

CITY OF OLIVETTE, MISSOURI

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED
FEBRUARY 28, 2005***

CITY OF OLIVETTE, MISSOURI

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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 February 28, 2005, 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 February 28, 2005, and the respective changes in the financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of February 28, 2005.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 32, 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 inquires 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.


May 3, 2005

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**CITY OF OLIVETTE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 28, 2005**

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 February 28, 2005. It should be read in conjunction with the accompanying basic financial statements. This discussion and analysis does not include comparative data for prior years, as this information is not available for the first year of implementation of Governmental Accounting Standards Board (GASB) Statement Number 34. Future years will include, when available, comparative analysis of government-wide data.

FINANCIAL HIGHLIGHTS

- Full implementation of GASB 34 financial statement format
- Aggressive identification of long range financial and actuarial issues associated with the City's defined benefit pension plan and full implementation of measures to restore sustainable fiscal balance to the Plan
- Accomplishment of financial targets established in the adopted annual budget for Fiscal Year 2004-05, including a significant one-time, catch-up contribution to the City's pension plan
- Implementation of an interactive and participative strategic planning process to identify redevelopment strategies in the community to foster financial stability
- Establishment of fiscal controls and procedures in accordance with best practices and financial standards
- Maintenance of relatively healthy fund balances in the City's operating fund accounts
- Citizen approval of an annual fee on residential property owners for the repair of lateral sewer service lines resulting in \$134,701 additional revenue
- Execution of a more aggressive policy to collect taxes and special assessments due the City resulting in a collection rate of 98%.

REPORT LAYOUT

This report is significantly different from prior years. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statement, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. 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.

Basic Financial Statements

- 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. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Also, for the first time, governmental activities are reported on the accrual basis of accounting.
- 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". A budgetary comparison for the General Fund is presented as required supplementary information. None of the major funds adopt budgets.
- 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 MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years. To be an accurate presentation, the prior year would have to be restated to the new reporting format. The City has chosen to not restate the prior year. Nevertheless when possible, significant changes from the prior year are explained in the following paragraphs.

THE CITY AS A WHOLE

Government-wide Financial Analysis

The City's combined net assets were \$4,472,557 as of February 28, 2005. 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. As mentioned earlier, the City of Olivette, Missouri has prepared the fiscal year ending February 28, 2005 financial statements in a new format prescribed by the provisions of GASB Statement No. 34.

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

	<u>Governmental Activities</u>
Current and other assets	\$ 5,704,671
Capital assets	1,664,424
Total assets	<u>7,369,095</u>
Current and other liabilities	366,543
Long-term liabilities	2,529,995
Total liabilities	<u>2,896,538</u>
Net assets:	
Invested in capital assets	1,664,424
Unrestricted	2,808,133
Total net assets	<u>\$ 4,472,557</u>

In preparation for implementation of the new accounting standard, the city conducted an analysis of all items in the fixed asset group. This analysis included condition of assets, assignment of lives for depreciation purposes and establishing an initial individual cost threshold of \$5,000 or more for capital assets and \$50,000 or more for infrastructure.

The fixed asset group was recorded at a value of \$2,804,083 as of February 29, 2004. During 2004 the City acquired new fixed assets at a cost of \$197,561, bringing the total fixed asset group cost to \$3,001,644. Current year depreciation on assets owned as of February 28, 2005 was \$180,703 for total accumulated depreciation of \$1,337,220. Therefore, the City's net fixed assets total \$1,664,424 as of February 28, 2005.

It is important to note that these numbers do not reflect infrastructure assets completed for the fiscal year ended February 28, 2005. Going forward infrastructure expenditures that meet the requirements for capitalization during the fiscal year will be added to the capital asset totals.

Governmental activities increased the City's net assets by \$256,343. The key elements of this increase are as follows:

Table 2

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for service	\$ 1,217,639
General revenues:	
Taxes	7,212,283
Interest income	43,573
Miscellaneous	92,230
Total revenues	<u>8,565,725</u>
Expenses:	
Administrative	832,894
Public safety	4,475,969
Public works	1,906,409
Parks and recreation	929,131
Public health	37,101
Interest and fiscal charges	118,958
Total expenses	<u>8,300,462</u>
Increase in net assets	265,263
Net assets, beginning of year	4,207,294
Net assets, end of year	<u>\$ 4,472,557</u>

In order to provide the reader with a general overview of changes that have occurred from the prior year, the 2004 information is broadly discussed, although the accounts were not adjusted to a full accrual basis.

