City of Olivette, Missouri

Financial Statements

For The Year Ended June 30, 2012

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Fick, Eggemeyer & Williamson
Certified Public Accountants, PC

CPA
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, 2012, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, 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 October 17, 2012 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, 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 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 considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, i s required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer, Williamson, CPA's
St. Louis, Missouri
October 17, 2012

CITY OF OLIVETTE, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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, 2012. 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 2011-12.
- 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 and sustainable economic strength
- Maintenance of relatively healthy fund balances in the City's operating fund.
- Maintenance of an Aa2 bond rating on City of Olivette debt by Moody's Investors Service
- Continuation of an aggressive policy to collect special assessments due the City, resulting in a collection rate of 96%. (Note that the 2005 Neighborhood Improvement District Debt, supported by special assessments on affected properties, was liquidated in Fiscal Year 2011-12)

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 complying 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.
- 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 fund's are presented in their column and the remaining funds are combined into a column titled "Other Non-Major 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.

Basic Financial Statements (continued)

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

THE CITY AS A WHOLE

Government-wide Financial Analysis

The City's combined net assets were $7,762,378 as of June 30, 2012. 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

	June 30, 2012	June 30, 2011	Increase (Decrease)
Assets			
Current and other assets	$ 6,943,354	$ 6,935,322	$ 8,032
Capital assets, net	2,982,105	2,392,501	589,604
Total assets	9,925,459	9,327,823	597,636
Liabilities			
Current liabilities	1,801,885	1,363,479	438,406
Long-term liabilities	361,196	465,678	(104,482)
Total liabilities	2,163,081	1,829,157	333,924
Net assets			
Invested in capital assets	1,681,139	1,967,091	(285,952)
Restricted net assets	3,292,276	2,824,113	468,163
Unrestricted	2,788,963	2,707,462	81,501
Total net assets	$ 7,762,378	$ 7,498,666	$ 263,712

Governmental-wide Financial Analysis (continued)

Governmental activities increased the City's net assets by $263,712. The key elements of this increase for fiscal year ending June 30 are as follows:

Table 2

	2012	2011	(Decrease)
Revenues			
Program revenues			
Charges for services	$ 1,266,062	$ 1,221,029	$ 45,033
Capital grants & contributions	18,446	27,887	(9,441)
General revenues			
Taxes	7,629,029	7,796,262	(167,233)
Interest income	586	1,262	(676)
Transfers	568	807	(239)
Miscellaneous	107,998	103,506	4,492
Total revenues	9,022,689	9,150,753	(128,064)
Expenses			
Administrative	1,397,329	1,299,561	97,768
Public safety	4,929,810	4,612,351	317,459
Public works	1,481,698	1,626,064	(144,366)
Parks and recreation	878,789	876,306	2,483
Public health	49,902	44,954	4,948
Interest and fiscal charges	21,449	37,579	(16,130)
Total expenses	8,758,977	8,496,815	262,162
Change in net assets	263,712	653,938	(390,226)
Net assets, beginning of year	7,498,666	6,844,728	653,938
Net assets, end of year	$ 7,762,378	$ 7,498,666	$ 263,712

Total fiscal 2012 revenue shown in Table 2 of $9,022,689 reflects a decrease of $128,064 from fiscal 2011 revenues of $9,150,753. Disregarding any audit accruals, the General Fund revenues for the fiscal year ending June 30, 2012 were slightly up from last year's revenue. In fact all revenues in all funds were up at June 30, 2012. The City, however, as well as the Country continues to deal with the effects of the economic collapse from September of 2008. The revenue sources of concern are the City's sales taxes revenue, which is up 4.1% to 6.9% over budget regarding the various funds, as well as above last year's revenue. Natural Gas is down 11.1% from budget and down 7.9% from the previous year. AT&T/Telecommunications is up 6% over the budget and 1% above last year. Cable Franchise is 2% above budget and 1% down from last year. Investment Income is very little, if not non-existent. Investment Income in the General Fund was down 95% from the previous year. In addition, many other revenues also had a very good year.

Governmental-wide Financial Analysis (continued)

The fiscal 2012 expenses increased to $8,758,977 from $8,496,815 in fiscal 2011. These differences are attributable to the following:

The difference between actual expenditures ending FY 2012 and the previous year are due to the City increasing purchasing for needed capital items, such as three police vehicles, 2.5 ton dump truck and some park equipment. Although needs always arise for additional expenditures, the City still, based on the part of the City Council and City Management, continues 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.

