

***CITY OF OLIVETTE, MISSOURI***

***FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014***

# ***CITY OF OLIVETTE, MISSOURI***

## **CONTENTS**

	<b>PAGE</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement Of Net Position	11
Statement Of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation Of The Statement Of Net Assets Of Governmental Funds To The Balance Sheet	14
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - All Governmental Fund Types	15
Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities	16
Statement Of Fiduciary Net Position	17
Statement Of Changes In Fiduciary Net Position - Pension Trust Fund	18
Notes To Financial Statements	19
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule - General Fund	36
Notes To Required Supplementary Information	37
Schedules Of Funding Progress	38
<b>SUPPLEMENTARY INFORMATION:</b>	
Combining balance Sheet - Nonmajor Governmental Funds	40
Combining Statement Of Revenues, Expenditures And Changes In Fund Balances - Nonmajor Governmental Funds	41

## INDEPENDENT AUDITORS' REPORT



The Honorable Mayor and Members of the City Council  
*CITY OF OLIVETTE, MISSOURI*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Olivette, Missouri, as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Olivette, Missouri, as of June 30, 2014, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

## ***Other-Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information and Schedules of Funding Progress on pages 3 through 9 and 35 through 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 of Olivette, Missouri's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

  
December 5, 2014

**CITY OF OLIVETTE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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, 2014. It is intended to serve as an introduction to the government-wide statements, fund statements, and notes and should be read in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Major revenue streams continuing to show stability and improvement throughout all funds. Combined with expenditure control, this has led to a \$376,946 increase in General Fund balance and an increase of \$303,292 in government-wide net position.
- Assignment of Aa2 rating by Moody's in relation to the Series 2014 General Obligation Bonds in October 2014.
- General Fund has cash reserves to cover five months of city operating expenditures
- Nearing completion of ownership of all public safety vehicles

**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 zoning, municipal courts and general government administration. The City currently does not have any business-type activities. All activities are consolidated within the government-wide statements and reported on the accrual basis of accounting. Therefore they appear similar to private sector reporting. The government-wide statements can offer a broad perspective of the City's overall financial condition with positive or negative indicators over time.

**Basic Financial Statements**

- The Statement of Net Position focuses on resources available for future operations according to the accrual basis of accounting. This statement presents a snap-shot view of the assets the City holds in addition a listing of the liabilities it owes with the net difference representing net position. The net position is further separated into amounts restricted for specific purposes and unrestricted amounts. Within the Statement of Net Position capital assets are reported net of accumulated depreciation along with liabilities such as long term debt, vacation and sick accrual, and actuarially determined liabilities.
- The Statement of Activities focuses on the costs of City programs and the extent to which such programs rely upon general tax and other revenues. This statement provides a summary analysis to determine the extent to which programs are subsidized by general revenues opposed to self-supporting.
- The fund financial statements focus on major governmental funds with each of the City's major governmental fund's presentation in separate columns. All governmental funds are each a self-balancing set of accounts with statements that follow the modified accrual basis of accounting. Funds determined to be non-major are combined into a column titled "Other Non-Major Funds" and presented as other supplementary information. A budgetary comparison for each fund determined to be "major" is presented as required supplementary information.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide essential information to assist the reader in understanding the City's financial condition.
- The City also reports fiduciary funds which are not reported in the government-wide financial statements because the resources contained within these funds are not available to support the City's programs.

## THE CITY AS A WHOLE

### Government-wide Financial Analysis

The City's combined net position were \$9,456,398 as of June 30, 2014. This analysis focuses on the net position (table 1) and changes in general revenues (table 2) and significant expenses of the City's governmental activities.

The City's net position 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 and due to their nature, are not available for future spending.

**Table 1**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
Current and other assets	\$ 8,781,702	\$ 8,482,969	\$ 298,733
Capital assets, net	3,030,974	2,875,797	155,177
Total assets	<u>11,812,676</u>	<u>11,358,766</u>	<u>453,910</u>
<b>Liabilities</b>			
Current liabilities	1,322,589	1,112,090	210,499
Long-term liabilities	<u>1,033,689</u>	<u>962,704</u>	<u>70,985</u>
Total liabilities	<u>2,356,278</u>	<u>2,074,794</u>	<u>281,484</u>
<b>Net assets</b>			
Net investment in capital assets	2,970,264	2,697,098	273,166
Restricted net assets	4,142,621	4,239,765	(97,144)
Unrestricted	<u>2,343,513</u>	<u>2,347,109</u>	<u>(3,596)</u>
Total net postion	<u>\$ 9,456,398</u>	<u>\$ 9,283,972</u>	<u>\$ 172,426</u>

Governmental activities increased the City's net position by \$303,292. The key elements of this increase for fiscal year ending June 30 are as follows:

**Governmental-wide Financial Analysis** (continued)

**Table 2**

	<b>2014</b>	<b>2013</b>	<b>Increase (Decrease)</b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 1,359,048	\$ 1,349,618	\$ 9,430
Capital grants & contributions	71,323	95,470	(24,147)
General revenues			
Taxes	7,959,558	8,853,774	(894,216)
Interest income	357	513	(156)
Miscellaneous	146,190	110,433	35,233
Total revenues	<u>9,536,476</u>	<u>10,410,332</u>	<u>(873,856)</u>
<b>Expenses</b>			
Administrative	1,593,493	1,359,463	234,030
Public safety	5,165,468	5,089,952	75,516
Public works	1,496,657	1,415,929	80,728
Parks and recreation	903,999	885,062	18,937
Public health	47,431	45,463	1,968
Interest and fiscal charges	26,136	104,171	(78,035)
Total expenses	<u>9,233,184</u>	<u>8,900,040</u>	<u>333,144</u>
<b>Change in net position</b>	303,292	1,510,292	(1,207,000)
Net position, beginning of year	9,283,972	7,762,378	1,521,594
Prior period adjustment	(130,866)	11,302	(142,168)
<b>Net position, end of year</b>	<u>\$ 9,456,398</u>	<u>\$ 9,283,972</u>	<u>\$ 172,426</u>

Total fiscal 2014 revenue shown in Table 2 of \$9,536,476 reflects a decrease of \$873,856 from fiscal 2013 revenues of \$10,410,332. Government wide, sales taxes and franchise taxes increased during the year ended June 30, 2014 while utility taxes decreased slightly. Most notable is the decrease in property taxes which decreased from \$3,382,700 to \$2,621,565 for the years ended June 30, 2013 and 2014, respectively. This decrease, 22% from the previous year and the decrease of 61% in other income line, are attributable the one-time increases with the Dielman NID in the previous year.

The fiscal year 2014 expenses increased to \$9,233,184 from \$8,900,040 in fiscal year 2013, an increase of 3.7%. While all departments continue to look for extra places to cut expenses and maintain maximum efficiency, personnel costs are the major factor for increases in expenditures. Interest and fiscal charges decreased due to costs associated with the issuance of the Dielman NID bonds in 2013.

