

INTRODUCTION

FINANCIAL

FINANCIAL
STATEMENTS

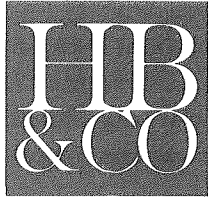
SUPPLEMENTAL
INFORMATION

STATISTICS



for the Fiscal Year ended

August 31, 2010



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

INDEPENDENT AUDITORS' REPORT

January 28, 2011

Honorable Mayor and City Council
CITY OF ARNOLD, MISSOURI

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2010, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of August 31, 2010, 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 28, 2011, 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, 2010

As management of the City of Arnold, Missouri (the City), we offer readers of the City of Arnold's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2010. Please read this narrative in conjunction with the letter of transmittal, the basic financial statements, and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$64,983,710 (net assets). The City has a deficit unrestricted net assets totaling \$15,753,345 due to \$31,359,555 in TIF Bonds and notes outstanding at year-end for infrastructure assets not owned by the City.
- Governmental activities and business-type activities had net assets of \$47,355,934 and \$17,627,776, respectively, at fiscal year-end.
- The City's total net assets increased by \$222,693 during the fiscal year, with the combined governmental activities decreasing by \$700,750 while the combined business-type activities increased by \$923,443.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,858,579, an increase of \$1,704,601 in comparison to the prior year.
- The City's total debt, including compensated absences, increased by \$1,785,502 during the current fiscal year to a total of \$84,662,026. The key factor in this increase was the issuance of tax increment financing notes for the Arnold Crossroads project in the amount of \$3,319,555.

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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, highways, public safety, and parks. 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 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, parks and recreation (including the Recreation Center), economic development as well as interest and fiscal charges. The business-type activities include the golf course and the sewer and storm water system services provided by the City.

CITY OF ARNOLD, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2010

The Arnold Retail Corridor Transportation Development District (the District) is considered a component unit of the City. The District is organized to construct public infrastructure improvement projects to serve a new transportation redevelopment project in the City. The District's financial activity is discretely presented in the City's basic financial statements.

Table A-1
Major Features of City of Arnold's Government-wide
and Fund Financial Statements

| | Fund Statements | | | |
|--|--|--|---|--|
| | Government-wide Statements | Government Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire City government (except fiduciary funds) and the City's component units | The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation | Activities the City operates similar to private businesses: golf course, sewer system, and storm water system | Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plan for City employees |
| Required financial statements | * Statement of net assets * Statement of activities | * Balance Sheet * Statement of revenues, expenditures, and changes in fund balance | * Statement of net assets * Statement of revenues, expenses, and changes in net assets | * Statement of fiduciary net assets * Statement of changes in fiduciary net assets |
| 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 | Accrual accounting and economic resources focus |
| 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 | 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 inflow/outflow information | All revenues and expenses during the 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 the year, regardless of when cash is received or paid | All revenues and expenses during the year, regardless of when cash is received or paid |

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

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

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*.

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2010

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 fund 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 fund 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 through 25 of this report.

Notes to the 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 on pages 26 through 56 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 57 through 60 of this report. Other supplemental information found on pages 61 through 66 contains comparative governmental funds statements and combining and individual statements for the non-major 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 \$64,983,710 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 \$15,753,345.

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2010

Table A-2
City's Net Assets as of August 31, 2009 and 2010
(In thousands of dollars)

| | <i>Governmental</i> | | <i>Business-type</i> | | <i>Total</i> | |
|---|---------------------|-----------------|----------------------|---------------|-----------------|-----------------|
| | <i>Activities</i> | | <i>Activities</i> | | | |
| | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> |
| Current and other assets | \$ 19,994 | 22,175 | 8,535 | 8,430 | 28,529 | 30,605 |
| Capital assets | <u>82,278</u> | <u>83,199</u> | <u>41,766</u> | <u>41,980</u> | <u>124,044</u> | <u>125,179</u> |
| Total assets | <u>102,272</u> | <u>105,374</u> | <u>50,301</u> | <u>50,410</u> | <u>152,573</u> | <u>155,784</u> |
| Long-term debt outstanding | 50,862 | 53,669 | 32,077 | 31,055 | 82,939 | 84,724 |
| Other liabilities | <u>3,353</u> | <u>4,349</u> | <u>1,520</u> | <u>1,727</u> | <u>4,873</u> | <u>6,076</u> |
| Total liabilities | <u>54,215</u> | <u>58,018</u> | <u>33,597</u> | <u>32,782</u> | <u>87,812</u> | <u>90,800</u> |
| Net assets invested in capital assets, net of related debt | 60,433 | 61,515 | 10,926 | 11,847 | 71,359 | 73,362 |
| Restricted for capital improvements | 622 | 571 | - | - | 622 | 571 |
| Restricted for debt service | 5,508 | 5,897 | 1,001 | 907 | 6,509 | 6,804 |
| Unrestricted | <u>(18,506)</u> | <u>(20,627)</u> | <u>4,777</u> | <u>4,874</u> | <u>(13,729)</u> | <u>(15,753)</u> |
| Total net assets | <u>\$ 48,057</u> | <u>47,356</u> | <u>16,704</u> | <u>17,628</u> | <u>64,761</u> | <u>64,984</u> |

The largest portion of the City's net assets, \$73,362,341 in 2010 (an increase of approximately 2.8% from 2009), 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, \$7,374,714 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 \$15,753,345 in 2010. This change of \$2,024,544 over 2009's deficit balance is due to the issuance of Arnold Crossroads TIF notes in the amount of \$3,319,555 for infrastructure assets not owned by the City. These TIF notes 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, 2010

Table A-3
Change in City's Net Assets for the Years Ended August 31, 2009 and 2010
(In thousands of dollars)

| | <i>Governmental Activities</i> | | <i>Business-type Activities</i> | | <i>Total</i> | | <i>Change</i> |
|--|------------------------------------|---------------|-------------------------------------|---------------|----------------|---------------|------------------|
| | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009-2010</u> |
| Revenues | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 3,260 | 4,057 | 4,443 | 4,795 | 7,703 | 8,852 | 14.92 % |
| Operating grants | 1,090 | 1,122 | 21 | 29 | 1,111 | 1,151 | 3.60 |
| Capital grants | 256 | 2,626 | 60 | 807 | 316 | 3,433 | 986.39 |
| General revenues | | | | | | | |
| Taxes | 11,828 | 13,682 | - | - | 11,828 | 13,682 | 15.67 |
| Investment income | 131 | 83 | 381 | 296 | 512 | 379 | (25.98) |
| Miscellaneous | 42 | 43 | - | - | 42 | 43 | 2.38 |
| Total revenues | <u>16,607</u> | <u>21,613</u> | <u>4,905</u> | <u>5,927</u> | <u>21,512</u> | <u>27,540</u> | 28.02 |
| Expenses | | | | | | | |
| General government | 3,597 | 3,486 | - | - | 3,597 | 3,486 | (3.09) |
| Public safety | 5,383 | 5,498 | - | - | 5,383 | 5,498 | 2.14 |
| Public works | 373 | 397 | - | - | 373 | 397 | 6.43 |
| Highways and streets | 2,661 | 2,882 | - | - | 2,661 | 2,882 | 8.31 |
| Parks and recreation | 2,131 | 2,205 | - | - | 2,131 | 2,205 | 3.47 |
| Health and sanitation | 1,158 | 1,055 | - | - | 1,158 | 1,055 | (8.89) |
| Economic development | 335 | 3,414 | - | - | 335 | 3,414 | 919.10 |
| Sewer system | - | - | 3,659 | 3,678 | 3,659 | 3,678 | 0.52 |
| Storm water system | - | - | 388 | 622 | 388 | 622 | 60.31 |
| Golf course | - | - | 671 | 713 | 671 | 713 | 6.26 |
| Interest on long-term debt | 2,948 | 3,367 | - | - | 2,948 | 3,367 | 14.21 |
| Total expenses | <u>18,586</u> | <u>22,304</u> | <u>4,718</u> | <u>5,013</u> | <u>23,304</u> | <u>27,317</u> | 17.22 |
| Excess (deficiency) before transfers | (1,979) | (691) | 187 | 914 | (1,792) | 223 | 112.44 |
| Transfers | (10) | (10) | 10 | 10 | - | - | - |
| Increase (decrease) in net assets | <u>(1,989)</u> | <u>(701)</u> | <u>197</u> | <u>924</u> | <u>(1,792)</u> | <u>223</u> | 112.44 |
| Net assets - September 1 | <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) |
| Net assets - August 31 | <u>\$48,057</u> | <u>47,356</u> | <u>16,704</u> | <u>17,628</u> | <u>64,761</u> | <u>64,984</u> | 0.34 % |

Governmental activities. Governmental activities decreased the City's net assets by \$700,750. Key elements of this net decrease are as follows:

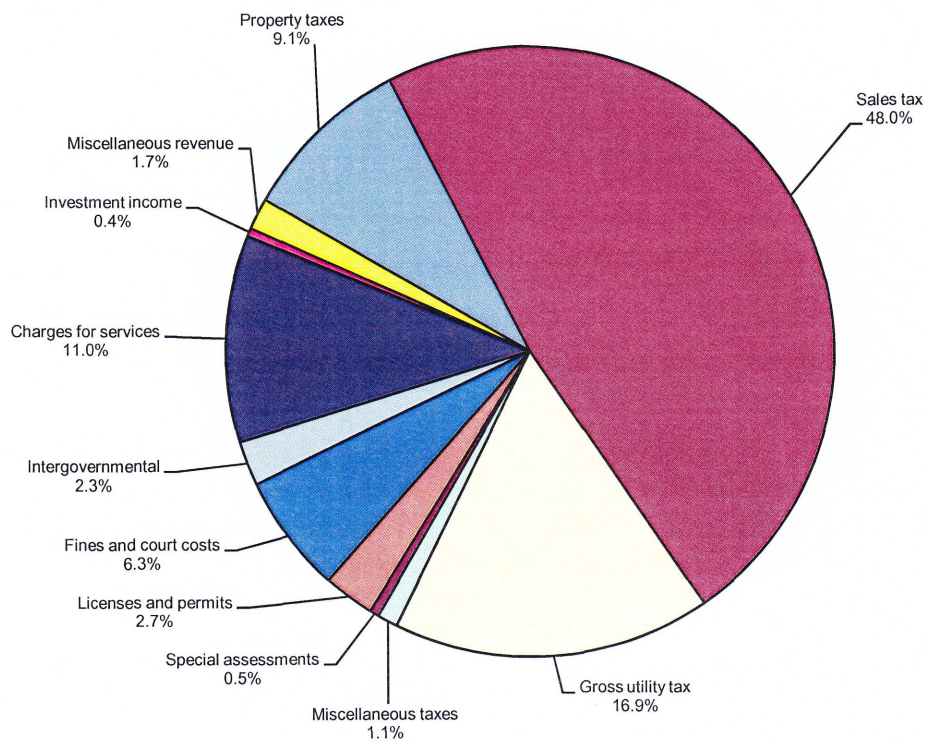
- Property tax revenues increased by \$319,359 (22%). This is due to the receipt of the incremental increases in assessed valuations for the TIF redevelopment properties from all taxing jurisdictions. This increase is pledged to the retirement of the related TIF project debt.
- This year's gross receipts tax revenue is \$662,765 or 24.3% higher as a result of the settlement of mobile telephone services lawsuit with a major telecommunication company and increases in rates charged by the utility providers.

