trust for pension benefits	\$ 14,605,388	

The accompanying notes are an integral part of these financial statements.

CITY OF OLIVETTE, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

ADDITIONS

Contributions:

Employer	\$	496,280
Employee		196,241
Total Contributions		692,521

Investment return		(7,684,437)
TOTAL ADDITIONS		(6,991,916)

DEDUCTIONS

Distributions		1,025,533
Administrative expenses		1,275
TOTAL DEDUCTIONS		1,026,808

CHANGE IN NET ASSETS		(8,018,724)
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NET ASSETS - BEGINNING OF YEAR		22,624,112
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NET ASSETS - END OF YEAR	\$	14,605,388
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The accompanying notes are an integral part of these financial statements.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Olivette, Missouri (the City) was incorporated in 1930 under the provisions of the Missouri State Statutes. In 1976, the City voters approved a Home Rule Charter which established a council-manager form of government, governed by a policy making body of five council members, including the mayor. The City's major operations include fire and police protection, street maintenance and improvements, five parks, recreation programs, and general administrative services. The significant accounting policies applied by the City in the preparation of the accompanying financial statements are summarized below:

A. REPORTING ENTITY

The City applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City presently has no component units included within its reporting entity.

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

B. **BASIC FINANCIAL STATEMENTS - continued**

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund and Capital Projects Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

C. **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 or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The City reports the following major governmental funds:

The General Fund - The City's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** - continued

Capital Projects Fund - The fund is used to account for taxes and grants to be used for the construction, repair and maintenance of streets, roads and bridges.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for specific revenue sources that are legally restricted to expenditures for specific purposes, and one capital projects fund.

Additionally, the City reports the following fund type:

Fiduciary Funds - The City uses these funds to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments. The Pension Trust Fund accounts for the assets of the City's retirement plan. Agency Funds are used to account for escrow deposit held by the City in an agency capacity.

D. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights, street lights, sewer lines and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Infrastructure assets with an initial cost of \$50,000 or more are also capitalized and depreciated. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. As allowed by GASB 34, the government-wide financial statements do not reflect infrastructure assets completed prior to March 1, 2004. No infrastructure expenditures have met the requirements for capitalization since the implementation of the GASB 34 standards.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	20 - 40 years
Equipment	5 - 20 years
Vehicles	5 - 20 years

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

E. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

F. **INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

G. **COMPENSATED ABSENCES**

Under terms of the City's personnel policy, employees are granted vacation time based on length of service. Vacation time accrued during one fiscal year may be carried over and used only in the subsequent fiscal year. Upon termination, the employee is paid for unused vacation or is required to repay the City for used and unearned vacation of the current year. A liability for unused vacation compensation has been recorded in the respective governmental funds as such amounts are expected to be paid from current expendable resources. Sick leave is accumulated based upon length of service and is available only to provide compensation during periods of illness. Upon retirement an employee is eligible to receive payment for a portion of unused sick leave. The City has recognized a liability in the government-wide statements since current financial resources will not be used to relieve this liability.

H. **LONG-TERM LIABILITIES**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized portion of applicable premium or discount. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, and issuance costs are included in interest expense.

I. **INVENTORIES**

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of gasoline held for consumption.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

J. **NET ASSETS AND FUND EQUITY**

In government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal on related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). All other net assets are considered unrestricted. It is the City's policy to use restricted funds before unrestricted funds. The City has restricted net assets totaling \$2,602,149 all of which are restricted by enabling legislation.

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

K. **INVESTMENTS**

The City pools the cash of all funds, except for funds held for court bonds and escrow deposits. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. The City's investments are carried at fair value. Interest income earned on pooled cash and investments is allocated to the various funds as required. Interest income on restricted cash and investments is credited directly to the related fund.

The City is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker's Acceptance and Commercial Paper.

The Pension Trust Fund is also authorized to invest in corporate stocks, common or preferred bonds and mortgages, real or personal property and other evidence of indebtedness or ownership, excluding any debt of the City itself and individual insurance policies.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

On or before April 1, the City Manager submits to the City Council a proposed operating budget for the City for the fiscal year commencing on the following July 1. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by ordinance after public hearings are held to obtain taxpayer comments. Primary budgetary control is at the department level. Any transfers of budgeted amounts from one department to another require approval of the City Council. The City's budgets are prepared on the modified accrual basis of accounting. The City does not adopt detailed budgets for the special revenue funds.

Unencumbered appropriations lapse at year end.

