

***CITY OF OLIVETTE, MISSOURI***  
***FINANCIAL STATEMENTS***  
***FOR THE FISCAL YEAR ENDED***  
***JUNE 30, 2008***

# ***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, 2008, 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, 2008, and the respective changes in the financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 32 through 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Botz Deal & Company*

October 30, 2008

**CITY OF OLIVETTE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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, 2008. 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 2007-08.
- Implementation of an interactive and participative strategic planning process to identify redevelopment strategies in the community to initiate long-term community transformation and foster financial stability.
- Maintenance of relatively healthy fund balances in the City's operating fund.
- Continuation of an aggressive policy to collect special assessments due the City, resulting in a collection rate of 97.5%.

**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 \$6,542,749 as of June 30, 2008. 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**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Current and other assets	\$ 6,845,217	\$ 5,750,951	\$ 1,094,266
Capital assets	<u>2,293,601</u>	<u>2,357,079</u>	<u>( 63,478)</u>
Total assets	<u>9,138,818</u>	<u>8,108,030</u>	<u>1,030,788</u>
Current and other liabilities	836,423	753,024	83,399
Long-term liabilities	<u>1,759,646</u>	<u>2,081,907</u>	<u>( 322,261)</u>
Total liabilities	<u>2,596,069</u>	<u>2,834,931</u>	<u>( 238,862)</u>
Net assets:			
Invested in capital assets	1,791,861	1,855,339	( 63,478)
Restricted	2,582,471	2,386,402	196,069
Unrestricted	<u>2,168,417</u>	<u>1,031,358</u>	<u>1,137,059</u>
Total net assets	<u>\$ 6,542,749</u>	<u>\$ 5,273,099</u>	<u>\$ 1,269,650</u>

**Government-wide Financial Analysis - continued**

Governmental activities increased the City's net assets by \$1,267,650. The key elements of this increase for the fiscal year ending June 30, are as follows:

**Table 2**

	2008	2007	Increase (Decrease)
<b>Revenues:</b>			
Program revenues:			
Charges for service	\$ 1,385,273	\$ 1,268,751	\$ 116,522
Capital grants and contributions	23,063	196,336	( 173,273)
<b>General revenues:</b>			
Taxes	8,338,607	7,382,760	955,847
Contributed capital assets	50,000	-	50,000
Interest income	143,170	184,589	( 41,419)
Transfers	8,157	5,251	2,906
Miscellaneous	55,013	34,676	20,337
Gain (loss) on disposal of assets	(3,504)	2,556	(6,060)
<b>Total revenues</b>	<u>9,999,779</u>	<u>9,074,919</u>	<u>924,860</u>
<b>Expenses:</b>			
Administrative	1,326,074	1,301,592	24,482
Public safety	4,536,734	4,468,689	68,045
Public works	1,803,862	1,698,256	105,606
Parks and recreation	945,568	924,521	21,047
Public health	44,822	38,762	6,060
Interest and fiscal charges	73,069	111,296	( 38,227)
<b>Total expenses</b>	<u>8,730,129</u>	<u>8,543,116</u>	<u>187,013</u>
<b>Increase (decrease) in net assets</b>	1,269,650	531,803	737,847
Net assets, beginning of year as previously stated	5,273,099	4,376,750	896,349
Correction – net pension asset	-	364,546	( 364,546)
<b>Net assets, end of year</b>	<u>\$ 6,542,749</u>	<u>\$ 5,273,099</u>	<u>\$ 1,269,650</u>

Total 2008 revenues shown in Table 2, \$9,999,779, reflect an increase of \$924,860 over 2007 revenues of \$9,074,919. Overall, revenues were up for the fiscal year ended June 30, 2008 primarily due to two revenue sources. During the fiscal year several cell phone companies settled their protest regarding local government gross receipt taxes. The funds received brought into the City Treasury \$850,789 in revenue. In addition, Municipal Court revenues exceeded last year's revenue by \$90,352 due increased traffic enforcement during the I170 and Olive Blvd. bridge and ramps construction. Also a new program was initiated, which involved placing a mobile ticketing system in one police car as a test. This allowed a police officer to create a computerized ticket at the scene, transmit the information directly to the station house and be available for policing duties faster.

**Government-wide Financial Analysis - continued**

The 2008 expenses increased to \$8,730,129 from \$8,543,116 in 2007. These differences are attributable to the following:

2008 expenses for the period ended June 30, 2008 reflects an increase of \$187,013 over 2007. Overall, the increase reflects expenditures related to police vehicle replacements, building improvements such as the new HVAC unit for the Fire Department, drainage/street/overlay improvements. In addition, basic health insurance costs increased for fiscal year ended June 30, 2008. Also, new signage improvements, as well as essential fire equipment, a new 1 ½ ton dump truck, pickup truck and fueling monitor/tracking/report system for the City gas/diesel pumps are also reflected in figures above.

**Governmental Funds**

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

**Table 3**

	2008	2007	Increase (Decrease)	Percentage Change	
<b>General Fund:</b>					
Taxes	\$ 5,913,926	\$ 4,989,443	\$ 924,483	18.5	%
Licenses and permits	439,462	423,597	15,865	3.7	
Fines and court costs	460,033	369,681	90,352	24.4	
Intergovernmental	8,661	82,513	( 73,852)	(89.5)	
Investment income	129,104	167,339	( 38,235)	(22.8)	
Charges for service	485,778	475,473	10,305	2.2	
Miscellaneous	66,240	39,525	26,715	67.6	
Total general revenues	\$ <u>7,503,204</u>	\$ <u>6,547,571</u>	\$ <u>955,633</u>	14.6	

Total General Fund revenue increased to \$7,503,204 from \$6,547,571 in 2007, a 14.6% increase. As mentioned earlier, 2008 figures showed increases in property taxes, gross receipt taxes resulting from settlement of protests by several cell phone companies. In addition, Municipal Court revenues were up over last year due to required traffic patrol at a major highway construction zone, as well as the utilization of computer mobile ticking systems.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2008, the City had \$3,796,750 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 \$77,560 or 2% over the prior fiscal year.

**Table 4**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Increase (Decrease)</u>
Land	\$ 471,300	\$ 471,300	\$ -
Buildings and improvements	861,901	861,901	-
Equipment	1,142,850	1,052,278	90,572
Vehicles	1,320,699	1,333,711	(13,012)
Total	\$ <u>3,796,750</u>	\$ <u>3,719,190</u>	\$ <u>77,560</u>

The most significant additions to capital assets this fiscal year were two new public safety vehicles, additional police and fire equipment, as well as additional street and parks maintenance equipment, including a 1 ½ ton dump truck and a pickup truck replacement.

