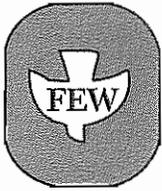


City of Olivette, Missouri

Financial Statements

For The Year Ended June 30, 2010



Fick, Eggemeyer & Williamson

Certified Public Accountants, PC



MEMBERS OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

December 9, 2010

City Council
9473 Olive Boulevard
Olivette, MO 63132

As part of our annual audit of the City of Olivette we report material weaknesses, significant deficiencies and control deficiencies to the board. Any material weaknesses or significant deficiencies noted have been included in the notes to the financial statements. A control deficiency is a smaller problem that doesn't rise to the level of being included in the financial statements. We noted one current control deficiency, as follows:

1. Control Deficiency:

Currently, the software package used to track capital assets is prone to error. During the current audit the software did not calculate depreciation properly on several occasions. The system had to be manually overwritten to provide us with the correct capital asset information. Proper internal control requires capital asset detail to be maintained by the City and depreciation to be reported correctly.

Recommendation:

We recommend the City implement a better system for tracking and maintaining capital assets through either new software or working with the current software company to correct errors in the program.

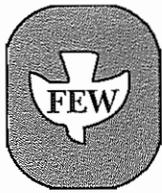
Feel free to call us anytime during the year with questions regarding internal control, financial reporting, or any other issue. Thank you.

Sincerely,

Fick, Eggemeyer & Williamson, CPA's

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Fick, Eggemeyer & Williamson

Certified Public Accountants, P.C.



MEMBERS OF THE
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INDEPENDENT AUDITORS' REPORT

To the Members of the City Council
City of Olivette
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 June 30, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 aggregated remaining fund information of the City as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedules of funding progress as listed in the table of contents are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, which consisted 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fick, Eggemeyer & Williamson
Fick, Eggemeyer, Williamson, CPA's
St. Louis, Missouri

December 9, 2010

**CITY OF OLIVETTE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010. 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 2009-10.
- Implementation of an interactive and participative strategic planning process to identify redevelopment strategies in the community to initiate long-term community transformation and foster financial stability.
- Maintenance of relatively healthy fund balances in the City's operating fund.
- Continuation of an aggressive policy to collect special assessments due the City, resulting in a collection rate of 96%.

REPORT LAYOUT

This report consists of Management's Discussion and Analysis (MD& A), government-wide statements, fund financial statements, 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 the 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 operations. In simple terms, this statement presents a snap-shot view of the assets the City 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.
- The Statement of Activities focuses on 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.

Basic Financial Statements (continued)

- 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 column and the remaining funds are combined into a column title "Other Nonmajor Funds" (including governmental funds created to track the use of earmarked sales taxes authorized by the 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 \$6,844,728 as of June 30, 2010. 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, 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, 2010</u>	<u>June 30, 2009</u>	<u>Increase (Decrease)</u>
Assets			
Current and other assets	\$ 6,594,680	7,009,468	\$ (414,788)
Capital assets, net	2,157,358	2,260,854	(103,496)
Total assets	<u>8,752,038</u>	<u>9,270,322</u>	<u>(518,284)</u>
Liabilities			
Current liabilities	1,329,152	770,001	559,151
Long-term liabilities	578,158	1,392,475	(814,317)
Total liabilities	<u>1,907,310</u>	<u>2,162,476</u>	<u>(255,166)</u>
Net assets			
Invested in capital assets	1,838,207	1,873,165	(34,958)
Restricted net assets	3,012,003	2,602,149	409,854
Unrestricted	1,994,518	2,632,532	(638,014)
Total net assets	<u>\$ 6,844,728</u>	<u>7,107,846</u>	<u>\$ (263,118)</u>

Governmental-wide Financial Analysis (continued)

Governmental activities decreased the City's net assets by \$263,118. The key elements of this decrease for fiscal year ending June 30 are as follows:

Table 2

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
Revenues			
Program revenues			
Charges for services	\$ 1,112,194	\$ 1,228,469	\$ (116,275)
Capital grants & contributions	34,654	70,847	(36,193)
General revenues			
Taxes	8,125,158	7,862,893	262,265
Interest income	6,849	64,943	(58,094)
Transfers	846	3,344	(2,498)
Miscellaneous	62,067	59,859	2,208
Loss on disposal of assets	-	(29,426)	29,426
Total revenues	<u>9,341,768</u>	<u>9,260,929</u>	<u>80,839</u>
Expenses			
Administrative	1,604,709	1,361,855	242,854
Public safety	5,027,165	4,482,322	544,843
Public works	1,897,508	1,780,774	116,734
Parks and recreation	994,731	965,163	29,568
Public health	43,696	41,176	2,520
Interest and fiscal charges	37,097	64,535	(27,438)
Total expenses	<u>9,604,906</u>	<u>8,695,825</u>	<u>909,081</u>
Change in net assets	(263,138)	565,104	(828,242)
Net assets, beginning of year	<u>7,107,846</u>	<u>6,542,742</u>	<u>565,104</u>
Net assets, end of year	<u>\$ 6,844,708</u>	<u>\$ 7,107,846</u>	<u>\$ (263,138)</u>

Total fiscal 2010 revenue shown in Table 2 of \$9,341,768 reflects an increase of \$80,839 over fiscal 2009 revenues of \$9,260,929. Disregarding any audit accruals, revenues for the fiscal year ending June 30, 2010 were up over last year's revenue. This on the surface looks good, however, the City happened to be the beneficiary of some one-time revenues during the year. \$500,000 was received from the settlement with AT&T regarding the Landline Lawsuit and \$194,590 in sales tax money was rebated from a business that left the City. The reimbursement was required by contract should the business leave the City. The City, as well as the Country, continues to deal with the effects of the economic collapse in September of 2008. The revenue sources of concern are the City's sales taxes revenue (down 10%), Natural Gas (down 10%), and the Water Company (down 22%). Other areas of concern are the City's Permits and Fees, which are tied directly to home/office building and/or remodeling (down 11%). Investment Income is very little, if not non-existent. Investment Income in the General Fund was down 90% from the previous year.

