

***CITY OF LADUE, MISSOURI***

***FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012***

# ***CITY OF LADUE, MISSOURI***

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## INDEPENDENT AUDITORS' REPORT



The Honorable Mayor and Members of the Board of Aldermen  
***CITY OF LADUE, MISSOURI***

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the City of Ladue, Missouri, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **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.

### **Auditor's 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 from 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 auditor's 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.

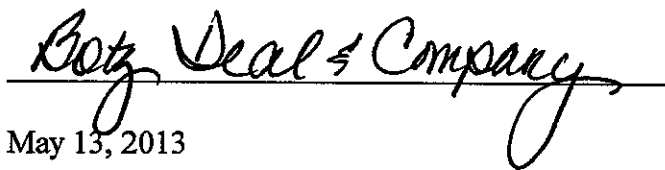
## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the City of Ladue, Missouri, as of December 31, 2012, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 3 through 10 and 35 through 40 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 an opinion on the financial statements that collectively comprise the City of Ladue, Missouri's basic financial statements as a whole. The supplemental information on pages 41 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates 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 themselves, 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.

  
May 13, 2013

**CITY OF LADUE, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012**

The discussion and analysis of the City of Ladue's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended December 31, 2012. It should be read in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- From a government-wide overview, the total net position of the City of Ladue grew 6% from \$36.8 million (2011) to \$39.0 million (2012). This \$2.2 million growth reflected governmental activities revenues of \$14.5 million less expenses of \$12.3 million. Excluding revenues from capital and operating grants and contributions, revenues saw increases in sales and utility gross receipts taxes.
- The General Fund recorded a surplus (revenues less expenditures) of \$1,173,319 vs. an anticipated budget surplus of \$339,012. This \$834,307 favorable variance was led by total revenues that exceeded budget by \$589,642 (5%) and expenditures that were below budget by \$244,665 (-2%). The fund balance for the General Fund grew from \$8,690,860 at the beginning of the year to \$9,864,179 at the end of the year.
- The Road and Bridge Fund recorded a surplus (revenues less expenditures) of \$424,566 vs. an anticipated budget surplus of \$346,481. This \$78,085 favorable variance was led by total expenditures that were below budget by \$150,041 offset by revenues that were below budget by \$71,956. The fund balance for the Road and Bridge Fund grew from \$1,435,506 at the beginning of the year to \$1,860,072 at the end of the year.
- The Capital Improvements Fund recorded a surplus (revenues less expenditures) of \$156,358 vs. an anticipated budget deficit of (-\$204,590). This \$360,948 favorable variance was led by total expenditures that were below budget by \$651,492 offset by revenues that were below budget by \$290,544. The fund balance for the Capital Improvements Fund grew from \$2,639,280 at the beginning of the year to \$2,795,638 at the end of the year.
- The Storm Water Fund recorded a surplus (revenues less expenditures) of \$830,123 vs. an anticipated budget surplus of \$624,722. This \$205,401 favorable variance was led by total expenditures that were below budget by \$245,910 offset by revenues that were below budget by \$40,509. The fund balance for the Storm Water Fund grew from \$4,646,127 at the beginning of the year to \$5,476,250 at the end of the year.
- The Non Uniform Retirement Fund completed the year with assets of \$3,732,857. The City contributed \$200,550 (actuarial required) to the plan during the year. The Uniform Pension Fund completed the year with assets of \$23,241,353. The City contributed \$1,182,728 (actuarial required) and employees contributed \$140,633 to the plan during the year. Several important changes were announced affecting the retirement and pension plans effective January 1, 2013.

## **REPORT LAYOUT**

The 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 several statements are highly condensed and present a government-wide view of the City's finances. 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, fire, public works 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.

### **Basic Financial Statements**

- The Statement of Net Position focuses on resources available for future operation. 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. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Governmental activities are reported on the accrual basis of accounting in the statement of net position.
- The Statement of Revenues, Expenses, and Changes in Net Position 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. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column title "Other Non-major Funds". The City considers all funds to be major funds. Budgetary comparisons for the General Fund and major special revenue funds are now presented as required supplementary information. A budgetary comparison is presented for the General Fund, Road and Bridge Fund, Capital Improvements Fund and Storm Water Projects Fund.
- 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 MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

## **THE CITY AS A WHOLE**

### **Government-wide Financial Analysis**

The City's combined net position is \$38,991,682 as of December 31, 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 position consists of its investment in capital assets (e.g., land, buildings, improvements, vehicles, infrastructure and equipment); less accumulated depreciation and 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**

	2012	2011	Increase (Decrease)
Current and other assets	\$ 24,527,893	\$ 22,096,300	\$ 2,431,593
Capital assets	16,595,098	16,971,821	(376,723)
Total assets	41,122,991	39,068,121	2,054,870
Current and other liabilities	757,829	624,913	132,916
Long-term liabilities	1,373,480	1,674,429	(300,949)
Total liabilities	2,131,309	2,299,342	(168,033)
Net position:			
Investment in capital assets	16,264,149	16,538,493	(274,344)
Restricted	10,151,960	8,720,913	1,431,047
Unrestricted	12,575,573	11,509,373	1,066,200
Total net position	\$ 38,991,682	\$ 36,768,779	\$ 2,222,903

Governmental activities increased the City's net position by \$2,222,903. The key elements of this increase are as follows:

**Table 2**

	2012	2011	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for service	\$ 1,553,285	\$ 1,537,435	\$ 15,850
Capital and operating grants	253,108	3,574,749	(3,321,641)
General revenues:			
Taxes	12,579,446	12,176,503	402,943
Interest income	70,063	76,597	(6,534)
Miscellaneous	51,048	54,983	(3,935)
Total revenues	14,506,950	17,420,267	(2,913,317)
Expenses:			
General government	\$ 1,336,226	\$ 1,305,925	\$ 30,301
Police department	4,039,573	3,787,224	252,349
Fire department	4,372,345	4,238,426	133,919
Public works	2,519,524	2,468,862	50,662
Interest and fiscal charges	16,379	20,109	(3,730)
Total expenses	12,284,047	11,820,546	463,501
Increase in net position	2,222,903	5,599,721	(3,376,818)
Net position, beginning of year	36,768,779	31,169,058	5,599,721
Net position, end of year	\$ 38,991,682	\$ 36,768,779	\$ 2,222,903

Total 2012 revenues shown in Table 2 were \$14,506,950 compared with total revenues of \$17,420,267 in 2011. The decrease in total revenues of \$2,913,317 represents an overall decrease in revenue of -17%. This decrease in government-wide revenue primarily reflects:

- A net decrease of \$3,321,641 in total capital and operating grants and contributions which were reduced from exceptionally high (one time) levels in 2011. Capital grants in 2011 included the value of the work (in kind contribution of \$2,749,500) by MODOT/St. Louis County for the milling and repaving of Clayton, Ladue, and McKnight roads as part of the interstate I-64 reconstruction project intergovernmental agreement.
- A net increase of \$402,943 in total taxes which reflects increases in sales taxes (+2.4%) and utilities gross receipts taxes (+8.8%).

Total government-wide expenses increased \$463,501 (+3.9%) from \$11,820,546 in 2011 to \$12,284,047 in 2012. The total increase was primarily due to increases in special pay (\$233,196) in the public works and fire departments reflecting eight unplanned (one time vacation/sick leave) retirement payouts at the end of the year, and increased personnel expense (\$221,073) in the police department reflecting higher average headcount (+2) in 2012.

### Governmental Funds

The following table presents the amount of revenues from various sources using the modified accrual basis of accounting, for all governmental funds.