### DEBT

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

As of June 30, 2008, the City had \$1,040,000 in outstanding neighborhood improvement district bonds compared to \$1,320,000 at the end of the prior fiscal year, a decrease of \$280,000 or 21.2% in total bonded debt. The City has obtained a bond rating of Aa3 from Moody's Investor Service in connection with the 2005 refunding. The City also purchased two fire trucks and a phone system with leases, during the fiscal year 2005. As of June 30, 2008, capital leases outstanding totaled \$444,764. 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, 2008, the governmental funds of the City reported a combined fund balance of \$5,270,961. This ending balance includes an increase in fund balance of \$801,697 in the City's General Fund. Total fund balance increased by \$970,255.

### **General Fund Budgetary Highlights**

For the fiscal year ending June 30, 2008, actual revenues on a budgetary basis were \$7,503,204 compared to the budget amount of \$6,649,737. The \$853,467 in revenues was primarily due to increased revenues from cell phone companies settling their protest of gross receipt taxes. In addition, Municipal Court revenues were up considerably over last year. In general, however, the total city revenues were up approximately 13% overall.

For the fiscal year ended June 30, 2008 actual expenditures on a budgetary basis were \$6,747,664 as compared to the budget amount of \$6,731,774. The \$15,890 in expenditures over the budget amount was largely due to the increased fees regarding the City's public relations firm contract, the mosquito spraying and trapping wild animal contracts, unexpected costs incurred at the Community Center associated with meeting state regulations regarding hot water temperatures which resulted in the purchase of two water temperature regulator units, replacement of the Community Center patio and hallway doors and additional gasoline surcharges related to the City's refuse hauler contract.

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

Recent national and international economic dislocations will, without a doubt, have an impact on the local economy in the City of Olivette as well as on the fiscal stability of the City.

Several primary revenue sources for the City will be impacted by the slowing economy, increased unemployment, decline in property values resulting from the mortgage crisis, reduced retail sales, and stresses for local taxpayers and businesses. In addition, the City's long-range plans for redevelopment and additional economic development opportunities for our citizens will be impacted due to lack of financing sources for new development and the expected caution of developers and lenders in pursuing new projects in the current economic climate.

Some of the specific anticipated impacts include the following:

- Slow or no growth in property tax revenues due to lower assessed valuations for residential and commercial properties. This concern is exacerbated by legislation adopted by the Missouri General Assembly in 2008 that limits tax rate adjustments by political jurisdictions in reassessment years.
- Fiscal pressure for increased contributions to the City's defined benefit pension fund due to investment losses in 2008 due to the poor performance of the investment markets
- Increased cost pressures for personnel services, fuel, utilities, and other general services and commodities required to deliver basic services.
- Slowing sales tax receipts for all sources due to lack of consumer confidence and the general economic slowdown

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

- Increased borrowing costs and the difficulty in marketing and selling municipal tax-exempt debt in the current credit environment
- Significant limitations in growing the City's overall revenue base to meet new requirements and new projects to serve citizens due to legislative restrictions and lack of incentives in the regional and national development community due to economic conditions
- Slowdown in construction of new residences due to lack of financing and a contracting residential market regionally
- Increased need for infrastructure maintenance in the community at the same time that revenue sources are stalemated or contracting

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

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

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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

Jeffrey J. Steiner, Finance Officer  
City of Olivette, Missouri Finance Department  
9473 Olive Boulevard  
Olivette, Missouri 63132

**CITY OF OLIVETTE, MISSOURI**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 5,380,941
Taxes receivable:	
Property	140,930
Other	630,904
Accounts receivable	32,489
Due from other funds	496
Inventory	37,377
Bond issuance costs	35,876
Net pension assets	586,204
Capital assets - net	
Nondepreciable	471,300
Depreciable	1,822,301
<b>TOTAL ASSETS</b>	<u>9,138,818</u>
<b>LIABILITIES</b>	
Accounts payable	70,311
Accrued wages	118,120
Accrued vacation	413,089
Court bonds payable	10,440
Other liabilities	199,164
Interest payable	25,299
Noncurrent liabilities:	
Due in one year	439,976
Due in more than one year	1,319,670
<b>TOTAL LIABILITIES</b>	<u>2,596,069</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,791,861
Restricted:	
Street improvements	1,573,916
Debt service	170,442
Local parks and storm water	543,840
Sanitary sewer lateral program	294,273
Unrestricted	2,168,417
<b>TOTAL NET ASSETS</b>	<u>\$ 6,542,749</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, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Service</u>	<u>and Contributions</u>	<u>Change in Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Governmental Activities</b>				
Administrative	\$ 1,326,074	\$ 311,119	\$ -	\$ (1,014,955)
Public safety	4,536,734	461,183	23,063	(4,052,488)
Public works	1,803,862	185,319	-	(1,618,543)
Parks and recreation	945,568	427,652	-	(517,916)
Public health	44,822	-	-	(44,822)
Interest and fiscal charges	73,069	-	-	(73,069)
<b>TOTAL GOVERNMENTAL</b>				
<b>ACTIVITIES</b>	<u>\$ 8,730,129</u>	<u>\$ 1,385,273</u>	<u>\$ 23,063</u>	<u>(7,321,793)</u>
Taxes:				
Sales				2,628,754
Utility				2,580,173
Property				2,451,273
Franchise				77,329
Other				601,078
Contributed capital assets				50,000
Interest income				143,170
Transfers				8,157
Other miscellaneous revenue				55,013
Gain on disposal of assets				(3,504)
<b>TOTAL GENERAL REVENUES</b>				<u>8,591,443</u>
<b>CHANGE IN NET ASSETS</b>				1,269,650
<b>NET ASSETS - BEGINNING OF YEAR</b>				<u>5,273,099</u>
<b>NET ASSETS - END OF YEAR</b>				<u>\$ 6,542,749</u>

