

**INTRODUCTION**

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**FINANCIAL  
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for the Fiscal Year ended  
**August 31, 2009**



**Hochschild, Bloom & Company LLP**  
Certified Public Accountants  
Consultants and Advisors

## **INDEPENDENT AUDITORS' REPORT**

January 14, 2010

Honorable Mayor and City Council  
**CITY OF ARNOLD, MISSOURI**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF ARNOLD, MISSOURI** (the City) as of and for the year ended August 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of August 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and the required supplemental information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

*Nochschild, Bloom & Company LLP*

**CERTIFIED PUBLIC ACCOUNTANTS**

# CITY OF ARNOLD, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2009

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As management of the City of Arnold, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2009. Please read this narrative in conjunction with the letter of transmittal, the basic financial statements, and the accompanying notes to financial statements.

## FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$64,761,017 (net assets). The City has a deficit unrestricted net assets totaling \$13,728,801 due to \$28,485,000 in TIF Bonds outstanding at year-end for infrastructure assets not owned by the City.
- Governmental activities and business-type activities had net assets of \$48,056,684 and \$16,704,333, respectively, at fiscal year-end.
- The City's total net assets decreased by \$1,791,778 during the fiscal year, with the combined governmental activities decreasing by \$1,989,087 while the combined business-type activities increased by \$197,309.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,153,978, an increase of \$2,241,899 in comparison with the prior year.
- The City's total debt, including compensated absences, decreased by \$381,940 during the current fiscal year to a total of \$82,876,524. The key factors in this decrease were the elimination of the SRF 2005 and 2006 notes payable obligation in the amount of \$5,874,083 by Missouri Department of Natural Resources in July 2009. The City also issued the Triangle Redevelopment TIF Bonds in the amount of \$28,485,000 used to retire TIF Notes totaling \$21,000,000.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required and additional supplementary information in addition to the basic financial statements themselves.

Table A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with broad information about the City's finances, similar to those used by private-sector companies. The two government-wide statements, **Statement of Net Assets** and **Statement of Activities**, report the City's net assets and how they have changed. In the government-wide statements, a distinction is made between governmental-type activities and business-type activities. Governmental-type activities are those activities that are normally associated with the operation of a government such as health and sanitation, highways and streets, public safety, and parks and recreation. Business-type activities are those activities of the government that are designed to be self-supporting.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the differences between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

The **Statement of Activities** presents information on how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows. Thus, revenues and expenses are purported in this statement for some items that will only result in cash flows in future fiscal periods. To assess the

# CITY OF ARNOLD, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2009

overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base or the condition of the City's roadway network.

The governmental activities of the City include general government, public safety (police, courts, justice services), public works, highways and streets, health and sanitation, economic development, parks and recreation (including the Recreation Center) as well as interest and fiscal charges.

water system, and sewer system	one else's resources, such as the retirement plan for City employees			The business-type recreation	
Statement of net assets	* Statement of fiduciary net assets	Required financial statements	* Statement of net assets	* Balance sheet	* Statement of net assets
Statement of revenues, expenditures, and changes in net	* Statement of changes in fiduciary net assets		* Statement of activities	* Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenditures, and changes in fund balances
Accounting and economic resources focus	Accrual accounting and economic resources focus	Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can	Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid	Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

City uses to keep track of specific like other state and local government with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Fund financial statements.** A *fund* is an accounting device that the sources of funding and spending for particular purposes. The City, governments, uses fund accounting to ensure and demonstrate compliance with financial requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

essentially the same functions requirements. However, unlike the governments focus on *near-term inflows of available resources* available at the end of the government's near-term financing requirements.

**Governmental funds.** *Governmental funds* are used to account for reported as *governmental activities* in the government-wide financial statements. In the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of available resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**CITY OF ARNOLD, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City adopts annual appropriated budgets for its General Fund, Recreation Center Fund, Tourism Fund, and Drug Forfeiture Fund. Budgetary comparison statements have been provided for each fund to demonstrate compliance with these budgets.

The basic governmental funds financial statements can be found on pages 16 through 19 of this report.

**Proprietary funds.** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information, only with more detail. The City maintains three *Enterprise Funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses Enterprise Funds to account for its sewer and storm water utility systems and the Pomme Creek Golf Course. The City does not utilize the second type of proprietary fund, the *Internal Service Fund*. These funds are an accounting device used to accumulate and allocate costs internally among the entity's various functions and departments.

The basic proprietary funds financial statements can be found on pages 20 through 23 of this report.

**Fiduciary funds.** The City is the trustee, or *fiduciary*, for its police employees' pension plan. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found pages 26 through 55 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplemental information* concerning budgetary presentations of budget to actual amounts. Required supplemental information can be found on pages 56 through 59 of this report. Other supplemental information found on pages 60 through 65 contains comparative governmental funds statements and combining and individual statements for the nonmajor governmental funds.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$64,761,017 at the close of the most recent fiscal year. (Table A-2)

At the end of the current fiscal year, the City had positive balances in three categories of net assets (invested in capital assets, net of related debt; restricted for capital improvements; and restricted for debt service); however, its unrestricted net assets had a deficit balance of \$13,728,801.

**CITY OF ARNOLD, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Table A-2  
City's Net Assets as of August 31, 2008 and 2009  
(In thousands of dollars)**

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Current and other assets	\$ 18,155	19,994	15,190	8,535	33,345	28,529
Capital assets	83,536	82,278	42,314	41,766	125,850	124,044
<b>Total assets</b>	<u>101,691</u>	<u>102,272</u>	<u>57,504</u>	<u>50,301</u>	<u>159,195</u>	<u>152,573</u>
Long-term debt outstanding	44,304	50,799	38,954	32,077	83,258	82,876
Other liabilities	7,341	3,416	2,043	1,520	9,384	4,936
<b>Total liabilities</b>	<u>51,645</u>	<u>54,215</u>	<u>40,997</u>	<u>33,597</u>	<u>92,642</u>	<u>87,812</u>
Net assets invested in capital assets, net of related debt	60,817	60,433	11,615	10,926	72,432	71,359
Restricted for capital improvements	322	622	-	-	322	622
Restricted for debt service	2,202	5,508	7,147	1,001	9,349	6,509
Unrestricted	<u>(13,295)</u>	<u>(18,506)</u>	<u>(2,255)</u>	<u>4,777</u>	<u>(15,550)</u>	<u>(13,729)</u>
<b>Total net assets</b>	<u>\$ 50,046</u>	<u>48,057</u>	<u>16,507</u>	<u>16,704</u>	<u>66,553</u>	<u>64,761</u>

The largest portion of the City's net assets, \$71,359,161 in 2009 (a decrease of approximately 1.8% from 2008), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$7,130,657 represents resources that are subject to external restrictions on how they may be used.

The remaining category of the City's net assets represents a deficit balance of *unrestricted net assets* totaling \$13,728,801 in 2009. Although this represents a decrease of \$1,822,122 under 2008's deficit balance, unrestricted net assets deficit balance for governmental activities increased by \$5,210,361 as a result of the July 2009 issuance of Triangle Redevelopment TIF Bonds for infrastructure assets not owned by the City. These TIF bonds are limited obligations of the City and will be retired by the incremental increase in property and sales tax revenues generated within the TIF district.

**CITY OF ARNOLD, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2009**

**Table A-3**  
**Change in City's Net Assets for the Years Ended August 31, 2008 and 2009**  
*(In thousands of dollars)*

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>		<i>Change</i>
	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>Activities</i>	<i>2008-2009</i>
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 3,227	3,260	4,000	4,443	7,227	7,703	6.59 %
Operating grants	1,135	1,090	-	21	1,135	1,111	(2.11)
Capital grants	957	256	-	60	957	316	(66.98)
General revenues:							
Taxes	11,677	11,828	-	-	11,677	11,828	1.29
Investment income	290	131	555	381	845	512	(39.41)
Miscellaneous	2,092	42	-	-	2,092	42	(97.99)
<b>Total revenues</b>	<u>19,378</u>	<u>16,607</u>	<u>4,555</u>	<u>4,905</u>	<u>23,933</u>	<u>21,512</u>	(10.12)
<b>Expenses</b>							
General government	3,606	3,597	-	-	3,606	3,597	(0.25)
Public safety	5,038	5,383	-	-	5,038	5,383	6.85
Public works	1,545	373	-	-	1,545	373	(75.86)
Highways and streets	3,218	2,661	-	-	3,218	2,661	(17.31)
Parks and recreation	2,166	2,131	-	-	2,166	2,131	(1.62)
Health and sanitation	927	1,158	-	-	927	1,158	24.92
Economic development	4,446	335	-	-	4,446	335	(92.47)
Sewer system	-	-	4,037	3,659	4,037	3,659	(9.36)
Storm water system	-	-	256	388	256	388	51.56
Golf course	-	-	670	671	670	671	0.15
Interest on long-term debt	2,753	2,948	-	-	2,753	2,948	7.08
<b>Total expenses</b>	<u>23,699</u>	<u>18,586</u>	<u>4,963</u>	<u>4,718</u>	<u>28,662</u>	<u>23,304</u>	(18.69)
Excess (deficiency) before transfers	(4,321)	(1,979)	(408)	187	(4,729)	(1,792)	(62.11)
Transfers	(44)	(10)	44	10	-	-	-
<b>Increase (decrease) in net assets</b>	(4,365)	(1,989)	(364)	197	(4,729)	(1,792)	(62.11)
Net assets - September 1	<u>54,411</u>	<u>50,046</u>	<u>16,871</u>	<u>16,507</u>	<u>71,282</u>	<u>66,553</u>	(6.63)
Net assets - August 31	<u>\$ 50,046</u>	<u>48,057</u>	<u>16,507</u>	<u>16,704</u>	<u>66,553</u>	<u>64,761</u>	(2.69) %

**Governmental activities.** Governmental activities decreased the City's net assets by \$1,989,087. Key elements of this net decrease are as follows:

- Property tax revenues increased by \$323,175 (28.7%). This is due the receipt of the incremental increases in assessed valuations for the TIF redevelopment properties from all taxing jurisdictions. This increase is pledged to the retirement of the related TIF project debt.
- This year's gross receipts tax revenue is \$772,061 or 22.1% lower as a result of the 2008 state-wide settlement of mobile telephone services lawsuit with the major telecommunication companies.
- Although charges for service revenue for public safety, parks and recreation, and health and sanitation categories show a reduction as compared to 2008, overall charges for services revenue registered a slight increase of \$33,061 or 1%. This increase is attributable to revenue from a cancelled 2008 concert successfully rescheduled in 2009.

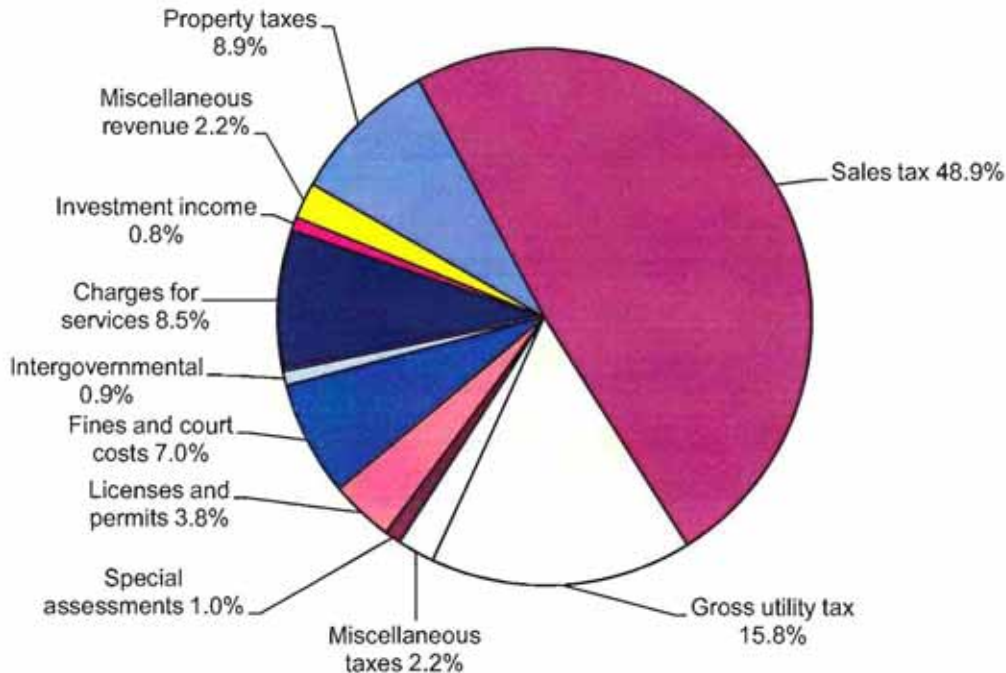


**CITY OF ARNOLD, MISSOURI  
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- The public works and highway and streets departments capital grant funding decreased by \$701,202 or 73.3% as compared to prior year due to the completion of major road projects in 2008. Operating grants and contributions dropped \$44,808. A decrease of \$29,838 or 3% in shared vehicle and fuel and road and bridges taxes accounts for the change in highways and streets. Last year's public works operating grants included flood assistance funds not required this year.
- Interest income decreased by \$159,165 or 54.8% during the current year. This decrease is a result of a reduction in funds available for investment and the drop in interest rates available on City authorized investments.
- Overall expenses are significantly lower this year, \$18,586,333, as compared to \$23,698,903 in 2008, a 21.6% drop. Economic development expenses were lower by \$4,110,242 as the Triangle Redevelopment TIF project is completed and bonds are issued. Increases in public safety (6.9%) and health and sanitation (24.8%) expenses are related to wages and benefit increases and trash hauling fees, respectively.
- Interest on long-term debt increased \$195,535 or 7.1% as the City refunded the Triangle Redevelopment TIF notes with bonds.