**Table 3**

	Fiscal Year Ending 2012	Fiscal Year Ending 2011	Increase (Decrease)	Percentage Change
Taxes	\$ 12,692,989	\$ 12,098,635	\$ 594,354	4.9 %
Licenses and permits	744,631	504,204	240,427	3.1
Fines and court costs	445,275	621,400	(176,125)	(28.3)
Charges for service	363,379	411,831	(48,452)	(11.7)
Investment income	70,063	76,597	(6,534)	(8.5)
Miscellaneous	304,156	880,232	(576,076)	(65.4)
Total General Revenues	<u>\$ 14,620,493</u>	<u>\$ 14,592,899</u>	<u>\$ 27,594</u>	0.2 %

Total revenues as a whole increased slightly (+0.2%) due to the gains previously mentioned in sales taxes and utility gross receipts taxes, as well as increases in building permits reflecting two very large (one time) school projects (John Burroughs and MICDS). However, these gains were tempered by decreases in fines and court costs revenues, and by decreases in (miscellaneous) road project grant revenues compared to 2011 when the Warson Road (phase 3) and Clayton road bridge projects were completed and put in service.



## **THE CITY'S FUNDS**

At the close of the City's fiscal year on December 31, 2012, the governmental funds of the City reported a combined fund balance of \$19,996,139. This ending balance reflects an increase in total fund balances of \$2,584,366 in the City's funds. Refer to page 15 for individual fund results. The City negotiated and announced significant changes to the retirement and pension plans which would affect retirements and new hires on or after January 1, 2013. Included in these changes was the elimination of the vacation/sick leave payout at retirement in the calculation of the employee's final average salary and resulting annual benefit payment. The City amended and increased the original General Fund expenditure budget for 2012 by \$385,621. The amendments recognized the expected impact of the unplanned retirements at the end of the year and the resulting increases in the special pay category, as well as unanticipated administrative legal and professional fees expenses.

### **General Fund**

Overall, the financial results for the General Fund were significantly favorable in 2012, compared to the amended budget. The General Fund recorded a surplus (revenues less expenditures) of \$1,173,319 vs. an amended budget surplus of \$339,012. This \$834,307 favorable variance was led by total revenues that exceeded budget by \$589,642 (+5%) and expenditures that were below budget by \$244,665 (-2%). The fund balance for the General Fund grew from \$8,690,860 at the beginning of the year to \$9,864,179 at the end of the year reflecting the surplus generated during the year. \$9,707,889 (98%) of the fund balance was unassigned and available for general government use at the end of the year.

Revenue gains were strongly supported by significant favorable variances (vs. budget) in telephone utility gross receipts tax (\$301,171), building permits (\$161,191), real estate taxes (\$103,296), and sales tax (\$93,271). Telephone utility taxes continued to see growth from Sprint Spectrum LP as well as new revenues from Virgin Mobile. Expenditure results were favorable to budget (amended) and the administrative, police, and public works departments finished the year below budget. Motor fuels consumption and price ran below budget (\$29,417), and public works summer temporaries were not needed (\$29,360). The City made all of its actuarial required contributions to the Uniform and Non Uniform pension and retirement plans during the year (based on the January 1, 2012 report) and these contributions were less than the budget assumption by about \$130,722.

### **Road and Bridge Fund**

The Road and Bridge Fund recorded a surplus (revenues less expenditures) of \$424,566 vs. an anticipated budget surplus of \$346,481. This \$78,085 favorable variance was led by total expenditures that were below budget by \$150,041, offset by revenues that were below budget by \$71,956. These results reflect anticipated spending (and corresponding grant revenues) on the Litzsinger Road/sidewalks project that did not occur (deferred forward) and lower than budgeted operations and maintenance expenditures. The fund balance (all restricted) for the Road and Bridge Fund grew from \$1,435,506 at the beginning of the year to \$1,860,072 at the end of the year based on the surplus generated during the year.

## **Capital Improvements Fund**

The Capital Improvements Fund recorded a surplus (revenues less expenditures) of \$156,358 vs. an anticipated budget deficit of (-\$204,590). This \$360,948 favorable variance was led by total expenditures that were below budget by \$651,492 offset by revenues that were below budget by \$290,544. These results reflect anticipated spending on city hall computer servers and backup equipment, city hall remodeling, and the Ladue/Warson road sidewalks (MICDS) project that did not occur (deferred forward). The fund balance (all restricted) for the Capital Improvements Fund grew from \$2,639,280 at the beginning of the year to \$2,795,638 at the end of the year based on the surplus generated during the year.

## **Storm Water Fund**

The Storm Water Fund recorded a surplus (revenues less expenditures) of \$830,123 vs. an anticipated budget surplus of \$624,722. This \$205,401 favorable variance was led by total expenditures that were below budget by \$245,910 offset by revenues that were below budget by \$40,509. These results reflect anticipated spending (and corresponding grant revenues) on the McKnight and Litzsinger Road projects and the Ladue/Warson Road sidewalks (MICDS) project that did not occur (deferred forward). The fund balance (all restricted) for the Storm Water Fund grew from \$4,646,127 at the beginning of the year to \$5,476,250 at the end of the year based on the surplus generated during the year.

## **FIDUCIARY FUNDS**

The Non Uniform Retirement Fund completed the year with assets of \$3,732,857. The City contributed \$200,550 (actuarial required) to the plan during the year. The Fund experienced a net gain of \$439,401 over the year reflecting a recovery in investment returns in 2012. The (actuary determined) funded ratio (assets to liabilities) of the plan declined from 90.7% at 1/1/2011 to 82.1% at 1/1/2012.

The Uniform Pension Fund completed the year with assets of \$23,241,353. The City contributed \$1,182,728 (actuarial required) and employees contributed \$140,633 to the plan during the year. The Fund experienced a net gain of \$1,780,920 over the year reflecting a recovery in investment returns in 2012. The (actuary determined) funded ratio (assets to liabilities) of the plan declined from 73.0% at 1/1/2011 to 69.8% at 1/1/2012.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2012, the City had \$25,150,908 invested in a broad range of capital assets, including police and public works equipment, buildings, fire equipment, roads, bridges, and other infrastructure (See Table 4). This amount represents a modest net increase (including additions and disposals) of \$600,928, or +2% over the prior fiscal year.

**Table 4**

	2012	2011	Increase (Decrease)
Land	\$ 316,425	\$ 316,425	\$ -
Buildings	5,014,689	5,014,689	-
Improvements	1,282,532	1,282,532	-
Machinery and equipment	2,806,353	2,702,621	103,732
Vehicles	2,799,223	2,591,720	207,503
Infrastructure	12,553,169	12,553,169	-
Construction in progress	378,517	88,824	289,693
Total	\$ 25,150,908	\$ 24,549,980	\$ 600,928

The in service additions to Capital assets this fiscal year were as follows:

- (4) City Hall and annex central A/C units: \$62,050
- (1) City Hall computer SQL files server: \$35,390
- (1) Fire pumper thermal imaging camera: \$13,820
- (1) Fuelmaster metering/recording system: \$24,654
- (2) Clayton road school zone warning lights: \$7,699
- (1) building inspector vehicle: \$23,274
- (3) police patrol vehicles: \$69,946
- (1) fire command vehicle: \$34,228
- (1) ambulance: \$201,739
- (1) public works director vehicle: \$25,426

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Ladue expects that the overall economic recovery, which began in 2011, will continue in 2013. In the interest of generating a conservative budget, key revenue streams are, for the most part, forecast flat to 2012 actual results. Key expenditure areas contain appropriate increases (like utility costs, insurance, and pension) where warranted. The City committed to a capital and funding plan to replace its aging firehouses (approximately \$3.9 million) over the next five years, and announced structural changes to its employee pension and retirement plans. These changes include a revision to exclude final vacation/sick pay payouts from final average salary calculations. Also, in the Uniform pension plan, a reduction in benefits to 60% of final average salary for those hired after January 1, 2013, and an increase in employee contributions from 3% to 4.5% of salary in 2013 and to 6% of salary in 2014 and thereafter. The City also committed to contributing an additional \$1 million to the Uniform pension plan (above and beyond its minimum actuarial required contribution) in 2013 and an additional \$1 million again in 2014. These changes will improve the integrity, stability, and funded ratios of these plans.

