

***CITY OF OLIVETTE, MISSOURI***

***FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007***

# ***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 June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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, 2007, and the respective changes in the financial position where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

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*

September 18, 2007

TWO WESTBURY DRIVE  
ST. CHARLES, MO 63301  
(636) 946-2800  
FAX (636) 946-2975  
botzdeal@botzdeal.com

**CITY OF OLIVETTE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

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, 2007. 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 2006-07, including management of a 12-month fiscal period as mandated by Resolution 54 and 56.
- 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 accounts.
- Continuation of an aggressive policy to collect special assessments due the City, resulting in a collection rate of 99.6%.

**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 \$5,273,099 as of June 30, 2007. 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, 2007	June 30, 2006	Increase (Decrease)
Current and other assets	\$ 5,750,951	\$ 4,866,719	\$ 884,232
Capital assets	2,357,079	2,264,198	92,881
Total assets	<u>8,108,030</u>	<u>7,130,917</u>	<u>977,113</u>
Current and other liabilities	753,024	361,547	391,477
Long-term liabilities	2,081,907	2,392,618	( 310,711)
Total liabilities	<u>2,834,931</u>	<u>2,754,165</u>	<u>80,766</u>
Net assets:			
Invested in capital assets	1,855,339	1,711,680	143,659
Restricted	2,386,402	2,384,670	1,732
Unrestricted	1,031,358	280,400	750,958
Total net assets	<u>\$ 5,273,099</u>	<u>\$ 4,376,750</u>	<u>\$ 896,349</u>

**Government-wide Financial Analysis - continued**

Governmental activities increased the City's net assets by \$531,803. The key elements of this increase are as follows:

**Table 2**

	2007 <u>(Twelve months)</u>	2006 <u>(Sixteen months)</u>	Increase <u>(Decrease)</u>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for service	\$ 1,268,751	\$ 1,448,872	\$ ( 180,121)
Capital grants and contributions	196,336	154,834	41,502
<b>General revenues:</b>			
Taxes	7,382,760	8,873,136	(1,490,376)
Interest income	184,589	177,136	7,453
Transfers	5,251	-	5,251
Miscellaneous	34,676	30,726	3,950
Gain (loss) on disposal of assets	2,556	( 84,777)	87,333
<b>Total revenues</b>	<u>9,074,919</u>	<u>10,599,927</u>	<u>(1,525,008)</u>
<b>Expenses:</b>			
Administrative	1,301,592	1,523,623	( 222,031)
Public safety	4,468,689	5,644,673	(1,175,984)
Public works	1,698,256	2,136,601	( 438,345)
Parks and recreation	924,521	1,209,243	( 284,722)
Public health	38,762	48,497	( 9,735)
Interest and fiscal charges	111,296	133,095	( 21,799)
<b>Total expenses</b>	<u>8,543,116</u>	<u>10,695,732</u>	<u>(2,152,616)</u>
<b>Increase (decrease) in net assets</b>	<b>531,803</b>	<b>( 95,805)</b>	<b>627,608</b>
Net assets, beginning of year as previously stated	4,376,750	4,472,555	( 95,805)
Correction – net pension asset	364,546	-	364,546
<b>Net assets, end of year</b>	<u>\$ 5,273,099</u>	<u>\$ 4,376,750</u>	<u>\$ 896,349</u>

Total 2007 revenues shown in Table 2, \$9,074,919, reflect an decrease of \$1,525,008 over 2006 revenues of \$10,599,927.

**Government-wide Financial Analysis - continued**

The 2007 expenses decreased to \$8,543,116 from \$10,695,732 in 2006. These differences are attributable to the following:

In 2006 the City's fiscal year was changed to a June 30 fiscal year end resulting in a 16-month reporting period. Comparison of the twelve month periods ended 6/30/06 and 6/30/07 are as follows: 2007 revenues for the twelve month period ended 6/30/07 reflecting an increase of approximately \$423,000 over 2006 revenues. Increases in property and sales tax, gross receipts tax now charged on cell phone usage, larger investment income from higher interest rates and additional court revenue due to required traffic patrol at a major highway construction zone are primary reasons for this increase.