## Governmental Funds

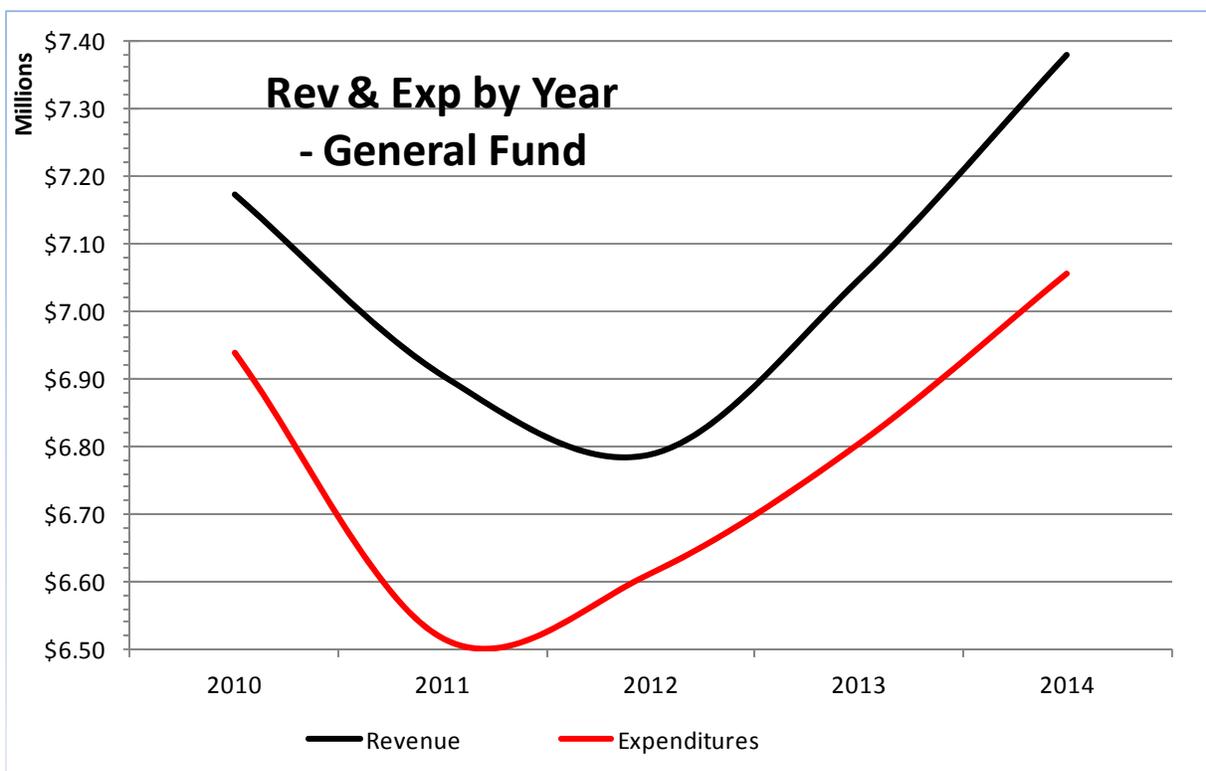
The following table presents the amount of revenues from various sources on the modified accrual basis of accounting for the fiscal year ending June 30.

**Table 3**

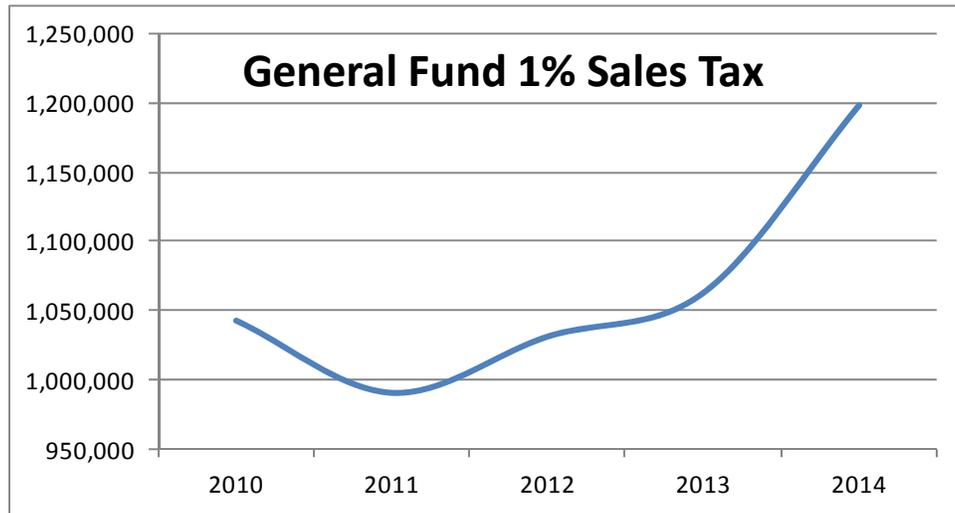
	2014	2013	Increase (Decrease)	Percentage Change
<b>General Fund:</b>				
Taxes	\$ 5,777,851	\$ 5,582,401	\$ 195,450	3.5%
Licenses and permits	419,501	428,041	(8,540)	(2.0)%
Fines and court costs	282,012	283,289	(1,277)	(0.5)%
Intergovernmental	71,323	28,001	43,322	154.7%
Charges for service	657,535	638,288	19,247	3.0%
Miscellaneous	169,244	86,282	82,962	96.2%
<b>Total</b>	<b>\$ 7,377,466</b>	<b>7,046,302</b>	<b>\$ 331,164</b>	<b>4.7%</b>

Total General Fund revenue increased 4.7% over the past year with revenue from taxes providing the majority of the increase from sales taxes. Intergovernmental revenues increased due to the increase in grants activity reflecting a new focus by current administration and miscellaneous revenue increased due to surplus payments from our consortium memberships and an unseasonably harsh winter which led to increased snow removal collections from non-city owned streets. Overall, sales taxes buoyed the general fund revenues with other increases coming unpredictable revenue sources in grants and miscellaneous items.

