Work Session Summary
City Council
Creve Coeur Government Center
January 26, 2015 - 6:00 p.m.

Present: Mayor Barry Glantz, Council Members, Scott Saunders, Cynthia Kramer, AJ Wang, Ellen Lawrence, Charlotte D'Alfonso, Robert Hoffman, David Kreuter and Robert Kent

Finance Committee Present: Adam Shulenburger and Marjorie Richter

Creve Coeur Staff present: City Administrator Mark Perkins, Asst to the City Administrator Sharon Stott, Finance Director Dan Smith, Public Works Director Jim Heines, and City Clerk Deborah Ryan.

The meeting was called to order at 6:04 p.m.

1. **FY 2014 Presentation and review of Audit**

Bob Offerman of Hochschild, Bloom & Company reviewed the Comprehensive Annual Finance Report dated June 30, 2014. (Exhibit A)

Adjourned 6:55 p.m.

city of
Creve Coeur
missouri

REVIEW OF JUNE 30, 2014

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

WITH CITY COUNCIL

Daniel N. Smith, Director of Finance
And
Robert B. Offerman, CPA

	2014	2013	Change
ASSETS			
Cash and cash equivalents	$ 1,604,137	2,566,225	(962,088)
Investments	11,703,558	12,711,147	(1,007,589)
Receivables (net):			
Governmental agencies	1,281,546	1,548,557	(267,011)
Public utility taxes	573,121	640,685	(67,564)
Court fines	99,031	339,165	(240,134)
Interest	26,069	25,720	349
Note receivable	1,279,777	1,313,256	(33,479)
Inventories	10,118	10,164	(46)
Prepaid items	128,132	30,440	97,692
Due from Agency Fund	4,460	111,449	(106,989)
Internal balances	-	-	-
Cash - restricted	-	77,872	(77,872)
Investments - restricted	-	737,998	(737,998)
Net pension asset	750,552	406,600	343,952
Capital assets:			
Land, right of way, and construction in progress	9,392,543	9,784,643	(392,100)
Other capital assets, net of accumulated depreciation	43,766,201	44,074,760	(308,559)
Total Assets	70,619,245	74,378,681	(3,759,436)
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	-	307,137	(307,137)
LIABILITIES			
Accounts payable	572,826	903,980	(331,154)
Accrued interest payable	-	77,497	(77,497)
Accrued liabilities	286,444	255,624	30,820
Unearned revenue	40,916	53,383	(12,467)
Noncurrent liabilities:			
Due within one year	187,992	851,246	(663,254)
Due in more than one year	281,988	3,687,951	(3,405,963)
Due in more than one year - net other post-employment benefits obligation	148,175	148,175	-
Total Liabilities	1,518,341	5,977,856	(4,459,515)
NET POSITION			
Net investment in capital assets	53,158,744	50,130,458	3,028,286
Restricted for:			
Capital projects	-	1,452,541	(1,452,541)
Debt service	-	815,870	
Sewer lateral	186,500	269,110	(82,610)
Unrestricted	15,755,660	16,039,983	(284,323)
Total Net Position	$ 69,100,904	68,707,962	392,942