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

**CITY OF OLIVETTE, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 JUNE 30, 2008

	General Fund	Capital Projects Fund	Other Non-major Funds	Total
<b>ASSETS AND OTHER DEBITS</b>				
Cash and investments	\$ 2,384,970	\$ 1,501,641	\$ 1,494,330	\$ 5,380,941
Taxes receivable:				
Property	128,068	12,862	-	140,930
Other	405,635	78,545	146,724	630,904
Accounts receivable	32,489	-	-	32,489
Due from (to) other funds	67,473	-	(66,977)	496
Inventory	37,377	-	-	37,377
<b>TOTAL ASSETS</b>	<b>\$ 3,056,012</b>	<b>\$ 1,593,048</b>	<b>\$ 1,574,077</b>	<b>\$ 6,223,137</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 61,213	\$ 3,334	\$ 5,764	\$ 70,311
Accrued wages	101,619	5,431	11,070	118,120
Accrued vacation payable	376,248	10,367	26,474	413,089
Court bonds payable	10,440	-	-	10,440
Other liabilities	199,164	-	-	199,164
Deferred revenue	120,041	12,862	8,149	141,052
<b>TOTAL LIABILITIES</b>	<b>868,725</b>	<b>31,994</b>	<b>51,457</b>	<b>952,176</b>
<b>FUND BALANCES:</b>				
Fund balances:				
Reserved:				
Street improvement	-	1,561,054	-	1,561,054
Debt service payments	-	-	162,293	162,293
Unreserved:				
Designated:				
Equipment replacement	-	-	560,409	560,409
Undesignated:				
General fund	2,187,287	-	-	2,187,287
Special revenue	-	-	799,918	799,918
<b>TOTAL FUND BALANCES</b>	<b>2,187,287</b>	<b>1,561,054</b>	<b>1,522,620</b>	<b>5,270,961</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,056,012</b>	<b>\$ 1,593,048</b>	<b>\$ 1,574,077</b>	<b>\$ 6,223,137</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, 2008**

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

Total fund balance per balance sheet	\$ 5,270,961
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,293,601
Net pension assets are not current financial resources and, therefore are not reported in the funds.	586,204
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	141,052
Bond issuance costs are not expensed in the government-wide statements, but are amortized over the life of the debt.	35,876
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.	(25,299)
Long-term liabilities, including bonds payable, capital leases and accrued sick leave are not due and payable in the current period and therefore, are not reported in the funds.	<u>(1,759,646)</u>
Net assets of governmental activities	<u><u>\$ 6,542,749</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, 2008

	General Fund	Capital Projects Fund	Other Non-major Funds	Total
<b>REVENUES</b>				
Taxes	\$ 5,913,926	\$ 724,369	\$ 1,757,631	\$ 8,395,926
Licenses and permits	439,462	-	-	439,462
Fines and court costs	460,033	-	-	460,033
Intergovernmental	8,661	-	14,402	23,063
Investment income	129,104	-	14,066	143,170
Charges for service	485,778	-	-	485,778
Miscellaneous	66,240	-	2,595	68,835
<b>TOTAL REVENUES</b>	<u>7,503,204</u>	<u>724,369</u>	<u>1,788,694</u>	<u>10,016,267</u>
<b>EXPENDITURES</b>				
Current:				
Administrative	816,612	-	478,034	1,294,646
Public safety	4,186,976	-	268,114	4,455,090
Public works	1,132,844	458,265	-	1,591,109
Parks and recreation	512,337	-	340,610	852,947
Public health	44,822	-	-	44,822
Capital outlay	36,779	211,648	164,535	412,962
Debt service:				
Principal, interest and fiscal charges	17,294	31,667	353,632	402,593
<b>TOTAL EXPENDITURES</b>	<u>6,747,664</u>	<u>701,580</u>	<u>1,604,925</u>	<u>9,054,169</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	755,540	22,789	183,769	962,098
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	46,157	-	(38,000)	8,157
<b>NET CHANGE IN FUND BALANCE</b>	801,697	22,789	145,769	970,255
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,385,590</u>	<u>1,538,265</u>	<u>1,376,851</u>	<u>4,300,706</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,187,287</u>	<u>\$ 1,561,054</u>	<u>\$ 1,522,620</u>	<u>\$ 5,270,961</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, 2008

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

Change in fund balance-total governmental funds	\$ 970,255
Revenues that do not provide current financial resources are not included in the fund financial statements.	(7,319)
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	133,289
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(229,441)
The net effect of transactions involving capital asset disposals.	(17,326)
Interest is reported as an expenditure when due in the governmental funds but is accrued in the statement of activities.	4,507
The change in the net pension obligation and accrued sick leave affect the change in net assets in the statement of activities and have no affect on fund balance in the fund statements.	90,668
Issuance costs for debt issues are recognized as expenditures in the governmental funds, but are deferred and amortized over the life of the debt in the statement of activities.	(11,959)
Payment of bond principal and capital lease payments are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net assets.	336,976
Change in net assets of governmental activities	\$ 1,269,650

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

**CITY OF OLIVETTE, MISSOURI**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**DECEMBER 31, 2007 AND JUNE 30, 2008**

	December 31, 2007	June 30, 2008
	Pension Trust Fund	Agency Fund
<b>CURRENT ASSETS</b>		
Cash	\$ -	\$ 15,039
Investments	22,624,112	255,000
<b>TOTAL ASSETS</b>	<b>\$ 22,624,112</b>	<b>\$ 270,039</b>
 <b>CURRENT LIABILITIES</b>		
Deposits held	\$ -	\$ 269,543
Due to general fund	-	496
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>\$ 270,039</b>
 <b>NET ASSETS</b>		
Held in trust for pension benefits	<b>\$ 22,624,112</b>	

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

**CITY OF OLIVETTE, MISSOURI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PENSION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**ADDITION**

Contributions:

Employer	\$ 248,086
Employee	177,610
Total Contributions	425,696

Investment return	1,985,053
TOTAL REVENUES	2,410,749

**DEDUCTION**

Distributions	999,050
Administrative expenses	300
TOTAL EXPENSES	999,350

**CHANGE IN NET ASSETS** 1,411,399

**NET ASSETS - BEGINNING OF YEAR** 21,212,713

**NET ASSETS - END OF YEAR** \$ 22,624,112

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

**CITY OF OLIVETTE, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

**B. BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

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

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

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

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

B. **BASIC FINANCIAL STATEMENTS** - continued

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

Additionally, the City reports the following fund type:

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

D. **CAPITAL ASSETS**

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

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

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

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

E. **ESTIMATES**

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

F. **INTERFUND TRANSACTIONS**

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

G. **COMPENSATED ABSENCES**

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

H. **LONG-TERM LIABILITIES**

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

I. **INVENTORIES**

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

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

J. **NET ASSETS AND FUND EQUITY**

In government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal on related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). All other net assets are considered unrestricted. It is the City's policy to use restricted funds before unrestricted funds. The City has restricted net assets totaling \$2,582,471 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, 2008, the carrying amount of the City's bank deposits totaled \$5,199,446 with bank balances of \$5,475,509, 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, 2007, upon which the 2007 levy was based on real, personal and public utility property, was \$249,527,444.