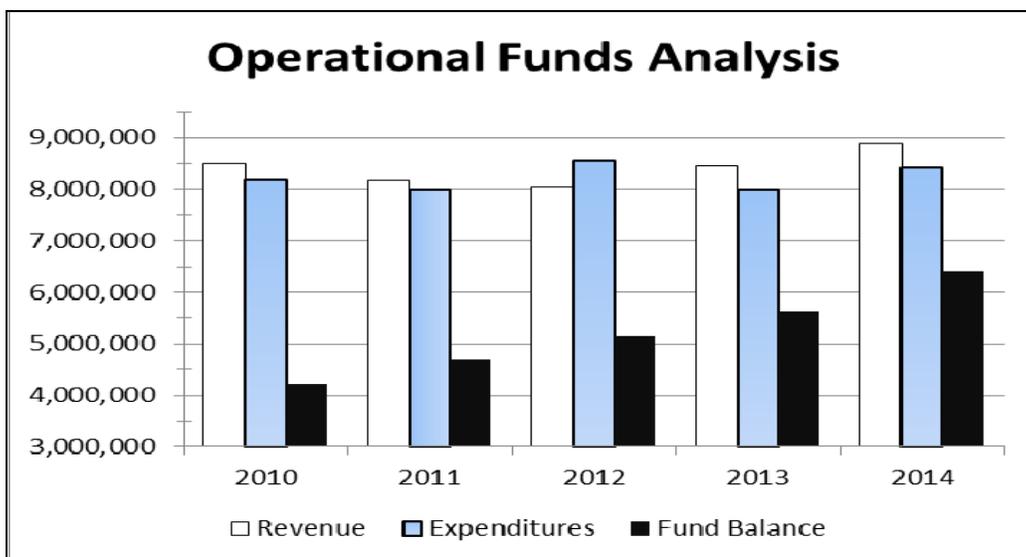
The chart below illustrates the recovering revenues in the general fund over the past three years after the previous recessionary dip. It also shows the expenditure cuts to match the decreasing revenue and then corresponding increases upon recovery of revenues.



The chart below provides a look at the recovery of sales tax using the city-wide 1% sales tax as an example as our largest single sales tax revenue source. While this tax is contained within the general fund, the capital improvement, fire operations, and stormwater/parks fund are funded almost exclusively by sales taxes and the revenue growth in those funds mirrors this chart. Sales tax growth has been boosted by a combination of long-term businesses enjoying increased sales as well as the opening of several outlets along the Olive Blvd. corridor and within the light industrial areas on Price Rd, Dielman Industrial Rd., Dielman Rock Island Rd, and Baur Blvd.



The chart below is an analysis of Revenue, Expenditures, and Fund Balance over the past 5 years for the General, Capital Improvements, Fire Operations, and Stormwater/Parks Fund. These operational funds are the funds of the city that provide services such as police, fire, public works, parks and recreation, and administration. These operational funds are heavily funded by sales taxes compared to other sources and with the growing sales tax revenue as previously charted we are experiencing an upward trend of revenues over the last three years. Revenues exceed expenditures in three of the most recent five years with 2014 experiencing the highest revenue of all five years. Meanwhile the fund balance has maintained a steady increase despite steadily increasing expenditures as well. In 2012 the fund balance increased despite expenditures being in excess of revenues due to the debt proceeds in relation to the Dielman NID project which are classified as “other financing sources”.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of the end of the fiscal year 2014, the City had \$5,779,651 invested in a broad range of capital assets. As a full service municipality, the City has equipment to support police and fire departments, public works equipment, buildings, and park facilities. This amount represents a net increase (including additions and deductions) of \$337,317 or 6.2% over the prior fiscal year.

**Table 4**

	June 30, 2014	June 30, 2013	Increase (Decrease)
Land	\$ 471,300	\$ 471,300	\$ -
Construction in progress	351,828	112,784	239,044
Buildings and improvements	1,068,429	1,028,130	40,299
Infrastructure	974,137	974,137	-
Equipment	1,321,000	1,269,328	51,672
Vehicles	1,592,957	1,586,655	6,302
<b>Total</b>	<b>\$ 5,779,651</b>	<b>\$ 5,442,334</b>	<b>\$ 337,317</b>

The most significant addition to capital assets this year was the purchase of two police cars in addition to construction in progress costs associated with the Old Bonhomme Road Project, North Price NID, and the New Facility.

### Debt

At the end of the fiscal year on June 20, 2014, the City had debt of \$705,000 outstanding in Dielman NID Limited General Obligation Bonds expected to be repaid by the landowners within the district receiving the improvements and long-term capital leases. In prior fiscal years the City acquired two fire trucks with a lease and continues to pay annually on the leases. As of June 30, 2014, capital leases outstanding totaled \$60,710. More detailed information on the City's long-term liabilities is presented in note 10 to the financial statements.

Subsequent to the June 30, 2014 year end, the final payment was made on the long term capital leases in July 2014 and in December of 2014 the City will issue \$13,500,000 in General Obligation bonds as authorized by the voters of the City on August 5<sup>th</sup>, 2014.

## THE CITY'S FUNDS

At the close of the City's fiscal year on June 30, 2014, the governmental funds of the City reported a combined fund balance of \$7,461,223. This ending balance includes an increase in the City's General Fund balance of \$376,946 and an increase of \$19,084 in the Capital Improvement Fund. Total fund balance increased by \$356,022.

### General Fund Budgetary Highlights

For the fiscal year ending June 30, 2014, actual revenues on a budgetary basis were \$7,377,466 compared to the budget amount of \$7,212,230. The \$165,236 difference in revenues was primarily due to grants activity and miscellaneous income. For the fiscal year ended June 30, 2014 actual expenditures on a budgetary basis were \$7,058,448 as compared to the final budget amount of \$7,348,797. The \$290,349 in expenditures under the budget amount is due to strong controls over expenditures and vacancies in personnel positions in administration, and public works.

## **ECONOMIC FACTORS AND IMPACT ON CURRENT AND FUTURE FISCAL PROJECTS**

Economic factors appear positive within the City of Olivette. Sales tax receipts have recovered to 2007 numbers, property taxes receipts are improving due to improving assessed valuations that haven't quite yet reached prerecession numbers, and utility gross receipts that are stable despite some telephone gross receipts woes. While the City has experienced the pitfalls of concentrating revenue sources, these three revenue sources continue to provide the solid foundation that the City uses to provide services. During the past several years, several high profile business have opened up shop within the City of Olivette serving to help prop up the sales tax and property tax receipts. On the residential side, the City of Olivette continues to be a desirable place to live and build as evidenced by new construction and improving assessed valuations.

While strong and recovering revenue sources provide a solid foundation for ongoing services, like many governmental entities, the City has aging equipment and infrastructure needs which unfortunately are going to need to be addressed sooner rather than later. This fact is evidenced by recent and current major projects underway. Old Bonhomme Road improvements are under way and expected to cost in the \$2,000,000 range. This is a project that would not be financially possible without the federal government's 80% match which essentially is allowing the City to have a major thoroughfare outfitted with modern sidewalks and much needed resurfacing for around \$400,000.

Other projects under way or recently completed include two Neighborhood Improvement Districts (NID's) along the completed Dielman Industrial Drive and the soon to start North Price Road. NID projects are financed over 20 years by the property owners receiving the improvements and not spread upon the remainder of the citizens or businesses of the City. They offer an immediate solution to infrastructure problems that the City could not otherwise undertake. As many will remember, a similar undertaking was completed in 1997 where a NID was used to improve the streets of many of the residential areas within the City and the property owners repaid the City over the course of the next 14 years. Looking to the future as well as out the front windows of many corporate and residential citizens in the City, these streets that were once new are now showing their age. The same goes for equipment throughout the City that has been extended well past the intended life. Aging equipment and infrastructure will require the city as whole at some point in the near future to have discussions about how these types of items will be funded.

