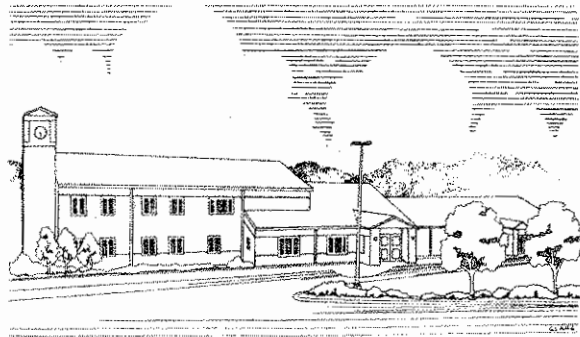




**CITY of ARNOLD  
MISSOURI**



**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

*For The Fiscal Year Ended  
August 31, 2005*



**CITY OF ARNOLD, MISSOURI**

**Comprehensive Annual Financial Report  
For The Fiscal Year Ended August 31, 2005**

Prepared by the Finance Department  
JoAnne Tietjens, Finance Director



**CITY OF ARNOLD, MISSOURI**  
**FINANCIAL REPORT**

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**FINANCIAL REPORT**

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**INTRODUCTORY  
SECTION**







# City of Arnold

Mark Powell, Mayor

February 16, 2006

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Arnold:

The comprehensive annual financial report of the City of Arnold, Missouri (the City) for the fiscal year ended August 31, 2005, is hereby submitted. This report consists of management's representations concerning the finances of the City of Arnold. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Arnold's financial statements were audited by Hochschild, Bloom & Company LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended August 31, 2005, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Arnold's financial statements for the fiscal year ended August 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. This report is available upon request.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Arnold's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The City of Arnold, incorporated in 1972, is located on the eastern border of the State of Missouri, south of the Meramec River at its confluence with the Mississippi River. The central business district of the City of St. Louis is about 17 miles to the north. Interstate Highway 55, U.S. Highway 61-67, and State Highways 141 and 231 provide access to St. Louis City and St. Louis County.

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City Hall  
2101 Jeffco Blvd.  
Arnold, MO 63010  
636/296-2100

Parks and Recreation  
1838 Old Lemay Ferry Rd.  
Arnold, MO 63010  
636/282-2380

Public Works  
2912 Arnold Tenbrook  
Arnold, MO 63010  
636/282-2386

The City of Arnold has operated under the mayor-council-city administrator form of government since 1972. Policy making and legislative authority are vested in a governing council consisting of the mayor and eight council members. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city administrator, police chief, and city attorney. The city administrator is responsible for carrying out the policies and ordinances of the governing council and for overseeing the day-to-day operations of the government. The council is elected on a non-partisan basis. Council members serve two-year staggered terms, with four council members elected every year. The mayor is elected to serve a four-year term.

The City of Arnold provides a range of services, including police protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Trash and sewer sanitation services are provided through the City. The new recreation center added this fiscal year operates as a department of the City but is reported as a separate governmental fund. The sewer services are reported separately in a proprietary fund in the City's financial statements.

The annual budget serves as the foundation for the City of Arnold's financial planning and control. All departments of the City are required to submit requests for appropriations to the finance director. These requests are then used as a starting point for developing a proposed budget. The finance director presents this proposed budget to the city council for review prior to July 8. The council is required to hold a public hearing on the proposed budget and to adopt a final budget prior to September 1. The appropriated budget is prepared by fund, function, (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations for operating supplies within a department. Transfers of appropriations between departments, however, require approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the financial statements for the governmental funds.

**Local economy.** The economic condition and outlook of the City of Arnold has been stable in recent years. The City's housing stock, geographic location, and variety of services have kept real estate marketable. Commercial vacancies remain modest while the potential for further retail and industrial development appears favorable within the next five years. Two TIF development projects have been approved by the City Council and are proceeding. One is scheduled to begin construction by summer.

During the past ten years, the unemployment rate for Jefferson County rose from an initial low of 1.9 percent (1999) to a decade high of 7.4 percent (2005), only to descend once more to the current rate of 4.3%. Unemployment is expected to remain fairly stable. There are no major employers expected to open at this time.

The City's tax structure relies primarily on sales taxes and utility taxes. Utility tax receipts are likely to continue to increase at a modest rate. Sales tax receipts are expected to remain stable in the coming year. General sales tax receipts increased in FY 2005, changing a three year trend of no growth. No growth in sales tax has been a regional trend, not one specific to Arnold. To its favor, the City has demonstrated its ability to compress government expenditures to accommodate a tight economy or temporary downturn in revenue. It is anticipated this trait will continue.

The MSD tunnel project is about to begin and the increase in sewer rates is in effect. There will be a sharp increase in sewer revenues but also a sharp increase in expenditures to offset it.

The City continues to evaluate the City's transportation system. Several projects are currently under construction or were completed this year. Partial funding for these projects will come from Federal Surface Transportation Programs (STP) and Federal Congestion Mitigation and Air Quality (CMAQ) programs with the balance being funded through the Jefferson County Capital Improvement Tax.

