

City of Arnold, Missouri
Comprehensive Annual
Financial Report



for the Fiscal Year ended
August 31, 2010

CITY OF ARNOLD, MISSOURI

**Comprehensive Annual Financial Report
For The Fiscal Year Ended August 31, 2010**

Prepared by the Finance Department

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INTRODUCTION

FINANCIAL

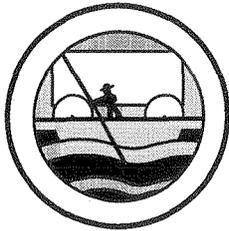
**FINANCIAL
STATEMENTS**

**SUPPLEMENTAL
INFORMATION**

STATISTICS



for the Fiscal Year ended
August 31, 2010



City of Arnold

Ron Counts, Mayor

January 28, 2011

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

The comprehensive annual financial report of the City of Arnold, Missouri (the City) for the fiscal year ended August 31, 2010, is hereby submitted. This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Hochschild, Bloom & Company LLP audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended August 31, 2010, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended August 31, 2010, are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

Incorporated in 1972 as a city of the third class, the City is located on the eastern border of the State of Missouri, south of the Meramec River at its confluence with the Mississippi River. The central business district of the City of St. Louis is

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

Parks and Recreation
1695 Missouri State Rd.
Arnold, MO 63010
636/282-2380

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

about 17 miles to the north. Interstate Highway 55, U.S. Highway 61-67, and State Highways 141 and 231 provide access to St. Louis City and St. Louis County.

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

The City provides a range of services, including police protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational activities and cultural events. Trash, sewer, and storm water system services are provided through the City. The City's recreation center operates as a department of the City, but is reported as a separate governmental fund. The sewer and storm water system services and golf course are reported separately as proprietary funds in the City's financial statements.

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

Local Economy

The economic condition and outlook of the City has been stable in recent years. The current year real estate tax base showed growth of 2.7% above last year's levels. The City's housing stock, geographic location, and variety of services have kept real estate marketable. Commercial vacancies remain modest while the potential for further retail and industrial development appears favorable within the next five years. Recent construction of major commercial and industrial developments is proof of the economic vitality of the area.

During the past ten years, the monthly unemployment rate for Jefferson County rose from an initial low of 1.9% (1999) to a decade high of 10.1% (2009). As of August 2010, the unemployment rate has dropped slightly to 9.4%. Economists expect unemployment to recover slowly within the nation and region until it levels off at the pre-recession rate in 2012 or beyond. The City continues to believe it is in a favorable situation for the coming year given the number of new retail sales and services establishments that have opened or will open for business within the next year bringing several hundred jobs to the City. Construction on a new six-story hotel and sit-down restaurant within the Arnold Crossroads Tax Increment Financing (TIF) project was completed shortly after the close of this fiscal year.

The City's tax structure relies primarily on sales taxes and gross receipts utility taxes. Utility tax receipts from the electric, gas, and telecommunications companies continue to increase at a modest rate. While the State of Missouri and Jefferson County both reported reductions in sales tax receipts, City sales tax receipts for fiscal year 2010 remained strong. Prior to factoring in the EATS pass-through payments on the TIF projects, the City's general sales tax receipts were actually a modest 3% over the prior fiscal year. Without the benefit of the new TIF districts, general sales tax receipts would have been below the prior year by 3.2%. We expect 2011 sales tax to be flat comparable to 2010 despite receipts from new businesses within the TIF project areas. The City has and will continue to demonstrate its ability to compress government expenditures to accommodate this tighter economy or temporary downturns in revenue.

Long-term Financial Planning

The City desires to plan for the success of the City for decades to come. To encourage growth and stability, the City has actively sought out and supported commercial development. Two TIF development projects have been approved by the City Council; the nearly completed "Arnold Commons" redevelopment project and the "Arnold Crossroads" redevelopment project currently under construction.

The Arnold Commons redevelopment area is approximately 40 acres in size, located in the southwest quadrant of Interstate 55 and Highway 141. The Arnold TIF Commission was established to coordinate, along with developer THF Realty, the development of a quality 225,000 square-foot retail shopping center on the property, anchored by a Lowe's Home Improvement Warehouse and a Dierberg's supermarket. In July 2009, the City sold \$28,485,000 in TIF bonds to refund the \$21,000,000 in TIF notes previously issued for this project. This property is over 90% built-out. Retailers and restaurants operating in this development include: Panera Bread, Chili's, Qdoba's, Texas Roadhouse, Arnold Stove and Fireplace, PetSmart, Office Depot, and Dollar Tree. To accommodate anticipated changes in traffic patterns and density because of this development, the City has completed improvements to all major adjacent roads. These improvements included the widening of Church Road, the addition of a slip ramp from Highway 141 into the development and the reconfiguration of the Church Road, Old Lemay Ferry Road and Missouri State Road intersection.

The Arnold Crossroads redevelopment area includes the revitalization and modification of an existing shopping center located in the heart of Arnold. This project, led by Jones Realty, includes a new Drury Hotel with meeting and banquet facilities. Several stores have already opened, including Steak-n-Shake, Arby's and McDonalds restaurants, the Tilted Kilt Tavern & Grill, and a newly remodeled 24 Hour Fitness center. Just after the start of fiscal 2011, new restaurants Wendy's and Lombardo's Terrazzo Grill opened. An anchor tenant has yet to begin construction. Other future site improvements include a new 4-way intersection at the Crossroads entrances with landscaping and beautification efforts throughout the development site. Other outlots are currently being developed and future restaurants are planned for this area.

Major Initiatives

The City continues to receive collections from the City's first transportation development district (TDD) and continues to evaluate the City's transportation system. Approved in April 2008, the Arnold Retail Corridor (ARC) TDD is a large and diverse entity that generates revenue for several major road projects within or connected to the district. The ARC TDD issued bonds in February 2010 to fund some of its planned improvement projects. In 2011, the City will begin construction on intersection improvements at both the Astra Way and Highway 141 and Astra Way and Missouri State Road intersections with a combination of federal surface transportation program, TDD and City funds. The Ozark Bridge project completed this year utilized a HUD grant, NID funds and city CIP funding to replace an outmoded and failing bridge.

The City assisted in funding the creation of a master plan for the revitalization of northern Jeffco Blvd. in 2008. This grassroots plan for the retail/commercial district dubbed 'Hometown' has been reviewed by the Planning Commission and accepted by the City Council. The Hometown plan will serve as the jumping off point to revitalize the northern end of Jeffco Blvd and the surrounding area.

The City's Comprehensive Plan is currently undergoing a major re-write. A comprehensive plan is a tool used by communities to strategize for the orderly development and redevelopment of a City. It provides the blueprint or guidelines for the community to follow. For the City, this new plan will consider the vision developed by the Hometown Association and will replace the existing plan that is over 13 years old and outmoded. Citizen surveys and public meetings are underway and we anticipate completion in the summer of 2011.

After public meetings, interviews, surveys, and other data gathering means the Aquatic Venue and Garden feasibility study was presented to Council in August 2010. This study recommended an additional pool at the Arnold Recreation Center as replacement for the closed Ferd B. Lang Pool and a complementary demonstration garden on the Ziegelmeier/Dixon property.

We believe both the updated Comprehensive Plan and the Aquatic Venue and Garden Master Plan, will net economic benefits for the city through opportunities for development and provide for the improvement of city services.

In March 2007, the City issued \$4.29 million in Leasehold Revenue Bonds Series 2007 for the purchase of a previously privately owned public golf course known as Pomme Creek Golf Course. Originally designed in 1993, the course sits on 125 acres in the southern part of the City and boasts 18 holes. Since acquisition, the City has made significant inroads to repairing and improving the playability and image of Pomme Creek including achieving PGA certification. Staff believes that through the continued improvement and promotion of Pomme Creek the City will find success in this venture.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended August 31, 2009. This is the 21st consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,


Matthew Unrein
City Administrator


Deborah G. Lewis
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Arnold
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2009