The City's tax rate was levied as follows:

	Real Estate		Personal Property
	Residential	Commercial	
General Fund	\$ .573	\$ .553	\$ .771
Pension Fund	.206	.189	.250
Road and Bridge	.105	.105	.105

5. **INVESTMENTS**

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

Interest Rate Risk: The City structures its investment portfolios so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City also invests operating funds primarily in short-term securities. 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	\$ 448,634	\$ 448,634	\$ -	\$ -	N/A

5. **INVESTMENTS - continued**

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	10%

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

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

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

Due to/from other funds at June 30, 2008 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund	\$ 67,473	\$ -
Fire Operations Fund	-	66,977
Agency Fund	-	496

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, 2008 are as follows:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 46,157	\$ -
Sewer Lateral Fund	-	17,000
Local Parks/Storm Water Fund	-	21,000
Agency Escrow Fund	-	8,157

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, 2008 is as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>DELETIONS AND TRANSFERS</u>	<u>BALANCE, END OF YEAR</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 471,300	\$ -	\$ -	\$ 471,300
Capital assets, being depreciated:				
Buildings and improvements	861,901	-	-	861,901
Equipment	1,052,278	79,568	( 11,004)	1,142,850
Vehicles	1,333,711	103,721	(116,733)	1,320,699
Total capital assets, being depreciated	<u>3,247,890</u>	<u>183,789</u>	<u>(105,729)</u>	<u>3,325,450</u>
Less accumulated depreciation for:				
Buildings and improvements	( 475,680)	( 29,773)	-	( 505,453)
Equipment	( 471,459)	(109,417)	2,740	( 578,136)
Vehicles	( 414,972)	( 90,251)	85,663	( 419,560)
Total accumulated Depreciation	<u>(1,362,111)</u>	<u>(229,441)</u>	<u>88,403</u>	<u>(1,503,149)</u>
Total capital assets, being depreciated, net	<u>1,885,779</u>	<u>( 46,152)</u>	<u>( 17,326)</u>	<u>1,822,301</u>
Total governmental Activities	<u>\$ 2,357,079</u>	<u>\$ ( 46,152)</u>	<u>\$ ( 17,326)</u>	<u>\$ 2,293,601</u>

7. **CAPITAL ASSETS - continued**

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

Governmental activities:

Administrative	\$	37,610
Public safety		96,634
Public works		28,933
Parks and recreation		<u>66,264</u>
Total depreciation expense- governmental activities	\$	<u>229,441</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, 2008, the balance is as follows:

Neighborhood Improvement District Refunding Bonds	\$ <u>1,040,000</u>
--	---------------------

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

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 285,000	\$ 33,278	\$ 318,278
2010	280,000	24,442	304,442
2011	290,000	15,622	305,622
2012	<u>185,000</u>	<u>6,198</u>	<u>191,198</u>
TOTAL	<u>\$ 1,040,000</u>	<u>\$ 79,540</u>	<u>\$ 1,119,540</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, 2008 are as follows:

SunTrust Leasing Corporation	\$	375,652
Fire trucks		
Interest rate - 4.322%		
Maturity - August 2014		
Annual payments of \$63,334, which includes principal and interest		
 King Commercial, Inc.		 69,112
Phone system		
Interest rate - 8.555%		
Maturity - April 2013		
Monthly payments of \$1,441, which includes principal and interest		
TOTAL	\$	<u>444,764</u>

The future minimum lease payments are as follows:

2009	\$	80,627
2010		80,627
2011		80,627
2012		80,627
Thereafter		<u>204,417</u>
Total minimum lease payments		526,925
Less: amount representing interest		82,161
Present value of minimum lease payments	\$	<u>444,764</u>

Assets acquired through capital leases are as follows:

Vehicles	\$	612,220
Equipment		80,578
Less: accumulated depreciation		<u>( 105,306)</u>
Net balance	\$	<u>587,492</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	\$ 1,320,000	\$ -	\$ ( 280,000)	\$ 1,040,000	\$ 285,000
Capital leases	501,740	-	( 56,976)	444,764	58,861
Accrued sick leave	260,167	23,911	( 9,196)	274,882	96,115
Subtotal governmental					
Activities	\$ 2,081,907	\$ 23,911	\$ ( 346,172)	\$ 1,759,646	\$ 439,976

9. **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations in the following functional expenditure categories:

	Expenditures	Appropriations	Expenditures Over Appropriations
General Fund:			
Public safety	\$ 4,186,976	\$ 4,158,056	\$ 28,920
Public works	1,132,844	1,103,380	29,464
Public health	44,822	42,213	2,609
Debt service	36,779	-	36,779

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 \$227,216 for the fiscal year ending June 30, 2008.

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 Fire Operation Fund had a deficit fund balance of \$38,195 at June 30, 2008. The 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, 2007, (the end of the most recent plan year), the pension plan's membership consists of:

Active employees	55
Retirees and beneficiaries currently received benefits	41
Terminated employees entitled to benefits, but not yet receiving them	<u>15</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, 2007, 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>\$22,624,112</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, 2007 were \$425,696, which consisted of \$248,086 from the City and \$177,610 from employees. The actuarially required contribution was \$113,709 for the Plan year which represented 4% of covered payroll.

The City has levied taxes on real estate and personal property to fund its pension plan. The tax levy per \$100 of assessed value for 2007 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)	\$ 113,709
Interest on net pension obligation	(8,244)
Adjustment to annual required contribution	<u>37,238</u>
Annual pension cost	142,703
Contributions made	<u>(248,086)</u>
Decrease in net pension obligation	(105,383)
Net pension obligation - beginning of year	<u>(480,821)</u>
Net pension obligation - end of year	<u>\$(586,204)</u>

**Three-Year Trend Information**

<u>Calendar Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Annual</u> <u>Contribution</u> <u>Made</u>	<u>Percentage Of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2005	\$453,210	\$556,644	122.8%	\$(364,546)
2006	363,455	479,730	132.0	(480,821)
2007	142,703	248,086	173.8	(586,204)

13. **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
2004	\$16,806,541	\$16,806,541	\$ -	100.0	\$2,788,201	0.0%
2005	17,999,050	19,375,723*	1,376,672	92.9	3,093,039	44.5
2006	19,096,646	19,832,944*	736,298	96.3	2,858,007	25.8
2007	21,212,713	20,422,778*	(789,935)	103.9	2,708,300	(29.2)
2008	22,624,112	21,736,771*	(887,341)	104.1	2,890,508	(30.7)

\*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.