See notes to financial statements

			Program Revenues			Net Revenues (Expenses) And Changes In Net Position		
	Expenses Difference 2014 less 2013	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS								
Governmental Activities								
General government	$ (562,696)	$ 2,937,063	229,190	-	-	(2,707,873)	-	(2,707,873)
Public safety	78,615	6,379,688	1,409,666	163,839	-	(4,806,183)	-	(4,806,183)
Public works	398,519	7,051,789	728,615	1,580,023	575,952	(4,167,199)	-	(4,167,199)
Community development	70,737	1,155,390	14,358	-	-	(1,141,032)	-	(1,141,032)
Interest and amortization of deferred charges on long-term debt	231,822	444,455	-	-	-	(444,455)	-	(444,455)
Total Governmental Activities	216,997	17,968,385	2,381,829	1,743,862	575,952	(13,266,742)	-	(13,266,742)
Business-type Activities								
Recreation center	(24,753)	1,195,321	1,002,575	-	-	-	(192,746)	(192,746)
Total Government	$ 192,244	$ 19,163,706	3,384,404	1,743,862	575,952	(13,266,742)	(192,746)	(13,459,488)
General Revenues					Difference 2014 less 2013			
Taxes:								
Property					4,190	553,347	-	553,347
Sales					274,693	6,876,143	-	6,876,143
Utility					(47,405)	5,775,034	-	5,775,034
Other					(2,744)	45,982	-	45,982
Investment income					98,387	287,644	189	287,833
Miscellaneous					(66,961)	617,230	-	617,230
Loss on sale of capital assets					(20,734)	(3,139)	-	(3,139)
Total General Revenues					239,426	14,152,241	189	14,152,430
Other Changes								
Transfer to fiduciary fund					(300,000)	(300,000)	-	(300,000)
Total General Revenues And Transfers					(60,574)	13,852,241	189	13,852,430
CHANGE IN NET POSITION						585,499	(192,557)	392,942
NET POSITION, JULY 1						66,464,634	2,243,328	68,707,962
NET POSITION, JUNE 30						$ 67,050,133	2,050,771	69,100,904

See notes to financial statements

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues			Net Revenues (Expenses) And Changes In Net Position		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities							
General government	$ 3,499,759	228,375	6,840	-	(3,264,544)	-	(3,264,544)
Public safety	6,301,073	1,909,495	80,415	-	(4,311,163)	-	(4,311,163)
Public works	6,653,270	668,547	1,597,037	555,484	(3,832,202)	-	(3,832,202)
Community development	1,084,653	4,290	-	-	(1,080,363)	-	(1,080,363)
Interest and amortization of deferred charges on long-term debt	212,633	-	-	-	(212,633)	-	(212,633)
Total Governmental Activities	17,751,388	2,810,707	1,684,292	555,484	(12,700,905)	-	(12,700,905)
Business-type Activities							
Recreation center	1,220,074	953,409	-	-	-	(266,665)	(266,665)
Total Government	$ 18,971,462	3,764,116	1,684,292	555,484	(12,700,905)	(266,665)	(12,967,570)
General Revenues							
Taxes:							
Property					549,157	-	549,157
Sales					6,601,450	-	6,601,450
Utility					5,822,439	-	5,822,439
Other					48,726	-	48,726
Investment income					189,012	434	189,446
Miscellaneous					684,191	-	684,191
Gain on sale of capital assets					17,595	-	17,595
Transfers					(30,000)	30,000	-
Total General Revenues And Transfers					13,882,570	30,434	13,913,004
CHANGE IN NET POSITION					1,181,665	(236,231)	945,434
NET POSITION, JULY 1					65,282,969	2,479,559	67,762,528
NET POSITION, JUNE 30					$ 66,464,634	2,243,328	68,707,962

See notes to financial statements

NOTE D - CAPITAL ASSETS

Capital asset activity was as follows:

	For The Year Ended June 30, 2014			
Governmental Activities	**Balance June 30 2013**	**Additions And Transfers**	**Deletions And Transfers**	**Balance June 30 2014**
Capital assets not being depreciated:				
Land	$ 8,311,027	-	-	8,311,027
Right of way	-	157,602	-	157,602
Construction in progress	836,116	325,688	875,390	286,414
Total Capital Assets Not Being Depreciated	9,147,143	483,290	875,390	8,755,043
Capital assets being depreciated:				
Infrastructure	57,614,112	2,363,456	192,111	59,785,457
Buildings and improvements	12,953,122	9,448	-	12,962,570
Equipment, furniture, and fixtures	2,384,764	166,793	302,000	2,249,557
Vehicles	2,346,727	316,298	259,644	2,403,381
Total Capital Assets Being Depreciated	75,298,725	2,855,995	753,755	77,400,965
Less - Accumulated depreciation for:				
Infrastructure	25,123,895	2,005,280	102,001	27,027,174
Buildings and improvements	5,784,089	380,615	-	6,164,704
Equipment, furniture, and fixtures	1,565,051	190,826	287,414	1,468,463
Vehicles	1,700,272	301,930	259,644	1,742,558
Total Accumulated Depreciation	34,173,307	2,878,651	649,059	36,402,899
Total Capital Assets Being Depreciated, Net	41,125,418	(22,656)	104,696	40,998,066
Governmental Activities Capital Assets, Net	$ 50,272,561	460,634	980,086	49,753,109