Total 2005 revenues shown in Table 2, \$8,565,725, reflect an increase of \$524,217 over 2004 revenues of \$8,041,508. In April 2004, Olivette citizens approved an annual fee of \$50.00 on residential property owners for the repair of lateral sewer service lines on certain residential property resulting in \$134,701 additional revenue. The change to the full accrual method of accounting for property tax revenue as well as increases in property tax, fines and license revenue are the other primary sources of increased revenue.

The 2005 expenses increased to \$8,300,462 from \$7,613,905 in 2004. This increase was attributable to the following:

- Three key differences in accounting under the full accrual method compared to the modified method of accounting. During fiscal year 2005, the city recognized depreciation expense as part of its cost to provide services to its citizens, sick leave liability was recognized as an expense and bond principal was reflected as a liability reduction.

- In order to address identified actuarial asset deficits in the City's defined benefit employee pension plan, the City budgeted for and implemented a significant one-time increase in the annual required contribution to the salaried employee pension plan during Fiscal Year 2004-05. This one-time increased contribution to the pension plan had a significant impact on operating expenses in governmental funds during the fiscal year. During fiscal year 2005, the City Council, working with the Pension Board, management team, employee representatives, independent actuaries, and the City's pension manager, implemented amendments to the benefits formula and employee contribution requirements for the pension plan to better control the spiraling cost increases of the plan and provide long-term funding stability. Included in this package of amendments was an increase to the property tax rate ceiling to support employee pensions. The pension property tax increase was submitted to the voters of Olivette on April 5, 2005 and was approved by a majority of voters.

Governmental Funds

The following table presents the amount of revenues from various sources on the modified accrual basis of accounting.

Table 3

	Fiscal Year Ending 2005	Fiscal Year Ending 2004	Increase (Decrease)	Percentage Change
General Fund:				
Taxes	\$ 5,082,117	\$ 5,023,741	\$ 58,376	1.2 %
Licenses and permits	481,966	455,298	26,668	5.9
Fines and court costs	252,629	218,134	34,495	15.8
Investment income	42,273	27,227	15,046	55.3
Charges for service	483,044	429,927	53,117	12.4
Miscellaneous	92,004	59,391	32,613	54.9
Total general revenues	\$ <u>6,434,033</u>	\$ <u>6,213,718</u>	\$ <u>220,315</u>	3.5

Total general fund revenue increased to \$6,434,033 from \$6,213,718 in 2004, a modest 3.5% increase. A decline in sales and utility tax revenues was offset by an increase in property taxes. Although numerous inspection functions were outsourced to St. Louis County in mid-2004, permit and license fee income grew due to new construction and redevelopment in our community. An addition of a full time traffic officer to ensure safer streets, modest increases in interest rates, collection of delinquent rental on city property and sale of old equipment also contributed to revenue growth.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2005, the City had \$3,001,644 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 \$197,561 or 6.5% over the prior fiscal year.

Table 4

	<u>Governmental Activities</u>
Land	\$ 471,300
Buildings and improvements	861,901
Equipment	719,454
Vehicles	948,989
Total	\$ <u><u>3,001,644</u></u>

The most significant addition to capital assets this fiscal year were three new police vehicles, a backhoe for the public works department, fire rescue equipment, and a bobcat for the Park Department. More detailed information on the City's capital assets is presented in the notes to the financial statements.

DEBT

At year-end, the City had \$2,310,000 in outstanding neighborhood improvement district bonds compared to \$2,505,000 at the end of the prior fiscal year, an decrease of \$195,000 or 7.8%. More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

THE CITY'S FUNDS

At the close of the City's fiscal year on February 28, 2005, the governmental funds of the City reported a combined fund balance of \$5,243,028. This ending balance includes a decrease in fund balance of \$24,279 in the City's General Fund. The primary reason for the General Fund's increase was due to expenditures exceeding revenues. Total fund balance decreased by \$97,959 due to the expenditure of funds held in the Equipment Replacement Fund and expenditures exceeding revenues in the Street Improvement Fund.