Governmental-wide Financial Analysis (continued)

The fiscal 2010 expenses increased to \$9,604,906 from \$8,695,825 in fiscal 2009. These differences are attributable to the following:

The difference between actual expenditures ending FY 2010 and the previous year are due to the economic collapse in September 2008. Decreasing revenues resulted in discussions and, subsequently, action on the part of the City Council and City Management to reduce departmental expenditures by: 1) Buying only necessary items required to maintain current level of service to the residents and 2) Delaying funding of non-critical positions until revenues improve. In addition, the City Council laid-off two employees at June 30, 2010 for the upcoming fiscal year 2010-11 due to projected decreasing revenues.

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

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General Fund:				
Taxes	\$ 5,957,360	\$ 5,480,366	\$ 476,994	8.7%
Licenses and permits	357,012	450,078	(93,066)	-20.7%
Fines and court costs	287,542	312,821	(25,279)	-8.1%
Intergovernmental	34,654	30,847	3,807	12.3%
Investment income	5,515	58,765	(53,250)	-90.6%
Charges for service	467,640	465,570	2,070	0.4%
Miscellaneous	<u>62,067</u>	<u>69,644</u>	<u>(7,577)</u>	-10.9%
Total	<u>\$ 7,171,790</u>	<u>\$ 6,868,091</u>	<u>\$ 303,699</u>	4.4%

Total General Fund revenue increased to \$7,171,790 from \$6,868,091, a 4.4% increase. As indicated above in Table 3, the City had increased revenue from taxes of \$476,994, which includes public utility licenses. As mentioned earlier, overall revenues are up due to the one-time source revenues received totaling \$694,590. Without the one-time revenues, the General Fund revenues would have been \$6,477,200. That scenario would have translated into a \$390,891 decrease. Investment income showed a decrease of \$53,250. As such, investment income was and continues to have a large impact on revenues due to the economy. Licenses and permits are directly tied to economic woes regarding retail businesses and new and/or remodeling construction.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of the fiscal year 2010, the City had \$4,062,409 invested in a broad range of capital assets, including police, fire and public works equipment, buildings and park facilities. This amount represents a net increase (including additions and deductions) of \$117,686 or 3% over the prior fiscal year.

Table 4

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Increase (Decrease)</u>
Land	\$ 471,300	\$ 471,300	\$ -
Buildings and improvements	1,028,130	1,012,130	16,000
Equipment	1,208,376	1,160,089	48,287
Vehicles	<u>1,354,603</u>	<u>1,301,204</u>	<u>53,399</u>
Total	<u>\$ 4,062,409</u>	<u>\$ 3,944,723</u>	<u>\$ 117,686</u>

The most significant additions to capital assets this year were new vehicles.

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, 2010, the City had \$475,000 in outstanding Neighborhood Improvement District bonds compared to \$755,000 at the end of the prior fiscal year, a decrease of \$280,000 or 37% 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 acquired two fire trucks and a phone system with leases during the fiscal year 2005. As of June 30, 2010, capital leases outstanding totaled \$319,151. More detailed information on the City's long-term liabilities is presented in note 7 to the financial statements.

THE CITY'S FUNDS

At the close of the City's fiscal year on June 30, 2010, the governmental funds of the City reported a combined fund balance of \$5,160,314. This ending balance includes an increase in the City's General Fund balance of \$53,048. Total fund balance increased by \$46,107.

General Fund Budgetary Highlights

For the fiscal year ending June 30, 2010, actual revenues on a budgetary basis were \$7,171,790 compared to the budget amount of \$7,088,151. The \$83,639 difference in revenues was primarily due to one-time revenues as discussed on page 5, Table 2 discussion.

General Fund Budgetary Highlights (continued)

For the fiscal year ended June 30, 2010 actual expenditures on a budgetary basis were \$6,939,088 as compared to the budget amount of \$6,977,468. The \$38,380 in expenditures under the budget amount is not only due to what was previously discussed in the MD&A, but the City also decreased its public relations firm contract as well as tightening controls over expenditures such as required quotes for common equipment items \$200 or more, including purchase orders.

ECONOMIC FACTORS AND IMPACT ON CURRENT AND FUTURE FISCAL PROJECTS

Recent international, national, and regional economic dislocations, the most severe since the Great Depression, have adversely impacted the local economy for the City of Olivette as well as the current, and potentially long-term, fiscal stability of the City.

Several primary revenue sources for the City of Olivette will continue to be impacted by the continuing economic downturn. Recent claims by economists that recession is over and that economic recovery has begun are not reflected in revenue patterns for state and local governments, including the City of Olivette. The effects are reflected in a continuing decline in property values and resulting loss in property tax growth, reduced retail sales with resulting impact on retail sales taxes, retrenchment of gross receipts of Olivette businesses, state legislative actions adversely impacting local revenue flexibility and growth, and increasing resistance by taxpayers to new or enhanced revenue sources to fund essential services and new initiatives. Another significant impact is that the City's ambitious long-range redevelopment goals and other development opportunities have been put on hold due to lack of interest from the development community, lack of realistic financing sources for new development, and the persistent caution of developers and lenders in pursuing new development in the uncertain economic climate.