(519,452)

NOTE D - CAPITAL ASSETS (Continued)

	For The Year Ended June 30, 2014			
Business-type Activities	**Balance June 30 2013**	**Additions**	**Deletions**	**Balance June 30 2014**
Capital assets not being depreciated:				
Land	$ 637,500	-	-	637,500
Capital assets being depreciated:				
Buildings and improvements	6,841,927	-	-	6,841,927
Equipment, furniture, and fixtures	460,357	53,000	44,386	468,971
Vehicles	22,186	-	-	22,186
Total Capital Assets Being Depreciated	7,324,470	53,000	44,386	7,333,084
Less - Accumulated depreciation for:				
Buildings and improvements	3,945,872	215,671	-	4,161,543
Equipment, furniture, and fixtures	407,070	18,536	44,386	381,220
Vehicles	22,186	-	-	22,186
Total Accumulated Depreciation	4,375,128	234,207	44,386	4,564,949
Total Capital Assets Being Depreciated, Net	2,949,342	(181,207)	-	2,768,135
Business-type Activities Capital Assets, Net	$ 3,586,842	(181,207)	-	3,405,635

(181,207)

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

	For The Year Ended June 30 2014
Governmental Activities	
Public works, including depreciation of infrastructure assets	$ 2,570,996
Public safety	120,088
General government	187,567
Total	$ 2,878,651
Business-type Activities	
Recreation center	$ 234,207

THIS PAGE INTENTIONALLY LEFT BLANK

NOTE J - LONG-TERM DEBT

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

	For The Year Ended June 30, 2014				Amounts
	Balance June 30 2013	Additions	Reductions	Balance June 30 2014	Due Within One Year
Governmental Activities					
Special obligation bonds	$ 4,010,000	-	4,010,000	-	-
Plus - Premium	26,082	-	26,082	-	-
Compensated absences	503,115	168,111	201,246	469,980	187,992
Total	$ 4,539,197	168,111	4,237,328	469,980	187,992

The special obligation bonds are being liquidated by the Capital Improvement Fund. The compensated absences are generally liquidated by the General Fund.

Special obligation bonds totaling $7,235,000 were issued on December 13, 2004. The bonds mature January 1, 2020 with interest at 3.5% to 4%. The indenture requires a reserve balance of $723,500, the actual balance of the reserve fund was $0 at June 30, 2014, due to no balance at year-end no reserve balance is required. The bonds were redeemed during the current fiscal year at a redemption price of 100%.