General Fund revenues in 2013 are budgeted at \$11,563,279 (excludes \$300,000 Road and Bridge interfund transfer), which are comparable to the 2012 actual of \$11,859,581 after taking into account the exceptional building permits in 2012. General Fund expenditures are budgeted at \$12,229,439 which is approximately \$243,000 (+2.2%) higher (excluding the additional \$1 million pension contribution) than 2012 actual levels. These budget expenditure levels assume increases in electricity (+14%) and sewer costs (+11%), property/casualty/liability insurance (+20%), and City pension/retirement (actuary estimate) minimum required contributions (+10%). Taken together, the General Fund is projected to record a deficit (revenues less expenditures) of approximately (-\$366,000) in 2013 which would result in an ending fund (reserve) balance of approximately \$9,498,000.

The City expects to continue work on the McKnight road (bridge/culvert replacements, road repaving, sidewalks), Litzinger Road (small culvert replacement, road repaving, sidewalks), and Price road (road repaving, stormwater, sidewalks) projects in the Road and Bridge and Storm Water Funds in 2013. Total revenues of \$2,401,154 and expenditures of \$2,119,279 (excludes \$300,000 Road and Bridge interfund transfer) are projected in the Road and Bridge Fund leading to an expected deficit of approximately (-\$18,000) and an ending fund (reserve) balance of approximately \$1,842,000. Total revenues of \$1,475,986 and expenditures of \$1,610,931 are projected in the Storm Water Fund leading to a deficit of approximately (-\$135,000) and an ending fund (reserve) balance of approximately \$5,341,000.

The 2013 Capital Improvements Fund budget envisions total 2013 expenditures of \$1,430,343 which includes \$271,384 to complete the Ladue and Warson roads sidewalks project, \$487,032 towards the new firehouses, \$361,967 in various equipment purchases, and \$163,200 in vehicle replacements. Total revenues are budgeted at approximately \$962,649 which together with expenditures would lead to an ending fund (reserve) balance of approximately \$2,328,000.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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 questions about this report or would like additional financial information, please contact Rick Jett, Director of Finance of the City of Ladue, Missouri.

**CITY OF LADUE, MISSOURI**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,468,847
Investments	11,971,345
Taxes receivable:	
Property	1,924,155
Other	1,386,989
Inventory	39,370
Prepaid insurance	58,093
Net pension asset	3,679,094
Capital assets - net	
Nondepreciable	694,941
Depreciable	15,900,157
<b>TOTAL ASSETS</b>	<u>41,122,991</u>
<b>LIABILITIES</b>	
Accounts payable	190,529
Accrued employee benefits	56,758
Escrow payable	233,912
Deferred revenue	119,330
Noncurrent liabilities:	
Due in one year	700,680
Due in more than one year	830,100
<b>TOTAL LIABILITIES</b>	<u>2,131,309</u>
<b>NET POSITION</b>	
Net investment in capital assets	16,264,149
Restricted for capital improvements	10,151,960
Unrestricted	12,575,573
<b>TOTAL NET POSITION</b>	<u>\$ 38,991,682</u>

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

**CITY OF LADUE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General government	\$ 1,336,226	\$ 784,580	\$ -	\$ -	\$ (551,646)
Police department	4,039,573	596,601	160,497	-	(3,282,475)
Fire department	4,372,345	172,104	-	-	(4,200,241)
Public works	2,519,524	-	-	92,611	(2,426,913)
Interest and fiscal charges	16,379	-	-	-	(16,379)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$12,284,047</u>	<u>\$ 1,553,285</u>	<u>\$ 160,497</u>	<u>\$ 92,611</u>	<u>(10,477,654)</u>
Taxes:					
Sales					3,834,136
Utility					3,100,766
Property					4,477,776
Franchise					211,260
Other					955,508
Interest income					70,063
Other miscellaneous revenue					51,048
<b>TOTAL GENERAL REVENUES</b>					<u>12,700,557</u>
<b>CHANGE IN NET POSITION</b>					2,222,903
<b>NET POSITION BEGINNING OF YEAR</b>					<u>36,768,779</u>
<b>NET POSITION END OF YEAR</b>					<u>\$ 38,991,682</u>

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

**CITY OF LADUE, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2012**

	General Fund	Road and Bridge Fund	Capital Improvement Fund	Storm Water Projects Fund	Total
<b>ASSETS AND OTHER DEBITS</b>					
Cash and cash equivalents	\$ 2,414,209	\$ 877,219	\$ 936,812	\$ 1,240,607	\$ 5,468,847
Investments	5,414,916	701,355	1,751,133	4,103,941	11,971,345
Taxes receivable:					
Property	1,924,155	-	-	-	1,924,155
Other	828,980	304,158	111,426	142,425	1,386,989
Inventory	39,370	-	-	-	39,370
Prepaid insurance	58,093	-	-	-	58,093
<b>TOTAL ASSETS</b>	<b>\$ 10,679,723</b>	<b>\$ 1,882,732</b>	<b>\$ 2,799,371</b>	<b>\$ 5,486,973</b>	<b>\$ 20,848,799</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 153,413	\$ 22,660	\$ 3,733	\$ 10,723	\$ 190,529
Accrued employee benefits	56,758	-	-	-	56,758
Escrow payable	233,912	-	-	-	233,912
Deferred revenue	371,461	-	-	-	371,461
<b>TOTAL LIABILITIES</b>	<b>815,544</b>	<b>22,660</b>	<b>3,733</b>	<b>10,723</b>	<b>852,660</b>
<b>FUND BALANCES:</b>					
Non-spendable:					
Prepaid items	58,093	-	-	-	58,093
Inventory	39,370	-	-	-	39,370
Restricted:					
Beautification project	20,000	-	-	-	20,000
Road and bridge fund	-	1,860,072	-	-	1,860,072
Capital improvement fund	-	-	2,795,638	-	2,795,638
Storm water projects fund	-	-	-	5,476,250	5,476,250
Assigned:					
Equipment repairs	38,827	-	-	-	38,827
Unassigned	9,707,889	-	-	-	9,707,889
<b>TOTAL FUND BALANCES</b>	<b>9,864,179</b>	<b>1,860,072</b>	<b>2,795,638</b>	<b>5,476,250</b>	<b>19,996,139</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,679,723</b>	<b>\$ 1,882,732</b>	<b>\$ 2,799,371</b>	<b>\$ 5,486,973</b>	<b>\$ 20,848,799</b>

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

**CITY OF LADUE, MISSOURI**  
**RECONCILIATION OF THE STATEMENT OF NET POSITION**  
**OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET**  
**AS OF DECEMBER 31, 2012**

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

Total fund balance per balance sheet	\$ 19,996,139
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,595,098
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	252,131
Net pension assets are not current financial resources and, therefore, are not reported in the funds.	3,679,094
Net other post employment liability does not require the use of current financial resources and, therefore, is not reported in the funds.	(157,300)
Long-term liabilities not due and payable in the current period and therefore, are not reported in the funds.	<u>(1,373,480)</u>
Net position of governmental activities	<u><u>\$ 38,991,682</u></u>