2007 expenses for the twelve month period ended 6/30/07 reflect an increase of only \$36,634 over 2006. It is worth noting that across all funds, the City had an increase in fund balance of \$23,951 for the twelve-month period ended 6/30/07.

As a way to insure financial stability, the City implemented careful cost reviews and controls by management and deferral planned capital projects in operating funds.

**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 2007	Sixteen months Ending 2006	Increase (Decrease)	Percentage Change
<b>General Fund:</b>				
Taxes	\$ 4,989,443	\$ 6,049,959	\$ (1,060,516)	(17.5) %
Licenses and permits	423,597	491,984	( 68,387)	(13.9)
Fines and court costs	369,681	355,272	14,409	4.1
Intergovernmental	82,513	91,940	( 9,427)	(10.2)
Investment income	167,339	147,421	19,918	13.5
Charges for service	475,473	601,616	( 126,143)	(20.9)
Miscellaneous	39,525	45,800	( 6,275)	(13.7)
Total general revenues	\$ <u>6,547,571</u>	\$ <u>7,783,992</u>	\$ <u>(1,236,421)</u>	<u>(15.9) %</u>

Total general fund revenue decreased to \$6,547,571 from \$7,783,992 in 2006, a 15.9% decrease. As mentioned earlier, 2007 figures include twelve months of revenue, whereas 2006 figures include sixteen months. Comparison of the twelve month periods ended 6/30/06 and 6/30/07 are as follows: 2007 general fund revenues for the twelve month period ended 6/30/07 reflect an increase of \$292,000 over 2006 revenues. Increases in property and sales tax, gross receipts tax now charged on cell phone usage, larger investment income from higher interest rates and additional court revenue due to required traffic patrol at a major highway construction zone are primary reasons for this increase.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2007, the City had \$3,719,190 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 \$243,028 or 7% over the prior fiscal year.

**Table 4**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase (Decrease)</u>
Land	\$ 471,300	\$ 471,300	\$ -
Buildings and improvements	861,901	861,901	-
Equipment	1,052,278	829,672	222,606
Vehicles	1,333,711	1,313,289	20,422
Total	<u>\$ 3,719,190</u>	<u>\$ 3,476,162</u>	<u>\$ 243,028</u>

The most significant additions to capital assets this fiscal year were four new public safety vehicles, improvements to park playground infrastructure at two city parks, audio visual equipment for the City Council Chambers and additional street and parks maintenance equipment. More detailed information on the City's capital assets is presented in the note 7 to the financial statements.

### 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 a result of the debt refunding, as of June 30, 2007, the City had \$1,320,000 in outstanding neighborhood improvement district bonds compared to \$1,590,000 at the end of the prior fiscal year, a decrease of \$270,000 or 16.9% 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 previous fiscal year. As of June 30, 2007, capital leases outstanding totaled \$501,740. 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, 2007, the governmental funds of the City reported a combined fund balance of \$4,300,706. This ending balance includes an increase in fund balance of \$58,387 in the City's General Fund. Total fund balance increased by \$20,197.

### **General Fund Budgetary Highlights**

For the fiscal year ending June 30, 2007, actual revenues on a budgetary basis were \$6,547,571 compared to the budget amount of \$6,626,208. The \$78,637 shortfall in revenues was primarily due to decreased building permit fees and program revenue.

For the fiscal year ending June 30, 2007, actual expenditures on a budgetary basis were \$6,511,435 as compared to the budget amount of \$6,447,315. The \$78,647 shortfall in revenues was largely due to extraordinary storms that received a Presidential disaster declaration.

