

City of Arnold, Missouri

Section 110.270 Special Meetings
Pursuant to Section §2-28 of the City of Arnold Municipal Code

Special Council Meeting
Council Chambers

July 27, 2017
6:30 P.M.

Agenda

1. Call to Order
2. Roll Call
3. Ordinance:
 - A. **Bill No. 2670:** An Ordinance Authorizing the City of Arnold, Missouri to Enter into a Lease Purchase Transaction, the Proceeds of which will be Used to Pay the Costs of Refunding all of the Outstanding Certificates of Participation (City of Arnold, Missouri, Lessee), Series 2010; and Authorizing the Execution of Certain Documents and Actions in Connection Therewith.
4. Adjournment

Work Session

Immediately Following the Special Meeting

Agenda

1. FY 2018 Budget
2. Adjournment

Next Regular City Council Meeting August 3, 2017 @ 7:00 p.m.
Next Work Session August 10, 2017 @ 7:00 p.m.

AN ORDINANCE AUTHORIZING THE CITY OF ARNOLD, MISSOURI TO ENTER INTO A LEASE PURCHASE TRANSACTION, THE PROCEEDS OF WHICH WILL BE USED TO PAY THE COSTS OF REFUNDING ALL OF THE OUTSTANDING CERTIFICATES OF PARTICIPATION (CITY OF ARNOLD, MISSOURI, LESSEE), SERIES 2010; AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH.

WHEREAS, the City of Arnold, Missouri (the "City") authorized the delivery of \$7,140,000 original principal amount of Certificates of Participation (City of Arnold, Missouri, Lessee), Series 2010 (the "Series 2010 Certificates"), which were delivered for the purpose of providing funds to pay the costs of (a) acquiring, constructing, and installing certain road improvements and the utility and infrastructure improvements related thereto (collectively, the "Project"), (b) refunding the outstanding Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Arnold, Missouri – Road Infrastructure Project), Series 2007B, (c) funding a debt service reserve fund for the Series 2010 Certificates and (d) executing and delivering the Series 2010 Certificates; and

WHEREAS, the City finds and determines that it is advantageous and in the best interests of the City to enter into certain transactions with UMB Bank, N.A., as trustee (the "Trustee"), relating to the delivery of Refunding Certificates of Participation (City of Arnold, Missouri, Lessee), Series 2017 (the "Series 2017 Certificates"), to provide funds, together with other legally available funds of the City, to (1) refund all of the outstanding Series 2010 Certificates and (2) pay certain costs in connection with the execution and delivery of the Series 2017 Certificates; and

WHEREAS, the City owns certain personal property consisting solely of the concrete and/or asphalt and other materials used in the construction of the Project (the "Leased Property"), which the City is leasing to the Trustee pursuant to a Base Lease dated as of October 1, 2010; and

WHEREAS, to facilitate the foregoing and to pay the cost thereof, it is necessary and desirable for the City to take the following actions:

1. Enter into a First Supplemental Lease Purchase Agreement dated as of August 1, 2017 (the "First Supplemental Lease") with the Trustee, as lessor, the form of which is attached hereto as **Exhibit A**, which supplements and amends the Lease Purchase Agreement dated as of October 1, 2010 (the "Original Lease" and, together with the First Supplemental Lease, the "Lease"), pursuant to which the City is leasing the Leased Property from the Trustee on a year-to-year basis with an option to purchase the Trustee's interest in the Leased Property;
2. Enter into a Continuing Disclosure Agreement dated as of August 1, 2017 (the "Continuing Disclosure Agreement") with the Trustee, the form of which is attached hereto as **Exhibit B**, pursuant to which the City agrees to provide certain financial information, operating data and notices of certain enumerated events with respect to the Series 2017 Certificates;
3. Enter into a Tax Compliance Agreement dated as of August 1, 2017 (the "Tax Compliance Agreement") with the Trustee, the form of which is attached hereto as **Exhibit C**, pursuant to which the City makes certain representations and

covenants related to the exclusion of the Interest Portions of Basic Rent (as defined in the Lease) under the Lease from gross income for purposes of federal income taxation;

4. Enter into a First Supplemental Indenture of Trust dated as of August 1, 2017 (the "First Supplemental Indenture of Trust") with the Trustee, the form of which is attached hereto as **Exhibit D**, which supplements and amends the Indenture of Trust dated as of October 1, 2010 (the "Original Indenture of Trust" and, together with the First Supplemental Indenture of Trust, the "Indenture of Trust"), pursuant to which the Series 2017 Certificates will be executed and delivered;