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



President

Executive Director

CITY OF ARNOLD, MISSOURI
PRINCIPAL OFFICIALS

Ron Counts

Mayor

Council

Randy Crisler

Ward One

Christine Lang

Ward One

William Moritz

Ward Two

Jim Edwards

Ward Two

Bob Lindsley

Ward Three

Paul Freese

Ward Three

Kenneth Moss

Ward Four

Jason Connell

Ward Four

Diane Waller

City Clerk

Dan Kroupa

Treasurer

Todd Hamby

Judge

Robert Sweeney

City Attorney

Matthew Unrein

City Administrator

Deborah Lewis

Finance Director

Robert Shockey

Chief of Police

Mary Holden

Community Development Director

Bryson Baker

Public Works Director

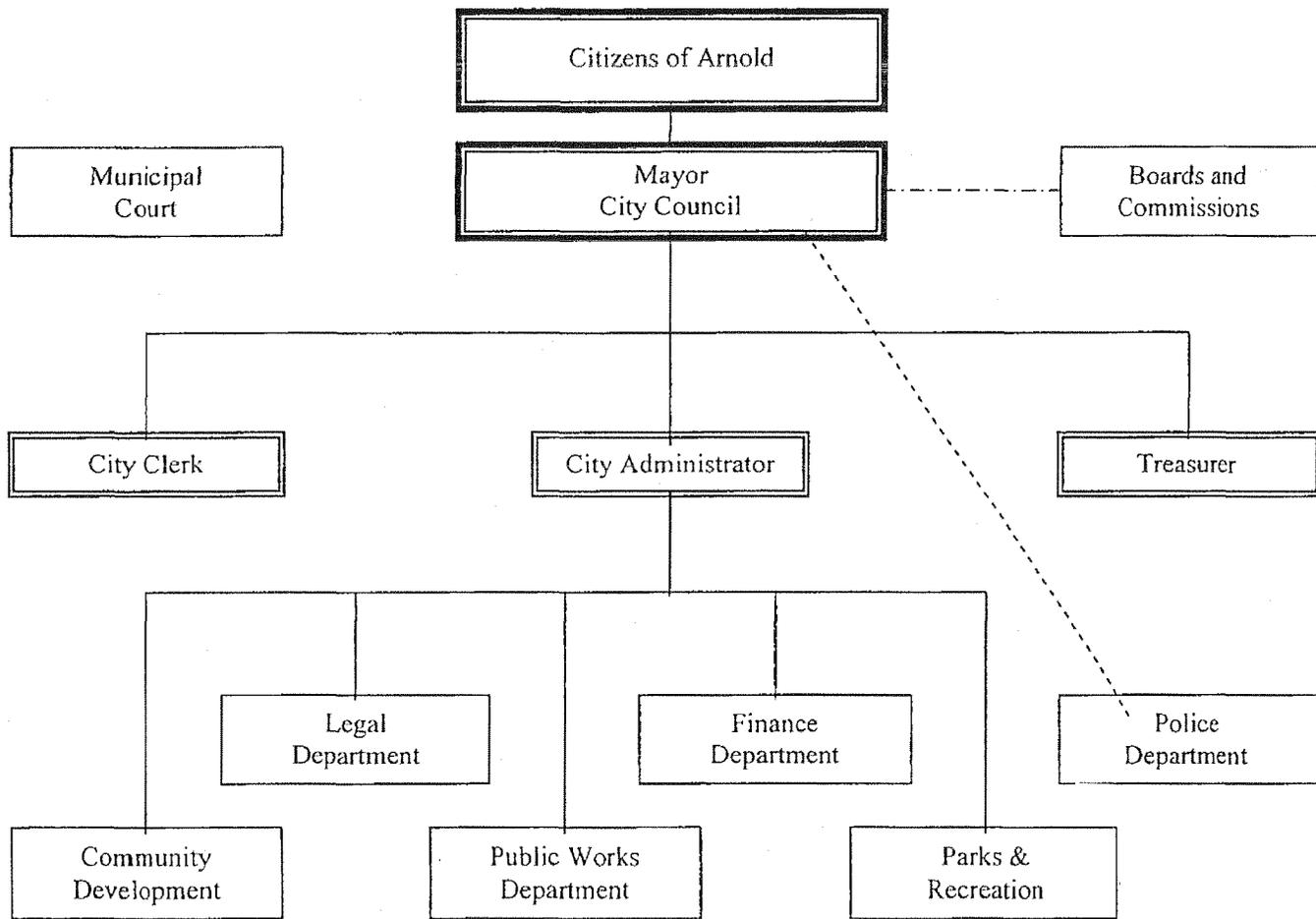
Greg Hall

Director of Administration

Susie Boone

Parks and Recreation Director

Organization Chart



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

INTRODUCTION

FINANCIAL

**FINANCIAL
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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.

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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			
	<u>Government-wide Statements</u>	<u>Government Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
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.

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

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>		<i>Change</i>
	<i>Activities</i>		<i>Activities</i>				<i>2009-2010</i>
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>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:

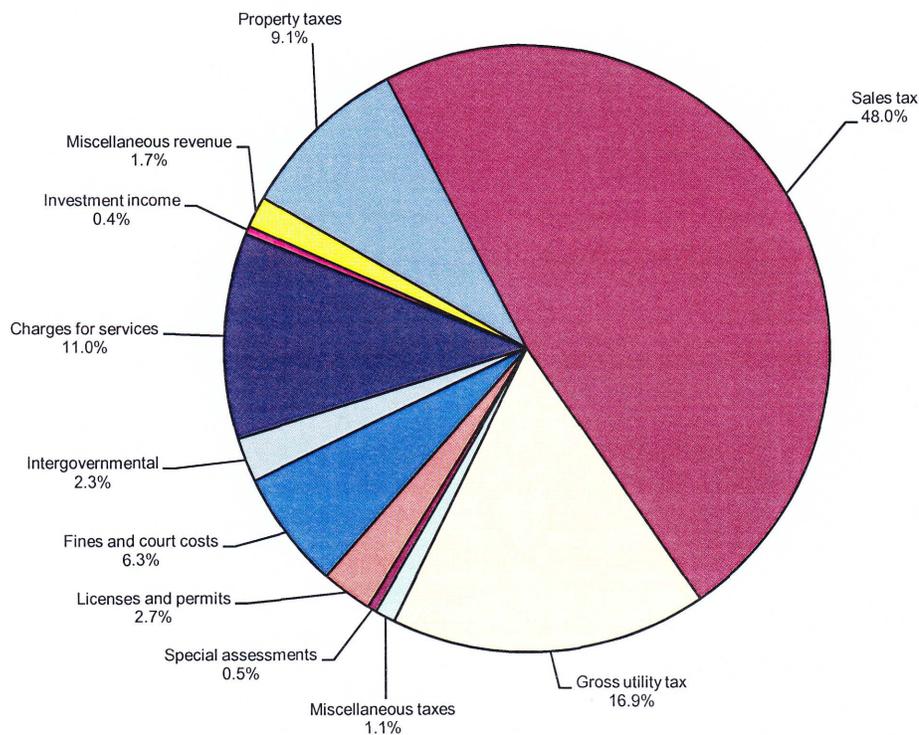
- Property tax revenues increased by \$319,359 (22%). This is due to the receipt of the incremental increases in assessed valuations for the TIF redevelopment properties from all taxing jurisdictions. This increase is pledged to the retirement of the related TIF project debt.
- This year's gross receipts 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.

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- 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
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Figure A-2

Expenditures by Function – Governmental Funds

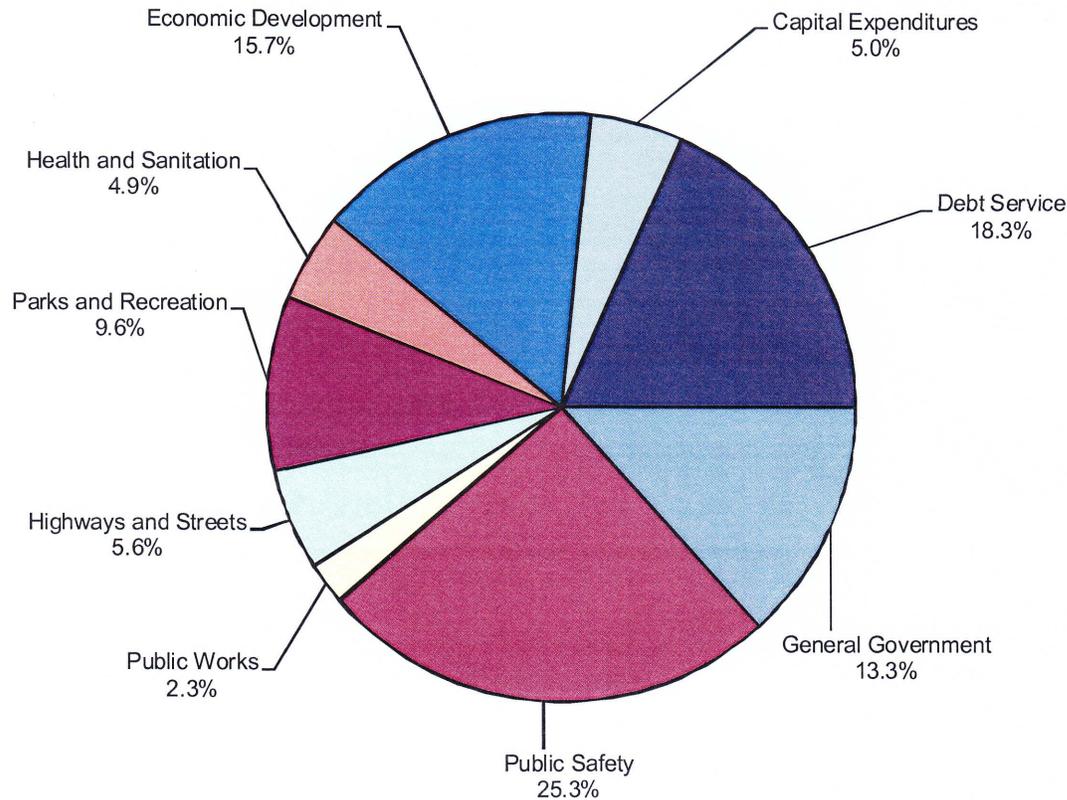


Table A-4 presents the cost of each of the City's seven governmental functions - general government including economic development, public safety (police, courts, and justice services), public works, highways and streets, parks and recreation (parks and recreation center), and health and sanitation - 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.