	2014	2013	Change
ASSETS			
Cash and cash equivalents	$ 1,547,263	2,523,814	(976,551)
Investments	11,703,558	12,711,147	(1,007,589)
Receivables (net):			-
Governmental agencies	1,281,546	1,548,557	(267,011)
Public utility taxes	573,121	640,685	(67,564)
Court fines	99,031	339,165	(240,134)
Interest	26,069	25,720	349
Note receivable	1,279,777	1,313,256	(33,479)
Inventories	3,582	4,210	(628)
Prepaid items	123,977	30,440	93,537
Due from other funds	49,518	259,338	(209,820)
Advance to other funds	1,327,983	1,327,983	-
Cash - restricted	-	77,872	(77,872)
Investments - restricted	-	737,998	(737,998)
			-
Total Assets	$ 18,015,425	21,540,185	(3,524,760)
LIABILITIES			
Accounts payable	$ 550,350	809,705	(259,355)
Accrued liabilities	272,505	231,236	41,269
Due to other funds	27,943	179,197	(151,254)
Total Liabilities	850,798	1,220,138	(369,340)
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues:			
Property taxes	13,495	19,119	(5,624)
Court	99,031	339,165	(240,134)
Total Deferred Inflows Of Resources	112,526	358,284	(245,758)
FUND BALANCES			
Nonspendable:			
Inventories	3,582	4,210	(628)
Prepaid items	123,977	30,440	93,537
Note receivable	1,279,777	1,313,256	(33,479)
Interfund advance receivable	1,327,983	1,327,983	-
Restricted for:			-
Debt service	-	815,870	(815,870)
Sewer lateral	186,500	269,110	(82,610)
Committed for:			-
Capital projects	1,096,020	1,452,541	(356,521)
Assigned to:			-
Purchase of supplies, services, and other			-
current expenditures	63,850	34,224	29,626
Projected use of reserves	335,680	-	335,680
Unassigned	12,634,732	14,714,129	(2,079,397)
Total Fund Balances	17,052,101	19,961,763	(2,909,662)
Total Liabilities, Deferred Inflows Of Resources, And Fund Balances	$ 18,015,425	21,540,185	(3,524,760)

See notes to financial statements

CITY OF CREVE COEUR, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014 & JUNE 30, 2013

	2014	2013	Change
REVENUES			
General property and sales taxes	$ 7,435,114	7,154,658	280,456
Public utility licenses	5,860,067	5,871,668	(11,601)
Other taxes	86,574	86,320	254
Licenses and permits	933,612	870,856	62,756
Municipal facilities	84,274	78,991	5,283
Intergovernmental	1,871,204	2,288,502	(417,298)
Fines, forfeitures, and charges for services	1,603,730	1,881,137	(277,407)
Investment income	287,644	189,012	98,632
Miscellaneous	445,475	540,110	(94,635)
Total Revenues	18,607,694	18,961,254	(353,560)
EXPENDITURES			
Current:			
General government	3,126,107	3,331,747	(205,640)
Public safety	6,163,104	6,103,441	59,663
Public works	3,955,462	3,739,868	215,594
Community development	1,150,934	1,079,326	71,608
Capital outlay	2,672,906	2,608,613	64,293
Debt service:			
Principal	4,010,000	810,000	3,200,000
Interest	240,897	183,569	57,328
Total Expenditures	21,319,410	17,856,564	3,462,846
REVENUES OVER (UNDER) EXPENDITURES	(2,711,716)	1,104,690	(3,816,406)
OTHER FINANCING SOURCES (USES)			
Transfers in $ 300,000	3,150,000	400,000	2,750,000
Transfers out to pension	(3,450,000)	(430,000)	(3,020,000)
Sale of capital assets	102,054	17,595	84,459
Total Other Financing Sources (Uses)	(197,946)	(12,405)	(185,541)
NET CHANGES IN FUND BALANCES	(2,909,662)	1,092,285	(4,001,947)
FUND BALANCES, JULY 1	19,961,763	18,869,478	1,092,285
FUND BALANCES, JUNE 30	$ 17,052,101	19,961,763	(2,909,662)

THIS PAGE INTENTIONALLY LEFT BLANK

Economic Factors and Next Year's Budget

The City's governmental funds decreased during the fiscal year ended June 30, 2014 by $2,909,662 or 14.6%. This decrease resulted from the City's management intentional early repayment of a portion of the City's long-term liabilities. First, the City's only outstanding bond issues the Series 2004 special obligation bonds that were originally issued to advance refund the Series 2000 bonds and to pay for related issuance costs of the 2004 bonds was completely retired. The total debt service paid on the bonds during the current fiscal year ended June 30, 2014 was $4,250,897, of which $3,445,903 represented an advanced payment to completely retire the outstanding balance on the bonds. In addition to the repayment of the special obligation bonds, the City, made a contribution to the defined benefit pension plan of $1,444,717. This contribution exceeded the annual required contribution (ARC) of $1,088,415 by $356,302. Without these advanced liability payments by the City, the fiscal year ended June 30, 2014 deficit of $2,909,662 would have been a surplus of $892,543.