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



**CITY OF LADUE, MISSOURI**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	General Fund	Road and Bridge Fund	Capital Improvement Fund	Storm Water Projects Fund	Total
<b>REVENUES</b>					
Taxes	\$ 10,115,868	\$ 886,256	\$ 776,884	\$ 913,981	\$ 12,692,989
Licenses and permits	708,296	36,335	-	-	744,631
Fines and court costs	445,275	-	-	-	445,275
Charges for service	363,379	-	-	-	363,379
Investment income	28,866	5,215	11,677	24,305	70,063
Miscellaneous	197,897	58,447	19,494	28,318	304,156
<b>TOTAL REVENUES</b>	<b>11,859,581</b>	<b>986,253</b>	<b>808,055</b>	<b>966,604</b>	<b>14,620,493</b>
<b>EXPENDITURES</b>					
Current:					
General government	1,262,260	-	-	-	1,262,260
Police department	3,770,648	-	-	-	3,770,648
Fire department	4,244,582	-	-	-	4,244,582
Public works	1,708,772	123,867	-	-	1,832,639
Capital outlay	-	137,820	532,939	136,481	807,240
Debt service	-	-	118,758	-	118,758
<b>TOTAL EXPENDITURES</b>	<b>10,986,262</b>	<b>261,687</b>	<b>651,697</b>	<b>136,481</b>	<b>12,036,127</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>873,319</b>	<b>724,566</b>	<b>156,358</b>	<b>830,123</b>	<b>2,584,366</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfer in (out)	300,000	(300,000)	-	-	-
<b>CHANGE IN FUND BALANCE</b>	<b>1,173,319</b>	<b>424,566</b>	<b>156,358</b>	<b>830,123</b>	<b>2,584,366</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>8,690,860</b>	<b>1,435,506</b>	<b>2,639,280</b>	<b>4,646,127</b>	<b>17,411,773</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 9,864,179</b>	<b>\$ 1,860,072</b>	<b>\$ 2,795,638</b>	<b>\$ 5,476,250</b>	<b>\$ 19,996,139</b>

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

**CITY OF LADUE, MISSOURI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Amounts reported for governmental activities in the statement of revenues, expenses, and changes in net position are different because:

Change in fund balance-total governmental funds	\$ 2,584,366
The acquisition of capital assets requires the use of current financial resources, but has no effect on net position.	769,632
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of revenues, expenses and changes in net position.	(1,143,764)
The net effect of other miscellaneous transactions involving capital assets (ie. sales or trade-ins) that decrease net position.	(2,591)
Revenues in the Statement of Revenues, Expenses and Changes in Net Position that do not provide current financial resources, are not reported as revenue in the governmental funds.	(113,543)
Some expenses reported in the statement of revenues, expenses and changes in net position do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(172,146)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	102,379
Compensated absences do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds.	<u>198,570</u>
Change in net position of governmental activities	<u><u>\$ 2,222,903</u></u>

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

**CITY OF LADUE, MISSOURI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2012**

**ASSETS**

	<u>PENSION TRUST</u>		
	<u>FIREMEN'S AND POLICEMEN'S PENSION FUND</u>	<u>PENSION FUND NON-UNIFORMED EMPLOYEES</u>	<u>TOTAL</u>
Cash and cash equivalents	\$ 586,380	\$ 114,461	\$ 700,841
Accrued interest receivable	24,987	3,961	28,948
Investments - at fair value:			
Bonds funds	7,931,562	1,263,513	9,195,075
Stock funds	12,661,932	2,031,254	14,693,186
Hedge funds	1,145,872	180,638	1,326,510
Traded real estate	455,700	75,950	531,650
Commodities	434,920	63,080	498,000
Total Investments	<u>22,629,986</u>	<u>3,614,435</u>	<u>26,244,421</u>
 TOTAL POSITION	 <u>\$ 23,241,353</u>	 <u>\$ 3,732,857</u>	 <u>\$ 26,974,210</u>

**LIABILITIES AND NET POSITION**

**NET POSITION**

Net assets held in trust for pension benefits	\$ 23,241,353	\$ 3,732,857	\$ 26,974,210
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**TOTAL LIABILITIES  
AND NET POSITION**

\$ 23,241,353	\$ 3,732,857	\$ 26,974,210
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The accompanying notes are an integral part of these financial statements.

**CITY OF LADUE, MISSOURI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	PENSION TRUST		
	FIREMEN'S AND POLICEMEN'S PENSION FUND	PENSION FUND NON-UNIFORMED EMPLOYEES	TOTAL
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 1,182,728	\$ 200,550	\$ 1,383,278
Plan members	140,633	-	140,633
Total Contributions	<u>1,323,361</u>	<u>200,550</u>	<u>1,523,911</u>
Investment return:			
Net appreciation in fair value of investments	1,875,567	290,411	2,165,978
Interest and dividends	583,390	91,802	675,192
Less: investment expenses	(62,438)	(9,922)	(72,360)
Net Investment Return	<u>2,396,519</u>	<u>372,291</u>	<u>2,768,810</u>
TOTAL ADDITIONS	<u>3,719,880</u>	<u>572,841</u>	<u>4,292,721</u>
<b>DEDUCTIONS</b>			
Benefit payments	1,922,822	124,837	2,047,659
Administrative expense	16,138	8,603	24,741
TOTAL DEDUCTIONS	<u>1,938,960</u>	<u>133,440</u>	<u>2,072,400</u>
<b>CHANGE IN NET POSITION</b>	1,780,920	439,401	2,220,321
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>21,460,433</u>	<u>3,293,456</u>	<u>24,753,889</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 23,241,353</u>	<u>\$ 3,732,857</u>	<u>\$ 26,974,210</u>

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

**CITY OF LADUE, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Ladue, Missouri, (the City) was incorporated December 1, 1936. The City operates under a Mayor-Board of Aldermen form of government and provides the following services: public safety (police and fire), public works, public improvements, planning and zoning, and general administrative services.

**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 revenues, expenses and changes in net position and report information on all of the nonfiduciary activities of the Primary Government and its component units. 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 assets have been eliminated.

*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 revenues, expenses, and changes in net position. The net position of the City are broken down into three categories 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

B. **BASIC FINANCIAL STATEMENTS - continued**

*Statement of Revenues, Expenses, and Changes in Net Position* - The statement of revenues, expenses and changes in net position 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, expense 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 revenues, expenses and changes in net position 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. Indirect expenses are allocated. 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 and 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, the Road and Bridge Fund, the Capital Improvement Fund, and the Storm Water Projects 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. Even though the Road and Bridge Fund does not meet the minimum criteria the City feels this fund is significant enough to be considered a major fund.

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:

**The 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.

**The Capital Improvements Fund** - The City uses this fund to account for sales tax revenue designated for capital purchases.

**The Storm Water Projects Fund** - The City uses this fund to account for sales tax revenue designated for parks and storm water projects.

**The Road and Bridge Fund** - The City uses this fund to account for tax revenue designated for road improvements.

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent or on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

**Pension Trust Funds** - Pension Trust Funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. The pension trust funds account for the assets of Firemen's and Policemen's Pension Plan and the Pension Plan for Non-Uniformed Employees.

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.

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

D. **CAPITAL ASSETS - continued**

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	7 - 40 years
Machinery and equipment	3 - 25 years
Vehicles	2 - 5 years
Infrastructure	20 - 50 years

The government-wide financial statements do not reflect those infrastructure assets completed prior to January 1, 2004. From this point forward, new infrastructure will be added to the records while the retroactive historical value of the City's infrastructure assets will not be added.

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 interfund transactions are reported as transfers.

G. **COMPENSATED ABSENCES**

It is the City's policy that each year's accrued vacation should be taken within 12 months of the year in which it is earned. An employee may carry one week of vacation over into the second subsequent year provided written approval is obtained from the appropriate department head. Employees are compensated at their hourly rate for unused vacation upon retirement, resignation (if in good standing) or termination.