General Fund Budgetary Highlights

For the fiscal year ending February 28, 2005, actual revenues on a budgetary basis were \$6,434,033 compared to the budget amount of \$6,499,473. The primary reason for the shortfall in revenues was that the City had budgeted the use of unreserved fund balance as a resource to fund a one-time actuarial "catch-up" contribution to the employee pension plan. This was not utilized to the degree anticipated in the adopted budget.

For the fiscal year ending February 28, 2005, actual expenditures on a budgetary basis were \$6,458,312 as compared to the budget amount of \$6,499,473, due to stable economic conditions and careful management of operating budgets by departmental managers.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic factors that impact the City of Olivette's fiscal prospects are anticipated to remain relatively stable over the coming year. City officials have expressed concerns about the needs to address increasing levels of vacancies in the industrial areas of the City as well as the need to attract development and redevelopment of an enhanced retail and office sector. The City is currently considering a request for redevelopment of a prominent corner in the eastern part of the City and is receiving inquiries regarding redevelopment opportunities in other locations.

In response to a variety of factors, the City initiated a strategic planning process in 2004 to identify future redevelopment opportunities in the City of Olivette that reflect realistic market prospects as well as community values. Phase I of the Strategic Plan which included identification of redevelopment alternatives and plausible scenarios will be completed in May 2005. Phase II, Community Engagement, and Phase III, Implementation Strategies, of the strategic planning process will be completed by the end of 2005. The process is designed to engage a broad cross section of the Olivette community in a meaningful community conversation and visioning exercise to decide on a consensus-based future development and redevelopment pattern for the community.

Other economic factors impacting the short-term fiscal future for the community include:

- Planned reconstruction of the Olive Boulevard-Interstate 170 Interchange by the Missouri Department of Transportation, beginning in 2006. This project will have a short-term adverse economic impact during construction and a long-term economic benefit to the community, providing opportunities for quality redevelopment and joint efforts with neighboring communities
- Continued residential reconstruction in residential neighborhoods, including building of newer homes to replace older homes, thereby replenishing older housing stock and enhancing the local tax base
- Continuing development of the life sciences technology industry in the St. Louis area and specifically immediately adjacent to and inside the City of Olivette
- Planned recreation infrastructure improvements on a regional basis that will impact the City of Olivette

These factors will result in long term stability in tax rates for the City as well as stable operating budgets in coming years. A primary fiscal concern is the need to provide additional resources to replace and replenish aging infrastructure in both the commercial and residential areas of the City and to provide a broader variety of recreational facilities and opportunities.

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:

Alice Young
Finance Officer
City of Olivette, Missouri Finance Department
9473 Olive Boulevard
Olivette, Missouri 63132

CITY OF OLIVETTE, MISSOURI
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

	Governmental Activities
ASSETS	
Cash and investments	\$ 4,807,339
Taxes receivable:	
Property	138,703
Other	704,850
Accounts receivable	32,587
Prepaid	2,372
Inventory	9,900
Due from other funds	8,920
Capital assets - net	
Nondepreciable	471,300
Depreciable	1,193,124
TOTAL ASSETS	7,369,095
LIABILITIES	
Accounts payable	87,382
Accrued wages	102,017
Accrued vacation	91,999
Court bonds payable	11,810
Other liabilities	14,379
Interest payable	58,956
Noncurrent liabilities:	
Due in one year	279,862
Due in more than one year	2,250,133
TOTAL LIABILITIES	2,896,538
NET ASSETS	
Invested in capital assets, net of related debt	1,664,424
Unrestricted	2,808,133
TOTAL NET ASSETS	\$ 4,472,557