**Figure A-1**

**Sources of Revenue - Governmental Funds**



Miscellaneous revenue does not include unusual items such as loan and bond proceeds.

**CITY OF ARNOLD, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2009**

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Figure A-2

**Expenditures by Functions - Governmental Funds**

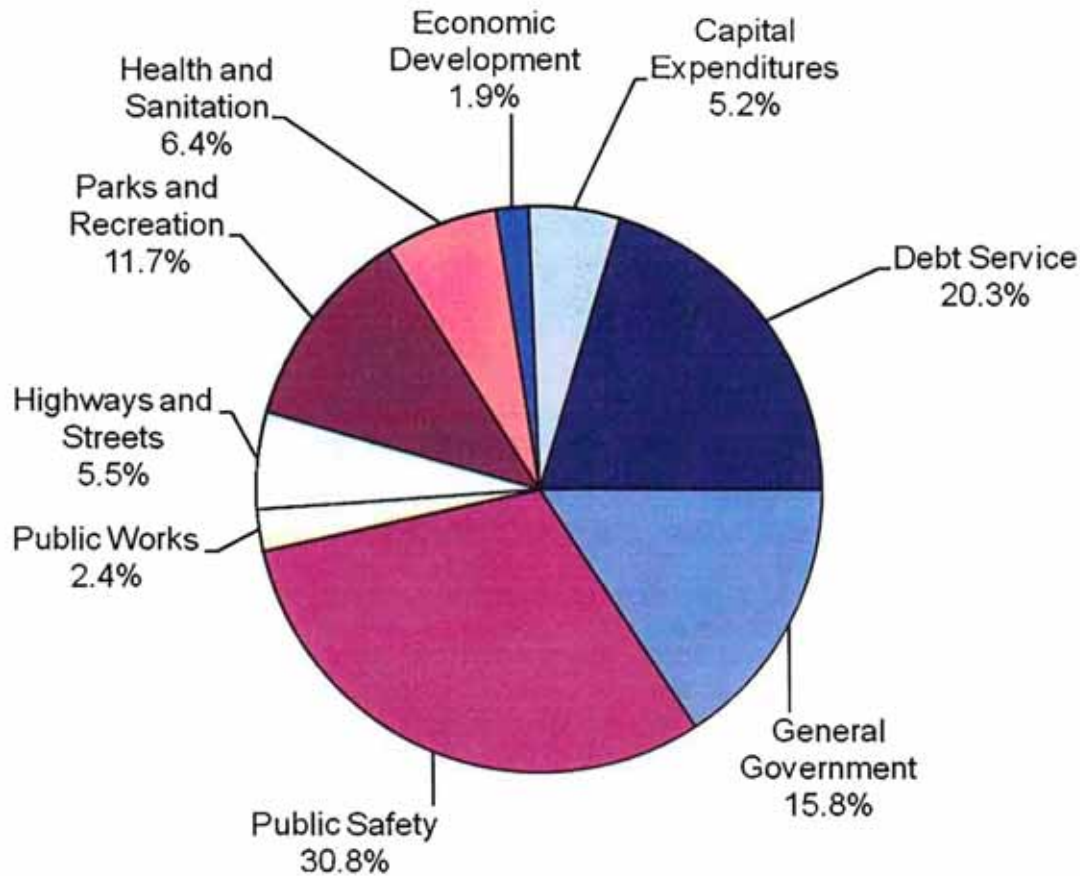


Table A-4 presents the cost of each of the City's six governmental functions - general government including economic development, public safety (police, courts, and justice services), public works, highways and streets, parks and recreation (parks and recreation center), and health and sanitation - as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$18,586,333.
- However, the amount that our taxpayers paid for these activities through City taxes was \$11.8 million. Some of the costs were paid by:
  - Those who directly benefited from the programs,
  - Issuance of debt in conjunction, or
  - Other governments and organizations that subsidized certain programs with grants and contributions.

**CITY OF ARNOLD, MISSOURI  
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**Table A-4  
Net Cost of City's Governmental Activities for the Years  
Ended August 31, 2009 and 2008  
(In thousands of dollars)**

	Total Cost Of Services			Net Cost Of Services		
	2008	2009	Change 2008-2009	2008	2009	Change 2008-2009
General government	\$ 3,606	3,597	(0.25) %	\$ 3,041	2,902	(4.57) %
Public safety	5,038	5,383	6.85	3,497	3,828	9.47
Public works	1,545	373	(75.86)	960	299	(68.85)
Highways and streets	3,218	2,661	(17.31)	1,799	1,567	(12.90)
Parks and recreation	2,166	2,131	(1.62)	993	978	(1.51)
Health and sanitation	927	1,158	24.92	891	1,124	26.15
Economic development	4,446	335	(92.47)	4,446	335	(92.47)
Interest on long-term debt	2,753	2,948	7.08	2,753	2,948	7.08
<b>Total</b>	<b>\$ 23,699</b>	<b>18,586</b>	<b>(21.57) %</b>	<b>\$ 18,380</b>	<b>13,981</b>	<b>(23.93) %</b>

**Business-type activities.** Business-type activities increased the City's net assets by \$197,309. Key elements of this increase are as follows:

- As the result of an increase in user rates, charges for sewer services increased by \$413,352 or 13.9% during the current year. Operating expenses decreased \$377,834 or 9.4%. Of this amount, 77%, or \$291,136 is related to last year's retirement of lift stations no longer required when the new MSD WWTP was brought on-line. An additional \$61,826 or 16% represents reduced depreciation expense as existing assets reach their useful life.
- Storm Water Fund charges for services increased \$22,331, or 4% while cost of services increased \$132,061, or 51.6% due to the addition of two staff positions at the end of fiscal 2008 (\$98,738 or 74.8%) and equipment repairs.
- The City's public golf course was again impacted by flooding in the first quarter of fiscal 2009 but managed to finish the year with \$7,556 or 1.6% more in charges for services than the prior year while keeping expenses at only \$641 or 0.1% over last year.
- Investment income for all business-type activities decreased by \$174,100, or 31.4% due to the drop in interest rates available on City approved investment instruments.

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's General Fund reported an ending fund balance of \$8,984,069, a decrease of \$705,126 in comparison with the prior year. Of the unreserved fund balance, the City Council has designated 1) \$883,724 for the construction of sewer subdistricts, 2) \$160,517 for greenway beautification, 3) \$234,667 for economic development, and 4) \$9,066 for the pride in our City program. An additional \$2,139,403 is reserved to indicate that it is not available for spending because it has already been committed 1) \$576,366 for debt service, 2) \$1,071,994 to liquidate contracts and purchase orders of the prior period, and 3) \$491,043 for prepaid expenditures. Of the \$1,071,994 in encum-

**CITY OF ARNOLD, MISSOURI  
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branches, \$0.33 million is related to the Arnold Commons project, while \$0.6 million is for sewer subdistrict work. The unreserved, undesignated fund balance remaining is a surplus of \$5,556,692.

The Recreation Center Fund completed its fourth full year of operations. This fund is strictly dedicated to recreation center revenues and expenses. Revenues are generated through a ¼ cent general sales tax and user fees. The Recreation Center Fund reported an ending fund balance of \$507,083. Of this balance, \$1,275,678 is reserved for bond escrow funds, \$8,583 is reserved for prepaid expenditures, and a deficit of \$777,178 is undesignated. This is a decrease from the prior year's fund balance of \$348,988 or 40.8%. Although, as predicted prior to building the recreation center, sales tax receipts have been sufficient to cover debt service, user fees are not adequate to cover operating expenditures. Charges for services revenues increased \$16,246 or 1.5% while operating expenditures increased \$32,115 or 2%.

Previously reported under other governmental funds, the Special Allocation Fund reports activities related to the City's Arnold Commons and Crossroads TIF projects. Revenues are received from incremental property and sales tax generated within the project area. These funds are then used to retire the related project debt. The special allocation fund reported an ending fund balance of \$3,655,619 or an increase of \$3,289,864 over last year. Of this amount, 100% is reserved for debt service. TIF bonds in the amount of \$28,485,000 were issued in July 2009 and used to refund \$21,000,000 in TIF notes plus accrued interest.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Sewer Fund has unrestricted net assets at the end of the fiscal year of \$4,183,362, an increase of \$7,135,927. A reduction in net assets restricted for debt service on SRF notes and MDFB bonds of \$6,145,569 accounts for bulk of this shift. The balance of unrestricted net assets for the Storm Water Fund amounted to \$785,077, an increase of \$100,640 over prior year. The Golf Fund ended the year with an unrestricted net asset balance of (\$191,235), down \$204,084 from prior year.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

No change was made to the original budget appropriation in fiscal year 2009.

Actual total revenues were \$2,356,497 below budget while actual total expenditures were \$3,099,303 below budget. The key factor producing these variances was the estimated \$2,500,000 Arnold Crossroads road project reducing both intergovernmental revenues and capital outlay expenditures by this amount. Originally scheduled to begin in this fiscal year, these road improvements were shelved when the Crossroads TIF project completion was delayed.

Sales tax revenues were \$228,081 or 4.2% lower than budget due to local economic conditions while gross receipts were \$510,201 or 24.8% over budget due to the impact of mobile telecommunication providers compliance with the gross receipts tax.

Public safety actual expenditures were under budget \$273,451 or 4.7%. Of this amount, \$124,040 or 45% of this variance was due to fuel budgeted at \$4.25 per gallon for the year. Actual highway and streets expenditures were 30.8% below budget due to delays in the street repair program. Parks and recreation was under budget by 19.7% in large part because of the closing of the Ferd B. Lang Park public pool due to safety concerns.

Other financing sources was under budget by \$1,534,000 due to an error in the original budget not discovered until after its approval.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of August 31, 2009, amounted to \$124,044,660 (net of accumulated depreciation). This investment in

**CITY OF ARNOLD, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2009**

capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, and bridges. The decrease in the City's investment in capital assets for the current fiscal year was 1.4% (a 1.5% decrease for governmental activities and a 1.3% decrease for business-type activities). (Table A-5)

Major capital asset events occurring during the fiscal year included the following:

- Approximately \$788,212 was expended for road and street projects.
- Improvements to the City-wide financial system were completed totaling \$35,896.
- Public safety purchased two police motorcycles for \$31,800.
- A curb machine and compact excavator totaling \$53,864 were purchased for use of the storm water team.
- Developers contributed sewer lines totaling \$60,407 to the Sewer Fund.
- \$50,297 was added to storm water construction in progress for work on the Woodridge Estates.
- The golf course purchased greens and landscaping equipment totaling \$45,250.

For more detailed information about the City's capital assets, see Note C in the notes to financial statements, pages 34 through 37.

**Table A-5  
City's Capital Assets as of August 31, 2008 and 2009  
(Net of depreciation)**

	Governmental Activities		Business-type Activities		Total Capital Assets	
	2008	2009	2008	2009	2008	2009
Land	\$ 27,095,487	27,095,487	3,368,493	3,468,890	30,463,980	30,564,377
Buildings	15,477,748	14,883,970	87,943	89,455	15,565,691	14,973,425
Treatment plants	-	-	151,515	135,528	151,515	135,528
Machinery and equipment	490,064	425,866	555,054	518,066	1,045,118	943,932
Automotive equipment	349,320	305,119	-	-	349,320	305,119
Infrastructure	28,278,080	29,443,486	-	-	28,278,080	29,443,486
Intangibles	-	-	17,035,933	16,688,261	17,035,933	16,688,261
Sewer lines	-	-	11,226,311	10,917,979	11,226,311	10,917,979
Construction in progress	11,845,584	10,124,373	9,889,113	9,948,180	21,734,697	20,072,553
<b>Total</b>	<b>\$ 83,536,283</b>	<b>82,278,301</b>	<b>42,314,362</b>	<b>41,766,359</b>	<b>125,850,645</b>	<b>124,044,660</b>

**Long-term debt.** At year-end the City had \$82,241,641 in bonds and notes outstanding - a decrease of 0.5% from last year - as shown in Table A-6. Governmental activity debt for fiscal year 2009 was composed of a TIF bond issue for \$28,845,000 used to refund TIF notes for the Arnold Commons project totaling \$21 million plus accrued interest. Additionally, the City entered into a capital lease agreement for the purchase of two police motorcycles. For business-type activities, as mentioned above, notes payable under the Missouri Department of Natural Resources SRF program included in last year's report at \$5,874,083 were cancelled.

