

INTRODUCTION

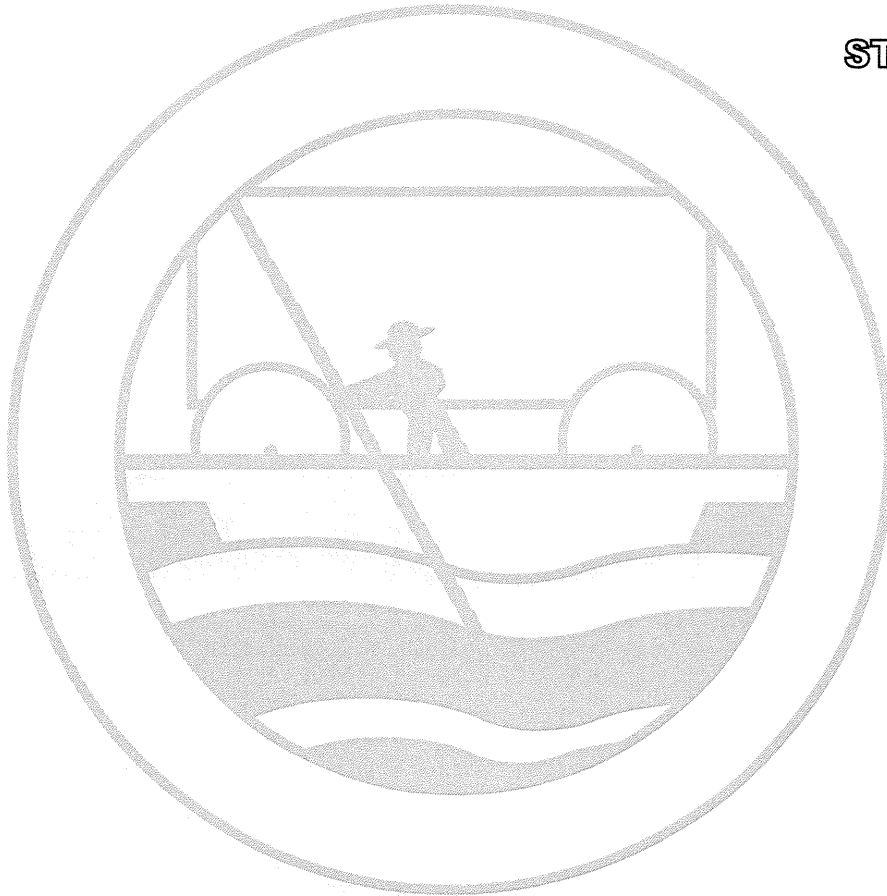
FINANCIAL

FINANCIAL
STATEMENTS

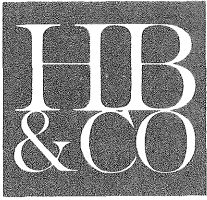
SUPPLEMENTAL
INFORMATION

STATISTICS

FINANCIAL



for the Fiscal Year ended
August 31, 2011



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

INDEPENDENT AUDITORS' REPORT

February 9, 2012

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, 2011, 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 opinions 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, 2011, 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 February 9, 2012, 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 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.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011**

As management of the City of Arnold, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended August 31, 2011. Please read this narrative in conjunction with the letter of transmittal, the basic financial statements, and the accompanying notes to financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$61,459,621 (net assets). The City has a deficit unrestricted net assets totaling \$18,614,772 due to \$33,460,303 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 \$43,739,478 and \$17,720,143, respectively, at fiscal year-end.
- The City's total net assets decreased by \$3,443,401 during the fiscal year, with the combined governmental activities decreasing by \$3,535,768 while the combined business-type activities increased by \$92,367.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,723,267, an increase of \$945,376 in comparison to the prior year.
- The City's total debt, including compensated absences, increased by \$339,960 during the current fiscal year to a total of \$85,001,986. The key factor in this increase was the issuance of tax increment financing notes for the Arnold Crossroads Sub-Area #1 project in the amount of \$3,000,000.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with broad information about the City's finances, similar to those used by private-sector companies. The two government-wide statements, **Statement of Net Assets** and **Statement of Activities**, report the City's net assets and how they have changed. In the government-wide statements, a distinction is made between governmental-type activities and business-type activities. Governmental-type activities are those activities that are normally associated with the operation of a government such as health, highways, public safety, and parks. Business-type activities are those activities of a 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, 2011**

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.

The government-wide financial statements can be found on pages 14 and 15 of this report.

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

	Fund Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks and recreation	Activities the City operates similar to private businesses: golf course, sewer system, and storm water system	Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plan for City employees
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balance	* Statement of net assets * Statement of revenues, expenses, and changes in net assets	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011**

The City adopts annual appropriated budgets for its General Fund, Recreation Center Fund, Special Allocation 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 and 25 of this report.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplemental information* concerning budgetary presentations of budget to actual amounts. Required supplemental information can be found on pages 56 through 60 of this report. Other supplemental information found on pages 61 through 66 contain comparative governmental funds statements and combining and individual statements for the nonmajor governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$61,459,621 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 four categories of net assets (invested in capital assets, net of related debt; restricted for capital improvements; restricted for debt service; and restricted for public safety); however, its unrestricted net assets had a deficit balance of \$18,614,772.

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011**

Table A-2
City's Net Assets as of August 31, 2010 and 2011
(In thousands of dollars)

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Current and other assets	\$ 22,133	22,378	8,430	7,750	30,563	30,128
Capital assets	83,199	80,923	41,980	41,666	125,179	122,589
Total assets	<u>105,332</u>	<u>103,301</u>	<u>50,410</u>	<u>49,416</u>	<u>155,742</u>	<u>152,717</u>
Long-term debt outstanding	53,669	55,351	31,055	29,813	84,724	85,164
Other liabilities	4,388	4,210	1,727	1,883	6,115	6,093
Total liabilities	<u>58,057</u>	<u>59,561</u>	<u>32,782</u>	<u>31,696</u>	<u>90,839</u>	<u>91,257</u>
Net assets invested in capital assets, net of related debt	61,515	60,190	11,847	12,568	73,362	72,758
Restricted for capital improvements	571	600	-	-	571	600
Restricted for debt service	5,897	5,874	907	805	6,804	6,679
Restricted for public safety	-	38	-	-	-	38
Unrestricted	<u>(20,708)</u>	<u>(22,962)</u>	<u>4,874</u>	<u>4,347</u>	<u>(15,834)</u>	<u>(18,615)</u>
Total net assets	<u>\$ 47,275</u>	<u>43,740</u>	<u>17,628</u>	<u>17,720</u>	<u>64,903</u>	<u>61,460</u>

The largest portion of the City's net assets, \$72,757,740 in 2011 (a decrease of approximately 0.8% from 2010), 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, \$7,316,653 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 \$18,614,772 in 2011. This change of \$2,780,739 over 2010's deficit balance is due to the issuance of Arnold Crossroads Sub-Area #1 TIF notes in the amount of \$3,000,000 for infrastructure assets not owned by the City. These TIF notes are limited obligations of the City and will be retired by the incremental increase in property and sales tax revenues generated within the TIF district.

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011**

Table A-3
Change in City's Net Assets for the Years Ended August 31, 2010 and 2011
(In thousands of dollars)

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>		<i>Change</i>
	<i>Activities</i>		<i>Activities</i>				<i>2010-2011</i>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	
Revenues							
Program revenues:							
Charges for services	\$ 4,057	3,327	4,795	4,980	8,852	8,307	(6.16) %
Operating grants	1,122	1,051	29	-	1,151	1,051	(8.69)
Capital grants	2,626	66	807	2	3,433	68	(98.02)
General revenues							
Taxes	13,682	14,165	-	-	13,682	14,165	3.53
Investment income	83	86	296	274	379	360	(5.01)
Miscellaneous	43	172	-	-	43	172	300.00
Total revenues	<u>21,613</u>	<u>18,867</u>	<u>5,927</u>	<u>5,256</u>	<u>27,540</u>	<u>24,123</u>	(12.41)
Expenses							
General government	3,486	3,631	-	-	3,486	3,631	4.16
Public safety	5,498	5,513	-	-	5,498	5,513	0.27
Public works	397	450	-	-	397	450	13.35
Highways and streets	2,882	3,056	-	-	2,882	3,056	6.04
Parks and recreation	2,205	2,173	-	-	2,205	2,173	(1.45)
Health and sanitation	1,055	1,148	-	-	1,055	1,148	8.82
Economic development	3,414	3,111	-	-	3,414	3,111	(8.88)
Sewer system	-	-	3,678	3,867	3,678	3,867	5.14
Storm water system	-	-	622	559	622	559	(10.13)
Golf course	-	-	713	748	713	748	4.91
Interest on long-term debt	3,367	3,310	-	-	3,367	3,310	(1.69)
Total expenses	<u>22,304</u>	<u>22,392</u>	<u>5,013</u>	<u>5,174</u>	<u>27,317</u>	<u>27,566</u>	0.91
Excess (deficiency) before transfers	(691)	(3,525)	914	82	223	(3,443)	(1,643.95)
Transfers	(10)	(10)	10	10	-	-	-
Increase (decrease) in net assets	<u>(701)</u>	<u>(3,535)</u>	<u>924</u>	<u>92</u>	<u>223</u>	<u>(3,443)</u>	(1,643.95)
Net assets - September 1	<u>47,976</u>	<u>47,275</u>	<u>16,704</u>	<u>17,628</u>	<u>64,680</u>	<u>64,903</u>	0.34
Net assets - August 31	<u>\$ 47,275</u>	<u>43,740</u>	<u>17,628</u>	<u>17,720</u>	<u>64,903</u>	<u>61,460</u>	(5.30) %

Governmental activities. Governmental activities decreased the City's net assets by \$3,535,768. Key elements of this net decrease are as follows:

- Property tax revenues increased by \$188,540 or 10.7%. 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.
- Sales tax revenues were \$441,784 or 5.2% higher than last year. This can be attributed to an upturn in the local economy.
- This year's gross receipts tax revenue was \$149,728 or 4.4% lower because of a one-time settlement of mobile telephone services lawsuit with a major telecommunication company resolved last year.