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**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

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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)

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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.

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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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STATISTICS



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	105,374,153	50,409,792	155,783,945	6,189,649
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	58,018,219	32,782,016	90,800,235	20,025,000
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	\$ 47,355,934	17,627,776	64,983,710	(13,835,351)

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	<u>\$ 47,355,934</u>

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

	<u>General</u>	<u>Recreation Center</u>	<u>Special Allocation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
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	1,590,704	(276,763)	406,548	(15,888)	1,704,601
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		\$ (700,750)

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	<u>5,874,334</u>	<u>917,229</u>	<u>57</u>	<u>6,791,620</u>
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	<u>38,219,443</u>	<u>248,763</u>	<u>3,511,534</u>	<u>41,979,740</u>
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	<u>39,838,184</u>	<u>248,763</u>	<u>4,129,762</u>	<u>44,216,709</u>
Total Assets	<u>45,712,518</u>	<u>1,165,992</u>	<u>4,129,819</u>	<u>51,008,329</u>
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	<u>2,590,095</u>	<u>244,873</u>	<u>529,155</u>	<u>3,364,123</u>
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	<u>25,738,537</u>	<u>23,404</u>	<u>4,254,489</u>	<u>30,016,430</u>
Total Liabilities	<u>28,328,632</u>	<u>268,277</u>	<u>4,783,644</u>	<u>33,380,553</u>
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)	<u>\$ 17,383,886</u>	<u>897,715</u>	<u>(653,825)</u>	<u>17,627,776</u>

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	<u>2,475,206</u>	<u>620,263</u>	<u>528,569</u>	<u>3,624,038</u>
OPERATING INCOME (LOSS)	<u>1,341,203</u>	<u>(49,743)</u>	<u>(120,834)</u>	<u>1,170,626</u>
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)	<u>(907,788)</u>	<u>27,921</u>	<u>(184,041)</u>	<u>(1,063,908)</u>
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	<u>16,143,746</u>	<u>919,537</u>	<u>(358,950)</u>	<u>16,704,333</u>
NET ASSETS (DEFICIT), AUGUST 31	<u>\$ 17,383,886</u>	<u>897,715</u>	<u>(653,825)</u>	<u>17,627,776</u>

See notes to financial statements

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	<u>2,223,949</u>	<u>(62,325)</u>	<u>(54,306)</u>	<u>2,107,318</u>
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	<u>103,601</u>	<u>93,985</u>	<u>212,867</u>	<u>410,453</u>
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	<u>(2,226,340)</u>	<u>(102,045)</u>	<u>(227,741)</u>	<u>(2,556,126)</u>
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	<u>539,691</u>	<u>503</u>	<u>69,180</u>	<u>609,374</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	640,901	(69,882)	-	571,019
CASH AND CASH EQUIVALENTS, SEPTEMBER 1	<u>4,823,877</u>	<u>915,370</u>	<u>-</u>	<u>5,739,247</u>
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	<u>882,746</u>	<u>(12,582)</u>	<u>66,528</u>	<u>936,692</u>
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	<u>-</u>	<u>(39,000)</u>	<u>-</u>	<u>(39,000)</u>
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

\$ 5,886,921

NET ASSETS

Held in trust for pension benefits

\$ 5,886,921

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	299,046
Total Additions	<u>1,015,946</u>

DEDUCTIONS

Retirement benefits	<u>1,483,566</u>
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CHANGE IN NET ASSETS

(467,620)

NET ASSETS HELD IN TRUST FOR PENSION
BENEFITS, SEPTEMBER 1

6,354,541

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

\$ 5,886,921

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 ¼¢ parks and recreation center sales tax which is deposited into this fund and used for bi-annual bond payments.

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

	August 31 2010
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)

<u>Investments</u>	<u>Fair Market Value</u>	<u>Maturities</u>			<u>Credit Risk</u>
		<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	
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	<u>5,234,263</u>	<u>5,234,263</u>	<u>-</u>	<u>-</u>	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	<u>5,886,921</u>	<u>5,886,921</u>	<u>-</u>	<u>-</u>	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	\$2,491,312

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	Balance August 31 2010
Business-type Activities				
Capital assets not being depreciated:				
Land and right-of-way	\$ 3,468,890	18,624	-	3,487,514
Construction in progress	9,948,180	195,838	-	10,144,018
Total Capital Assets Not Being Depreciated	13,417,070	214,462	-	13,631,532
Capital assets being depreciated:				
Buildings	113,175	2,614	-	115,789
Treatment plants	479,616	-	-	479,616
Machinery and equipment	1,591,274	108,579	-	1,699,853
Intangibles	17,383,605	-	-	17,383,605
Sewer lines	18,436,951	799,450	-	19,236,401
Total Capital Assets Being Depreciated	38,004,621	910,643	-	38,915,264
Less - Accumulated depreciation for:				
Buildings	23,720	4,820	-	28,540
Treatment plants	344,088	15,987	-	360,075
Machinery and equipment	1,073,208	167,947	-	1,241,155
Intangibles	695,344	347,672	-	1,043,016
Sewer lines	7,518,972	375,298	-	7,894,270
Total Accumulated Depreciation	9,655,332	911,724	-	10,567,056
Total Capital Assets Being Depreciated, Net	28,349,289	(1,081)	-	28,348,208
Business-type Activities Capital Assets, Net	\$ 41,766,359	213,381	-	41,979,740

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			Balance August 31 2010	Amounts Due Within One Year
	Balance August 31 2009	Additions	Reductions		
	Governmental Activities				
Leasehold revenue bonds	\$ 14,455,000	-	365,000	14,090,000	400,000
Plus - Premium	377,062	-	19,845	357,217	-
Revenue bonds payable	6,895,000	-	225,000	6,670,000	235,000
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	450,000
Less - Discounts	(233,685)	-	(12,519)	(221,166)	-
Capital lease obligations	217,138	777,810	226,679	768,269	255,713
Compensated absences	634,883	104,279	126,977	612,185	153,046
	<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>
Total Governmental Activities					

	For The Year Ended August 31, 2010			Balance August 31 2010	Amounts Due Within One Year
	Balance August 31 2009	Additions	Reductions		
	Business-type Activities				
Revenue bonds payable	\$ 15,363,416	-	613,000	14,750,416	485,416
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	23,731
MSD note payable	16,046,797	-	306,260	15,740,537	529,980
Notes payable	474,700	-	94,700	380,000	-
	<u>\$ 32,077,441</u>	<u>39,000</u>	<u>1,060,884</u>	<u>31,055,557</u>	<u>1,039,127</u>
Total Business- type Activities					

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

Component Unit	For The Year Ended August 31, 2010			Amounts Due Within One Year	
	Balance August 31 2009	Additions	Reductions		Balance August 31 2010
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
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	
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)

<u>For The Years Ended August 31</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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:

<u>For The Years Ended August 31</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 818,672</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>For The Years Ended August 31</u>	<u>Governmental Activities</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>\$ 91,873</u>	<u>20,852</u>	<u>655,544</u>	<u>768,269</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

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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>\$ 14,266</u>	<u>32,869</u>	<u>47,135</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	\$ 20,025,000	18,787,728	38,812,728

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 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)

<u>Pension Plan</u>			
<u>Valuation For The Actuarial Years Ended August 31</u>	<u>Actuarial Value Of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>
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

<u>Valuation For The Actuarial Years Ended August 31</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As A Percentage Of Covered Payroll</u>
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

<u>For The Years Ended August 31</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
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)

Pension Plan			
Valuation For The Actuarial Years Ended August 31	Net Pension Asset (Obligation) Beginning Of Year	Interest Net Pension Asset (Obligation)	Annual Required Contribution
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.