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

CITY OF OLIVETTE, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenue and Change in Net Assets
Governmental Activities	Expenses	Charges for Service	Governmental Activities
Administrative	\$ 832,894	\$ 286,719	\$ (546,175)
Public safety	4,475,969	256,429	(4,219,540)
Public works	1,906,409	251,788	(1,654,621)
Parks and recreation	929,131	422,703	(506,428)
Public health	37,101	-	(37,101)
Interest and fiscal charges	118,958	-	(118,958)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,300,462	\$ 1,217,639	(7,082,823)
Taxes:			
Sales			2,641,447
Utility			1,596,145
Property			2,223,217
Franchise			74,088
Other			677,386
Interest income			43,573
Other miscellaneous revenue			92,230
TOTAL GENERAL REVENUES			7,348,086
CHANGE IN NET ASSETS			265,263
NET ASSETS - BEGINNING OF YEAR			4,207,294
NET ASSETS - END OF YEAR			\$ 4,472,557

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

CITY OF OLIVETTE, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
FEBRUARY 28, 2005

	General Fund	Capital Projects Fund	Neighborhood Improvement District Fund	Equipment Replacement Fund	Other Non-major Funds	Total
ASSETS AND OTHER DEBITS						
Cash and investments	\$ 1,326,406	\$ 1,497,869	\$ 804,218	\$ 687,954	\$ 490,892	\$ 4,807,339
Taxes receivable:						
Property	125,922	12,781	-	-	-	138,703
Other	442,986	82,707	33,516	-	145,641	704,850
Accounts receivable	32,587	-	-	-	-	32,587
Due from (to) other funds	(2,157)	-	9,999	-	1,078	8,920
Prepaid	2,372	-	-	-	-	2,372
Inventory	9,900	-	-	-	-	9,900
TOTAL ASSETS	<u>\$ 1,938,016</u>	<u>\$ 1,593,357</u>	<u>\$ 847,733</u>	<u>\$ 687,954</u>	<u>\$ 637,611</u>	<u>\$ 5,704,671</u>
LIABILITIES						
Accounts payable	\$ 22,918	\$ 53,420	\$ -	\$ -	\$ 11,044	\$ 87,382
Accrued wages	90,240	5,225	-	-	6,552	102,017
Accrued vacation payable	86,975	5,024	-	-	-	91,999
Court bonds payable	11,810	-	-	-	-	11,810
Other liabilities	14,379	-	-	-	-	14,379
Deferred revenue	109,791	10,749	33,516	-	-	154,056
TOTAL LIABILITIES	<u>336,113</u>	<u>74,418</u>	<u>33,516</u>	<u>-</u>	<u>17,596</u>	<u>461,643</u>
FUND BALANCES:						
Fund balances:						
Reserved:						
Street improvement	-	1,518,939	-	-	-	1,518,939
Debt service payments	-	-	814,217	-	-	814,217
Fire operations	-	-	-	-	65,534	65,534
Local parks/storm water	-	-	-	-	420,902	420,902
Sanitary sewer lateral repairs	-	-	-	-	133,579	133,579
Unreserved:						
Designated:						
Equipment replacement	-	-	-	687,954	-	687,954
Undesignated:						
General fund	1,601,903	-	-	-	-	1,601,903
TOTAL FUND BALANCES	<u>1,601,903</u>	<u>1,518,939</u>	<u>814,217</u>	<u>687,954</u>	<u>620,015</u>	<u>5,243,028</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,938,016</u>	<u>\$ 1,593,357</u>	<u>\$ 847,733</u>	<u>\$ 687,954</u>	<u>\$ 637,611</u>	<u>\$ 5,704,671</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 FEBRUARY 28, 2005**

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

Total fund balance per balance sheet	\$ 5,243,028
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,664,424
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	154,056
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.	(58,956)
Long-term liabilities, including certificates of participation payable and note payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(2,529,995)</u>
Net assets of governmental activities	<u><u>\$ 4,472,557</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 FEBRUARY 28, 2005