3. **CASH AND TEMPORARY INVESTMENTS**

The City's bank deposits are required by state law to be secured by the deposit of certain securities specified by 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 June 30, 2009, the carrying amount of the City's bank deposits totaled \$5,255,154 with bank balances of \$5,623,202, which includes cash reported in the Agency Fund. The balances were covered by federal depository insurance or collateralized by securities held by the pledging financial institution but not in the City's name.

4. **PROPERTY TAX**

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied on September 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The adjusted assessed value at January 1, 2008, upon which the 2008 levy was based on real, personal and public utility property, was \$249,620,645.

The City's tax rate was levied as follows:

	Real Estate		Personal Property
	Residential	Commercial	
General Fund	\$.573	\$.623	\$.771
Pension Fund	.206	.213	.250
Road and Bridge	.105	.105	.105

5. **INVESTMENTS**

Statutes authorize the City to invest fund in the following: obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker's Acceptance and Commercial Paper. Certificates of deposit are considered bank deposits and are reported in footnote 3.

Interest Rate Risk: The City structures its investment portfolios 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. The City also invests operating funds primarily in short-term securities. No information about the sensitivity of the fair values of the City's investment (including investments held by bond trustee) to market interest rate fluctuations is provided in the current year as funds were invested in certificates of deposits which are short term bank deposits.

5. **INVESTMENTS - continued**

Concentration of Credit Risk: The City places no limit on the amount that it may invest in any one issuer. At June 30, 2009, there are no investments in any one issuer (other than investments explicitly guaranteed by the U.S. government, mutual funds, and external investment pools) that represent 5% or more of the total City's governmental activities.

Custodial Credit Risk: For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In the case of deposits, the risk is that in the event of a bank failure, the City's deposits may not be returned to it. It is the City's policy to pre-qualify financial institutions, broker/dealers, intermediaries and advisors with which the City will do business. The City also diversifies its portfolio so that potential losses on individual securities would be minimized.

The City's Pension Trust Fund has an investment policy designed to provide benefits as anticipated through a carefully planned and executed investment program designed to achieve a reasonable long-term total return consistent with the level of risk assumed. To achieve this return, professional investment managers are employed by the Plan to manage the Plan's assets. The Plan invests in equities and bonds through use of mutual funds.

6. **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Due to/from other funds at June 30, 2009 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund	\$ 98,488	\$ -
Neighborhood Improvement District Fund	612	-
Sewer Lateral Fund	644	-
Fire Operations Fund	-	99,744

The outstanding balances between funds result mainly from the time lag between the dates that the reimbursable expenditures occur and the payments are made.

6. **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS** - continued

Interfund transfers for the period ending June 30, 2009 are as follows:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 41,344	\$ -
Sewer Lateral Fund	-	17,000
Local Parks/Storm Water Fund	-	21,000
Agency Escrow Fund	-	3,344

Transfers were made to reimburse expenses incurred by the General Fund to administer the sewer lateral program and expenses paid for the Local Parks/Storm Water Fund.

7. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended June 30, 2009 is as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>DELETIONS AND TRANSFERS</u>	<u>BALANCE, END OF YEAR</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 471,300	\$ -	\$ -	\$ 471,300
Capital assets, being depreciated:				
Buildings and improvements	861,901	150,229	-	1,012,130
Equipment	1,142,850	33,758	(16,519)	1,160,089
Vehicles	1,320,699	50,745	(70,240)	1,301,204
Total capital assets, being depreciated	<u>3,325,450</u>	<u>234,732</u>	<u>(86,759)</u>	<u>3,473,423</u>
Less accumulated depreciation for:				
Buildings and improvements	(505,453)	(29,772)	-	(535,225)
Equipment	(572,880)	(109,417)	11,261	(671,036)
Vehicles	(424,816)	(89,079)	36,287	(477,608)
Total accumulated Depreciation	<u>(1,503,149)</u>	<u>(228,268)</u>	<u>47,548</u>	<u>(1,683,869)</u>
Total capital assets, being depreciated, net	<u>1,822,301</u>	<u>6,464</u>	<u>(39,211)</u>	<u>1,789,554</u>
Total governmental Activities	<u>\$ 2,293,601</u>	<u>\$ 6,464</u>	<u>\$ (39,211)</u>	<u>\$ 2,260,854</u>

7. **CAPITAL ASSETS - continued**

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental activities:

Administrative	\$	37,610
Public safety		93,256
Public works		32,685
Parks and recreation		<u>64,717</u>
Total depreciation expense- governmental activities	\$	<u>228,268</u>

8. **LONG-TERM DEBT**

Special Assessment Bonds

On June 10, 1997, the City Council authorized the issuance of \$3,360,000 in special assessment bonds to be repaid through special assessment revenues collected from the residents within the City's Neighborhood Improvement Districts. These bonds were refunded with the issuance of the Neighborhood Improvement District Refunding Bonds Series 2005.