For more detailed information about the City's long-term liabilities, see Note D in the notes to financial statements, pages 37 through 44.

**CITY OF ARNOLD, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2009**

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the City is \$34,691,869. The City currently has no general obligation debt outstanding.

**Table A-6  
City's Outstanding Debt as of August 31, 2008 and 2009  
(In millions of dollars)**

	Governmental		Business-type		Total		Change
	Activities		Activities				2008-2009
	2008	2009	2008	2009	2008	2009	
Revenue bonds and notes (backed by specific tax and fee revenues)	\$ 43,719	50,164	38,954	32,077	82,673	82,241	(0.5) %

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate, not seasonally adjusted, for Jefferson County for August 2009 was 10.1%, which is an increase from a rate of 6.7% a year ago. This is higher than the state's average unemployment rate of 9.4% and the national average rate of 9.6%, all rates not seasonally adjusted.
- The Consumer Price Index indicates that inflation has decreased 3.7% over the August 2008 rate for the Midwest region. Inflationary trends for the Midwest region compare favorably to both the northeast and south regions indices.

All of these factors were considered in preparing the City's budget for the 2010 fiscal year.

The property tax rate set to support the 2010 fiscal year budget is \$0.3973 per \$100 of assessed value. The local sales tax rate is anticipated to remain at 1 ¼%, with 1% allocated for General Fund operations and ¼% allocated to the Recreation Center Fund.

In January 2009, a new sewer base and usage rate was authorized for calendar 2009. City policy dictates rates are to be reviewed annually to assure they remain sufficient to cover the capital costs and replacement of the aging system. It is anticipated the results will be implemented before mid-fiscal year. Storm water fees remain at \$3 per month per equivalent residential unit.

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 2101 Jeffco Blvd., Arnold, MO, 63010.

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for the Fiscal Year ended  
**August 31, 2009**



**CITY OF ARNOLD, MISSOURI**

**STATEMENT OF NET ASSETS**

**AUGUST 31, 2009**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 5,445,535	5,627,547	11,073,082
Receivables (net of allowances for uncollectibles):			
Taxes	1,775,850	-	1,775,850
Special assessments	1,489,444	-	1,489,444
Service fees	-	438,576	438,576
Intergovernmental	2,797,789	13,399	2,811,188
Miscellaneous	198,445	-	198,445
Internal balances	(270,011)	270,011	-
Prepaid items	558,609	5,614	564,223
Bond issue costs	1,311,290	304,876	1,616,166
Restricted assets:			
Cash and investments	5,684,549	1,875,211	7,559,760
Capital improvements sales tax receivable	621,691	-	621,691
Net pension asset	380,570	-	380,570
Capital assets:			
Land and construction in progress	37,219,860	13,417,070	50,636,930
Other capital assets, net of accumulated depreciation	45,058,441	28,349,289	73,407,730
Total Assets	<u>102,272,062</u>	<u>50,301,593</u>	<u>152,573,655</u>
<b>LIABILITIES</b>			
Accounts payable	2,379,478	838,928	3,218,406
Accrued liabilities	143,427	63,363	206,790
Accrued interest payable	426,987	201,267	628,254
Funds held for others	3,251	-	3,251
Unearned revenue	400,452	416,261	816,713
Net OPEB obligation	62,700	-	62,700
Noncurrent liabilities:			
Due within one year	853,134	925,665	1,778,799
Due in more than one year	49,945,949	31,151,776	81,097,725
Total Liabilities	<u>54,215,378</u>	<u>33,597,260</u>	<u>87,812,638</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	60,433,335	10,925,826	71,359,161
Restricted for capital improvements	621,691	-	621,691
Restricted for debt service	5,507,663	1,001,303	6,508,966
Unrestricted	<u>(18,506,005)</u>	<u>4,777,204</u>	<u>(13,728,801)</u>
Total Net Assets	<u>\$ 48,056,684</u>	<u>16,704,333</u>	<u>64,761,017</u>

See notes to financial statements

**CITY OF ARNOLD, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

FUNCTIONS/PROGRAMS	Net Revenues (Expenses) And Changes In Net Assets						
	Program Revenues				Primary Government		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government	\$ 3,597,393	610,250	85,000	-	(2,902,143)	-	(2,902,143)
Public safety	5,383,461	1,474,468	81,093	-	(3,827,900)	-	(3,827,900)
Public works	372,884	-	-	73,840	(299,044)	-	(299,044)
Highways and streets	2,660,880	-	912,506	181,713	(1,566,661)	-	(1,566,661)
Parks and recreation	2,130,516	1,142,149	10,697	-	(977,670)	-	(977,670)
Health and sanitation	1,157,513	32,845	685	-	(1,123,983)	-	(1,123,983)
Economic development	335,457	-	-	-	(335,457)	-	(335,457)
Interest on long-term debt	2,948,229	-	-	-	(2,948,229)	-	(2,948,229)
Total Governmental Activities	<u>18,586,333</u>	<u>3,259,712</u>	<u>1,089,981</u>	<u>255,553</u>	<u>(13,981,087)</u>	<u>-</u>	<u>(13,981,087)</u>
<b>Business-type Activities</b>							
Sewer system	3,658,824	3,383,075	-	60,407	-	(215,342)	(215,342)
Storm water	388,188	579,425	21,011	-	-	212,248	212,248
Golf	670,794	480,578	-	-	-	(190,216)	(190,216)
Total Business-type Activities	<u>4,717,806</u>	<u>4,443,078</u>	<u>21,011</u>	<u>60,407</u>	<u>-</u>	<u>(193,310)</u>	<u>(193,310)</u>
Total Primary Government	<u>\$ 23,304,139</u>	<u>7,702,790</u>	<u>1,110,992</u>	<u>315,960</u>	<u>(13,981,087)</u>	<u>(193,310)</u>	<u>(14,174,397)</u>
<b>General Revenues</b>							
Taxes:							
Property					1,448,479	-	1,448,479
Sales					7,619,458	-	7,619,458
Gross receipts					2,726,791	-	2,726,791
Miscellaneous					33,541	-	33,541
Investment income					131,284	380,619	511,903
Miscellaneous					42,447	-	42,447
<b>Transfers</b>					(10,000)	10,000	-
Total General Revenues And Transfers					<u>11,992,000</u>	<u>390,619</u>	<u>12,382,619</u>
<b>CHANGES IN NET ASSETS</b>					(1,989,087)	197,309	(1,791,778)
<b>NET ASSETS, SEPTEMBER 1</b>					50,045,771	16,507,024	66,552,795
<b>NET ASSETS, AUGUST 31</b>					<u>\$ 48,056,684</u>	<u>16,704,333</u>	<u>64,761,017</u>

See notes to financial statements

**CITY OF ARNOLD, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2009**

	<u>General</u>	<u>Recreation Center</u>	<u>Special Allocation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 5,052,879	367,306	-	25,350	5,445,535
Receivables (net of allowances for uncollectibles):					
Taxes	1,428,796	220,581	112,169	14,304	1,775,850
Special assessments	1,489,444	-	-	-	1,489,444
Intergovernmental	2,797,789	-	-	-	2,797,789
Court	110,171	-	-	-	110,171
Miscellaneous	52,474	35,800	-	-	88,274
Due from other funds	1,379,343	-	-	-	1,379,343
Prepaid items	491,043	8,583	-	58,983	558,609
Restricted assets:					
Cash and investments	712,170	1,275,678	3,696,701	-	5,684,549
Capital improvements sales tax receivable	621,691	-	-	-	621,691
Total Assets	<u>\$ 14,135,800</u>	<u>1,907,948</u>	<u>3,808,870</u>	<u>98,637</u>	<u>19,951,255</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,253,644	91,367	-	34,467	2,379,478
Accrued liabilities	136,596	6,261	-	570	143,427
Due to other funds	-	986,899	150,000	12,446	1,149,345
Deferred revenue	2,261,482	316,338	-	43,947	2,621,767
Funds held for others	-	-	3,251	-	3,251
Advance to other funds	500,009	-	-	-	500,009
Total Liabilities	<u>5,151,731</u>	<u>1,400,865</u>	<u>153,251</u>	<u>91,430</u>	<u>6,797,277</u>
<b>Fund Balances</b>					
Reserved for:					
Debt service	576,366	1,275,678	3,655,619	-	5,507,663
Encumbrances	1,071,994	-	-	-	1,071,994
Prepaid items	491,043	8,583	-	58,983	558,609
Unreserved:					
Designated for sewer subdistrict projects	883,724	-	-	-	883,724
Designated for greenway beautification	160,517	-	-	-	160,517
Designated for economic development	234,667	-	-	-	234,667
Designated for pride in our City	9,066	-	-	-	9,066
Undesignated - General Fund	5,556,692	-	-	-	5,556,692
Undesignated - Special Revenue Fund	-	(777,178)	-	(51,776)	(828,954)
Total Fund Balances	<u>8,984,069</u>	<u>507,083</u>	<u>3,655,619</u>	<u>7,207</u>	<u>13,153,978</u>
Total Liabilities And Fund Balances	<u>\$ 14,135,800</u>	<u>1,907,948</u>	<u>3,808,870</u>	<u>98,637</u>	<u>19,951,255</u>

**CITY OF ARNOLD, MISSOURI**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET ASSETS**  
**AUGUST 31, 2009**

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Total Fund Balances - Governmental Funds \$ 13,153,978

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$118,777,354 and the accumulated depreciation is \$36,499,053.	82,278,301
Net pension assets are not financial resources and, therefore, are not reported in the governmental funds.	380,570
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	2,221,315
Net OPEB obligations are not financial uses and, therefore, are not reported in the governmental funds.	(62,700)
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Accrued interest payable	(426,987)
Accrued compensated absences	(634,883)
Capital lease obligations payable outstanding	(217,138)
Leasehold revenue bonds outstanding	(14,455,000)
Revenue bonds outstanding	(6,895,000)
Tax increment revenue bonds outstanding	(28,485,000)
Unamortized bond premium	(377,062)
Unamortized bond discount	265,000
Unamortized bond issuance cost	1,311,290

Total Net Assets Of Governmental Activities \$ 48,056,684

**CITY OF ARNOLD, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>General</u>	<u>Recreation Center</u>	<u>Special Allocation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes	\$ 9,616,035	1,079,581	1,439,237	145,115	12,279,968
Special assessments	161,495	-	-	-	161,495
Licenses and permits	615,026	-	-	-	615,026
Fines and court costs	1,131,240	-	-	-	1,131,240
Intergovernmental	125,974	-	-	12,619	138,593
Charges for services	72,412	1,088,040	-	215,505	1,375,957
Investment income	62,073	68,862	295	54	131,284
Miscellaneous	339,061	11,792	-	5,290	356,143
Total Revenues	<u>12,123,316</u>	<u>2,248,275</u>	<u>1,439,532</u>	<u>378,583</u>	<u>16,189,706</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,489,005	-	4,281	343,034	2,836,320
Public safety	5,511,490	-	-	19,400	5,530,890
Public works	424,779	-	-	-	424,779
Highways and streets	994,971	-	-	-	994,971
Parks and recreation	499,044	1,611,352	-	-	2,110,396
Health and sanitation	1,157,017	-	-	-	1,157,017
Economic development	-	-	335,457	-	335,457
Capital outlay	934,502	-	-	-	934,502
Debt service:					
Principal	485,284	335,000	-	-	820,284
Interest	364,150	650,911	1,026,222	-	2,041,283
Bond issuance costs	-	-	796,889	-	796,889
Total Expenditures	<u>12,860,242</u>	<u>2,597,263</u>	<u>2,162,849</u>	<u>362,434</u>	<u>17,982,788</u>
<b>REVENUES OVER (UNDER) EXPEN- DITURES</b>	<u>(736,926)</u>	<u>(348,988)</u>	<u>(723,317)</u>	<u>16,149</u>	<u>(1,793,082)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of long-term debt	-	-	28,485,000	-	28,485,000
Discount on issuance of debt	-	-	(235,250)	-	(235,250)
Refunding of long-term debt	-	-	(24,236,569)	-	(24,236,569)
Issuance of capital lease	31,800	-	-	-	31,800
Transfers out	-	-	-	(10,000)	(10,000)
Total Other Financing Sources (Uses)	<u>31,800</u>	<u>-</u>	<u>4,013,181</u>	<u>(10,000)</u>	<u>4,034,981</u>
<b>NET CHANGE IN FUND BALANCES</b>	(705,126)	(348,988)	3,289,864	6,149	2,241,899
FUND BALANCES, SEPTEMBER 1	<u>9,689,195</u>	<u>856,071</u>	<u>365,755</u>	<u>1,058</u>	<u>10,912,079</u>
<b>FUND BALANCES, AUGUST 31</b>	<u>\$ 8,984,069</u>	<u>507,083</u>	<u>3,655,619</u>	<u>7,207</u>	<u>13,153,978</u>