Employees of the administrative, police and public works departments can earn and accumulate sick leave at the rate of 1 day (8 hours) per month of service to a maximum of 120 days (960 hours) for purposes of computing the payout. Members of the fire department can earn and accumulate sick leave at the rate of one-half day (12 hours) per month of service to a maximum of 120 days (1,440 hours) for purposes of computing the payout.

Employees who have been employed in excess of 10 years are eligible to receive compensation for a portion of their accumulated sick leave. Employees are compensated at their current hourly rate upon retirement, resignation (if in good standing) or termination. Accumulated vacation and sick leave is accrued when incurred in the government-wide financial statements.



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

H. **NET POSITION AND FUND EQUITY**

In government-wide financial statements net position are reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets, represents capital assets less accumulated depreciation less outstanding principal on related debt. Net investment in capital assets, does not include the unspent proceeds of capital debt. Restricted net position represents net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). All other net positions are considered unrestricted.

When restricted sources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The statement of net position reports \$10,151,960 of restricted net position, all of which is restricted by enabling legislation.

**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.

**Assigned** - Resources neither restricted nor committed for which a government has a stated intended use as established by the Board of Aldermen or an official to which the Board of Aldermen 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.

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

I. **INVESTMENTS**

Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities. The Pension Trust Funds are also authorized to invest in corporate stocks and bonds as allowed by state law. Investments are carried at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting for Certain Investments and for External Investment Pools*. Investments with an original maturity of three months or less are considered to be cash equivalents.

J. **INVENTORY**

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

K. **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. Prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Finance Director submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is formally adopted.
4. The Finance Director is authorized to transfer budgeted amounts between departments within any fund. Budget revisions are required at the fund level and must be approved by the Board of Aldermen.

Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles.

3. **CASH AND TEMPORARY INVESTMENTS**

The City maintains a cash and investment pool that is available for use by all funds except the special revenue funds as required. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and "investments". The investments of the Police and Firemen's Pension Fund and the Non-Uniformed Employees' Retirement Fund are held separately from those of other City funds.

3. **CASH AND TEMPORARY INVESTMENTS - continued**

**Cash** - At year-end, the carrying value of the City's deposits, including certificates of deposits, was \$16,520,351 and the bank balances were \$16,538,839. All of the bank balances were insured by federal depository insurance or collateralized by securities held by the City's agent in the City's name.

**Investment** - As of December 31, 2012, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>Rating By S &amp; P</u>
Repurchase Agreements	\$ 912,534	\$ 912,534	N/A

**Interest Rate Risk** - For an investment, the interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Under the City's investment policy, this risk is minimized through structuring the investment portfolio 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 and by investing operating funds primarily in shorter - term securities.

**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. The City's repurchase agreements are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City's policy is to invest in either insured, collateralized or government backed securities.

**Concentration of Credit Risk** - Under the City's investment policy, this risk is addressed through diversifying the portfolio by limiting investment allocation percentages on certain types of investments, in an effort to minimize potential losses on individual securities.

**Credit Risk** - For an investment, the credit risk is the risk of loss due to the failure of the security issuer or backer. Under the City's investment policy, this risk is minimized by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City does business.

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 approximately November 1 and payable by December 31. As of January 1 of the following year, unpaid taxes are considered past due, the applicable property is subject to lien, and penalties and interest are assessed. Property taxes are shown net of an allowance for uncollectibles which is equal to the amounts not collected within 60 days of year-end. Property tax is collected by St. Louis County and remitted to the City. The assessed value at January 1, 2012, upon which the 2012 levy was based for real, personal and public utility property, was \$625,074,297. The City's tax rate was levied per \$100 of assessed valuation for the General Fund based on the following property classes:

Real estate:	
Residential	\$ 0.712
Commercial	0.745
Agricultural	0.991
Personal property	0.756

## 5. INTERFUND TRANSACTIONS

The Road and Bridge Fund transfers funds annually to the General Fund to cover expenditures made in the General Fund that were road and bridge in nature, which includes some expenditures charged to Public Works. The following operating transfers were made during the fiscal year ending December 31, 2012:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$300,000	\$ -
Road and Bridge Fund	-	300,000

## 6. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2012 is as follows:

	<u>Balance, Beginning Of Year</u>	<u>Transfers and Additions</u>	<u>Transfer and Deletions</u>	<u>Balance, End Of Year</u>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 316,425	\$ -	\$ -	\$ 316,425
Construction in process	88,824	289,691	-	378,516
Total capital assets, not being depreciated	405,249	289,691	-	694,941
<b>Capital assets, being depreciated:</b>				
Buildings	5,014,689	-	-	5,014,689
Improvements	1,282,532	-	-	1,282,532
Machinery and equipment	2,702,621	143,613	( 39,880)	2,806,354
Vehicles	2,591,720	354,612	( 147,109)	2,799,223
Infrastructure	12,553,169	-	-	12,553,169
Total capital assets, being depreciated	24,144,731	498,226	( 186,989)	24,455,967
<b>Less accumulated depreciation for:</b>				
Buildings	(1,964,031)	( 123,988)	-	(2,088,019)
Improvements	( 653,978)	( 56,555)	-	( 710,533)
Machinery and equipment	(2,036,124)	( 180,262)	39,880	(2,176,506)
Vehicles	(1,480,782)	( 224,702)	126,233	(1,579,251)
Infrastructure	(1,443,244)	( 558,257)	-	(2,001,501)
Total accumulated Depreciation	(7,578,159)	( 1,143,764)	166,113	(8,555,810)
Total capital assets, being depreciated, net	16,566,572	(645,538)	(20,876)	15,900,157
Total governmental activities	\$ 16,971,821	\$ (355,847)	\$ (20,876)	\$ 16,595,098

6. **CAPITAL ASSETS - continued**

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

Governmental activities:

General government	\$ 50,942
Police department	177,648
Fire department	159,211
Public works	<u>755,963</u>
Total depreciation governmental activities	\$ <u>1,143,764</u>

7. **LONG-TERM LIABILITIES**

	Balance, Beginning Of Year	Additions	Reductions	Balance, End Of Year	Due Within One Year
Governmental activities:					
Accrued vacation	\$ 428,884	\$ 374,431	\$ ( 428,884)	\$ 374,431	\$ 374,431
Accrued sick leave	812,217	263,362	( 407,479)	668,100	220,000
Capital lease	433,328	-	( 102,379)	330,949	106,249
Net other post employment benefit obligation	<u>2,700</u>	<u>154,600</u>	<u>-</u>	<u>157,300</u>	<u>-</u>
Subtotal governmental Activities	\$ <u>1,677,129</u>	\$ <u>792,393</u>	\$ <u>( 938,742)</u>	\$ <u>1,530,780</u>	\$ <u>700,680</u>

Funds to retire accrued vacation and sick leave come from the General Fund.

**Capital Leases**

The City entered into a lease/purchase agreement with OskKosh Capital to finance the purchase of a fire truck. The fire truck was recorded as a capital asset in the Governmental Activities at a cost of \$541,688 and has accumulated depreciation of \$105,493 as of December 31, 2012. The lease is recorded in the government-wide statement of net assets. Payments include principal and interest and have been made from the Capital Improvements Fund.

On December 31, 2012, the outstanding principal and other information on the City's leases consists of the following:

Lessor	Interest Rate	Maturity	Total Annual Payment	Balance
OskKosh	3.78%	February 2015	\$ 118,759	\$ 330,949

7. **LONG-TERM LIABILITIES-** continued

Future minimum lease payments are as follows:

2013	\$ 118,759
2014	118,759
2015	<u>118,759</u>
Total payments	356,277
Portion representing interest	<u>( 25,328)</u>
Net present value	\$ <u><u>330,949</u></u>

8. **EMPLOYEE RETIREMENT SYSTEMS**

The City administers two single-employer, defined benefit pension plans - the Firemen's and Policemen's Pension Plan (Uniformed Plan), which covers all of its sworn public safety employees and The Pension Plan for Non-Uniformed Employees (Non-Uniformed Plan), which covers all of the City's full-time general employees. Each plan's assets may be used only for the payment of benefits to the plan's members in accordance with the terms of the plan.