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011**

- Overall charges for services revenue registered a decrease of 18.0% or \$730,308 as compared to 2010. Charges for General Government services were lower than last year by \$177,604 or 28.3%. This can be attributed to changes in the City's tourism program. A reduction in automated traffic enforcement fines and improvement plan and grading fees resulted in Public Safety service fees below last year by \$208,686 or 13.4%. Health and sanitation service revenue decreased 60.6% or \$344,710 due to the reinstatement of no-fee trash collection for residents.
- Capital grant funding decreased by \$2,559,728 or 97.5% as compared to prior year as no new subdivisions were completed. Operating grants and contributions decreased \$71,552 or 6.4% due in part to the funding lost for the Cops in School program.
- Investment income shows a slight increase of \$3,002 or 3.6% during the current year.
- Overall expenses increased this year, \$22,392,049, as compared to \$22,303,670 in 2010, a 0.4% change or \$88,379.

Figure A-1

Sources of Revenue – Governmental Activities

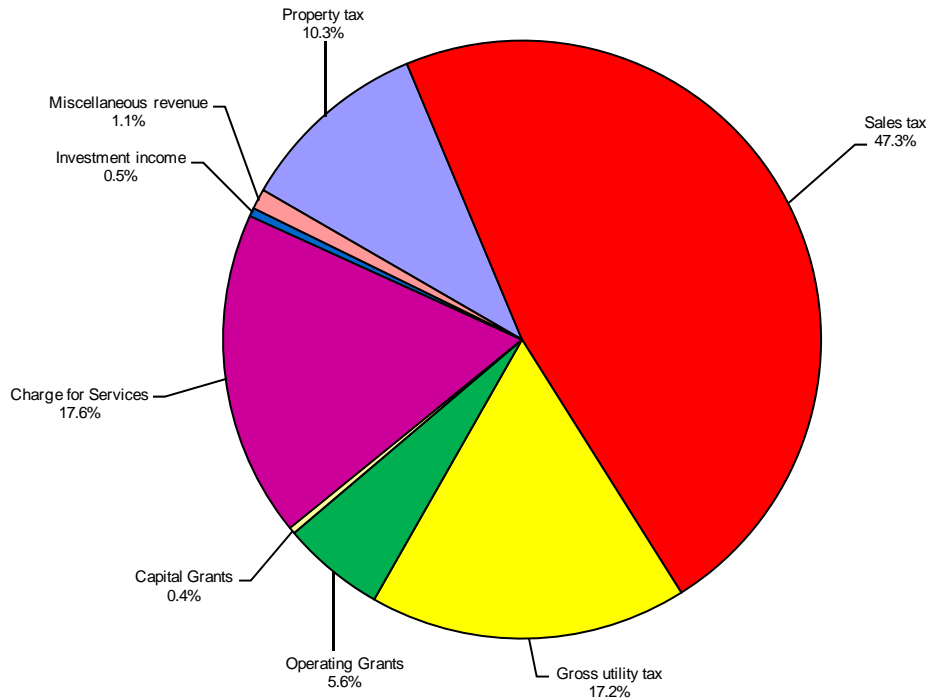


Figure A-2

Expenses by Function – Governmental Activities

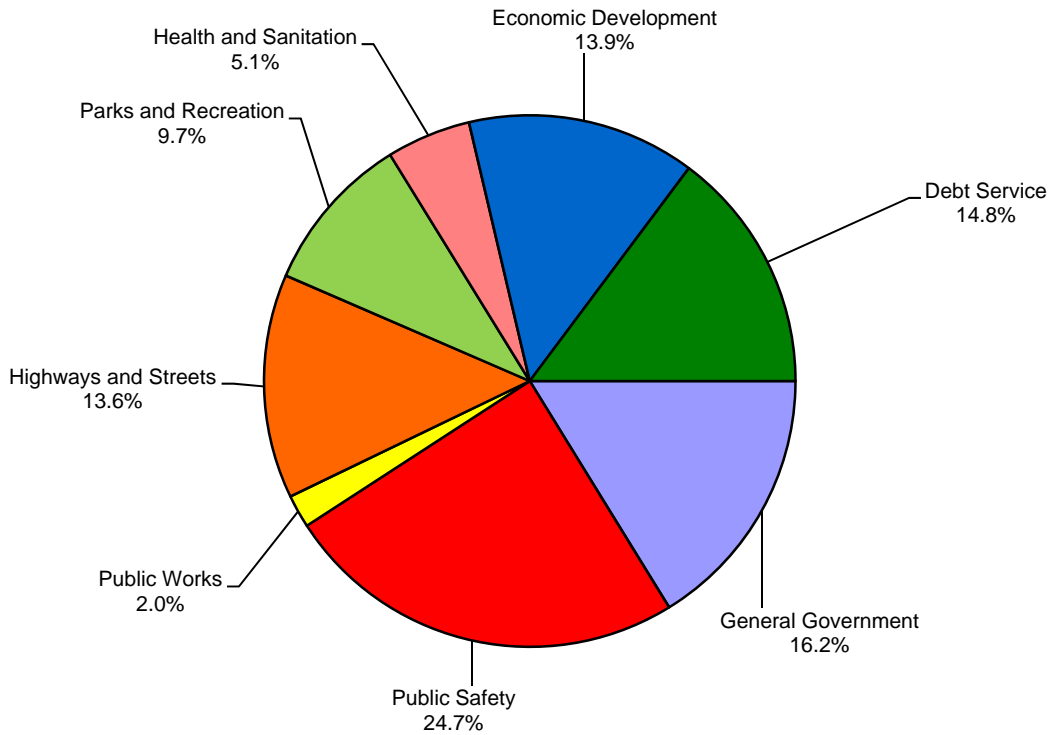


Table A-4 presents the cost of each of the City's seven governmental functions - general government including economic development, public safety (police, code enforcement, courts, and justice services), public works, highways and streets, parks and recreation (parks and recreation center), and health 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 \$22,392,049.
- However, the amount that our taxpayers paid for these activities through City taxes was \$14.2 million. Some of the costs were paid by:
 - Those who directly benefited from the programs,
 - Issuance of debt in conjunction, or
 - Other governments and organizations that subsidized certain programs with grants and contributions.

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011**

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

	Total Cost Of Services			Change 2010-2011	Net Cost Of Services		
	2010	2011			2010	2011	Change 2010-2011
General government	\$ 3,486	3,631	4.16 %	\$ 2,699	3,178	17.75 %	
Public safety	5,498	5,513	0.27	3,766	4,077	8.26	
Public works	397	450	13.35	240	450	0.88	
Highways and streets	2,882	3,056	6.04	(361)	2,057	669.81	
Parks and recreation	2,205	2,173	(1.45)	889	858	(3.49)	
Health and sanitation	1,055	1,148	8.82	485	907	87.01	
Economic development	3,414	3,111	(8.88)	3,414	3,111	(8.88)	
Interest on long-term debt	3,367	3,310	(1.69)	3,367	3,310	(1.69)	
Total	\$ 22,304	22,392	0.39 %	\$ 14,499	17,948	23.79 %	

Business-type activities. Business activities increased the City's net assets by \$92,367. Key elements of this increase are as follows:

- Charges for sewer services increased by \$134,932 or 3.5% during the current year. Sewer usage rates remain the same as the prior year. Operating expenses increased \$184,552 or 7.5% as phase 2 of a three-year city-wide sewer irrigation and infiltration study was begun. Depreciation expense was lower than last year by \$52,227 or 6.1%.
- Storm Water Fund charges for services increased \$4,471 or 0.8% while cost of services decreased \$62,177 or 10% due to completion of phase 1 of a storm water infiltration study.
- Despite sluggish economic conditions and some flooding charges for services increased \$46,356 or 11.4% at the City's public golf course this year. Operating expenses increased \$35,228 or 6.7% this year. Personnel costs of \$18,737 or 53% of this increase were incurred as additional staff was used for reconstruction of a portion of the cart path and clean-up costs. Fuel usage increased \$8,124 or 42% due to path reconstruction. An increase in depreciation expense of \$6,626 or 20% accounts for the majority of the remaining change.
- Investment income for all business-type activities decreased by \$22,084 or 7.5% due to lower 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 \$11,683,589, an increase of \$1,189,504 in comparison with the prior year. Of this amount \$511,169 represents prepaid expenditures and is nonspendable and \$563,726 has been restricted for debt service. The City Council has committed portions of fund balance as follows: 1) \$69,523 for services and street improvements, 2) \$883,724 for the construction of sewer sub-districts, 3) \$158,028 for greenway beautification, 3) \$231,003 for economic development, 4) \$9,066 for the pride in our City program, and 5) \$43,775 in support of a city bus route. The remaining unassigned fund balance is \$9,213,575.

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011**

The Recreation Center Fund has completed its sixth 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 \$26,509. Of this balance, prepaid expenditures totaling \$296 are reported as nonspendable, \$1,261,170 has been restricted for debt service reserve, and (\$1,234,957) is reported as unassigned. Fund balance for this year is \$203,811 or 88.5% lower than last year. As predicted prior to building the recreation center, sales tax receipts have been sufficient to cover debt service. User fees although not adequate to cover operating expenditures, are set at a price point affordable for the vast majority of city residents and reviewed annually.

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 \$4,048,208 or a slight decrease of \$13,959 or 0.3% below last year. Of this amount, 100% is restricted for debt service. In July 2009, bonds in the amount of \$28,485,000 were issued for the Arnold Commons TIF. As of August 2011, \$27,615,000 remains outstanding. Additional notes in the amount of \$3,000,000 were issued this fiscal year for the Arnold Crossroads Sub-Area #1 TIF project. As of August 2011, \$3,319,555 remains outstanding on the Crossroads and \$2,525,748 on the Crossroads Sub-Area #1.

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 \$4,672,941, an increase of \$61,794 over prior year. The balance of unrestricted net assets for the Storm Water Fund amounted to \$362,492, a decrease of \$333,595 from prior year. The Golf Fund ended the year with an unrestricted net asset balance of (\$688,306), down \$254,905 from prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Results for the General Fund this year were better than anticipated by \$1,228,793. Actual total revenues were \$427,498 above final budget while actual total expenditures were \$801,295 below budget.

Actual sales tax revenues were \$285,933 or 5.2% higher than final budget. Of this amount, \$216,503 or 75.7% was in local sales tax receipts. We anticipated little to no growth in retail sales given the economic outlook. Gross receipts tax was \$94,737 or 3.1% over budget.

General government actual expenditures exceeded final budget by \$7,649 or 0.3%. This was driven in part by outside attorney fees incurred on several cases. Public safety actual expenditures were under budget \$30,987 or 0.6%. Of this amount, \$27,460 or 88.6% of this variance was due to a change in dispatchers' scheduling. Weather impeded the completion of the annual concrete slab repair project resulted in highway and street expenditures 7.7% or \$101,466 below budget. Capital outlays ended the year below budget by \$49,484 or 14.8% due to delays on completion of the public works facility. The City took advantage of favorable interest rates and refunded the MDFB Series 2007A bonds this fiscal year resulting in debt service \$559,910 or 58.3% under budget.