## **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. An improvement to the economic performance of businesses in the City is expected as the Interstate 170/Olive Boulevard Interchange Project is completed. City officials have expressed concerns about the needs to address increasing vacancies in the commercial and industrial areas of the City, the need to attract development and redevelopment of an enhanced retail and office sector, and the priority of maintaining and enhancing stable residential neighborhoods. The City experienced the opening of a new 42,000 square foot mixed use development at Price Road and Olive partially financed by a Chapter 353 Tax Abatement, opening the City to new industry financed, in part, by a sales tax rebate program, and issued a Request for Proposals for the Redevelopment of a 15-acre tract at the southwest quadrant of the Interchange of Olive Boulevard and Interstate 170. As of the end of the Fiscal Year, the City is actively pursuing this and other redevelopment projects in accordance with the City's adopted Strategic Plan, Olivette: Dynamic Sense of Place.

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

- Completion of the Olive Boulevard-Interstate 170 Interchange by the Missouri Department of Transportation, in late 2007. This project has had a short-term adverse economic impact during construction and a long-term economic benefit to the community, providing opportunities for quality redevelopment, joint development efforts with neighboring communities, improved traffic flow and other infrastructure improvements.
- 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.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES – continued**

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 to maximize the use of existing city facilities and enhance the quality of life for Olivette residents, and to establish a sustainable fiscal base to support the high level of responsive public service that Olivette residents expect.

## **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**

**JUNE 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 4,279,177
Taxes receivable:	
Property	195,113
Other	658,368
Accounts receivable	69,908
Inventory	19,729
Bond issuance costs	47,835
Net pension assets	480,821
Capital assets - net	
Nondepreciable	471,300
Depreciable	1,885,779
<b>TOTAL ASSETS</b>	<u><u>8,108,030</u></u>
<b>LIABILITIES</b>	
Accounts payable	27,842
Accrued wages	91,841
Accrued vacation	360,704
Court bonds payable	11,640
Other liabilities	231,191
Interest payable	29,806
Noncurrent liabilities:	
Due in one year	398,621
Due in more than one year	1,683,286
<b>TOTAL LIABILITIES</b>	<u><u>2,834,931</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,855,339
Restricted:	
Street improvements	1,553,683
Debt service	201,971
Local parks and storm water	383,653
Sanitary sewer lateral program	247,095
Unrestricted	1,031,358
<b>TOTAL NET ASSETS</b>	<u><u>\$ 5,273,099</u></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, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense) Revenue and Change in Net Assets
		<u>Charges for Service</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
Administrative	\$ 1,301,592	\$ 303,170	\$ -	\$ (998,422)
Public safety	4,468,689	371,981	126,286	(3,970,422)
Public works	1,698,256	160,612	-	(1,537,644)
Parks and recreation	924,521	432,988	70,050	(421,483)
Public health	38,762	-	-	(38,762)
Interest and fiscal charges	111,296	-	-	(111,296)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 8,543,116</u>	<u>\$ 1,268,751</u>	<u>\$ 196,336</u>	<u>(7,078,029)</u>
Taxes:				
Sales				2,608,481
Utility				1,686,718
Property				2,365,180
Franchise				78,332
Other				644,049
Interest income				184,589
Transfers				5,251
Other miscellaneous revenue				34,676
Gain on disposal of assets				2,556
<b>TOTAL GENERAL REVENUES</b>				<u>7,609,832</u>
<b>CHANGE IN NET ASSETS</b>				<u>531,803</u>
<b>NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>				4,376,750
Correction - to report net pension assets				364,546
<b>NET ASSETS - BEGINNING OF YEAR, AS RESTATED</b>				<u>4,741,296</u>
<b>NET ASSETS - END OF YEAR</b>				<u>\$ 5,273,099</u>