Some of the specific impacts resulting from these conditions are as follows:

- Flat property tax revenues due to reduced levels of assessed valuation for residential and commercial properties. Even though the impact is mitigated somewhat by the provisions of Missouri's "Hancock Amendment," the result barely allows the City to maintain previous revenue levels. This concern is exacerbated by the continual actions of the Missouri General Assembly that impact property tax administration and the ability of local governments and other taxing jurisdictions to meet their service and governance responsibilities. Pressure on the property tax rate will surely continue as fiscal needs and service expectations continue to rise.
- Strong fiscal pressure for increased City contributions to the City's defined benefit pension plan due to significant investment losses in 2008-09, the continuing uneven performance of the investment markets, and the aging of the City workforce leading to future retirements.
- Increasing cost pressures for personnel services, fuel, utilities, employee benefits, and commodities. The City experienced layoffs of employees in FY 2010-11 for the first time in many years and maintaining the City's service capacity in the next few years will remain as a major challenge.
- Declining sales tax receipts in all categories due to loss of local businesses, lack of consumer confidence, and the general economic slowdown creating strong fiscal pressure on City operating funds dependent on sales tax.

- Lowered gross receipts and sluggish business patterns for Olivette businesses and industries with a persistent vacancy rate for retail and commercial businesses.
- Increased borrowing costs and continuing difficulty in marketing and selling municipal tax-exempt debt in the current economic environment, including the resistance of the voting public to support new public debt and accompanying tax increases to support it.
- Limitations in growing the City's overall revenue base to meeting increasing service requirements and renewal and upgrade of critical City facilities needed to support governance and service delivery. Some of these limitations are due to a growing hostility to local government interests on the state level and some are due to the state of the national economy. The City of Olivette continues to aggressively support local businesses and actively recruit new businesses to locate in the community. The City of Olivette continues to explore joint redevelopment opportunities in the Olive Boulevard corridor with our neighboring community of University City to take advantage of economies of scale, joint infrastructure upgrades and creation of a unique urban village concept that builds on the strengths of both communities.
- Continuing slowdown in the construction of new residences and renovation of existing residences due to overall economic conditions, oversupply of housing inventory, and a contracting housing market.

These specific factors, combined with the continuing depressed national and regional economy, require careful and consistent monitoring of general fiscal indicators, caution in matching available resources to spending needs, and establishment of clear and consistent priorities for essential service delivery and new initiatives. The City has been able to maintain essential services without major contractions over the last year due to careful management, introduction of one-time revenues, and the support of Olivette citizens. However, projections of future fiscal challenges for the City do not paint a rosy picture, clearly indicating that maintenance of service levels and current facilities will become an increasing challenge.

The City of Olivette recognizes the pervasive adverse impact that the national economic crisis has had on Olivette residents and businesses and will continue to 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 TEAM

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 any questions about this report or need additional information, contact:

Jeffrey J. Steiner, Director of Finance
 City of Olivette, Missouri Finance Department
 9473 Olive Boulevard, Olivette, MO 63132
 Email: jsteiner@olivettemo.com Phone: 314-993-0444

Basic Financial Statements

CITY OF OLIVETTE, MISSOURI
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,413,962
Taxes receivable	
Property	98,934
Other	648,451
Accounts receivable	8,311
Due from other fund	500
Inventory	18,547
Bond issuance costs	11,958
Net pension assets	394,017
Total current assets	6,594,680
Noncurrent assets	
Capital assets, net of depreciation	2,157,358
Total noncurrent assets	2,157,358
TOTAL ASSETS	\$ 8,752,038
 LIABILITIES	
Current liabilities	
Accounts payable	\$ 45,642
Accrued wages	333,731
Accrued vacation payable	300,437
Court bonds payable	12,765
Other liabilities	208,016
Interest payable	21,035
Current portion of long-term liabilities	407,526
Total current liabilities	1,329,152
Noncurrent liabilities	
Accrued sick leave	139,716
Bonds payable	185,000
Capital leases payable	253,442
Total noncurrent liabilities	578,158
TOTAL LIABILITIES	\$ 1,907,310
 NET ASSETS	
Investment in capital assets, net of related debt	\$ 1,838,207
Restricted net assets	3,012,003
Unrestricted net assets	1,994,518
TOTAL NET ASSETS	\$ 6,844,728

The notes to the financial statements are an integral part of this statement

CITY OF OLIVETTE, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Fees, Fines and Charges for Services	Capital Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
Administrative	\$ 1,604,709	\$ 252,814	\$ -	\$ (1,351,895)
Public safety	5,027,165	287,977	16,083	(4,723,105)
Public works	1,897,508	163,857	-	(1,733,651)
Parks and recreation	994,731	407,546	18,571	(568,614)
Public health	43,696	-	-	(43,696)
Interest and fiscal charges	37,097	-	-	(37,097)
Total governmental activities	\$ 9,604,906	\$ 1,112,194	\$ 34,654	(8,458,058)
General revenues:				
Taxes				
Sales				\$ 2,438,823
Utility				19,766
Property				5,036,676
Franchise				74,804
Other				555,089
Interest income				6,869
Transfers				846
Other miscellaneous revenue				62,067
Total general revenues, special, extraordinary items and transfers				8,194,940
Changes in net assets				(263,118)
Net assets - beginning				7,107,846
Net assets - ending				\$ 6,844,728