Neighborhood Improvement District Refunding Bonds

In September 2005, the City Council authorized the issuance of \$1,855,000 in Neighborhood Improvement District Refunding Bonds to refund the special assessment bonds issued in 1997. The refunding bonds are to be repaid through special assessment revenues collected from the residents within the City's Neighborhood Improvement Districts. The bonds bear interest at rates ranging from 2.5% to 3.35% and mature on March 1, 2012. At June 30, 2009, the balance is as follows:

Neighborhood Improvement District Refunding Bonds	\$	<u>755,000</u>
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The annual debt service requirements to maturity on the refunding bonds are as follows:

	<u>PRINCIPAL</u>		<u>INTEREST</u>		<u>TOTAL</u>
2010	\$ 280,000	\$	24,442	\$	304,442
2011	290,000		15,622		305,622
2012	<u>185,000</u>		<u>6,198</u>		<u>191,198</u>
TOTAL	\$ <u>755,000</u>	\$	<u>46,262</u>	\$	<u>801,262</u>

8. **LONG-TERM DEBT** - continued

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of two fire trucks and a phone system. The balances as of June 30, 2009 are as follows:

SunTrust Leasing Corporation	\$ 333,417
Fire trucks	
Interest rate - 4.322%	
Maturity - August 2014	
Annual payments of \$63,334, which includes principal and interest	
King Commercial, Inc.	54,272
Phone system	
Interest rate - 8.555%	
Maturity - April 2013	
Monthly payments of \$1,441, which includes principal and interest	
TOTAL	<u>\$ 387,689</u>

The future minimum lease payments are as follows:

2010	\$ 80,627
2011	80,627
2012	80,627
2013	77,744
2014	63,334
Thereafter	<u>63,334</u>
Total minimum lease payments	446,293
Less: amount representing interest	<u>58,604</u>
Present value of minimum lease payments	<u>\$ 387,689</u>

Assets acquired through capital leases are as follows:

Vehicles	\$ 612,200
Equipment	80,578
Less: accumulated depreciation	<u>(147,427)</u>
Net balance	<u>\$ 545,371</u>

8. **LONG-TERM DEBT** - continued

A summary of changes in long-term liabilities is as follows:

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental activities:					
Neighborhood Improvement					
District Refunding Bonds	\$ 1,040,000	\$ -	\$ (285,000)	\$ 755,000	\$ 280,000
Capital leases	444,764	-	(57,075)	387,689	61,944
Accrued sick leave	274,882	810	(25,906)	249,786	89,736
Subtotal governmental Activities	\$ 1,759,646	\$ 810	\$ (367,981)	\$ 1,392,475	\$ 431,680

9. **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations in the following functional expenditure categories:

	Expenditures	Appropriations	Expenditures Over Appropriations
General Fund:			
Public safety	\$ 4,344,431	\$ 4,303,209	\$ 41,222
Public works	1,187,389	1,178,259	9,130

10. **RISK MANAGEMENT**

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

The City, along with various other local municipal governments, participates in insurance trusts for workers' compensation (St. Louis Area Insurance Trust - SLAIT) and for general liability matters (Property and Casualty Trust (PACT)). The purpose of these trusts is to distribute the cost of self-insurance over similar entities. The trusts require an annual premium payment to cover estimated claims payable and reserves for claims for each entity. The members of the trusts have no legal interest in the assets, liabilities or fund balances of the insurance trusts. However, the City retains a contingent liability to fund its pro rata share of any deficit incurred by the trusts should the trusts cease operations at some future date. The trusts have contracted with the Daniel and Henry Company to handle all administrative matters, including processing of claims filed. The City's premiums payments to the trusts were \$216,018 for the fiscal year ending June 30, 2009.

The City also purchases commercial insurance to cover risks related to travel, public official liability, earthquakes and employees blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

11. **COMMITMENTS**

Beginning in July 2006, the City entered into a participation agreement with five other municipalities for centralized dispatching services from East Central Dispatch Center. Beginning July 1, 2009 the contract is renewed annually through June 30, 2010. Payments are estimated to be \$142,784.