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2010

- Overall charges for services revenue registered an increase of 24.5% or \$797,176 as compared to 2009. Health and sanitation service revenue increased \$536,248 primarily due to the reinstatement of a quarterly fee for solid waste collection. Parks and recreation registered an increase of \$165,327 or 14.5% due in part to the local school districts canceling their summer programs.
- Capital grant funding increased by \$2,370,291 as compared to prior year due to the completion of three subdivision projects in 2010. Operating grants and contributions increased a modest \$32,371 or 2.9%.
- Investment income dropped \$47,840 or 36.4% during the current year. This decrease is the result of a reduction in interest rates available on City authorized investments.
- Overall expenses increased this year, \$22,303,670, as compared to \$18,586,333 in 2009, a 20% change. Economic Development expenses were higher by \$3,078,143 due to notes being issued on the Arnold Crossroads TIF project for \$3,319,555. Interest on long-term debt increased \$418,721 or 14.2% as the City begins payments on the Arnold Commons TIF 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, 2010

Figure A-2

Expenditures by Function – Governmental Funds

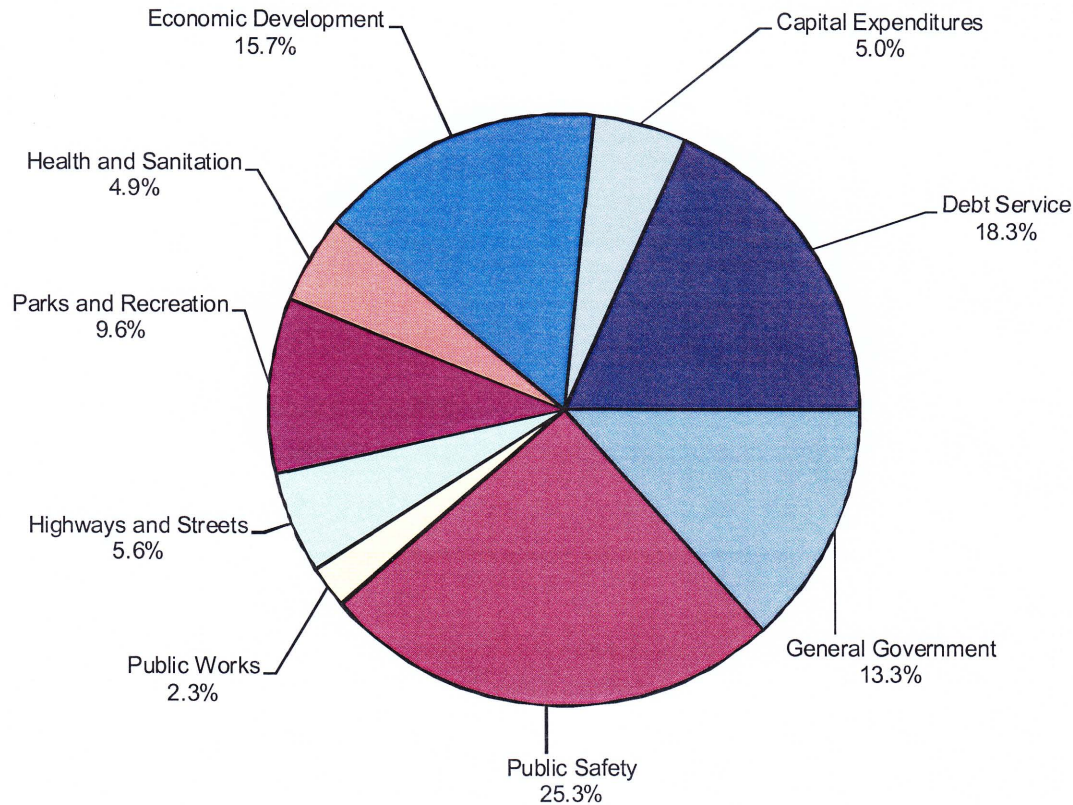


Table A-4 presents the cost of each of the City's seven governmental functions - general government including economic development, public safety (police, courts, and justice services), public works, highways and streets, parks and recreation (parks and recreation center), and health and sanitation - 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 \$22,303,670.
- However, the amount that our taxpayers paid for these activities through City taxes was \$13.3 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2010

Table A-4
Net Cost of the City's Governmental Activities
(In thousands of dollars)

| | Total Cost Of Services | | Change | Net Cost Of Services | | Change |
|----------------------------|------------------------|---------------|----------------|----------------------|---------------|---------------|
| | 2009 | 2010 | 2009-2010 | 2009 | 2010 | 2009-2010 |
| General government | \$ 3,597 | 3,486 | (3.09) % | \$ 2,902 | 2,699 | (7.00) % |
| Public safety | 5,383 | 5,498 | 2.14 | 3,828 | 3,766 | (1.62) |
| Public works | 373 | 397 | 6.43 | 299 | 240 | (19.73) |
| Highways and streets | 2,661 | 2,882 | 8.31 | 1,567 | (361) | (123.04) |
| Parks and recreation | 2,131 | 2,205 | 3.47 | 978 | 889 | (9.10) |
| Health and sanitation | 1,158 | 1,055 | (8.89) | 1,124 | 485 | (56.85) |
| Economic development | 335 | 3,414 | 919.10 | 335 | 3,414 | 919.10 |
| Interest on long-term debt | 2,948 | 3,367 | 14.21 | 2,948 | 3,367 | 14.21 |
| Total | \$ 18,586 | 22,304 | 20.00 % | \$ 13,981 | 14,499 | 3.71 % |

Business-type activities. Business activities increased the City's net assets by \$923,443. Key elements of this increase are as follows:

- The bulk of this increase \$806,725 or 87.4% was due to developer sewer line contributions as three subdivisions were completed.
- As the result of an increase in user rates, charges for sewer services increased by \$433,334 or 12.8% during the current year. Operating expenses increased \$60,883 or 2.5% as phase 1 of a three-year city wide sewer irrigation and infiltration study was begun. An increase in depreciation expense of \$23,952 accounts for the balance of this increase.
- Storm Water Fund charges for services decreased \$8,905, or 1.5% while cost of services increased \$234,334, or 72.8% due to phase 1 of a storm water infiltration study.
- Economic conditions and another year of flooding accounts for the \$72,843 or 15% reduction in charges for services at the City's public golf course. Expenses increased \$42,598 or 9.4% this year. Personnel costs of \$18,737 or 44% of this increase were incurred as additional staff was used for clean up. Equipment maintenance costs increased \$12,592 or 29.6% over last year.
- Investment income for all business-type activities decreased by \$84,978, or 22.3% 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 \$10,574,773, an increase of \$1,590,704 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) \$265,962 for economic development, and 4) \$9,066 for the pride in our City program. An additional \$2,176,044 is reserved to indicate that it is not available for spending because it has already been committed 1) \$104,127 for capital equipment, 2) \$576,366 for debt service, 3) \$1,023,946 to liquidate contracts and purchase orders of the prior period and 4) \$471,605 for prepaid expenditures. Of the \$1,023,946 in encumbrances, \$0.33 million is related to the Arnold Commons road

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2010**

project, while \$0.6 million is for sewer subdistrict work. The unreserved, undesignated fund balance remaining is a surplus of \$7,079,460.

The Recreation Center Fund completed its fifth 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 \$230,320. Of this balance, \$1,258,806 is reserved for bond escrow funds and a deficit of \$1,028,952 is undesignated. This is a decrease from the prior year's fund balance of \$276,763 or 54.6%. 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 \$128,446 or 11.8% while operating expenditures increased \$55,489 or 2.1%.

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 \$4,062,167 or an increase of \$406,548 over last year. Of this amount, 100% is reserved for debt service. In July 2009, bonds in the amount of \$28,485,000 were issued for the Arnold Commons TIF. As of August 2010, \$28,040,000 remains outstanding. TIF notes in the amount of \$3,319,555 were issued this fiscal year for the Arnold Crossroads TIF project.

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 \$4,611,147, an increase of \$427,785 over prior year. The balance of unrestricted net assets for the Storm Water Fund amounted to \$696,087, a decrease of \$88,990 from prior year. The Golf Fund ended the year with an unrestricted net asset balance of (\$433,401), down \$242,166 from prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Results for the general fund this year were better than anticipated by \$1,393,998. Actual total revenues were \$1,030,753 above final budget while actual total expenditures were \$343,660 below budget.

Actual sales tax revenues were \$448,087 or 8.7% higher than final budget. Of this amount, \$230,306 or 51% was due to additional county road and bridges sales tax received in support of local road improvement projects. It was not anticipated that this would be completed by year-end. Motor vehicle sales tax exceeded budget by \$45,398 due to the 'Cash for Clunkers' program. Gross receipts were \$294,363 or 9.9% over budget due to an increase in Ameren rates and payment of the AT&T mobile communications settlement.

General government actual expenditures exceeded final budget by \$60,022 or 2.5%. Public safety actual expenditures were under budget \$153,848 or 2.7%. Of this amount, \$68,509 or 45% of this variance was due to the early retirement of three officers. An additional \$49,584 or 32% was due to a change in dispatchers scheduling. \$21,035 or 13.7% was due to a delay in filling a vacant building inspector position. Actual public works expenditures were 12.2% below budget due to a retirement and a delay in engineering work on the Astra Way projects. Actual capital outlays are below budget due to the late start on the public works facilities remodeling project.

Other financing sources were over budget by \$19,585 due to trade-ins monies realized when the police fleet was replaced.

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, 2010, amounted to \$125,178,582 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, and bridges. The increase in the City's investment in capital assets for the current fiscal year was 0.9% (a 1.1% increase for governmental activities and an 0.5% increase for business-type activities). (See table A-5)

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2010

Capital asset events occurring during the fiscal year included the following:

- Approximately \$496,472 was expended for roads and streets including Ozark Drive and Astra Way projects.
- Public Safety purchased police vehicles totaling \$637,810 and a recording system for \$36,000.
- Highways and Streets purchased a replacement \$104,000 dump truck.
- The Sewer Fund recognized \$806,725 in contributions from developers for sewer lines and related easements.
- Approximately \$140,000 was added to construction in progress for a partial release of retainer and additional engineering costs on the sewer connector tunnel project.
- The Storm Water Fund purchased a pickup truck and equipment totaling \$47,425.
- \$54,566 was added to storm water construction in progress for work on Woodridge Estates, Irene Drive and Sunnyside.
- The golf course purchased greens and landscaping equipment totaling \$32,262.

For more detailed information about the City's capital assets, see note C to the financial statements, pages 35 through 36.

Table A-5
City's Capital Assets as of August 31, 2009 and 2010
(Net of depreciation)

| | Governmental | | Business-type | | Total | |
|--------------------------|----------------------|-------------------|----------------------|-------------------|-----------------------|--------------------|
| | Activities | | Activities | | Capital Assets | |
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| Land | \$ 27,095,487 | 27,123,488 | 3,468,890 | 3,487,514 | 30,564,377 | 30,611,002 |
| Buildings | 14,883,970 | 14,290,304 | 89,455 | 87,249 | 14,973,425 | 14,377,553 |
| Treatment plants | - | - | 135,528 | 119,541 | 135,528 | 119,541 |
| Machinery and equipment | 425,866 | 379,576 | 518,066 | 458,698 | 943,932 | 838,274 |
| Automotive equipment | 305,119 | 803,105 | - | - | 305,119 | 803,105 |
| Infrastructure | 29,443,486 | 29,981,524 | - | - | 29,443,486 | 29,981,524 |
| Intangibles | - | - | 16,688,261 | 16,340,589 | 16,688,261 | 16,340,589 |
| Sewer lines | - | - | 10,917,979 | 11,342,131 | 10,917,979 | 11,342,131 |
| Construction in progress | 10,124,373 | 10,620,845 | 9,948,180 | 10,144,018 | 20,072,553 | 20,764,863 |
| Total | \$ 82,278,301 | 83,198,842 | 41,766,359 | 41,979,740 | 124,044,660 | 125,178,582 |

Long-term debt. At year-end the City had \$84,049,841 in bonds and notes outstanding - an increase of 2.2% from last year - as shown in Table A-6. Governmental activity debt for fiscal year 2010 was composed of a TIF note for \$3,319,555 issued for the Arnold Crossroads project. Additionally, the City entered into a capital lease agreement for the replacement of the police fleet, a dispatch recording system and dump truck. For business-type activities, a capital lease provided for the purchase of a replacement pickup truck.