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

**CITY OF OLIVETTE, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	General Fund	Capital Projects Fund	Equipment Replacement Fund	Other Non-major Funds	Total
<b>ASSETS AND OTHER DEBITS</b>					
Cash and investments	\$ 1,426,857	\$ 1,473,852	\$ 618,103	\$ 760,365	\$ 4,279,177
Taxes receivable:					
Property	179,695	15,418	-	-	195,113
Other	433,557	80,201	-	144,610	658,368
Accounts receivable	66,212	3,696	-	-	69,908
Due from (to) other funds	82,163	-	-	(82,163)	-
Inventory	19,729	-	-	-	19,729
<b>TOTAL ASSETS</b>	<b>\$ 2,208,213</b>	<b>\$ 1,573,167</b>	<b>\$ 618,103</b>	<b>\$ 822,812</b>	<b>\$ 5,222,295</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 14,122	\$ 4,830	\$ -	\$ 8,890	\$ 27,842
Accrued wages	78,525	4,524	-	8,792	91,841
Accrued vacation payable	322,854	10,130	-	27,720	360,704
Court bonds payable	11,640	-	-	-	11,640
Other liabilities	231,191	-	-	-	231,191
Deferred revenue	164,292	15,418	-	18,661	198,371
<b>TOTAL LIABILITIES</b>	<b>822,624</b>	<b>34,902</b>	<b>-</b>	<b>64,063</b>	<b>921,589</b>
<b>FUND BALANCES:</b>					
Fund balances:					
Reserved:					
Street improvement	-	1,538,265	-	-	1,538,265
Debt service payments	-	-	-	197,712	197,712
Fire operations	-	-	-	(5,730)	(5,730)
Local parks/storm water	-	-	-	369,251	369,251
Sanitary sewer lateral repairs	-	-	-	247,095	247,095
Unreserved:					
Designated:					
Equipment replacement	-	-	618,103	-	618,103
Undesignated:					
General fund	1,385,589	-	-	-	1,385,589
Pension	-	-	-	(49,579)	(49,579)
<b>TOTAL FUND BALANCES</b>	<b>1,385,589</b>	<b>1,538,265</b>	<b>618,103</b>	<b>758,749</b>	<b>4,300,706</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>					
	<b>\$ 2,208,213</b>	<b>\$ 1,573,167</b>	<b>\$ 618,103</b>	<b>\$ 822,812</b>	<b>\$ 5,222,295</b>

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, 2007

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

Total fund balance per balance sheet	\$ 4,300,706
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,357,079
Net pension assets are not current financial resources and, therefore are not reported in the funds.	480,821
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	198,371
Bond issuance costs are not expensed in the government-wide statements, but are amortized over the life of the debt.	47,835
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.	(29,806)
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>(2,081,907)</u>
Net assets of governmental activities	<u><u>\$ 5,273,099</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, 2007

	General Fund	Capital Projects Fund	Equipment Replacement Fund	Other Non-major Funds	Total
<b>REVENUES</b>					
Taxes	\$ 4,989,443	\$ 662,204	\$ -	\$ 1,711,665	\$ 7,363,312
Licenses and permits	423,597	-	-	-	423,597
Fines and court costs	369,681	-	-	-	369,681
Intergovernmental	82,513	43,773	-	70,050	196,336
Investment income	167,339	-	-	17,250	184,589
Charges for service	475,473	-	-	-	475,473
Miscellaneous	39,525	-	-	-	39,525
<b>TOTAL REVENUES</b>	<u>6,547,571</u>	<u>705,977</u>	<u>-</u>	<u>1,798,965</u>	<u>9,052,513</u>
<b>EXPENDITURES</b>					
Current:					
Administrative	753,128	-	-	512,061	1,265,189
Public safety	4,137,006	-	-	269,188	4,406,194
Public works	1,127,135	459,835	-	-	1,586,970
Parks and recreation	418,549	-	-	456,148	874,697
Public health	38,762	-	-	-	38,762
Capital outlay	19,561	165,962	-	275,867	461,390
Debt service:					
Principal, interest and fiscal charges	17,294	31,667	-	355,404	404,365
<b>TOTAL EXPENDITURES</b>	<u>6,511,435</u>	<u>657,464</u>	<u>-</u>	<u>1,868,668</u>	<u>9,037,567</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>36,136</u>	<u>48,513</u>	<u>-</u>	<u>(69,703)</u>	<u>14,946</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	22,251	-	-	(17,000)	5,251
<b>NET CHANGE IN FUND BALANCE</b>	<u>58,387</u>	<u>48,513</u>	<u>-</u>	<u>(86,703)</u>	<u>20,197</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,327,202</u>	<u>1,489,752</u>	<u>618,103</u>	<u>845,452</u>	<u>4,280,509</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,385,589</u>	<u>\$ 1,538,265</u>	<u>\$ 618,103</u>	<u>\$ 758,749</u>	<u>\$ 4,300,706</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, 2007