5. Approve an Official Statement with respect to the Series 2017 Certificates, to be in substantially the same form as the Preliminary Official Statement with respect to the Series 2017 Certificates, the form of which is attached hereto as **Exhibit E** (the "Preliminary Official Statement," and together, the "Official Statement");

6. Enter into a Certificate Purchase Agreement (the "Certificate Purchase Agreement") with the Trustee and Stifel, Nicolaus & Company, Incorporated, St. Louis, Missouri (the "Underwriter"), the form of which is attached hereto as **Exhibit F**; and

7. Enter into an Escrow Trust Agreement (the "Escrow Agreement") with UMB Bank, N.A., as escrow agent, the form of which is attached hereto as **Exhibit G**.

The Lease, the Indenture of Trust, the Continuing Disclosure Agreement, the Tax Compliance Agreement, the Certificate Purchase Agreement and the Escrow Agreement are referred to together herein as the "City Documents."

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ARNOLD, MISSOURI, AS FOLLOWS:

Section 1. Approval of Delivery of the Series 2017 Certificates. The City hereby approves the delivery of the Series 2017 Certificates in the original principal amount of \$4,065,000. The Series 2017 Certificates shall be delivered and secured pursuant to the Indenture of Trust. The Series 2017 Certificates shall be dated the date of their original execution and delivery, shall become due on December 15 in the years and in the respective amounts and shall bear interest from the date thereof payable semiannually on June 15 and December 15, beginning December 15, 2017, at the rates per annum, as follows:

SERIAL CERTIFICATES

<u>Payment Date</u> <u>(December 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		

The sale of the Series 2017 Certificates to the Underwriter at a purchase price of \$ _____ (consisting of the original principal amount of the Series 2017 Certificates, plus a net original issue premium of \$ _____, less underwriting discount of \$ _____), plus accrued interest, if any, to the date of delivery, is hereby ratified and confirmed. Delivery of the Series 2017 Certificates shall be made to the Underwriter as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of the sale. The Series 2017 Certificates shall be in such denominations, shall be in such forms, shall be subject to prepayment prior to the stated payment dates thereof, shall have such other terms and provisions, and shall be executed and delivered in such manner subject to such provisions, covenants and agreements as are set forth in the Indenture of Trust.

Section 2. Authorization and Approval of the City Documents. The City Documents are hereby approved in substantially the forms submitted to and reviewed by the City Council on the date hereof, with such changes therein as are approved by the Mayor. The Mayor's execution of the City Documents will be conclusive evidence of such approval.

The obligation of the City to pay Basic Rent Payments (as defined in the Lease) under the Lease is subject to annual appropriation and will constitute a current expense of the City and will not in any way be construed to be an indebtedness or liability of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness or liability by the City, nor will anything contained in the Lease constitute a pledge of the general tax revenues, funds or moneys of the City, and all provisions of the Lease will be construed so as to give effect to such intent.

The Mayor is hereby authorized and directed to execute and deliver the City Documents on behalf of and as the act and deed of the City. The City Clerk is hereby authorized to affix the City's seal to the City Documents and attest said seal.

Section 3. Limited Obligations. The Series 2017 Certificates and the interest thereon shall be limited obligations, payable solely out of the rents, revenues and receipts received by the Trustee from the City pursuant to the Lease. Neither the Lease nor the Series 2017 Certificates shall constitute a debt or liability of the City or of the State of Missouri or of any political subdivision thereof, and neither the Lease nor the Series 2017 Certificates shall constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Section 4. Prepayment of the Series 2010 Certificates. The Series 2010 Certificates maturing on November 1, 2019 and thereafter are hereby called for prepayment prior to maturity on November 1,

2018. Such Series 2010 Certificates shall be prepaid at the principal corporate trust office of the Trustee, by the payment on the prepayment date of the principal thereof, together with prepayment premium, if any, and accrued interest thereon to the prepayment date. The officers of the City are hereby authorized and directed to take such other action as may be necessary in order to effect the prepayment of such Series 2010 Certificates.