The notes to the financial statements are an integral part of this statement

CITY OF OLIVETTE, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Capital Projects Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,425,857	\$ 1,582,698	\$ 1,405,407	\$ 5,413,962
Taxes receivable				
Property	79,128	19,806	-	98,934
Other	448,545	60,085	139,821	648,451
Accounts receivable	8,311	-	-	8,311
Due from other funds	74,628	-	1,008	75,636
Inventory	18,547	-	-	18,547
	<u>3,055,016</u>	<u>1,662,589</u>	<u>1,546,236</u>	<u>6,263,841</u>
Total assets	<u>\$ 3,055,016</u>	<u>\$ 1,662,589</u>	<u>\$ 1,546,236</u>	<u>\$ 6,263,841</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 30,614	\$ 3,763	\$ 11,265	\$ 45,642
Accrued wages	300,033	18,768	14,930	333,731
Accrued vacation payable	281,106	7,034	12,297	300,437
Court bonds payable	12,765	-	-	12,765
Other liabilities	208,016	-	-	208,016
Deferred revenue	74,171	19,806	33,823	127,800
Due to other funds	-	-	75,136	75,136
	<u>906,705</u>	<u>49,371</u>	<u>147,451</u>	<u>1,103,527</u>
Total liabilities	<u>906,705</u>	<u>49,371</u>	<u>147,451</u>	<u>1,103,527</u>
FUND BALANCES				
Reserved				
Debt service	-	-	67,270	67,270
Equipment replacement	-	-	472,362	472,362
Unreserved				
General fund	2,148,311	-	-	2,148,311
Special revenue fund	-	-	859,153	859,153
Capital projects fund	-	1,613,218	-	1,613,218
	<u>2,148,311</u>	<u>1,613,218</u>	<u>1,398,785</u>	<u>5,160,314</u>
Total fund balances	<u>2,148,311</u>	<u>1,613,218</u>	<u>1,398,785</u>	<u>5,160,314</u>
Total liabilities and fund balances	<u>\$ 3,055,016</u>	<u>\$ 1,662,589</u>	<u>\$ 1,546,236</u>	<u>\$ 6,263,841</u>

The notes to the financial statements are an integral part of this statement

CITY OF OLIVETTE, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balance - governmental funds	\$	5,160,314
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$4,062,409 and the accumulated depreciation is \$1,905,051.		2,157,358
Net pension assets are not current financial resources and, therefore are not reported in the funds.		394,017
Receivables not collected in the current period are not available to pay current expenditures and, therefore are deferred in the funds.		127,800
Bond issuance costs are not expensed in the government-wide statements, but are amortized over the life of the debt.		11,958
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. All liabilities both current and long-term are reported in the statement of net assets.		
Accrued sick leave	(191,533)	
Bonds payable	(475,000)	
Capital leases payable	(319,151)	
Accrued interest on outstanding debts	(21,035)	
	(1,006,719)	
Net assets of governmental activities	\$	6,844,728

The notes to the financial statements are an integral part of this statement

CITY OF OLIVETTE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Revenues:	General Fund	Capital Projects Fund	Other Nonmajor Funds	Total Governmental Funds
Taxes	\$ 5,957,360	\$ 642,754	\$ 1,593,387	\$ 8,193,501
Licenses and permits	357,012	-	-	357,012
Fines and court costs	287,542	-	-	287,542
Intergovernmental	34,654	-	-	34,654
Investment income	5,515	-	1,354	6,869
Charges for service	467,640	-	-	467,640
Miscellaneous	62,067	-	-	62,067
Total revenues	<u>7,171,790</u>	<u>642,754</u>	<u>1,594,741</u>	<u>9,409,285</u>
Expenditures:				
Current				
Administrative	754,000	-	747,390	1,501,390
Public safety	4,443,366	-	149,603	4,592,969
Public works	1,177,504	467,438	-	1,644,942
Parks and recreation	468,565	-	375,815	844,380
Public health	43,696	-	-	43,696
Capital outlay	34,664	144,306	172,320	351,290
Debt service				
Principal, interest and fiscal charges	17,293	31,667	336,397	385,357
Total expenditures	<u>6,939,088</u>	<u>643,411</u>	<u>1,781,525</u>	<u>9,364,024</u>
Excess (deficiency) of revenue over expenditures	<u>232,702</u>	<u>(657)</u>	<u>(186,784)</u>	<u>45,261</u>
Other financing sources (uses)				
Transfers between funds	(179,654)	-	180,500	846
Net other sources and uses of financial resources	<u>(179,654)</u>	<u>-</u>	<u>180,500</u>	<u>846</u>
Net change in fund balances	53,048	(657)	(6,284)	46,107
Fund balances - beginning	<u>2,095,263</u>	<u>1,613,875</u>	<u>1,405,069</u>	<u>5,114,207</u>
Fund balances - ending	<u>\$ 2,148,311</u>	<u>\$ 1,613,218</u>	<u>\$ 1,398,785</u>	<u>\$ 5,160,314</u>

