

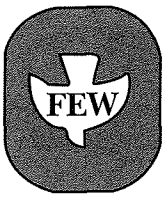
City of Olivette, Missouri

Financial Statements

For The Year Ended June 30, 2012

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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.

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, 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 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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>
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	<u>9,925,459</u>	<u>9,327,823</u>	<u>597,636</u>
Liabilities			
Current liabilities	1,801,885	1,363,479	438,406
Long-term liabilities	361,196	465,678	(104,482)
Total liabilities	<u>2,163,081</u>	<u>1,829,157</u>	<u>333,924</u>
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	<u>\$ 7,762,378</u>	<u>\$ 7,498,666</u>	<u>\$ 263,712</u>

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

	<u>2012</u>	<u>2011</u>	<u>(Decrease)</u>
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	<u>9,022,689</u>	<u>9,150,753</u>	<u>(128,064)</u>
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	<u>8,758,977</u>	<u>8,496,815</u>	<u>262,162</u>
Change in net assets	263,712	653,938	(390,226)
Net assets, beginning of year	<u>7,498,666</u>	<u>6,844,728</u>	<u>653,938</u>
Net assets, end of year	<u>\$ 7,762,378</u>	<u>\$ 7,498,666</u>	<u>\$ 263,712</u>

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 and 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	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	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

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
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
	<u>24,555</u>	<u>-</u>	<u>-</u>	<u>24,555</u>
Total assets	<u>\$ 3,631,370</u>	<u>\$ 1,701,424</u>	<u>\$ 1,782,684</u>	<u>\$ 7,115,478</u>
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
	<u>347</u>	<u>-</u>	<u>186,308</u>	<u>186,655</u>
Total liabilities	<u>608,323</u>	<u>94,630</u>	<u>259,557</u>	<u>962,510</u>
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
	<u>2,998,492</u>	<u>-</u>	<u>(162,355)</u>	<u>2,836,137</u>
Total fund balances	<u>3,023,047</u>	<u>1,606,794</u>	<u>1,523,127</u>	<u>6,152,968</u>
Total liabilities and fund balances	<u>\$ 3,631,370</u>	<u>\$ 1,701,424</u>	<u>\$ 1,782,684</u>	<u>\$ 7,115,478</u>

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

CITY OF OLIVETTE, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 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)		(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	<u>6,788,969</u>	<u>610,863</u>	<u>1,627,537</u>	<u>9,027,369</u>
<u>Expenditures:</u>				
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	<u>6,611,672</u>	<u>1,358,480</u>	<u>1,469,118</u>	<u>9,439,270</u>
Excess (deficiency) of revenue over expenditures	<u>177,297</u>	<u>(747,617)</u>	<u>158,419</u>	<u>(411,901)</u>
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	<u>40,068</u>	<u>934,506</u>	<u>(39,500)</u>	<u>935,074</u>
Net change in fund balances	217,365	186,889	118,919	523,173
Fund balances - beginning	<u>2,805,682</u>	<u>1,419,905</u>	<u>1,404,208</u>	<u>5,629,795</u>
Fund balances - ending	<u>\$ 3,023,047</u>	<u>\$ 1,606,794</u>	<u>\$ 1,523,127</u>	<u>\$ 6,152,968</u>

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

CITY OF OLIVETTE, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds		\$	523,173
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>			
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	<u>(295,808)</u>		625,059
<p>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:</p>			
Borrowing:			
Notes payable	<u>(934,507)</u>		(934,507)
Repayments:			
Bond payable	185,000		
Capital lease payable	<u>124,444</u>		309,444
<p>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.</p>			
Accrued interest on outstanding debt	4,959		
Change in accrued compensated absences and net pension obligation	<u>(223,713)</u>		(218,754)
<p>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.</p>			
Loss on disposal of capital assets			<u>(35,455)</u>
Change in net assets of governmental activities		\$	<u>263,712</u>

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

CITY OF OLIVETTE, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 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

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the government reports the following fund type:

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

Cash and Cash Equivalents

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

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

Investments

The City’s investments are carried at fair value. The City is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United State Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker’s Acceptance and Commercial Paper.

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

Allowance for Doubtful Accounts

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

Inventory

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

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

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

<u>Assets</u>	<u>Years</u>
Building and improvements	20-40
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.

CITY OF OLIVETTE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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.