Section 5. Approval of Official Statement. The final Official Statement is hereby authorized and approved, supplementing, amending and completing the Preliminary Official Statement, with such changes therein and additions thereto as are approved by the officer of the City executing the final Official Statement, said officer's execution thereof to be conclusive evidence of said officer's approval thereof, and the public distribution of the final Official Statement by the Underwriter is in all respects hereby authorized and approved for use in connection with the sale of the Series 2017 Certificates. The Mayor of the City is hereby authorized to execute and deliver the final Official Statement on behalf of and as the act and deed of the City.

For the purpose of enabling the Underwriter to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission (the "Rule"), the City hereby deems the Preliminary Official Statement to be "final" as of its date, except for the omission of such information as is permitted by the Rule, and the appropriate officers of the City are hereby authorized, if requested, to provide the Underwriter a letter or certification to such effect and to take such other actions or execute such other documents as such officers in their reasonable judgment deem necessary to enable the Underwriter to comply with the requirement of such Rule.

Section 6. Further Authority. The City will, and the officials and agents of the City are hereby authorized and directed to, take such actions, expend such funds and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance and to carry out, comply with and perform the duties of the City with respect to the City Documents, the other documents authorized or approved hereby.

Section 7. Severability. The sections of this Ordinance shall be severable. If any section of this Ordinance is found by a court of competent jurisdiction to be invalid, the remaining sections shall remain valid, unless the court finds that: (a) the valid sections are so essential to and inseparably connected and dependent upon the void section that it cannot be presumed that the City Council has or would have enacted the valid sections without the void ones, and (b) the valid sections, standing alone, are incomplete and are incapable of being executed in accordance with the legislative intent. The invalid provision shall be omitted and this Ordinance shall be amended to the extent possible to conform to the original intent of the City.

Section 8. Governing Law. This Ordinance shall be governed exclusively by and construed in accordance with the applicable laws of the State of Missouri.

Section 9. Effective Date. This ordinance shall be in full force and effect from and after its passage and approval.

READ TWO TIMES, PASSED AND APPROVED THIS _____ DAY OF _____ of 2017.

Presiding Officer of the City Council

Mayor Ron Counts

ATTEST:

City Clerk Tammi Casey

1st reading: _____

2nd reading: _____

APPROVED AS TO FORM:

City Attorney Robert Sweeney

Z:\CITYDOCS\ORDINANC\Ordinance 2670 Lease Purchase Cost of Refunding 2017.docx
Wednesday, July 26, 2017

EXHIBIT A

FIRST SUPPLEMENTAL LEASE PURCHASE AGREEMENT

[On file in the office of the City Clerk]

EXHIBIT B
CONTINUING DISCLOSURE AGREEMENT

[On file in the office of the City Clerk]

EXHIBIT C

TAX COMPLIANCE AGREEMENT

[On file in the office of the City Clerk]

EXHIBIT D

FIRST SUPPLEMENTAL INDENTURE OF TRUST

[On file in the office of the City Clerk]

EXHIBIT E

PRELIMINARY OFFICIAL STATEMENT

[On file in the office of the City Clerk]

EXHIBIT F
CERTIFICATE PURCHASE AGREEMENT

[On file in the office of the City Clerk]

EXHIBIT G
ESCROW TRUST AGREEMENT

[On file in the office of the City Clerk]

Part 1

PRELIMINARY OFFICIAL STATEMENT DATED JULY 20, 2017

**NEW ISSUE – BOOK ENTRY ONLY
BANK QUALIFIED**

**RATING: S&P: A+
SEE “RATING” HEREIN**

In the opinion of Gilmore & Bell, P.C., St. Louis, Missouri, Special Tax Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), (1) the Interest Portion of Basic Rent paid by the City under the Lease and distributed to the Owners of the Series 2017 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (2) the Interest Portion of Basic Rent paid by the City under the Lease and distributed to the Owners of the Series 2017 Certificates (including any original issue discount properly allocable to an owner thereof) is exempt from Missouri income taxation by the State of Missouri, and (3) the City’s obligation to pay Basic Rent under the Lease is a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code. See “TAX MATTERS” in this Official Statement.