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

Change in fund balance-total governmental funds	\$ 20,197
Revenues that do not provide current financial resources are not included in the fund financial statements	19,448
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets	314,457
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities	(219,283)
The net effect of transactions involving capital asset disposals	(2,293)
Interest is reported as an expenditure when due in the governmental funds but is accrued in the statement of activities	(15,750)
Accrued sick leave and the change in the net pension obligation affect the change in net assets in the statement of activities and have not affect on fund balance in the fund statements.	106,208
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	(14,850)
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>323,669</u>
Change in net assets of governmental activities	<u>\$ 531,803</u>

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

**CITY OF OLIVETTE, MISSOURI**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**DECEMBER 31, 2006 AND JUNE 30, 2007**

	December 31, 2006	June 30, 2007
	Pension Trust Fund	Agency Fund
<b>CURRENT ASSETS</b>		
Cash	\$ -	\$ 31,853
Investments	21,212,713	249,112
TOTAL ASSETS	\$ 21,212,713	\$ 280,965
 <b>CURRENT LIABILITIES</b>		
Deposits held	-	280,965
TOTAL LIABILITIES	-	\$ 280,965
 <b>NET ASSETS</b>		
Held in trust for pension benefits	\$ 21,212,713	

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, 2006**

**ADDITION**

Contributions:

Employer	\$ 479,730
Employee	179,941
Total Contributions	659,671

Investment return	2,257,339
TOTAL REVENUES	2,917,010

**DEDUCTION**

Distributions	800,913
Administrative expenses	30
TOTAL EXPENSES	800,943

**NET INCOME** 2,116,067

**FUND BALANCE - BEGINNING OF YEAR** 19,096,646

**FUND BALANCE - END OF YEAR** \$ 21,212,713

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

**CITY OF OLIVETTE, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**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, Capital Projects 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.

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.

**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.

Additionally, the City reports the following fund type:

**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.

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

All inventory is valued at cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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) and include unspent proceeds of bonds issued to acquire or construct capital assets. 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 \$2,386,402 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. 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, 2007, the carrying amount of the City's bank deposits totaled \$110,566 with bank balances of \$194,182, 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, 2006, upon which the 2006 levy was based on real, personal and public utility property was \$204,140,414.

The City's tax rate was levied as follows:

	Real Estate		Personal Property
	Residential	Commercial	
General Fund	\$ .695	\$ .730	\$ .771
Pension Fund	.250	.250	.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.

Interest Rate Risk: The City has no formal policy on interest rate risk. 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 by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	0-1 Years	1-3 Years	More than 3 Years	Rating
Government Wide:					
U.S. Agency Securities	\$ 3,845,748	\$ 3,845,748	\$ -	\$ -	N/A
Repurchase Agreements	354,716	354,716	-	-	N/A

5. **INVESTMENTS - continued**

<u>Investment Type</u>	<u>Fair Value</u>	<u>0-1 Years</u>	<u>1-3 Years</u>	<u>More than 3 Years</u>	<u>Rating</u>
Agency Fund: U.S. Agency Securities	\$ 249,112	\$ 249,112	\$ -	\$ -	N/A

Concentration of Credit Risk: The City places no limit on the amount that it may invest in any one issuer. 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 investments are as follows:

<u>Investment type</u>	<u>Percentage Of Investments</u>
U.S. Agency Securities	100%

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. The City has no formal policy on custodial credit risk.

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, 2007 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund	\$ 82,163	\$ -
Fire Operations Fund	-	33,178
Sewer Lateral Fund	594	-
Pension Fund	-	49,579

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, 2007 are as follows:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 22,251	\$ -
Sewer Lateral Fund	-	17,000
Agency Fund	-	5,251

Transfers were made to reimburse expenses incurred by the General Fund to administer the sewer lateral program.

7. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended June 30, 2007 is as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>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	861,901	-	-	861,901
Equipment	829,672	235,988	( 13,382)	1,052,278
Vehicles	1,313,289	78,469	( 58,047)	1,333,711
Total capital assets, being depreciated	<u>3,004,862</u>	<u>314,457</u>	<u>( 71,429)</u>	<u>3,247,890</u>
Less accumulated depreciation for:				
Buildings and improvements	( 445,907)	( 29,773)	-	( 475,680)
Equipment	( 388,072)	( 94,476)	11,089	( 471,459)
Vehicles	( 377,985)	( 95,034)	58,047	( 414,972)
Total accumulated Depreciation	<u>(1,211,964)</u>	<u>(219,283)</u>	<u>69,136</u>	<u>(1,362,111)</u>
Total capital assets, being depreciated, net	<u>1,792,898</u>	<u>95,174</u>	<u>( 2,293)</u>	<u>1,885,779</u>
Total governmental Activities	<u>\$ 2,264,198</u>	<u>\$ 95,174</u>	<u>\$ ( 2,293)</u>	<u>\$ 2,357,079</u>

7. **CAPITAL ASSETS - continued**

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

Governmental activities:

Administrative	\$	39,587
Public safety		96,303
Public works		36,551
Parks and recreation		<u>46,842</u>
Total depreciation expense- governmental activities	\$	<u>219,283</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 during the prior fiscal year 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, 2007, the balance is as follows:

Neighborhood Improvement District Refunding Bonds	\$	<u>1,320,000</u>
--	----	------------------

The annual debt service requirements to maturity on the refunding bonds are as follows:

	<u>PRINCIPAL</u>		<u>INTEREST</u>		<u>TOTAL</u>
2008	\$ 280,000	\$	41,677	\$	321,677
2009	285,000		33,278		318,278
2010	280,000		24,443		304,443
2011	290,000		15,622		305,622
2012	185,000		6,198		191,198
TOTAL	\$ <u>1,320,000</u>	\$	<u>121,218</u>	\$	<u>1,441,218</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, 2007 are as follows:

SunTrust Leasing Corporation	\$	420,799
Fire trucks		
Interest rate - 4.322%		
Maturity - August 2014		
Annual payments of \$63,334, which includes principal and interest		
 King Commercial, Inc.		 80,941
Phone system		
Interest rate - 8.555%		
Maturity - April 2013		
Monthly payments of \$1,441, which includes principal and interest		
TOTAL	\$	<u>501,740</u>

The future minimum lease payments are as follows:

2008	\$	80,627
2009		80,627
2010		80,627
2011		80,627
2012		80,627
Thereafter		<u>285,044</u>
Total minimum lease payments		688,179
Less: amount representing interest		<u>186,439</u>
Present value of minimum lease payments	\$	<u>501,740</u>

Assets acquired through capital leases are as follows:

Vehicles	\$	612,220
Equipment		80,578
Less: accumulated depreciation		<u>( 63,183)</u>
Net balance	\$	<u>629,615</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	\$ 1,590,000	\$ -	\$ ( 270,000)	\$ 1,320,000	\$ 280,000
Capital leases	552,518	-	( 50,778)	501,740	55,949
Accrued sick leave	250,100	10,067	-	260,167	62,672
Subtotal governmental					
Activities	\$ 2,392,618	\$ 10,067	\$ ( 320,778)	\$ 2,081,907	\$ 398,621

**9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations in the following functional expenditure categories:

	Expenditures	Appropriations	Expenditures Over Appropriations
General Fund:			
Public safety	\$ 4,137,006	\$ 4,027,332	\$ 109,674
Public works	1,127,135	1,087,353	39,782
Debt service	17,294	-	17,294

Expenditures that exceeded appropriations were the result of the City's change in policy relation to accrued vacation. This policy change increase total expenditures by approximately \$196,000.

**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 \$194,276 for the fiscal year ending June 30, 2007.

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. The participation agreement requires a 3-year commitment at an annual cost of \$149,286.