It is the job of the administration to both identify the equipment and infrastructure needs and also prepare the City to face those needs financially. The current administration has placed additional focus on ownership of departmental budgets and accountability for maintaining those budgets through increased access to financial systems and heavier involvement in the budgeting process. In addition, emphasis has been added to put the City in a position to apply for grants and identify needs that grants could help subsidize the cost of. Budget money has been said aside to fund studies that identify those needs and place a cost on them. We are seeing results of these efforts in several departments with great success. The Fire Department has recently received grants to replace their cardiac monitor for use in the ambulance, a \$30,000 piece of equipment and new breathing apparatus equipment valued at over \$70,000. Meanwhile, the Police Department has recently been awarded a new patrol vehicle valued at \$35,000 aside from the \$15,000 in overtime grants received annually. The public works department has also recently been awarded a tree maintenance grant for tree maintenance worth over \$20,000. While these grants are not a guaranteed way to fund our equipment needs, they do relieve future burden on the finances of the city in the short term.

There is no greater example of the infrastructure needs of the City than the City Hall building on Olive Blvd. The voters of the City of Olivette decided on August 5, 2014 that now was the time to address this concern with authorization to issue up to \$13,500,000 in debt to fund the construction of a new building to house public safety and administrative functions on Dielman Rd. Behind the scenes work has already begun on the development and construction with lots of hard work ahead. This facility is a large commitment for both the taxpayers and the employees of the City of Olivette and hope everyone is looking forward to the final product as something everyone is proud of.

## **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:

Darren Mann, CPA  
Director of Finance  
City of Olivette, Missouri

9473 Olive Boulevard, Olivette, MO 63132

Email: [dmann@olivettemo.com](mailto:dmann@olivettemo.com) Phone: 314-993-0444

**CITY OF OLIVETTE, MISSOURI**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 7,054,086
Taxes receivable:	
Property	89,538
Other	1,595,822
Accounts receivable	19,215
Inventory	23,041
Capital assets - net	
Nondepreciable	823,128
Depreciable	2,207,846
<b>TOTAL ASSETS</b>	<b>11,812,676</b>
<b>LIABILITIES</b>	
Accounts payable	78,546
Accrued wages	236,202
Other liabilities	38,078
Unearned revenue	28,157
Interest payable	6,493
Net pension obligation	443,879
Noncurrent liabilities:	
Due in one year	491,234
Due in more than one year	1,033,689
<b>TOTAL LIABILITIES</b>	<b>2,356,278</b>
<b>NET POSITION</b>	
Net investment in capital assets	2,970,264
Restricted:	
Capital projects	1,753,889
Debt service	902,485
Local parks and storm water	871,337
Sanitary sewer lateral program	614,910
Unrestricted	2,343,513
<b>TOTAL NET POSITION</b>	<b>\$ 9,456,398</b>

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

**CITY OF OLIVETTE, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>Functions/Programs</u>	Program Revenue			Net (Expense) Revenue and Change in Net Position
<u>Expenses</u>	<u>Charges for Service</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
<b>Governmental Activities</b>				
Administrative	\$ 1,593,493	\$ 255,582	\$ -	\$ (1,337,911)
Public safety	5,165,468	482,050	4,932	(4,678,486)
Public works	1,496,657	269,793	-	(1,226,864)
Parks and recreation	903,999	351,623	66,391	(485,985)
Public health	47,431	-	-	(47,431)
Interest and fiscal charges	26,136	-	-	(26,136)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,233,184</b>	<b>\$ 1,359,048</b>	<b>\$ 71,323</b>	<b>(7,802,813)</b>
<b>Taxes:</b>				
Sales				2,688,868
Utility				2,246,264
Property				2,621,565
Franchise				118,759
Other				284,102
Interest income				357
Other miscellaneous revenue				146,190
<b>TOTAL GENERAL REVENUES</b>				<b>8,106,105</b>
<b>CHANGE IN NET POSITION</b>				<b>303,292</b>
<b>NET POSITION - BEGINNING OF YEAR, PREVIOUSLY STATED</b>				<b>9,283,972</b>
Prior period adjustment				(130,866)
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>				<b>9,153,106</b>
<b>NET POSITION - END OF YEAR</b>				<b>\$ 9,456,398</b>

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

**CITY OF OLIVETTE, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
 JUNE 30, 2014

	General Fund	Dielman Neighborhood Improvement District Fund	Capital Improvement Fund	Other Non-major Funds	Total
<b>ASSETS AND OTHER DEBITS</b>					
Cash and investments	\$ 3,638,889	\$ 52,527	\$ 1,716,811	\$ 1,645,859	\$ 7,054,086
Taxes receivable:					
Property	89,538	-	-	-	89,538
Other	522,398	849,958	81,098	142,368	1,595,822
Accounts receivable	19,215	-	-	-	19,215
Due from (to) other funds	91,711	-	68	(91,779)	-
Inventory	23,041	-	-	-	23,041
<b>TOTAL ASSETS</b>	<u>\$ 4,384,792</u>	<u>\$ 902,485</u>	<u>\$ 1,797,977</u>	<u>\$ 1,696,448</u>	<u>\$ 8,781,702</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 44,137	\$ -	\$ 33,411	\$ 998	\$ 78,546
Accrued wages	209,167	-	10,677	16,358	236,202
Other liabilities	66,235	-	-	-	66,235
<b>TOTAL LIABILITIES</b>	<u>319,539</u>	<u>-</u>	<u>44,088</u>	<u>17,356</u>	<u>380,983</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue:					
Property taxes	89,538	849,958	-	-	939,496
<b>FUND BALANCES:</b>					
Fund balances:					
Unspendable	23,041	-	-	-	23,041
Restricted:					
Debt service - NID	-	52,527	-	-	52,527
Street improvement	-	-	1,753,889	-	1,753,889
Local parks and stormwater	-	-	-	871,337	871,337
Sewer lateral repairs	-	-	-	614,910	614,910
Pension	-	-	-	31,692	31,692
Assigned:					
Encumbrances	1,647	-	-	-	1,647
Equipment replacement	-	-	-	343,710	343,710
Unassigned	3,951,027	-	-	(182,557)	3,768,470
<b>TOTAL FUND BALANCES</b>	<u>3,975,715</u>	<u>52,527</u>	<u>1,753,889</u>	<u>1,679,092</u>	<u>7,461,223</u>
<b>TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 4,384,792</u>	<u>\$ 902,485</u>	<u>\$ 1,797,977</u>	<u>\$ 1,696,448</u>	<u>\$ 8,781,702</u>

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

**CITY OF OLIVETTE, MISSOURI**  
**RECONCILIATION OF THE STATEMENT OF NET POSITION**  
**OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET**  
**AS OF JUNE 30, 2014**