\$4,035,000*

**REFUNDING CERTIFICATES OF PARTICIPATION
(CITY OF ARNOLD, MISSOURI, LESSEE)
SERIES 2017**

Dated: Date of Delivery

Due: December 15, as shown on the inside cover

The Series 2017 Certificates represent undivided, proportionate interests in Basic Rent Payments (the “Basic Rent Payments”) to be paid by the City of Arnold, Missouri (the “City”), under an annually renewable Lease Purchase Agreement dated as of October 1, 2010, as amended by that certain First Supplemental Lease Purchase Agreement dated August 1, 2017 (collectively, the “Lease”) between the City, as lessee, and UMB Bank, N.A., St. Louis, Missouri, as lessor (the “Lessor”). The Series 2017 Certificates are being delivered pursuant to an Indenture of Trust dated as of October 1, 2010, as amended by that certain First Supplemental Indenture of Trust dated as of August 1, 2017 (collectively, the “Indenture”), executed by the Trustee and the City.

The Series 2017 Certificates will be delivered in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of interests in the Series 2017 Certificates will be made in book-entry form only. Purchasers of such interests (the “Beneficial Owners”) will not receive certificates representing their interests in the Series 2017 Certificates. So long as Cede & Co., as nominee of DTC, is the owner of the Series 2017 Certificates, references herein to the owners or registered owners mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2017 Certificates. See **APPENDIX E – BOOK-ENTRY-ONLY-SYSTEM**. Principal and prepayment premium, if any, will be payable annually on December 15, beginning on December 15, 2017. Interest will be payable semiannually on June 15 and December 15, beginning on December 15, 2017, by check or draft mailed (or by electronic transfer in certain circumstances described herein) to the persons who are the registered owners of the Series 2017 Certificates as of the close of business on the 15th day of the month next preceding the applicable interest payment date.

The Series 2017 Certificates and any Additional Certificates which are issued on a parity with the Series 2017 Certificates (collectively, the “Certificates”) will be payable solely from the Basic Rent Payments under the Lease and certain money held by the Trustee under the Indenture. See the caption “**SECURITY FOR THE SERIES 2017 CERTIFICATES**” herein. The City has agreed to pay the total Basic Rent Payments due under the Lease for each fiscal year, but only if the City Council of the City annually appropriates sufficient money specifically designated to pay the Basic Rent Payments coming due during each succeeding fiscal year. **The obligation to make Basic Rent Payments does not create a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction. Neither the execution of the Lease nor the delivery of the Series 2017 Certificates obligates the City to levy any form of taxation therefor or to make any appropriation for their payment in any year subsequent to a year in which the Lease is in effect.**

There are risks associated with the purchase of the Series 2017 Certificates. See “**RISK FACTORS AND INVESTMENT CONSIDERATIONS**” herein for a discussion of certain of these risks. This cover page contains information for reference only. It is not a summary of the Series 2017 Certificates. Investors must read the entire Official Statement including the cover page and appendices hereto to obtain information essential to making an informed investment decision.

The Series 2017 Certificates are subject to prepayment prior to their stated payment dates as described herein.

The Series 2017 Certificates are offered when, as and if issued, subject to the approval of legality by Gilmore & Bell, P.C., St. Louis, Missouri, Special Tax Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Robert K. Sweeney, L.L.C., Hillsboro, Missouri, and for the Underwriter by Thompson Coburn LLP, St. Louis, Missouri. It is expected that the Series 2017 Certificates will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about August 10, 2017.

STIFEL

The date of this Official Statement is July __ 2017.

\$4,035,000*
REFUNDING CERTIFICATES OF PARTICIPATION
(CITY OF ARNOLD, MISSOURI, LESSEE)
SERIES 2017

MATURITY SCHEDULE*

<u>Due</u> <u>December 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP¹</u> <u>042597</u>
2017	\$410,000			
2018	365,000			
2019	370,000			
2020	375,000			
2021	385,000			
2022	400,000			
2023	415,000			
2024	425,000			
2025	440,000			
2026	450,000			

¹ CUSIP numbers shown above have been assigned by an organization not affiliated with the City. The City is not responsible for the selection of CUSIP numbers nor does the City make any representations to the correctness of such numbers on the Series 2017 Certificates or as shown above.