12. **DEFICIT FUND BALANCE**

The special revenue Fire Operation Fund had a deficit fund balance of \$84,045 at June 30, 2009. The deficit is the result of the timing of tax receipts and expenditures.

13. **DEFINED BENEFIT PENSION PLAN**

Plan Description

The City of Olivette Salaried Employees Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance #686 adopted October 14, 1964. The plan is governed by the City of Olivette which is responsible for the management of plan assets. The City of Olivette has hired Principal Financial Advisors, Inc. to manage plan assets. The City has retained Fiduciary Consultants, Inc. to recommend an investment strategy for the plan assets. The Plan provides for retirement benefits, early and deferred retirement, termination and death benefits to member and beneficiaries.

Employees become eligible to participate in the plan after completion of six months of full-time employment. Employees attaining the latter of age 55 or completion of ten years of service are entitled to annual benefits of their highest average monthly compensation for the five consecutive years out of the ten last compensating years prior to retirement date. All benefits vest after five years of credited service. The Plan permits early retirement at the completion of ten years of credited service and attainment of age 50. The employee receives the actuarial equivalent of his/her normal retirement benefit, based on age, credited service and average monthly compensation at early retirement.

As of December 31, 2008, (the end of the most recent plan year), the pension plan's membership consists of:

Active employees	56
Retirees and beneficiaries currently received benefits	45
Terminated employees entitled to benefits, but not yet receiving them	<u>15</u>
TOTAL	<u>116</u>

Basis Of Accounting

The Plan's policy is to prepare its financial statements on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

13. **DEFINED BENEFIT PENSION PLAN - continued**

Significant Investments

At December 31, 2008, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), held in any one organization that represents five percent or more of net assets available for benefits:

The Principal Financial Group	<u>\$14,605,388</u>
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Funding Policies

Active members were required to contribute 5% of income to the Plan. Any remaining obligation with respect to the Pension Plan shall be paid by the employer. Contributions for the Plan year ended December 31, 2008 were \$692,521, which consisted of \$496,280 from the City and \$196,241 from employees. The actuarially required contribution was \$118,505 for the Plan year which represented 4% of covered payroll.

The City has levied taxes on real estate and personal property to fund its pension plan. The tax levy per \$100 of assessed value for 2008 is as follows:

Residential real estate	\$.206
Commercial real estate	.213
Personal property	.250

Net Pension Obligation

The City's annual pension cost of the current Plan year is as follows:

Annual required contribution (actuarially computed)	\$ 118,505
Interest on net pension obligation	(8,888)
Adjustment to annual required contribution	<u>46,911</u>
Annual pension cost	156,528
Contributions made	(496,280)
Decrease in net pension obligation	(339,752)
Net pension obligation - beginning of year	<u>(586,204)</u>
Net pension obligation - end of year	<u>\$(925,956)</u>

Three-Year Trend Information

<u>Calendar Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Annual</u> <u>Contribution</u> <u>Made</u>	<u>Percentage Of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2006	\$363,455	\$479,730	132.0%	\$(480,821)
2007	142,703	248,086	173.8	(586,204)
2008	156,528	496,280	317.1	(925,956)

13. **DEFINED BENEFIT PENSION PLAN - continued**

NOTES TO REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION

The actuarial accrued liability was determined as part of an actuarial valuation at January 1, 2009, the most recently filed actuarial valuation report. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method	Aggregate *
Amortization Method	Level dollar closed
Remaining Amortization Period	Weighted average of 0 years
Asset Valuation Method:	
Fixed Income	Market basis
Other	Market basis
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	5.25%
Cost-Of-Living Adjustments (COLA)	2%
Maximum Lifetime COLA	25%

*This method does not identify or separately amortize unfunded actuarial liabilities.

14. **OTHER POST EMPLOYMENT BENEFITS**

Plan Description and Provisions - The City of Olivette is a single-employer other post employment plan that provides its retirees with access to healthcare (medical and dental). The retiree must pay the full premium of such coverage, but the employer is responsible for any implicit subsidy arising from actual claims being higher than premium amounts. The Plan does not issue a separate stand-alone financial report. Benefits under the Plan are established by ordinance and may be changed by the passage of an ordinance. The City funds these benefits on a pay as you go basis.