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

	2012	2011	Increase (Decrease)	Percentage Change
General Fund:				
Taxes	$ 5,396,464	$ 5,552,255	$ (155,791)	-2.8%
Licenses and permits	363,820	352,141	11,679	3.3%
Fines and court costs	309,123	283,259	25,864	9.1%
Intergovernmental	18,446	27,887	(9,441)	-33.9%
Investment income	-	273	(273)	-100.0%
Charges for service	593,118	585,628	7,490	1.3%
Miscellaneous	107,998	103,506	4,492	4.3%
Total	$ 6,788,969	$ 6,904,949	$ (115,980)	-1.7%

Total General Fund revenue decreased from $6,904,949 to $6,788,969, a 1.7% decrease. As indicated above in Table 3, the City had decreased revenue from taxes of $155,791, which includes public utility licenses. Again, disregarding accruals, overall revenues are up approximately 10% over last year (2012–$9,994,346 and 2011-$9,045,811). As indicated earlier, areas of concern are Sales Taxes, Gasoline and Automobile Taxes, Motor Vehicle Sales Taxes, Permits and Fees and Investment Interest. Investment income was very little, if any. The other items mentioned above are directly tied to economic ups and downs as well as retail businesses. All of the above are easily affected by "Consumer Confidence". Therefore, when consumer confidence is low people buy less.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of the end of the fiscal year 2012, the City had $5,241,638 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 $945,211 or 22.0% over the prior fiscal year.

Table 4

	June 30, 2012	June 30, 2011	Increase (Decrease)
Land	$ 471,300	$ 471,300	$ -
Buildings and improvements	1,028,130	1,028,130	-
Infrastructure	974,137	-	974,137
Equipment	1,248,664	1,262,805	(14,141)
Vehicles	1,519,407	1,534,192	(14,785)
Total	$ 5,241,638	$ 4,296,427	$ 945,211

The most significant addition to capital assets this year was Dielman Industrial Park improvements.

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, 2012, the City had $0 in outstanding Neighborhood Improvement District bonds. In March of 2012 the City paid the last debt and interest. The City also has retained its bond rating of Aa2 from Moody's Investor Service in regards to the Dielman Industrial Park Reconstruction Project and added $974,137 to its Infrastructure assets in 2012. The City also acquired two fire trucks and a phone system with leases during prior fiscal years and continues to pay annually on the leases. As of June 30, 2012, capital leases outstanding totaled $300,966. More detailed information on the City's long-term liabilities is presented in note 10 to the financial statements.

THE CITY'S FUNDS

At the close of the City's fiscal year on June 30, 2012, the governmental funds of the City reported a combined fund balance of $6,152,968. This ending balance includes an increase in the City's General Fund balance of $217,365. Total fund balance increased by $523,173.

General Fund Budgetary Highlights

For the fiscal year ending June 30, 2012, actual revenues on a budgetary basis were $6,788,969 compared to the budget amount of $6,776,970. The $11,999 difference in revenues was primarily due to revenues as discussed on page 5, Table 2 discussion. For the fiscal year ended June 30, 2012 actual expenditures on a budgetary basis were $6,611,672 as compared to the budget amount of $6,772,976. The $161,304 in expenditures under the budget amount is not only due to what was previously discussed in the MD&A, but the City continues to keep strong controls over expenditures such as requiring quotes for common equipment items $200 or more, including purchase orders.

ECONOMIC FACTORS AND IMPACT ON CURRENT AND FUTURE FISCAL PROJECTS

Continuing international, national, and regional economic dislocations, the most severe since the Great Depression; combined with the sluggish performance of the regional economy and persistent high unemployment, 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.

Despite significant efforts by City officials to exercise fiscal and expenditure discipline and restraint, several primary revenue sources for the City of Olivette will continue to be impacted by the continuing economic downturn for the foreseeable future.. Recent claims by economists and government officials that the 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. This pattern is reflected most graphically in the area of real estate valuations. 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, requiring an exploration of innovative approaches and a rejection of business as usual by local government officials.