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 \$122,589,048 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, and bridges. The decrease in the City's investment in capital assets for the current fiscal year was 2.1% (governmental activities decreased 2.7% and a 0.7% decrease for business-type activities). (See table A-5)

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

- Engineering work began for the Judy Drive NID (\$13,584) and Ozark Drive NID (\$506,483) was finalized. Richardson Road (\$12,022) and AstraWay projects (\$148,951) engineering costs were added to in progress.
- Church Road improvements were moved from construction in progress totaling \$5,238,530.
- A card access system and other security enhancements (\$12,645) were completed at city hall.

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011**

- Highways and Streets purchased a replacement pickup truck (\$21,244).
- Extensive remodeling of the Community Building is underway. Costs are being allocated equally among the General, Sewer, and Storm Water Funds. Construction work in progress for each fund was increased by \$84,545.
- The Storm Water Fund purchased a replacement pickup truck (\$29,226).
- Sunnyside, Woodridge, Fannie, and Irene storm water projects were completed (\$135,609) and the Six Roads South storm water project was added to CWIP (\$6,210).
- Preliminary site work and construction of a salt dome was added to Storm Water Construction work in progress (\$245,865).
- The golf course purchased greens and landscaping equipment totaling \$25,000, an ADA approved golf cart (\$8,450), and POS system (\$9,500).
- Construction on the clubhouse, deck, and cart shed totaling \$48,118 was completed.

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

**Table A-5
City's Capital Assets as of August 31, 2010 and 2011
(Net of depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities		Capital Assets	
	2010	2011	2010	2011	2010	2011
Land	\$ 27,123,488	27,126,645	3,487,514	3,514,046	30,611,002	30,640,691
Buildings	14,290,304	13,696,795	87,249	129,690	14,377,553	13,826,485
Treatment plants	-	-	119,541	103,554	119,541	103,554
Machinery and equipment	379,576	305,256	458,698	412,076	838,274	717,332
Automotive equipment	803,105	684,904	-	-	803,105	684,904
Infrastructure	29,981,524	33,942,887	-	-	29,981,524	33,942,887
Intangibles	-	-	16,340,589	15,992,917	16,340,589	15,992,917
Stormwater lines	-	-	-	126,231	-	126,231
Sewer lines	-	-	11,342,131	10,957,621	11,342,131	10,957,621
Construction in progress	10,620,845	5,166,204	10,144,018	10,430,222	20,764,863	15,596,426
Total	\$ 83,198,842	80,922,691	41,979,740	41,666,357	125,178,582	122,589,048

Long-term debt. At year-end the City had \$84,370,373 in bonds and notes outstanding - an increase of 0.4% from last year - as shown in Table A-6. Governmental activity debt for fiscal year 2011 was composed of a TIF note for \$3,000,000 issued for the Arnold Crossroads Sub Area #1 project. Additionally, the City refunded the MDFB Revenue Bond Series 2007B in the amount of \$6,670,000 with the issuance of Leasehold Revenue Bonds Series 2010 for \$7,140,000.

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

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 \$36,055,771. The City currently has no general obligation debt outstanding.

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011**

Table A-6
City's Outstanding Debt as of August 31, 2010 and 2011
(In millions of dollars)

	Governmental		Business-type		Total		Change
	Activities		Activities				2010-2011
	2010	2011	2010	2011	2010	2011	
Revenue bonds and notes backed by specific tax and fee revenues)	\$ 52,994	54,557	31,056	29,813	84,050	84,370	0.38 %

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate, not seasonally adjusted, for Jefferson County for August 2011 was 8.7%, which is a decrease from a rate of 7.4% a year ago. This is lower than the state's average unemployment rate of 9.0% and lower than the national average rate of 9.6%, all rates not seasonally adjusted.
- The Consumer Price Index indicates that nationwide and for the Midwest and Northeast regions, inflation has increased 3.8% over the August 2010 rate. Inflationary trends for the Midwest region compare favorably to the South region but higher than the West region indices.

All of these factors were considered in preparing the City's budget for the 2012 fiscal year.

The property tax rate set to support the 2012 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.

The City's sewer base and usage rate was unchanged for calendar 2011. 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 of this year's review will be implemented before mid-calendar year. Storm water fees remain at \$3 per month per equivalent residential unit.

Requests for Information

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

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INTRODUCTION

FINANCIAL

**FINANCIAL
STATEMENTS**

SUPPLEMENTAL
INFORMATION

STATISTICS



FINANCIAL STATEMENTS

for the Fiscal Year ended
August 31, 2011

CITY OF ARNOLD, MISSOURI

STATEMENT OF NET ASSETS

AUGUST 31, 2011

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Transportation Development District</u>
ASSETS				
Cash and investments	\$ 8,879,468	6,012,954	14,892,422	3,765,362
Receivables (net of allowances for uncollectibles):				
Taxes	2,266,805	-	2,266,805	-
Special assessments	1,420,044	-	1,420,044	-
Service fees	-	531,281	531,281	-
Intergovernmental	90,713	-	90,713	-
Miscellaneous	229,503	-	229,503	-
Internal balances	309,068	(309,068)	-	-
Prepaid items	521,454	3,144	524,598	-
Bond issue costs	1,232,522	269,488	1,502,010	-
Restricted assets:				
Cash and investments	6,192,108	1,241,552	7,433,660	1,879,949
Capital improvements sales tax receivable	599,923	-	599,923	-
Net pension asset	636,669	-	636,669	-
Capital assets:				
Land and construction in progress	32,292,849	13,944,268	46,237,117	-
Other capital assets, net of accumulated depreciation	48,629,842	27,722,089	76,351,931	-
Total Assets	<u>103,300,968</u>	<u>49,415,708</u>	<u>152,716,676</u>	<u>5,645,311</u>
LIABILITIES				
Accounts payable	2,003,357	1,256,060	3,259,417	-
Accrued liabilities	187,702	93,073	280,775	-
Accrued interest payable	1,579,555	199,588	1,779,143	-
Unearned revenue	440,209	333,720	773,929	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	1,586,140	1,104,099	2,690,239	560,000
Due in more than one year:				
Long-term debt	53,602,722	28,709,025	82,311,747	19,095,000
Net pension obligation	30,505	-	30,505	-
Net OPEB obligation	131,300	-	131,300	-
Total Liabilities	<u>59,561,490</u>	<u>31,695,565</u>	<u>91,257,055</u>	<u>19,655,000</u>
NET ASSETS				
Invested in capital assets, net of related debt	60,189,604	12,568,136	72,757,740	-
Restricted for capital improvements	599,923	-	599,923	-
Restricted for debt service	5,873,669	804,880	6,678,549	1,879,949
Restricted for public safety	38,181	-	38,181	-
Restricted for transportation development	-	-	-	3,765,362
Unrestricted	(22,961,899)	4,347,127	(18,614,772)	(19,655,000)
Total Net Assets	<u>\$ 43,739,478</u>	<u>17,720,143</u>	<u>61,459,621</u>	<u>(14,009,689)</u>

CITY OF ARNOLD, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011

FUNCTIONS/PROGRAMS	Program Revenues				Net Revenues (Expenses) And Changes In Net Assets			Component Unit Transportation Development District
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities								
General government	\$ 3,631,193	449,918	-	3,157	(3,178,118)	-	(3,178,118)	-
Public safety	5,513,045	1,344,111	91,376	-	(4,077,558)	-	(4,077,558)	-
Public works	449,991	-	-	-	(449,991)	-	(449,991)	-
Highways and streets	3,056,308	-	936,671	62,959	(2,056,678)	-	(2,056,678)	-
Parks and recreation	2,172,650	1,308,168	6,523	-	(857,959)	-	(857,959)	-
Health and sanitation	1,147,650	224,383	16,230	-	(907,037)	-	(907,037)	-
Economic development	3,111,127	-	-	-	(3,111,127)	-	(3,111,127)	-
Interest on long-term debt	3,310,085	-	-	-	(3,310,085)	-	(3,310,085)	-
Total Governmental Activities	<u>22,392,049</u>	<u>3,326,580</u>	<u>1,050,800</u>	<u>66,116</u>	<u>(17,948,553)</u>	<u>-</u>	<u>(17,948,553)</u>	<u>-</u>
Business-type Activities								
Sewer system	3,866,989	3,951,341	-	-	-	84,352	84,352	-
Storm water	559,128	574,991	-	2,432	-	18,295	18,295	-
Golf	747,928	454,091	-	-	-	(293,837)	(293,837)	-
Total Business-type Activities	<u>5,174,045</u>	<u>4,980,423</u>	<u>-</u>	<u>2,432</u>	<u>-</u>	<u>(191,190)</u>	<u>(191,190)</u>	<u>-</u>
Total Primary Government	<u>\$ 27,566,094</u>	<u>8,307,003</u>	<u>1,050,800</u>	<u>68,548</u>	<u>(17,948,553)</u>	<u>(191,190)</u>	<u>(18,139,743)</u>	<u>-</u>
Component Unit								
Transportation Development District	<u>\$ 2,058,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,058,608)</u>
General Revenues								
Taxes:								
Property					1,956,378	-	1,956,378	-
Sales					8,934,269	-	8,934,269	1,880,004
Gross receipts					3,239,828	-	3,239,828	-
Miscellaneous					33,694	-	33,694	-
Investment income					86,446	273,557	360,003	4,266
Miscellaneous					144,042	-	144,042	-
Gain on sale of capital assets					28,128	-	28,128	-
Transfers					(10,000)	10,000	-	-
Total General Revenues And Transfers					<u>14,412,785</u>	<u>283,557</u>	<u>14,696,342</u>	<u>1,884,270</u>
CHANGES IN NET ASSETS					(3,535,768)	92,367	(3,443,401)	(174,338)
NET ASSETS, SEPTEMBER 1					<u>47,275,246</u>	<u>17,627,776</u>	<u>64,903,022</u>	<u>(13,835,351)</u>
NET ASSETS, AUGUST 31					<u>\$ 43,739,478</u>	<u>17,720,143</u>	<u>61,459,621</u>	<u>(14,009,689)</u>