For more detailed information about the City's long-term liabilities, see note D in the notes to the financial statements, pages 37 through 45.

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 \$35,520,119. The City currently has no general obligation debt outstanding.

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2010

Table A-6
City's Outstanding Debt as of August 31, 2009 and 2010
(In millions of dollars)

| | Governmental | | Business-type | | Total | | Change |
|---|---------------------|---------------|----------------------|---------------|---------------|---------------|------------------|
| | Activities | | Activities | | | | |
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009-2010 |
| Revenue bonds and notes (backed by specific tax and fee revenues) | <u>\$ 50,164</u> | <u>52,994</u> | <u>32,077</u> | <u>31,056</u> | <u>82,241</u> | <u>84,050</u> | 2.2 % |

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate, not seasonally adjusted, for Jefferson County for August 2010 was 9.4%, which is a decrease from a rate of 10.1% a year ago. This is higher than the state's average unemployment rate of 9.3% and lower than the national average rate of 9.6%, all rates not seasonally adjusted.
- The Consumer Price Index indicates that inflation has increased 1% over the August 2009 rate for the Midwest region. Inflationary trends for the Midwest region compare favorably to the Northeast but higher than the West and South regions indices.

All of these factors were considered in preparing the City's budget for the 2011 fiscal year.

The property tax rate set to support the 2011 fiscal year budget is \$0.3973 per \$100 of assessed value. The local sales tax rate is anticipated to remain at 1¼%, with 1% allocated for General Fund operations and ¼% allocated to the Recreation Center Fund.

In January 2010, a new sewer base and usage rate was authorized for calendar 2010. 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.

INTRODUCTION

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for the Fiscal Year ended
August 31, 2010

CITY OF ARNOLD, MISSOURI
STATEMENT OF NET ASSETS
AUGUST 31, 2010

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|--------------------|---|
| | Governmental Activities | Business-type Activities | Total | Transportation Development District |
| ASSETS | | | | |
| Cash and investments | \$ 9,050,311 | 6,310,266 | 15,360,577 | 4,089,841 |
| Receivables (net of allowances for uncollectibles): | | | | |
| Taxes | 2,494,582 | - | 2,494,582 | - |
| Special assessments | 1,550,079 | - | 1,550,079 | - |
| Service fees | - | 470,198 | 470,198 | - |
| Intergovernmental | 164,074 | - | 164,074 | - |
| Miscellaneous | 265,674 | - | 265,674 | - |
| Internal balances | 87,661 | (87,661) | - | - |
| Prepaid items | 508,916 | 289 | 509,205 | - |
| Bond issue costs | 1,359,342 | 287,181 | 1,646,523 | - |
| Restricted assets: | | | | |
| Cash and investments | 5,635,892 | 1,449,779 | 7,085,671 | 2,099,808 |
| Capital improvements sales tax receivable | 570,772 | - | 570,772 | - |
| Net pension asset | 488,008 | - | 488,008 | - |
| Capital assets: | | | | |
| Land and construction in progress | 37,744,333 | 13,631,532 | 51,375,865 | - |
| Other capital assets, net of accumulated depreciation | 45,454,509 | 28,348,208 | 73,802,717 | - |
| Total Assets | <u>105,374,153</u> | <u>50,409,792</u> | <u>155,783,945</u> | <u>6,189,649</u> |
| LIABILITIES | | | | |
| Accounts payable | 2,576,859 | 895,117 | 3,471,976 | - |
| Accrued liabilities | 163,775 | 77,160 | 240,935 | - |
| Accrued interest payable | 1,119,072 | 366,780 | 1,485,852 | - |
| Unearned revenue | 489,344 | 387,402 | 876,746 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 1,493,759 | 1,039,127 | 2,532,886 | 425,000 |
| Due in more than one year | 52,112,710 | 30,016,430 | 82,129,140 | 19,600,000 |
| Due in more than one year - net OPEB obligation | 62,700 | - | 62,700 | - |
| Total Liabilities | <u>58,018,219</u> | <u>32,782,016</u> | <u>90,800,235</u> | <u>20,025,000</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 61,515,001 | 11,847,340 | 73,362,341 | - |
| Restricted for capital improvements | 570,772 | - | 570,772 | - |
| Restricted for debt service | 5,897,339 | 906,603 | 6,803,942 | 2,099,808 |
| Unrestricted | (20,627,178) | 4,873,833 | (15,753,345) | (15,935,159) |
| Total Net Assets | <u>\$ 47,355,934</u> | <u>17,627,776</u> | <u>64,983,710</u> | <u>(13,835,351)</u> |

CITY OF ARNOLD, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

| FUNCTIONS/PROGRAMS | Net Revenues (Expenses) And Changes In Net Assets | | | | | | | Component Unit Transportation Development District |
|--------------------------------------|--|----------------------------|--|--|----------------------------|-----------------------------|--------------|---|
| | Expenses | Program Revenues | | | Primary Government | | | |
| | | Charges For Services | Operating Grants And Contributions | Capital Grants And Contributions | Governmental Activities | Business-type Activities | Total | |
| Primary Government | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General government | \$ 3,486,489 | 627,522 | - | 159,950 | (2,699,017) | - | (2,699,017) | - |
| Public safety | 5,498,118 | 1,552,797 | 179,041 | - | (3,766,280) | - | (3,766,280) | - |
| Public works | 396,500 | - | - | 156,522 | (239,978) | - | (239,978) | - |
| Highways and streets | 2,882,196 | - | 934,140 | 2,309,372 | 361,316 | - | 361,316 | - |
| Parks and recreation | 2,205,143 | 1,307,476 | 8,361 | - | (889,306) | - | (889,306) | - |
| Health and sanitation | 1,054,674 | 569,093 | 810 | - | (484,771) | - | (484,771) | - |
| Economic development | 3,413,600 | - | - | - | (3,413,600) | - | (3,413,600) | - |
| Interest on long-term debt | 3,366,950 | - | - | - | (3,366,950) | - | (3,366,950) | - |
| Total Governmental Activities | 22,303,670 | 4,056,888 | 1,122,352 | 2,625,844 | (14,498,586) | - | (14,498,586) | - |
| Business-type Activities | | | | | | | | |
| Sewer system | 3,678,042 | 3,816,409 | - | 806,725 | - | 945,092 | 945,092 | - |
| Storm water | 622,227 | 570,520 | 29,382 | - | - | (22,325) | (22,325) | - |
| Golf | 712,700 | 407,735 | - | - | - | (304,965) | (304,965) | - |
| Total Business-type Activities | 5,012,969 | 4,794,664 | 29,382 | 806,725 | - | 617,802 | 617,802 | - |
| Total Primary Government | \$ 27,316,639 | 8,851,552 | 1,151,734 | 3,432,569 | (14,498,586) | 617,802 | (13,880,784) | - |
| Component Unit | | | | | | | | |
| Transportation Development District | \$ 7,894,284 | - | - | - | - | - | - | (7,894,284) |
| General Revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Property | | | | | 1,767,838 | - | 1,767,838 | - |
| Sales | | | | | 8,492,485 | - | 8,492,485 | 1,374,676 |
| Gross receipts | | | | | 3,389,556 | - | 3,389,556 | - |
| Miscellaneous | | | | | 31,616 | - | 31,616 | - |
| Investment income | | | | | 83,444 | 295,641 | 379,085 | 298 |
| Miscellaneous | | | | | 22,812 | - | 22,812 | - |
| Gain on sale of capital assets | | | | | 20,085 | - | 20,085 | - |
| Transfers | | | | | (10,000) | 10,000 | - | - |
| Total General Revenues And Transfers | | | | | 13,797,836 | 305,641 | 14,103,477 | 1,374,974 |
| CHANGES IN NET ASSETS | | | | | (700,750) | 923,443 | 222,693 | (6,519,310) |
| NET ASSETS, SEPTEMBER 1 | | | | | 48,056,684 | 16,704,333 | 64,761,017 | (7,316,041) |
| NET ASSETS, AUGUST 31 | | | | | \$ 47,355,934 | 17,627,776 | 64,983,710 | (13,835,351) |

See notes to financial statements

CITY OF ARNOLD, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2010

| | General | Recreation Center | Special Allocation | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|------------------------------|-------------------------------|---|---|
| ASSETS | | | | | |
| Cash and investments | \$ 8,294,130 | 706,191 | - | 49,990 | 9,050,311 |
| Receivables (net of allowances for uncollectibles): | | | | | |
| Taxes | 1,772,174 | 228,403 | 478,707 | 15,298 | 2,494,582 |
| Special assessments | 1,550,079 | - | - | - | 1,550,079 |
| Intergovernmental | 164,074 | - | - | - | 164,074 |
| Court | 118,914 | - | - | - | 118,914 |
| Miscellaneous | 89,602 | 57,158 | - | - | 146,760 |
| Due from other funds | 2,214,372 | - | 189,240 | - | 2,403,612 |
| Prepaid items | 471,605 | 466 | - | 36,845 | 508,916 |
| Restricted assets: | | | | | |
| Cash and investments | 832,866 | 1,258,806 | 3,544,220 | - | 5,635,892 |
| Capital improvements sales tax receivable | 570,772 | - | - | - | 570,772 |
| Total Assets | \$ 16,078,588 | 2,251,024 | 4,212,167 | 102,133 | 22,643,912 |
| LIABILITIES AND FUND BALANCES (DEFICIT) | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 2,316,909 | 220,006 | - | 39,944 | 2,576,859 |
| Accrued liabilities | 156,277 | 7,498 | - | - | 163,775 |
| Due to other funds | 151,392 | 1,460,958 | 150,000 | 53,592 | 1,815,942 |
| Deferred revenue | 2,379,228 | 332,242 | - | 17,278 | 2,728,748 |
| Advance from other funds | 500,009 | - | - | - | 500,009 |
| Total Liabilities | 5,503,815 | 2,020,704 | 150,000 | 110,814 | 7,785,333 |
| Fund Balances (Deficit) | | | | | |
| Reserved for: | | | | | |
| Capital equipment | 104,127 | - | - | - | 104,127 |
| Debt service | 576,366 | 1,258,806 | 4,062,167 | - | 5,897,339 |
| Encumbrances | 1,023,946 | - | - | - | 1,023,946 |
| Prepaid items | 471,605 | 466 | - | 36,845 | 508,916 |
| Unreserved: | | | | | |
| Designated for sewer subdistrict projects | 883,724 | - | - | - | 883,724 |
| Designated for greenway beautification | 160,517 | - | - | - | 160,517 |
| Designated for economic development | 265,962 | - | - | - | 265,962 |
| Designated for pride in our City | 9,066 | - | - | - | 9,066 |
| Undesignated - General Fund | 7,079,460 | - | - | - | 7,079,460 |
| Undesignated - Special Revenue Fund | - | (1,028,952) | - | (45,526) | (1,074,478) |
| Total Fund Balances (Deficit) | 10,574,773 | 230,320 | 4,062,167 | (8,681) | 14,858,579 |
| Total Liabilities And Fund Balances (Deficit) | \$ 16,078,588 | 2,251,024 | 4,212,167 | 102,133 | 22,643,912 |