Valuation For The Actuarial Years Ended August 31	Actual Contribution	Increase (Decrease) In Net Pension Asset (Obligation)	Net Pension Asset (Obligation) End Of Year
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 <u>June 30</u>	Annual Pension Cost (APC)	Percentage Of APC <u>Contributed</u>	Net Pension Obligation
2010	\$491,462	100%	\$ -
2009	499,067	100	-
2008	496,557	100	-

Schedule of Funding Progress

For The Valuation Years Ended <u>February 28/29</u>	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability <u>(AAL)</u>	Unfunded Accrued Liability <u>(UAL)</u>
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 <u>February 28/29</u>	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 <u>2009</u>
Amortization of past service cost	\$24,000
Normal cost	38,700
Interest to end of fiscal year	-
ARC	<u>62,700</u>
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB Cost	62,700
Contributions made	-
Increase In Net OPEB Obligation	<u>62,700</u>
Net OPEB obligation, August 31, 2008	<u>-</u>
Net OPEB Obligation, August 31, 2009	<u>\$62,700</u>

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

In future years, three-year trend information will be presented. 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

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

Schedule Of Employer Contributions

<u>For The Year Ended August 31</u>	<u>Annual Required Contribution</u>	<u>Contribution Made</u>	<u>Percent Contributed</u>
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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
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	<u>9,657,352</u>	<u>9,811,132</u>	<u>10,641,492</u>	<u>830,360</u>
Special Assessments	<u>150,000</u>	<u>90,000</u>	<u>95,886</u>	<u>5,886</u>
Licenses and Permits	<u>505,100</u>	<u>449,670</u>	<u>522,881</u>	<u>73,211</u>
Fines and Court Costs	<u>1,147,500</u>	<u>1,150,500</u>	<u>1,216,172</u>	<u>65,672</u>
Intergovernmental	<u>1,656,381</u>	<u>448,606</u>	<u>446,840</u>	<u>(1,766)</u>
Charges for Services	<u>617,392</u>	<u>610,755</u>	<u>676,746</u>	<u>65,991</u>
Investment Income	<u>70,500</u>	<u>42,000</u>	<u>46,168</u>	<u>4,168</u>
Miscellaneous				
Administration	174,000	184,627	184,627	-
Other	88,900	93,265	80,496	(12,769)
Total Miscellaneous	<u>262,900</u>	<u>277,892</u>	<u>265,123</u>	<u>(12,769)</u>
Total Revenues	<u>14,067,125</u>	<u>12,880,555</u>	<u>13,911,308</u>	<u>1,030,753</u>
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	<u>2,594,459</u>	<u>2,411,952</u>	<u>2,471,974</u>	<u>60,022</u>

(Continued)

CITY OF ARNOLD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED AUGUST 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
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	<u>5,704,674</u>	<u>5,636,479</u>	<u>5,482,631</u>	<u>(153,848)</u>
Public Works	<u>728,772</u>	<u>576,132</u>	<u>505,578</u>	<u>(70,554)</u>
Highways and Streets	<u>1,433,655</u>	<u>1,246,688</u>	<u>1,210,324</u>	<u>(36,364)</u>
Parks and Recreation	<u>573,576</u>	<u>562,813</u>	<u>519,139</u>	<u>(43,674)</u>
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	<u>1,125,799</u>	<u>1,059,210</u>	<u>1,054,900</u>	<u>(4,310)</u>
Capital Outlay	<u>2,242,679</u>	<u>1,126,903</u>	<u>1,032,639</u>	<u>(94,264)</u>
Debt Service	<u>847,536</u>	<u>816,982</u>	<u>816,314</u>	<u>(668)</u>
Total Expenditures	<u>15,251,150</u>	<u>13,437,159</u>	<u>13,093,499</u>	<u>(343,660)</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(1,184,025)</u>	<u>(556,604)</u>	<u>817,809</u>	<u>1,374,413</u>
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)	<u>792,825</u>	<u>753,310</u>	<u>772,895</u>	<u>19,585</u>
NET CHANGE IN FUND BALANCE	<u>\$ (391,200)</u>	<u>196,706</u>	<u>1,590,704</u>	<u>1,393,998</u>
FUND BALANCE, SEPTEMBER 1			<u>8,984,069</u>	
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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
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

	2010	2009
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
	\$ 22,643,912	19,951,255
Total Assets		
 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	7,785,333	6,797,277
 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	14,858,579	13,153,978
Total Liabilities And Fund Balances	\$ 22,643,912	19,951,255

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

	2010	2009
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	19,386,153	16,189,706
 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	21,789,002	17,982,788
 REVENUES UNDER EXPENDITURES	(2,402,849)	(1,793,082)
 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)	4,107,450	4,034,981
 NET CHANGE IN FUND BALANCES	1,704,601	2,241,899
 FUND BALANCES, SEPTEMBER 1	13,153,978	10,912,079
 FUND BALANCES, AUGUST 31	\$ 14,858,579	13,153,978

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

	Special Revenue Funds		
	Tourism	Drug Forfeiture	Totals
ASSETS			
Cash and investments	\$ -	49,990	49,990
Receivables:			
Taxes	15,298	-	15,298
Prepaid items	36,845	-	36,845
Total Assets	\$ 52,143	49,990	102,133
 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	110,814	-	110,814
 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)	(58,671)	49,990	(8,681)
Total Liabilities And Fund Balances (Deficit)	\$ 52,143	49,990	102,133

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

	Special Revenue Funds		
		Drug	
	Tourism	Forfeiture	Totals
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	391,875	55,467	447,342
EXPENDITURES			
Current:			
General government	422,403	-	422,403
Public safety	-	30,827	30,827
Total Expenditures	422,403	30,827	453,230
REVENUES OVER (UNDER)			
EXPENDITURES	(30,528)	24,640	(5,888)
OTHER FINANCING USES			
Transfers out	(10,000)	-	(10,000)
NET CHANGE IN FUND BALANCES (DEFICIT)	(40,528)	24,640	(15,888)
FUND BALANCES (DEFICIT), SEPTEMBER 1	(18,143)	25,350	7,207
FUND BALANCES (DEFICIT), AUGUST 31	\$ (58,671)	49,990	(8,681)

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

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
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	\$ 2,932	(38,466)	(40,528)	(2,062)
 FUND DEFICIT, SEPTEMBER 1			(18,143)	
 FUND DEFICIT, AUGUST 31			\$ (58,671)	

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>	

INTRODUCTION

FINANCIAL

**FINANCIAL
STATEMENTS**

**SUPPLEMENTAL
INFORMATION**

STATISTICS



for the Fiscal Year ended
August 31, 2010

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	68 - 72
Revenue Capacity These schedules contain information to help the reader assess the City's local revenue sources.	73 - 80
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	81 - 84
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	85 - 86
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	87 - 89

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ARNOLD, MISSOURI
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS

	August 31							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities								
Invested in capital assets, net of related debt	\$ 61,515,001	60,433,335	60,816,793	64,429,584	61,737,432	60,501,363	43,980,742	36,551,411
Restricted	6,468,111	6,129,354	2,524,622	1,250,000	1,389,706	2,059,448	2,422,228	1,902,327
Unrestricted	(20,627,178)	(18,506,005)	(13,295,644)	(11,268,830)	5,890,607	6,414,258	17,507,321	22,394,361
Total Governmental Activities								
Net Assets	<u>\$ 47,355,934</u>	<u>48,056,684</u>	<u>50,045,771</u>	<u>54,410,754</u>	<u>69,017,745</u>	<u>68,975,069</u>	<u>63,910,291</u>	<u>60,848,099</u>
Business-type Activities								
Invested in capital assets, net of related debt	\$ 11,847,340	10,925,826	11,615,431	13,812,089	12,963,653	11,501,918	11,258,683	10,941,507
Restricted	906,603	1,001,303	7,146,872	5,064,591	842,007	804,700	1,299,950	300,905
Unrestricted	4,873,833	4,777,204	(2,255,279)	(2,005,776)	1,434,544	1,593,564	1,461,173	2,827,318
Total Business-type Activities								
Net Assets	<u>\$ 17,627,776</u>	<u>16,704,333</u>	<u>16,507,024</u>	<u>16,870,904</u>	<u>15,240,204</u>	<u>13,900,182</u>	<u>14,019,806</u>	<u>14,069,730</u>
Primary Government								
Invested in capital assets, net of related debt	\$ 73,362,341	71,359,161	72,432,224	78,241,673	74,701,085	72,003,281	55,239,425	47,492,918
Restricted	7,374,714	7,130,657	9,671,494	6,314,591	2,231,713	2,864,148	3,722,178	2,203,232
Unrestricted	(15,753,345)	(13,728,801)	(15,550,923)	(13,274,606)	7,325,151	8,007,822	18,968,494	25,221,679
Total Primary Government								
Net Assets	<u>\$ 64,983,710</u>	<u>64,761,017</u>	<u>66,552,795</u>	<u>71,281,658</u>	<u>84,257,949</u>	<u>82,875,251</u>	<u>77,930,097</u>	<u>74,917,829</u>

Source: Basic financial statements

GASB 34 was implemented in 2003.