**CITY OF ARNOLD, MISSOURI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

Net Change In Fund Balances - Governmental Funds		\$ 2,241,899
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$2,478,309) exceeded capital outlays over the capitalization threshold (\$1,038,614) in the current period.		(1,439,695)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		181,713
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		271,827
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, the governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued:		
Revenue bonds payable	(28,485,000)	
Issuance costs	796,889	
Discount	235,250	
Capital lease obligations payable	(31,800)	
Repayments:		
Capital lease obligations payable	270,284	
Revenue bonds payable	215,000	
Leasehold revenue bonds	335,000	
Tax increment revenue notes	21,000,000	
Amortization	(16,635)	
Net Adjustment		(5,681,012)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued interest on bonds	2,346,258	
Net OPEB obligation	(62,700)	
Net pension asset increase	202,262	
Accrued compensated absences	(49,639)	2,436,181
Change In Net Assets Of Governmental Activities		<u>\$ (1,989,087)</u>

**CITY OF ARNOLD, MISSOURI**  
**STATEMENT OF NET ASSETS (DEFICIT) - PROPRIETARY FUNDS**  
**AUGUST 31, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Storm Water</b>	<b>Golf</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 4,823,877	803,670	-	5,627,547
Service fees (net of allowances for uncollectibles)	378,374	60,202	-	438,576
Grant receivable	-	13,399	-	13,399
Due from other funds	145	-	289	434
Prepaid items	153	54	5,407	5,614
Total Current Assets	<u>5,202,549</u>	<u>877,325</u>	<u>5,696</u>	<u>6,085,570</u>
<b>Noncurrent Assets</b>				
Capital assets:				
Land and construction in progress	10,023,301	70,997	3,322,772	13,417,070
Other capital assets, net of accumulated depreciation	28,068,107	110,965	170,217	28,349,289
Total Capital Assets	<u>38,091,408</u>	<u>181,962</u>	<u>3,492,989</u>	<u>41,766,359</u>
Restricted cash and investments	1,171,878	111,700	591,633	1,875,211
Advance from other funds	500,009	-	-	500,009
Bond issue costs	203,392	-	101,484	304,876
Total Noncurrent Assets	<u>39,966,687</u>	<u>293,662</u>	<u>4,186,106</u>	<u>44,446,455</u>
Total Assets	<u>45,169,236</u>	<u>1,170,987</u>	<u>4,191,802</u>	<u>50,532,025</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	773,619	8,719	56,590	838,928
Accrued liabilities	31,675	18,862	12,826	63,363
Due to other funds	28,691	18,025	183,716	230,432
Accrued interest payable	155,984	-	45,283	201,267
Unearned revenues	257,919	158,342	-	416,261
Revenue bonds payable - current	483,416	-	-	483,416
Capital lease payable - current	-	33,173	-	33,173
Notes payable - current	409,076	-	-	409,076
Total Current Liabilities	<u>2,140,380</u>	<u>237,121</u>	<u>298,415</u>	<u>2,675,916</u>
<b>Noncurrent Liabilities</b>				
Revenue bonds payable	10,772,689	-	4,252,337	15,025,026
Capital lease payable	-	14,329	-	14,329
Notes payable	16,112,421	-	-	16,112,421
Total Noncurrent Liabilities	<u>26,885,110</u>	<u>14,329</u>	<u>4,252,337</u>	<u>31,151,776</u>
Total Liabilities	<u>29,025,490</u>	<u>251,450</u>	<u>4,550,752</u>	<u>33,827,692</u>
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	11,285,050	134,460	(493,684)	10,925,826
Restricted for debt service	675,334	-	325,969	1,001,303
Unrestricted	4,183,362	785,077	(191,235)	4,777,204
Total Net Assets (Deficit)	<u>\$ 16,143,746</u>	<u>919,537</u>	<u>(358,950)</u>	<u>16,704,333</u>

See notes to financial statements

**CITY OF ARNOLD, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS (DEFICIT) - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Storm Water</b>	<b>Golf</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,383,075	579,425	480,578	4,443,078
<b>OPERATING EXPENSES</b>				
Cost of services	1,444,342	321,985	452,955	2,219,282
Administration	138,000	36,000	-	174,000
Depreciation and amortization	831,981	27,944	31,001	890,926
Total Operating Expenses	<u>2,414,323</u>	<u>385,929</u>	<u>483,956</u>	<u>3,284,208</u>
<b>OPERATING INCOME (LOSS)</b>	<u>968,752</u>	<u>193,496</u>	<u>(3,378)</u>	<u>1,158,870</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	376,617	443	3,559	380,619
Interest expense	(1,244,501)	(2,259)	(186,838)	(1,433,598)
Intergovernmental income	-	21,011	-	21,011
Total Nonoperating Revenues (Expenses)	<u>(867,884)</u>	<u>19,195</u>	<u>(183,279)</u>	<u>(1,031,968)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	100,868	212,691	(186,657)	126,902
<b>CAPITAL CONTRIBUTIONS - SEWER LINES FROM DEVELOPER</b>	60,407	-	-	60,407
<b>TRANSFER IN</b>	-	-	10,000	10,000
<b>CHANGE IN NET ASSETS</b>	161,275	212,691	(176,657)	197,309
<b>NET ASSETS (DEFICIT), SEPTEMBER 1</b>	<u>15,982,471</u>	<u>706,846</u>	<u>(182,293)</u>	<u>16,507,024</u>
<b>NET ASSETS (DEFICIT), AUGUST 31</b>	<u>\$ 16,143,746</u>	<u>919,537</u>	<u>(358,950)</u>	<u>16,704,333</u>



**CITY OF ARNOLD, MISSOURI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Storm Water</b>	<b>Golf</b>	<b>Total</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 3,220,411	549,201	480,578	4,250,190
Payments to suppliers	(2,092,753)	(316,519)	(406,425)	(2,815,697)
Payments to employees	(128,093)	(33,481)	-	(161,574)
Net Cash Provided By Operating Activities	<u>999,565</u>	<u>199,201</u>	<u>74,153</u>	<u>1,272,919</u>
<b>Cash flows from noncapital financing activities:</b>				
Due from (to) other funds	591,323	(10,202)	148,597	729,718
Miscellaneous revenue	-	7,612	-	7,612
Transfer from other funds	-	-	10,000	10,000
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>591,323</u>	<u>(2,590)</u>	<u>158,597</u>	<u>747,330</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of equipment	(18,837)	(107,894)	(45,250)	(171,981)
Purchase of land	-	-	(100,397)	(100,397)
Principal payments on notes payable	(6,258,881)	-	-	(6,258,881)
Principal payments on bonds	(577,750)	-	-	(577,750)
Principal payments on capital lease	-	(32,101)	-	(32,101)
Interest expense	(1,131,684)	(2,259)	(186,838)	(1,320,781)
Net Cash Used In Capital And Related Financing Activities	<u>(7,987,152)</u>	<u>(142,254)</u>	<u>(332,485)</u>	<u>(8,461,891)</u>
<b>Cash flows from investing activities:</b>				
Investment income	376,617	443	3,559	380,619
Proceeds from sale of investments	7,823,734	-	687,809	8,511,543
Purchase of investments	(1,171,878)	-	(591,633)	(1,763,511)
Net Cash Provided By Investing Activities	<u>7,028,473</u>	<u>443</u>	<u>99,735</u>	<u>7,128,651</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>632,209</u>	<u>54,800</u>	<u>-</u>	<u>687,009</u>
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 1 (including \$118,870 for the Storm Water Fund reported in restricted accounts)</b>	<u>4,191,668</u>	<u>860,570</u>	<u>-</u>	<u>5,052,238</u>
<b>CASH AND CASH EQUIVALENTS, AUGUST 31 (including \$111,700 for the Storm Water Fund reported in restricted accounts)</b>	<u>\$ 4,823,877</u>	<u>915,370</u>	<u>-</u>	<u>5,739,247</u>
See notes to financial statements				<b>(Continued)</b>

**CITY OF ARNOLD, MISSOURI**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Storm Water</b>	<b>Golf</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 968,752	193,496	(3,378)	1,158,870
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	831,981	27,944	31,001	890,926
(Increase) decrease in:				
Receivables	(180,958)	(22,791)	-	(203,749)
Prepaid items	61,922	1,610	(44)	63,488
Increase (decrease) in:				
Accounts payable	(710,333)	3,856	39,457	(667,020)
Accrued liabilities	9,907	2,519	7,117	19,543
Unearned revenues	18,294	(7,433)	-	10,861
Total Adjustments	30,813	5,705	77,531	114,049
Net Cash Provided By Operating Activities	<u>\$ 999,565</u>	<u>199,201</u>	<u>74,153</u>	<u>1,272,919</u>
Noncash operating, financing, and investing activities:				
Contributions of capital assets from developer	<u>\$ 60,407</u>	<u>-</u>	<u>-</u>	<u>60,407</u>

See notes to financial statements

**CITY OF ARNOLD, MISSOURI**  
**STATEMENT OF FIDUCIARY NET ASSETS -**  
**PENSION TRUST FUND**  
**AUGUST 31, 2009**

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**ASSETS**

Mutual funds

\$ 6,354,541

**NET ASSETS**

Held in trust for pension benefits

\$ 6,354,541

**CITY OF ARNOLD, MISSOURI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**PENSION TRUST FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

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**ADDITIONS**

Contributions:

Employer contributions	\$ 579,665
Employee contributions	<u>225,333</u>
Total Contributions	804,998

Investment income:

Net appreciation in fair value of investments, interest, and dividends	<u>61,071</u>
Total Additions	866,069

**DEDUCTIONS**

Retirement benefits	<u>48,016</u>
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**CHANGE IN NET ASSETS**

818,053

NET ASSETS HELD IN TRUST FOR PENSION  
BENEFITS, SEPTEMBER 1

5,536,488

**NET ASSETS HELD IN TRUST FOR PENSION**  
**BENEFITS, AUGUST 31**

\$ 6,354,541

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied by the **CITY OF ARNOLD, MISSOURI** (the City) in the preparation of the accompanying financial statements are summarized below:

**1. Reporting Entity**

The financial statements of the City present the financial activities of the City and any component units. The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the City. The City does not have any component units.

**2. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

**3. 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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due (i.e., matured).

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fixed period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** -- This fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Recreation Center Fund** -- This fund is used exclusively for the revenues and expenditures related to the operations of the recreation center. The fund includes the ¼¢ parks and recreation center sales tax which is deposited into this fund and used for bi-annual bond payments.

**Special Allocation Fund** -- This fund is used exclusively for the revenues and expenditures related to the tax increment financing district.

The other governmental funds of the City are considered nonmajor. They are Special Revenue Funds which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

The City reports the following major proprietary funds:

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Sewer Fund** -- This fund is used to account for operations of the sewer department.

**Storm Water Fund** -- This fund is used to account for operations of the storm water department.

**Golf Fund** -- This fund is used to account for operations of the golf course.

Additionally, the City reports the following fund type:

**Pension Trust Fund** -- This fund is used to account for assets held in a trustee capacity for the City's eligible employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contribution; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Enterprise Funds are charges for services. Operating expenses for the Enterprise Funds include the cost of services, administration expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Cash, Cash Equivalents, and Investments**

For cash flow statement purposes, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. The Pension Trust Fund is also authorized to invest in corporate common or preferred stocks, bonds and mortgages, real or personal property, and other evidence of indebtedness or ownership, but excluding any debt of the City itself and individual insurance policies. Investments are stated at fair value.

**5. Deposit Administration Contracts**

Deposit administration contracts are pooled funds maintained by Metropolitan Life Insurance Company and are carried at contract value. Contract value consist of contributions made under the contract plus investment income, less funds used to pay benefits, and investment expenses.

**6. Allowance for Doubtful Accounts**

The allowance for uncollectible receivables is as follows:

	<b>August 31 2009</b>
General Fund	\$18,175
Enterprise Fund	<u>7,055</u>
Total	<u>\$25,230</u>

**7. Due To/From Other Funds**

Current portions of long-term interfund loans receivable (reported in “due from” asset accounts) are considered “available spendable resources” and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as “internal balances”.

**8. 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.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**9. Restricted Assets**

Certain funds in the sewer system are classified as restricted assets on the balance sheet because their use is limited by the sewer system revenue bond ordinances. The bond account is used only for the payment of principal and interest on the revenue bonds. The depreciation and replacement account is to be expended only for repairs or replacements to the sewer system. The bond reserve account is to be used only to pay bonds at maturity or interest as it accrues when and to the extent other funds are not available for this purpose.