At March 1, 2009, the date of the last actuarial valuation, the Plan covered the following number of participants for medical coverage:

Active participants	65
Retirees and beneficiaries currently receiving benefits	<u>6</u>
Total Plan Participants	<u><u>71</u></u>

At March 1, 2009, the date of the last actuarial valuation, the Plan covered the following number of participants for dental coverage:

Active participants	65
Retirees and beneficiaries currently receiving benefits	<u>19</u>
Total Plan Participants	<u><u>84</u></u>

Annual valuations are performed using the Projected Unit Credit (PUC) Funding Method. Under the PUC Funding Method the Normal Cost is based exclusively on plan liabilities. The PUC Funding Method allocates the projected benefit of each participant over the participant's period of service. The valuation assumes 10% inflation rate in 2009 graded down 1% each year until an ultimate rate of 5% is reached in 2014 and uses the 1983 Group Annuity Mortality Table.

14. **OTHER POST EMPLOYMENT BENEFITS - continued**

Net OPEB Obligation

The City's annual pension cost of the current Plan year is as follows:

Annual required contribution (actuarially computed)	\$59,343
Interest on net pension obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual pension cost	-
Contributions made	<u>-</u>
Increase in net pension obligation	-
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 59,343</u>

Trend Information - Other Post Employment Benefits

Fiscal Year Ended June 30,	Annual Pension Cost	Percentage Contribution	Net OPEB Obligation
2009	\$ 59,343	- %	\$ 59,343

Funded Status and Funding Progress - As of March 1, 2009, the most recent actuarial valuation available, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$579,343, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$579,343. The covered payroll (annual payroll of active employees covered by the plan) was \$2,928,155, and the ratio of the UAAL to the covered payroll was 19.8 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OLIVETTE, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>BUDGET</u> <u>ORIGINAL/</u> <u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES			
Taxes	\$ 6,443,472	\$ 5,480,366	\$ (963,106)
Licenses and permits	476,050	450,078	(25,972)
Fines and court costs	321,000	312,821	(8,179)
Intergovernmental	100,000	30,847	(69,153)
Investment income	150,000	58,765	(91,235)
Charges for service	428,000	465,570	37,570
Miscellaneous	68,600	69,644	1,044
TOTAL REVENUES	<u>7,987,122</u>	<u>6,868,091</u>	<u>(1,119,031)</u>
EXPENDITURES			
Current:			
Administrative	952,847	844,222	108,625
Public safety	4,303,209	4,344,431	(41,222)
Public works	1,178,259	1,187,389	(9,130)
Parks and recreation	561,479	481,430	80,049
Public health	43,996	41,176	2,820
Capital outlay	119,448	85,513	33,935
Debt service:			
Principal, interest and fiscal charges	17,294	17,294	-
TOTAL EXPENDITURES	<u>7,176,532</u>	<u>7,001,455</u>	<u>175,077</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	810,590	(133,364)	(1,294,108)
OTHER FINANCING SOURCES			
Transfer in (out)	<u>(167,000)</u>	<u>41,344</u>	<u>(208,344)</u>
NET CHANGE IN FUND BALANCE	643,590	(92,020)	<u>\$ (735,610)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>2,187,283</u>	<u>2,187,283</u>	
FUND BALANCES - END OF YEAR	<u>\$ 2,830,873</u>	<u>\$ 2,095,263</u>	

CITY OF OLIVETTE, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

1. BUDGETARY INFORMATION

The City prepares its budget on a basis consistent with generally accepted accounting principles. The budgetary process is detailed in footnote 2 of the notes to the financial statements.

CITY OF OLIVETTE, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - PENSION TRUST
FOR THE YEAR ENDED JUNE 30, 2009

Actuarial Valuation Date 1/1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded (AAL) (UAAL) (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payrol (2)-(1)/5
2004	\$ 16,806,541	\$ 16,806,541	\$ -	100.0 %	\$2,788,201	0.0 %
2005	17,999,050	19,375,723	* 1,376,672	92.9	3,093,039	44.5
2006	19,096,646	19,832,944	* 736,298	96.3	2,858,007	25.8
2007	21,212,713	20,422,778	* (789,935)	103.9	2,708,300	(29.2)
2008	22,624,112	21,736,771	* (887,341)	104.1	2,890,508	(30.7)
2009	14,598,769	23,241,683	* 8,642,914	62.8	2,928,155	295.2

*Aggregate Funding Method was used for contribution requirements, since AAL equals assets under that method, Entry Age Normal AAL is shown beginning on January 1, 2005.

GASB 25 and 27 define the Actuarial Accrued Liability under the Aggregate method to be equal to the Actuarial Value of Assets.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, accrued liability and unfunded (assets in excess of) accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the accrued liability (column 4) provides one indication of the Plan's funded status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan.