	General Fund	Capital Projects Fund	Neighborhood Improvement District Fund	Equipment Replacement Fund	Other Non-major Funds	Total
REVENUES						
Taxes	\$ 5,082,117	\$ 685,704	\$ 303,078	\$ -	\$ 987,328	\$ 7,058,227
Licenses and permits	481,966	-	-	-	-	481,966
Fines and court costs	252,629	-	-	-	-	252,629
Investment income	42,273	-	1,300	-	-	43,573
Charges for service	483,044	-	-	-	-	483,044
Miscellaneous	92,004	-	-	-	226	92,230
TOTAL REVENUES	<u>6,434,033</u>	<u>685,704</u>	<u>304,378</u>	<u>-</u>	<u>987,554</u>	<u>8,411,669</u>
EXPENDITURES						
Current:						
Administrative	800,882	-	-	-	1,348	802,230
Public safety	4,136,715	-	-	-	287,138	4,423,853
Public works	1,078,717	592,632	-	-	-	1,671,349
Parks and recreation	390,639	-	-	-	384,729	775,368
Public health	37,101	-	-	-	-	37,101
Capital outlay	14,258	248,717	-	100,000	118,163	481,138
Debt service:						
Principal, interest and fiscal charges	-	-	318,589	-	-	318,589
TOTAL EXPENDITURES	<u>6,458,312</u>	<u>841,349</u>	<u>318,589</u>	<u>100,000</u>	<u>791,378</u>	<u>8,509,628</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,279)	(155,645)	(14,211)	(100,000)	196,176	(97,959)
FUND BALANCES - BEGINNING OF YEAR	<u>1,626,182</u>	<u>1,674,584</u>	<u>828,428</u>	<u>787,954</u>	<u>423,839</u>	<u>5,340,987</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,601,903</u>	<u>\$ 1,518,939</u>	<u>\$ 814,217</u>	<u>\$ 687,954</u>	<u>\$ 620,015</u>	<u>\$ 5,243,028</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 FEBRUARY 28, 2005

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

Change in fund balance-total governmental funds	\$	(97,959)
Revenues that do not provide current financial resources are not included in the fund financial statements		154,056
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.		197,561
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.		(180,703)
Interest is reported as an expenditure when due in the governmental funds but is accrued in the statement of activities.		4,631
Accrued sick leave is an expense in the statement of activities and not an expenditure until paid in the governmental funds		(7,323)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		<u>195,000</u>
Change in net assets of governmental activities	<u>\$</u>	<u>265,263</u>

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

CITY OF OLIVETTE, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2004 AND FEBRUARY 28, 2005

	December 31, 2004	February 28, 2005
	Pension Trust Fund	Agency Fund
CURRENT ASSETS		
Cash	\$ -	\$ 169,905
Investments	17,999,050	-
TOTAL ASSETS	\$ 17,999,050	\$ 169,905
 CURRENT LIABILITIES		
Due to other funds	8,920	
Deposits held	-	\$ 169,905
TOTAL LIABILITIES	8,920	\$ 169,905
 NET ASSETS		
Held in trust for pension benefits	\$ 17,990,130	

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

CITY OF OLIVETTE, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FIDUCIARY FUND TYPE
PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

ADDITION

Contributions:

Employer	\$ 880,957
Employee	138,396
Total Contributions	1,019,353

Investment return	1,438,179
TOTAL REVENUES	2,457,532

DEDUCTION

Distributions	755,052
Administrative expenses	37,009
TOTAL EXPENSES	792,061

NET INCOME	1,665,471
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FUND BALANCE - BEGINNING OF YEAR	16,324,659
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FUND BALANCE - END OF YEAR	\$ 17,990,130
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The accompanying notes are an integral part of these financial statements.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2005

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 and recreation 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. **IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

Governmental Accounting Standards Board Statement No. 34 - For the fiscal year ended February 28, 2005, the City implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). The statement affects the manner in which the City records transactions and presents financial information.

Management's Discussion and Analysis - GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all the City's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statement include the following:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued
- B. **IMPLEMENTATION OF NEW ACCOUNTING STANDARDS** - continued

Governmental Accounting Standards Board Statement No. 34 - continued

Statement of Net Assets - The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The City reports capital assets in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The net assets of the City are broken down into three categories 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. The City has elected to implement the requirements of GASB 34 related to infrastructure assets from March 1, 2005 forward.

Governmental Accounting Standards Board Statement No. 37 - For the fiscal year ended February 28, 2005, the City implemented GASB Statement No. 37, *Basic Financial Statement-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

Governmental Accounting Standards Board Statement No. 38 - The City adopted the provisions of GASB No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB 38.