Another significant impact is that the City's ambitious long-range redevelopment goals and other development opportunities have been delayed due to lack of interest or capacity from the development community, lack of realistic financing sources for new development, and the persistent caution of developers and lenders in pursuing new development or expansion in the uncertain economic climate. This redevelopment lull has provided a unique opportunity for the City of Olivette to reevaluate its redevelopment goals and priorities and to pursue an innovative an unprecedented joint redevelopment program with the neighboring community of University City where the cities meet at Interstate 170.

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

- Continuing contraction in overall property tax revenues due to shrinking levels of assessed valuation for residential and commercial real property. Even though the revenue impact of this factor is somewhat mitigated by the provisions of Missouri's "Hancock Amendment," the City continues to tread water for revenue growth from this source. In addition, continuing actions by the Missouri General Assembly adversely impact local governments and schools districts in their ability to meet increasing demands and expectations for services and governance on the local level.
- Strong fiscal pressure for increased City contributions to the City's defined benefit pension plan due to the lingering effects of significant investment losses in 2008-09, the continuing uneven performance of the investment markets, and the aging of the City workforce leading to future imminent retirements.
- Increasing cost pressures for personnel services and employee compensation, 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 primarily dependent on sales tax.
- Lowered gross receipts and sluggish business patterns for Olivette businesses and industries with a persistent unfavorable vacancy rate for retail and commercial businesses.

- 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 interest on the state level and some are due to the state of the national economy, as well as caution by local taxpayers on all levels.
- 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 creating of a unique urban village concept that builds on the strengths of both communities.
- Continuing sluggish performance in the overall construction industry, including construction of new residences, renovation of existing residences, oversupply of housing inventory, a contracting housing market, and increased underwriting standards for mortgages and loans for commercial expansion.
- Increasing pressures to expand and renovate the City of Olivette facilities to meet public expectations for modern, up to date facilities, meet service delivery requirements and expectations, and provide adequate public amenities and assembly space for the future. These pressures exist in an environment of persistent difficulty in marketing and selling municipal tax exempt debt in the current economic environment as well as public resistance to support public debt and the resulting tax increases.
- Deferral of essential upgrades and renewals of the City's infrastructure base due to lack of capital resources
- Ability to attract and retain new talent to fill critical direct service delivery and support positions in an increasingly competitive public sector market in the metropolitan area

These specific factors, combined with the continuing depressed national and regional economy, require careful and consistent monitoring of general fiscal indicators and conditions, caution in matching available resources to spending needs, and establishment of clear and consistent priorities for essential service delivery as well as new initiatives. The City has been able to maintain essential services without major contractions over the last few years due to careful and prudent 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 officials of the City of Olivette recognize the pervasive adverse impact that the continuing national economic recession 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. It is recommended that City officials establish a plan over the next year for a frank dialogue with the citizens of Olivette about this uncertain future to explore reasonable alternatives and establish firm priorities to continue and enhance the long range fiscal viability of the City.

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, 2012

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 6,121,004
Taxes receivable	
Property	119,678
Other	648,814
Accounts receivable	14,772
Inventory	24,555
Net pension assets	14,531
Total current assets	6,943,354
Noncurrent assets	
Capital assets, net of depreciation	2,982,105
Total noncurrent assets	2,982,105
TOTAL ASSETS	$ 9,925,459
LIABILITIES	
Current liabilities	
Accounts payable	$ 99,673
Accrued wages	199,096
Accrued vacation payable	289,357
Court bonds payable	11,370
Other liabilities	18,322
Interest payable	6,009
Current portion of long-term liabilities	1,178,058
Total current liabilities	1,801,885
Noncurrent liabilities	
Accrued sick leave	181,931
Capital leases payable	179,265
Total noncurrent liabilities	361,196
TOTAL LIABILITIES	$ 2,163,081
NET ASSETS	
Investment in capital assets, net of related debt	$ 1,681,139
Restricted net assets	3,292,276
Unrestricted net assets	2,788,963
TOTAL NET ASSETS	$ 7,762,378

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, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary government:					
Governmental activities:					
Administrative	$ 1,397,329	$ 261,647	$ -	$ -	$ (1,135,682)
Public safety	4,929,810	471,659	-	-	(4,458,151)
Public works	1,481,698	149,033	-	-	(1,332,665)
Parks and recreation	878,789	383,723	-	18,446	(476,620)
Public health	49,902	-	-	-	(49,902)
Interest and fiscal charges	21,449	-	-	-	(21,449)
Total governmental activities	$ 8,758,977	$ 1,266,062	$ -	$ 18,446	(7,474,469)