CITY OF ARNOLD, MISSOURI

**CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS**

	For The Years Ended August 31							
	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES								
Governmental Activities								
General government	\$ 3,486,489	3,597,393	3,606,327	2,026,103	2,646,655	1,935,204	2,092,831	1,760,587
Public safety	5,498,118	5,383,461	5,037,988	5,162,582	5,141,027	4,824,236	4,448,556	4,192,120
Public works	396,500	372,884	1,544,873	3,648,054	2,025,478	1,049,519	837,772	1,020,872
Highways and streets	2,882,196	2,660,880	3,217,725	445,648	1,405,773	2,275,559	845,437	1,191,238
Parks and recreation	2,205,143	2,130,516	2,166,365	1,990,090	1,889,036	761,557	585,666	563,526
Health and sanitation	1,054,674	1,157,513	927,232	884,918	826,303	883,772	985,793	986,340
Economic development	3,413,600	335,457	4,445,699	16,554,301	-	-	-	-
Interest on long-term debt	3,366,950	2,948,229	2,752,694	1,584,135	656,208	749,147	779,696	290,267
Total Governmental Activities Expenses	22,303,670	18,586,333	23,698,903	32,295,831	14,590,480	12,478,994	10,575,751	10,004,950
Business-type Activities								
Sewer system	3,678,042	3,658,824	4,036,658	2,139,774	1,869,840	1,480,804	1,526,476	1,459,541
Storm water	622,227	388,188	256,127	127,061	37,899	-	-	-
Golf	712,700	670,794	670,153	427,304	-	-	-	-
Total Business-type Activities Expenses	5,012,969	4,717,806	4,962,938	2,694,139	1,907,739	1,480,804	1,526,476	1,459,541
Total Primary Govern- ment Expenses	27,316,639	23,304,139	28,661,841	34,989,970	16,498,219	13,959,798	12,102,227	11,464,491
PROGRAM REVENUES								
Governmental Activities								
Charges for services:								
General government	627,522	610,250	560,900	526,293	346,148	378,591	332,215	307,012
Public safety	1,552,797	1,474,468	1,481,357	1,694,748	1,379,817	1,223,932	963,583	801,586
Parks and recreation	1,307,476	1,142,149	1,148,889	1,187,075	920,846	108,730	177,910	93,075
Health and sanitation	569,093	32,845	35,505	19,568	14,888	15,144	16,057	14,763
Operating grants and contributions	1,122,352	1,089,981	1,134,789	1,144,088	1,138,664	1,004,539	1,002,252	1,071,808
Capital grants and contributions	2,625,844	255,553	956,755	1,331,064	781,372	4,928,205	928,132	1,423,045
Total Governmental Activities Program Revenues	7,805,084	4,605,246	5,318,195	5,902,836	4,581,735	7,659,141	3,420,149	3,711,289
Business-type Activities								
Charges for services:								
Sewer system	3,816,409	3,383,075	2,969,723	2,685,117	2,492,669	1,153,188	1,207,243	1,147,048
Storm water	570,520	579,425	557,094	513,150	61,267	-	-	-
Golf	407,735	480,578	473,022	401,008	-	-	-	-
Operating grants and contributions	29,382	21,011	-	-	-	-	-	-
Capital grants and contributions	806,725	60,407	-	-	-	-	-	-
Total Business-type Activities Program Revenues	5,630,771	4,524,496	3,999,839	3,599,275	2,553,936	1,153,188	1,207,243	1,147,048
Total Primary Govern- ment Program Revenues	13,435,855	9,129,742	9,318,034	9,502,111	7,135,671	8,812,329	4,627,392	4,858,337
NET REVENUES (EXPENSES)								
Governmental activities	(14,498,586)	(13,981,087)	(18,380,708)	(26,392,995)	(10,008,745)	(4,819,853)	(7,155,602)	(6,293,661)
Business-type activities	617,802	(193,310)	(963,099)	905,136	646,197	(327,616)	(319,233)	(312,493)
Total Primary Govern- ment Net Revenues (Expenses)	(13,880,784)	(14,174,397)	(19,343,807)	(25,487,859)	(9,362,548)	(5,147,469)	(7,474,835)	(6,606,154)

(Continued)

CITY OF ARNOLD, MISSOURI
CHANGES IN NET ASSETS (Continued)
LAST EIGHT FISCAL YEARS

	For The Years Ended August 31							
	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS								
Governmental Activities								
Taxes:								
Property	1,767,838	1,448,479	1,125,304	992,520	949,500	863,007	838,929	818,986
Sales	8,492,485	7,619,458	7,018,675	6,860,615	6,771,832	6,745,540	7,368,939	6,040,919
Gross receipts	3,389,556	2,726,791	3,498,852	2,046,144	2,044,454	1,837,302	1,781,808	1,729,838
Miscellaneous	31,616	33,541	34,224	35,611	27,475	27,638	25,835	26,398
Investment income	83,444	131,284	290,449	364,016	242,701	387,852	276,247	172,335
Gain on sale of assets	20,085	-	800	504,457	143,126	18,312	-	-
Miscellaneous	22,812	42,447	2,091,921	1,294,524	221,895	110,114	118,141	188,815
Transfers	(10,000)	(10,000)	(44,500)	(144,683)	(349,562)	(105,134)	(192,105)	(141,868)
Total Governmental Activities General Revenues And Other Changes In Net Assets	<u>13,797,836</u>	<u>11,992,000</u>	<u>14,015,725</u>	<u>11,953,204</u>	<u>10,051,421</u>	<u>9,884,631</u>	<u>10,217,794</u>	<u>8,835,423</u>
Business-type Activities								
Investment income	295,641	380,619	554,719	585,981	344,263	102,858	77,204	82,407
Transfers	10,000	10,000	44,500	144,683	349,562	105,134	192,105	141,868
Total Business-type Activities General Revenues And Other Changes In Net Assets	<u>305,641</u>	<u>390,619</u>	<u>599,219</u>	<u>730,664</u>	<u>693,825</u>	<u>207,992</u>	<u>269,309</u>	<u>224,275</u>
Total Primary Government General Revenues And Other Changes In Net Assets	<u>14,103,477</u>	<u>12,382,619</u>	<u>14,614,944</u>	<u>12,683,868</u>	<u>10,745,246</u>	<u>10,092,623</u>	<u>10,487,103</u>	<u>9,059,698</u>
CHANGES IN NET ASSETS								
Governmental activities	(700,750)	(1,989,087)	(4,364,983)	(14,439,791)	42,676	5,064,778	3,062,192	2,541,762
Business-type activities	923,443	197,309	(363,880)	1,635,800	1,340,022	(119,624)	(49,924)	(88,218)
Total Primary Government	<u>\$ 222,693</u>	<u>(1,791,778)</u>	<u>(4,728,863)</u>	<u>(12,803,991)</u>	<u>1,382,698</u>	<u>4,945,154</u>	<u>3,012,268</u>	<u>2,453,544</u>

Source: Basic financial statements

GASB 34 was implemented in 2003.

CITY OF ARNOLD, MISSOURI
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS

	August 31							
	2010	2009	2008	2007	2006	2005	2004	2003
General Fund								
Reserved	\$ 2,176,044	2,139,403	2,584,017	6,271,895	1,608,446	1,261,317	13,331,864	4,875,576
Unreserved	8,398,729	6,844,666	7,105,178	(1,713,188)	2,410,889	3,531,012	4,876,738	17,892,272
Total General Fund	<u>\$ 10,574,773</u>	<u>8,984,069</u>	<u>9,689,195</u>	<u>4,558,707</u>	<u>4,019,335</u>	<u>4,792,329</u>	<u>18,208,602</u>	<u>22,767,848</u>
All Other Governmental Funds								
Reserved	\$ 5,358,284	4,998,863	1,702,485	1,305,838	1,250,000	1,250,000	-	-
Unreserved, reported in: Special Revenue Funds	<u>(1,074,478)</u>	<u>(828,954)</u>	<u>(479,601)</u>	<u>(44,678)</u>	<u>139,706</u>	<u>450,632</u>	-	-
Total All Other Govern- mental Funds	<u>\$ 4,283,806</u>	<u>4,169,909</u>	<u>1,222,884</u>	<u>1,261,160</u>	<u>1,389,706</u>	<u>1,700,632</u>	-	-

Source: Basic financial statements

GASB 34 was implemented in 2003.

Note: No other governmental funds prior to 2005.