* Preliminary, subject to change.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2017 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representation with respect to the Series 2017 Certificates offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series 2017 Certificates offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the City's affairs since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IF AND WHEN AN OWNER ELECTS TO SELL A CERTIFICATE PRIOR TO ITS MATURITY DATE, THERE IS NO ASSURANCE THAT A MARKET WILL HAVE BEEN ESTABLISHED, MAINTAINED OR IS IN EXISTENCE FOR THE PURCHASE AND SALE OF THE SERIES 2017 CERTIFICATES. THE UNDERWRITER OF THE SERIES 2017 CERTIFICATES INTENDS, BUT ASSUMES NO OBLIGATION, TO ESTABLISH OR MAINTAIN SUCH A MARKET, AND THE UNDERWRITER IS NOT OBLIGATED TO REPURCHASE ANY OF THE SERIES 2017 CERTIFICATES AT THE REQUEST OF THE OWNER THEREOF.

**CAUTIONARY STATEMENTS REGARDING FORWARD-
LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical, are “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”) and reflect the City’s current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words. Such forward-looking statements include, among others, certain statements under the caption **“RISK FACTORS AND INVESTMENT CONSIDERATIONS”** in the forepart of this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (i) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (ii) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (iii) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND COMPETITORS, AND LEGISLATIVE, JUDICIAL AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, THERE CAN BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT WILL PROVE TO BE ACCURATE.

UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE CITY ON THE DATE HEREOF, AND THE CITY ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS REQUIRED BY THE CONTINUING DISCLOSURE AGREEMENT, A FORM OF WHICH IS ATTACHED HERETO IN APPENDIX D.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
General	1
The City.....	1
Plan of Financing	1
Security and Source of Payment; Limited Obligations	2
Risk Factors.....	2
Continuing Disclosure Information.....	3
Definitions and Descriptions; Inspection of Documents.....	3
THE SERIES 2017 CERTIFICATES	3
Description.....	3
Prepayment Provisions.....	4
PLAN OF FINANCING	4
General	4
Refunding of the Series 2010 Certificates	5
The Leased Property	5
Sources and Uses of Funds	5
Annual Basic Rent Payments with Respect to the Series 2017 Certificates	6
SECURITY FOR THE SERIES 2017 CERTIFICATES	6
Limited Obligations; Sources of Payment	6
Maintenance of the Leased Property	6
THE CITY.....	6
RISK FACTORS AND INVESTMENT CONSIDERATIONS	7
Limited Obligations	7
Sales Tax Collections.....	8
Changes in Economic, Demographic and Market Conditions	8
Expiration or Termination of the Lease	8
Delays in Exercising Remedies.....	9
Damage, Destruction and Condemnation of the Leased Property	9
Bankruptcy	10
Effect on Tax-Exemption of Termination of the Lease	10
Amendment of the Indenture, the Base Lease and the Lease.....	10
The Hancock Amendment.....	10
Risk of Taxability.....	11
Risk of Audit.....	11
Loss of Premium from Early Prepayment.....	11
Secondary Markets and Prices	11
Other Factors.....	12
APPROVAL OF LEGALITY	12
TAX MATTERS	12
Opinion of Special Tax Counsel	13
Other Tax Consequences	13
FINANCIAL STATEMENTS	14
LITIGATION	14
UNDERWRITING	14
CONTINUING DISCLOSURE	15
RATING.....	15
MISCELLANEOUS.....	15
APPENDIX A – Information Regarding the City of Arnold, Missouri	
APPENDIX B – Audited Financial Statements of the City for Fiscal Year Ended August 31, 2016	
APPENDIX C – Definitions of Words and Terms and Summaries of Legal Documents	
APPENDIX D – Form of Continuing Disclosure Agreement	
APPENDIX E – Book-Entry-Only System	
APPENDIX F – Registration, Transfer and Exchange of Series 2017 Certificates	

[Page intentionally left blank.]

OFFICIAL STATEMENT

\$4,035,000*

REFUNDING CERTIFICATES OF PARTICIPATION (CITY OF ARNOLD, MISSOURI, LESSEE) SERIES 2017

INTRODUCTION

*The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and the Appendices, must be considered in its entirety. The offering of the Series 2017 Certificates to potential investors is made only by means of the entire Official Statement. See **APPENDIX C – DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS** for the definitions of certain capitalized terms used in this Official Statement.*