General revenues:	
Taxes:	
Sales	2,192,833
Utility	2,291,890
Property	2,471,773
Franchise	71,960
Other	600,573
Interest income	586
Transfers	568
Other miscellaneous revenue	107,998
Total general revenues and transfers	7,738,181
Changes in net assets	263,712
Net assets - beginning	7,498,666
Net assets - ending	$ 7,762,378

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

CITY OF OLIVETTE, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Capital Improvement Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 2,859,308	$ 1,617,601	$ 1,644,095	$ 6,121,004
Taxes receivable				
Property	92,454	27,224	-	119,678
Other	453,973	56,599	138,242	648,814
Accounts receivable	14,772	-	-	14,772
Due from other funds	186,308	-	347	186,655
Inventory	24,555	-	-	24,555
Total assets	$ 3,631,370	$ 1,701,424	$ 1,782,684	$ 7,115,478
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 47,575	$ 45,925	$ 6,173	$ 99,673
Accrued wages	177,213	7,905	13,978	199,096
Accrued vacation payable	261,042	13,576	14,739	289,357
Court bonds payable	11,370	-	-	11,370
Other liabilities	18,322	-	-	18,322
Deferred revenue	92,454	27,224	38,359	158,037
Due to other funds	347	-	186,308	186,655
Total liabilities	608,323	94,630	259,557	962,510
FUND BALANCES				
Nonspendable	24,555	-	-	24,555
Restricted	-	1,606,794	1,685,482	3,292,276
Unassigned	2,998,492	-	(162,355)	2,836,137
Total fund balances	3,023,047	1,606,794	1,523,127	6,152,968
Total liabilities and fund balances	$ 3,631,370	$ 1,701,424	$ 1,782,684	$ 7,115,478

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, 2012

Total fund balance - governmental funds		$ 6,152,968
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 $5,266,869 and the accumulated depreciation is $2,284,764.		2,982,105
Net pension assets are not current financial resources and, therefore are not reported in the funds.		14,531
Receivables not collected in the current period are not available to pay current expenditures and, therefore are deferred in the funds.		158,037
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	(238,288)	
Capital leases payable	(300,966)	
Loans payable	(1,000,000)	
Accrued interest on outstanding debts	(6,009)	(1,545,263)
Net assets of governmental activities		$ 7,762,378

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, 2012

Revenues:	General Fund	Capital Improvement Fund	Other Nonmajor Funds	Total Governmental Funds
Taxes	$ 5,396,464	$ 368,108	$ 1,626,951	$ 7,391,523
Licenses and permits	363,820	-	-	363,820
Fines and court costs	309,123	-	-	309,123
Intergovernmental	18,446	-	-	18,446
Investment income	-	-	586	586
Charges for service	593,118	-	-	593,118
Miscellaneous	107,998	242,755	-	350,753
Total revenues	6,788,969	610,863	1,627,537	9,027,369
Expenditures:				
Current				
Administrative	795,793	-	543,314	1,339,107
Public safety	4,354,140	-	221,159	4,575,299
Public works	849,980	394,225	-	1,244,205
Parks and recreation	463,328	-	299,630	762,958
Public health	49,902	-	-	49,902
Capital outlay	19,188	932,588	180,171	1,131,947
Debt service				
Principal, interest and fiscal charges	79,341	31,667	224,844	335,852
Total expenditures	6,611,672	1,358,480	1,469,118	9,439,270
Excess (deficiency) of revenue over expenditures	177,297	(747,617)	158,419	(411,901)
Other financing sources (uses)				
Debt proceeds	-	934,506	-	934,506
Transfers between funds	40,068	-	(39,500)	568
Net other sources and uses of financial resources	40,068	934,506	(39,500)	935,074
Net change in fund balances	217,365	186,889	118,919	523,173
Fund balances - beginning	2,805,682	1,419,905	1,404,208	5,629,795
Fund balances - ending	$ 3,023,047	$ 1,606,794	$ 1,523,127	$ 6,152,968