CITY OF ARNOLD, MISSOURI
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS

	For The Years Ended August 31							
	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES								
Taxes	\$ 14,551,361	12,279,968	12,209,618	10,866,182	10,753,278	10,439,176	10,969,016	9,542,169
Special assessments	95,886	161,495	551,076	306,798	428,599	319,133	440,386	475,833
Licenses and permits	522,881	615,026	590,067	648,771	501,547	554,273	515,179	444,745
Fines and court costs	1,216,172	1,131,240	1,122,605	1,177,581	1,060,849	797,176	631,699	501,000
Intergovernmental	458,470	138,593	2,592,876	1,910,417	337,205	3,389,943	711,340	1,107,081
Charges for services	2,132,339	1,375,957	1,395,577	1,326,128	937,009	203,181	156,760	119,825
Investment income	83,444	131,284	290,449	364,016	242,701	387,852	276,247	172,335
Miscellaneous	325,600	356,143	421,244	394,194	420,189	281,881	310,048	339,681
Total Revenues	<u>19,386,153</u>	<u>16,189,706</u>	<u>19,173,512</u>	<u>16,994,087</u>	<u>14,681,377</u>	<u>16,372,615</u>	<u>14,010,675</u>	<u>12,702,669</u>
EXPENDITURES								
General government	2,904,369	2,836,320	2,774,026	2,657,615	2,246,139	1,794,740	1,976,501	1,910,074
Public safety	5,513,458	5,530,890	5,087,615	5,124,954	4,790,213	4,446,103	4,045,557	3,915,183
Public works	505,578	424,779	414,040	3,583,152	1,997,244	5,848,333	2,770,280	2,705,462
Highways and streets	1,210,324	994,971	1,363,420	1,093,891	1,046,910	850,141	787,401	1,143,693
Parks and recreation	2,096,335	2,110,396	2,149,106	1,944,788	1,895,233	735,511	666,321	549,509
Health and sanitation	1,054,900	1,157,017	923,881	882,010	823,634	880,191	975,528	983,565
Economic development	3,413,600	335,457	4,445,699	16,554,301	-	-	-	-
Capital outlay	1,100,240	934,502	6,662,933	818,386	1,802,811	12,115,857	5,449,754	2,338,215
Debt service:								
Principal	1,261,679	820,284	612,946	547,723	858,743	1,374,896	1,111,207	840,243
Interest	2,603,519	2,041,283	924,959	721,577	927,996	756,741	787,372	264,736
Bond issue costs	125,000	796,889	244,699	-	-	-	-	391,364
Total Expenditures	<u>21,789,002</u>	<u>17,982,788</u>	<u>25,603,324</u>	<u>33,928,397</u>	<u>16,388,923</u>	<u>28,802,513</u>	<u>18,569,921</u>	<u>15,042,044</u>
REVENUES UNDER EXPENDITURES								
	<u>(2,402,849)</u>	<u>(1,793,082)</u>	<u>(6,429,812)</u>	<u>(16,934,310)</u>	<u>(1,707,546)</u>	<u>(12,429,898)</u>	<u>(4,559,246)</u>	<u>(2,339,375)</u>
OTHER FINANCING SOURCES (USES)								
Issuance of long-term debt	3,319,555	28,485,000	11,555,699	16,554,301	-	-	-	16,380,000
Premium/discount on issuance	-	(235,250)	(34,475)	-	-	-	-	496,132
Refunding of long-term debt	-	(24,236,569)	-	-	-	-	-	-
Issuance of capital lease	777,810	31,800	-	286,378	600,000	400,000	-	-
Proceeds from sale of capital assets	20,085	-	800	504,457	23,626	314,257	-	-
Transfers in	25,000	-	20,000	166,567	-	1,596,205	-	-
Transfers out	(35,000)	(10,000)	(20,000)	(166,567)	-	(1,596,205)	-	-
Total Other Financing Sources (Uses)	<u>4,107,450</u>	<u>4,034,981</u>	<u>11,522,024</u>	<u>17,345,136</u>	<u>623,626</u>	<u>714,257</u>	<u>-</u>	<u>16,876,132</u>
NET CHANGES IN FUND BALANCES								
	<u>\$ 1,704,601</u>	<u>2,241,899</u>	<u>5,092,212</u>	<u>410,826</u>	<u>(1,083,920)</u>	<u>(11,715,641)</u>	<u>(4,559,246)</u>	<u>14,536,757</u>
Debt service as a percentage of non-capital expenditures								
	18.8 %	16.9	7.6	4.3	12.9	17.8	16.8	9.7

Source: Basic financial statements

GASB 34 was implemented in 2003.

CITY OF ARNOLD, MISSOURI
PROGRAM REVENUES BY FUNCTIONS/PROGRAMS
LAST EIGHT FISCAL YEARS

FUNCTIONS/PROGRAMS	Program Revenues							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities								
General government	\$ 787,472	695,250	565,148	526,313	442,738	695,161	496,567	839,186
Public safety	1,731,838	1,555,561	1,541,132	1,746,508	1,455,527	1,262,782	1,058,680	1,118,463
Public works	156,522	73,840	584,512	204,576	475,087	640,969	265,539	207,638
Highways and streets	3,243,512	1,094,219	1,418,309	2,142,388	1,272,649	4,936,355	1,405,396	1,415,564
Parks and recreation	1,315,837	1,152,846	1,172,677	1,262,728	920,846	108,730	177,910	115,675
Health and sanitation	569,903	33,530	36,417	20,323	14,888	15,144	16,057	14,763
Total Governmental Activities	<u>7,805,084</u>	<u>4,605,246</u>	<u>5,318,195</u>	<u>5,902,836</u>	<u>4,581,735</u>	<u>7,659,141</u>	<u>3,420,149</u>	<u>3,711,289</u>
Business-type Activities								
Sewer system	4,623,134	3,443,482	2,969,723	2,685,117	2,492,669	1,153,188	1,207,243	1,147,048
Storm water	599,902	600,436	557,094	513,150	61,267	-	-	-
Golf	407,735	480,578	473,022	401,008	-	-	-	-
Total Business-type Activities	<u>5,630,771</u>	<u>4,524,496</u>	<u>3,999,839</u>	<u>3,599,275</u>	<u>2,553,936</u>	<u>1,153,188</u>	<u>1,207,243</u>	<u>1,147,048</u>
Total Primary Government	<u>\$ 13,435,855</u>	<u>9,129,742</u>	<u>9,318,034</u>	<u>9,502,111</u>	<u>7,135,671</u>	<u>8,812,329</u>	<u>4,627,392</u>	<u>4,858,337</u>

Source: Basic financial statements

GASB 34 was implemented in 2003.

CITY OF ARNOLD, MISSOURI
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes	Sales Taxes	Public Utility Gross Receipts Taxes	Motor Fuel Taxes	Other Taxes	Total
2010	\$ 1,767,838	\$ 8,738,803	\$ 3,274,363	\$ 561,099	\$ 209,258	\$ 14,551,361
2009	1,448,479	7,510,784	2,565,201	552,562	202,942	12,279,968
2008	1,125,304	6,906,699	3,411,545	569,799	196,271	12,209,618
2007	992,520	7,138,297	1,961,536	583,495	190,334	10,866,182
2006	949,500	7,026,936	2,044,454	565,520	166,868	10,753,278
2005	863,007	6,995,014	1,837,302	583,207	160,646	10,439,176
2004	838,929	7,618,703	1,781,808	578,703	150,873	10,969,016
2003	818,986	6,286,576	1,729,837	559,479	147,291	9,542,169
2002	784,409	6,159,926	1,724,863	545,538	120,049	9,334,785
2001	710,966	5,982,216	1,867,444	535,295	119,158	9,215,079

Source: Required supplemental information and basic financial statements

CITY OF ARNOLD, MISSOURI
SALES TAX REVENUE - GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS

Fiscal Year	General Sales Tax (1%)	Recreation Center Sales Tax (.25%)	Jefferson County Shared Capital Improvement Sales Tax	Shared Vehicle Sales Tax	Hotel/Motel Sales Tax (5%)	Jurisdictional Sales Tax	Total Sales Tax
2010	\$ 4,835,105	\$ 1,171,721	\$ 905,185	\$ 195,399	\$ 152,768	\$ 1,478,625	\$ 8,738,803
2009	4,682,730	1,134,223	567,880	190,543	145,115	790,293	7,510,784
2008	4,537,417	1,097,889	620,634	210,498	151,090	289,171	6,906,699
2007	4,262,286	1,030,252	1,416,770	277,683	151,306	-	7,138,297
2006	4,413,425	1,066,625	1,142,674	255,104	149,108	-	7,026,936
2005	4,204,968	1,020,746	1,363,528	249,474	156,298	-	6,995,014

Source: Required supplemental information and basic financial statements

Note: Information prior to 2005 is not available.