Certain storm water monies are classified as restricted assets on the balance sheet because their use is limited by grant agreements.

Certain Golf Fund monies are classified as restricted on the balance sheet for the payment of construction projects and bond reserve because their use is limited by applicable bond covenants.

Certain General Fund monies are classified as restricted assets on the balance sheet because their use is limited by covenants of the capital lease agreement and the revenue bond agreement. The reserve accounts are to be used solely for the purpose of making payments on the applicable due dates when and to the extent other funds are not available for this purpose. The payment accounts are used only for the payment of the principal and interest on the obligations.

Certain capital improvement sales tax receivables are classified as restricted assets on the balance sheet because their use and availability is limited by the sales tax agreement with Jefferson County. The funds are to be used for capital improvements to publicly maintained roads and become available upon the City's request for reimbursement of expenditures on approved projects.

**10. Capital Assets**

Capital assets, which include property, equipment, intangibles, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Intangible assets include the right to use other governmental entity's operating facilities. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. Capital Assets (Continued)**

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

Assets	Years
Buildings, treatment plants, and other improvements	10 - 30
Automotive equipment	3 - 5
Machinery and equipment	3 - 15
Sewer lines	50
Infrastructure	30
Intangibles	50

**11. Compensated Absences**

City employees generally earn vacation at the rate of 0.83 working days per month or 10 days per year. Regular full-time employees having completed 6 years of service earned vacation leave at the rate of 1.25 days per month or 15 days per year. Regular full-time employees having completed 15 years of service earned vacation leave at the rate of 1.67 working days per month or 20 days per year. Regular full-time employees who are separated from service are compensated for vacation accrued up to the date of separation. Comp time accrued is also paid upon the date of separation. Sick leave vests after 10 years of service at a rate of \$50 per day and is payable to the employee upon termination. All vacation pay, sick leave, and comp time is accrued when incurred in the government-wide and proprietary fund financial statements.

**12. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**13. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for subsequent year appropriations or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

**14. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types. Since appropriations lapse at year-end, the subsequent fiscal year's budget specifically provides for reappropriation of outstanding encumbrances to honor the prior commitments. Encumbrances do not constitute current year expenditures or liabilities.

**15. Deferred Revenues**

The City reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both the revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**16. Use of Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

**NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**1. Deposits**

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**1. Deposits (Continued)**

As of August 31, 2009, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

**2. Investments**

As of August 31, 2009, the City had the following investments:

<u>Investments</u>	<u>Fair Market Value</u>	<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More Than 10 Years</u>	<u>Credit Risk</u>
<b>Primary Government</b>							
Repurchase agreement	\$ 4,195,000	-	4,195,000	-	-	-	AAA
Guaranteed investment contract	474,700	-	-	197,500	277,200	-	Not rated
Government securities:							
Federal Home Loan Bank	1,270,237	-	1,270,237	-	-	-	AAA
Federal National Mortgage Association	4,997	-	4,997	-	-	-	AAA
Money market funds	<u>5,511,512</u>	<u>5,511,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Not rated
Total Primary Government	11,456,446	5,511,512	5,470,234	197,500	277,200	-	
<b>Fiduciary Fund</b>							
Mutual funds	<u>6,354,541</u>	<u>6,354,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	N/A
<b>Grand Total</b>							
Investments	<u>\$17,810,987</u>	<u>11,866,053</u>	<u>5,470,234</u>	<u>197,500</u>	<u>277,200</u>	<u>-</u>	

**Investments Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with its investment policy, the City minimizes credit risk by diversifying the portfolio to reduce potential losses on individual securities.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. In accordance with its investment policy, the City minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, therefore avoiding the need to sell se-

**NOTE B - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

curities on the open market prior to maturity and investing primarily in shorter term securities.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. In accordance with its investment policy, the City minimizes concentration of credit risk by diversifying the investment portfolio.

**Custodial Credit Risk**

For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be fully able to recover collateral securities in the possession of an outside party. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, or by a single collateral pool established by the financial institution.

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. In accordance with its policy, the City addresses custodial risk by diversifying the investment portfolio.

**NOTE C - CAPITAL ASSETS**

The City has reported all capital assets including infrastructure in the government-wide statement of net assets.

Capital asset activity was as follows:

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - CAPITAL ASSETS (Continued)**

	<u>For The Year Ended August 31, 2009</u>			
	<u>Balance</u> <u>August 31</u> <u>2008</u>	<u>Additions</u>	<u>Deletions</u> <u>And</u> <u>Transfers</u>	<u>Balance</u> <u>August 31</u> <u>2009</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$27,095,487	-	-	27,095,487
Construction in progress	<u>11,845,584</u>	<u>970,406</u>	<u>2,691,617</u>	<u>10,124,373</u>
Total Capital Assets Not Being Depreciated	<u>38,941,071</u>	<u>970,406</u>	<u>2,691,617</u>	<u>37,219,860</u>
Capital assets being depreciated:				
Buildings and other improvements	18,707,309	-	-	18,707,309
Automotive equipment	1,781,917	31,800	-	1,813,717
Machinery and equipment	2,045,376	36,408	-	2,081,784
Infrastructure	<u>56,081,354</u>	<u>2,873,330</u>	<u>-</u>	<u>58,954,684</u>
Total Capital Assets Being Depreciated	<u>78,615,956</u>	<u>2,941,538</u>	<u>-</u>	<u>81,557,494</u>
Less - Accumulated depreciation for:				
Buildings and other improvements	3,229,561	593,778	-	3,823,339
Automotive equipment	1,432,597	76,001	-	1,508,598
Machinery and equipment	1,555,312	100,606	-	1,655,918
Infrastructure	<u>27,803,274</u>	<u>1,707,924</u>	<u>-</u>	<u>29,511,198</u>
Total Accumulated Depreciation	<u>34,020,744</u>	<u>2,478,309</u>	<u>-</u>	<u>36,499,053</u>
Total Capital Assets Being Depreciated, Net	<u>44,595,212</u>	<u>463,229</u>	<u>-</u>	<u>45,058,441</u>
 Governmental Activities Capital Assets, Net	 <u>\$83,536,283</u>	 <u>1,433,635</u>	 <u>2,691,617</u>	 <u>82,278,301</u>

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - CAPITAL ASSETS (Continued)**

	<b>For The Year Ended August 31, 2009</b>			
	<b>Balance August 31 2008</b>	<b>Additions</b>	<b>Deletions And Transfers</b>	<b>Balance August 31 2009</b>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,368,493	100,397	-	3,468,890
Construction in progress	<u>9,889,113</u>	<u>59,067</u>	<u>-</u>	<u>9,948,180</u>
Total Capital Assets Not Being Depreciated	<u>13,257,606</u>	<u>159,464</u>	<u>-</u>	<u>13,417,070</u>
Capital assets being depreciated:				
Buildings	106,843	6,332	-	113,175
Treatment plants	479,616	-	-	479,616
Machinery and equipment	1,484,692	106,582	-	1,591,274
Intangibles	17,383,605	-	-	17,383,605
Sewer lines	<u>18,376,544</u>	<u>60,407</u>	<u>-</u>	<u>18,436,951</u>
Total Capital Assets Being Depreciated	<u>37,831,300</u>	<u>173,321</u>	<u>-</u>	<u>38,004,621</u>
Less - Accumulated depreciation for:				
Buildings	18,900	4,820	-	23,720
Treatment plants	328,101	15,987	-	344,088
Machinery and equipment	929,638	143,570	-	1,073,208
Intangibles	347,672	347,672	-	695,344
Sewer lines	<u>7,150,233</u>	<u>368,739</u>	<u>-</u>	<u>7,518,972</u>
Total Accumulated Depreciation	<u>8,774,544</u>	<u>880,788</u>	<u>-</u>	<u>9,655,332</u>
Total Capital Assets Being Depreciated, Net	<u>29,056,756</u>	<u>(707,467)</u>	<u>-</u>	<u>28,349,289</u>
Business-type Activities Capital Assets, Net	<u>\$42,314,362</u>	<u>(548,003)</u>	<u>-</u>	<u>41,766,359</u>

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

	<b>For The Year Ended August 31 2009</b>
<b>Governmental Activities</b>	
General government	\$ 585,369
Public safety	30,014
Public works	41,577
Highways and streets	1,773,668
Parks and recreation	<u>47,681</u>
Total Depreciation Expense - Governmental Activities	<u>\$2,478,309</u>

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - CAPITAL ASSETS (Continued)**

	<b>For The Year Ended August 31 2009</b>
<b>Business-type Activities</b>	
Sewer	\$829,794
Storm water	27,944
Golf	<u>23,050</u>
Total Depreciation Expense - Business-type Activities	<u>\$880,788</u>

**NOTE D - LONG-TERM DEBT**

**Changes in Long-term Liabilities**

Long-term liability activity was as follows:

	<b>For The Year Ended August 31, 2009</b>			<b>Balance August 31 2009</b>	<b>Amounts Due Within One Year</b>
	<b>Balance August 31 2008</b>	<b>Additions</b>	<b>Reductions</b>		
<b>Governmental Activities</b>					
Leasehold revenue bonds	\$14,790,000	-	335,000	14,455,000	365,000
Plus - Premium	396,907	-	19,845	377,062	-
Revenue bonds payable	7,110,000	-	215,000	6,895,000	225,000
Less - Discounts	(33,039)	-	(1,724)	(31,315)	-
Tax increment revenue notes	21,000,000	-	21,000,000	-	-
Tax increment revenue bonds	-	28,485,000	-	28,485,000	-
Less - Discounts	-	(235,250)	(1,565)	(233,685)	-
Capital lease obligations	455,622	31,800	270,284	217,138	104,413
Compensated absences	<u>585,244</u>	<u>166,688</u>	<u>117,049</u>	<u>634,883</u>	<u>158,721</u>
Total Governmen- tal Activities	<u>\$44,304,734</u>	<u>28,448,238</u>	<u>21,953,889</u>	<u>50,799,083</u>	<u>853,134</u>
<b>Business-type Activities</b>					
Revenue bonds payable	\$15,941,166	-	577,750	15,363,416	483,416
Less - Discounts	(49,300)	-	(3,979)	(45,321)	-
Plus - Premiums	201,883	-	11,536	190,347	-
Capital lease obligation	79,603	-	32,101	47,502	33,173
MSD note payable	16,342,195	-	295,398	16,046,797	409,076
Notes payable	<u>6,438,183</u>	<u>-</u>	<u>5,963,483</u>	<u>474,700</u>	<u>-</u>
Total Business- type Activities	<u>\$38,953,730</u>	<u>-</u>	<u>6,876,289</u>	<u>32,077,441</u>	<u>925,665</u>



**NOTE D - LONG-TERM DEBT (Continued)**

Compensated absences are generally liquidated by the General Fund. Leasehold revenue bonds are generally liquidated by the Recreation Center Fund. Revenue bonds are generally liquidated by the General Fund, the Sewer Fund, and the Golf Fund. Tax increment revenue bonds are generally liquidated by the Special Allocation Fund. Capital lease obligations are generally liquidated by the General Fund and the Storm Water Fund. Notes payable are generally liquidated by the Sewer Fund.

**Governmental Activities**

***Leasehold Revenue Bonds***

In May 2003 the City issued \$16,000,000 in leasehold revenue bonds (Series 2003) which represent proportionate interest in base rentals to be paid by the City pursuant to an annually renewable lease/purchase agreement dated May 1, 2003 between the City and UMB Bank, N.A. Company of Missouri (the trustee/lessor). The trustee has agreed to execute and deliver the bonds pursuant to a declaration and indenture of trust to finance the City's acquisition and construction of the recreation center. The base rentals constitute rent for the facility pursuant to the lease. The leasehold revenue bonds bear interest ranging from 2% to 5%.

Leasehold revenue bonds debt service requirements to maturity are as follows:

<b><u>For The Years</u></b> <b><u>Ended August 31</u></b>	<b><u>Governmental Activities</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2010	\$ 365,000	640,551	1,005,551
2011	400,000	630,514	1,030,514
2012	440,000	619,014	1,059,014
2013	475,000	605,814	1,080,814
2014	520,000	590,970	1,110,970
2015 - 2019	3,330,000	2,646,190	5,976,190
2020 - 2024	4,970,000	1,714,750	6,684,750
2025 - 2027	<u>3,955,000</u>	<u>387,626</u>	<u>4,342,626</u>
Total	<u>\$14,455,000</u>	<u>7,835,429</u>	<u>22,290,429</u>

***Revenue Bonds Payable***

In November 2007 the City issued \$7,110,000 in revenue bonds (Series 2007B) to fund road improvements within the City. The revenue bonds bear interest ranging from 3.7% to 5%.