The notes to the financial statements are an integral part of this statement

CITY OF OLIVETTE, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$	46,107
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues that do not provide current financial resources are not included in the fund financial statements		(68,343)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	171,160	
Depreciation expense	<u>(271,824)</u>	(100,664)
The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. These amounts are the net effect of these differences in the treatment of long-term debt and related items:		
Repayments:		
Bond payable	280,000	
Capital lease payable	<u>68,538</u>	348,538
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest on outstanding debt	(278)	
Amortization of debt issuance costs	(11,959)	
Change in accrued compensated absences and net pension obligation	<u>(473,687)</u>	(485,924)
In the statement of activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize the proceeds from these assets.		
Loss on disposal of capital assets		<u>(2,832)</u>
Change in net assets of governmental activities	\$	<u><u>(263,118)</u></u>

The notes to the financial statements are an integral part of this statement

CITY OF OLIVETTE, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2009 AND JUNE 30, 2010

	December 31, 2009 Pension Trust Fund	June 30, 2010 Agency Fund
ASSETS		
Cash	\$ -	\$ 256,048
Investments, at fair value	15,383,467	-
Total assets	\$ 15,383,467	\$ 256,048
 LIABILITIES		
Deposits held	\$ -	\$ 255,548
Due to other fund		500
Total liabilities	-	256,048
 FUND BALANCES		
Held in trust for pension benefits and other purposes	15,383,467	-
Total fund balance	15,383,467	-
Total liabilities and fund balance	\$ 15,383,467	\$ 256,048

The notes to the financial statements are an integral part of this statement

CITY OF OLIVETTE, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

Additions	
Employer contributions	\$ 452,710
Employee contributions	195,934
Investment return	1,626,385
Total additions	2,275,029
Deductions	
Retirement benefits	1,494,350
Administrative expenses	2,600
Total deductions	1,496,950
Change in net assets	778,079
Net assets held in trust for pension benefits	
Net assets - beginning of year	14,605,388
Net assets - end of year	\$ 15,383,467

The notes to the financial statements are an integral part of this statement

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 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 accounting and financial reporting policies of the City conform to U.S. generally accepted accounting principles (GAAP) as applied to government entities. The following is a summary of the more significant policies.

Reporting Entity

The City defines its financial reporting entity in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14). GASB 14 requirements for inclusion of component units are based primarily upon whether the City's governing body has any significant amount of financial accountability for potential component units. The City is financially accountable if it appoints a voting majority of a potential component unit's governing body and is able to impose its will on that potential component unit, or the potential component unit may provide specific financial benefits to, or impose specific financial burdens on, the City. Currently, the City does not have any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. As a general rule the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and fiduciary funds, although the latter are excluded from the government-wide financial statements. The major governmental funds are the General Fund and Capital Projects Fund. The nonmajor funds are combined in a column in the fund financial statements.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

All revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 government reports the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - This 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.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the government reports the following fund type:

Fiduciary Fund – The City uses these funds to account for assets held by the City in a trustee capacity or as an agent for individual, private organizations and other governmental units. The City’s Pension Trust Fund accounts for the assets of the City’s retirement plan. Agency Funds are used to account for escrow deposits held by the City in an agency capacity.

Cash and Cash Equivalents

The City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. The City pools the cash of all funds, except for funds held for court bonds and escrow deposits. Interest income earned on pooled cash and investments is allocated to the various funds as required. Interest income on restricted cash and investments is credit directly to the related fund.

Missouri State Statute requires that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. The City maintains a cash pool that is available for use by all the funds. Each fund type’s portion of this pool is displayed on the combined statement of assets, liabilities and fund balances as “Cash” under each fund’s caption.

Investments

The City’s investments are carried at fair value. The City is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United State 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.

Allowance for Doubtful Accounts

Management believes there are no significant uncollectible receivables, therefore, no allowance for doubtful accounts has been recorded.

Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventory in the General Fund consists of gasoline held for consumption.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include land, building and improvements, equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of one year. Infrastructure assets with an initial cost of \$50,000 or more are also capitalized and depreciated. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. The City has elected not to retroactively report infrastructure constructed prior to March 1, 2004. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	20-40
Equipment	5-20
Vehicles	5-20

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 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.

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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. 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 \$3,012,003 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.

Note 2 - DEPOSITS AND INVESTMENTS

Missouri Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 100% of the deposits not covered by insurance or corporate surety bonds. The City's deposits in banks at June 30, 2010, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Missouri Statutes.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3 - INVESTMENTS

Statutes authorize the City to invest 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 structures its investment portfolios so that securities mature to meet cash requirement for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City also invests operating funds primarily in short-term securities. No information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided in the current year as funds were invested in certificates of deposits which are short term bank deposits.

Custodial Credit Risk - For an investment, the custodial risk is the risk that in the event of the failure of the counter party, 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 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.

Concentration of Credit Risk - The City places no limit on the amount that it may invest in any one issuer. At June 30, 2010, there are no investments in any one issuer (other than investments explicitly guaranteed by the U.S. government, mutual funds, and external investment pools) that represent 5% or more of the total City's governmental activities.

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.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by December 31. The county collects the property tax and remits it to the City.