CITY OF CREVE COEUR, MISSOURI
STATEMENT OF NET POSITION - ENTERPRISE FUND
JUNE 30, 2014

ASSETS	
Current Assets	
Cash and cash equivalents	$ 56,874
Inventories	6,536
Prepaid expenses	4,155
Due from other funds	8,900
Total Current Assets	76,465
Capital Assets	
Land	637,500
Other capital assets, net of accumulated depreciation	2,768,135
Total Capital Assets	3,405,635
Total Assets	3,482,100
LIABILITIES	
Current Liabilities	
Accounts payable	22,476
Accrued liabilities	13,939
Due to other funds	26,015
Unearned revenues	40,916
Total Current Liabilities	103,346
Noncurrent Liabilities	
Due to other funds	1,327,983
Total Liabilities	1,431,329
NET POSITION	
Net investment in capital assets	3,405,635
Unrestricted	(1,354,864)
Total Net Position	$ 2,050,771

advance from G.F. ordinance passed to forgive liability in FY 14/15

See notes to financial statements

CITY OF CREVE COEUR, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUES		
Food service		$ 55,473
Golf course		424,687
Ice arena		522,415
Total Operating Revenues	Department	1,002,575
OPERATING EXPENSES	Profit	
Food service	16,825	38,628
Golf course	13,224	411,463
Ice arena	11,392	511,023
Depreciation		234,207
Total Operating Expenses		1,195,321
OPERATING LOSS		(192,746)
NONOPERATING REVENUE (EXPENSES)		
Investment income		189
CHANGE IN NET POSITION		(192,557)
NET POSITION, JULY 1		2,243,328
NET POSITION, JUNE 30		$ 2,050,771

Loss 192,746
Depreciation 234,207
Profit before depreciation 41,461

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2014

	Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	1,073,519
Investments:		
Money market funds	407,747	-
Equity mutual funds	15,417,391	-
Fixed income - managed bond account	5,563,111	-
Certificates of deposit	-	2,214,360
Interest receivable	40,352	-
Sales tax receivable	-	90,780
Total Assets	21,428,601	3,378,659
LIABILITIES		
Due to escrowees	-	3,120,553
Due to other funds	-	4,460
Due to others	-	125,715
Court bonds payable	-	127,931
Total Liabilities	-	3,378,659
NET POSITION		
Assets held in trust for pension benefits	$ 21,428,601	-

See notes to financial statements

ADDITIONS	
Investment income:	
Interest and dividends earned	$ 488,394
Net appreciation in fair value of investments	2,817,995
Total Investment Income	3,306,389
Less - Investment management and custodial fees	37,460
Net Investment Income	3,268,929
Employee contributions	74,183
Employer contributions (including transfer in of $300,000)	1,444,717
Total Additions	4,787,829
DEDUCTIONS	
Benefit payments	1,508,007
Administrative expenses	23,287
Total Deductions	1,531,294
CHANGE IN NET POSITION	3,256,535
NET POSITION - ASSETS HELD IN TRUST FOR PENSION BENEFITS, JULY 1	18,172,066
NET POSITION - ASSETS HELD IN TRUST FOR PENSION BENEFITS, JUNE 30	$ 21,428,601

inc 18%

Return 3,268,929
(18,172,066 + 21,428,601) ÷ 2

= 16.5%

Retirement Plan for Employees of the City - Funding Progress for the City's Defined Benefit Pension Plan