Membership of each plan consisted of the following at January 1, 2012, the date of the last actuarial valuation:

	<u>Uniformed Plan</u>	<u>Non-Uniformed Plan</u>
Retirees and beneficiaries currently receiving benefits	56	13
Terminated plan members entitled to but not yet receiving benefits	3	2
Active plan members	<u>57</u>	<u>28</u>
TOTAL	<u>116</u>	<u>43</u>

**THE CITY OF LADUE, MISSOURI FIREMEN'S AND POLICEMEN'S PENSION PLAN  
(UNIFORMED PLAN)**

**Plan Description**

The City of Ladue, Missouri Firemen's and Policemen's Pension Plan (Uniformed Plan) covers all of the City's sworn full-time police and fire employees. The Uniformed Plan is a single-employer, defined benefit pension plan which provides retirement and death benefits to plan members and their beneficiaries. Disability benefits are provided outside the plan through an insurance company. An annual cost of living adjustment is provided based on the annual change in the Consumer Price Index, but not more than 2% per year and not more than 20% over the life of the payments. The Board of Aldermen has the authority to amend the benefit provisions of the Plan. Neither plan issues separate stand alone financial statements. The financial information is included as Pension Trust Funds in the City's basic financial statements.

8. **EMPLOYEE RETIREMENT SYSTEMS - continued**

**Contributions**

Plan members are required to contribute 3% of their annual pay. It is the City's policy to make contributions at the actuarially determined rate or higher. The Board of Aldermen has the authority to amend contribution requirements. Administrative costs are financed through City contributions and investment earnings.

**Annual Pension Cost and Net Pension Obligation**

The City's annual pension cost and net pension obligation for the Uniformed Plan are as follows:

Year Ended December 31

Annual required contribution	\$ 1,182,728
Interest on net pension obligation	( 253,546)
Adjustment to annual required contribution	256,945
Annual pension cost	<u>1,186,127</u>
Contribution made	<u>(1,182,728)</u>
Increase in net pension obligation	3,399
Net pension obligation (asset) - beginning of year	<u>(3,380,611)</u>
Net pension obligation (asset) - end of year	<u>\$ (3,377,212)</u>

**FUNDING PROGRESS - UNIFORMED PLAN**

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll [(b)-(a)/(c)]
1/1/2012	\$ 22,949,675	\$ 32,858,994	\$ 9,909,319	69.8 %	\$ 4,107,358	241.3 %
1/1/2011	23,071,952	31,598,942	8,526,990	73.0	4,246,707	200.8
1/1/2010	22,092,661	30,728,346	8,635,685	71.9	4,447,537	194.2
1/1/2009	18,266,006	29,214,709	10,948,703	62.5	4,469,088	245.0
1/1/2008	19,999,879	28,526,368	8,526,489	70.1	4,245,175	200.9
1/1/2007	18,106,583	27,471,232	9,364,649	65.9	4,102,912	228.2
1/1/2006	17,426,067	25,861,569	8,435,502	67.4	3,782,856	223.0
1/1/2005	17,267,814	24,530,293	7,262,479	70.4	3,651,659	198.9
1/1/2004	17,194,086	23,255,866	6,061,780	73.9	3,581,760	169.2
1/1/2003	15,204,281	21,411,392	6,207,111	71.0	3,586,895	173.0

8. **EMPLOYEE RETIREMENT SYSTEMS - continued**

**Annual Pension Cost and Net Pension Obligation - continued**

The annual required contribution for the current year was determined as part of the January 1, 2012 actuarial valuation using the individual entry age normal method of funding. The actuarial assumptions include (a) 7.5% investment rate of return, (b) 4.75% projected salary increases, and (c) administrative costs of \$25,000, (d) mortality based on the RP2000 Combined White Collar Mortality table projected to 2017 by Scale AA for males and females with active deaths assumed to be 50% duty related. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The funding policy contribution is the normal cost with interest to the end of the Plan year plus a 20-year amortization of the unfunded accrued liability as a level percentage of projected payroll.

UNIFORMED PLAN					
Year Ended ( December 31,	Annual Pension Cost	Actual Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2012	\$ 1,186,127	\$ 1,182,728	99.7 %	\$ 1,182,728	100 %
2011	1,104,076	1,100,673	99.7	1,100,673	100
2010	1,093,125	1,692,786	155	1,092,786	155
2009	1,255,599	2,255,382	180	1,255,382	180
2008	1,055,730	2,240,000	212	1,055,357	212
2007	1,210,076	1,810,076	150	1,210,076	150
2006	1,129,573	1,129,573	100	1,129,573	100
2005	983,068	983,068	100	983,068	100
2004	906,696	906,696	100	909,696	100
2003	910,979	910,979	100	910,976	100

**THE CITY OF LADUE, MISSOURI PENSION PLAN FOR NON-UNIFORMED EMPLOYEES (NON-UNIFORMED PLAN)**

**Plan Description**

All of the City's full-time employees, excluding police and firemen, are eligible to participate in the City of Ladue, Missouri Pension Plan for Non-Uniformed Employees (Non-Uniformed Plan), a single-employer defined benefit retirement plan. The non-uniformed plan provides retirement, early retirement, and death benefits to plan members and their beneficiaries. Disability benefits are provided outside the plan through an insurance company. There is no cost of living adjustment provision. The Board of Aldermen has the authority to amend benefit provisions of the plan.



## 8. EMPLOYEE RETIREMENT SYSTEMS - continued

### Contributions

Plan members are not required to make contributions. It is the City's policy to make contributions at the actuarially determined rate or higher. The Board of Aldermen has the authority to amend contribution requirements. Administrative costs are financed through City contributions and investment earnings.

### Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the Non-Uniformed Plan are as follows:

#### Year Ended December 31

Annual required contribution	\$ 200,550
Interest on net pension obligation	(23,702)
Adjustment to annual required contribution	<u>37,849</u>
Annual pension cost	214,697
Contribution made	<u>(200,550)</u>
Increase in net pension obligation	14,147
Net pension obligation (asset) - beginning of year	(316,029)
Net pension obligation (asset) - end of year	<u>\$ (301,882)</u>

The annual required contribution for the current year was determined as part of the January 1, 2012 actuarial valuation using the aggregate cost method which does not identify or separately amortize unfunded actuarial liabilities. The actuarial assumptions include (a) 7.5% investment rate of return, (b) 5% projected salary increases, (c) administrative costs of \$20,000, (d) mortality based on the RP2000 Combined White Collar Mortality table projected to 2017 by Scale AA for males and females. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

The non-uniform plan prepares the actuarial valuation using the aggregate cost method which does not identify or separately amortize unfunded actuarial liabilities, information about the funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. This information is presented as required supplemental information.

**Funded Status and Funding Progress** - As of January 1, 2012, the most recent actuarial valuation available, the plan was 82.1 percent funded. The actuarial accrued liability for benefits was \$4,264,446 and the actuarial value of assets was \$3,501,401, resulting in an unfunded actuarial accrued liability (UAAL) of \$763,045. The covered payroll (annual payroll of active employees covered by the plan) was \$1,638,495, and the ratio of the UAAL to the covered payroll was 46.6%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

8. **EMPLOYEE RETIREMENT SYSTEMS - continued**

**Funded Status and Funding Progress - continued**

Year Ended December 31,	Non-Uniformed Plan				
	Annual Pension Costs	Actual Contributed	Percentage Contribution	Annual Required Contribution	Percentage Contributed
2012	\$ 214,697	\$ 200,550	93 %	\$ 200,550	100 %
2011	147,835	139,170	94	139,170	100
2010	162,807	261,199	162	161,199	162
2009	203,664	403,663	198	203,664	198
2008	148,695	175,000	118	148,695	118
2007	143,662	143,662	100	143,662	100
2006	120,800	120,800	100	120,800	100
2005	110,188	110,188	100	110,188	100
2004	99,990	99,990	100	99,990	100
2003	92,402	92,402	100	92,402	100

9. **DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City makes no contribution to the Plan.