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

Total fund balance per balance sheet	\$ 7,461,223
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,030,974
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	939,496
Net pension obligation is not due and payable in current period therefore are not reported in the funds.	(443,879)
Liabilities recorded in the statement of net position that do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(6,493)
Long-term liabilities, including bonds payable, capital leases, OPEB obligation, accrued vacation and accrued sick leave are not due and payable in the current period and therefore, are not reported in the funds.	<u>(1,524,923)</u>
Net position of governmental activities	<u><u>\$ 9,456,398</u></u>

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

**CITY OF OLIVETTE, MISSOURI**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Dielman Neighborhood Improvement District Fund	Capital Improvement Fund	Other Non-major Funds	Total
<b>REVENUES</b>					
Taxes	\$ 5,777,851	\$ 44,285	\$ 696,747	\$ 1,496,371	\$ 8,015,254
Licenses and permits	419,501	-	-	-	419,501
Fines and court costs	282,012	-	-	-	282,012
Intergovernmental	71,323	-	-	-	71,323
Investment income	-	-	-	357	357
Charges for service	657,535	-	-	-	657,535
Miscellaneous	169,244	-	-	-	169,244
<b>TOTAL REVENUES</b>	<u>7,377,466</u>	<u>44,285</u>	<u>696,747</u>	<u>1,496,728</u>	<u>9,615,226</u>
<b>EXPENDITURES</b>					
Current:					
Administrative	850,094	-	-	732,130	1,582,224
Public safety	4,506,882	-	-	237,728	4,744,610
Public works	874,947	-	462,915	-	1,337,862
Parks and recreation	455,348	-	-	309,900	765,248
Public health	47,431	-	-	-	47,431
Capital outlay	260,052	-	183,081	171,572	614,705
Debt service:					
Principal, interest and fiscal charges	62,047	41,448	31,667	31,962	167,124
<b>TOTAL EXPENDITURES</b>	<u>7,056,801</u>	<u>41,448</u>	<u>677,663</u>	<u>1,483,292</u>	<u>9,259,204</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	320,665	2,837	19,084	13,436	356,022
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	56,281	-	-	(56,281)	-
<b>NET CHANGE IN FUND BALANCE</b>	376,946	2,837	19,084	(42,845)	356,022
<b>FUND BALANCES - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	3,322,179	49,690	1,721,004	1,704,826	6,797,699
Prior period adjustment	276,590	-	13,801	17,111	307,502
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<u>3,598,769</u>	<u>49,690</u>	<u>1,734,805</u>	<u>1,721,937</u>	<u>7,105,201</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,975,715</u>	<u>\$ 52,527</u>	<u>\$ 1,753,889</u>	<u>\$ 1,679,092</u>	<u>\$ 7,461,223</u>

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

**CITY OF OLIVETTE, MISSOURI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

Change in fund balance-total governmental funds	\$ 356,022
Revenues that do not provide current financial resources are not included in the fund financial statements.	(55,696)
The acquisition of capital assets requires the use of current financial resources but has no effect on net position.	471,679
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(293,448)
The net effect of transactions involving capital asset disposals.	(23,054)
Interest is reported as an expenditure when due in the governmental funds but is accrued in the statement of activities.	(2,001)
Expenses not payable from current financial resources are not expenditures in the fund statements but are expenses on the statement of activities include net pension obligation, net other post employment benefit obligation and accrued compensated absences.	(293,199)
Payment of bond principal and capital lease payments are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net position.	142,989
Change in net assets of governmental activities	\$ 303,292

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

**CITY OF OLIVETTE, MISSOURI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2013 AND JUNE 30, 2014**

	December 31, 2013	June 30, 2014
	Pension Trust Fund	Agency Fund
<b>CURRENT ASSETS</b>		
Cash	\$ 142	\$ 241,161
Investments:		
Equity mutual funds	11,595,912	-
Fixed income funds	5,081,303	-
Annuity contracts	1,470,832	-
Preferred stock funds	420,613	-
<b>TOTAL ASSETS</b>	<b>\$ 18,568,802</b>	<b>\$ 241,161</b>
 <b>CURRENT LIABILITIES</b>		
Deposits held	-	241,161
<b>TOTAL LIABILITIES</b>	-	<b>\$ 241,161</b>
 <b>NET POSITION</b>		
Held in trust for pension benefits	<b>\$ 18,568,802</b>	

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

**CITY OF OLIVETTE, MISSOURI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PENSION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**ADDITIONS**

Contributions:

Employer	\$ 311,610
Employee	148,413
Total Contributions	460,023

Investment return	2,742,584
TOTAL ADDITIONS	3,202,607

**DEDUCTIONS**

Distributions	1,403,581
Administrative expenses	2,690
TOTAL DEDUCTIONS	1,406,271

<b>CHANGE IN NET POSITION</b>	1,796,336
-------------------------------	-----------

<b>NET POSITION - BEGINNING OF YEAR</b>	16,772,466
---	------------

<b>NET POSITION - END OF YEAR</b>	\$ 18,568,802
-----------------------------------	---------------

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

**CITY OF OLIVETTE, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

**B. BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

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

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

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

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

B. **BASIC FINANCIAL STATEMENTS - continued**

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

*Statement Activities* - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the statement of net position and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of revenues, expenses and changes in net position. The City has elected to implement the requirements of GASB 34 related to infrastructure assets from January 1, 2004 forward.

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

**Dielman Neighborhood Improvement District Fund** - The fund is used to collect taxes used to pay the debt service on the Neighborhood Improvement District Bonds.

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

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

Additionally, the City reports the following fund type:

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

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

D. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights, street lights, sewer lines and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Infrastructure assets with an initial cost of \$50,000 or more are also capitalized and depreciated. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. As allowed by GASB 34, the government-wide financial statements do not reflect infrastructure assets completed prior to March 1, 2004.

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

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	20 - 40 years
Infrastructure	25 years
Equipment	5 - 20 years
Vehicles	5 - 20 years

E. **ESTIMATES**

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

F. **INTERFUND TRANSACTIONS**

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

G. **COMPENSATED ABSENCES**

Under terms of the City's personnel policy, employees are granted vacation time based on length of service. Vacation time accrued during one fiscal year may be carried over and used only in the subsequent fiscal year. Upon termination, the employee is paid for unused vacation or is required to repay the City for used and unearned vacation of the current year. 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 for accrued vacation and sick leave since current financial resources will not be used to relieve this liability. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements and resignations.

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

H. **LONG-TERM LIABILITIES**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Initial-issue bond premiums and discounts 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 expensed when incurred. Amortization of bond premiums or discounts are included in interest expense.

I. **INVENTORIES**

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

J. **NET POSITION AND FUND EQUITY**

In government-wide financial statements net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Investment in capital assets represents capital assets less accumulated depreciation less outstanding principal on related debt.

Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). All other net position is considered unrestricted. It is the City's policy to use restricted net position before unrestricted net position.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable** - Resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

**Restricted** - Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

**Committed** - Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

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

J. **NET POSITION AND FUND EQUITY - continued**

**Assigned** - Resources neither restricted nor committed for which a government has a stated intended use as established by the City Council or an official to which the City Council has delegated the authority to assign amounts for specific purposes.

**Unassigned** - Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

The City would typically use restricted fund balances first, followed by committed resources and assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first.

K. **CASH AND CASH EQUIVALENTS**

The City considers all highly liquid debt instruments with 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 credited directly to the related fund.

L. **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 States Treasury, United States Government Agencies, Repurchase Agreements and Certificates of Deposit.

The Pension Trust Fund is also authorized to invest in corporate stocks, common or preferred bonds and mortgages, real or personal property and other evidence of indebtedness or ownership, excluding any debt of the City itself and individual insurance policies.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

On or before April 1, the City Manager submits to the City Council a proposed operating budget for the City for the fiscal year commencing on the following July 1. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted by ordinance after public hearings are held to obtain taxpayer comments. Primary budgetary control is at the department level. Any transfers of budgeted amounts from one department to another require approval of the City Council. The City's budgets are prepared on the modified accrual basis of accounting.

Unencumbered appropriations lapse at year end.

3. **CASH AND TEMPORARY INVESTMENTS**

The City's bank deposits are required by state law to be secured by the deposit of certain securities specified by RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation. As of June 30, 2014, the carrying amount of the City's bank deposits totaled \$7,295,247 with bank balances of \$7,368,968, which includes cash reported in the Agency Fund. The balances were covered by federal depository insurance or collateralized by securities held by the pledging financial institution but not in the City's name.

4. **PROPERTY TAX**

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied on September 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The adjusted assessed value at January 1, 2013, upon which the 2013 levy was based on real, personal and public utility property, was \$228,895,627.

The City's tax rate was levied as follows:

	Real Estate		Personal
	Residential	Commercial	Property
General Fund	\$ .670	\$ .759	\$ .771
Pension Fund	.244	.250	.250
Road and Bridge	.105	.105	.105

5. **INVESTMENTS**

Statutes authorize the City to invest fund in the following: obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker's Acceptance and Commercial Paper. The City's investment policy does not include Banker's Acceptance or Commercial Paper. Certificates of deposit are considered bank deposits and are reported in footnote 3.

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 monitor the Plan's assets. The Plan invests in equities and bonds through use of mutual funds.

Interest Rate Risk: It is the City's policy to structure 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. The investment policy limits maturities to 3 years and limits the weighted average maturity to 2 years

5. **INVESTMENTS - continued**

**Concentration of Credit Risk:** It is the City's policy that investments shall be diversified to minimize the risk of loss resulting from over concentrations of assets in specific maturity, specific issuer or specific class of securities. The maximum invested by security type and issuer shall be:

U.S. Treasuries and securities having principal and/or interest guaranteed by the U.S. government	100%
Collateralized time and demand deposits	100
U.S. Government agencies and sponsored enterprises	60
Collateralized repurchase agreements	50
U.S. Government agency callable securities	30

At June 30, 2014, 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 following are investments that represent 5% or more of investments in the Pension Trust Fund at December 31, 2013:

<u>Investment</u>	<u>Amount</u>
Vanguard Total International Stock Fund	\$ 1,066,923
TS&W/Herndon Large Cap Value	2,155,929
Principal Financial Advisors Total Market Index	2,410,138
Columbus Circle Investors Large Cap Growth	2,255,223
PIMCO Total Return	4,133,716
Principal Real Estate - U.S. Property	1,470,832

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

**Custodial Credit Risk:** For deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party.

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

Due to/from other funds at June 30, 2014 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund	\$ 91,711	\$ -
Capital Projects Fund	68	-
Nonmajor funds:		
Fire Operations Fund	-	221,668
Local Parks/Storm Water Fund	903	-
Sewer Lateral Fund	106,986	-
Pension Fund	22,000	-

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, 2014 are as follows:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 56,281	\$ -
Neighborhood Improvement District Fund	-	8,981
Nonmajor funds:		
Sewer Lateral Fund	-	22,400
Local Parks/Storm Water Fund	-	24,900

Transfers were made to reimburse expenses incurred by the General Fund to administer the sewer lateral program and expenses paid for the Local Parks/Storm Water Fund. Neighborhood Improvement District Fund transfers out were made to close the fund with council approval.

## 7. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2014 is as follows:

	BALANCE, BEGINNING OF YEAR	ADDITIONS	DELETIONS AND TRANSFERS	BALANCE, END OF YEAR
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 471,300	\$ -	\$ -	\$ 471,300
Construction in process	112,784	239,044	-	351,828
Total capital assets, not being depreciated	584,084	239,044	-	823,128
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	1,028,130	40,299	-	1,068,429
Equipment	1,269,328	111,672	( 60,000)	1,321,000
Vehicles	1,586,655	80,664	( 74,362)	1,592,957
Infrastructure	974,137	-	-	974,137
Total capital assets, being depreciated	4,858,250	232,635	(134,362)	4,956,523
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	( 692,694)	( 38,241)	-	( 730,935)
Equipment	(1,029,414)	( 59,969)	60,000	(1,029,383)
Vehicles	( 785,981)	(156,273)	51,308	( 890,946)
Infrastructure	( 58,448)	( 38,965)	-	( 97,413)
Total accumulated Depreciation	(2,566,537)	(293,448)	111,308	(2,748,677)
Total capital assets, being depreciated, net	2,291,713	( 60,813)	( 23,054)	2,207,846
Total governmental Activities	\$ <u>2,875,797</u>	\$ <u>178,231</u>	\$ <u>( 23,054)</u>	\$ <u>3,030,974</u>

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

### Governmental activities:

Administrative	\$ 2,589
Public safety	140,468
Public works	85,696
Parks and recreation	64,695
Total depreciation expense- governmental activities	\$ <u>293,448</u>



8. **LONG-TERM DEBT** - continued

The future minimum lease payments are as follows:

2015	\$	63,334
Less: amount representing interest		<u>2,624</u>
Present value of minimum lease payments	\$	<u>60,710</u>

Assets acquired through capital leases are as follows:

Vehicles	\$	789,090
Less: accumulated depreciation		<u>(363,368)</u>
Net balance	\$	<u>425,722</u>

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

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental activities:					
Neighborhood Improvement					
District Limited General					
Obligation Bonds	\$ 730,000	\$ -	\$ ( 25,000)	\$ 705,000	\$ 35,000
Capital leases	178,699	-	( 117,989)	60,710	60,710
Net OPEB obligation	130,866	25,838	-	156,704	-
Accrued sick leave	253,351	11,118	-	264,469	57,484
Accrued vacation	307,502	30,538	-	338,040	338,040
Subtotal governmental					
Activities	<u>\$ 1,600,418</u>	<u>\$ 67,494</u>	<u>\$ ( 142,989)</u>	<u>\$ 1,524,923</u>	<u>\$ 491,234</u>

9. **RISK MANAGEMENT**

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

The City, along with various other local municipal governments, participates in insurance trusts for workers' compensation, property and casualty and health insurance (St. Louis Area Insurance Trust - SLAIT). The purpose of the trust 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 trust. However, the City retains a contingent liability to fund its pro rata share of any deficit incurred by the trusts should the trusts cease operations at some future date. The City's premiums payments to the trust were \$1,026,375 for the fiscal year ending June 30, 2014.