12. **DEFICIT FUND BALANCE**

The special revenue Pension Fund has a deficit fund balance of \$49,579 and the Fire Operation Fund had a deficit fund balance of \$5,730 at June 30, 2007. The deficit is a result of the Pension Fund expenditures exceeding tax receipts. The balance is being repaid with receipts from the pension tax. The deficit in the Fire Operations Fund is the result of time 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, 2006, (the end of the most recent plan year), the pension plan's membership consists of:

Active employees	56
Retirees and beneficiaries currently received benefits	38
Terminated employees entitled to benefits, but not yet receiving them	<u>17</u>
TOTAL	<u>111</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, 2006, 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>\$21,212,713</u>
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**Funding Policies**

Active members were required to contribute 4% of income to the Plan. Beginning January 1, 2005 members were 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, 2006 were \$659,671, which consisted of \$479,730 from the City and \$179,941 from employees. The actuarially required contribution was \$343,514 for the Plan year which represented 15% 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 2006 is as follows:

Residential real estate	\$.25
Commercial real estate	.25
Personal property	.25

**Net Pension Obligation**

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

Annual required contribution (actuarially computed)	\$ 343,514
Interest on net pension obligation	(24,905)
Adjustment to annual required contribution	<u>44,846</u>
Annual pension cost	363,455
Contributions made	<u>(479,730)</u>
Decrease in net pension obligation	(116,275)
Net pension obligation - beginning of year	<u>(364,546)</u>
Net pension obligation - end of year	<u>\$(480,821)</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>
2004	\$898,371	\$880,957	98.1	\$(261,112)
2005	453,210	556,644	122.8	(364,546)
2006	363,455	479,730	132.0	(480,821)

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date 1/1</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(3) Unfunded (AAL) (UAAL) (2)-(1)</u>	<u>(4) Funded Ratio (1)/(2)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) UAAL as a Percentage of Covered Payroll [(2)-(1)]/5</u>
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
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)

\*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.

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

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.

**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>
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
2005	438,970	464,533	556,644	126.80
2006	343,514	479,730	479,730	139.70

**NOTES TO REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION**

The actuarial accrued liability was determined as part of an actuarial valuation at January 1, 2007, 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. **CORRECTION OF ERROR**

During the fiscal year ending June 30, 2007, the City made a correction to the government-wide financial statement for its net pension asset. A net pension asset is the amount contributed to the Pension Trust Fund in excess of the annual pension cost. Net assets were increased by \$364,546 to Reflect net pension assets relating to prior to July 1, 2006.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF OLIVETTE, MISSOURI**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2007

	<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>
<b>REVENUES</b>			
Taxes	\$ 5,240,257	\$ 4,989,443	\$ (250,814)
Licenses and permits	419,481	423,597	4,116
Fines and court costs	273,200	369,681	96,481
Intergovernmental	15,000	82,513	67,513
Investment income	142,500	167,339	24,839
Charges for service	519,270	475,473	(43,797)
Miscellaneous	16,500	39,525	23,025
<b>TOTAL REVENUES</b>	<u>6,626,208</u>	<u>6,547,571</u>	<u>(78,637)</u>
<b>EXPENDITURES</b>			
Current:			
Administrative	832,493	753,128	79,365
Public safety	4,027,332	4,137,006	(109,674)
Public works	1,087,353	1,127,135	(39,782)
Parks and recreation	431,698	418,549	13,149
Public health	39,904	38,762	1,142
Capital outlay	28,535	19,561	8,974
Debt service:			
Principal, interest and fiscal charges	-	17,294	(17,294)
<b>TOTAL EXPENDITURES</b>	<u>6,447,315</u>	<u>6,511,435</u>	<u>(64,120)</u>
<b>EXCESS OF REVENUES OVER</b> <b>(UNDER) EXPENDITURES</b>	<u>178,893</u>	<u>36,136</u>	<u>(14,517)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer in	<u>17,000</u>	<u>22,251</u>	<u>(5,251)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>195,893</u>	<u>58,387</u>	<u>\$ (137,506)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,327,202</u>	<u>1,327,202</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,523,095</u>	<u>\$ 1,385,589</u>	