CITY OF ARNOLD, MISSOURI
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Calendar Year	Real Property	Railroads And Utilities	Total		Ratio Of Total Assessed Value To Total Estimated Actual Value
				Assessed Value	Estimated Actual Value	
2010	2009	\$ 267,251,900	\$ 6,042,845	\$ 273,294,745	\$ 1,180,555,245	23.1 %
2009	2008	257,603,500	5,639,930	263,243,430	1,144,071,678	23.0
2008	2007	244,660,300	5,698,063	250,358,363	1,096,031,833	22.8
2007	2006	221,014,200	5,640,294	226,654,494	990,383,737	22.9
2006	2005	211,786,300	5,511,854	217,298,154	943,764,731	23.0
2005	2004	188,897,200	5,223,038	194,120,238	835,396,989	23.2
2004	2003	184,774,900	5,254,233	190,029,133	814,846,655	23.3
2003	2002	179,072,600	5,166,281	184,238,881	793,026,020	23.2
2002	2001	176,057,800	5,348,584	181,406,384	781,100,986	23.2
2001	2000	154,909,400	5,075,954	159,985,354	695,836,539	23.0

Notes:

Property has an assessed value to estimated actual value as follows: commercial real estate 32%, residential real estate 19%, agricultural real estate 12%, and personal property 33-1/3%.

The City does not collect tax on personal property and such data is, therefore, not included.

Data for real property owned by exempt organizations is not included as it is not available.

Source: Jefferson County Assessor

CITY OF ARNOLD, MISSOURI
ASSESSED VALUES FOR TAX INCREMENT FINANCING DISTRICTS
LAST THREE FISCAL YEARS

Tax Year	Triangle TIF			Crossroads TIF			Crossroads SubArea #1 TIF		
	Assessed Value	Base Assessed Value	Abated Assessed	Assessed Value	Base Assessed Value	Abated Assessed	Assessed Value	Base Assessed Value	Abated Assessed
2009	\$ 12,397,400	\$ 1,700,400	\$ 10,697,000	\$ 3,188,500	\$ 3,124,400	\$ 64,100	\$ 1,227,500	\$ 1,124,400	\$ 103,100
2008	7,187,300	1,700,400	5,486,900	3,044,600	3,101,600	(57,000)	1,312,800	1,147,200	165,600
2007	2,936,100	1,855,300	1,080,800	3,325,100	3,197,100	128,000	1,312,800	1,147,200	165,600

Source: Jefferson County Assessor

Note: Information prior to 2007 is unavailable.

CITY OF ARNOLD, MISSOURI
PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
City of Arnold	0.397	0.425	0.420	0.420	0.440	0.440	0.450	0.450	0.450	0.450
Overlapping governments:										
State of Missouri	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030
Jefferson County	0.499	0.496	0.530	0.530	0.510	0.500	0.520	0.520	0.500	0.500
Consolidated School No. 6 of Jefferson County	4.563	4.530	4.530	4.520	4.460	4.460	4.600	3.530	3.510	3.500
Rock Community Fire Protection District	0.715	0.707	0.710	0.710	0.940	0.940	0.970	0.960	0.940	0.920
Rock Township Ambulance District	0.127	0.123	0.120	0.120	0.130	0.150	0.230	0.220	0.220	0.220
The Junior College District of Jefferson County	0.336	0.334	0.330	0.330	0.350	0.350	0.350	0.350	0.350	0.230
The Jefferson County Library District	0.188	0.186	0.190	0.190	0.180	0.180	0.190	0.190	0.190	0.190
Surtax-Commercial Only	0.240	0.240	0.240	0.240	0.240	0.240	0.240	0.240	-	-

Source: Jefferson County Assessor (rates stated per \$100 assessed valuation)

CITY OF ARNOLD, MISSOURI
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>2010</u>			<u>2001</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage Of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percentage Of Total City Taxable Assessed Value</u>
Walmart Real Est Bus Trust 55	\$ 4,730,400	1	1.73 %	\$ -	-	- %
Metal Container Corporation	3,835,600	2	1.40	-	-	-
THF Arnold Triangle Dev LLC	3,700,400	3	1.35	-	-	-
Schnuck's	2,964,500	4	1.08	-	-	-
Water Tower LLC	2,638,300	5	0.97	-	-	-
The Home Depot	2,542,600	6	0.93	-	-	-
Target	2,496,000	7	0.91	-	-	-
Dierberg's Market	2,453,300	8	0.90	-	-	-
Suellentrop Family Partnership LP	2,401,700	9	0.88	-	-	-
Convergy's Corporation	2,375,900	10	0.87	-	-	-
	<u>\$ 30,138,700</u>		<u>11.02 %</u>	<u>\$ -</u>		<u>- %</u>

Note: The information for 2001 was not obtainable. These records are not readily accessible from Jefferson County.

Source: Jefferson County Assessor

CITY OF ARNOLD, MISSOURI
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Tax Levy Year</u>	<u>Net Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent Collected As Current</u>	<u>Delinquent Tax Collections (2)</u>	<u>Total Tax Collections</u>	<u>Total Collections As Percent Of Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes As Percent Of Levy</u>
2010	2009	\$ 1,023,806	\$ 1,003,897	98.1 %	\$ 47,468	\$ 1,051,365	102.7 %	\$ 19,909	1.9 %
2009	2008	1,072,745	1,042,501	97.2	40,187	1,082,688	100.9	30,244	2.8
2008	2007	1,032,992	982,678	95.1	14,224	996,902	96.5	50,314	5.0
2007	2006	992,520	951,674	95.9	14,046	965,720	97.3	40,846	4.2
2006	2005	944,339	897,486	95.0	8,619	906,105	96.0	57,677	6.4
2005	2004	859,110	802,501	93.4	15,718	818,219	95.2	23,218	2.8
2004	2003	834,414	809,603	97.0	14,358	823,961	98.7	24,812	3.0
2003	2002	814,105	759,996	93.4	59,237	819,233	100.6	36,228	4.4
2002	2001	780,778	730,130	93.5	51,280	781,410	100.1	16,345	2.1
2001	2000	708,787	661,782	93.4	46,057	707,839	99.9	16,978	2.4

(1) Originally adjusted for strike offs and additions by the Board of Equalization after 1978.

(2) Data for delinquent tax collection, excluding penalties and interest, is not available by levy year.

Source: Jefferson County Collector's office

CITY OF ARNOLD, MISSOURI
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Percentage Of Personal Income (1)	Per Capita
	Capital Lease Obligations	Certificates Of Participation	Leasehold Revenue Bonds	Revenue Bonds	Tax Increment Revenue Notes & Bonds	Revenue Bonds	Capital Lease Obligations	Notes Payable			
2010	\$ 768,269	\$ -	\$ 14,090,000	\$ 6,670,000	\$ 31,359,555	\$ 14,750,416	\$ 47,135	\$ 16,120,537	\$ 83,805,912	- %	\$ 4,066
2009	217,138	-	14,455,000	6,895,000	28,485,000	15,363,416	47,502	16,521,497	81,984,553	-	3,979
2008	455,622	-	14,790,000	7,110,000	21,000,000	15,941,166	79,603	22,780,378	82,156,769	-	3,990
2007	763,568	-	15,095,000	-	16,554,301	13,949,166	-	4,732,255	51,094,290	-	2,460
2006	749,910	-	15,370,000	-	-	10,120,833	-	842,007	27,082,750	-	1,327
2005	328,654	440,000	15,610,000	-	-	1,285,775	-	804,700	18,469,129	-	905
2004	48,550	650,000	16,655,000	-	-	1,410,275	-	875,700	19,639,525	5.02	975
2003	239,757	855,000	17,370,000	-	-	1,676,775	-	942,100	21,083,632	5.41	1,052
2002	-	1,055,000	1,870,000	-	-	1,926,025	-	1,004,600	5,855,625	1.51	294
2001	-	1,260,000	2,335,000	-	-	2,154,525	-	1,065,700	6,815,225	1.76	342

(1) See Demographics and Economic Statistics Table

Note: Details regarding the City's outstanding debt can be found in the notes to financial statements.

CITY OF ARNOLD, MISSOURI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AUGUST 31, 2010

<u>Name Of Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share Of Overlapping Debt</u>
The Junior College District of Jefferson County	\$ -	12.40 %	\$ -
Consolidated School No. 6 of Jefferson County	<u>33,820,000</u>	42.35	<u>14,321,623</u>
	33,820,000		14,321,623
City direct debt	<u>83,805,912</u>	100.00 %	<u>83,805,912</u>
Total Direct And Overlapping Debt	<u><u>\$ 117,625,912</u></u>		<u><u>\$ 98,127,535</u></u>

Source: Information was obtained by contacting the Taxing Jurisdiction and the Jefferson County Collector's office. The percentage applicable to the City is based on the jurisdiction's assessed value within the boundaries of the City.