Revenue bonds debt service requirements to maturity are as follows:

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - LONG-TERM DEBT (Continued)**

<u>For The Years</u> <u>Ended August 31</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 225,000	339,125	564,125
2011	235,000	327,625	562,625
2012	245,000	315,625	560,625
2013	260,000	303,000	563,000
2014	275,000	289,625	564,625
2015 - 2019	1,585,000	1,223,875	2,808,875
2020 - 2024	2,035,000	773,125	2,808,125
2025 - 2028	<u>2,035,000</u>	<u>210,125</u>	<u>2,245,125</u>
Total	<u>\$6,895,000</u>	<u>3,782,125</u>	<u>10,677,125</u>

***Tax Increment Revenue Bonds***

The City has tax increment revenue bonds which are special limited obligations of the City, payable solely from payments in lieu of taxes attributable to the increase in assessed value of real property and incremental increases in economic activity taxes from the project area. The bonds do not constitute a general obligation of the City. Bonds outstanding at August 31, 2009 are as follows:

	<u>Date</u> <u>Issued</u>	<u>Date Of</u> <u>Maturity</u>	<u>Date Of</u> <u>Annual</u> <u>Payment</u>	<u>Original</u> <u>Amount</u>	<u>Balance</u> <u>August 31</u> <u>2009</u>
Triangle Redevelopment	7-10-2009	5-1-2028	May 1	\$28,485,000	\$28,485,000

In 2009 the City issued \$28,485,000 of tax increment revenue bonds for a current refunding of \$21,000,000 of 2007 tax increment revenue notes. The refunding was undertaken to convert the notes into bonds.

A savings analysis could not be generated because the notes do not have mandatory sinking fund redemptions.

***Capital Lease Obligations***

During 2006 the City entered into a lease agreement as lessee for financing the acquisition of vehicles.

During 2007 the City entered into a lease agreement as lessee for financing the acquisition of equipment and vehicles.

During 2009 the City entered into a lease agreement as lessee for financing the acquisition of vehicles.

The assets acquired through capital leases are as follows:

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - LONG-TERM DEBT (Continued)**

	<u>Governmental Activities</u> <u>August 31</u> <u>2009</u>
Assets:	
Automotive equipment	\$804,377
Machinery and equipment	<u>187,477</u>
	991,854
Less - Accumulated depreciation	<u>737,760</u>
Total Assets	<u>\$254,094</u>

The future minimum capital lease obligations and the net present value of these minimum lease payments as of August 31, 2009 were as follows:

<u>For The</u> <u>Years Ended</u> <u>August 31</u>	<u>Governmental Activities</u>			
	<u>2006</u> <u>Vehicles</u>	<u>2007</u> <u>Equipment</u> <u>And Vehicles</u>	<u>2009</u> <u>Vehicles</u>	<u>Total</u>
2010	\$40,501	63,288	7,010	110,799
2011	-	63,288	7,010	70,298
2012	-	31,644	7,011	38,655
2013	-	-	7,010	7,010
2014	-	-	<u>1,169</u>	<u>1,169</u>
Total Minimum Lease Payments	<u>40,501</u>	<u>158,220</u>	<u>29,210</u>	<u>227,931</u>
Less - Amount representing interest	<u>345</u>	<u>8,158</u>	<u>2,290</u>	<u>10,793</u>
Present Value Of Minimum Lease Payments	<u>\$40,156</u>	<u>150,062</u>	<u>26,920</u>	<u>217,138</u>

**Business-type Activities**

***Revenue Bonds Payable***

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt services. Revenue bonds outstanding at year-end are as follows:

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - LONG-TERM DEBT (Continued)**

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance August 31 2009</u>
Sewerage system - Series 1992	4.25 - 6.550%	\$ 1,270,000	342,500
Sewerage system - Series 1993	3.40 - 5.400	1,135,000	390,083
Sewerage system - Series 2005	3.25 - 5.250	6,125,000	5,457,500
Sewerage system - Series 2006	3.60 - 5.250	2,875,000	2,488,333
Golf course - Series 2007	3.90 - 4.375	4,290,000	4,290,000
Sewerage system - Series 2007A	3.70 - 5.000	<u>2,475,000</u>	<u>2,395,000</u>
Total		<u>\$18,170,000</u>	<u>15,363,416</u>

The revenue bonds dated June 1, 1992 maturing after January 1, 2002 may be called for redemption and payment prior to maturity in whole or in part on each June 1 and December 1 commencing June 1, 2002, at redemption prices set forth below (expressed as percentages of principal amount) plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 1, 2002 and December 1, 2002	102%
June 1, 2003 and December 1, 2003	101
June 1, 2005 and thereafter	100

The revenue bonds dated June 1, 1993 maturing after January 1, 2005 may be called for redemption and payment prior to maturity in whole or in part on each June 1 and December 1 commencing June 1, 2005, at redemption prices set forth below (expressed as percentages of principal amount) plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
June 1, 2003 and December 1, 2003	102%
June 1, 2005 and December 1, 2005	101
June 1, 2005 and thereafter	100

The revenue bonds dated November 1, 2005 maturing on July 1, 2016; July 1, 2017; July 2, 2021; and thereafter may be called for redemption and payment prior to maturity in whole or in part on each June 1 and December 1 commencing December 1, 2015, at the redemption price of 100% of the principal amount plus accrued interest thereon to the date of redemption.

The revenue bonds dated April 2006 maturing on July 1, 2020 and thereafter may be called for redemption and payment prior to maturity in whole or in part on each June 1 and December 1 commencing June 1, 2016, at the redemption price of 100% of the principal amount plus accrued interest thereon to the date of redemption.

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - LONG-TERM DEBT (Continued)**

The revenue bonds dated February 1, 2007 maturing on December 1, 2018 and thereafter may be called for redemption and payment prior to maturity in whole or in part on or after December 1, 2017, at the redemption price of 100% of the principal amount plus accrued interest thereon to the date of redemption.

The revenue bonds dated November 1, 2007 maturing on November 1, 2019 and thereafter may be called for redemption and payment prior to maturity in whole or in part on or after November 1, 2017, at the redemption price of 100% of the principal amount plus accrued interest thereon to the date of redemption.

The revenue bonds dated November 1, 2007 maturing on November 1, 2019 may be called for redemption and payment prior to maturity in whole or in part on November 1, 2018 and 2019 and those maturing November 1, 2027 may be called for redemption and payment prior to maturity in whole or in part on each November 1 of the years 2020 through 2027, at the redemption price of 100% of the principal amount plus accrued interest thereon to the date of redemption.

The bond ordinances required that the City establish rates and charges for its sewer services, such that the revenues derived from the sewage system are sufficient to provide for the payment of principal and interest on the revenue bonds and for the operation and maintenance of the sewage system.

Revenue bond debt service requirements to maturity are as follows:

<b><u>For The Years</u></b> <b><u>Ended August 31</u></b>	<b><u>Business-type Activities</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2010	\$ 483,416	700,577	1,183,993
2011	615,000	674,922	1,289,922
2012	744,000	644,546	1,388,546
2013	783,000	608,681	1,391,681
2014	698,000	576,961	1,274,961
2015 - 2019	3,550,000	2,444,624	5,994,624
2020 - 2024	4,410,000	1,527,380	5,937,380
2025 - 2029	3,190,000	494,106	3,684,106
2030 - 2032	<u>890,000</u>	<u>59,499</u>	<u>949,499</u>
Total	<u>\$15,363,416</u>	<u>7,731,296</u>	<u>23,094,712</u>

***Capital Lease Obligation***

During 2008 the City entered into a lease agreement as lessee for financing the acquisition of equipment and a vehicle.

The assets acquired through capital leases are as follows:

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - LONG-TERM DEBT (Continued)**

	<u><b>Business-type Activities</b></u> <b>August 31 2009</b>
Assets:	
Automotive equipment	\$42,970
Machinery and equipment	<u>54,766</u>
	97,736
Less - Accumulated depreciation	<u>32,848</u>
Total Assets	<u>\$64,888</u>

The future minimum capital lease obligations and the net present value of these minimum lease payments as of August 31, 2009 were as follows:

	<u><b>Business-type Activities</b></u> <b>2009</b> <b>Equipment And Vehicles</b>
<b><u>For The Years Ended August 31</u></b>	
2010	\$34,297
2011	<u>14,309</u>
Total Minimum Lease Payments	48,606
Less - Amount representing interest	<u>1,104</u>
Present Value Of Minimum Lease Payments	<u>\$47,502</u>

***MSD Note Payable***

The City has a note payable to the Metropolitan St. Louis Sewer District for Lower Meramec River System Improvements. The note is due in quarterly payments with an interest rate of 4.35%, maturing October 2032. Debt service requirements to maturity are as follows:

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - LONG-TERM DEBT (Continued)**

<u>For The Years</u> <u>Ended August 31</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 409,076	691,423	1,100,499
2011	427,163	673,336	1,100,499
2012	446,050	654,449	1,100,499
2013	465,772	634,727	1,100,499
2014	486,366	614,132	1,100,498
2015 - 2019	2,774,059	2,728,436	5,502,495
2020 - 2024	3,444,012	2,058,482	5,502,494
2025 - 2029	4,275,764	1,226,731	5,502,495
2030 - 2033	<u>3,318,535</u>	<u>258,087</u>	<u>3,576,622</u>
Total	<u>\$16,046,797</u>	<u>9,539,803</u>	<u>25,586,600</u>

***Notes Payable***

	<u>August 31</u> <u>2009</u>
SRF - 1992, no interest	\$197,500
SRF - 1993, no interest	<u>277,200</u>
Total	<u>\$474,700</u>

In conjunction with the bonds dated June 1, 1992, a reserve account has been established with a no-interest loan funded with federal capitalization grants and matching funds from the State of Missouri. When fully funded, this loan (reserve account) will be funded in an amount equal to 50% of the outstanding principal amount of such bonds. The reserve account is held in trust. As the principal amount of such bonds is repaid, the amounts held in the reserve account will be reduced such that the reserve account will equal 50% of the remaining principal balance of such bonds.

In conjunction with the bonds dated August 1, 1993; November 1, 2005; and April 1, 2006, reserve accounts have been established with a no-interest loan funded with federal capitalization grants and matching funds from the State of Missouri. When fully funded, these loans (reserve accounts) will be funded in an amount equal to 70% of the outstanding principal amount of such bonds. The reserve accounts are held in trust. As the principal amount of such bonds is repaid, the amounts held in the reserve account will be reduced such that the reserve account will equal 70% of the remaining principal balance of such bonds.

The City is in compliance with significant requirements regarding deposits and debt service payments.

**NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

The City maintains a single-employer, defined benefit pension plan (City of Arnold, Missouri Police Pension Plan) which covers all members of the organized police force and participates in the state-wide Missouri Local Government Retirement System, an agent multiple-employer, defined benefit pension plan which covers all of the City's full-time employees except for members of the police force.

**1. City of Arnold, Missouri Police Pension Plan**

*Plan Description and Provisions*

The Plan is a single-employer, defined benefit pension plan that covers all of the City's full-time police employees. The Plan was created and is governed by City Ordinance. The payroll for employees covered by the Plan for the year ended August 31, 2009, which is the date of the latest actuarial valuation available, was \$2,133,648 and the City's total payroll was \$6,302,815.

The Plan does not issue a separate stand-alone financial report. The financial information is included as a Trust Fund in the City's basic financial statements. Information about the Plan is provided in a summary plan description.

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Membership in the Plan is comprised of the following:

<u>Group</u>	<u>August 31 2009</u>
Retirees and beneficiaries currently receiving benefits	-
Vested terminated employees and active employees	51

Employees attaining the age of 55 who have completed five or more years of service are entitled to benefits based upon average earnings and years of service. The Plan also provides early retirement, death, and disability.

City Ordinance requires each member to contribute 8½% of gross salary. The Ordinance requires the City to contribute the actuarially computed amounts, which together with employee contributions and investment income, will cover the costs of the Plan. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.