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, 2012

Net change in fund balances - total governmental funds		$ 523,173
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		(5,248)
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	920,867	
Depreciation expense	(295,808)	625,059
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:		
Borrowing:		
Notes payable	(934,507)	(934,507)
Repayments:		
Bond payable	185,000	
Capital lease payable	124,444	309,444
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	4,959	
Change in accrued compensated absences and net pension obligation	(223,713)	(218,754)
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		(35,455)
Change in net assets of governmental activities		$ 263,712

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

CITY OF OLIVETTE, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2011 AND JUNE 30, 2012

	December 31, 2011 Pension Trust Fund	June 30, 2012 Agency Fund
ASSETS		
Cash	$ 287,378	$ 173,524
Investments, at fair value	15,450,013	-
Total assets	$ 15,737,391	$ 173,524
LIABILITIES		
Deposits held	$ -	$ 173,524
Total liabilities	-	173,524
FUND BALANCES		
Held in trust for pension benefits and other purposes	15,737,391	-
Total fund balance	15,737,391	-
Total liabilities and fund balance	$ 15,737,391	$ 173,524

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, 2011

Additions		
Employer contributions	$	550,099
Employee contributions		145,814
Investment return		206,336
Total additions		902,249
Deductions		
Retirement benefits		1,458,564
Administrative expenses		1,600
Total deductions		1,460,164
Change in net assets		(557,915)
Net assets held in trust for pension benefits		
Net assets - beginning of year		16,295,306
Net assets - end of year	$	15,737,391

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

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.

In 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition,*. The implementation of GASB Statement No. 54 changed fund balance reporting for governmental funds by adding some additional fund balance classifications, clarifying governmental fund type definitions, and providing additional disclosures on how fund balance constraints are imposed and may be modified or eliminated.

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 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.

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 Improvement 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.

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.

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:

Assets	Years
Building and improvements	20-40
Infrastructure	25
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.

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.

Governmental Fund Balances

Fund Balance is the difference between assets and liabilities in a Governmental Fund. The following types of fund balances may be presented in the Governmental Funds Balance Sheet and Governmental Funds Combining Schedule of Accounts:

Nonspendable - the portion of a Governmental Fund's net assets that are not available to be spent, either short term or long term, in either form or through legal restrictions. The nonspendable fund balance reported in the General Fund is for inventory.

Restricted - the portion of a Governmental Fund's net assets that are subject to external enforceable legal restrictions. The following account's fund balances are restricted by City ordinance, tax authority or grant agreements: Capital Projects, Neighborhood Improvement District, Local Parks/Storm Water and Equipment Replacement.

Unassigned - available expendable financial resources in a governmental fund that are not designated for a specific purpose. The following accounts comprise the unassigned fund balance: General and Fire Operations.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal contracts that prohibit doing this.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Investment in capital assets represents the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The City utilizes restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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, 2012, were entirely covered by federal depository insurance or collateral in accordance with Missouri Statutes.

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 requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City also invests operating funds primarily in short-term securities. No information about the sensitivity of the fair values of the City's 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.

Note 3 - INVESTMENTS (continued)

Concentration of Credit Risk - The City places no limit on the amount that it may invest in any one issuer. The City has investments in certain mutual funds that exceed 5% of the total investments. Those concentrations are as follows:

Principal Financial Advisors - Total Market Stock Index	$ 1,624,758
TS&W - LargeCap Value I	1,715,329
Columbus Circle Investors - LargeCap Growth	1,718,460
PIMCO - Core Plus Bond I	3,818,935
Principal Global Investors - Bond and Mortgage	1,329,972
Principal Real Estate - U.S. Property Separate	1,387,026

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.

Note 4 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2- Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement

Note 4 - FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012.

Mutual funds: Valued at the net asset value of shares held by the City at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 15,450,013	$ -	$ -	$ 15,450,013
Total at fair value	$ 15,450,013	$ -	$ -	$ 15,450,013

Note 5 - 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 2012 for purposes of local taxation was $237,954,993.

The tax levy per $100 of the assessed valuation of tangible taxable property for the calendar year 2011 for purposes of local taxation was:

	Real Estate		Personal
	Residential	Commercial	Property
General Fund	$ 0.6360	$ 0.6990	$ 0.7710
Pension Fund	0.2160	0.2380	0.2500
Road and Bridge	0.1050	0.1050	0.1050

Note 6 - DEFICIT FUND BALANCE

The special revenue Fire Operation Fund had a deficit fund balance of $162,335 at June 30, 2012. The deficit is the result of timing of tax receipts and expenditures.