The assessed valuation of the tangible real, personal taxable and public utility property for the calendar year 2010 for purposes of local taxation was \$250,024,178.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2009 for purposes of local taxation was:

	<u>Real Estate</u>		<u>Personal Property</u>
	<u>Residential</u>	<u>Commercial</u>	
General Fund	\$ 0.5730	\$ 0.6090	\$ 0.7710
Pension Fund	0.2060	0.2070	0.2500
Road and Bridge	0.1050	0.1050	0.1050

Note 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds at June 30, 2010 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund	\$ 74,628	\$ -
Neighborhood Improvement District Fund	612	-
Sewer Lateral Fund	396	-
Agency Escrow Fund	-	500
Fire Operations Fund	-	75,136

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

Interfund transfers for the period ending June 30, 2010 are as follows:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
Pension Fund	\$ 220,000	\$ -
General Fund	-	220,000
General Fund	40,346	-
Sewer Lateral Fund	-	18,500
Local Parks/Storm Water Fund	-	21,000
Agency Escrow Fund	-	846

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

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

Note 6 - CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2010 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Land	\$ 471,300	\$ -	\$ -	\$ 471,300
Total capital assets not being depreciated	<u>471,300</u>	<u>-</u>	<u>-</u>	<u>471,300</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,012,130	16,000	-	1,028,130
Equipment	1,160,089	48,287	-	1,208,376
Vehicles	1,301,204	106,873	53,474	1,354,603
Total capital assets being depreciated	<u>3,473,423</u>	<u>171,160</u>	<u>53,474</u>	<u>3,591,109</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	535,225	43,680	-	578,905
Equipment	671,036	113,250	-	784,286
Vehicles	477,608	114,894	50,642	541,860
Total accumulated depreciation	<u>1,683,869</u>	<u>271,824</u>	<u>50,642</u>	<u>1,905,051</u>
Total net capital assets being depreciated	<u>1,789,554</u>	<u>(100,664)</u>	<u>2,832</u>	<u>1,686,058</u>
Governmental activity capital assets, net	<u>\$ 2,260,854</u>	<u>\$ (100,664)</u>	<u>\$ 2,832</u>	<u>\$ 2,157,358</u>

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

	<u>Year Ended June 30, 2010</u>
Governmental activities:	
Administrative	\$ 39,296
Public safety	108,632
Public works	43,403
Parks and recreation	80,493
Total	<u>\$ 271,824</u>

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Amount Due Within One Year
Governmental activities:					
Neighborhood Improvement					
District Refunding Bonds	\$ 755,000	\$ -	\$(280,000)	\$ 475,000	\$ 290,000
Capital leases	387,689	-	(68,538)	319,151	65,709
Accrued sick leave	249,786	-	(58,253)	191,533	51,817
	<u>\$ 1,392,475</u>	<u>\$ -</u>	<u>\$(406,791)</u>	<u>\$ 985,684</u>	<u>\$ 407,526</u>

Special Assessment Bonds

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

Neighborhood Improvement District Refunding Bonds

In September 2005, the City Council authorized the issuance of \$1,855,000 in Neighborhood Improvement District Refunding Bonds to refund the special assessment bonds issued in 1997. The refunding bonds are to be repaid through special assessment revenues collected from the residents within the City's Neighborhood Improvement Districts. The bonds bear interest at rates ranging from 2.5% to 3.35% and mature on March 1, 2012. At June 30, 2010, the balance was \$475,000.

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

<u>For the Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 290,000	\$ 15,622	\$ 305,622
2012	185,000	6,198	191,198
Total	<u>\$ 475,000</u>	<u>\$ 21,820</u>	<u>\$ 496,820</u>

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7 - LONG-TERM LIABILITIES (continued)

Capital Lease Obligations

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, 2010 are as follows:

SunTrust Leasing Corporation	\$ 279,420
Fire Trucks	
Interest rate - 4.322%	
Maturity - August 2014	
Annual payments of \$63,334, which includes principal and interest	
King Commerical, Inc.	39,731
Phone system	
Interest rate - 8.555%	
Maturity - April 2013	
Monthly payments of \$1,441, which includes principal and interest	
Total	\$ 319,151

The following is an analysis of the minimum future lease payments:

For the Years Ended June 30,	Principal	Interest	Total
2011	\$ 65,709	\$ 14,918	\$ 80,627
2012	69,212	11,416	80,628
2013	65,324	7,781	73,105
2014	58,195	5,139	63,334
2015	60,711	2,623	63,334
Total	\$ 319,151	\$ 41,877	\$ 361,028

Assets acquired through capital leases are as follows:

Vehicles	\$ 612,200
Equipment	80,578
Less accumulated depreciation	(189,550)
	\$ 503,228

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 8 - 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 provision 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 services and attainment of age 50. The employee receives the actuarial equivalent of their normal retirement benefit, based on age, credited services and average monthly compensation at early retirement.

Current membership in the Plan is comprised of the following:

<u>Group</u>	<u>December 31, 2009</u>
Retirees and beneficiaries currently receiving benefits	55
Vested terminated employees not yet receiving benefits	14
Active employees	43

Basis of Accounting

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

Significant Investments

At December 31, 2009, the following investment is held in one organization and represents five percent or more of net assets available for benefits:

The Principal Financial Group	<u>\$ 15,383,467</u>
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CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 8 - DEFINED BENEFIT PENSION PLAN (continued)

Funding Policies

Active members were required to contribute 5% of income to the Plan. Any remaining obligation with respect to the Pension Plan shall be paid by the employer. Contributions for the Plan year ended December 31, 2009 were \$648,644, which consisted of \$452,710 from the City and \$195,934 from employees. The actuarially required contribution was \$937,182 for the Plan year, which represented 33% of covered payroll.

Schedule of Employer Contributions - Property Taxes

<u>For the Years</u> <u>Ended December 31</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2009	\$ 937,182	\$ 452,710	48.3%
2008	118,505	496,280	418.8%
2007	113,709	248,113	218.2%

The actuarial accrued liability was determined as part of an actuarial valuation at January 1, 2010, the most recently filed actuarial valuation report. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method	Aggregate method
Asset Valuation Method	At market value
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	5.25%

The aggregate method does not identify and separately amortize unfunded actuarial liabilities.