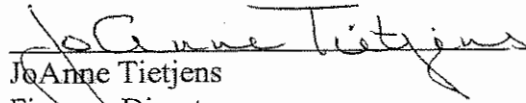
### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arnold for its comprehensive annual financial report for the fiscal year ended August 31, 2004. This is the 16<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Arnold's finances.

Respectfully submitted,

  
JoAnne Tietjens  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Arnold,  
Missouri

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
August 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Emmer*

Executive Director

CITY OF ARNOLD, MISSOURI  
PRINCIPAL OFFICIALS

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Mark Powell

Mayor

**Council**

Randy Crisler  
Ronald Jerger  
James Edwards  
David Venable  
Phillip Amato  
Joyce Deckman  
Alfred Ems  
Butch Cooley

Ward One  
Ward One  
Ward Two  
Ward Two  
Ward Three  
Ward Three  
Ward Four  
Ward Four

Diane Waller

City Clerk

Reid Schultz

Treasurer

Steve Davis

Judge

Robert Sweeney

City Attorney

John Brazeal

City Administrator

Robert Shockey

Chief of Police

JoAnne Tietjens

Finance Director

Mary Holden

Community Development Director

Greg Hall

Acting Public Works Director

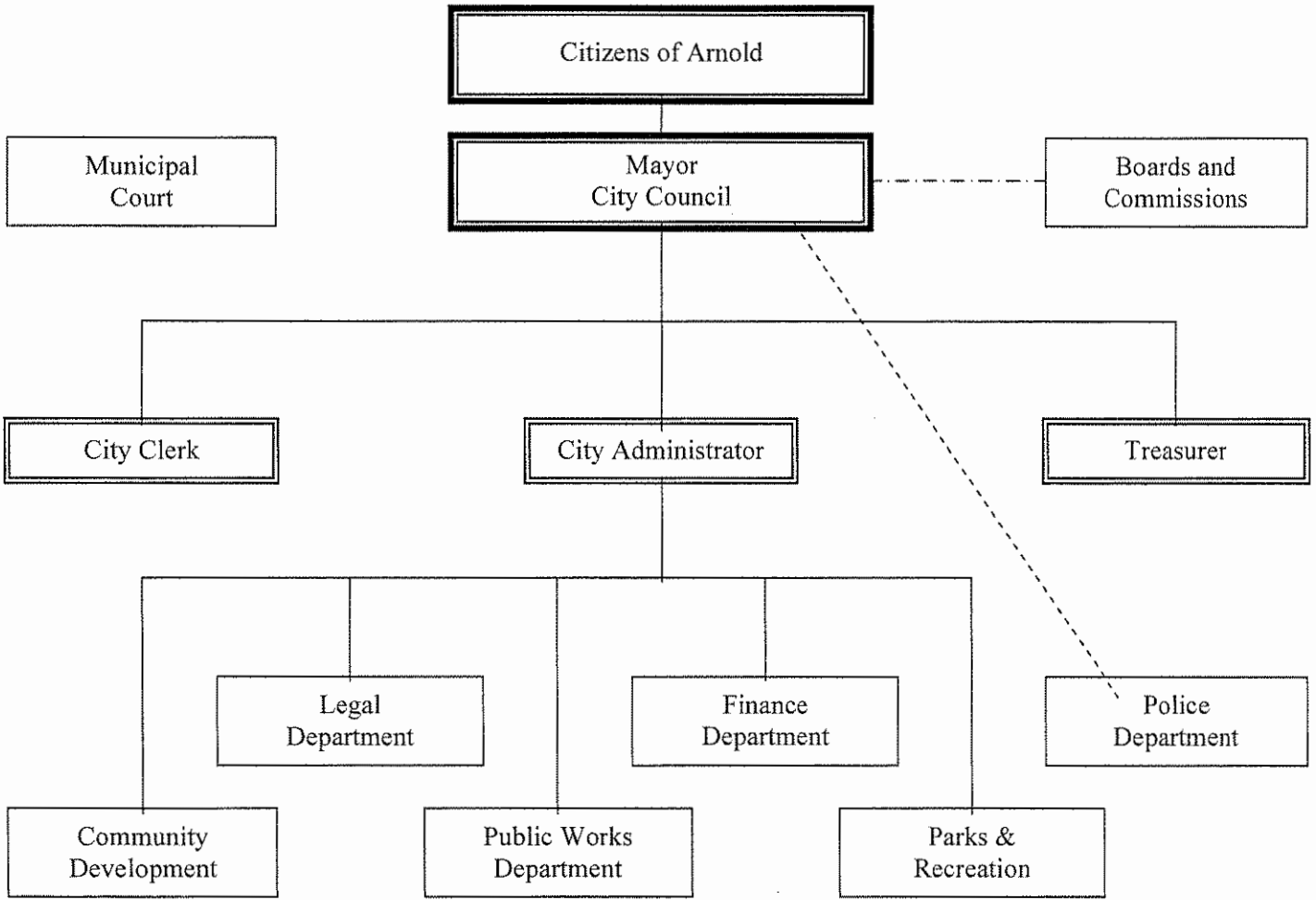
Greg Hall

Director of Administration

Llewellyn Lewis, Jr.

Parks & Recreation Director

# Organization Chart



Missouri law governing third class cities provides for direct supervision of the police chief by the Mayor.