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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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

<u>Calendar Year Ended</u>	<u>Annual Actuarial Required Contribution</u>	<u>Amount Collected From Property Tax</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>
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
2007	113,709	248,086	248,086	218.2

**NOTES TO REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION**

The actuarial accrued liability was determined as part of an actuarial valuation at January 1, 2008, 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 JUNE 30, 2008**

	<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	\$ 5,146,947	\$ 5,913,926	\$ 766,979
Licenses and permits	467,381	439,462	(27,919)
Fines and court costs	283,875	460,033	176,158
Intergovernmental	79,400	8,661	(70,739)
Investment income	162,500	129,104	(33,396)
Charges for service	475,634	485,778	10,144
Miscellaneous	34,000	66,240	32,240
<b>TOTAL REVENUES</b>	<u>6,649,737</u>	<u>7,503,204</u>	<u>853,467</u>
<b>EXPENDITURES</b>			
Current:			
Administrative	898,329	816,612	81,717
Public safety	4,158,056	4,186,976	(28,920)
Public works	1,103,380	1,132,844	(29,464)
Parks and recreation	519,796	512,337	7,459
Public health	42,213	44,822	(2,609)
Contingency	10,000	-	10,000
Capital outlay	-	36,779	(36,779)
Debt service:			
Principal, interest and fiscal charges	-	17,294	(17,294)
<b>TOTAL EXPENDITURES</b>	<u>6,731,774</u>	<u>6,747,664</u>	<u>(15,890)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(82,037)	755,540	869,357
<b>OTHER FINANCING SOURCES</b>			
Transfer in	49,500	46,157	3,343
<b>NET CHANGE IN FUND BALANCE</b>	(32,537)	801,697	<u>\$ 834,234</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,385,590</u>	<u>1,385,590</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,353,053</u>	<u>\$ 2,187,287</u>	

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

**1. BUDGETARY INFORMATION**

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

**SUPPLEMENTARY INFORMATION**

**CITY OF OLIVETTE, MISSOURI**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	Special Revenue Funds					Capital Projects Fund	Total
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	
<b>ASSETS AND OTHER DEBITS</b>							
Cash and investments	\$ 162,293	\$ 8,412	\$ 466,869	\$ 296,347	\$ -	\$ 560,409	\$1,494,330
Other taxes receivable	8,149	46,192	92,383	-	-	-	146,724
Due from (to) other funds	-	(66,977)	-	-	-	-	(66,977)
<b>TOTAL ASSETS</b>	<u>\$ 170,442</u>	<u>\$ (12,373)</u>	<u>\$ 559,252</u>	<u>\$ 296,347</u>	<u>\$ -</u>	<u>\$ 560,409</u>	<u>\$1,574,077</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ 3,690	\$ 2,074	\$ -	\$ -	\$ 5,764
Accrued wages payable	-	6,177	4,893	-	-	-	11,070
Accrued vacation payable	-	19,645	6,829	-	-	-	26,474
Deferred revenue	8,149	-	-	-	-	-	8,149
<b>TOTAL LIABILITIES</b>	<u>8,149</u>	<u>25,822</u>	<u>15,412</u>	<u>2,074</u>	<u>-</u>	<u>-</u>	<u>51,457</u>
<b>FUND BALANCES:</b>							
Fund balances:							
Reserved:							
Debt service payments	162,293	-	-	-	-	-	162,293
Equipment replacement	-	-	-	-	-	560,409	560,409
Unreserved	-	(38,195)	543,840	294,273	-	-	799,918
<b>TOTAL FUND BALANCES</b>	<u>162,293</u>	<u>(38,195)</u>	<u>543,840</u>	<u>294,273</u>	<u>-</u>	<u>560,409</u>	<u>1,522,620</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 170,442</u>	<u>\$ (12,373)</u>	<u>\$ 559,252</u>	<u>\$ 296,347</u>	<u>\$ -</u>	<u>\$ 560,409</u>	<u>\$1,574,077</u>

**CITY OF OLIVETTE, MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue Funds					Capital Projects Fund	Total
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	
<b>REVENUES</b>							
Taxes	\$ 281,096	\$ 269,668	\$ 539,298	\$ 141,400	\$ 526,169	\$ -	\$ 1,757,631
Intergovernmental	-	-	14,402	-	-	-	14,402
Investment income	5,450	-	-	8,616	-	-	14,066
Miscellaneous	-	-	2,595	-	-	-	2,595
<b>TOTAL REVENUES</b>	<u>286,546</u>	<u>269,668</u>	<u>556,295</u>	<u>150,016</u>	<u>526,169</u>	<u>-</u>	<u>1,788,694</u>
<b>EXPENDITURES</b>							
Current:							
Administrative	-	-	-	1,444	476,590	-	478,034
Public safety	-	268,114	-	-	-	-	268,114
Parks and recreation	-	-	340,610	-	-	-	340,610
Capital outlay	-	2,352	20,096	84,394	-	57,693	164,535
Debt service:							
Principal, interest and fiscal charges	321,965	31,667	-	-	-	-	353,632
<b>TOTAL EXPENDITURES</b>	<u>321,965</u>	<u>302,133</u>	<u>360,706</u>	<u>85,838</u>	<u>476,590</u>	<u>57,693</u>	<u>1,604,925</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(35,419)	(32,465)	195,589	64,178	49,579	(57,693)	183,769
<b>OTHER FINANCING USES</b>							
Transfer out	-	-	(21,000)	(17,000)	-	-	(38,000)
<b>NET CHANGE IN FUND BALANCE</b>	(35,419)	(32,465)	174,589	47,178	49,579	(57,693)	145,769
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>197,712</u>	<u>(5,730)</u>	<u>369,251</u>	<u>247,095</u>	<u>(49,579)</u>	<u>618,102</u>	<u>1,376,851</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 162,293</u>	<u>\$ (38,195)</u>	<u>\$ 543,840</u>	<u>\$ 294,273</u>	<u>\$ -</u>	<u>\$ 560,409</u>	<u>\$ 1,522,620</u>



To the Board of Aldermen  
of the City of Olivette, Missouri

In planning and performing our audit of the financial statements of the City of Olivette, Missouri, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Olivette, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. However, as a result of the issuance of SAS No. 112 *Communicating Internal Control Related Matters Identified in an Audit*, we are required to communicate certain matters relating to internal control to the governing body of every entity we audit. The new standards require internal control deficiencies identified during the audit be evaluated and reported using a different measure than we have in the past, which has resulted in increased reporting of control deficiencies.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be material weaknesses in internal controls:

## Significant Deficiencies Considered to be Material Weaknesses

**Audit Adjustments** - As a result of the issuance of SAS No. 112, audit adjustments are now evaluated to determine if they are an indication of a control deficiency and a material weakness. As a result we proposed the following adjustments to management:

- Fuel inventory - A delivery of fuel was made prior to year end and was not added to inventory and accounts payable in the general ledger.