General

The purpose of this Official Statement is to furnish information in connection with the offering and sale of the Refunding Certificates of Participation (City of Arnold, Missouri, Lessee), Series 2017, in the aggregate principal amount of \$4,035,000* (the “**Series 2017 Certificates**”). The Series 2017 Certificates represent undivided, proportionate interests in Basic Rent Payments (as hereafter defined) to be paid by the City of Arnold, Missouri (the “**City**”) pursuant to an annually renewable Lease Purchase Agreement dated as of October 1, 2010, as amended by that certain First Supplemental Lease Purchase Agreement dated as of August 1, 2017 (collectively, the “**Lease**”), between UMB Bank, N.A., St. Louis, Missouri, Missouri (the “**Trustee**”), as lessor, and the City, as lessee. The Trustee has agreed to execute and deliver the Series 2017 Certificates pursuant to an Indenture of Trust dated as of October 1, 2010, as amended by that certain First Supplemental Indenture of Trust dated as of August 1, 2017 (collectively, the “**Indenture**”) between the Trustee and the City. The Basic Rent Payments constitute rent for the Leased Property (hereafter defined) pursuant to the Lease.

The City

The City is a city of the third class and political subdivision of the State of Missouri. See the caption “**THE CITY**” herein and **APPENDIX A – INFORMATION REGARDING THE CITY OF ARNOLD, MISSOURI**.

Plan of Financing

The proceeds from the sale of the Series 2017 Certificates will be used, together with other available funds of the City, to: (i) refund all of the outstanding Certificates of Participation (City of Arnold, Missouri, Lessee), Series 2010 (the “**Series 2010 Certificates**”), which Series 2010 Certificates were issued on behalf of the City to finance the costs of acquiring, constructing and installing certain road improvements and utility and infrastructure improvements and (ii) pay the costs and expenses incident to the execution and delivery of the Series 2017 Certificates. See the caption “**PLAN OF FINANCING - General**” herein.

The City and the Trustee entered into a Base Lease dated as of October 1, 2010 (the “**Base Lease**”), pursuant to which the City is leasing to the Trustee certain personal property consisting solely of the concrete and/or asphalt and other materials used in the construction of the Project (as defined therein) (collectively, the “**Leased Property**”). The Trustee, as lessor under the Lease, leases the Leased Property to the City with a current term ending August 31, 2017, with successive one-year renewal options (each, a “**Renewal Term**”), with a final Renewal Term beginning September 1, 2026 and ending December 16, 2026. Each Renewal Term is subject to annual appropriation by the City Council.

* Preliminary, subject to change.

Jefferson County, Missouri (the “County”) levies a capital improvements sales tax in the amount of one-half of one percent on retail sales made in the County (the “County Capital Improvement Sales Tax”). The County shares a portion of the revenues from the County Capital Improvement Sales Tax with each of the cities located in the County, including the City, for road improvements under a formula based on the population and miles of roads within each of the cities. The City intends to satisfy its obligation to make Basic Rent Payments under the Lease from proceeds of the County Capital Improvement Sales Tax. Purchasers of the Series 2017 Certificates should be aware, however, that such funds are not pledged to the payment of the Series 2017 Certificates. Neither the County Capital Improvement Sales Tax nor other funds are, or can be, pledged to the payment of the Series 2017 Certificates without voter approval thereof. The County Capital Improvement Sales Tax currently expires in 2031. It may be further extended with the approval of the County’s voters.

Pursuant to the Indenture, a portion of each Basic Rent Payment will be used to pay interest distributable with respect to the Series 2017 Certificates, and a portion of each Basic Rent Payment will be used to pay principal and prepayment premium, if any, distributable with respect to the Series 2017 Certificates.

See the caption “PLAN OF FINANCING” herein.

Security and Source of Payment; Limited Obligations

Under the Lease, the City has agreed to pay rental payments (the “Basic Rent Payments”), consisting of a Principal Portion (the “Principal Portion”) and an Interest Portion (the “Interest Portion”), but only if and to the extent that the City Council of the City annually appropriates sufficient money to pay the Basic Rent Payments coming due during each succeeding Renewal Term. The Series 2017 Certificates represent undivided, proportionate interests in the Basic Rent Payments.

Neither the Series 2017 Certificates, the Lease nor any payments required under the Lease will constitute a mandatory payment obligation of the City in any year beyond the year during which the City is a lessee under the Lease, or constitute or give rise to a general obligation or other indebtedness of the City. The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year or any subsequent fiscal year in which the Lease is in effect, and there can be no assurance that the City will appropriate funds to make Basic Rent Payments or renew the Lease after any Renewal Term. The City may terminate its obligations under the Lease on an annual basis. The City will have the option to purchase the Trustee’s interest in the Leased Property at the times and upon the conditions described under “SUMMARY OF THE LEASE – Purchase Option” in APPENDIX C – DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS.