See notes to financial statements

CITY OF ARNOLD, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2011

	<u>General</u>	<u>Recreation Center</u>	<u>Special Allocation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 8,280,088	561,199	-	38,181	8,879,468
Receivables (net of allowances for uncollectibles):					
Taxes	1,634,698	241,820	370,395	19,892	2,266,805
Special assessments	1,420,044	-	-	-	1,420,044
Intergovernmental	90,713	-	-	-	90,713
Court	126,155	-	-	-	126,155
Miscellaneous	82,915	20,433	-	-	103,348
Due from other funds	2,621,847	-	148,840	959	2,771,646
Prepaid items	511,169	296	-	9,989	521,454
Restricted assets:					
Cash and investments	1,220,958	1,261,170	3,709,980	-	6,192,108
Capital improvements sales tax receivable	599,923	-	-	-	599,923
Total Assets	<u>\$ 16,588,510</u>	<u>2,084,918</u>	<u>4,229,215</u>	<u>69,021</u>	<u>22,971,664</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities					
Accounts payable	\$ 1,831,210	136,355	31,007	4,785	2,003,357
Accrued liabilities	180,321	6,737	-	644	187,702
Due to other funds	119,072	1,601,867	150,000	91,630	1,962,569
Deferred revenue	2,274,309	313,450	-	7,001	2,594,760
Advance from other funds	500,009	-	-	-	500,009
Total Liabilities	<u>4,904,921</u>	<u>2,058,409</u>	<u>181,007</u>	<u>104,060</u>	<u>7,248,397</u>
Fund Balances (Deficit)					
Nonspendable:					
Prepaid items	511,169	296	-	9,989	521,454
Restricted for:					
Debt service	563,726	1,261,170	4,048,208	-	5,873,104
Public safety	-	-	-	38,181	38,181
Committed for:					
Purchase of services and street improvements	69,523	-	-	-	69,523
Sewer subdistrict projects	883,724	-	-	-	883,724
Greenway beautification	158,028	-	-	-	158,028
Economic development	231,003	-	-	-	231,003
Pride in our City	9,066	-	-	-	9,066
City bus route	43,775	-	-	-	43,775
Unassigned	9,213,575	(1,234,957)	-	(83,209)	7,895,409
Total Fund Balances (Deficit)	<u>11,683,589</u>	<u>26,509</u>	<u>4,048,208</u>	<u>(35,039)</u>	<u>15,723,267</u>
Total Liabilities And Fund Balances (Deficit)	<u>\$ 16,588,510</u>	<u>2,084,918</u>	<u>4,229,215</u>	<u>69,021</u>	<u>22,971,664</u>

CITY OF ARNOLD, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2011

Total Fund Balances - Governmental Funds \$ 15,723,267

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 \$121,792,568 and the accumulated depreciation is \$40,869,877. 80,922,691

Certain assets and liabilities are not financial resources (uses) and, therefore, are not reported in the governmental funds.

Net pension asset	636,669
Net pension obligation	(30,505)
Net OPEB obligation	(131,300)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 2,154,551

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	(1,579,555)
Accrued compensated absences	(631,613)
Capital lease obligations payable outstanding	(512,557)
Leasehold revenue bonds outstanding	(20,830,000)
Tax increment revenue bonds outstanding	(27,615,000)
Tax increment revenue notes outstanding	(5,845,303)
Unamortized bond premium	(345,516)
Unamortized bond deferred charges	382,480
Unamortized bond discount	208,647
Unamortized bond issuance cost	1,232,522

Total Net Assets Of Governmental Activities \$ 43,739,478

CITY OF ARNOLD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	<u>General</u>	<u>Recreation Center</u>	<u>Special Allocation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 10,670,137	1,136,159	3,008,444	124,358	14,939,098
Special assessments	111,477	-	-	-	111,477
Licenses and permits	555,788	-	-	-	555,788
Fines and court costs	1,105,288	-	-	-	1,105,288
Intergovernmental	252,021	-	-	11,496	263,517
Charges for services	267,523	1,233,428	-	48,631	1,549,582
Investment income	30,543	55,542	340	21	86,446
Miscellaneous	274,816	29,582	-	4,255	308,653
Total Revenues	<u>13,267,593</u>	<u>2,454,711</u>	<u>3,008,784</u>	<u>188,761</u>	<u>18,919,849</u>
EXPENDITURES					
Current:					
General government	2,735,297	-	27,000	177,538	2,939,835
Public safety	5,424,517	-	-	27,581	5,452,098
Public works	542,848	-	-	-	542,848
Highways and streets	1,211,431	-	-	-	1,211,431
Parks and recreation	517,003	1,616,728	-	-	2,133,731
Health and sanitation	1,147,456	-	-	-	1,147,456
Economic development	-	-	3,111,127	-	3,111,127
Capital outlay	285,382	8,876	-	-	294,258
Debt service:					
Principal	255,712	400,000	899,252	-	1,554,964
Interest	144,687	632,918	1,985,364	-	2,762,969
Bond issuance costs	155,551	-	-	-	155,551
Advance refunding escrow	414,390	-	-	-	414,390
Total Expenditures	<u>12,834,274</u>	<u>2,658,522</u>	<u>6,022,743</u>	<u>205,119</u>	<u>21,720,658</u>
REVENUES OVER (UNDER) EXPEN- DITURES	<u>433,319</u>	<u>(203,811)</u>	<u>(3,013,959)</u>	<u>(16,358)</u>	<u>(2,800,809)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	7,140,000	-	3,000,000	-	10,140,000
Premium on issuance of long-term debt	8,564	-	-	-	8,564
Refunding of long-term debt	(6,420,507)	-	-	-	(6,420,507)
Sale of capital assets	28,128	-	-	-	28,128
Transfers out	-	-	-	(10,000)	(10,000)
Total Other Financing Sources (Uses)	<u>756,185</u>	<u>-</u>	<u>3,000,000</u>	<u>(10,000)</u>	<u>3,746,185</u>
NET CHANGE IN FUND BALANCES	1,189,504	(203,811)	(13,959)	(26,358)	945,376
FUND BALANCES (DEFICIT), SEPTEMBER 1	<u>10,494,085</u>	<u>230,320</u>	<u>4,062,167</u>	<u>(8,681)</u>	<u>14,777,891</u>
FUND BALANCES (DEFICIT), AUGUST 31	<u>\$ 11,683,589</u>	<u>26,509</u>	<u>4,048,208</u>	<u>(35,039)</u>	<u>15,723,267</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, 2011

Net Change In Fund Balances - Governmental Funds \$ 945,376

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 (\$2,706,737) exceeded capital outlays over the capitalization threshold (\$427,429) in the current period. (2,279,308)

The net effect of various miscellaneous transactions involving capital assets:
 Contributed capital assets 3,157

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (84,853)

The issuance of long-term debt (e.g., bonds, notes) 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		(3,000,000)	
Leasehold revenue bonds		(7,140,000)	
Premium		(8,564)	
Deferred charges on refunding		164,897	
Issuance costs		155,551	
Repayments:			
Capital lease obligations payable		255,712	
Revenue bonds payable		6,670,000	
Leasehold revenue bonds		400,000	
Tax increment revenue bonds		425,000	
Tax increment revenue notes		474,252	
Amortization		(86,633)	
Net Adjustment		(1,689,785)	(1,689,785)

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	(460,483)	
Net pension asset	148,661	
Net pension obligation	(30,505)	
Net OPEB obligation	(68,600)	
Accrued compensated absences	(19,428)	(430,355)

Change In Net Assets Of Governmental Activities \$ (3,535,768)

CITY OF ARNOLD, MISSOURI
STATEMENT OF NET ASSETS (DEFICIT) - PROPRIETARY FUNDS
AUGUST 31, 2011

	Business-type Activities - Enterprise Funds			
	Sewer	Storm Water	Golf	Total
ASSETS				
Current Assets				
Cash and investments	\$ 5,299,329	713,625	-	6,012,954
Service fees (net of allowances for uncollectibles)	457,464	73,817	-	531,281
Due from other funds	619	33,856	-	34,475
Prepaid items	321	212	2,611	3,144
Total Current Assets	<u>5,757,733</u>	<u>821,510</u>	<u>2,611</u>	<u>6,581,854</u>
Noncurrent Assets				
Capital assets:				
Land and construction in progress	10,250,184	335,985	3,358,099	13,944,268
Other capital assets, net of accumulated depreciation	27,243,800	241,552	236,737	27,722,089
Total Capital Assets	<u>37,493,984</u>	<u>577,537</u>	<u>3,594,836</u>	<u>41,666,357</u>
Restricted cash and investments	827,257	-	414,295	1,241,552
Advance to other funds	500,009	-	-	500,009
Bond issue costs	179,602	-	89,886	269,488
Total Noncurrent Assets	<u>39,000,852</u>	<u>577,537</u>	<u>4,099,017</u>	<u>43,677,406</u>
Total Assets	<u>44,758,585</u>	<u>1,399,047</u>	<u>4,101,628</u>	<u>50,259,260</u>
LIABILITIES				
Current Liabilities				
Accounts payable	906,546	328,483	21,031	1,256,060
Accrued liabilities	39,565	29,480	24,028	93,073
Due to other funds	100,501	53,229	689,822	843,552
Accrued interest payable	154,305	-	45,283	199,588
Unearned revenues	283,494	47,826	2,400	333,720
Revenue bonds payable - current	543,250	-	105,000	648,250
Capital lease payable - current	-	9,799	-	9,799
Notes payable - current	446,050	-	-	446,050
Total Current Liabilities	<u>2,473,711</u>	<u>468,817</u>	<u>887,564</u>	<u>3,830,092</u>
Noncurrent Liabilities				
Revenue bonds payable	9,499,272	-	4,151,641	13,650,913
Capital lease payable	-	13,605	-	13,605
Notes payable	15,044,507	-	-	15,044,507
Total Noncurrent Liabilities	<u>24,543,779</u>	<u>13,605</u>	<u>4,151,641</u>	<u>28,709,025</u>
Total Liabilities	<u>27,017,490</u>	<u>482,422</u>	<u>5,039,205</u>	<u>32,539,117</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	12,587,520	554,133	(573,517)	12,568,136
Restricted for debt service	480,634	-	324,246	804,880
Unrestricted	4,672,941	362,492	(688,306)	4,347,127
Total Net Assets (Deficit)	<u>\$ 17,741,095</u>	<u>916,625</u>	<u>(937,577)</u>	<u>17,720,143</u>