**Management Response:** Fuel Inventory: City Management recognizes the concern by the auditors regarding their comment and will address this issue in upcoming audits to insure this type of error does not occur again.

**Financial Statement Preparation** - Management is responsible for establishing and maintaining internal controls in the financial reporting system and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP). At times management may choose to outsource certain accounting functions due to cost or training considerations. As part of the audit, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in organizations of your size and is a result of management's cost benefit decision to rely on our accounting expertise rather than incurring this internal resource cost.

**Management Response:** The auditors discussed the possibility of city staff assuming the responsibility of preparing the financial statements and footnote disclosures, in the future, with City Management. City Management will review suggestions and determine the feasibility after considering staff time vs. cost savings considerations.

**Fixed Assets** - Fixed asset activity should be reviewed by the finance director after the information is entered into the software. The schedules should be agreed to the general ledger on a regular basis. Currently, the City assigns a new "asset ID number" to assets transferred to different departments. This policy makes it difficult to track vehicles and has caused errors in the calculation of depreciation. We recommend once an asset is assigned an ID number it should remain with the asset until its disposal.

**Management Response:** City Management recognizes the problem with errors occurring with the fixed asset software. City Management also recognizes the errors were primarily due to the inexperience of the Finance Director and Human Resource Officer with this software and that said errors were corrected after the auditors made the Finance Director aware of the problems. City management concurs the current system of changing asset ID's when an asset is moved to another department creates difficult tracking issues regarding the transferred asset. Therefore, new procedures and training will be initiated in order to correct this problem.

## Other Current Year Matters

The Auditing Standards Board of the American Institute of Certified Public Accountants requires that we communicate the following matters to the Audit Committee, or its equivalent, of an Organization.

- No errors came to our attention.

- No fraud or other illegal acts came to our attention.
- Noted no new accounting policies were adopted and the application of existing policies was not changed during the year.
- We reviewed management's formulations of accounting estimates and concluded they were reasonable.
- We were not consulted by other accountants related to possible alternative application of accounting principles or types of auditor opinion related to the City's financial statements.
- There were no disagreements with management concerning financial accounting, reporting, or auditing matters nor were there any difficulties dealing with management in performing our audit.
- See Exhibit 1 for unadjusted audit differences that require communication.

The above comments are based on observations made during our audit and should not be construed as reflecting on the integrity of your employees. The discussion points are based on our consideration of the internal control structure for audit planning purposes, and as such, would not necessarily disclose all matters in the internal control structure that might be considered significant deficiencies.