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</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2009	\$ 984,649	452,710	46.0%	\$ (394,017)
2008	156,528	496,280	317.1%	(925,956)
2007	142,703	248,086	173.8%	(586,204)

**CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Note 9 - OTHER POST EMPLOYMENT BENEFITS

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

At March 1, 2010, the date of the last actuarial valuation, the Plan covered the following number of participants for medical coverage:

Active participants	67
Retirees and beneficiaries currently receiving benefits	<u>12</u>
Total plan participants	<u><u>79</u></u>

At March 1, 2010, the date of the last actuarial valuation, the Plan covered the following number of participants for dental coverage:

Active participants	66
Retirees and beneficiaries currently receiving benefits	<u>23</u>
Total plan participants	<u><u>89</u></u>

Annual valuations are performed using the Projected Unit Credit (PUC) Funding Method. Under the PUC Funding Method the Normal Cost is based exclusively on plan liabilities. The PUC Funding Method allocates the projected benefit of each participant over the participant's period of service. The valuation assumes 9% inflation rate in 2010 graded down 1% each year until an ultimate rate of 5% is reached in 2014 and uses the 1983 Group Annuity Mortality Table.

Trend Information - Other Post Employment Benefits

Fiscal year Ending February 28,	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation
2010	62,544	0.0%	(121,887)
2009	59,343	0.0%	(59,343)

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 - OTHER POST EMPLOYMENT BENEFITS (continued)

Funding Status and Funding Progress - As of March 1, 2010, the most recent actuarial valuation available, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$639,468, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$639,468. The covered payroll (annual payroll of active employees covered by the plan) was \$3,138,760, and the ratio of the UAAL to the covered payroll was 20.4 percent.

Note 10 - RISK MANAGEMENT

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

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 trust requires an annual premium payment to cover estimated claims payable and reserves for claims for each entity. The members of the trust have no legal interest in the assets, liabilities or fund balances of the insurance trusts. However, the City retains 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 premium payments to the trust were \$232,537 for the fiscal year ending June 30, 2010.

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.

Note 11 - DEFICIT FUND BALANCE

The special revenue Fire Operation Fund had a deficit fund balance of \$39,803 at June 30, 2010. The deficit is the result of timing of tax receipts and expenditures.

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Required Supplementary Information
(Other than Management's Discussion and Analysis)

CITY OF OLIVETTE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 5,627,936	\$ 5,627,936	\$ 5,957,360	\$ 329,424
Licenses and permits	454,595	454,595	357,012	(97,583)
Fines and court costs	322,000	322,000	287,542	(34,458)
Intergovernmental	75,700	75,700	34,654	(41,046)
Investment income	86,000	86,000	5,515	(80,485)
Charges for service	491,420	491,420	467,640	(23,780)
Miscellaneous	30,500	30,500	62,067	31,567
Total revenues	<u>7,088,151</u>	<u>7,088,151</u>	<u>7,171,790</u>	<u>83,639</u>
EXPENDITURES				
Current				
Administrative	892,581	892,581	754,000	138,581
Public safety	4,344,133	4,344,133	4,443,366	(99,233)
Public works	1,153,973	1,153,973	1,177,504	(23,531)
Parks and recreation	490,310	490,310	468,565	21,745
Public health	45,507	45,507	43,696	1,811
Capital outlay	50,964	50,964	34,664	16,300
Debt service				
Principal, interest and fiscal charges	-	-	17,293	(17,293)
Total expenditures	<u>6,977,468</u>	<u>6,977,468</u>	<u>6,939,088</u>	<u>38,380</u>
Excess (deficiency) of revenues over expenditures	110,683	110,683	232,702	122,019
Other financing (uses)				
Transfers to (from)	(176,000)	(176,000)	(179,654)	(3,654)
Net change in fund balance	<u>\$ (65,317)</u>	<u>\$ (65,317)</u>	53,048	<u>\$ 118,365</u>
Fund balance, beginning of year			<u>2,095,263</u>	
Fund balance, end of year			<u>\$ 2,148,311</u>	

CITY OF OLIVETTE, MISSOURI
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2010

Note 1 - BUDGETS AND BUDGETARY ACCOUNTING

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.

The City Council follows the procedures outlined below in establishing the budgetary data:

1. The City Manager submits to the City Council a proposed operating budget for the following fiscal year by July 1. The operating budget includes proposed operating expenditures, capital expenditures, and the means for financing them.
2. Public hearings are conducted to obtain comments from all interested parties.
3. The budget is legally enacted by ordinance.
4. Transfers of budgeted amounts must be approved by the City Council.
5. There were no budget amendments during the year.

Note 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

	Expenditures	Appropriations	Expenditures Over Expenditures
General Fund:			
Public Safety	4,443,366	4,344,133	99,233
Public Works	1,177,504	1,153,973	23,531

CITY OF OLIVETTE, MISSOURI
PENSION TRUST
FOR THE YEAR ENDED JUNE 30, 2010
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	15,383,467	23,237,552 *	7,854,085	66.2%	2,847,284	275.8%
1/1/2009	14,598,769	23,241,683 *	8,642,914	62.8%	2,928,155	295.2%
1/1/2008	22,624,112	21,736,771 *	(887,341)	104.1%	2,890,508	-30.7%
1/1/2007	21,212,713	20,422,778 *	(789,935)	103.9%	2,708,300	-29.2%
1/1/2006	19,096,646	19,832,944 *	736,298	96.3%	2,858,007	25.8%
1/1/2005	17,999,050	19,375,723 *	1,376,673	92.9%	3,093,039	44.5%