Valuation For The Actuarial Years Ended July 1		Actuarial Value Of Assets (a)		Actuarial Accrued Liability (AAL) (b)		Unfunded AAL (UAAL) (b)-(a)
2014 *	$1,885	$19,865,227	$770	$25,914,081	(1,116)	$6,048,854
2013		17,979,590		25,144,283		7,164,693
2012		16,671,075		24,744,421		8,073,346
2011		15,103,368		24,150,315		9,046,947
2010		15,200,155		22,499,248		7,299,093
2009		16,301,456		21,831,948		5,530,492
2008		17,047,888		19,392,222		2,344,334
2007		16,747,629		18,535,546		1,787,917
2006		15,116,139		17,172,016		2,055,877
2005		13,051,069		16,396,702		3,345,633

Valuation For The Actuarial Years Ended July 1	Improved	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll (a)-(b)/(c)
2014		76.7%	$3,822,287	158.3%
2013	5.2	71.5	4,016,528	178.4
2012	4.1	67.4	4,073,539	198.2
2011	4.9	62.5	4,252,159	212.8
2010		67.6	4,625,095	157.8
2009		74.7	4,850,260	114.0
2008		87.9	5,093,905	46.0
2007		90.4	5,074,190	35.2
2006		88.0	4,996,535	41.1
2005		79.6	4,699,880	71.2

The July 1, 2012 actuarial valuation was computed using a new mortality table (RP-2000 Combined Healthy Table with a 70% Blue Collar Adjustment with a static projection using Scale AA for all participants to 10 years after the valuation date). This change in assumption was due to the Actuarial Standards Board issuing a revised Standard of Practice. The impact of the change in mortality assumption increased the actuarial accrued liability by approximately $2 million.

* market value $21,428,601
actuarial method 3 yr smoothed market

$1,563,374 additional gains, funded 82.7%

Findings for the year ended June 30, 2014:

1. **COMMENT**

As noted in the prior year, the City's Financial Policies and Procedures Manual is outdated.

RECOMMENDATION

We recommend the City update their Financial Policies and Procedures Manual on a regular basis. We understand the City is working on this.

MANAGEMENT'S RESPONSE

The City is in the process of updating the Financial Policies and Procedures Manual.

2. **COMMENT**

As noted in the prior year, the City collects fines and court bonds payable but does not reconcile the collections with the receivable and/or payable amount on a monthly basis.

RECOMMENDATION

We recommend the City consider reconciling the court fines and bonds collected and incurred with the fines receivable and court bonds payable on a monthly basis. We understand the City is working with REJIS to address this issue.

MANAGEMENT'S RESPONSE

The City has been working with REJIS to update court software which hopefully will allow reconciliations on a monthly basis. The City has increased internal control by requiring court payments to be made at the Finance Department.

3. **COMMENT**

As noted in the prior year, the list of court bonds outstanding includes bonds that date back to 1987. Total court bonds outstanding at June 30, 2014 were approximately $128,000. The amount of bonds outstanding that are dated prior to June 30, 2008 is approximately $14,000.

RECOMMENDATION

We recommend the City review the list of court bonds outstanding to ensure all outstanding bonds are current and have been addressed for proper resolution.

MANAGEMENT'S RESPONSE

The City has requested the Judge adjudicate old outstanding bonds so they can be processed and removed from the bond list.

4. **COMMENT**

We noted that not all general journal entries posted to the City's general ledger are reviewed by a person other than the originator.

RECOMMENDATION

We recommend all general journal entries posted to the City's general ledger be reviewed by someone other than the one preparing the entries on a monthly basis, including documentation that the review was performed.

MANAGEMENT'S RESPONSE

The City has implemented a policy requiring the review of all general journal entries posted to the City's general ledger.

5. **COMMENT**

We noted that an aging of municipal court fines outstanding is not prepared.

RECOMMENDATION

We recommend that the municipal court department prepare an aging of open municipal court fines at each month-end and forward the aging reports to the City Administrator and Finance Officer for their review.

MANAGEMENT'S RESPONSE

The City's management is investigating the possibility of generating this type of aging report on the court's software used to account for court fines.