CITY OF ARNOLD, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS (DEFICIT) - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Business-type Activities - Enterprise Funds			
	Sewer	Storm Water	Golf	Total
OPERATING REVENUES				
Charges for services	\$ 3,951,341	574,991	454,091	4,980,423
OPERATING EXPENSES				
Cost of services	1,718,052	478,121	524,155	2,720,328
Administration	138,000	36,000	-	174,000
Depreciation and amortization	803,706	43,965	39,642	887,313
Total Operating Expenses	<u>2,659,758</u>	<u>558,086</u>	<u>563,797</u>	<u>3,781,641</u>
OPERATING INCOME (LOSS)	<u>1,291,583</u>	<u>16,905</u>	<u>(109,706)</u>	<u>1,198,782</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	272,857	615	85	273,557
Interest expense	(1,207,231)	(1,042)	(184,131)	(1,392,404)
Total Nonoperating Revenues (Expenses)	<u>(934,374)</u>	<u>(427)</u>	<u>(184,046)</u>	<u>(1,118,847)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANS- FERS	357,209	16,478	(293,752)	79,935
CAPITAL CONTRIBUTIONS	-	2,432	-	2,432
TRANSFER IN	-	-	10,000	10,000
CHANGE IN NET ASSETS	357,209	18,910	(283,752)	92,367
NET ASSETS (DEFICIT), SEPTEMBER 1	<u>17,383,886</u>	<u>897,715</u>	<u>(653,825)</u>	<u>17,627,776</u>
NET ASSETS (DEFICIT), AUGUST 31	<u>\$ 17,741,095</u>	<u>916,625</u>	<u>(937,577)</u>	<u>17,720,143</u>

CITY OF ARNOLD, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Sewer</u>	<u>Storm Water</u>	<u>Golf</u>	<u>Total</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,893,747	569,569	402,342	4,865,658
Payments to suppliers	(1,604,604)	(226,294)	(525,079)	(2,355,977)
Payments to employees	(133,533)	(30,817)	-	(164,350)
Net Cash Provided By (Used In) Operating Activities	<u>2,155,610</u>	<u>312,458</u>	<u>(122,737)</u>	<u>2,345,331</u>
Cash flows from noncapital financing activities:				
Due from other funds	6,670	(30,278)	-	(23,608)
Due to other funds	(38,935)	(19,578)	303,528	245,015
Transfer from other funds	-	-	10,000	10,000
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(32,265)</u>	<u>(49,856)</u>	<u>313,528</u>	<u>231,407</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(76,060)	(370,307)	(114,994)	(561,361)
Principal payments on notes payable	(629,980)	-	-	(629,980)
Principal payments on bonds	(581,166)	-	-	(581,166)
Principal payments on capital lease	-	(23,731)	-	(23,731)
Interest expense	(1,374,423)	(1,042)	(184,131)	(1,559,596)
Net Cash Used In Capital And Related Financing Activities	<u>(2,661,629)</u>	<u>(395,080)</u>	<u>(299,125)</u>	<u>(3,355,834)</u>
Cash flows from investing activities:				
Investment income	272,857	615	85	273,557
Proceeds from sale of investments	927,235	-	522,544	1,449,779
Purchase of investments	(827,257)	-	(414,295)	(1,241,552)
Net Cash Provided By Investing Activities	<u>372,835</u>	<u>615</u>	<u>108,334</u>	<u>481,784</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(165,449)	(131,863)	-	(297,312)
CASH AND CASH EQUIVALENTS, SEPTEMBER 1	<u>5,464,778</u>	<u>845,488</u>	<u>-</u>	<u>6,310,266</u>
CASH AND CASH EQUIVALENTS, AUGUST 31	<u><u>\$ 5,299,329</u></u>	<u><u>713,625</u></u>	<u><u>-</u></u>	<u><u>6,012,954</u></u>

CITY OF ARNOLD, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2011

	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)	\$ 1,291,583	16,905	(109,706)	1,198,782
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	803,706	43,965	39,642	887,313
(Increase) decrease in:				
Receivables	(55,313)	(5,770)	-	(61,083)
Prepaid items	(205)	(96)	(2,554)	(2,855)
Increase (decrease) in:				
Accounts payable	113,653	251,923	(4,633)	360,943
Accrued liabilities	4,467	5,183	6,263	15,913
Unearned revenues	(2,281)	348	(51,749)	(53,682)
Total Adjustments	<u>864,027</u>	<u>295,553</u>	<u>(13,031)</u>	<u>1,146,549</u>
Net Cash Provided By (Used in) Operating Activities	<u>\$ 2,155,610</u>	<u>312,458</u>	<u>(122,737)</u>	<u>2,345,331</u>
Noncash operating, financing, and investing activities:				
Contributions of capital assets from developer	<u>\$ -</u>	<u>2,432</u>	<u>-</u>	<u>2,432</u>

CITY OF ARNOLD, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS -
PENSION TRUST FUND
AUGUST 31, 2011

ASSETS

Mutual funds

\$ 6,480,543

NET ASSETS

Held in trust for pension benefits

\$ 6,480,543

CITY OF ARNOLD, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PENSION TRUST FUND
FOR THE YEAR ENDED AUGUST 31, 2011

ADDITIONS

Contributions:

Employer contributions	\$ 497,394
Employee contributions	211,393
Total Contributions	<u>708,787</u>

Investment income:

Net appreciation in fair value of investments, interest, and dividends	635,760
Less - Investment expense	(40,911)
Net Investment Income	<u>594,849</u>
Total Additions	1,303,636

DEDUCTIONS

Retirement benefits	<u>710,014</u>
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CHANGE IN NET ASSETS

593,622

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, SEP-
TEMBER 1

5,886,921

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,
AUGUST 31

\$ 6,480,543

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 also included in the City's reporting entity because of the City's ability to impose its will on the District as the City provides administrative support to the District. The District is organized for the purpose of constructing certain transportation related projects in the City. The District is a component unit of the City and is discretely presented as such in the basic financial statements. Separate financial statements of the District may be obtained from the City's Finance Director.

2. Government-wide and Fund Financial Statements

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due (i.e., matured).

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

The City reports the following major governmental funds:

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

Recreation Center Fund -- This fund is used exclusively for the revenues and expenditures related to the operations of the recreation center. The fund includes the $\frac{1}{4}\%$ parks and recreation center sales tax which is deposited into this fund and used for bi-annual bond payments.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund type:

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Cash, Cash Equivalents, and Investments

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

5. Deposit Administration Contracts

Deposit administration contracts are pooled funds maintained by 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
	<u>2011</u>
General Fund	\$10,600
Enterprise Fund	<u>7,055</u>
Total	<u>\$17,655</u>

7. Due To/From Other Funds

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

8. Prepaid Items

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Restricted Assets

Certain cash and investments set aside for the repayment of various long-term bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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 and storm water lines	50
Infrastructure	30
Intangibles	50

11. Compensated Absences

City employees generally earn vacation at the rate of 0.83 working days per month or 10 days per year. Regular full-time employees having completed 6 years of service earned vacation leave at the rate of 1.25 days per month or 15 days per year. Regular full-time employees having completed 15 years of service earned vacation leave at the rate of 1.67 working days per month or 20 days per year. Regular full-time employees who are separated from service are compen-

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Compensated Absences (Continued)

sated 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. Governmental Fund Balance Classification and Policies

The City's policy is to report the fund balance in the following categories, when applicable, listed from the most restrictive to the least restrictive:

Nonspendable -- The portion of fund balances that is not in a spendable form or is required to be maintained intact.

Restricted -- The portion of fund balance that is subject to external restrictions and constrained to specific purposes imposed by agreement or, through constitutional provisions or by enabling legislation.

Committed -- The portion of fund balance with constraints or limitations by formal action (ordinance) of the City Council, the highest level of decision-making authority.

Assigned -- The portion of fund balance that the City intends to use for a specific purpose, as determined by the City Council or by a City official to which the governing City Council delegates the authority.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Governmental Fund Balance Classification and Policies (Continued)

Unassigned -- Amounts that are available for any purpose; these positive amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available, the City will spend the most restricted dollars before less restricted.

The fund balance of the City's General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The target is to maintain an unassigned fund balance of not less than 34% of annual operating revenues for the fiscal year. Should the balance fall below the 34%, the City will identify a plan to restore the fund balance to its targeted amount. Should the fund balance exceed the 34%, City Council may consider such fund balance surpluses for one-time expenditures that are nonrecurring in nature and which will not require additional future outlays for maintenance, additional staffing, or other recurring expenditures.

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. Encumbrances outstanding at year-end were \$69,523 for the General Fund.

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.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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, 2011, 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, 2011, the City had the following investments:

<u>Investments</u>	<u>Fair 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	\$ 2,205,000	-	1,715,000	490,000	N/A
Repurchase agreement	6,444,000	-	6,444,000	-	AAA
Guaranteed investment contract	280,000	-	-	280,000	Not rated
Governmental securities:					
Federal National Mortgage Association	1,261,160	-	1,261,160	-	AAA
Money market funds	5,630,381	5,630,381	-	-	Not rated
Total Primary Government	<u>15,820,541</u>	<u>5,630,381</u>	<u>9,420,160</u>	<u>770,000</u>	
Component Unit					
Certificates of deposit	245,000	-	245,000	-	N/A
Governmental securities:					
Federal Home Loan Bank	758,327	-	-	758,327	AA
Federal National Mortgage Association	261,510	-	-	261,510	AA
Money market funds	4,380,474	4,380,474	-	-	Not rated
Total Component Unit	<u>5,645,311</u>	<u>4,380,474</u>	<u>245,000</u>	<u>1,019,837</u>	
Fiduciary Fund					
Mutual funds	6,480,543	6,480,543	-	-	N/A
Grand Total Investments	<u>\$27,946,395</u>	<u>16,491,398</u>	<u>9,665,160</u>	<u>1,789,837</u>	

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

2. Investments (Continued)

Investment 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.