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

CITY OF OLIVETTE, MISSOURI
 OTHER POST EMPLOYMENT BENEFITS
 FOR THE YEAR ENDED JUNE 30, 2010
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/1/2010	-	639,468	639,468	0.00%	3,138,760	20.4%
3/1/2009	-	579,343	579,343	0.00%	2,928,155	19.8%

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Supplementary Information

CITY OF OLIVETTE, MISSOURI
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						Capital Projects Fund	
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	Total	
ASSETS								
Cash and cash equivalents	\$ 66,658	\$ -	\$ 470,194	\$ 396,193	\$ -	\$ 472,362	\$ 1,405,407	
Investments	-	-	-	-	-	-	-	
Other taxes receivable	33,823	35,333	70,665	-	-	-	139,821	
Due from other funds	612	-	-	396	-	-	1,008	
Total assets	\$ 101,093	\$ 35,333	\$ 540,859	\$ 396,589	\$ -	\$ 472,362	\$ 1,546,236	
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ 11,265	\$ -	\$ -	\$ -	\$ 11,265	
Accrued wages payable	-	-	14,930	-	-	-	14,930	
Accrued vacation payable	-	-	12,297	-	-	-	12,297	
Deferred revenue	33,823	-	-	-	-	-	33,823	
Due to other funds	-	75,136	-	-	-	-	75,136	
Total liabilities	\$ 33,823	\$ 75,136	\$ 38,492	\$ -	\$ -	\$ -	\$ 147,451	
FUND BALANCES								
Reserved								
Debt service payments	67,270	-	-	-	-	-	67,270	
Equipment replacement	-	-	-	-	-	472,362	472,362	
Unreserved	-	(39,803)	502,367	396,589	-	-	859,153	
Total fund balances	\$ 67,270	\$ (39,803)	\$ 502,367	\$ 396,589	\$ -	\$ 472,362	\$ 1,398,785	
Total liabilities and fund balances	\$ 101,093	\$ 35,333	\$ 540,859	\$ 396,589	\$ -	\$ 472,362	\$ 1,546,236	

CITY OF OLIVETTE, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						Capital
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	Projects Fund
Revenues							
Taxes	\$ 247,447	\$ 225,512	\$ 451,023	\$ 143,449	\$ 525,956	\$ -	\$ 1,593,387
Intergovernmental	-	-	-	-	-	-	-
Investment income	320	-	-	1,034	-	-	1,354
Total revenues	<u>247,767</u>	<u>225,512</u>	<u>451,023</u>	<u>144,483</u>	<u>525,956</u>	<u>-</u>	<u>1,594,741</u>
Expenditures							
Current							
Administrative	-	-	-	1,434	745,956	-	747,390
Public safety	-	149,603	-	-	-	-	149,603
Parks and recreation	-	-	375,815	-	-	-	375,815
Capital outlay	-	-	43,428	60,652	-	68,240	172,320
Debt service	-	-	-	-	-	-	-
Principal, interest and fiscal charges	304,730	31,667	-	-	-	-	336,397
Total general government	<u>304,730</u>	<u>181,270</u>	<u>419,243</u>	<u>62,086</u>	<u>745,956</u>	<u>68,240</u>	<u>1,781,525</u>
Total expenditures	304,730	181,270	419,243	62,086	745,956	68,240	1,781,525
Excess (deficiency) of revenues over expenditures	(56,963)	44,242	31,780	82,397	(220,000)	(68,240)	(186,784)
Other financing (uses)							
Transfers to (from)	-	-	(21,000)	(18,500)	220,000	-	180,500
Net change in fund balance	(56,963)	44,242	10,780	63,897	-	(68,240)	(6,284)
Fund balance, beginning of year	124,233	(84,045)	491,587	332,692	-	540,602	1,405,069
Fund balance, end of year	<u>\$ 67,270</u>	<u>\$ (39,803)</u>	<u>\$ 502,367</u>	<u>\$ 396,589</u>	<u>\$ -</u>	<u>\$ 472,362</u>	<u>\$ 1,398,785</u>

Federal Compliance Section



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the City Council
City of Olivette
Olivette, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for the City of Olivette as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Olivette'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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Olivette's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Olivette in a separate letter dated December 9, 2010

This report is intended for the information and use of the management, Members of the City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Fick, Eggemeyer, & Williamson, CPA's
St. Louis, Missouri

December 9, 2010

CITY OF OLIVETTE, MISSOURI
FOR THE YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditors' Results
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Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified _____ Yes X No

Reportable conditions identified that are _____ Yes X No
not considered to be material weaknesses

Noncompliance material to _____ Yes X No
financial statements noted?

Federal Awards - NA

Internal control over major programs:

Material weaknesses identified? _____ Yes _____ No

Reportable conditions identified that are _____ Yes _____ No
not considered to be material weaknesses

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be _____ Yes _____ No
reported in accordance with Circular A-133, Section .510(a)

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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None

Dollar threshold used to distinguish between
Type A and Type B programs: \$ 300,000

Auditee qualified as low risk auditee? _____ Yes _____ No

CITY OF OLIVETTE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Section II - Financial Statement Findings

There are no significant deficiencies to disclose.

Section III - Federal Award Findings

There are no federal award findings to disclose.

CITY OF OLIVETTE, MISSOURI
SCHEDULE OF RESOLUTION OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

There were no prior year audit findings.