CITY OF ARNOLD, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2010

Total Fund Balances - Governmental Funds \$ 14,858,579

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 \$121,513,090 and the accumulated depreciation is \$38,314,248. 83,198,842

Net pension assets are not financial resources and, therefore, are not reported in the governmental funds. 488,008

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 2,239,404

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 | (1,119,072) |
| Accrued compensated absences | (612,185) |
| Capital lease obligations payable outstanding | (768,269) |
| Leasehold revenue bonds outstanding | (14,090,000) |
| Revenue bonds outstanding | (6,670,000) |
| Tax increment revenue bonds outstanding | (28,040,000) |
| Tax increment revenue notes outstanding | (3,319,555) |
| Unamortized bond premium | (357,217) |
| Unamortized bond discount | 250,757 |
| Unamortized bond issuance cost | 1,359,342 |

Total Net Assets Of Governmental Activities \$ 47,355,934

CITY OF ARNOLD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

| | General | Recreation Center | Special Allocation | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|------------------------------|-------------------------------|---|---|
| REVENUES | | | | | |
| Taxes | \$ 10,641,492 | 1,081,040 | 2,676,061 | 152,768 | 14,551,361 |
| Special assessments | 95,886 | - | - | - | 95,886 |
| Licenses and permits | 522,881 | - | - | - | 522,881 |
| Fines and court costs | 1,216,172 | - | - | - | 1,216,172 |
| Intergovernmental | 446,840 | - | - | 11,630 | 458,470 |
| Charges for services | 676,746 | 1,216,486 | - | 239,107 | 2,132,339 |
| Investment income | 46,168 | 36,807 | 453 | 16 | 83,444 |
| Miscellaneous | 265,123 | 16,656 | - | 43,821 | 325,600 |
| Total Revenues | <u>13,911,308</u> | <u>2,350,989</u> | <u>2,676,514</u> | <u>447,342</u> | <u>19,386,153</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 2,471,974 | - | 9,992 | 422,403 | 2,904,369 |
| Public safety | 5,482,631 | - | - | 30,827 | 5,513,458 |
| Public works | 505,578 | - | - | - | 505,578 |
| Highways and streets | 1,210,324 | - | - | - | 1,210,324 |
| Parks and recreation | 519,139 | 1,577,196 | - | - | 2,096,335 |
| Health and sanitation | 1,054,900 | - | - | - | 1,054,900 |
| Economic development | - | - | 3,413,600 | - | 3,413,600 |
| Capital outlay | 1,032,639 | 67,601 | - | - | 1,100,240 |
| Debt service: | | | | | |
| Principal | 451,679 | 365,000 | 445,000 | - | 1,261,679 |
| Interest | 364,635 | 642,955 | 1,595,929 | - | 2,603,519 |
| Bond issuance costs | - | - | 125,000 | - | 125,000 |
| Total Expenditures | <u>13,093,499</u> | <u>2,652,752</u> | <u>5,589,521</u> | <u>453,230</u> | <u>21,789,002</u> |
| REVENUES OVER (UNDER) | | | | | |
| EXPENDITURES | <u>817,809</u> | <u>(301,763)</u> | <u>(2,913,007)</u> | <u>(5,888)</u> | <u>(2,402,849)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of long-term debt | - | - | 3,319,555 | - | 3,319,555 |
| Issuance of capital lease | 777,810 | - | - | - | 777,810 |
| Proceeds from sale of capital assets | 20,085 | - | - | - | 20,085 |
| Transfers in | - | 25,000 | - | - | 25,000 |
| Transfers out | (25,000) | - | - | (10,000) | (35,000) |
| Total Other Financing Sources (Uses) | <u>772,895</u> | <u>25,000</u> | <u>3,319,555</u> | <u>(10,000)</u> | <u>4,107,450</u> |
| NET CHANGE IN FUND BALANCES | <u>1,590,704</u> | <u>(276,763)</u> | <u>406,548</u> | <u>(15,888)</u> | <u>1,704,601</u> |
| FUND BALANCES, SEPTEMBER 1 | <u>8,984,069</u> | <u>507,083</u> | <u>3,655,619</u> | <u>7,207</u> | <u>13,153,978</u> |
| FUND BALANCES (DEFICIT), AUGUST 31 | <u>\$ 10,574,773</u> | <u>230,320</u> | <u>4,062,167</u> | <u>(8,681)</u> | <u>14,858,579</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, 2010

| | | |
|---|-------------|---------------------|
| Net Change In Fund Balances - Governmental Funds | | \$ 1,704,601 |
| 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 (\$2,491,312) exceeded capital outlays over the capitalization threshold (\$1,223,260) in the current period. | (1,268,052) | |
| The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. | 2,188,593 | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | 18,089 | |
| 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: | | |
| Tax increment revenue notes | (3,319,555) | |
| Issuance costs | 125,000 | |
| Capital lease obligations payable | (777,810) | |
| Repayments: | | |
| Capital lease obligations payable | 226,679 | |
| Revenue bonds payable | 225,000 | |
| Leasehold revenue bonds | 365,000 | |
| Tax increment revenue bonds | 445,000 | |
| Amortization | (71,346) | |
| Net Adjustment | | (2,782,032) |
| 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 | (692,085) | |
| Net pension asset increase | 107,438 | |
| Accrued compensated absences | 22,698 | (561,949) |
| Change In Net Assets Of Governmental Activities | | <u>\$ (700,750)</u> |

See notes to financial statements

CITY OF ARNOLD, MISSOURI
STATEMENT OF NET ASSETS (DEFICIT) - PROPRIETARY FUNDS
AUGUST 31, 2010

| | Business-type Activities - Enterprise Funds | | | |
|---|--|--------------------|-------------|--------------|
| | Sewer | Storm Water | Golf | Total |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | \$ 5,464,778 | 845,488 | - | 6,310,266 |
| Service fees (net of allowances for uncollectibles) | 402,151 | 68,047 | - | 470,198 |
| Due from other funds | 7,289 | 3,578 | - | 10,867 |
| Prepaid items | 116 | 116 | 57 | 289 |
| Total Current Assets | 5,874,334 | 917,229 | 57 | 6,791,620 |
| Noncurrent Assets | | | | |
| Capital assets: | | | | |
| Land and construction in progress | 10,174,124 | 123,287 | 3,334,121 | 13,631,532 |
| Other capital assets, net of accumulated depreciation | 28,045,319 | 125,476 | 177,413 | 28,348,208 |
| Total Capital Assets | 38,219,443 | 248,763 | 3,511,534 | 41,979,740 |
| Restricted cash and investments | 927,235 | - | 522,544 | 1,449,779 |
| Advance to other funds | 500,009 | - | - | 500,009 |
| Bond issue costs | 191,497 | - | 95,684 | 287,181 |
| Total Noncurrent Assets | 39,838,184 | 248,763 | 4,129,762 | 44,216,709 |
| Total Assets | 45,712,518 | 1,165,992 | 4,129,819 | 51,008,329 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | 792,893 | 76,560 | 25,664 | 895,117 |
| Accrued liabilities | 35,098 | 24,297 | 17,765 | 77,160 |
| Due to other funds | 139,436 | 72,807 | 386,294 | 598,537 |
| Accrued interest payable | 321,497 | - | 45,283 | 366,780 |
| Unearned revenues | 285,775 | 47,478 | 54,149 | 387,402 |
| Revenue bonds payable - current | 485,416 | - | - | 485,416 |
| Capital lease payable - current | - | 23,731 | - | 23,731 |
| Notes payable - current | 529,980 | - | - | 529,980 |
| Total Current Liabilities | 2,590,095 | 244,873 | 529,155 | 3,364,123 |
| Noncurrent Liabilities | | | | |
| Revenue bonds payable | 10,147,980 | - | 4,254,489 | 14,402,469 |
| Capital lease payable | - | 23,404 | - | 23,404 |
| Notes payable | 15,590,557 | - | - | 15,590,557 |
| Total Noncurrent Liabilities | 25,738,537 | 23,404 | 4,254,489 | 30,016,430 |
| Total Liabilities | 28,328,632 | 268,277 | 4,783,644 | 33,380,553 |
| NET ASSETS (DEFICIT) | | | | |
| Invested in capital assets, net of related debt | 12,192,105 | 201,628 | (546,393) | 11,847,340 |
| Restricted for debt service | 580,634 | - | 325,969 | 906,603 |
| Unrestricted | 4,611,147 | 696,087 | (433,401) | 4,873,833 |
| Total Net Assets (Deficit) | \$ 17,383,886 | 897,715 | (653,825) | 17,627,776 |

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, 2010

| | Business-type Activities - Enterprise Funds | | | |
|---|--|------------------------|-------------|--------------|
| | Sewer | Storm Water | Golf | Total |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 3,816,409 | 570,520 | 407,735 | 4,794,664 |
| OPERATING EXPENSES | | | | |
| Cost of services | 1,481,273 | 551,350 | 495,553 | 2,528,176 |
| Administration | 138,000 | 36,000 | - | 174,000 |
| Depreciation and amortization | 855,933 | 32,913 | 33,016 | 921,862 |
| Total Operating Expenses | 2,475,206 | 620,263 | 528,569 | 3,624,038 |
| OPERATING INCOME (LOSS) | 1,341,203 | (49,743) | (120,834) | 1,170,626 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment income | 295,048 | 503 | 90 | 295,641 |
| Interest expense | (1,202,836) | (1,964) | (184,131) | (1,388,931) |
| Intergovernmental income | - | 29,382 | - | 29,382 |
| Total Nonoperating Revenues (Expenses) | (907,788) | 27,921 | (184,041) | (1,063,908) |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | 433,415 | (21,822) | (304,875) | 106,718 |
| CAPITAL CONTRIBUTIONS - SEWER LINES FROM DEVELOPERS | 806,725 | - | - | 806,725 |
| TRANSFER IN | - | - | 10,000 | 10,000 |
| CHANGE IN NET ASSETS | 1,240,140 | (21,822) | (294,875) | 923,443 |
| NET ASSETS (DEFICIT), SEPTEMBER 1 | 16,143,746 | 919,537 | (358,950) | 16,704,333 |
| NET ASSETS (DEFICIT), AUGUST 31 | \$ 17,383,886 | 897,715 | (653,825) | 17,627,776 |