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

Capital asset activity was as follows:

	For The Year Ended August 31, 2011			
	Balance August 31 2010	Transfers And Additions	Transfers And Deletions	Balance August 31 2011
Governmental Activities				
Capital assets not being depreciated:				
Land and right-of-way	\$ 27,123,488	3,157	-	27,126,645
Construction in progress	10,620,845	290,372	5,745,013	5,166,204
Total Capital Assets Not Being Depreciated	37,744,333	293,529	5,745,013	32,292,849
Capital assets being depreciated:				
Buildings and other improvements	18,707,309	-	-	18,707,309
Automotive equipment	1,853,399	124,411	117,898	1,859,912
Machinery and equipment	2,100,273	12,646	33,210	2,079,709
Infrastructure	61,107,776	5,745,013	-	66,852,789
Total Capital Assets Being Depreciated	83,768,757	5,882,070	151,108	89,499,719
Less - Accumulated depreciation for:				
Buildings and other improvements	4,417,005	593,509	-	5,010,514
Automotive equipment	1,050,294	242,612	117,898	1,175,008
Machinery and equipment	1,720,697	86,966	33,210	1,774,453
Infrastructure	31,126,252	1,783,650	-	32,909,902
Total Accumulated Depreciation	38,314,248	2,706,737	151,108	40,869,877
Total Capital Assets Being Depreciated, Net	45,454,509	3,175,333	-	48,629,842
Governmental Activities Capital Assets, Net	\$ 83,198,842	3,468,862	5,745,013	80,922,691

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

	For The Year Ended August 31 2011
Governmental Activities	
General government	\$ 589,275
Public safety	199,894
Public works	42,983
Highways and streets	1,843,128
Parks and recreation	31,457
Total	\$2,706,737

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended August 31, 2011			
	Balance August 31 2010	Transfers And Additions	Transfers And Deletions	Balance August 31 2011
Business-type Activities				
Capital assets not being depreciated:				
Land and right-of-way	\$ 3,487,514	26,532	-	3,514,046
Construction in progress	10,144,018	425,759	139,555	10,430,222
Total Capital Assets Not Being Depreciated	<u>13,631,532</u>	<u>452,291</u>	<u>139,555</u>	<u>13,944,268</u>
Capital assets being depreciated:				
Buildings	115,789	48,118	-	163,907
Treatment plants	479,616	-	-	479,616
Machinery and equipment	1,699,853	72,119	-	1,771,972
Intangibles	17,383,605	-	-	17,383,605
Storm water lines	-	130,819	-	130,819
Sewer lines	19,236,401	-	-	19,236,401
Total Capital Assets Being Depreciated	<u>38,915,264</u>	<u>251,056</u>	<u>-</u>	<u>39,166,320</u>
Less - Accumulated depreciation for:				
Buildings	28,540	5,677	-	34,217
Treatment plants	360,075	15,987	-	376,062
Machinery and equipment	1,241,155	118,741	-	1,359,896
Intangibles	1,043,016	347,672	-	1,390,688
Storm water lines	-	4,588	-	4,588
Sewer lines	7,894,270	384,510	-	8,278,780
Total Accumulated Depreciation	<u>10,567,056</u>	<u>877,175</u>	<u>-</u>	<u>11,444,231</u>
Total Capital Assets Being Depreciated, Net	<u>28,348,208</u>	<u>(626,119)</u>	<u>-</u>	<u>27,722,089</u>
Business-type Activities Capital Assets, Net	<u>\$ 41,979,740</u>	<u>(173,828)</u>	<u>139,555</u>	<u>41,666,357</u>

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

	For The Year Ended August 31 2011
Business-type Activities	
Sewer	\$801,519
Storm water	43,965
Golf	<u>31,691</u>
Total	<u>\$877,175</u>

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT

Long-term debt activity was as follows:

	For The Year Ended August 31, 2011			Balance August 31 2011	Amounts Due Within One Year
	Balance August 31 2010	Additions	Reductions		
Governmental Activities					
Leasehold revenue bonds	\$ 14,090,000	7,140,000	400,000	20,830,000	770,000
Plus - Premium	357,217	8,564	20,265	345,516	-
Less - Deferred charges	-	(402,195)	(19,715)	(382,480)	-
Revenue bonds payable	6,670,000	-	6,670,000	-	-
Less - Discounts	(29,591)	-	(29,591)	-	-
Tax increment revenue notes	3,319,555	3,000,000	474,252	5,845,303	-
Tax increment revenue bonds	28,040,000	-	425,000	27,615,000	425,000
Less - Discounts	(221,166)	-	(12,519)	(208,647)	-
Capital lease obligations	768,269	-	255,712	512,557	233,237
Compensated absences	612,185	172,474	153,046	631,613	157,903
	<u>\$ 53,606,469</u>	<u>9,918,843</u>	<u>8,336,450</u>	<u>55,188,862</u>	<u>1,586,140</u>
Business-type Activities					
Revenue bonds payable	\$ 14,750,416	-	581,166	14,169,250	648,250
Less - Discounts	(41,342)	-	(3,980)	(37,362)	-
Plus - Premiums	178,811	-	11,536	167,275	-
Capital lease obligations	47,135	-	23,731	23,404	9,799
MSD note payable	15,740,537	-	529,980	15,210,557	446,050
Notes payable	380,000	-	100,000	280,000	-
	<u>\$ 31,055,557</u>	<u>-</u>	<u>1,242,433</u>	<u>29,813,124</u>	<u>1,104,099</u>
Component Unit					
Sales tax revenue bonds	<u>\$ 20,025,000</u>	<u>-</u>	<u>370,000</u>	<u>19,655,000</u>	<u>560,000</u>

Compensated absences are generally liquidated by the General Fund and the Recreation Center Fund. Leasehold revenue bonds are generally liquidated by the General Fund and the Recreation Center Fund. Revenue bonds are generally liquidated by 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.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

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%.

In October 2010 the City issued \$7,140,000 in leasehold revenue bonds (Series 2010) which represent proportionate interest in base rentals to be paid by the City pursuant to an annually renewable lease/purchase agreement dated October 28, 2010 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 various road improvements and to refund the Series 2007B revenue bonds. The base rentals constitute rent pursuant to the lease. The leasehold revenue bonds bear interest ranging from 2% to 4%. The net proceeds (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase securities for deposit in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old debt. As a result the old debt is considered to be defeased and the liability for this debt issue has been removed from the City's financial statements. As of August 31, 2011, \$6,670,000 is the remaining amount of the old debt which is in an irrevocable trust which is considered defeased. The City decreased its aggregated debt service payments by \$88,967 over 17 years which resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$228,630.

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

For The Years Ended August 31	Governmental Activities		
	Principal	Interest	Total
2012	\$ 770,000	848,140	1,618,140
2013	815,000	828,240	1,643,240
2014	865,000	806,546	1,671,546
2015	915,000	780,946	1,695,946
2016	970,000	751,086	1,721,086
2017-2021	5,920,000	3,152,040	9,072,040
2022-2026	8,090,000	1,650,311	9,740,311
2027-2028	2,485,000	111,188	2,596,188
Total	<u>\$ 20,830,000</u>	<u>8,928,497</u>	<u>29,758,497</u>

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

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, 2011 are as follows:

	<u>Date Issued</u>	<u>Date Of Maturity</u>	<u>Date Of Annual Principal Payment</u>	<u>Original Amount</u>	<u>Balance August 31 2011</u>
Triangle Redevelopment	07-10-2009	05-1-2028	May 1	\$28,485,000	\$27,615,000
Arnold Crossroads (Series B)	10-15-2009	07-6-2028	November 1	3,319,555	3,319,555
Arnold Crossroads (Series A)	05-20-2011	07-6-2028	May 1	3,000,000	2,525,748

Capital Lease Obligations

During 2007 through 2010, the City entered into various lease agreements as lessee for financing the acquisition of equipment and vehicles.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities August 31 2011</u>
Automotive equipment	\$ 909,969
Machinery and equipment	<u>223,477</u>
	1,133,446
Less - Accumulated depreciation	<u>430,142</u>
Net Book Value	<u>\$ 703,304</u>

The future minimum capital lease obligations and the net present value of these minimum lease payments as of August 31, 2011 were as follows:

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

For The Years Ended <u>August 31</u>	<u>Governmental Activities</u>
2012	\$247,195
2013	215,550
2014	<u>70,683</u>
Total Minimum Lease Payments	533,428
Less - Amount representing interest	<u>20,871</u>
Present Value Of Minimum Lease Payments	<u>\$512,557</u>

Business-type Activities

Revenue Bonds Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance August 31 2011</u>
Sewerage system - Series 1992	4.25 - 6.550%	\$ 1,270,000	151,666
Sewerage system - Series 1993	3.40 - 5.400	1,135,000	243,417
Sewerage system - Series 2005	3.25 - 5.250	6,125,000	5,020,000
Sewerage system - Series 2006	3.60 - 5.250	2,875,000	2,239,167
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>2,225,000</u>
Total		<u>\$18,170,000</u>	<u>14,169,250</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

NOTE D - LONG-TERM DEBT (Continued)

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

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

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

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

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:

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

<u>For The Years Ended August 31</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 648,250	644,545	1,292,795
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	685,000	520,015	1,205,015
2017 - 2021	3,885,000	2,109,944	5,994,944
2022 - 2026	4,795,000	1,100,791	5,895,791
2027 - 2031	1,735,000	240,503	1,975,503
2032	310,000	6,781	316,781
Total	<u>\$ 14,169,250</u>	<u>6,355,796</u>	<u>20,525,046</u>

Capital Lease Obligations

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:

	<u>Business-type Activities August 31 2011</u>
Automotive equipment	\$ 40,607
Less - Accumulated depreciation	<u>12,182</u>
Net Book Value	<u>\$ 28,425</u>

The future minimum capital lease obligations and the net present value of these minimum lease payments as of August 31, 2011 were as follows:

<u>For The Years Ended August 31</u>	<u>Business-type Activities</u>
2012	\$ 10,456
2013	10,457
2014	<u>3,485</u>
Total Minimum Lease Payments	24,398
Less - Amount representing interest	<u>994</u>
Present Value Of Minimum Lease Payments	<u>\$ 23,404</u>

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

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:

For The Years Ended August 31	Business-type Activities		
	Principal	Interest	Total
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	530,326	570,173	1,100,499
2017 - 2021	3,024,791	2,477,704	5,502,495
2022 - 2026	3,755,297	1,747,197	5,502,494
2027 - 2031	4,662,226	840,269	5,502,495
2032 - 2033	1,331,858	43,765	1,375,623
Total	<u>\$ 15,210,557</u>	<u>8,175,044</u>	<u>23,385,601</u>

Notes Payable

	August 31 2011
SRF - 1992, no interest	\$105,000
SRF - 1993, no interest	<u>175,000</u>
Total	<u>\$280,000</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.

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, 2011, which is the date of the latest actuarial valuation available, was \$2,095,229 and the City's total payroll was \$6,438,860.

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.