Note 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from other funds at June 30, 2012 are as follows:

	DUE FROM	DUE TO
General Fund	$ 185,961	$ -
Sewer Lateral Fund	348	-
Fire Operations Fund	-	186,309

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, 2012 are as follows:

	TRANSFER IN	TRANSFER OUT
General Fund	$ 40,068	$ -
Sewer Lateral Fund	-	18,500
Local Parks/Storm Water Fund	-	21,000
Agency Escrow Fund	-	568

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

Note 8 - 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 $206,226 for the fiscal year ending June 30, 2012.

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 9 - CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2012 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Land	$ 471,300	$ -	$ -	$ 471,300
Construction in progress	235,611	763,757	974,137	25,231
Total capital assets not being depreciated	706,911	763,757	974,137	496,531
Capital assets being depreciated:				
Buildings and improvements	1,028,130	-	-	1,028,130
Infrastructure	-	974,137	-	974,137
Equipment	1,262,805	27,335	41,476	1,248,664
Vehicles	1,534,192	129,775	144,560	1,519,407
Total capital assets being depreciated	3,825,127	1,131,247	186,036	4,770,338
Less accumulated depreciation for:				
Buildings and improvements	616,989	37,968	-	654,957
Infrastructure	-	19,483	-	19,483
Equipment	890,687	97,362	40,431	947,618
Vehicles	631,861	140,995	110,150	662,706
Total accumulated depreciation	2,139,537	295,808	150,581	2,284,764
Total net capital assets being depreciated	1,685,590	835,439	35,455	2,485,574
Governmental activity capital assets, net	$ 2,392,501	$ 1,599,196	$ 1,009,592	$ 2,982,105

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

	Year Ended June 30, 2012
Governmental activities:	
Administrative	$ 36,370
Public safety	130,385
Public works	60,173
Parks and recreation	68,880
Total	$ 295,808

Note 10 - LONG-TERM LIABILITIES

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

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
Governmental activities:					
Neighborhood Improvement District Refunding Bonds	$ 185,000	$ -	$(185,000)	$ -	$ -
Capital leases	425,410	-	(124,444)	300,966	121,701
Notes payable	65,493	934,507	-	1,000,000	1,000,000
Accrued sick leave	218,207	20,081	-	238,288	56,357
	$ 894,110	$ 954,588	$(309,444)	$ 1,539,254	$ 1,178,058

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.

As of December 31, 2012 the Neighborhood Improvement District Refunding Bonds have been paid in full.

Note Payable

In March 2012, the City entered into a construction loan agreement with Royal Banks of Missouri for $1,000,000. The loan was to refinance the Dielman Industrial Park construction project loan. The loan carries interest at 3.6% and matures March 15, 2013. At June 30, 2012, the loan balance was $1,000,000.

Note 10 - LONG-TERM LIABILITIES (continued)

Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of two fire trucks, a phone system and an ambulance. The balances as of June 30, 2012 are as follows:

SunTrust Leasing Corporation Fire Trucks Interest rate - 4.322% Maturity - August 2014 Annual payments of $63,334, which includes principal and interest	$ 176,193
King Commerical, Inc. Phone system Interest rate - 8.555% Maturity - April 2013 Monthly payments of $1,441, which includes principal and interest	7,960
Commerce Bank Ambulance Interest rate - 3.706% Maturity - May 2014 Annual payments of $62,047, which includes principal and interest	116,813
Total	$ 300,966

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

For the Years Ended June 30,	Principal	Interest	Total
2013	$ 121,701	$ 11,832	$ 133,533
2014	118,290	7,091	125,381
2015	60,975	2,360	63,335
Total	$ 300,966	$ 21,283	$ 322,249

Assets acquired through capital leases are as follows:

Vehicles	$ 789,090
Equipment	120,757
Less accumulated depreciation	(326,622)
	$ 583,225

Note 11 - DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Olivette Salaried Employees Pension Plan is a single-employer defined benefit pension plan controlled by the 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:

Group	December 31, 2011
Retirees and beneficiaries currently receiving benefits	54
Vested terminated employees not yet receiving benefits	16
Active employees	46

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.