CITY OF ARNOLD, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2010

| | Business-type Activities - Enterprise Funds | | | |
|--|--|--------------------|-------------|------------------|
| | Sewer | Storm Water | Golf | Total |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | \$ 3,820,488 | 451,811 | 461,884 | 4,734,183 |
| Payments to suppliers | (1,461,962) | (483,571) | (516,190) | (2,461,723) |
| Payments to employees | (134,577) | (30,565) | - | (165,142) |
| Net Cash Provided By (Used In) Operating Activities | 2,223,949 | (62,325) | (54,306) | 2,107,318 |
| Cash flows from noncapital financing activities: | | | | |
| Due from other funds | (7,144) | (3,578) | 289 | (10,433) |
| Due to other funds | 110,745 | 54,782 | 202,578 | 368,105 |
| Miscellaneous revenue | - | 42,781 | - | 42,781 |
| Transfer from other funds | - | - | 10,000 | 10,000 |
| Net Cash Provided By Noncapital Financing Activities | 103,601 | 93,985 | 212,867 | 410,453 |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | (175,056) | (60,714) | (43,610) | (279,380) |
| Principal payments on notes payable | (400,960) | - | - | (400,960) |
| Principal payments on bonds | (613,000) | - | - | (613,000) |
| Principal payments on capital lease | - | (39,367) | - | (39,367) |
| Interest expense | (1,037,324) | (1,964) | (184,131) | (1,223,419) |
| Net Cash Used In Capital And Related Financing Activities | (2,226,340) | (102,045) | (227,741) | (2,556,126) |
| Cash flows from investing activities: | | | | |
| Investment income | 295,048 | 503 | 90 | 295,641 |
| Proceeds from sale of investments | 1,171,878 | - | 591,634 | 1,763,512 |
| Purchase of investments | (927,235) | - | (522,544) | (1,449,779) |
| Net Cash Provided By Investing Activities | 539,691 | 503 | 69,180 | 609,374 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 640,901 | (69,882) | - | 571,019 |
| CASH AND CASH EQUIVALENTS, SEPTEMBER 1 | 4,823,877 | 915,370 | - | 5,739,247 |
| CASH AND CASH EQUIVALENTS, AUGUST 31 | <u>\$ 5,464,778</u> | <u>845,488</u> | <u>-</u> | <u>6,310,266</u> |

CITY OF ARNOLD, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2010

| | Business-type Activities - Enterprise Funds | | | |
|--|---|-----------------|-----------------|------------------|
| | Sewer | Storm Water | Golf | Total |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ 1,341,203 | (49,743) | (120,834) | 1,170,626 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 855,933 | 32,913 | 33,016 | 921,862 |
| (Increase) decrease in: | | | | |
| Receivables | (23,777) | (7,845) | - | (31,622) |
| Prepaid items | 37 | (62) | 5,350 | 5,325 |
| Increase (decrease) in: | | | | |
| Accounts payable | 19,274 | 67,841 | (30,926) | 56,189 |
| Accrued liabilities | 3,423 | 5,435 | 4,939 | 13,797 |
| Unearned revenues | 27,856 | (110,864) | 54,149 | (28,859) |
| Total Adjustments | 882,746 | (12,582) | 66,528 | 936,692 |
| Net Cash Provided By (Used in) Operating Activities | <u>\$ 2,223,949</u> | <u>(62,325)</u> | <u>(54,306)</u> | <u>2,107,318</u> |
| Noncash operating, financing, and investing activities: | | | | |
| Contributions of capital assets from developer | <u>\$ 806,725</u> | <u>-</u> | <u>-</u> | <u>806,725</u> |
| Cost of capital assets | \$ - | 39,000 | - | 39,000 |
| Capital lease | - | (39,000) | - | (39,000) |
| Cash Paid For Capital Asset | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |

CITY OF ARNOLD, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS -
PENSION TRUST FUND
AUGUST 31, 2010

ASSETS

| | |
|--------------|---------------------|
| Mutual funds | <u>\$ 5,886,921</u> |
|--------------|---------------------|

NET ASSETS

| | |
|------------------------------------|---------------------|
| Held in trust for pension benefits | <u>\$ 5,886,921</u> |
|------------------------------------|---------------------|

CITY OF ARNOLD, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PENSION TRUST FUND
FOR THE YEAR ENDED AUGUST 31, 2010

ADDITIONS

Contributions:

| | |
|------------------------|----------------|
| Employer contributions | \$ 503,087 |
| Employee contributions | 213,813 |
| Total Contributions | <u>716,900</u> |

Investment income:

| | |
|---|-----------------|
| Net appreciation in fair value of investments, interest, and dividends | 331,990 |
| Less - Investment expense | <u>(32,944)</u> |
| Net Investment Income | <u>299,046</u> |
| Total Additions | 1,015,946 |

DEDUCTIONS

| | |
|---------------------|------------------|
| Retirement benefits | <u>1,483,566</u> |
|---------------------|------------------|

| | |
|-----------------------------|-----------|
| CHANGE IN NET ASSETS | (467,620) |
|-----------------------------|-----------|

| | |
|---|------------------|
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, SEPTEMBER 1 | <u>6,354,541</u> |
|---|------------------|

| | |
|---|----------------------------|
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, AUGUST 31 | <u><u>\$ 5,886,921</u></u> |
|---|----------------------------|

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 include 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 GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - an Amendment of GASB 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 governing body or because the component unit will provide a financial benefit or impose a financial burden on the City. The Arnold Retail Corridor Transportation Development District (the District) was created on March 12, 2008. A majority of the directors of the District are appointed by the Mayor of the City and confirmed by the City Council. The District is organized for the purpose of constructing certain transportation related projects in the City. The District is a component unit of the City and is discretely presented as such in the basic financial statements. Separate financial statements of the District may be obtained from the City's Finance Director.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 $\frac{1}{4}\%$ 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 districts.

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:

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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,

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Cash, Cash Equivalents, and Investments (Continued)

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 Great-West Life & Annuity 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:

| | <u>August 31</u> <u>2010</u> |
|-----------------|---------------------------------|
| General Fund | \$19,527 |
| Enterprise Fund | <u>7,055</u> |
| Total | <u>\$26,582</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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Restricted Assets (Continued)

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 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 and/or land. 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.

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 |

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

As of August 31, 2010, 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, 2010, the City had the following investments:

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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

2. Investments (Continued)

| Investments | Fair Market Value | Maturities | | | Credit Risk |
|--|-------------------------|-------------------|-----------------------|----------------|----------------|
| | | No Maturity | Less Than One Year | 1 - 5 Years | |
| Primary Government | | | | | |
| Certificates of deposit | \$ 1,715,000 | - | 1,715,000 | - | N/A |
| Repurchase agreement | 7,087,000 | - | 7,087,000 | - | AAA |
| Guaranteed investment contract | 380,000 | - | - | 380,000 | Not rated |
| Governmental securities: | | | | | |
| Federal Home Loan Mortgage Corporation | 14,997 | - | 14,997 | - | AAA |
| Federal National Mortgage Association | 1,243,669 | - | 1,243,669 | - | AAA |
| Money market funds | 5,234,263 | 5,234,263 | - | - | Not rated |
| Total Primary Government | 15,674,929 | 5,234,263 | 10,060,666 | 380,000 | |
| Component Unit | | | | | |
| Money market funds | 6,189,649 | 6,189,649 | - | - | Not rated |
| Fiduciary Fund | | | | | |
| Mutual Funds | 5,886,921 | 5,886,921 | - | - | N/A |
| Grand Total Investments | <u>\$27,751,499</u> | <u>17,310,833</u> | <u>10,060,666</u> | <u>380,000</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 securities 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.

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

2. Investments (Continued)

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.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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:

| | For The Year Ended August 31, 2010 | | | |
|--|------------------------------------|-----------|-----------|------------------------------|
| | Balance August 31 2009 | Additions | Deletions | Balance August 31 2010 |
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land and right-of-way | \$ 27,095,487 | 28,001 | - | 27,123,488 |
| Construction in progress | 10,124,373 | 496,472 | - | 10,620,845 |
| Total Capital Assets Not Being Depreciated | 37,219,860 | 524,473 | - | 37,744,333 |
| Capital assets being depreciated: | | | | |
| Buildings and other improvements | 18,707,309 | - | - | 18,707,309 |
| Automotive equipment | 1,813,717 | 683,601 | 643,919 | 1,853,399 |
| Machinery and equipment | 2,081,784 | 50,687 | 32,198 | 2,100,273 |
| Infrastructure | 58,954,684 | 2,153,092 | - | 61,107,776 |
| Total Capital Assets Being Depreciated | 81,557,494 | 2,887,380 | 676,117 | 83,768,757 |
| Less - Accumulated depreciation for: | | | | |
| Buildings and other improvements | 3,823,339 | 593,666 | - | 4,417,005 |
| Automotive equipment | 1,508,598 | 185,615 | 643,919 | 1,050,294 |
| Machinery and equipment | 1,655,918 | 96,977 | 32,198 | 1,720,697 |
| Infrastructure | 29,511,198 | 1,615,054 | - | 31,126,252 |
| Total Accumulated Depreciation | 36,499,053 | 2,491,312 | 676,117 | 38,314,248 |
| Total Capital Assets Being Depreciated, Net | 45,058,441 | 396,068 | - | 45,454,509 |
| Governmental Activities Capital Assets, Net | \$ 82,278,301 | 920,541 | - | 83,198,842 |

Depreciation expense was charged to functions/programs of the governmental activities as follows:

| | For The Year Ended August 31 2010 |
|--------------------------------|--|
| Governmental Activities | |
| General government | \$ 589,047 |
| Public safety | 141,738 |
| Public works | 42,546 |
| Highways and streets | 1,673,915 |
| Parks and recreation | 44,066 |
| Total | <u>\$2,491,312</u> |

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

| For The Year Ended August 31, 2010 | | | |
|---|------------------------------|----------------|-----------|
| | Balance August 31 2009 | Additions | Deletions |
| Business-type Activities | | | |
| Capital assets not being depreciated: | | | |
| Land and right-of-way | \$ 3,468,890 | 18,624 | - |
| Construction in progress | 9,948,180 | 195,838 | - |
| Total Capital Assets Not Being Depreciated | 13,417,070 | 214,462 | - |
| Capital assets being depreciated: | | | |
| Buildings | 113,175 | 2,614 | - |
| Treatment plants | 479,616 | - | - |
| Machinery and equipment | 1,591,274 | 108,579 | - |
| Intangibles | 17,383,605 | - | - |
| Sewer lines | 18,436,951 | 799,450 | - |
| Total Capital Assets Being Depreciated | 38,004,621 | 910,643 | - |
| Less - Accumulated depreciation for: | | | |
| Buildings | 23,720 | 4,820 | - |
| Treatment plants | 344,088 | 15,987 | - |
| Machinery and equipment | 1,073,208 | 167,947 | - |
| Intangibles | 695,344 | 347,672 | - |
| Sewer lines | 7,518,972 | 375,298 | - |
| Total Accumulated Depreciation | 9,655,332 | 911,724 | - |
| Total Capital Assets Being Depreciated, Net | 28,349,289 | (1,081) | - |
| Business-type Activities Capital Assets, Net | <u>\$ 41,766,359</u> | <u>213,381</u> | <u>-</u> |

Depreciation expense was charged to functions/programs of the business-type activities as follows:

| | For The Year Ended August 31 2010 |
|---------------------------------|--|
| Business-type Activities | |
| Sewer | \$853,746 |
| Storm water | 32,913 |
| Golf | <u>25,065</u> |
| Total | <u>\$911,724</u> |