Governmental Accounting Standards Board Interpretations No. 6 - For the fiscal year ended February 28, 2005, the City implemented GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. This interpretation clarifies the application standards for modified accrual recognition of certain liabilities and in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation affects the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB, but has no direct effect on the government-wide financial statements. Accordingly, the City has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental funds financial statements for amounts not considered to be due and payable as of February 28, 2005. The City also considered the effects of this interpretation when implementing the provisions of GASB 34 as previously described.

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

C. **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 and its component units. 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. Indirect expenses are allocated based on the annual cost allocation plan. 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 and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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, Capital Projects Fund, Neighborhood Improvement District Fund and Equipment Replacement 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.

D. **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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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

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.

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.

Neighborhood Improvement District Fund - The fund is used to account for special assessment revenues accumulated for meeting the debt service requirements of the Neighborhood Improvement District Bonds.

Equipment Replacement Fund - The fund is used to account for funds the City has set aside for the acquisition of replacement equipment.

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.

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

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

Additionally, the District reports the following fund types:

Fiduciary Fund - The City uses this fund 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.

E. **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 a result of the implementation of GASB 34, the City will account for infrastructure assets on its financial statements for the first time. As allowed by GASB 34, the government-wide financial statements do not reflect those infrastructure assets completed prior to March 1, 2004. No infrastructure expenditures meet the requirements for capitalization during the fiscal year ended February 28, 2005.

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

F. **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.

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

G. **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. Nonrecurring or non-routine permanent transfers of equity are reported as equity transfers. All other interfund transfers are reported as operating transfers.

H. **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.

I. **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.

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) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net assets are considered unrestricted.

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.

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

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. 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 December 1, the City Manager submits to the City Council a proposed operating budget for the City for the fiscal year commencing on the following March 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.

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 February 28, 2005, the carrying amount of the City's bank deposits totaled \$1,613,175 with bank balances of \$1,591,078. The entire bank balance at year end was 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 assessed value at January 1, 2004, upon which the 2004 levy was based on real, personal and public utility property was \$183,982,010.

4. **PROPERTY TAX** - continued

The City's tax rate was levied as follows:

	Real Estate		Personal Property
	Residential	Commercial	
General Fund	\$.744	\$.753	\$.768
Pension Fund	.154	.157	.159
Road and Bridge	.105	.105	.105

5. **INVESTMENTS**

Investments are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or by the City's agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the City's name by the counterparty's trust department or agent. Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty or by its trust department or agent but not in the City's name.

	Category			Fair Value
	1	2	3	
U.S. Government Securities	\$ <u> -</u>	\$ <u> 3,364,069 </u>	\$ <u> -</u>	\$ 3,364,069
Investments not subject to categorization:				
Pension Trust Fund				<u> 17,999,050 </u>
TOTAL INVESTMENTS				\$ <u> 21,363,119 </u>

6. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended February 28, 2005 is as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>TRANSFERS AND ADDITIONS</u>	<u>TRANSFERS AND DELETIONS</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	856,901	5,000	-	861,901
Equipment	577,878	141,576	-	719,454
Vehicles	898,004	50,985	-	948,989
Total capital assets, being depreciated	<u>2,332,783</u>	<u>197,561</u>	<u>-</u>	<u>2,530,344</u>
Less accumulated depreciation for:				
Buildings and improvements	(376,437)	(29,773)	-	(406,210)
Equipment	(366,237)	(65,739)	-	(431,976)
Vehicles	(413,843)	(85,191)	-	(499,034)
Total accumulated depreciation	<u>(1,156,517)</u>	<u>(180,703)</u>	<u>-</u>	<u>(1,337,220)</u>
Total capital assets, being depreciated, net	<u>1,176,266</u>	<u>16,858</u>	<u>-</u>	<u>1,193,124</u>
Total governmental activities	<u>\$ 1,647,566</u>	<u>\$ 16,858</u>	<u>\$ -</u>	<u>\$ 1,664,424</u>

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

Governmental activities:	
Administrative	\$ 28,001
Public safety	79,971
Public works	39,087
Parks and recreation	<u>33,644</u>
Total depreciation expense-governmental activities	<u>\$ 180,703</u>

7. **SPECIAL ASSESSMENT BONDS PAYABLE**

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. The bonds bear interest at rates ranging from 4.15% to 5.30% and mature on March 1, 2012.