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, 2011 were $695,913, which consisted of $550,099 from the City and $145,814 from employees. The actuarially required contribution was $746,869 for the Plan year, which represented 28% of covered payroll.

Note 11 - DEFINED BENEFIT PENSION PLAN (continued)

Schedule of Employer Contributions

For the Years Ended December 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2011	$ 746,869	$ 550,099	73.7%
2010	841,972	678,723	80.6%
2009	937,182	452,710	48.3%

The actuarial accrued liability was determined as part of an actuarial valuation at January 1, 2012, 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	4.50%

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

Three-Year Trend Information

Calendar Year Ending	Annual Pension Cost (APC)	Annual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2011	$ 753,730	$ 550,099	73.0%	$ (14,531)
2010	854,578	550,099	64.4%	(218,162)
2009	984,649	452,710	46.0%	(394,017)

Note 12 - 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.

Note 12 - OTHER POST EMPLOYMENT BENEFITS (continued)

At June 30, 2012, the date of the last actuarial valuation, the Plan covered the following number of participants for medical coverage:

Active participants	65
Retirees and beneficiaries currently receiving benefits	10
Total plan participants	73

At June 30, 2012, the date of the last actuarial valuation, the Plan covered the following number of participants for dental coverage:

Active participants	65
Retirees and beneficiaries currently receiving benefits	22
Total plan participants	87

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 2000 Group Annuity Mortality Table.

Trend Information - Other Post Employment Benefits

Fiscal year Ending	Annual OPEB Cost	Percentage of APC Contributed	Net OPEB Obligation
6/30/2012	$ 70,860	63.2%	$ (104,715)
6/30/2011	22,502	57.8%	(73,737)
2/28/2011	65,577	53.4%	(64,509)

Funding Status and Funding Progress - As of June 30, 2012, the most recent actuarial valuation available, the plan was 0 percent funded. The actuarial accrued liability for benefits was $715,939, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $715,939. The covered payroll (annual payroll of active employees covered by the plan) was $2,655,603, and the ratio of the UAAL to the covered payroll was 27.0 percent.

Note 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 17, 2012, the date which the financial statements were available for issue.

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, 2012

	Budgeted Amounts			
	Original	Final	Actual	Variance Positive (Negative)
REVENUES				
Taxes	$ 5,422,350	$ 5,422,350	$ 5,396,464	$ (25,886)
Licenses and permits	382,300	382,300	363,820	(18,480)
Fines and court costs	297,000	297,000	309,123	12,123
Intergovernmental	20,000	20,000	18,446	(1,554)
Investment income	500	500	-	(500)
Charges for service	599,620	599,620	593,118	(6,502)
Miscellaneous	55,200	55,200	107,998	52,798
Total revenues	6,776,970	6,776,970	6,788,969	11,999
EXPENDITURES				
Current				
Administrative	793,384	793,384	795,793	(2,409)
Public safety	4,505,089	4,505,089	4,354,140	150,949
Public works	872,544	872,544	849,980	22,564
Parks and recreation	468,618	468,618	463,328	5,290
Public health	49,118	49,118	49,902	(784)
Capital outlay	22,175	22,175	19,188	2,987
Debt service				
Principal, interest and fiscal charges	62,048	62,048	79,341	(17,293)
Total expenditures	6,772,976	6,772,976	6,611,672	161,304
Excess (deficiency) of revenues over expenditures	3,994	3,994	177,297	173,303
Other financing (uses)				
Transfers to (from)	41,000	41,000	40,068	(932)
Net change in fund balance	$ 44,994	$ 44,994	217,365	$ 172,371
Fund balance, beginning of year			2,805,682	
Fund balance, end of year			$ 3,023,047	

CITY OF OLIVETTE, MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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 Budget
General Fund:			
Administration	795,793	793,384	2,409
Public Health	49,902	49,118	784
Debt service	79,341	62,048	17,293

CITY OF OLIVETTE, MISSOURI
PENSION TRUST
FOR THE YEAR ENDED JUNE 30, 2012
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))
1/1/2011	15,737,391	22,846,063	*	7,108,672	68.9%	2,655,603	267.7%
1/1/2011	16,295,306	22,846,748	*	6,551,442	71.3%	2,741,672	239.0%
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%