Trends in unfunded (assets in excess of) accrued liability and annual covered payroll are both affected by inflation. Expressing unfunded (assets in excess of) accrued liability as a percentage of annual covered payroll (column 6) approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded accrued liability, the smaller this percentage, the stronger the Plan. However, when assets are in excess of the accrued liability, the higher the bracketed percentage, the stronger the Plan.

CITY OF OLIVETTE, MISSOURI
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
 FOR THE YEAR ENDED JUNE 30, 2009

Actuarial Valuation Date 3/1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payrol (2)-(1)/5
2009	\$ -	\$ 579,343	\$ 579,343	0.0 %	\$2,928,155	19.8 %

SUPPLEMENTARY INFORMATION

CITY OF OLIVETTE, MISSOURI
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Special Revenue Funds					Capital Projects Fund	Total
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	
ASSETS AND OTHER DEBITS							
Cash and investments	\$ 123,621	\$ -	\$ 445,647	\$ 332,048	\$ -	\$ 540,602	\$1,441,918
Other taxes receivable	21,012	33,121	66,243	-	-	-	120,376
Due from (to) other funds	612	(99,744)	-	644	-	-	(98,488)
TOTAL ASSETS	<u>\$ 145,245</u>	<u>\$ (66,623)</u>	<u>\$ 511,890</u>	<u>\$ 332,692</u>	<u>\$ -</u>	<u>\$ 540,602</u>	<u>\$1,463,806</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 9,334	\$ -	\$ -	\$ -	\$ 9,334
Accrued wages payable	-	7,207	5,824	-	-	-	13,031
Accrued vacation payable	-	10,215	5,145	-	-	-	15,360
Deferred revenue	21,012	-	-	-	-	-	21,012
TOTAL LIABILITIES	<u>21,012</u>	<u>17,422</u>	<u>20,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,737</u>
FUND BALANCES:							
Fund balances:							
Reserved:							
Debt service payments	124,233	-	-	-	-	-	124,233
Equipment replacement	-	-	-	-	-	540,602	540,602
Unreserved	-	(84,045)	491,587	332,692	-	-	740,234
TOTAL FUND BALANCES	<u>124,233</u>	<u>(84,045)</u>	<u>491,587</u>	<u>332,692</u>	<u>-</u>	<u>540,602</u>	<u>1,405,069</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 145,245</u>	<u>\$ (66,623)</u>	<u>\$ 511,890</u>	<u>\$ 332,692</u>	<u>\$ -</u>	<u>\$ 540,602</u>	<u>\$1,463,806</u>

CITY OF OLIVETTE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds					Capital Projects Fund	Total
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	
REVENUES							
Taxes	\$ 278,725	\$242,264	\$ 484,529	\$140,200	\$514,957	\$ -	\$1,660,675
Intergovernmental	-	-	40,000	-	-	-	40,000
Investment income	1,782	-	-	4,396	-	-	6,178
TOTAL REVENUES	<u>280,507</u>	<u>242,264</u>	<u>524,529</u>	<u>144,596</u>	<u>514,957</u>	<u>-</u>	<u>1,706,853</u>
EXPENDITURES							
Current:							
Administrative	-	-	-	1,417	514,957	-	516,374
Public safety	-	256,447	-	-	-	-	256,447
Parks and recreation	-	-	372,572	-	-	-	372,572
Capital outlay	-	-	183,209	87,760	-	19,807	290,776
Debt service:							
Principal, interest and fiscal charges	318,566	31,667	-	-	-	-	350,233
TOTAL EXPENDITURES	<u>318,566</u>	<u>288,114</u>	<u>555,781</u>	<u>89,177</u>	<u>514,957</u>	<u>19,807</u>	<u>1,786,402</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,059)	(45,850)	(31,252)	55,419	-	(19,807)	(79,549)
OTHER FINANCING USES							
Transfer out	-	-	(21,000)	(17,000)	-	-	(38,000)
NET CHANGE IN FUND BALANCE	(38,059)	(45,850)	(52,252)	38,419	-	(19,807)	(117,549)
FUND BALANCES - BEGINNING OF YEAR	<u>162,292</u>	<u>(38,195)</u>	<u>543,839</u>	<u>294,273</u>	<u>-</u>	<u>560,409</u>	<u>1,522,618</u>
FUND BALANCES - END OF YEAR	<u>\$ 124,233</u>	<u>\$ (84,045)</u>	<u>\$ 491,587</u>	<u>\$ 332,692</u>	<u>\$ -</u>	<u>\$ 540,602</u>	<u>\$1,405,069</u>