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT

Changes in Long-term Liabilities

Long-term liability activity was as follows:

| | For The Year Ended August 31, 2010 | | | Amounts Due Within One Year |
|------------------------------------|------------------------------------|------------------|------------------|--------------------------------------|
| | Balance August 31 2009 | Additions | Reductions | Balance August 31 2010 |
| Governmental Activities | | | | |
| Leasehold revenue bonds | \$ 14,455,000 | - | 365,000 | 14,090,000 |
| Plus - Premium | 377,062 | - | 19,845 | 357,217 |
| Revenue bonds payable | 6,895,000 | - | 225,000 | 6,670,000 |
| Less - Discounts | (31,315) | - | (1,724) | (29,591) |
| Tax increment revenue notes | - | 3,319,555 | - | 3,319,555 |
| Tax increment revenue bonds | 28,485,000 | - | 445,000 | 28,040,000 |
| Less - Discounts | (233,685) | - | (12,519) | (221,166) |
| Capital lease obligations | 217,138 | 777,810 | 226,679 | 768,269 |
| Compensated absences | 634,883 | 104,279 | 126,977 | 612,185 |
| Total Governmental Activities | <u>\$ 50,799,083</u> | <u>4,201,644</u> | <u>1,394,258</u> | <u>53,606,469</u> |
| | | | | <u>1,493,759</u> |
| | | | | |
| | For The Year Ended August 31, 2010 | | | Amounts Due Within One Year |
| | Balance August 31 2009 | Additions | Reductions | Balance August 31 2010 |
| Business-type Activities | | | | |
| Revenue bonds payable | \$ 15,363,416 | - | 613,000 | 14,750,416 |
| Less - Discounts | (45,321) | - | (3,979) | (41,342) |
| Plus - Premiums | 190,347 | - | 11,536 | 178,811 |
| Capital lease obligations | 47,502 | 39,000 | 39,367 | 47,135 |
| MSD note payable | 16,046,797 | - | 306,260 | 15,740,537 |
| Notes payable | 474,700 | - | 94,700 | 380,000 |
| Total Business- type Activities | <u>\$ 32,077,441</u> | <u>39,000</u> | <u>1,060,884</u> | <u>31,055,557</u> |
| | | | | <u>1,039,127</u> |

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

| | For The Year Ended August 31, 2010 | | | Amounts | |
|-------------------------------|------------------------------------|-------------------|------------------|------------------------------|---------------------------|
| | Balance August 31 2009 | Additions | Reductions | Balance August 31 2010 | Due Within One Year |
| Component Unit | | | | | |
| 2008A sales tax revenue notes | \$ 6,159,650 | - | 6,159,650 | - | - |
| 2009 sales tax revenue notes | 1,848,992 | 603,675 | 2,452,667 | - | - |
| 2010 sales tax Revenue Bonds | - | 20,025,000 | - | 20,025,000 | 425,000 |
| Total Component Unit | <u>\$ 8,008,642</u> | <u>20,628,675</u> | <u>8,612,317</u> | <u>20,025,000</u> | <u>425,000</u> |

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 notes and 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:

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

| For The Years Ended August 31 | Governmental Activities | | |
|-------------------------------------|-------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 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 | 565,000 | 574,070 | 1,139,070 |
| 2016 - 2020 | 3,615,000 | 2,507,120 | 6,122,120 |
| 2021 - 2025 | 5,350,000 | 1,469,063 | 6,819,063 |
| 2026 - 2027 | 2,725,000 | 198,313 | 2,923,313 |
| Total | <u>\$ 14,090,000</u> | <u>7,194,878</u> | <u>21,284,878</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:

| For The Years Ended August 31 | Governmental Activities | | |
|-------------------------------------|-------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 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 | 285,000 | 275,625 | 560,625 |
| 2016 - 2020 | 1,670,000 | 1,142,500 | 2,812,500 |
| 2021 - 2025 | 2,135,000 | 668,875 | 2,803,875 |
| 2026 - 2028 | 1,565,000 | 120,125 | 1,685,125 |
| Total | <u>\$ 6,670,000</u> | <u>3,443,000</u> | <u>10,113,000</u> |

Tax Increment Revenue Bonds and Notes

The City has tax increment revenue bonds and notes 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 areas. The bonds and notes do not constitute a general obligation of the City. Bonds and notes outstanding at August 31, 2010 are as follows:

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

| | <u>Date Issued</u> | <u>Date Of Maturity</u> | <u>Date Of Annual Payment</u> | <u>Original Amount</u> | <u>Balance August 31 2010</u> |
|------------------------|------------------------|-----------------------------|---------------------------------------|----------------------------|---------------------------------------|
| Triangle Redevelopment | 07-10-2009 | 5-1-2028 | May 1 | \$28,485,000 | \$28,040,000 |
| Arnold Crossroads | 10-15-2009 | 7-6-2028 | November 1 | 3,319,555 | 3,319,555 |

Capital Lease Obligations

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.

During 2010 the City entered into a lease agreement as lessee for financing the acquisition of equipment and vehicles.

The assets acquired through capital leases are as follows:

| | <u>Governmental Activities August 31 2010</u> |
|---------------------------------|--|
| Assets: | |
| Automotive equipment | \$ 806,802 |
| Machinery and equipment | <u>223,477</u> |
| | 1,030,279 |
| Less - Accumulated depreciation | <u>211,607</u> |
| Total Assets | <u><u>\$ 818,672</u></u> |

The future minimum capital lease obligations and the net present value of these minimum lease payments as of August 31, 2010 were as follows:

| | <u>Governmental Activities</u> | | | |
|---|---|---------------------------------|---|-----------------------|
| <u>For The Years Ended August 31</u> | <u>2007 Equipment And Vehicles</u> | <u>2009 Vehicles</u> | <u>2010 Equipment And Vehicles</u> | <u>Total</u> |
| 2011 | \$ 63,288 | 7,010 | 208,541 | 278,839 |
| 2012 | 31,644 | 7,011 | 208,540 | 247,195 |
| 2013 | - | 7,010 | 208,538 | 215,548 |
| 2014 | - | 1,169 | 69,514 | 70,683 |
| Total Minimum Lease Payments | <u>94,932</u> | <u>22,200</u> | <u>695,133</u> | <u>812,265</u> |
| Less - Amount representing interest | <u>3,059</u> | <u>1,348</u> | <u>39,589</u> | <u>43,996</u> |
| Present Value Of Minimum Lease Payments | <u><u>\$ 91,873</u></u> | <u><u>20,852</u></u> | <u><u>655,544</u></u> | <u><u>768,269</u></u> |

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

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:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Original Amount</u> | <u>Balance August 31 2010</u> |
|--------------------------------|----------------------|------------------------|-------------------------------|
| Sewerage system - Series 1992 | 4.25 - 6.550% | \$ 1,270,000 | 241,666 |
| Sewerage system - Series 1993 | 3.40 - 5.400 | 1,135,000 | 318,750 |
| Sewerage system - Series 2005 | 3.25 - 5.250 | 6,125,000 | 5,231,667 |
| Sewerage system - Series 2006 | 3.60 - 5.250 | 2,875,000 | 2,358,333 |
| 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>2,310,000</u> |
| Total | | <u>\$18,170,000</u> | <u>14,750,416</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 |

NOTE D - LONG-TERM DEBT (Continued)

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.

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:

| For The Years Ended August 31 | Business-type Activities | | |
|--|---------------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2011 | \$ 485,416 | 674,922 | 1,160,338 |
| 2012 | 744,000 | 644,545 | 1,388,545 |
| 2013 | 783,000 | 608,681 | 1,391,681 |
| 2014 | 698,000 | 576,961 | 1,274,961 |
| 2015 | 630,000 | 547,575 | 1,177,575 |
| 2016 - 2020 | 3,730,000 | 2,283,259 | 6,013,259 |
| 2021 - 2025 | 4,595,000 | 1,317,877 | 5,912,877 |
| 2026 - 2030 | 2,480,000 | 350,102 | 2,830,102 |
| 2031 - 2032 | 605,000 | 26,796 | 631,796 |
| Total | <u>\$ 14,750,416</u> | <u>7,030,718</u> | <u>21,781,134</u> |

NOTE D - LONG-TERM DEBT (Continued)

Capital Lease Obligations

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

During 2010 the City entered into a lease agreement as lessee for financing the acquisition of a vehicle.

The assets acquired through capital leases are as follows:

| | Business-type Activities August 31 2010 |
|---------------------------------|--|
| Assets: | |
| Automotive equipment | \$ 83,577 |
| Machinery and equipment | <u>54,766</u> |
| | 138,343 |
| Less - Accumulated depreciation | <u>53,333</u> |
| Total Assets | <u>\$ 85,010</u> |

The future minimum capital lease obligations and the net present value of these minimum lease payments as of August 31, 2010 were as follows:

| For The Years Ended August 31 | Business-type Activities | | |
|--|--|--------------------------|----------------------|
| | 2009 Equipment And Vehicles | 2010 Vehicles | Total |
| 2011 | \$ 14,317 | 10,456 | 24,773 |
| 2012 | - | 10,456 | 10,456 |
| 2013 | - | 10,457 | 10,457 |
| 2014 | - | 3,485 | 3,485 |
| Total Minimum Lease Payments | <u>14,317</u> | <u>34,854</u> | <u>49,171</u> |
| Less - Amount representing interest | <u>51</u> | <u>1,985</u> | <u>2,036</u> |
| Present Value Of Minimum Lease Payments | <u><u>\$ 14,266</u></u> | <u><u>32,869</u></u> | <u><u>47,135</u></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)

| For The Years Ended August 31 | Business-type Activities | | |
|-------------------------------------|--------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2011 | \$ 529,980 | 845,644 | 1,375,624 |
| 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 | 507,871 | 592,628 | 1,100,499 |
| 2016 - 2020 | 2,896,713 | 2,605,782 | 5,502,495 |
| 2021 - 2025 | 3,596,288 | 1,906,206 | 5,502,494 |
| 2026 - 2030 | 4,464,816 | 1,037,679 | 5,502,495 |
| 2031 - 2033 | 2,346,681 | 129,441 | 2,476,122 |
| Total | <u>\$ 15,740,537</u> | <u>9,020,688</u> | <u>24,761,225</u> |

Notes Payable

| | <u>August 31 2010</u> |
|-------------------------|---------------------------|
| SRF - 1992, no interest | \$152,500 |
| SRF - 1993, no interest | <u>227,500</u> |
| Total | <u>\$380,000</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 D - LONG-TERM DEBT (Continued)

Component Unit

Sales Tax Revenue Bonds

The District issued \$20,025,000 of sales tax revenue bonds on April 1, 2010 for the purpose of providing funds to finance additional costs of the Transportation Project Fund, the Debt Service Reserve Fund for the Series 2010 bonds, pay the costs of issuance of the Series 2010 bonds, and to advance refund the 2008A and 2009 sales tax revenue notes. The Sales tax revenue bonds bear interest ranging from 5.7% to 6.65%. A savings analysis could not be generated because the notes do not have mandatory sinking fund redemptions. Sales tax revenue bonds debt service requirements to maturity are as follows:

| For The Years Ended August 31 | Principal | Interest | Total |
|--|----------------------|-------------------|-------------------|
| 2011 | \$ 425,000 | 1,284,928 | 1,709,928 |
| 2012 | 605,000 | 1,250,200 | 1,855,200 |
| 2013 | 675,000 | 1,250,200 | 1,925,200 |
| 2014 | 765,000 | 1,250,200 | 2,015,200 |
| 2015 | 865,000 | 1,250,200 | 2,115,200 |
| 2016 - 2020 | 5,935,000 | 6,251,000 | 12,186,000 |
| 2021 - 2025 | 10,755,000 | 6,251,000 | 17,006,000 |
| Total | <u>\$ 20,025,000</u> | <u>18,787,728</u> | <u>38,812,728</u> |

The bonds and the interest, which are special limited obligations of the District, are payable solely from the pledged revenues appropriated by the District and held by the Trustee under the indenture. The bonds and interest do not constitute a debt of the District, the City, the Arnold Triangle Transportation Development District, the Missouri Highways and Transportation Commission, the State, or any political subdivision thereof.