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

OTHER POST EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2012
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))
7/1/2012	-	715,939	715,939	0.00%	2,655,603	27.0%
3/1/2011	-	697,388	697,388	0.00%	3,052,640	22.8%
3/1/2010	-	651,244	651,244	0.00%	3,052,640	21.3%

Supplementary Information

CITY OF OLIVETTE, MISSOURI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds					Capital Projects Fund	
	Fire Operations Fund	Neighborhood Improvement District Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	Total
ASSETS							
Cash and cash equivalents	$ -	$ 149,624	$ 622,933	$ 500,226	$ -	$ 371,312	$ 1,644,095
Other taxes receivable	33,295	38,359	66,588	-	-	-	138,242
Due from other funds	-	-	-	347	-	-	347
Total assets	$ 33,295	$ 187,983	$ 689,521	$ 500,573	$ -	$ 371,312	$ 1,782,684
LIABILITIES							
Accounts payable	$ -	$ -	$ 6,173	$ -	$ -	$ -	$ 6,173
Accrued wages payable	6,732	-	7,246	-	-	-	13,978
Accrued vacation payable	2,610	-	12,129	-	-	-	14,739
Deferred revenue	-	38,359	-	-	-	-	38,359
Due to other funds	186,308	-	-	-	-	-	186,308
Total liabilities	195,650	38,359	25,548	-	-	-	259,557
FUND BALANCES							
Restricted	-	149,624	663,973	500,573	-	371,312	1,685,482
Unassigned	(162,355)	-	-	-	-	-	(162,355)
Total fund balances	(162,355)	149,624	663,973	500,573	-	371,312	1,523,127
Total liabilities and fund balances	$ 33,295	$ 187,983	$ 689,521	$ 500,573	$ -	$ 371,312	$ 1,782,684

CITY OF OLIVETTE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds					Capital Projects Fund	
	Fire Operations Fund	Neighborhood Improvement District Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	Total
Revenues							
Taxes	$ 216,518	$ 298,738	$ 432,977	$ 136,765	$ 541,953	$ -	$ 1,626,951
Investment income	-	103	-	483	-	-	586
Total revenues	216,518	298,841	432,977	137,248	541,953	-	1,627,537
Expenditures							
Current							
Administrative	-	-	-	1,361	541,953	-	543,314
Public safety	221,159	-	-	-	-	-	221,159
Parks and recreation	-	-	299,630	-	-	-	299,630
Capital outlay	-	-	39,089	46,367	-	94,715	180,171
Debt service							
Principal, interest and fiscal charges	31,667	193,177	-	-	-	-	224,844
Total general government	252,826	193,177	338,719	47,728	541,953	94,715	1,469,118
Total expenditures	252,826	193,177	338,719	47,728	541,953	94,715	1,469,118
Excess (deficiency) of revenues over expenditures	(36,308)	105,664	94,258	89,520	-	(94,715)	158,419
Other financing (uses)							
Transfers to (from)	-	-	(21,000)	(18,500)	-	-	(39,500)
Net change in fund balance	(36,308)	105,664	73,258	71,020	-	(94,715)	118,919
Fund balance, beginning of year	(126,047)	43,960	590,715	429,553	-	466,027	1,404,208
Fund balance, end of year	$ (162,355)	$ 149,624	$ 663,973	$ 500,573	$ -	$ 371,312	$ 1,523,127

Federal Compliance Section

Fick, Eggemeyer & Williamson
Certified Public Accountants, PC

CPA
MEMBERS OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Alderman
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, Missouri as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 17, 2012. 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

Management of the City of Olivette, Missouri is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 first paragraph of this section and was not designed to identify all deficiencies in 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Olivette, Missouri'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 October 17, 2012

This report is intended for the information and use of the management, City Council, 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

Fick, Eggemeyer, & Williamson, CPA's
St. Louis, Missouri
October 17, 2012

CITY OF OLIVETTE, MISSOURI
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified	_____ Yes	X No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	X No
Noncompliance material to financial statements noted?	_____ Yes	X No

Federal Awards - N/A

Internal control over major programs:

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

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

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

Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster

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, 2012

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, 2012

Summary Schedule of Prior Audit Findings

Prior finding number	Condition	Current Status
11-1	Insufficient controls over financial statement preparation	Corrected