***CITY OF OLIVETTE, MISSOURI***  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2007

**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.

**SUPPLEMENTARY INFORMATION**

**CITY OF OLIVETTE, MISSOURI**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	Special Revenue Funds					Total
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	
<b>ASSETS AND OTHER DEBITS</b>						
Cash and investments	\$ 197,712	\$ -	\$ 316,152	\$ 246,501	\$ -	\$ 760,365
Other taxes receivable	4,259	46,850	93,501	-	-	144,610
Due from (to) other funds	-	(33,178)	-	594	(49,579)	(82,163)
TOTAL ASSETS	<u>\$ 201,971</u>	<u>\$ 13,672</u>	<u>\$ 409,653</u>	<u>\$ 247,095</u>	<u>\$ (49,579)</u>	<u>\$ 822,812</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 8,890	\$ -	\$ -	\$ 8,890
Accrued wages payable	-	4,798	3,994	-	-	8,792
Accrued vacation payable	-	14,604	13,116	-	-	27,720
Deferred revenue	4,259	-	14,402	-	-	18,661
TOTAL LIABILITIES	<u>4,259</u>	<u>19,402</u>	<u>40,402</u>	<u>-</u>	<u>-</u>	<u>64,063</u>
<b>FUND BALANCES:</b>						
Fund balances:						
Reserved:						
Debt service payments	197,712	-	-	-	-	197,712
Fire operations	-	(5,730)	-	-	-	(5,730)
Local parks/storm water	-	-	369,251	-	-	369,251
Sewer lateral repairs	-	-	-	247,095	-	247,095
Unreserved	-	-	-	-	(49,579)	(49,579)
TOTAL FUND BALANCES	<u>197,712</u>	<u>(5,730)</u>	<u>369,251</u>	<u>247,095</u>	<u>(49,579)</u>	<u>758,749</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 201,971</u>	<u>\$ 13,672</u>	<u>\$ 409,653</u>	<u>\$ 247,095</u>	<u>\$ (49,579)</u>	<u>\$ 822,812</u>

**CITY OF OLIVETTE, MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds					Total
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	
<b>REVENUES</b>						
Taxes	\$ 296,673	\$ 262,758	\$ 525,090	\$ 140,000	\$ 487,144	\$ 1,711,665
Intergovernmental	-	-	70,050	-	-	70,050
Investment income	8,345	-	-	8,905	-	17,250
<b>TOTAL REVENUES</b>	<u>305,018</u>	<u>262,758</u>	<u>595,140</u>	<u>148,905</u>	<u>487,144</u>	<u>1,798,965</u>
<b>EXPENDITURES</b>						
Current:						
Administrative	-	-	-	1,400	510,661	512,061
Public safety	-	269,188	-	-	-	269,188
Parks and recreation	-	-	456,148	-	-	456,148
Capital outlay	-	4,702	217,238	53,927	-	275,867
Debt service:						
Principal, interest and fiscal charges	323,737	31,667	-	-	-	355,404
<b>TOTAL EXPENDITURES</b>	<u>323,737</u>	<u>305,557</u>	<u>673,386</u>	<u>55,327</u>	<u>510,661</u>	<u>1,868,668</u>
<b>OTHER FINANCING USES</b>						
Transfer out	-	-	-	(17,000)	-	(17,000)
<b>NET CHANGE IN FUND BALANCE</b>	(18,719)	(42,799)	(78,246)	76,578	(23,517)	(86,703)
<b>FUND BALANCES -</b>						
<b>BEGINNING OF YEAR</b>	<u>216,431</u>	<u>37,069</u>	<u>447,497</u>	<u>170,517</u>	<u>(26,062)</u>	<u>845,452</u>
<b>FUND BALANCES -</b>						
<b>END OF YEAR</b>	<u>\$ 197,712</u>	<u>\$ (5,730)</u>	<u>\$ 369,251</u>	<u>\$ 247,095</u>	<u>\$ (49,579)</u>	<u>\$ 758,749</u>