Retirement Plan Advisors administers the City's Deferred Compensation Plan. With the adoption of Governmental Accounting Standards Board (GASB) No. 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*" the City's Deferred Compensation Plan is not included in the basic financial statements. The City's Plan does not meet the criteria for reporting the Deferred Compensation Plan in a fiduciary fund.

10. **OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**Plan Description and Provisions** - The City of Ladue has a single-employer other post employment plan that provides its retirees with access to healthcare (medical and dental insurance). Employees that retire in good standing and are covered by the City's health plan receive a subsidy of \$10 per month for each year of service up to 20 years (with a minimum of \$200 per month) and an additional \$20 per month for each year of service from 20 to 30 years (with a total maximum of \$400 per month). Employees become eligible for other post employment benefits on the retirement or disability date to age 65. 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.

10. **OTHER POST EMPLOYMENT BENEFITS (OPEB) - continued**

**Plan Description and Provisions - continued**

At January 1, 2012, the date of the last actuarial valuation, the Plan covered the following number of participants:

Active participants	85
Retirees and beneficiaries currently receiving benefits	47
Total Plan Participants	<u>132</u>

Triennial valuations are performed using the projected unit credit method. The unfunded actuarial accrued liability is amortized over a 15 year open period in level dollar amounts. The actuarial assumptions include (a) 3.60% discount rate, (b) marital status of members at the calculation date was assumed to be 50% and 70% married medical and dental coverage, respectively, (c) disability for uniformed participants based on 1985 Pension Disability Table - Class 3, disabilities are assumed to be 75% duty related, disability for non-uniformed participant vary by age and gender (d) mortality based on the RP2000 Combined White Collar Mortality table projected to 2017 by Scale AA for males and females, (e) employee participation rates of future retired employees are assumed to be 90% for medical coverage and 70% for dental coverage, participation rates of current retirees are assumed to be 100% of medical and dental coverage. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments.

**Net OPEB Obligation**

The City's annual other post employment benefit cost of the current Plan year is as follows:

Annual required contribution (actuarially computed)	\$ 321,500
Interest on net benefit plan obligation	100
Adjustment to annual required contribution	<u>(200)</u>
Annual benefit plan cost	321,400
Contributions made	<u>(166,800)</u>
Increase in net benefit plan obligation	154,600
Net OPEB obligation (asset) - beginning of year	<u>2,700</u>
Net OPEB obligation (asset) - end of year	<u>\$ 157,300</u>

**Trend Information - Other Post Employment Benefits**

<u>Fiscal Year Ended Dec 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 321,500	52 %	\$ 157,300
2011	84,510	85	2,700
2010	84,510	108	(9,887)

10. **OTHER POST EMPLOYMENT BENEFITS (OPEB) - continued**

**Funded Status and Funding Progress** - As of January 1, 2012, the most recent actuarial valuation available, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,273,700, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,273,700. The covered payroll (annual payroll of active employees covered by the plan) was \$5,745,853, and the ratio of the UAAL to the covered payroll was 39.6%.

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

11. **SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 13, 2013, the date the financial statements were available to be issued.

12. **CONTINGENCIES**

From time to time, the City is a party to various pending claims and legal actions arising in the ordinary course of its operations. Although the outcome of such matters cannot be forecast with certainty, in the opinion of management, all such matters are adequately covered by insurance, or if not covered, are without merit or involve amounts such that an unfavorable disposition would not have a material effect on the financial statements of the City.

## **REQUIRED SUPPLEMENTARY INFORMATION**

***CITY OF LADUE, MISSOURI***  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS - NON-UNIFORMED PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)/(c)]
1/1/2008	\$ 2,542,196	\$ 2,897,592	\$ 355,396	87.7 %	\$ 1,709,715	20.8 %
1/1/2009	2,344,006	3,148,403	804,397	74.5	1,727,832	46.6
1/1/2010	3,069,929	3,492,843	422,914	87.9	1,802,804	23.5
1/1/2011	3,399,572	3,749,837	350,265	90.7	1,717,264	20.4
1/1/2012	3,501,401	4,264,446	763,045	82.1	1,638,495	46.6

***CITY OF LADUE, MISSOURI***  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS -**  
**OTHER POST EMPLOYEE BENEFIT PLAN**

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfund AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll [(b)-(a)/(c)]
1/1/2009	\$ -	\$ 716,836	\$ 716,836	- %	\$ 6,196,920	11.6 %
1/1/2012	-	2,273,700	2,273,700	-	5,745,853	39.6

Information for years prior to January 1, 2009 are unavailable.

Valuations are performed triannually.

**CITY OF LADUE, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>OPERATING REVENUE</b>				
Taxes	\$ 9,423,780	\$ 9,423,780	\$ 10,115,868	\$ 692,088
Licenses and permits	556,676	556,676	708,296	151,620
Fines and court costs	697,480	697,480	445,275	(252,205)
Charges for service	374,985	374,985	363,379	(11,606)
Miscellaneous	217,018	217,018	226,763	9,745
<b>TOTAL REVENUE</b>	<u>11,269,939</u>	<u>11,269,939</u>	<u>11,859,581</u>	<u>589,642</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,209,824	1,303,324	1,262,260	41,064
Police department	3,944,291	3,944,291	3,770,648	173,643
Fire department	4,021,389	4,235,029	4,244,582	(9,553)
Public works	1,669,802	1,748,283	1,708,772	39,511
<b>TOTAL EXPENDITURES</b>	<u>10,845,306</u>	<u>11,230,927</u>	<u>10,986,262</u>	<u>244,665</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>424,633</u>	<u>39,012</u>	<u>873,319</u>	<u>834,307</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in (out)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>724,633</u>	<u>339,012</u>	<u>1,173,319</u>	<u>\$ 834,307</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>8,690,860</u>	<u>8,690,860</u>	<u>8,690,860</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 9,415,493</u>	<u>\$ 9,029,872</u>	<u>\$ 9,864,179</u>	



**CITY OF LADUE, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**ROAD AND BRIDGE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE</b>				
Taxes	\$ 897,000	\$ 897,000	\$ 886,256	\$ (10,744)
Licenses and permits	38,000	38,000	36,335	(1,665)
Miscellaneous income	123,209	123,209	63,662	(59,547)
<b>TOTAL REVENUE</b>	<u>1,058,209</u>	<u>1,058,209</u>	<u>986,253</u>	<u>(71,956)</u>
<b>EXPENDITURES</b>				
Current:				
General government	13,500	13,500	-	13,500
Public works	398,228	398,228	261,687	136,541
<b>TOTAL EXPENDITURES</b>	<u>411,728</u>	<u>411,728</u>	<u>261,687</u>	<u>150,041</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>646,481</u>	<u>646,481</u>	<u>724,566</u>	<u>78,085</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in (out)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	346,481	346,481	424,566	<u>\$ 78,085</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,435,506</u>	<u>1,435,506</u>	<u>1,435,506</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,781,987</u>	<u>\$ 1,781,987</u>	<u>\$ 1,860,072</u>	