**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

**1. City of Arnold, Missouri Police Pension Plan (Continued)**

*Funding Status and Progress – Entry Age Actuarial Cost Method*

The City uses the aggregate actuarial cost method for determining contributions. This actuarial method does not directly calculate the actuarial accrued liability. The purpose of presenting the actuarial accrued liability using the entry age method is to provide information that serves as a surrogate for the funded status and funding progress of the City. The following schedule of funding progress is presented using the entry age actual cost method:

<b>Pension Plan</b>			
<b>Valuation For The Actuarial Years Ended August 31</b>	<b>Actuarial Value Of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>
2009	\$6,354,541	\$7,841,718	\$1,487,177
2008	5,536,488	6,842,480	1,305,992
2007	5,508,469	6,767,281	1,258,812
2006	4,912,904	6,517,835	1,604,931
2005	5,493,770	7,140,480	1,646,710
2004	4,762,934	4,948,820	185,886

<b>Pension Plan</b>			
<b>Valuation For The Actuarial Years Ended August 31</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL As A Percentage Of Covered Payroll</b>
2009	81.0%	\$2,133,648	69.7%
2008	80.9	2,024,539	64.5
2007	81.4	2,154,441	58.4
2006	75.4	2,080,320	77.1
2005	76.9	1,774,321	92.8
2004	96.2	1,834,589	10.1

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

**1. City of Arnold, Missouri Police Pension Plan (Continued)**

<b>Schedule Of Employer Contributions</b>			
<b><u>For The Years Ended August 31</u></b>	<b><u>Annual Required Contribution</u></b>	<b><u>Actual Contribution</u></b>	<b><u>Percentage Contributed</u></b>
2009	\$391,688	\$579,665	148.0%
2008	398,846	421,152	105.6
2007	425,810	457,273	107.4
2006	393,674	329,595	83.7
2005	264,795	223,088	84.2
2004	220,217	176,103	80.0

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Actuarial cost method	Aggregate actuarial cost method
Amortization method	Using assumed rate of 8% over 2 to 18 years
Amortization period	Closed
Asset valuation method	At contract value and market value
Actuarial assumptions:	
Investment rate of return	8%
Pre-retirement	8%
Post-retirement	5.4%
Projected salary increases	4.5%
Inflation rate	N/A

***Annual Pension Cost***

Current year annual pension costs for the Plan are shown in the trend information. Annual required contributions were made by the Plan.

***Trend Information***

The historical trend information about the Plan is presented herewith to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparison with other Public Employee Retirement Systems (PERS). The information provided is the latest information available.

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

**1. City of Arnold, Missouri Police Pension Plan (Continued)**

<u>Pension Plan</u>			
<u>Valuation For The Actuarial Years Ended August 31</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Asset (Obligation) End Of Year</u>
2009	\$377,403	148.0%	\$380,570
2008	387,290	105.6	178,308
2007	417,441	107.4	144,446
2006	381,178	83.7	104,614
2005	250,135	84.2	156,197
2004	203,376	80.0	183,244

<u>Valuation For The Actuarial Years Ended August 31</u>	<u>Net Pension Asset (Obligation) Beginning Of Year</u>	<u>Interest Net Pension Asset (Obligation)</u>	<u>Annual Required Contribution</u>
2009	\$178,308	\$14,265	\$391,688
2008	144,446	11,556	398,846
2007	104,614	8,369	425,810
2006	156,197	12,496	393,674
2005	183,244	14,660	264,795
2004	210,517	16,841	220,217

Note: Adjustment to annual required contribution is not relevant.

<u>Valuation For The Actuarial Years Ended August 31</u>	<u>Actual Contribution</u>	<u>Increase (Decrease) In Net Pension Asset (Obligation)</u>	<u>Net Pension Asset (Obligation) End Of Year</u>
2009	\$579,665	\$202,262	\$380,570
2008	421,152	33,862	178,308
2007	457,273	39,832	144,446
2006	329,595	(51,583)	104,614
2005	223,088	(27,047)	156,197
2004	176,103	(27,273)	183,244

**NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

**2. Missouri Local Government Employees Retirement System (LAGERS)**

*Plan Description*

The City participates in LAGERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by state statute, Section RSMo 70.600 - 70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

*Funding Policy*

The City's full-time employees do not contribute to the pension plan. The City is required by state statute to contribute at an actuarially determined rate; the current rate is 16.6% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

*Annual Pension Cost*

For 2009, the City's annual pension cost of \$499,067 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007 and/or February 29, 2008 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2008 included a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; b) projected salary increases of 4% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women; and e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 2009 was 15 years.

Three-year trend information follows:

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)**

**2. Missouri Local Government Employees Retirement System (LAGERS) (Continued)**

<u>For The Years Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>
2009	\$499,067	100%
2008	496,557	100
2007	475,234	100

Schedule of funding progress follows:

<u>For The Valuation Years Ended February 28</u>	<u>Actuarial Value Of Assets</u>	<u>Entry Age Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Accrued Liability (UAL)</u>
2009	\$5,548,557	\$8,436,593	\$2,888,036
2008	7,545,770	8,622,531	1,076,761
2007	6,415,513	8,180,308	1,764,795

<u>For The Valuation Years Ended February 28</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL As A Percentage Of Covered Payroll</u>
2009	66%	\$3,064,435	94%
2008	88	2,841,234	38
2007	78	2,703,800	65

Note: The above assets and AAL do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS' office in Jefferson City, MO.

**NOTE F - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The City provides healthcare benefits to non-uniformed employees who are eligible to retire once they have attained age 55 plus 5 years of service or age 60 and police who are eligible to retire once they have attained age 50 plus 5 years of service or age 55. The City pays the monthly group health insurance premium for the individual. Retirees must contribute the COBRA premium (\$412.51 per month) to retain coverage. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the para-

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

meters of GASB Statement No. 45 (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities. The City's annual OPEB cost for the current year and the related information are as follows:

	<b>For The Year Ended <u>August 31, 2009</u></b>
Amortization of past service cost	\$24,000
Normal cost	38,700
Interest to end of fiscal year	<u>-</u>
ARC	62,700
Interest on net OPEB obligation	-
Adjustment to ARC	<u>-</u>
Annual OPEB Cost	62,700
Contributions made	<u>-</u>
Increase In Net OPEB Obligation	62,700
Net OPEB obligation, August 31, 2008	<u>-</u>
Net OPEB Obligation, August 31, 2009	<u>\$62,700</u>

The Plan was established by City Ordinance, which assigned the authority to establish and amend plan benefit provisions to the City. The contribution requirements of the City and plan members are established and may be amended by the City.

In future years, three-year trend information will be presented. 2009 was the year of implementation of GASB 45 and the City has elected to implement prospectively, therefore, prior year comparative funding progress is not available.

**Required Supplemental Information**

<b>Schedule Of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value Of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL As A Percentage Of Covered Payroll</b>
<u>August 31</u>	<u>(1)</u>	<u>(2)</u>	<u>(1)-(2)</u>	<u>(1)/(2)</u>	<u>(3)</u>	<u>(1-2)/(3)</u>
2009	\$ -	\$430,000	(\$430,000)	- %	N/A	N/A

<b>Schedule Of Employer Contributions</b>			
<b>For The Year Ended <u>August 31</u></b>	<b>Annual Required Contribution</b>	<b>Contribution Made</b>	<b>Percent Contributed</b>
2009	\$62,700	N/A	N/A

**CITY OF ARNOLD, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE F - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Significant actuarial assumptions used in the valuation are as follows:

Valuation method		Projected unit cost method
Latest valuation date		August 31, 2009
Discount rate		4% per annum
Amortization period		30 years for initial UAAL
Payroll inflation		4% per annum
Mortality	RP2000 Mortality Table (employee and healthy annuitant tables)	
Medical premium rates		8.0% initial rate; 4.4% alternate rate

**NOTE G - INTERFUND ASSETS/LIABILITIES**

Individual interfund assets and liabilities are as follows:

**Due From/To Other Funds:**

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>August 31 2009</u>
General Fund - Major Fund		Recreation Center Fund - Major Fund	\$ 986,610
General Fund - Major Fund		Sewer Fund - Major Fund	28,691
General Fund - Major Fund		Golf Fund- Major Fund	183,716
General Fund - Major Fund		Storm Water Fund - Major Fund	17,880
General Fund - Major Fund		Special Allocation Fund - Major Fund	150,000
General Fund - Major Fund		Tourism Fund - Nonmajor Fund	12,446
Golf Fund - Major Fund		Recreation Center Fund - Major Fund	289
Sewer Fund - Major Fund		Storm Water Fund - Major Fund	<u>145</u>
	Total		<u>\$1,379,777</u>

The outstanding balances between funds result mainly from the time lag between dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in accounting system, and 3) payments between funds are made. All interfund balances are expected to be repaid during the fiscal year ending August 31, 2010.

**Advance From/To Other Funds:**

	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>August 31 2009</u>
Sewer Fund - Major Fund		General Fund - Major Fund	<u>\$500,009</u>

The outstanding balances between funds result from the purchase of land by the Sewer Fund to be used by the General Fund. The balance is not expected to be repaid within the fiscal year ending August 31, 2010.

**NOTE H - INTERFUND TRANSACTIONS**

Individual interfund transactions are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>For The Year Ended August 31 2009</u>
Golf Fund - Major Fund	Tourism Fund - Nonmajor Fund	<u>\$10,000</u>

Interfund transfers were used to reimburse one fund for expenses that should have been paid out of a different fund.

**NOTE I - PROPERTY TAXES**

Property taxes are recorded as revenue in the fiscal year in which they are levied. Taxes levied and uncollected are carried as an asset of the General Fund. An allowance has been established for the estimated uncollectible property taxes.

The City's property tax calendar is as follows:

- a. Property is assessed by the County on January 1 each year.
- b. The tax levy ordinance is adopted and filed with the county clerk on or before September 1.
- c. Property taxes are due to be collected on or before December 31.
- d. Property taxes attach as an enforceable lien on property as of January 1.

**NOTE J - INSURANCE**

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a state-wide governmental self-insurance pool which provides property, liability, and workers' compensation coverages to its participating members in a single comprehensive multiline package. The various lines of coverage are not available individually and the membership is limited to municipalities and municipally owned utilities. The City's policy covers all real and personal property owned by the City except sewer lines. The policy is for replacement cost and expires June 30, 2010.

MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis. These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. The City paid an assessment totaling \$567,258 for MIRMA's fiscal years ended June 30, 2010. Settled claims resulting in these risks have not exceeded coverage in any of the past three years.



**NOTE K - INTERFUND ADMINISTRATION FEE**

During the year the Sewer Fund, the Storm Water Fund, and the Recreation Center Fund paid \$138,000, \$36,000, and \$36,000, respectively, to the General Fund for administrative costs incurred by the General Fund relating to the various operations of the Funds. These fees are included in miscellaneous revenue in the General Fund.

**NOTE L - CONTINGENCIES AND COMMITMENTS**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is subject to various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of most of these matters will not have material adverse effect on the financial condition of the City.

The City is currently involved in arbitration with the Metropolitan Sewer District (MSD) over the contributions to a joint project to construct a sewer drop structure under the Meramec River. The City believes MSD is responsible for approximately \$180,000 of the dewatering costs, but MSD believes the City is responsible for the entire dewatering costs. As of January 2010, no judgment has been made.

At August 31, 2009, the City had construction commitments for sewer projects in the amount of \$441,005.

**NOTE M - RESTRICTED NET ASSETS**

The government-wide statement of net assets does not report any restricted net assets which are restricted by enabling legislation.

**NOTE N - TAX INCREMENT REVENUES PLEDGED**

The City has pledged a portion of future tax revenues to repay tax increment revenue bonds and notes to finance certain improvements in the City. The bonds are payable solely from the incremental taxes generated by increased sales and assessed property values in the improved area. Incremental taxes were projected to produce 100% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds per Note D is payable through May 1, 2028. For the current year, principal and interest paid and total incremental tax revenues were \$1,026,222 and \$1,439,237, respectively.

**NOTE O - DEFICIT BALANCES**

The Tourism Fund and Golf Fund had deficits in fund balances/net assets of \$18,143 and \$358,950, respectively. These deficits will be offset by future revenues.

**NOTE P - FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), establishes standards for the measurement and recording the estimated historical cost for land associated with right-of-way easements. GASB 51 will be effective for the City for the fiscal year ending August 31, 2010. The City, however, has not yet completed its assessment of the statement or the potential impact of the statement on its financial position.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), establishes clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund types. GASB 54 will be effective for the City for the fiscal year ending August 31, 2011. The City, however, has not yet completed its assessment of the statement.