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.

10. **COMMITMENTS**

Beginning in July 2006, the City entered into a participation agreement with other municipalities for centralized dispatching services from East Central Dispatch Center. The contract is renewed annually. Payments are estimated to be \$147,238 for fiscal year-ending June 30, 2015.

11. **DEFICIT FUND BALANCE**

The special revenue Fire Operation Fund had a deficit fund balance of \$182,557 at June 30, 2014. The deficit is the result of expenditures exceeding revenue in prior years.

12. **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations in the following functional expenditure categories:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
Dielman Neighborhood Improvement District Fund	\$ 41,448	\$ -	\$ 41,448

13. **DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The City of Olivette Salaried Employees Pension Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance #686 adopted October 14, 1964. The plan is governed by the City of Olivette which is responsible for the management of plan assets. The City of Olivette has hired Principal Financial Advisors, Inc. to manage plan assets. The City has retained Marquette and Associates to recommend an investment strategy for the plan assets. The Plan provides for retirement benefits, early and deferred retirement, termination and death benefits to members 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 59 or completion of five years of service are entitled to annual benefits of their highest average monthly compensation for the five consecutive years out of the ten last compensating years prior to retirement date. All benefits vest after five years of credited service. The Plan permits early retirement at the completion of ten years of credited service and attainment of age 50. The employee receives the actuarial equivalent of his/her normal retirement benefit, based on age, credited service and average monthly compensation at early retirement.

As of January 1, 2014, (the end of the most recent plan year), the pension plan's membership consists of:

Active employees	42
Retirees and beneficiaries currently received benefits	53
Terminated employees entitled to benefits, but not yet receiving them	<u>20</u>
TOTAL	<u>115</u>

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

**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 recognized in the actuarial valuation for the Plan year ended January 1, 2014 were \$610,257, which consisted of \$462,479 from the City and \$147,778 from employees. The actuarially required contribution was \$696,991 for the Plan year which represented 25% of covered payroll.

The City has levied taxes on real estate and personal property to fund its pension plan. The tax levy per \$100 of assessed value for the pension is as follows:

Residential real estate	\$.244
Commercial real estate	.250
Personal property	.250

**Net Pension Obligation**

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

Annual required contribution (actuarially computed)	\$ 696,991
Interest on net pension obligation	15,818
Adjustment to annual required contribution	( 27,081)
Annual pension cost	685,728
Contributions made	(460,023)
Increase in net pension obligation	225,705
Net pension obligation - beginning of year	<u>218,174</u>
Net pension obligation - end of year	<u>\$443,879</u>

**Three-Year Trend Information**

Calendar Year Ending December 31	Annual Pension Cost (APC)	Annual Contribution Made	Percentage Of APC Contributed	Net Pension Obligation
2011	\$753,730	\$550,099	73.0%	\$(14,531)
2012	762,291	529,586	69.5	218,174
2013	688,184	460,023	66.8	443,879

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

**NOTES TO REQUIRED PENSION PLAN SUPPLEMENTARY INFORMATION**

The actuarial accrued liability was determined as part of an actuarial valuation at January 1, 2014, the most recently filed actuarial valuation report. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method	Aggregate Entry Age Normal Cost
Amortization Method	Level dollar open
Remaining Amortization Period	30 years
Asset Valuation Method	Market value
Mortality Rate	RP2000 set back 4 years
Actuarial Assumptions:	
Investment Rate of Return	7.25%
Projected Salary Increases	4.50%
Retired prior to January 1, 2010:	
Cost-Of-Living Adjustments (COLA)	2%
Maximum Lifetime COLA	25%
Retired after January 1, 2010:	
Cost-Of-Living Adjustments (COLA)	0%
Maximum Lifetime COLA	0%

14. **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 July 1, 2014, 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	<u>5</u>
Total Plan Participants	<u><u>70</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 7% inflation on health insurance premiums rate in 2014 graded down 1% each year until an ultimate rate of 5% is reached in 2016 and uses the 2000 Group Annuity Mortality Table.

14. **OTHER POST EMPLOYMENT BENEFITS - continued**

**Net OPEB Obligation**

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

Annual required contribution (actuarially computed)	\$74,403
Interest on net pension obligation	6,543
Adjustment to annual required contribution	<u>(8,108)</u>
Annual pension cost	72,838
Contributions made	<u>(47,000)</u>
Increase in net pension obligation	25,838
Net OPEB obligation - beginning of year	<u>130,866</u>
Net OPEB obligation - end of year	<u>\$ 156,704</u>

**Trend Information - Other Post Employment Benefits**

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage Contribution	Net OPEB Obligation
2014	\$ 74,403	63.1 %	\$ 156,704
2012	70,860	64.5	104,715

**Funded Status and Funding Progress** - As of July 1, 2014, the most recent actuarial valuation available, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$421,500, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$421,500. The covered payroll (annual payroll of active employees covered by the plan) was \$2,780,303, and the ratio of the UAAL to the covered payroll was 15.2 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements.

15. **COURT FINES AND FEES**

The City collected \$260,271 of fines and court costs which represent 3.5% of general operating revenues for the year ended June 30, 2014.

16. **PRIOR PERIOD ADJUSTMENTS**

An adjustment was made to beginning net position in the government-wide statement of activities to reflect the liability relating to prior periods for other post-employment benefits obligations. Net position was decreased by \$130,866. There was no effect on the governmental fund statements.

16. **PRIOR PERIOD ADJUSTMENTS - continued**

An adjustment was made to the beginning fund balance in several funds to remove the liability for accrued vacation. Accrued vacation is not considered payable from current financial resources and therefore not a liability in the governmental funds. There was no effect on the net position in the government-wide financial statements. The beginning fund balance was increased in the following funds:

<u>Fund</u>		<u>Amount</u>
General Fund	\$	276,590
Capital Improvement Fund		13,801
Fire Operations Fund		8,578
Local Parks/Storm Water Fund		8,533

17. **SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 5, 2014, the date the financial statements were available to be issued.