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

*Botz, Deal & Company*  
October 29, 2008

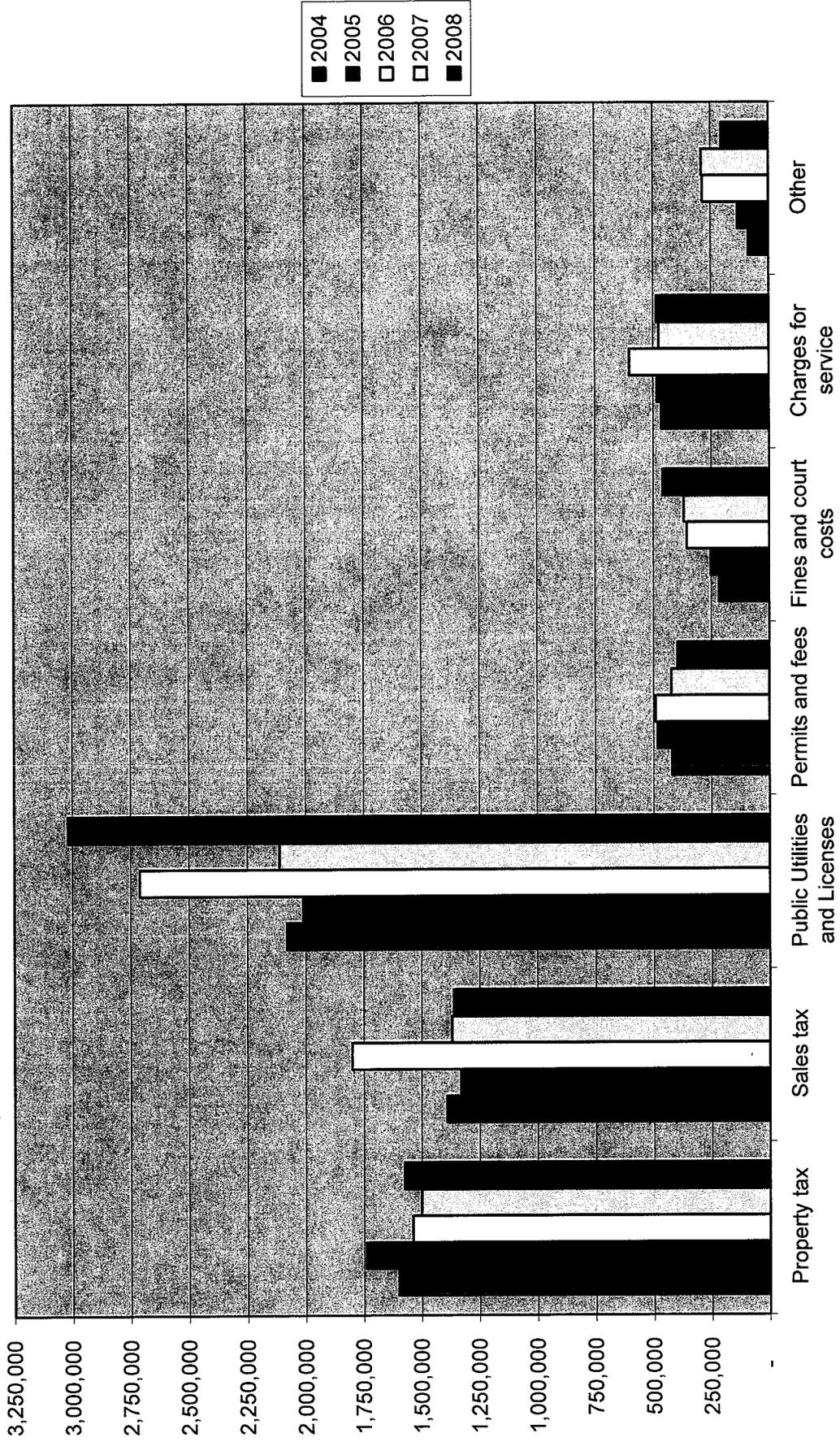
## EXHIBIT 1

### UNADJUSTED AUDIT DIFFERENCES

	<u>Debit</u>	<u>Credit</u>
<b>GENERAL FUND</b>		
<b>Unadjusted Audit Differences</b>		
<b>Current Year:</b>		
Sales Tax Rebates	\$15,882	
Accounts Payable		\$15,882
Sales tax rebates refunded in July		
<b>Unadjusted Audit Differences</b>		
<b>Prior Year:</b>		
Sales Tax Rebates	9,520	
Accounts Payable		9,520
Sales tax rebates refunded		
<b>GOVERNMENT-WIDE</b>		
<b>Unadjusted Audit Differences</b>		
<b>Current Year:</b>		
Equipment Expenses	13,431	
Equipment not capitalized		13,431
Sales Tax Rebates	15,882	
Accounts Payable		15,882
Sales tax rebates refunded in July		
<b>Unadjusted Audit Differences</b>		
<b>Prior Year:</b>		
Sales Tax Rebates	9,520	
Accounts Payable		9,520
Sales tax rebates refunded		