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)

Membership in the Plan is comprised of the following:

<u>Group</u>	<u>August 31 2011</u>
Retirees and beneficiaries currently receiving benefits	1
Vested terminated employees and active employees	49

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:

<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>
2011	\$6,480,543	\$6,928,857	\$ 448,314
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

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	Funded Ratio	Covered Payroll	UAAL As A Percentage Of Covered Payroll
2011	93.6	\$2,095,229	21.4%
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

Schedule Of Employer Contributions			
For The Years Ended August 31	Annual Required Contribution	Actual Contribution	Percentage Contributed
2011	\$387,774	\$497,394	128.3%
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

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

Actuarial cost method	Aggregate actuarial cost method
Amortization method	Using assumed rate of 8% over 2 to 18 years
Amortization period	Closed
Asset valuation method	At contract value and market value
Actuarial assumptions:	
Investment rate of return	8%
Pre-retirement	6.5%
Post-retirement	6.5%
Projected salary increases	4.5%
Inflation rate	2% - 3%

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)

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 End Of Year
2011	\$348,733	142.6%	\$636,669
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
Valuation For The Actuarial Years Ended August 31	Net Pension Asset Beginning Of Year	Interest On Net Pension Asset	Annual Required Contribution
2011	\$488,008	\$39,041	\$387,774
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

Note: Adjustment to annual required contribution is not relevant.

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	Actual Contribution	Increase (Decrease) In Net Pension Asset	Net Pension Asset End Of Year
2011	\$497,394	\$148,661	\$636,669
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

2. Missouri Local Government Employees Retirement System (LAGERS)

Plan Description

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

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

Funding Policy

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

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

Annual Pension Cost

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

Annual required contribution	\$525,951
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual Pension Cost	<u>525,951</u>
Actual contributions	<u>495,446</u>
Increase (decrease) in NPO	<u>30,505</u>
NPO beginning of year	<u>-</u>
NPO End Of Year	<u>\$ 30,505</u>

The annual required contribution (ARC) was determined as part of the February 29, 2008 and/or February 28, 2009 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011 included: a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually; b) projected salary increases of 3.5% 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 75% of the RP-2000 Combined Healthy Table set back zero years for men and zero years for women; and e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back zero years for men and zero 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 an open basis. The amortization period as of February 29, 2008 was 16 years for the General division. The amortization period as of February 28, 2009 was 30 years for the General division.

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 <u>Obligation</u>
2011	\$525,951	94.2%	\$30,505
2010	491,462	100	-
2009	499,067	100	-

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

Schedule of Funding Progress

For The Valuation Years Ended February 28	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded Accrued Liability (UAL)
2011	\$4,796,208	\$7,969,549	\$3,173,341
2010	5,451,965	8,358,071	2,906,106
2009	5,548,557	8,436,593	2,888,036

For The Valuation Years Ended February 28	Funded Ratio	Annual Covered Payroll	UAL As A Percentage Of Covered Payroll
2011	60%	\$2,934,116	108%
2010	65	3,060,973	95
2009	66	3,064,435	94

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, 2011 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 (\$430.67 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.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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

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>2011</u>
Amortization of past service cost	\$ 29,300
Normal cost	34,500
Interest to end of fiscal year	<u>-</u>
ARC	63,800
Interest on net OPEB obligation	3,300
Adjustment to ARC	<u>(4,800)</u>
Annual OPEB Cost	62,300
Contributions made	<u>(13,500)</u>
Increase In Net OPEB Obligation	48,800
Net OPEB obligation, August 31, 2010	<u>82,500</u>
Net OPEB Obligation, August 31, 2011	<u>\$131,300</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.

Fiscal year 2009 was the year of implementation of GASB 45 and the City has elected to have actuarial valuations performed bi-annually.

Required Supplemental Information

Schedule Of Funding Progress						
Actuarial Valuation Date <u>August 31</u>	Actuarial Value Of Assets <u>(1)</u>	Actuarial Accrued Liability <u>(2)</u>	Unfunded Accrued Liability (UAAL) <u>(1)-(2)</u>	Funded Ratio <u>(1)/(2)</u>	Covered Payroll <u>(3)</u>	UAAL As A Percentage Of Covered Payroll <u>(1-2)/(3)</u>
2011	\$ -	\$508,300	(\$508,300)	- %	\$6,438,860	7.9%
2009	-	430,300	(430,300)	-	6,302,815	6.8

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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

Schedule Of Employer Contributions			
For The Years Ended August 31	Annual Required Contribution	Contribution Made	Percent Contributed
2011	\$63,800	\$13,500	21.2%
2010	62,700	19,200	30.6
2009	62,700	23,700	37.8

Significant actuarial assumptions used in the valuation are as follows:

Valuation method	Projected unit cost method
Latest valuation date	August 31, 2011
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:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>August 31 2011</u>
General Fund - Major Fund	Recreation Center Fund - Major Fund	\$1,571,140
General Fund - Major Fund	Sewer Fund - Major Fund	66,645
General Fund - Major Fund	Golf Fund - Major Fund	689,822
General Fund - Major Fund	Storm Water Fund - Major Fund	52,610
General Fund - Major Fund	Special Allocation Fund - Major Fund	150,000
General Fund - Major Fund	Tourism Fund - Nonmajor Fund	91,630
Special Allocation Fund - Major Fund	Recreation Center Fund - Major Fund	29,768
Special Allocation Fund - Major Fund	General Fund - Major Fund	119,072
Sewer Fund - Major Fund	Storm Water Fund - Major Fund	619
Storm Water Fund - Major Fund	Sewer Fund - Major Fund	33,856
Tourism Fund - Nonmajor Fund	Recreation Center Fund - Major Fund	959
Total		<u>\$2,806,121</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, 2012.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - INTERFUND ASSETS/LIABILITIES (Continued)

Advance From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>August 31 2011</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, 2012.

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 2011</u>
Golf Fund - Major Fund	Tourism Fund - Nonmajor Fund	<u>\$10,000</u>

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

NOTE I - PROPERTY TAXES

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

The City's property tax calendar is as follows:

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

NOTE J - INSURANCE

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a statewide 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, 2012.

NOTE J - INSURANCE (Continued)

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 \$490,315 for MIRMA's fiscal year ended June 30, 2012. 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.

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, 2011, the City had construction commitments for sewer projects in the amount of \$319,022.

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

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE N - TAX INCREMENT REVENUES PLEDGED (Continued)

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 \$2,884,616 and \$3,008,444, respectively.

NOTE O - DEFICIT BALANCES

The Tourism Fund and Golf Fund had deficits in fund balances/net assets of \$73,220 and \$937,577, respectively. These deficits will be offset by future revenues.

NOTE P - FEDERAL FORFEITURE ACTIVITY

The City had \$4,277 in federal forfeiture revenues and \$3,181, in expenses and a balance in the federal forfeiture account of \$28,324 as of August 31, 2011.

NOTE Q - PRIOR PERIOD ADJUSTMENT

The previously stated fund balance and net assets have been restated as follows:

	<u>General Fund</u>	<u>Governmental Activities</u>
Fund balance/net assets, August 31, 2010, as previously reported	\$10,574,773	47,355,934
Restatement for:		
Receivables	(42,215)	(42,215)
Accrued liabilities	<u>(38,473)</u>	<u>(38,473)</u>
Fund Balance/Net Assets, August 31, 2010, As Restated	<u>\$10,494,085</u>	<u>47,275,246</u>

INTRODUCTION

FINANCIAL

FINANCIAL
STATEMENTS

**SUPPLEMENTAL
INFORMATION**

STATISTICS



SUPPLEMENTAL INFORMATION

for the Fiscal Year ended
August 31, 2011

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
REVENUES				
Taxes				
Property	\$ 1,025,000	1,062,477	1,042,481	(19,996)
Sales	5,659,422	5,474,558	5,760,491	285,933
Public utility gross receipts	2,757,000	3,012,500	3,107,237	94,737
Motor fuel	450,000	530,000	553,861	23,861
Other	211,000	199,060	206,067	7,007
Total Taxes	<u>10,102,422</u>	<u>10,278,595</u>	<u>10,670,137</u>	<u>391,542</u>
Special Assessments	<u>100,000</u>	<u>100,000</u>	<u>111,477</u>	<u>11,477</u>
Licenses and Permits	<u>513,400</u>	<u>511,190</u>	<u>555,788</u>	<u>44,598</u>
Fines and Court Costs	<u>1,150,500</u>	<u>1,140,052</u>	<u>1,105,288</u>	<u>(34,764)</u>
Intergovernmental	<u>2,551,833</u>	<u>283,925</u>	<u>252,021</u>	<u>(31,904)</u>
Charges for Services	<u>651,300</u>	<u>239,965</u>	<u>267,523</u>	<u>27,558</u>
Investment Income	<u>44,500</u>	<u>30,650</u>	<u>30,543</u>	<u>(107)</u>
Miscellaneous				
Administration	174,000	174,000	174,000	-
Other	105,000	81,718	100,816	19,098
Total Miscellaneous	<u>279,000</u>	<u>255,718</u>	<u>274,816</u>	<u>19,098</u>
Total Revenues	<u>15,392,955</u>	<u>12,840,095</u>	<u>13,267,593</u>	<u>427,498</u>
EXPENDITURES				
General Government				
General and administrative	1,044,846	1,094,554	1,093,039	(1,515)
Mayor and council	115,686	112,674	110,084	(2,590)
Municipal court	188,842	181,291	179,254	(2,037)
Administrator	290,007	283,958	297,871	13,913
Treasurer	51,066	46,729	45,811	(918)
Finance	297,866	374,348	363,652	(10,696)
Collector of revenue	170,025	168,705	171,577	2,872
Attorney	127,400	199,900	218,778	18,878
Elections	8,250	5,810	5,810	-
Planning commission	314,507	259,679	249,421	(10,258)
Total General Government	<u>2,608,495</u>	<u>2,727,648</u>	<u>2,735,297</u>	<u>7,649</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public Safety				
Police	4,744,753	4,635,436	4,633,985	(1,451)
Police board	1,068	3,500	3,017	(483)
Dispatching	524,148	505,809	478,349	(27,460)
Building commission	335,922	310,759	309,166	(1,593)
Total Public Safety	<u>5,605,891</u>	<u>5,455,504</u>	<u>5,424,517</u>	<u>(30,987)</u>
Public Works	<u>589,809</u>	<u>556,022</u>	<u>542,848</u>	<u>(13,174)</u>
Highways and Streets	<u>1,394,631</u>	<u>1,312,897</u>	<u>1,211,431</u>	<u>(101,466)</u>
Parks and Recreation	<u>574,366</u>	<u>555,520</u>	<u>517,003</u>	<u>(38,517)</u>
Health and Sanitation				
Health department	64,419	60,911	60,763	(148)
Rabies control	137,960	129,546	128,258	(1,288)
Vector control	24,270	13,817	13,032	(785)
Solid waste	926,338	958,588	945,403	(13,185)
Total Health And Sanitation	<u>1,152,987</u>	<u>1,162,862</u>	<u>1,147,456</u>	<u>(15,406)</u>
Capital Outlay	<u>2,798,744</u>	<u>334,866</u>	<u>285,382</u>	<u>(49,484)</u>
Debt Service	<u>842,159</u>	<u>960,309</u>	<u>400,399</u>	<u>(559,910)</u>
Total Expenditures	<u>15,567,082</u>	<u>13,065,628</u>	<u>12,264,333</u>	<u>(801,295)</u>
REVENUES OVER (UNDER) EXPENDITURES	(174,127)	(225,533)	1,003,260	1,228,793
OTHER FINANCING SOURCES				
Sale of capital assets	-	28,128	28,128	-
NET CHANGE IN FUND BALANCE	<u>\$ (174,127)</u>	<u>(197,405)</u>	1,031,388	<u>1,228,793</u>
NON BUDGETED ACTIVITY			158,116	
FUND BALANCE, SEPTEMBER 1			<u>10,494,085</u>	
FUND BALANCE, AUGUST 31			<u>\$ 11,683,589</u>	