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for the Fiscal Year ended  
**August 31, 2009**

**CITY OF ARNOLD, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
<b>Taxes</b>			
Property	\$ 1,070,000	1,072,745	2,745
Sales	5,450,666	5,222,585	(228,081)
Public utility gross receipts	2,055,000	2,565,201	510,201
Motor fuel	450,000	552,562	102,562
Other	197,500	202,942	5,442
Total Taxes	<u>9,223,166</u>	<u>9,616,035</u>	<u>392,869</u>
<b>Special Assessments</b>	<u>150,000</u>	<u>161,495</u>	<u>11,495</u>
<b>Licenses and Permits</b>	<u>545,750</u>	<u>615,026</u>	<u>69,276</u>
<b>Fines and Court Costs</b>	<u>1,252,000</u>	<u>1,131,240</u>	<u>(120,760)</u>
<b>Intergovernmental</b>	<u>2,820,677</u>	<u>125,974</u>	<u>(2,694,703)</u>
<b>Charges for Services</b>	<u>100,720</u>	<u>72,412</u>	<u>(28,308)</u>
<b>Investment Income</b>	<u>101,000</u>	<u>62,073</u>	<u>(38,927)</u>
<b>Miscellaneous</b>			
Administration	210,000	228,571	18,571
Other	76,500	110,490	33,990
Total Miscellaneous	<u>286,500</u>	<u>339,061</u>	<u>52,561</u>
Total Revenues	<u>14,479,813</u>	<u>12,123,316</u>	<u>(2,356,497)</u>
<b>EXPENDITURES</b>			
<b>General Government</b>			
General and administrative	991,775	998,334	6,559
Mayor and council	104,216	105,042	826
Municipal court	187,555	175,819	(11,736)
Administrator	308,016	305,617	(2,399)
Treasurer	49,759	46,249	(3,510)
Finance	272,636	259,580	(13,056)
Collector of revenue	177,886	174,150	(3,736)
Attorney	164,000	236,174	72,174
Elections	7,200	5,958	(1,242)
Planning commission	191,498	182,082	(9,416)
Total General Government	<u>2,454,541</u>	<u>2,489,005</u>	<u>34,464</u>

**(Continued)**

**CITY OF ARNOLD, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>EXPENDITURES (Continued)</b>			
<b>Public Safety</b>			
Police	4,874,257	4,641,688	(232,569)
Police board	2,615	364	(2,251)
Dispatching	536,880	528,951	(7,929)
Building commission	371,189	340,487	(30,702)
Total Public Safety	5,784,941	5,511,490	(273,451)
<b>Public Works</b>	585,254	424,779	(160,475)
<b>Highways and Streets</b>	1,437,965	994,971	(442,994)
<b>Parks and Recreation</b>	621,856	499,044	(122,812)
<b>Health and Sanitation</b>			
Health department	62,718	59,103	(3,615)
Rabies control	140,972	120,971	(20,001)
Vector control	27,250	1,427	(25,823)
Solid waste	864,440	975,516	111,076
Total Health And Sanitation	1,095,380	1,157,017	61,637
<b>Capital Outlay</b>	3,131,200	934,502	(2,196,698)
<b>Debt Service</b>	848,408	849,434	1,026
Total Expenditures	15,959,545	12,860,242	(3,099,303)
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	(1,479,732)	(736,926)	742,806
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of long-term debt	1,534,000	-	(1,534,000)
Issuance of capital lease	31,800	31,800	-
Total Other Financing Sources (Uses)	1,565,800	31,800	(1,534,000)
<b>NET CHANGE IN FUND BALANCE</b>	\$ 86,068	(705,126)	(791,194)
FUND BALANCE, SEPTEMBER 1		9,689,195	
FUND BALANCE, AUGUST 31		\$ 8,984,069	

**CITY OF ARNOLD, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGE IN FUND**  
**BALANCE - BUDGET AND ACTUAL - RECREATION CENTER**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Original And Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Taxes:			
Sales	\$ 1,119,140	1,079,581	(39,559)
Charges for services	1,198,000	1,088,040	(109,960)
Investment income	40,000	68,862	28,862
Miscellaneous	10,800	11,792	992
Total Revenues	<u>2,367,940</u>	<u>2,248,275</u>	<u>(119,665)</u>
<b>EXPENDITURES</b>			
Recreation center	1,514,953	1,611,352	96,399
Debt service	986,008	985,911	(97)
Total Expenditures	<u>2,500,961</u>	<u>2,597,263</u>	<u>96,302</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (133,021)</u>	(348,988)	<u>(215,967)</u>
<b>FUND BALANCE, SEPTEMBER 1</b>		<u>856,071</u>	
<b>FUND BALANCE, AUGUST 31</b>		<u>\$ 507,083</u>	

**CITY OF ARNOLD, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

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**Budgetary Data**

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

- a. On or before July 8, all departments submit requests for appropriations to the City's budget committee so that a budget may be prepared.
- b. During August the operating budget is presented to the City Council for review. The operating budget includes proposed expenditures for the General, Recreation Center, Tourism, Drug Forfeiture, and Enterprise Funds and the means of financing them. The Special Allocation Fund is not budgeted.
- c. Public hearing meetings are held to obtain taxpayer comments.
- d. Prior to September 1 the budget is adopted by the City Council.
- e. Budgets are adopted on a basis generally consistent with U.S. generally accepted accounting principles except that budgets do not include economic development and debt proceeds related to the tax increment financing projects. Expenditures modified for some year-end accruals may not legally exceed budgeted appropriations at the department level.
- f. Budget amendments at the department level must be approved by the City Council. Management may authorize transfers of appropriations within a department. There were no amendments in the current year.
- g. Appropriations lapse at year-end.

For the year ended August 31, 2009, General Fund expenditures exceeded appropriations for general government (\$34,464), health and sanitation (\$61,637), and debt service (\$1,026). The Recreation Fund, Tourism Fund, and Drug Forfeiture Fund expenditures exceeded appropriations by \$96,302, \$3,888, and \$14,400, respectively. These over expenditures were covered by additional current year revenues, available fund balance, or will be recovered by future years revenues.

**CITY OF ARNOLD, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION -**  
**GOVERNMENTAL FUNDS - COMPARATIVE BALANCE SHEETS**  
**AUGUST 31**

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Cash and investments	\$ 5,445,535	6,055,445
Receivables (net of allowances for uncollectibles):		
Taxes	1,775,850	3,064,520
Special assessments	1,489,444	1,574,099
Intergovernmental	2,797,789	3,644,980
Court	110,171	52,917
Miscellaneous	88,274	478,217
Due from other funds	1,379,343	473,675
Prepaid items	558,609	623,998
Restricted assets:		
Cash and investments	5,684,549	2,612,045
Capital improvements sales tax receivable	621,691	322,474
	<u>\$ 19,951,255</u>	<u>18,902,370</u>
Total Assets		
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,379,478	3,299,207
Accrued liabilities	143,427	114,210
Due to other funds	1,149,345	974,795
Deferred revenue	2,621,767	3,100,585
Funds held for others	3,251	2,885
Advance to other funds	500,009	498,609
	<u>6,797,277</u>	<u>7,990,291</u>
Total Liabilities		
 <b>Fund Balances</b>		
Reserved for:		
Debt service	5,507,663	2,202,148
Encumbrances	1,071,994	1,460,356
Prepaid items	558,609	623,998
Unreserved:		
Designated for sewer subdistrict projects	883,724	884,449
Designated for greenway beautification	160,517	160,517
Designated for economic development	234,667	154,668
Designated for pride in our City	9,066	9,066
Undesignated	4,727,738	5,416,877
	<u>13,153,978</u>	<u>10,912,079</u>
Total Fund Balances		
	<u>\$ 19,951,255</u>	<u>18,902,370</u>
Total Liabilities And Fund Balances		



**CITY OF ARNOLD, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - GOVERNMENTAL**  
**FUNDS - COMPARATIVE STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEARS ENDED AUGUST 31**

	<b>2009</b>	<b>2008</b>
<b>REVENUES</b>		
Taxes	\$ 12,279,968	12,209,618
Special assessments	161,495	551,076
Licenses and permits	615,026	590,067
Fines and court costs	1,131,240	1,122,605
Intergovernmental	138,593	2,592,876
Charges for services	1,375,957	1,395,577
Investment income	131,284	290,449
Miscellaneous	356,143	421,244
Total Revenues	16,189,706	19,173,512
 <b>EXPENDITURES</b>		
Current:		
General government	2,836,320	2,774,026
Public safety	5,530,890	5,087,615
Public works	424,779	414,040
Highways and streets	994,971	1,363,420
Parks and recreation	2,110,396	2,149,106
Health and sanitation	1,157,017	923,881
Economic development	335,457	4,445,699
Capital outlay	934,502	6,662,933
Debt service:		
Principal	820,284	612,946
Interest	2,041,283	924,959
Bond issuance costs	796,889	244,699
Total Expenditures	17,982,788	25,603,324
 <b>REVENUES UNDER EXPENDITURES</b>	(1,793,082)	(6,429,812)
 <b>OTHER FINANCING SOURCES (USES)</b>		
Issuance of long-term debt	28,485,000	11,555,699
Discount on issuance of debt	(235,250)	(34,475)
Refunding of long-term debt	(24,236,569)	-
Issuance of capital lease	31,800	-
Sale of capital assets	-	800
Transfers in	-	20,000
Transfers out	(10,000)	(20,000)
Total Other Financing Sources (Uses)	4,034,981	11,522,024
 <b>NET CHANGE IN FUND BALANCES</b>	2,241,899	5,092,212
 <b>FUND BALANCES, SEPTEMBER 1</b>	10,912,079	5,819,867
 <b>FUND BALANCES, AUGUST 31</b>	\$ 13,153,978	10,912,079

**CITY OF ARNOLD, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - COMBINING**  
**BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**AUGUST 31, 2009**

	<u>Special Revenue Funds</u>		
	<u>Tourism</u>	<u>Drug Forfeiture</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	25,350	25,350
Receivables:			
Taxes	14,304	-	14,304
Prepaid items	58,983	-	58,983
	<u>58,983</u>	<u>-</u>	<u>58,983</u>
Total Assets	<u>\$ 73,287</u>	<u>25,350</u>	<u>98,637</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>			
<b>Liabilities</b>			
Accounts payable	\$ 34,467	-	34,467
Accrued liabilities	570	-	570
Due to other funds	12,446	-	12,446
Deferred revenue	43,947	-	43,947
	<u>43,947</u>	<u>-</u>	<u>43,947</u>
Total Liabilities	<u>91,430</u>	<u>-</u>	<u>91,430</u>
<b>Fund Balances (Deficit)</b>			
Reserved for:			
Prepaid items	58,983	-	58,983
Unreserved:			
Undesignated - Special Revenue Fund	(77,126)	25,350	(51,776)
Total Fund Balances (Deficit)	<u>(18,143)</u>	<u>25,350</u>	<u>7,207</u>
Total Liabilities And Fund Balances (Deficit)	<u>\$ 73,287</u>	<u>25,350</u>	<u>98,637</u>

**CITY OF ARNOLD, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - COMBINING**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES (DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	<u>Special Revenue Funds</u>		
	<u>Tourism</u>	<u>Drug Forfeiture</u>	<u>Totals</u>
<b>REVENUES</b>			
Taxes	\$ 145,115	-	145,115
Intergovernmental	-	12,619	12,619
Charges for services	215,505	-	215,505
Investment income	-	54	54
Miscellaneous	-	5,290	5,290
Total Revenues	<u>360,620</u>	<u>17,963</u>	<u>378,583</u>
<b>EXPENDITURES</b>			
Current:			
General government	343,034	-	343,034
Public safety	-	19,400	19,400
Total Expenditures	<u>343,034</u>	<u>19,400</u>	<u>362,434</u>
<b>REVENUES OVER (UNDER) EXPENDI- TURES</b>	17,586	(1,437)	16,149
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	7,586	(1,437)	6,149
FUND BALANCES (DEFICIT), SEPTEMBER 1	<u>(25,729)</u>	<u>26,787</u>	<u>1,058</u>
<b>FUND BALANCES (DEFICIT), AUGUST 31</b>	<u><u>\$ (18,143)</u></u>	<u><u>25,350</u></u>	<u><u>7,207</u></u>

**CITY OF ARNOLD, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN**  
**FUND DEFICIT - BUDGET AND ACTUAL - TOURISM FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Taxes:			
Sales	\$ 160,000	145,115	(14,885)
Charges for services	183,000	215,505	32,505
Total Revenues	343,000	360,620	17,620
 <b>EXPENDITURES</b>			
General government	339,146	343,034	3,888
 <b>REVENUES OVER EXPENDITURES</b>	3,854	17,586	13,732
 <b>OTHER FINANCING USES</b>			
Transfers out	-	(10,000)	(10,000)
 <b>NET CHANGE IN FUND BALANCE</b>	\$ 3,854	7,586	3,732
 FUND DEFICIT, SEPTEMBER 1		(25,729)	
 FUND DEFICIT, AUGUST 31		\$ (18,143)	

**CITY OF ARNOLD, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION -**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN**  
**FUND BALANCE - BUDGET AND ACTUAL - DRUG FORFEITURE FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2009**

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	<b>Original And Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Intergovernmental	\$ -	12,619	12,619
Investment income	50	54	4
Miscellaneous	-	5,290	5,290
Total Revenues	<u>50</u>	<u>17,963</u>	<u>17,913</u>
 <b>EXPENDITURES</b>			
Public safety	<u>5,000</u>	<u>19,400</u>	<u>14,400</u>
 <b>NET CHANGE IN FUND BALANCE</b>	 <u><u>\$ (4,950)</u></u>	 <u><u>(1,437)</u></u>	 <u><u>3,513</u></u>
 FUND BALANCE, SEPTEMBER 1		 <u>26,787</u>	
 FUND BALANCE, AUGUST 31		 <u><u>\$ 25,350</u></u>	