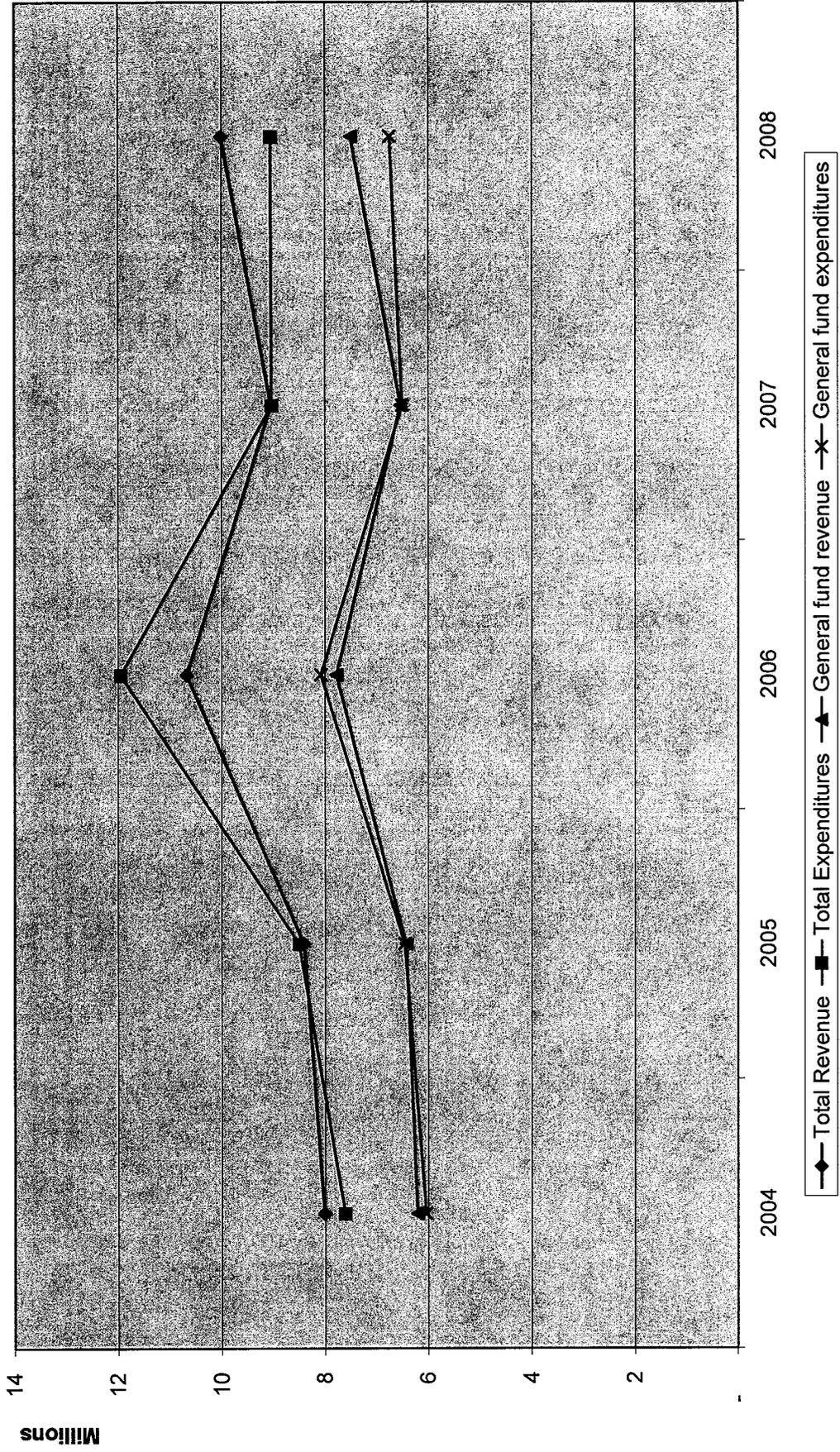
# CITY OF OLIVETTE

## General Fund - Revenue

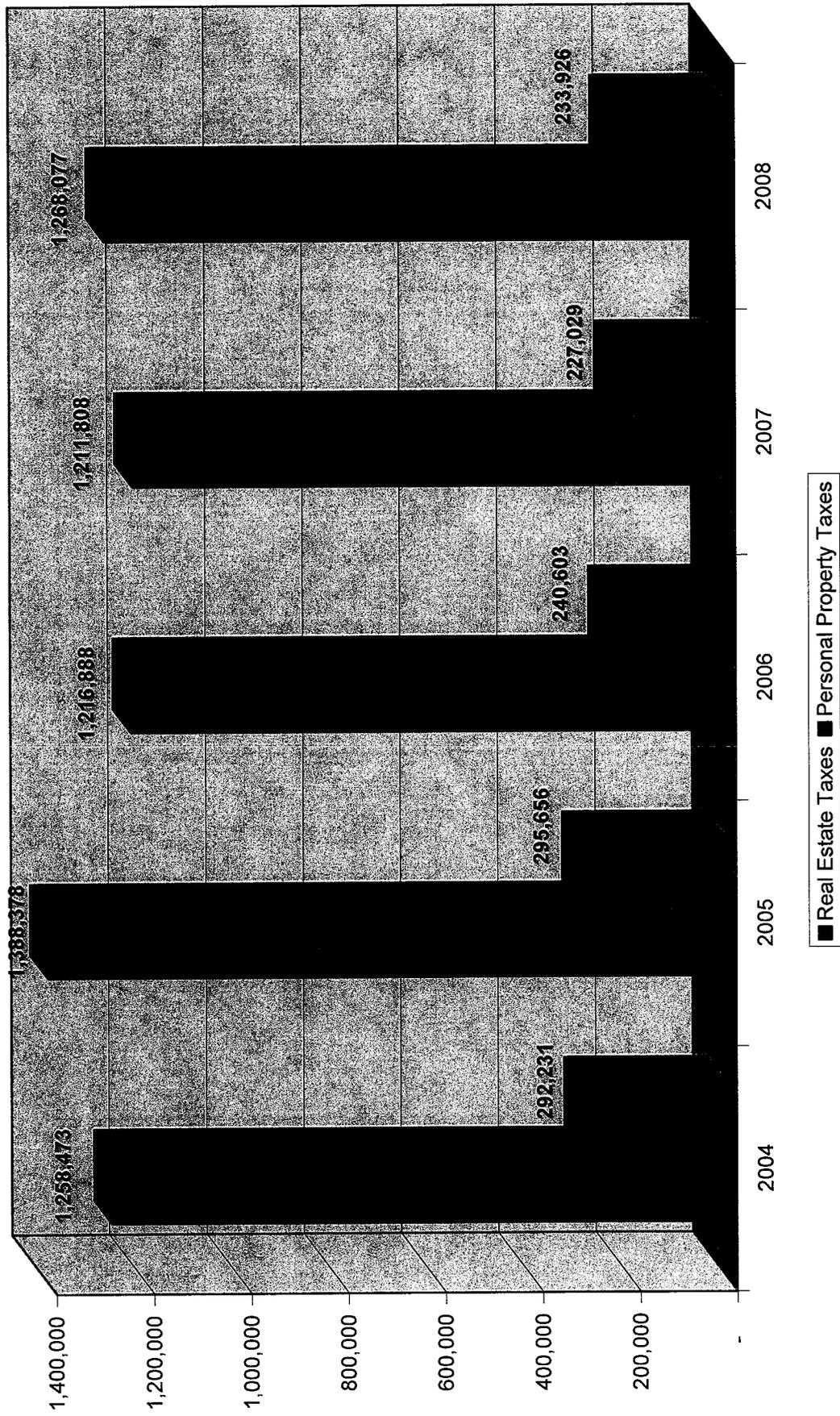


# CITY OF OLIVETTE

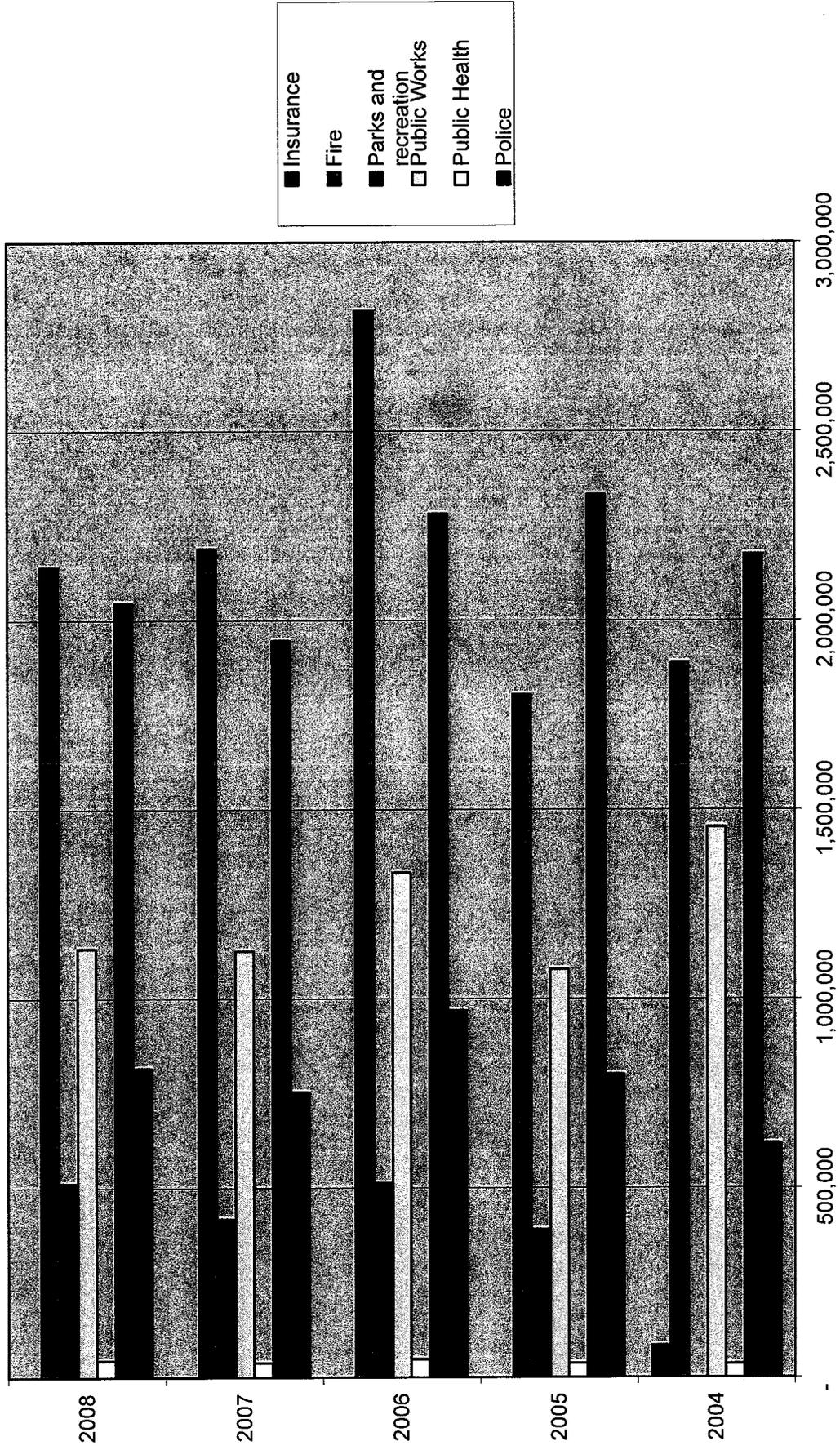
## Revenues & Expenditures



**CITY OF OLIVETTE**  
**General Fund - Current Property Taxes**



**CITY OF OLIVETTE  
General Fund - Expenditures**



**CITY OF OLIVETTE**  
**General Fund - Sales Tax Revenue**