The annual debt service requirements to maturity on the special assessment bonds payable outstanding at February 28, 2005 are as follows:

<u>FISCAL YEAR ENDING FEBRUARY 28</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL DEBT SERVICE</u>
2006	\$ 205,000	\$ 112,992	\$ 317,992
2007	215,000	102,859	317,859
2008	225,000	92,132	317,132
2009	240,000	80,620	320,620
2010	250,000	68,245	318,245
2011 - 2013	<u>1,175,000</u>	<u>112,415</u>	<u>1,287,415</u>
TOTAL	<u>\$2,310,000</u>	<u>\$ 569,263</u>	<u>\$2,879,263</u>

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

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE, END OF YEAR</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental activities:					
Neighborhood Improvement District Bonds	\$ 2,505,000	\$ -	\$ (195,000)	\$ 2,310,000	\$ 205,000
Accrued sick leave	<u>212,672</u>	<u>7,323</u>	<u>-</u>	<u>219,995</u>	<u>74,862</u>
Subtotal governmental activities	<u>\$ 2,717,672</u>	<u>\$ 7,323</u>	<u>\$ (195,000)</u>	<u>\$ 2,529,995</u>	<u>\$ 279,862</u>

8. **INTERFUND RECEIVABLES AND PAYABLES**

Due to/from other funds at February 28, 2005 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund	\$ 2,157	\$ -
Neighborhood Improvement District Fund	-	9,999
Sewer Lateral Fund	-	1,078
Pension Fund	8,920	

9. **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations in the following functional expenditure categories:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
General Fund:			
Public safety	\$ 4,136,715	\$ 3,995,042	\$ 141,673
Capital outlay	14,258	-	14,258

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 \$188,417 for the fiscal year ending February 28, 2005.

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. **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 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, 2004, (the end of the most recent plan year), the pension plan's membership consists of:

Active employees	66
Retirees and beneficiaries currently received benefits	36
Terminated employees entitled to benefits, but not yet receiving them	<u>14</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.

Significant Investments

At December 31, 2004, 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>\$17,999,050</u>
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Funding Policies

Active members are required to contribute 4% of income to the Plan. Beginning January 1, 2005 members are required to contribute 5%. Any remaining obligation with respect to the Pension Plan shall be paid by the employer. Contributions for the Plan year ended December 31, 2004 were \$1,019,353, which consisted of \$880,957 from the City and \$138,396 from employees. The actuarially required contribution was \$880,957 for the Plan year which represented 28% of covered payroll.

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

Funding Policies - continued

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 2004 is as follows:

Residential real estate	\$.154
Commercial real estate	.157
Personal property	.159

Net Pension Obligation

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

Annual required contribution (actuarially computed)	\$ 880,957
Interest on net pension obligation	(20,193)
Adjustment to annual required contribution	<u>37,607</u>
Annual pension cost	898,371
Contributions made	(880,957)
Increase in net pension obligation	17,414
Net pension obligation - beginning of year	(278,526)
Net pension obligation - end of year	<u>\$(261,112)</u>

Three-Year Trend Information

<u>Fiscal 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>
2002	\$259,093	\$ 97,407	37.6%	\$(296,582)
2003	627,812	609,756	97.1	(278,526)
2004	898,371	880,957	98.1	(261,112)

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

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 Payroll [(2)-(1)]/5
2000	\$14,859,515	\$14,859,515	\$ -	100.0%	\$2,177,569	0.0%
2001	15,533,307	15,533,307	-	100.0	2,357,030	0.0
2002	16,988,657	16,988,657	-	100.0	2,308,746	0.0
2003	16,443,649	16,443,649	-	100.0	2,899,632	0.0
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

*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.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

The following table provides an analysis of funding progress for the last seven years:

<u>Year Ended</u>	<u>Annual Actuarial Required Contribution</u>	<u>Amount Collected From Property Tax</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>
1998	\$157,349	\$224,706	\$200,000	127.11%
1999	165,455	239,823	313,326	189.37
2000	66,947	241,844	219,823	328.35
2001	264,064	261,713	223,730	84.73
2002	231,193	261,302	97,407	42.13
2003	609,756	251,857	609,756	100.00
2004	880,957	279,448	880,957	100.00

Included in 1999 contributions to the Plan is \$93,326, which represents the excess of tax collections over actual contributions for 1993 through 1998. Subsequent to the balance sheet date, the City contributed \$19,823 to the Pension Plan for the excess of tax collections over the actual contribution for the 1999 plan year.