CITY OF ARNOLD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - RECREATION CENTER FUND
FOR THE YEAR ENDED AUGUST 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
REVENUES				
Taxes:				
Sales	\$ 1,098,000	1,118,750	1,136,159	17,409
Charges for services	1,375,000	1,187,000	1,233,428	46,428
Investment income	20,000	20,000	55,542	35,542
Miscellaneous	19,100	18,700	29,582	10,882
Total Revenues	<u>2,512,100</u>	<u>2,344,450</u>	<u>2,454,711</u>	<u>110,261</u>
EXPENDITURES				
Recreation center	1,569,633	1,641,649	1,616,728	(24,921)
Capital outlay	7,000	6,187	8,876	2,689
Debt service	1,033,014	1,033,014	1,032,918	(96)
Total Expenditures	<u>2,609,647</u>	<u>2,680,850</u>	<u>2,658,522</u>	<u>(22,328)</u>
NET CHANGE IN FUND				
BALANCE	<u>\$ (97,547)</u>	<u>(336,400)</u>	(203,811)	<u>132,589</u>
FUND BALANCE, SEPTEMBER 1			<u>230,320</u>	
FUND BALANCE, AUGUST 31			<u>\$ 26,509</u>	

CITY OF ARNOLD, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL ALLOCATION FUND
FOR THE YEAR ENDED AUGUST 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ -	855,850	913,897	58,047
Sales	-	1,316,759	2,094,547	777,788
Investment income	-	200	340	140
Total Revenues	<u>-</u>	<u>2,172,809</u>	<u>3,008,784</u>	<u>835,975</u>
EXPENDITURES				
General government	-	20,000	27,000	7,000
Economic development	-	3,000,000	3,111,127	111,127
Debt service	-	2,228,226	2,884,616	656,390
Total Expenditures	<u>-</u>	<u>5,248,226</u>	<u>6,022,743</u>	<u>774,517</u>
REVENUES UNDER EXPENDITURES	-	(3,075,417)	(3,013,959)	61,458
OTHER FINANCING SOURCES				
Issuance of long-term debt	-	3,000,000	3,000,000	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>(75,417)</u>	<u>(13,959)</u>	<u>61,458</u>
FUND BALANCE, SEPTEMBER 1			<u>4,062,167</u>	
FUND BALANCE, AUGUST 31			<u>\$ 4,048,208</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, 2011

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 all funds.
- 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 and refunding of long-term debt. 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, 2011, General Fund expenditures exceeded appropriations for general government by \$7,649. The Special Allocation Fund and Drug Forfeiture Fund expenditures exceeded appropriations by \$774,517 and \$2,581, 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

	2011	2010
ASSETS		
Cash and investments	\$ 8,879,468	9,008,096
Receivables (net of allowances for uncollectibles):		
Taxes	2,266,805	2,494,582
Special assessments	1,420,044	1,550,079
Intergovernmental	90,713	164,074
Court	126,155	118,914
Miscellaneous	103,348	146,760
Due from other funds	2,771,646	2,403,612
Prepaid items	521,454	508,916
Restricted assets:		
Cash and investments	6,192,108	5,635,892
Capital improvements sales tax receivable	599,923	570,772
	<u>\$ 22,971,664</u>	<u>22,601,697</u>
Total Assets		
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 2,003,357	2,576,859
Accrued liabilities	187,702	202,248
Due to other funds	1,962,569	1,815,942
Deferred revenue	2,594,760	2,728,748
Advance from other funds	500,009	500,009
Total Liabilities	<u>7,248,397</u>	<u>7,823,806</u>
 Fund Balances		
Nonspendable	521,454	-
Restricted	5,911,285	-
Committed	1,395,119	-
Unassigned	7,895,409	-
Reserved	-	7,534,328
Unreserved	-	7,243,563
Total Fund Balances	<u>15,723,267</u>	<u>14,777,891</u>
Total Liabilities And Fund Balances	<u>\$ 22,971,664</u>	<u>22,601,697</u>

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

	2011	2010
REVENUES		
Taxes	\$ 14,939,098	14,551,361
Special assessments	111,477	95,886
Licenses and permits	555,788	522,881
Fines and court costs	1,105,288	1,216,172
Intergovernmental	263,517	458,470
Charges for services	1,549,582	2,132,339
Investment income	86,446	83,444
Miscellaneous	308,653	325,600
Total Revenues	18,919,849	19,386,153
 EXPENDITURES		
Current:		
General government	2,939,835	2,904,369
Public safety	5,452,098	5,513,458
Public works	542,848	505,578
Highways and streets	1,211,431	1,210,324
Parks and recreation	2,133,731	2,096,335
Health and sanitation	1,147,456	1,054,900
Economic development	3,111,127	3,413,600
Capital outlay	294,258	1,100,240
Debt service:		
Principal	1,554,964	1,261,679
Interest	2,762,969	2,603,519
Bond issuance costs	155,551	125,000
Advance refunding escrow	414,390	-
Total Expenditures	21,720,658	21,789,002
 REVENUES UNDER EXPENDITURES	(2,800,809)	(2,402,849)
 OTHER FINANCING SOURCES (USES)		
Issuance of long-term debt	10,140,000	3,319,555
Premium on issuance of long-term debt	8,564	-
Issuance of capital lease	-	777,810
Refunding of long-term debt	(6,420,507)	-
Sale of capital assets	28,128	20,085
Transfers in	-	25,000
Transfers out	(10,000)	(35,000)
Total Other Financing Sources (Uses)	3,746,185	4,107,450
 NET CHANGE IN FUND BALANCES	945,376	1,704,601
 FUND BALANCES, SEPTEMBER 1	14,777,891	13,073,290
 FUND BALANCES, AUGUST 31	\$ 15,723,267	14,777,891

CITY OF ARNOLD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING
BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

	<u>Special Revenue Funds</u>		
	<u>Tourism</u>	<u>Drug Forfeiture</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ -	38,181	38,181
Receivables:			
Taxes	19,892	-	19,892
Due from other funds	959	-	959
Prepaid items	9,989	-	9,989
	<u>9,989</u>	<u>-</u>	<u>9,989</u>
Total Assets	<u>\$ 30,840</u>	<u>38,181</u>	<u>69,021</u>
LIABILITIES AND FUND BALANCES (DEFICIT)			
Liabilities			
Accounts payable	\$ 4,785	-	4,785
Accrued liabilities	644	-	644
Due to other funds	91,630	-	91,630
Deferred revenue	7,001	-	7,001
	<u>104,060</u>	<u>-</u>	<u>104,060</u>
Total Liabilities			
Fund Balances (Deficit)			
Nonspendable:			
Prepaid items	9,989	-	9,989
Restricted for:			
Public safety	-	38,181	38,181
Unassigned	(83,209)	-	(83,209)
	<u>(83,209)</u>	<u>-</u>	<u>(83,209)</u>
Total Fund Balances (Deficit)	<u>(73,220)</u>	<u>38,181</u>	<u>(35,039)</u>
Total Liabilities And Fund Balances (Deficit)	<u>\$ 30,840</u>	<u>38,181</u>	<u>69,021</u>

CITY OF ARNOLD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Special Revenue Funds		
	Tourism	Drug Forfeiture	Totals
REVENUES			
Taxes	\$ 124,358	-	124,358
Intergovernmental	-	11,496	11,496
Charges for services	48,631	-	48,631
Investment income	-	21	21
Miscellaneous	-	4,255	4,255
Total Revenues	172,989	15,772	188,761
EXPENDITURES			
Current:			
General government	177,538	-	177,538
Public safety	-	27,581	27,581
Total Expenditures	177,538	27,581	205,119
REVENUES UNDER EXPENDITURES	(4,549)	(11,809)	(16,358)
OTHER FINANCING USES			
Transfers out	(10,000)	-	(10,000)
NET CHANGE IN FUND BALANCES	(14,549)	(11,809)	(26,358)
FUND BALANCES (DEFICIT), SEPTEMBER 1	(58,671)	49,990	(8,681)
FUND BALANCES (DEFICIT), AUGUST 31	\$ (73,220)	38,181	(35,039)

CITY OF ARNOLD, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
(DEFICIT) - BUDGET AND ACTUAL - TOURISM FUND
FOR THE YEAR ENDED AUGUST 31, 2011

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Taxes:				
Sales	\$ 165,000	120,425	124,358	3,933
Charges for services	143,950	47,806	48,631	825
Total Revenues	308,950	168,231	172,989	4,758
 EXPENDITURES				
General government	263,306	189,798	177,538	(12,260)
 REVENUES OVER (UNDER) EXPENDI- TURES	45,644	(21,567)	(4,549)	17,018
 OTHER FINANCING USES				
Transfers out	(10,000)	(10,000)	(10,000)	-
 NET CHANGE IN FUND BALANCE	\$ 35,644	(31,567)	(14,549)	17,018
 FUND BALANCE (DEFICIT), SEPTEMBER 1			(58,671)	
 FUND BALANCE (DEFICIT), AUGUST 31			\$ (73,220)	

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 11,496	11,496	11,496	-
Investment income	-	-	21	21
Miscellaneous	-	-	4,255	4,255
Total Revenues	<u>11,496</u>	<u>11,496</u>	<u>15,772</u>	<u>4,276</u>
 EXPENDITURES				
Public safety	<u>20,525</u>	<u>25,000</u>	<u>27,581</u>	<u>2,581</u>
 NET CHANGE IN FUND BALANCE	<u><u>\$ (9,029)</u></u>	<u><u>(13,504)</u></u>	<u>(11,809)</u>	<u>1,695</u>
 FUND BALANCE, SEPTEMBER 1			<u>49,990</u>	
 FUND BALANCE, AUGUST 31			<u><u>\$ 38,181</u></u>	

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