Neither the Series 2017 Certificates nor the Lease will constitute a debt or liability of the City, the State of Missouri or any political subdivision thereof, nor will they constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease will not obligate the City to levy any form of taxation for the payments required thereunder or to make any appropriation for such payments in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and compliance with the conditions set forth in the Indenture, so long as no Event of Default or Event of Nonappropriation exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by the Indenture on a parity with the Series 2017 Certificates and any other Additional Certificates, at any time and from time to time.

Risk Factors

Payment of the Principal Portions and Interest Portions represented by the Series 2017 Certificates is subject to a degree of risk and the Series 2017 Certificates are not a suitable investment for all persons. Prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2017 Certificates, confer with their own legal and financial advisors and be able to bear the risk of loss of their

investment in the Series 2017 Certificates. See **“RISK FACTORS AND INVESTMENT CONSIDERATIONS.”**

Continuing Disclosure Information

The City has covenanted in a Continuing Disclosure Agreement to provide certain financial information and notices of material events to the Municipal Securities Rulemaking Board, in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. See **“CONTINUING DISCLOSURE”** and the form of Continuing Disclosure Agreement in **APPENDIX D**.

Definitions and Descriptions; Inspection of Documents

All capitalized terms used in this Official Statement not defined in the text hereof are defined under **“DEFINITIONS OF WORDS AND TERMS”** set forth in **APPENDIX C – DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS** to this Official Statement. Brief descriptions of the Series 2017 Certificates, the Lease, the Indenture and certain other matters are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Base Lease, the Lease and the Indenture are qualified in their entirety by reference to such documents, drafts of which may be viewed prior to the delivery of the Series 2017 Certificates at the office of the Underwriter, Stifel, Nicolaus & Company, Incorporated, One Financial Plaza, 8th Floor, 501 North Broadway, St. Louis, Missouri 63102. Copies of the final executed documents may be viewed after the delivery of the Series 2017 Certificates at the office of the Trustee, UMB Bank, N.A., Corporate Trust Department, Two South Broadway, 6th Floor, St. Louis, Missouri 63102, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2017 Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease and the Indenture.

THE SERIES 2017 CERTIFICATES

Description

The Series 2017 Certificates are dated their date of delivery, and the Principal Portion of Basic Rent Payments represented by each Series 2017 Certificate will bear interest at specified rates as set forth on the inside front cover page hereof. The Interest Portion of Basic Rent Payments represented by the Series 2017 Certificates will be payable semiannually on June 15 and December 15 of each year beginning on December 15, 2017 (the **“Payment Dates”**). The Principal Portion of Basic Rent Payments represented by the Series 2017 Certificates is payable on December 15 of the years and in the principal amounts set forth on the inside front cover page of this Official Statement.

Payment of the Interest Portion of the Basic Rent represented by the Series 2017 Certificates will be made to the person appearing on the registration books of the Registrar as the Owner thereof on the Record Date, such Interest Portion to be paid to such Owner by (1) check or draft drawn on the Trustee and mailed to such Owner’s address as it appears on the registration books of the Registrar on the Record Date or (2) electronic transfer to any Registered Owner upon written notice given to the Trustee by such Registered Owner not less than 15 days prior to the Record Date for such Interest Portion, containing the electronic transfer instructions including the bank, ABA routing number, account name and number to which such Owner wishes to have such transfer directed and an acknowledgment that an electronic transfer fee may be applicable.

The Series 2017 Certificates are issuable only as fully registered certificates, without coupons, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Series 2017 Certificates. Purchases of the Series 2017 Certificates will be made only in book-entry form, in denominations of \$5,000 or any integral multiple thereof. Purchasers of the Series 2017 Certificates (“Beneficial Owners”) will not receive certificates representing their interest in the Series 2017 Certificates. So long as Cede & Co. is the registered owner of the Series 2017 Certificates, as nominee of DTC, references herein to the certificate owners, owners or registered owners shall mean Cede & Co. as aforesaid and shall not mean the Beneficial Owners of the Series 2017 Certificates. See **APPENDIX E – BOOK-ENTRY-ONLY**

SYSTEM and APPENDIX F – REGISTRATION, TRANSFER AND EXCHANGE OF SERIES 2017 CERTIFICATES.