Subsequent to year end on August 5, 2014 the voters of the City of Olivette authorized the City to issue up to \$13,500,000 in debt to fund the building of a new facility to house public safety and administrative functions. On December 9, 2014, the City entered into an agreement to issue \$13,500,000 in general obligation debt that is anticipated to close December 22, 2014. Ad valorem tax on real property has been levied to repay the Series 2014 General Obligation Debt and is expected to be repaid over 20 years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF OLIVETTE, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 5,744,500	\$ 5,744,500	\$ 5,777,851	\$ 33,351
Licenses and permits	441,600	441,600	419,501	(22,099)
Fines and court costs	298,800	298,800	282,012	(16,788)
Intergovernmental	20,000	20,000	71,323	51,323
Investment income	500	500	-	(500)
Charges for service	657,920	657,920	657,535	(385)
Miscellaneous	49,000	49,000	169,244	120,244
<b>TOTAL REVENUES</b>	<u>7,212,320</u>	<u>7,212,320</u>	<u>7,377,466</u>	<u>165,146</u>
<b>EXPENDITURES</b>				
Current:				
Administrative	918,256	918,756	851,741	67,015
Public safety	4,617,211	4,617,211	4,506,882	110,329
Public works	901,266	901,266	874,947	26,319
Parks and recreation	425,329	533,218	455,348	77,870
Public health	49,440	49,440	47,431	2,009
Capital outlay	81,383	266,858	260,052	6,806
Debt service:				
Principal, interest and fiscal charges	62,048	62,048	62,047	1
<b>TOTAL EXPENDITURES</b>	<u>7,054,933</u>	<u>7,348,797</u>	<u>7,058,448</u>	<u>290,349</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	157,387	(136,477)	319,018	(125,203)
<b>OTHER FINANCING SOURCES</b>				
Transfer in (out)	48,000	48,000	56,281	(8,281)
<b>NET CHANGE IN FUND BALANCE</b>	<u>205,387</u>	<u>(88,477)</u>	<u>375,299</u>	<u>\$ 463,776</u>
<b>FUND BALANCES - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>				
Prior period adjustment	3,322,179	3,322,179	3,322,179	
	276,590	276,590	276,590	
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<u>3,598,769</u>	<u>3,598,769</u>	<u>3,598,769</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,804,156</u>	<u>\$ 3,510,292</u>	<u>\$ 3,974,068</u>	

***CITY OF OLIVETTE, MISSOURI***  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014

**1. BUDGETARY INFORMATION**

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

**CITY OF OLIVETTE, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS - PENSION TRUST**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date 1/1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded (AAL) (UAAL) (2)-(1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payrol (2)-(1)/5
2012	\$ 15,737,391	\$ 22,846,063	\$7,108,672	68.9 %	\$2,655,603	267.7 %
2013	17,083,915	23,285,069	6,201,154	73.4	2,553,305	242.9
2014	19,030,485	23,421,613	4,391,128	81.3	2,780,303	157.9

**CITY OF OLIVETTE, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL) (2)-(1)	Funded Ratio (1)/(2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payrol (2)-(1)/5
3/1/2011	\$ -	\$ 697,388	\$ 697,388	0.0 %	\$3,052,640	22.8 %
7/1/2012	-	715,939	715,939	0.0	2,655,603	27.0
7/1/2014	-	421,500	421,500	0.0	2,780,303	15.2

**SUPPLEMENTARY INFORMATION**

**CITY OF OLIVETTE, MISSOURI**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	Special Revenue Funds					Capital Projects Fund	Total
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	
<b>ASSETS AND OTHER DEBITS</b>							
Cash and investments	\$ -	\$ -	\$ 784,533	\$ 507,924	\$ 9,692	\$ 343,710	\$ 1,645,859
Other taxes receivable	-	47,456	94,912	-	-	-	142,368
Due from (to) other funds	-	(221,668)	903	106,986	22,000	-	(91,779)
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ (174,212)</b>	<b>\$ 880,348</b>	<b>\$ 614,910</b>	<b>\$ 31,692</b>	<b>\$ 343,710</b>	<b>\$ 1,696,448</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ 998	\$ -	\$ -	\$ -	\$ 998
Accrued wages payable	-	8,345	8,013	-	-	-	16,358
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>8,345</b>	<b>9,011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,356</b>
<b>FUND BALANCES:</b>							
Fund balances:							
Restricted:							
Local parks/storm water projects	-	-	871,337	-	-	-	871,337
Sewer lateral repairs	-	-	-	614,910	-	-	614,910
Pension	-	-	-	-	31,692	-	31,692
Assigned:							
Equipment replacement	-	-	-	-	-	343,710	343,710
Unassigned	-	(182,557)	-	-	-	-	(182,557)
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>(182,557)</b>	<b>871,337</b>	<b>614,910</b>	<b>31,692</b>	<b>343,710</b>	<b>1,679,092</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ (174,212)</b>	<b>\$ 880,348</b>	<b>\$ 614,910</b>	<b>\$ 31,692</b>	<b>\$ 343,710</b>	<b>\$ 1,696,448</b>

**CITY OF OLIVETTE, MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds					Capital Projects Fund	Total
	Neighborhood Improvement District Fund	Fire Operations Fund	Local Parks/ Storm Water Fund	Sewer Lateral Fund	Pension Fund	Equipment Replacement Fund	
<b>REVENUES</b>							
Taxes	\$ (481)	\$ 267,421	\$ 534,837	\$ 136,535	\$ 558,059	\$ -	\$ 1,496,371
Investment income	2	-	-	355	-	-	357
<b>TOTAL REVENUES</b>	<u>(479)</u>	<u>267,421</u>	<u>534,837</u>	<u>136,890</u>	<u>558,059</u>	<u>-</u>	<u>1,496,728</u>
<b>EXPENDITURES</b>							
Current:							
Administrative	143	-	-	1,365	730,622	-	732,130
Public safety	-	237,728	-	-	-	-	237,728
Parks and recreation	-	-	309,900	-	-	-	309,900
Capital outlay	-	-	114,935	56,637	-	-	171,572
Debt service:							
Principal, interest and fiscal charges	295	31,667	-	-	-	-	31,962
<b>TOTAL EXPENDITURES</b>	<u>438</u>	<u>269,395</u>	<u>424,835</u>	<u>58,002</u>	<u>730,622</u>	<u>-</u>	<u>1,483,292</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(917)	(1,974)	110,002	78,888	(172,563)	-	13,436
<b>OTHER FINANCING USES</b>							
Transfer out	(8,981)	-	(24,900)	(22,400)	-	-	(56,281)
<b>NET CHANGE IN FUND BALANCE</b>	(9,898)	(1,974)	85,102	56,488	(172,563)	-	(42,845)
<b>FUND BALANCES - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	9,898	(189,161)	777,702	558,422	204,255	343,710	1,704,826
Prior period adjustment	-	8,578	8,533	-	-	-	17,111
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<u>9,898</u>	<u>(180,583)</u>	<u>786,235</u>	<u>558,422</u>	<u>204,255</u>	<u>343,710</u>	<u>1,721,937</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ (182,557)</u>	<u>\$ 871,337</u>	<u>\$ 614,910</u>	<u>\$ 31,692</u>	<u>\$ 343,710</u>	<u>\$ 1,679,092</u>