CITY OF ARNOLD, MISSOURI
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Years									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt limit	\$ 35,520,119	34,691,869	33,081,629	30,513,314	28,247,720	25,534,112	25,363,969	25,018,687	24,752,032	22,021,812
Net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 35,520,119</u>	<u>34,691,869</u>	<u>33,081,629</u>	<u>30,513,314</u>	<u>28,247,720</u>	<u>25,534,112</u>	<u>25,363,969</u>	<u>25,018,687</u>	<u>24,752,032</u>	<u>22,021,812</u>
Total Net Debt Applicable To The Limit As Percentage Of Debt Limit	-	%	-	-	-	-	-	-	-	-

Note: Bonded indebtedness is limited by Sections 95.111 and 95.120 of the Missouri Revised Statutes (1986) to 10% of the assessed value of taxable tangible property.

CITY OF ARNOLD, MISSOURI
REVENUE BOND COVERAGE - SEWER FUND
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2010	\$ 4,111,457	\$ 1,619,273	\$ 2,492,184	\$ 613,000	\$ 514,379	\$ 1,127,379	2.21 %
2009	3,759,692	1,582,342	2,177,350	577,750	598,187	1,175,937	1.85
2008	3,500,245	1,647,077	1,853,168	483,000	532,153	1,015,153	1.83
2007	3,252,639	1,091,186	2,161,453	461,667	485,881	947,548	2.28
2006	2,836,932	1,004,157	1,832,775	164,942	317,806	482,748	3.80
2005	1,256,046	865,901	390,145	124,500	85,290	209,790	1.86
2004	1,284,447	932,011	352,436	266,500	99,837	366,337	0.96
2003	1,229,455	890,951	338,504	249,250	113,113	362,363	0.93
2002	1,242,428	752,559	489,869	228,500	124,770	353,270	1.39
2001	1,307,513	780,749	526,764	235,975	143,245	379,220	1.39

Source: Basic financial statements

Note: Operating expenses do not include interest, depreciation or amortization expenses.

CITY OF ARNOLD, MISSOURI
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Median Age (2)	Personal Income (1)	Per Capita Income (2)	School Enrollment	Unemployment Rate (3)
2010	20,609	40.1	N/A	N/A	11,767	9.3 %
2009	20,603	40.1	N/A	N/A	11,646	9.5
2008	20,589	34.9	N/A	N/A	11,535	6.4
2007	20,566	36.7	N/A	N/A	11,459	5.3
2006	20,413	36.7	N/A	N/A	11,459	4.8
2005	20,413	36.7	N/A	N/A	11,554	4.3
2004	20,146	34.9	\$ 391,537,510	\$ 19,435	11,019	3.1
2003	20,049	34.9	389,652,315	19,435	11,019	3.1
2002	19,920	34.9	387,145,200	19,435	11,019	3.1
2001	19,956	34.9	387,844,860	19,435	11,019	3.1

(1) Source: SETA - Office of Social and Economic Trend Analysis

(2) Source: Census Bureau

(3) Source: Missouri Department of Labor

CITY OF ARNOLD, MISSOURI
PRINCIPAL EMPLOYERS
CURRENT YEAR AND EIGHT YEARS AGO

<u>Employer</u>	<u>2010</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent Of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent Of Total City Employment</u>
Convergy's Corporation	1,100	1	5.47 %	950	1	4.73 %
Wal-Mart	340	2	1.69	282	2	1.40
Metal Container Corporation	177	3	0.88	197	5	0.98
Target	168	4	0.84	119	10	0.59
LMC Industries	150	5	0.75	280	3	1.39
Schnuck's	150	6	0.75	200	4	1.00
Texas Roadhouse	150	7	0.75	-	-	N/A
Home Depot	136	8	0.68	163	6	0.81
Dierberg's	135	9	0.67	-	-	N/A
Shop & Save	92	10	0.46	161	7	0.80
Sinclair & Rush	-	-	N/A	136	8	0.68
Kohl's Department Store	-	-	N/A	125	9	0.62
	<u>2,598</u>		<u>12.94 %</u>	<u>2,613</u>		<u>13.00 %</u>

Source: City Clerk's office

CITY OF ARNOLD, MISSOURI
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

FUNCTIONS/PROGRAMS	Full-Time Equivalent Employees As Of August 31									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General government:										
Legislative services	1	1	1	1	1	1	1	1	1	1
Administrative services	7	8	8	8	7	6	5	5	5	4
Maintenance of municipal property	0	0	1	1	1	1	1	1	1	-
Municipal court	2	2	2	2	2	1	1	1	1	1
Finance	4	4	4	4	4	3	3	3	3	3
Police:										
Officers	47	49	48	48	48	47	46	44	46	47
Administrative services	3	3	4	4	4	3	4	4	4	4
Dispatch	8	8	8	8	7	8	8	8	7	7
Public works:										
Administration	3	3	3	3	2	2	2	2	2	2
Street maintenance	8	8	8	8	8	8	8	9	11	13
Fleet	2	2	2	2	2	2	2	2	2	-
Building department:										
Administration	4	4	4	4	4	4	3	3	3	3
Inspectors	1	2	2	2	2	3	3	3	3	4
Engineers	1	1	1	1	1	1	1	-	1	1
Parks and recreation:										
Administration	1	3	3	3	3	3	2	2	3	2
Maintenance	6	6	6	6	4	4	4	3	3	3
Supervisors	1	1	2	2	2	2	-	-	-	-
Sewer:										
Maintenance	8	7	6	5	5	5	5	4	4	4
Storm water:										
Maintenance	4	4	2	2	-	-	-	-	-	-
Health department:										
Administration	1	1	1	1	1	1	1	2	2	2
Rabies controller	2	2	1	1	2	2	2	2	2	2
Golf course:										
Administration	2	2	2	2	-	-	-	-	-	-
Maintenance	1	1	1	1	-	-	-	-	-	-

Source: City payroll department records

CITY OF ARNOLD, MISSOURI
OPERATING INDICATORS BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

FUNCTIONS/PROGRAMS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police - patrol:										
Arrests	2,173	1,748	1,561	1,932	2,183	2,393	2,120	1,998	2,061	4,983
Traffic citations	9,263	13,740	7,178	9,657	8,039	12,028	9,764	8,312	8,342	8,283
Crime reports	14,417	14,970	15,598	15,741	15,072	15,999	15,519	14,753	13,803	14,312
Accident reports	776	912	1,048	964	1,009	1,095	1,020	983	1,066	1,146
Warrants	2,955	2,497	2,145	2,132	2,427	3,128	N/A	N/A	N/A	N/A
Public works:										
Road repair - tons of mix	2,248	1,684	511	816	N/A	N/A	N/A	N/A	N/A	N/A
Traffic control signs serviced	8	8	30	26	19	45	N/A	N/A	N/A	N/A
Weed violations issued - HW	181	159	117	172	140	138	102	95	627	720
Acres mowed and maintained	25	25	25	25	25	25	25	25	25	25
Planning and building:										
Site development/concept plans	21	23	25	43	67	43	67	57	44	28
Rezoning applications	4	1	6	6	5	4	3	4	4	10
Text amendments	1	4	5	8	3	-	1	-	5	3
Building permits issued	480	427	499	633	622	799	736	701	646	567
Building inspections completed	2,520	2,448	2,756	3,200	N/A	N/A	N/A	N/A	N/A	N/A
Finance and administration:										
Merchant licenses issued	68	80	83	86	83	92	89	82	79	89
Payroll checks issued	4,995	4,799	4,677	4,548	4,151	3,209	3,065	3,069	3,137	N/A
Accounts payable processed	4,788	5,011	5,472	4,926	4,419	4,010	3,975	3,899	3,621	N/A
Requests for public records	34	25	44	49	34	8	8	5	9	N/A

Source: City records - various departments listed

CITY OF ARNOLD, MISSOURI
CAPITAL ASSETS STATISTICS BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

FUNCTIONS/PROGRAMS	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Marked patrol units	31	29	29	29	29	29	29	29	16	16
Public works:										
Miles of streets	80	80	80	81	81	77	77	77	77	77
Traffic lights and signals	6	6	6	3	3	3	3	3	3	3
Miles of sanitary sewers	242.0	242.0	233.0	98.5	98.5	96.3	96.3	96.3	96.3	95.3
Miles of storm sewers	7.5	7.5	7.5	7.4	7.4	7.4	7.4	7.4	7.4	7.3
Number of pumping stations	6	6	5	9	9	9	9	9	9	9
Parks and recreation:										
Number of parks	5	5	5	5	5	5	5	5	5	5
Acres of parks	485	485	485	485	485	485	485	485	463	463
Tennis courts	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Swimming pools	1	2	3	3	3	3	1	1	1	1
Golf course	1	1	1	1	-	-	-	-	-	-

Source: City finance department records