NOTES TO REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION

The actuarial accrued liability was determined as part of an actuarial valuation at January 1, 2005, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OLIVETTE, MISSOURI
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED FEBRUARY 28, 2005

	<u>BUDGET</u> <u>ORIGINAL/</u> <u>FINAL</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$ 4,997,072	\$ 5,082,117	\$ 85,045
Licenses and permits	451,124	481,966	30,842
Fines and court costs	176,000	252,629	76,629
Investment income	25,000	42,273	17,273
Charges for service	354,970	483,044	128,074
Miscellaneous	228,925	92,004	(136,921)
Contingency	266,382	-	(266,382)
TOTAL REVENUES	<u>6,499,473</u>	<u>6,434,033</u>	<u>(65,440)</u>
EXPENDITURES			
Current:			
Administrative	811,994	800,882	11,112
Public safety	3,995,042	4,136,715	(141,673)
Public works	1,108,598	1,078,717	29,881
Parks and recreation	445,985	390,639	55,346
Public health	42,081	37,101	4,980
Capital outlay	-	14,258	(14,258)
Other	95,773	-	95,773
TOTAL EXPENDITURES	<u>6,499,473</u>	<u>6,458,312</u>	<u>41,161</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(24,279)</u>	<u>(24,279)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,626,182</u>	<u>1,626,182</u>	
FUND BALANCES - END OF YEAR	<u>\$ 1,626,182</u>	<u>\$ 1,601,903</u>	

SUPPLEMENTARY INFORMATION

CITY OF OLIVETTE, MISSOURI
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
FEBRUARY 28, 2005

	Special Revenue Funds			Total
	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	
ASSETS AND OTHER DEBITS				
Cash and investments	\$ 17,818	\$ 340,573	\$ 132,501	\$ 490,892
Other taxes receivable	48,551	97,090	-	145,641
Due from other funds	-	-	1,078	1,078
TOTAL ASSETS	<u>\$ 66,369</u>	<u>\$ 437,663</u>	<u>\$ 133,579</u>	<u>\$ 637,611</u>
LIABILITIES				
Accounts payable	\$ -	\$ 11,044	\$ -	\$ 11,044
Accrued wages payable	835	5,717	-	6,552
TOTAL LIABILITIES	<u>835</u>	<u>16,761</u>	<u>-</u>	<u>17,596</u>
FUND BALANCES:				
Fund balances:				
Reserved:				
Fire operations	65,534	-	-	65,534
Local parks/storm water	-	420,902	-	420,902
Sewer lateral repairs	-	-	133,579	133,579
TOTAL FUND BALANCES	<u>65,534</u>	<u>420,902</u>	<u>133,579</u>	<u>620,015</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 66,369</u>	<u>\$ 437,663</u>	<u>\$ 133,579</u>	<u>\$ 637,611</u>

CITY OF OLIVETTE, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Special Revenue Funds			Total
	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	
REVENUES				
Taxes	\$ 280,184	\$ 572,443	\$ 134,701	\$ 987,328
Miscellaneous	-	-	226	226
TOTAL REVENUES	<u>280,184</u>	<u>572,443</u>	<u>134,927</u>	<u>987,554</u>
EXPENDITURES				
Current:				
Administrative	-	-	1,348	1,348
Public safety	287,138	-	-	287,138
Parks and recreation	-	384,729	-	384,729
Capital outlay	2,293	115,870	-	118,163
TOTAL EXPENDITURES	<u>289,431</u>	<u>500,599</u>	<u>1,348</u>	<u>791,378</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,247)	71,844	133,579	196,176
FUND BALANCES - BEGINNING OF YEAR	<u>74,781</u>	<u>349,058</u>	<u>-</u>	<u>423,839</u>
FUND BALANCES - END OF YEAR	<u>\$ 65,534</u>	<u>\$ 420,902</u>	<u>\$ 133,579</u>	<u>\$ 620,015</u>