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, 2010, which is the date of the latest actuarial valuation available, was \$2,166,741 and the City's total payroll was \$6,360,981.

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

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</u> <u>2010</u> |
|---|---------------------------------|
| Retirees and beneficiaries currently receiving benefits | - |
| Vested terminated employees and active employees | 50 |

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.

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:

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)

| Pension Plan | | | |
|--|---|--|--|
| Valuation For The Actuarial Years Ended August 31 | Actuarial Value Of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) |
| 2010 | \$5,886,921 | \$6,732,765 | \$ 845,844 |
| 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 |
| Valuation For The Actuarial Years Ended August 31 | Funded Ratio | Covered Payroll | UAAL As A Percentage Of Covered Payroll |
| 2010 | 87.4% | \$2,166,741 | 39.0% |
| 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 |
| Schedule Of Employer Contributions | | | |
| For The Years Ended August 31 | Annual Required Contribution | Actual Contribution | Percentage Contributed |
| 2010 | \$426,095 | \$503,087 | 118.1% |
| 2009 | 391,668 | 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 |

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:

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

| | |
|----------------------------|---|
| 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 | 6.5% |
| Post-retirement | 6.5% |
| 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.

| Pension Plan | | | |
|--|------------------------------------|-----------------------------------|---|
| Valuation For The Actuarial Years Ended August 31 | Annual Pension Cost | Percentage Contributed | Net Pension Asset (Obligation) End Of Year |
| 2010 | \$395,649 | 127.2% | \$488,008 |
| 2009 | 377,403 | 153.6 | 380,570 |
| 2008 | 387,290 | 108.7 | 178,308 |
| 2007 | 417,441 | 109.5 | 144,446 |
| 2006 | 381,178 | 86.5 | 104,614 |
| 2005 | 250,135 | 89.2 | 156,197 |

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>Valuation For The Actuarial Years Ended August 31</u> | <u>Pension Plan</u> | | |
|--|---|--|---|
| | <u>Net Pension Asset (Obligation) Beginning Of Year</u> | <u>Interest Net Pension Asset (Obligation)</u> | <u>Annual Required Contribution</u> |
| 2010 | \$380,570 | \$30,446 | \$426,095 |
| 2009 | 178,308 | 14,265 | 391,668 |
| 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 |

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> |
|--|--------------------------------|--|---|
| 2010 | \$503,087 | \$107,438 | \$488,008 |
| 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 |

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.

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

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 15.6% (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

The City's annual pension cost and net pension obligation (NPO) for the current year were as follows:

| | |
|--|-----------------|
| Annual required contribution | \$491,462 |
| Interest on net pension obligation | - |
| Adjustment to annual required contribution | - |
| Annual Pension Cost | <u>491,462</u> |
| Actual contributions | <u>491,462</u> |
| Increase (decrease) in NPO | - |
| NPO beginning of year | <u>-</u> |
| NPO End Of Year | <u>\$ -</u> |

The annual required contribution (ARC) 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 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 zero years for men and zero years for women; and e) post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back one year for men and seven 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 as of February 28, 2007 was 17 years for the General division. The amortization period as of February 29, 2008 was 16 years for the General division.

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)

Trend Information

Three-year Trend Information

| For The Plan Years Ended June 30 | Annual Pension Cost (APC) | Percentage Of APC Contributed | Net Pension Obligation |
|---|--|--|-----------------------------------|
| 2010 | \$491,462 | 100% | \$ - |
| 2009 | 499,067 | 100 | - |
| 2008 | 496,557 | 100 | - |

Schedule of Funding Progress

| For The Valuation Years Ended February 28/29 | Actuarial Value Of Assets | Entry Age Actuarial Accrued Liability (AAL) | Unfunded Accrued Liability (UAL) |
|---|--|--|---|
| 2010 | \$5,451,965 | \$8,358,071 | \$2,906,106 |
| 2009 | 5,548,557 | 8,436,593 | 2,888,036 |
| 2008 | 7,545,770 | 8,622,531 | 1,076,761 |

| For The Valuation Years Ended February 28/29 | Funded Ratio | Annual Covered Payroll | UAL As A Percentage Of Covered Payroll |
|---|-------------------------|---------------------------------------|---|
| 2010 | 65% | \$3,060,973 | 95% |
| 2009 | 66 | 3,064,435 | 94 |
| 2008 | 88 | 2,841,234 | 38 |

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 parameters 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 sponsors and administers a single-employer OPEB plan that does not issue a separate stand-alone financial report. The OPEB obligation is generally liquidated by the General Fund.

The City's annual OPEB cost for the most recent actuarial valuation and the related information are as follows:

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

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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

Required Supplemental Information

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

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

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, open |
| 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:

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - INTERFUND ASSETS/LIABILITIES (Continued)

Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>August 31 2010</u> |
|--------------------------------------|--------------------------------------|---------------------------|
| General Fund - Major Fund | Recreation Center Fund - Major Fund | \$1,423,110 |
| General Fund - Major Fund | Sewer Fund - Major Fund | 135,858 |
| General Fund - Major Fund | Golf Fund - Major Fund | 386,294 |
| General Fund - Major Fund | Storm Water Fund - Major Fund | 65,518 |
| General Fund - Major Fund | Special Allocation Fund - Major Fund | 150,000 |
| General Fund - Major Fund | Tourism Fund - Nonmajor Fund | 53,592 |
| Special Allocation Fund - Major Fund | General Fund - Major Fund | 151,392 |
| Special Allocation Fund - Major Fund | Recreation Center Fund - Major Fund | 37,848 |
| Sewer Fund - Major Fund | Storm Water Fund - Major Fund | 7,289 |
| Storm Water Fund - Major Fund | Sewer Fund - Major Fund | <u>3,578</u> |
| Total | | <u>\$2,414,479</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, 2011.

Advance From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>August 31 2010</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, 2011.

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 2010</u> |
|-------------------------------------|------------------------------|--|
| Golf Fund - Major Fund | Tourism Fund - Nonmajor Fund | \$10,000 |
| Recreation Center Fund - Major Fund | General Fund - Major Fund | <u>25,000</u> |
| Total | | <u>\$35,000</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, 2011.

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 \$527,035 for MIRMA's fiscal year ended June 30, 2011. 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 and the Storm Water Fund paid \$138,000 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.

NOTE L - CONTINGENCIES AND COMMITMENTS (Continued)

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.

At August 31, 2010, the City had construction commitments for sewer projects in the amount of \$484,928.

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 and notes are payable solely from the incremental taxes generated by increased sales and assessed property values in the improved areas. 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 and notes per Note D is payable through July 2028. For the current year, principal and interest paid and total incremental tax revenues were \$2,040,929 and \$2,676,061, respectively.

NOTE O - DEFICIT BALANCES

The Tourism Fund and Golf Fund had deficits in fund balances/net assets of \$58,671 and \$653,825, respectively. These deficits will be offset by future revenues.

NOTE P - SUBSEQUENT EVENT

In October 2010 the City refunded the 2007B Revenue Bonds for a new principal amount of \$7,140,000.

NOTE Q - FUTURE ACCOUNTING PRONOUNCEMENTS

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, 2010

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, 2010

| | Budgeted Amounts | | | Over (Under) Budget |
|-------------------------------|------------------|------------|------------|---------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$ 1,029,839 | 1,023,210 | 1,023,806 | 596 |
| Sales | 5,140,000 | 5,124,879 | 5,572,966 | 448,087 |
| Public utility gross receipts | 2,788,500 | 2,980,000 | 3,274,363 | 294,363 |
| Motor fuel | 500,000 | 473,785 | 561,099 | 87,314 |
| Other | 199,013 | 209,258 | 209,258 | - |
| Total Taxes | 9,657,352 | 9,811,132 | 10,641,492 | 830,360 |
| Special Assessments | 150,000 | 90,000 | 95,886 | 5,886 |
| Licenses and Permits | 505,100 | 449,670 | 522,881 | 73,211 |
| Fines and Court Costs | 1,147,500 | 1,150,500 | 1,216,172 | 65,672 |
| Intergovernmental | 1,656,381 | 448,606 | 446,840 | (1,766) |
| Charges for Services | 617,392 | 610,755 | 676,746 | 65,991 |
| Investment Income | 70,500 | 42,000 | 46,168 | 4,168 |
| Miscellaneous | | | | |
| Administration | 174,000 | 184,627 | 184,627 | - |
| Other | 88,900 | 93,265 | 80,496 | (12,769) |
| Total Miscellaneous | 262,900 | 277,892 | 265,123 | (12,769) |
| Total Revenues | 14,067,125 | 12,880,555 | 13,911,308 | 1,030,753 |
| EXPENDITURES | | | | |
| General Government | | | | |
| General and administrative | 1,086,216 | 999,928 | 1,024,031 | 24,103 |
| Mayor and council | 109,711 | 110,946 | 110,168 | (778) |
| Municipal court | 188,901 | 186,505 | 184,415 | (2,090) |
| Administrator | 312,923 | 312,962 | 305,422 | (7,540) |
| Treasurer | 50,569 | 45,813 | 44,042 | (1,771) |
| Finance | 283,872 | 284,394 | 281,809 | (2,585) |
| Collector of revenue | 185,748 | 191,632 | 225,207 | 33,575 |
| Attorney | 129,000 | 127,400 | 146,177 | 18,777 |
| Elections | 6,750 | 8,148 | 8,148 | - |
| Planning commission | 240,769 | 144,224 | 142,555 | (1,669) |
| Total General Government | 2,594,459 | 2,411,952 | 2,471,974 | 60,022 |

(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, 2010

| | Budgeted Amounts | | | Over (Under) Budget |
|---|-------------------------|----------------|----------------------|------------------------------------|
| | Original | Final | Actual | |
| EXPENDITURES (Continued) | | | | |
| Public Safety | | | | |
| Police | 4,812,712 | 4,770,107 | 4,691,643 | (78,464) |
| Police board | 2,615 | 1,023 | 607 | (416) |
| Dispatching | 532,205 | 512,747 | 461,218 | (51,529) |
| Building commission | 357,142 | 352,602 | 329,163 | (23,439) |
| Total Public Safety | 5,704,674 | 5,636,479 | 5,482,631 | (153,848) |
| Public Works | 728,772 | 576,132 | 505,578 | (70,554) |
| Highways and Streets | 1,433,655 | 1,246,688 | 1,210,324 | (36,364) |
| Parks and Recreation | 573,576 | 562,813 | 519,139 | (43,674) |
| Health and Sanitation | | | | |
| Health department | 63,807 | 60,203 | 57,350 | (2,853) |
| Rabies control | 131,312 | 122,701 | 122,325 | (376) |
| Vector control | 24,260 | 7,766 | 6,685 | (1,081) |
| Solid waste | 906,420 | 868,540 | 868,540 | - |
| Total Health And Sanitation | 1,125,799 | 1,059,210 | 1,054,900 | (4,310) |
| Capital Outlay | 2,242,679 | 1,126,903 | 1,032,639 | (94,264) |
| Debt Service | 847,536 | 816,982 | 816,314 | (668) |
| Total Expenditures | 15,251,150 | 13,437,159 | 13,093,499 | (343,660) |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (1,184,025) | (556,604) | 817,809 | 1,374,413 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | - | 500 | 20,085 | 19,585 |
| Issuance of capital lease | 792,825 | 777,810 | 777,810 | - |
| Transfers out | - | (25,000) | (25,000) | - |
| Total Other Financing Sources (Uses) | 792,825 | 753,310 | 772,895 | 19,585 |
| NET CHANGE IN FUND BALANCE | <u>\$ (391,200)</u> | <u>196,706</u> | 1,590,704 | <u>1,393,998</u> |
| FUND BALANCE, SEPTEMBER 1 | | | 8,984,069 | |
| FUND BALANCE, AUGUST 31 | | | <u>\$ 10,574,773</u> | |