**CITY OF LADUE, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL IMPROVEMENTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>OPERATING REVENUE</b>				
Taxes	\$ 760,000	\$ 760,000	\$ 776,884	\$ 16,884
Miscellaneous	338,599	338,599	31,171	(307,428)
TOTAL REVENUE	<u>1,098,599</u>	<u>1,098,599</u>	<u>808,055</u>	<u>(290,544)</u>
<b>EXPENDITURES</b>				
Capital outlay	1,303,189	1,303,189	532,939	770,250
Debt service	-	-	118,758	(118,758)
TOTAL EXPENDITURES	<u>1,303,189</u>	<u>1,303,189</u>	<u>651,697</u>	<u>651,492</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(204,590)</u>	<u>(204,590)</u>	<u>156,358</u>	<u>\$ 360,948</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,639,280</u>	<u>2,639,280</u>	<u>2,639,280</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,434,690</u>	<u>\$ 2,434,690</u>	<u>\$ 2,795,638</u>	

**CITY OF LADUE, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**STORM WATER PROJECTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>OPERATING REVENUE</b>				
Taxes	\$ 895,000	\$ 895,000	\$ 913,981	\$ 18,981
Miscellaneous	112,113	112,113	52,623	(59,490)
TOTAL REVENUE	<u>1,007,113</u>	<u>1,007,113</u>	<u>966,604</u>	<u>(40,509)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>382,391</u>	<u>382,391</u>	<u>136,481</u>	<u>245,910</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	624,722	624,722	830,123	<u>\$ 205,401</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>4,646,127</u>	<u>4,646,127</u>	<u>4,646,127</u>	
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,270,849</u>	<u>\$ 5,270,849</u>	<u>\$ 5,476,250</u>	

## **SUPPLEMENTAL INFORMATION**

***CITY OF LADUE, MISSOURI***  
**SCHEDULE OF GENERAL FUND EXPENDITURES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<u>FISCAL YEAR</u>	<u>GENERAL GOVERNMENT</u>	<u>PUBLIC SAFETY</u>	<u>PUBLIC WORKS</u>	<u>TOTAL</u>
2003	\$ 853,388	\$ 6,037,105	\$ 1,285,268	\$ 8,175,761
2004	879,573	6,268,534	1,450,794	8,598,901
2005	995,182	6,536,243	1,488,839	9,020,264
2006	989,611	6,942,873	1,744,046	9,676,530
2007	1,133,386	8,058,174	1,593,791	10,785,351
2008	1,056,960	8,562,907	1,646,286	11,266,153
2009	1,093,362	8,652,613	1,694,407	11,440,382
2010	1,130,866	8,060,100	1,629,802	10,820,768
2011	1,285,937	7,498,103	1,600,431	10,384,471
2012	1,262,260	8,015,230	1,708,772	10,986,262

Note: Excludes capital expenditures

***CITY OF LADUE, MISSOURI***  
**SCHEDULE OF GENERAL FUND REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**

<u>FISCAL YEAR</u>	<u>TAXES</u>	<u>LICENSES AND PERMITS</u>	<u>CHARGES FOR SERVICES</u>	<u>FINES AND FORFEITS</u>	<u>MISCELLANEOUS</u>	<u>TOTAL</u>
2003	\$ 6,440,607	\$ 311,827	\$ 144,224	\$ 437,226	\$ 91,589	\$ 7,425,473
2004	7,903,550	410,098	201,050	371,832	84,967	8,971,497
2005	8,158,556	426,170	183,112	444,620	170,796	9,383,254
2006	8,396,099	448,714	221,208	659,717	261,049	9,986,787
2007	9,257,637	472,669	250,835	645,149	432,168	11,058,458
2008	9,669,670	447,590	242,753	591,044	202,660	11,153,717
2009	8,659,549	347,368	260,518	737,385	179,902	10,184,722
2010	9,251,296	451,188	395,724	777,044	115,070	10,990,322
2011	9,569,863	466,980	411,831	621,400	156,709	11,226,783
2012	10,115,868	708,296	363,379	445,275	226,763	11,859,581

**CITY OF LADUE, MISSOURI**  
**SCHEDULE OF PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

FISCAL YEAR	TOTAL TAX LEVY	CURRENT TAX COLLECTIONS	PERCENT OF LEVY COLLECTED	DELINQUENT TAX COLLECTIONS	TOTAL TAX		PERCENT OF		OUTSTANDING		PERCENT OF OUTSTANDING TAXES TO TAX LEVY
					COLLECTIONS THROUGH FEB 28	AS OF DEC 31	TOTAL TAX COLLECTIONS TO TAX LEVY	%	OUTSTANDING TAXES	AS OF DEC 31	
2003	\$ 2,317,008	\$ 1,709,486	* 73.8	\$ 590,451	\$ 2,299,937	\$ 569,202	99.3	%	\$ 569,202	*	24.6
2004	3,896,927	2,966,935	* 76.1	559,613	3,526,548	889,625	90.5		889,625	*	22.8
2005	4,066,234	3,242,379	* 79.7	885,573	4,127,952	762,004	101.5		762,004	*	18.7
2006	4,181,744	3,119,816	* 74.6	754,442	3,874,258	995,516	92.6		995,516	*	23.8
2007	4,310,288	3,264,400	* 75.7	996,540	4,260,940	987,028	98.9		987,028	*	22.9
2008	4,328,500	3,467,429	* 80.1	983,475	4,450,904	833,688	102.8		833,688	*	19.3
2009	4,246,316	2,017,857	* 47.5	1,900,332	3,918,189	2,228,459	92.3		2,228,459	*	52.5
2010	4,323,146	2,466,867	* 57.1	2,224,421	4,077,884	1,898,822	94.3		1,898,822	*	43.9
2011	4,351,285	2,291,258	* 52.7	1,853,385	4,049,819	2,124,234	93.1		2,124,234	*	48.8
2012	4,370,876	2,503,878	* 57.3	1,708,195	4,212,073	1,924,155	96.4		1,924,155	*	44.0

\* These figures include amounts received by December 31. No January receipts are reflected in these figures.

**CITY OF LADUE, MISSOURI**  
**MISCELLANEOUS STATISTICAL DATA**  
**AS OF DECEMBER 31, 2012**

Date of Incorporation	December 1, 1936
Form of Government	Mayor - Board of Aldermen
Area	8.55 square miles
Population (2010 census)	8,521
Homes (2010 census)	3,377
Miles of Streets	
Public	23
Private	58
Fire Protection:	
Number of:	
Stations	2
Firemen and officers	26
Police Protection:	
Number of:	
Stations	1
Policemen and officers	26
Communications personnel	6
Public Works	
Number of:	
Buildings	3
Personnel and officers	15
Education:	
Number of:	
Elementary - public	2
Elementary - private	2
Middle school - public	1
High school - public	1
High School - private	2
Special education	1
Churches	6
Building permits issued for the year ended December 31, 2012	357
Recreation and Culture:	
Number of:	
Parks	2 with approximately 66.7 acres
Libraries	1
Private country clubs	6
Employees	77





To the Honorable Mayor and Members of the Board of Aldermen  
City of Ladue, Missouri

We have audited the financial statements of the governmental activities, and each major fund, of the City of Ladue, Missouri for the year ended December 31, 2012, and have issued our report thereon dated May 13, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Ladue, Missouri are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management estimates the allowance for uncollectible receivables based on prior history of collections.
- Management estimates useful lives of capital assets which affect depreciation expense and the net book value of capital assets.
- Management estimates its sick leave liability based on its expected future payout.
- Management recognized assets and liabilities related to post-employment benefits based on a variety of estimates relating to the timing and value of these benefits in future periods.

We evaluated the key factors and assumptions used to develop the aforementioned estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. The disclosures are an integral part of the financial statements and should be read in conjunction with them.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We identified no misstatements as a result of our audit procedures.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 13, 2013.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Mayor, Board of Aldermen and management of City of Ladue, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Betsy Deal & Company

May 13, 2013