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, 2010

| | Budgeted Amounts | | | Over (Under) Budget |
|--|-------------------------|------------------|-------------------|------------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Taxes: | | | | |
| Sales | \$ 1,025,000 | 1,075,000 | 1,081,040 | 6,040 |
| Charges for services | 1,201,000 | 1,244,900 | 1,216,486 | (28,414) |
| Investment income | 20,000 | 20,000 | 36,807 | 16,807 |
| Miscellaneous | 17,800 | 19,200 | 16,656 | (2,544) |
| Total Revenues | <u>2,263,800</u> | <u>2,359,100</u> | <u>2,350,989</u> | <u>(8,111)</u> |
| EXPENDITURES | | | | |
| Recreation center | 1,485,004 | 1,568,121 | 1,577,196 | 9,075 |
| Capital outlay | 15,000 | 65,000 | 67,601 | 2,601 |
| Debt service | 1,016,008 | 1,008,051 | 1,007,955 | (96) |
| Total Expenditures | <u>2,516,012</u> | <u>2,641,172</u> | <u>2,652,752</u> | <u>11,580</u> |
| REVENUES UNDER EXPENDITURES | <u>(252,212)</u> | <u>(282,072)</u> | <u>(301,763)</u> | <u>(19,691)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | <u>-</u> | <u>25,000</u> | <u>25,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (252,212)</u> | <u>(257,072)</u> | <u>(276,763)</u> | <u>(19,691)</u> |
| FUND BALANCE, SEPTEMBER 1 | | | <u>507,083</u> | |
| FUND BALANCE, AUGUST 31 | | | <u>\$ 230,320</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, 2010

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. Current year includes budget amendments.
- g. Appropriations lapse at year-end.

For the year ended August 31, 2010, General Fund expenditures exceeded appropriations for general government \$60,022. The Recreation Fund and Tourism Fund expenditures exceeded appropriations by \$11,580 and \$4,730, 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

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|-------------------|
| ASSETS | | |
| Cash and investments | \$ 9,050,311 | 5,445,535 |
| Receivables (net of allowances for uncollectibles): | | |
| Taxes | 2,494,582 | 1,775,850 |
| Special assessments | 1,550,079 | 1,489,444 |
| Intergovernmental | 164,074 | 2,797,789 |
| Court | 118,914 | 110,171 |
| Miscellaneous | 146,760 | 88,274 |
| Due from other funds | 2,403,612 | 1,379,343 |
| Prepaid items | 508,916 | 558,609 |
| Restricted assets: | | |
| Cash and investments | 5,635,892 | 5,684,549 |
| Capital improvements sales tax receivable | 570,772 | 621,691 |
| | <u>\$ 22,643,912</u> | <u>19,951,255</u> |
| Total Assets | | |
| | <u>\$ 22,643,912</u> | <u>19,951,255</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Accounts payable | \$ 2,576,859 | 2,379,478 |
| Accrued liabilities | 163,775 | 143,427 |
| Due to other funds | 1,815,942 | 1,149,345 |
| Deferred revenue | 2,728,748 | 2,621,767 |
| Funds held for others | - | 3,251 |
| Advance from other funds | 500,009 | 500,009 |
| Total Liabilities | <u>7,785,333</u> | <u>6,797,277</u> |
| Fund Balances | | |
| Reserved for: | | |
| Capital equipment | 104,127 | - |
| Debt service | 5,897,339 | 5,507,663 |
| Encumbrances | 1,023,946 | 1,071,994 |
| Prepaid items | 508,916 | 558,609 |
| Unreserved: | | |
| Designated for sewer subdistrict projects | 883,724 | 883,724 |
| Designated for greenway beautification | 160,517 | 160,517 |
| Designated for economic development | 265,962 | 234,667 |
| Designated for pride in our City | 9,066 | 9,066 |
| Undesignated | 6,004,982 | 4,727,738 |
| Total Fund Balances | <u>14,858,579</u> | <u>13,153,978</u> |
| | | |
| Total Liabilities And Fund Balances | <u>\$ 22,643,912</u> | <u>19,951,255</u> |

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

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|-----------------------------|--------------------------|
| REVENUES | | |
| Taxes | \$ 14,551,361 | 12,279,968 |
| Special assessments | 95,886 | 161,495 |
| Licenses and permits | 522,881 | 615,026 |
| Fines and court costs | 1,216,172 | 1,131,240 |
| Intergovernmental | 458,470 | 138,593 |
| Charges for services | 2,132,339 | 1,375,957 |
| Investment income | 83,444 | 131,284 |
| Miscellaneous | 325,600 | 356,143 |
| Total Revenues | <u>19,386,153</u> | <u>16,189,706</u> |
| EXPENDITURES | | |
| Current: | | |
| General government | 2,904,369 | 2,836,320 |
| Public safety | 5,513,458 | 5,530,890 |
| Public works | 505,578 | 424,779 |
| Highways and streets | 1,210,324 | 994,971 |
| Parks and recreation | 2,096,335 | 2,110,396 |
| Health and sanitation | 1,054,900 | 1,157,017 |
| Economic development | 3,413,600 | 335,457 |
| Capital outlay | 1,100,240 | 934,502 |
| Debt service: | | |
| Principal | 1,261,679 | 820,284 |
| Interest | 2,603,519 | 2,041,283 |
| Bond issuance costs | 125,000 | 796,889 |
| Total Expenditures | <u>21,789,002</u> | <u>17,982,788</u> |
| REVENUES UNDER EXPENDITURES | <u>(2,402,849)</u> | <u>(1,793,082)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Issuance of long-term debt | 3,319,555 | 28,485,000 |
| Discount on issuance of debt | - | (235,250) |
| Refunding of long-term debt | - | (24,236,569) |
| Issuance of capital lease | 777,810 | 31,800 |
| Proceeds from sale of capital assets | 20,085 | - |
| Transfers in | 25,000 | - |
| Transfers out | (35,000) | (10,000) |
| Total Other Financing Sources (Uses) | <u>4,107,450</u> | <u>4,034,981</u> |
| NET CHANGE IN FUND BALANCES | 1,704,601 | 2,241,899 |
| FUND BALANCES, SEPTEMBER 1 | <u>13,153,978</u> | <u>10,912,079</u> |
| FUND BALANCES, AUGUST 31 | <u><u>\$ 14,858,579</u></u> | <u><u>13,153,978</u></u> |

CITY OF ARNOLD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2010

| | <u>Special Revenue Funds</u> | | |
|--|------------------------------|----------------------------|----------------|
| | <u>Tourism</u> | <u>Drug Forfeiture</u> | <u>Totals</u> |
| ASSETS | | | |
| Cash and investments | \$ - | 49,990 | 49,990 |
| Receivables: | | | |
| Taxes | 15,298 | - | 15,298 |
| Prepaid items | 36,845 | - | 36,845 |
| | | | |
| Total Assets | <u>\$ 52,143</u> | <u>49,990</u> | <u>102,133</u> |
| | | | |
| LIABILITIES AND FUND BALANCES (DEFICIT) | | | |
| Liabilities | | | |
| Accounts payable | \$ 39,944 | - | 39,944 |
| Due to other funds | 53,592 | - | 53,592 |
| Deferred revenue | 17,278 | - | 17,278 |
| Total Liabilities | <u>110,814</u> | <u>-</u> | <u>110,814</u> |
| | | | |
| Fund Balances (Deficit) | | | |
| Reserved for: | | | |
| Prepaid items | 36,845 | - | 36,845 |
| Unreserved: | | | |
| Undesignated - Special Revenue Fund | (95,516) | 49,990 | (45,526) |
| Total Fund Balances (Deficit) | <u>(58,671)</u> | <u>49,990</u> | <u>(8,681)</u> |
| | | | |
| Total Liabilities And Fund Balances (Deficit) | <u>\$ 52,143</u> | <u>49,990</u> | <u>102,133</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, 2010

| | <u>Special Revenue Funds</u> | | |
|---|------------------------------|----------------------------|-----------------------|
| | <u>Tourism</u> | <u>Drug Forfeiture</u> | <u>Totals</u> |
| REVENUES | | | |
| Taxes | \$ 152,768 | - | 152,768 |
| Intergovernmental | - | 11,630 | 11,630 |
| Charges for services | 239,107 | - | 239,107 |
| Investment income | - | 16 | 16 |
| Miscellaneous | - | 43,821 | 43,821 |
| Total Revenues | <u>391,875</u> | <u>55,467</u> | <u>447,342</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 422,403 | - | 422,403 |
| Public safety | - | 30,827 | 30,827 |
| Total Expenditures | <u>422,403</u> | <u>30,827</u> | <u>453,230</u> |
| REVENUES OVER (UNDER) EXPENDITURES | (30,528) | 24,640 | (5,888) |
| OTHER FINANCING USES | | | |
| Transfers out | <u>(10,000)</u> | <u>-</u> | <u>(10,000)</u> |
| NET CHANGE IN FUND BALANCES (DEFICIT) | (40,528) | 24,640 | (15,888) |
| FUND BALANCES (DEFICIT), SEPTEMBER 1 | <u>(18,143)</u> | <u>25,350</u> | <u>7,207</u> |
| FUND BALANCES (DEFICIT), AUGUST 31 | <u><u>\$ (58,671)</u></u> | <u><u>49,990</u></u> | <u><u>(8,681)</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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Budget</u> |
|-----------------------------------|-------------------------|-----------------|--------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Sales | \$ 175,000 | 150,000 | 152,768 | 2,768 |
| Charges for services | 325,000 | 239,207 | 239,107 | (100) |
| Total Revenues | 500,000 | 389,207 | 391,875 | 2,668 |
| EXPENDITURES | | | | |
| General government | 497,068 | 417,673 | 422,403 | 4,730 |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | 2,932 | (28,466) | (30,528) | (2,062) |
| OTHER FINANCING USES | | | | |
| Transfers out | - | (10,000) | (10,000) | - |
| NET CHANGE IN FUND DEFICIT | <u>\$ 2,932</u> | <u>(38,466)</u> | <u>(40,528)</u> | <u>(2,062)</u> |
| FUND DEFICIT, SEPTEMBER 1 | | | <u>(18,143)</u> | |
| FUND DEFICIT, AUGUST 31 | | | <u>\$ (58,671)</u> | |

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, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Over (Under) Budget</u> |
|-----------------------------------|-------------------------|---------------|------------------|------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental | \$ - | 11,630 | 11,630 | - |
| Investment income | - | - | 16 | 16 |
| Miscellaneous | - | 43,820 | 43,821 | 1 |
| Total Revenues | - | 55,450 | 55,467 | 17 |
| EXPENDITURES | | | | |
| Public safety | - | 32,320 | 30,827 | (1,493) |
| NET CHANGE IN FUND BALANCE | <u>\$ -</u> | <u>23,130</u> | 24,640 | <u>1,510</u> |
| FUND BALANCE, SEPTEMBER 1 | | | <u>25,350</u> | |
| FUND BALANCE, AUGUST 31 | | | <u>\$ 49,990</u> | |