Prepayment Provisions

Optional Prepayment. The Series 2017 Certificates that evidence Principal Portions of Basic Rent payable to Certificate Owners on or after December 15, 20__ will be subject to optional prepayment, as a whole or in part at any time, on or after December 15, 20__, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented by the Series 2017 Certificates being prepaid, plus the Interest Portion of Basic Rent accrued to the Prepayment Date, from amounts paid by the City upon the exercise of its option to purchase the Trustee's interest in the Leased Property or partially prepay Basic Rent Payments pursuant to the terms of the Lease.

Optional Prepayment Upon Damage, Destruction or Condemnation. The Series 2017 Certificates will be subject to optional prepayment, as a whole on any date, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued to the Prepayment Date, in the event of substantial damage to or destruction or condemnation (other than by the City or any entity controlled by or otherwise affiliated with the City) of, or loss of title to, substantially all of the Leased Property, or as a result of changes in the constitution of the State or legislative or administrative action by the State or the United States, the Base Lease or the Lease becomes unenforceable, and the City purchases the Trustee's interest in the Leased Property pursuant to the Lease.

Partial Prepayment of Certificates. If less than all of the Outstanding Certificates of a series are called for optional prepayment, (1) Certificates shall be prepaid in such order of stated payment dates as is determined by the City, and (2) within a stated payment date the Trustee shall select the Certificates or any given portion thereof to be prepaid by lot or in such other equitable manner as the Trustee determines in principal amounts of \$5,000 or integral multiples thereof. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of the same series and stated payment date, equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered.

Notice of Prepayment. Official notice of any prepayment of Certificates is required to be given by the Trustee by mailing a copy of the notice not more than 60 days and not less than 30 days prior to the prepayment date by first class mail to the Owner of the Certificate or Certificates to be prepaid, at the address shown on the Register on the date the notice is mailed, as more fully described in the Indenture.

The Trustee, as long as a book-entry-only system is used for the Certificates, will send notices of prepayment only to the Securities Depository, as the Owner of the Certificates. Any failure of the Securities Depository to advise any of the Participants, or of any participant or any nominee to notify any Beneficial Owner of the Certificates, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Certificates called for prepayment.

Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and upon funds for payment of the Prepayment Price of such Certificates being held by the Trustee, on the Prepayment Date designated in such notice, the Certificates so called for prepayment will become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Certificates so called for prepayment will cease to accrue, said Certificates will cease to be entitled to any benefit or security under the Indenture and the Owners of such Certificates will have no rights in respect thereof except to receive payment of the Prepayment Price.

PLAN OF FINANCING

General

The Series 2017 Certificates are being issued for the purpose of providing funds, together with other available funds, to (i) refund all of the outstanding Series 2010 Certificates and (ii) pay the costs and expenses incident to the execution and delivery of the Series 2017 Certificates. The "Project" included certain road, utility and infrastructure improvements.

Refunding of the Series 2010 Certificates

The Series 2010 Certificates will be called for prepayment on November 1, 2018 at a prepayment price equal to 100% of the principal amount thereof outstanding plus accrued interest thereon to the prepayment date. The City will enter into an escrow agreement (the "Escrow Agreement") with UMB Bank, N.A., as escrow agent (the "Escrow Agent"), whereby funds will be deposited into a fund (the "Escrow Fund") and applied to pay the principal of and interest on the Series 2010 Certificates through November 1, 2018 and prepay the remaining Series 2010 Certificates on November 1, 2018. The moneys in the Escrow Fund shall be held by the Escrow Agent and shall be applied solely in accordance with the provisions of the Escrow Agreement.

The accuracy of the mathematical computations of: (a) the adequacy of cash and certain Escrowed Securities to be held by the Escrow Agent pursuant to the Escrow Agreement, together with the interest to be earned thereon, to pay the principal of, premium if any, and interest due and to become due on the Series 2010 Certificates to and including the prepayment date, and (b) certain yield calculations relating to the Series 2010 Certificates and the securities in which the Escrow Fund is invested will be verified by Robert Thomas CPA, LLC, Shawnee Mission, Kansas. Such verification of the accuracy of such mathematical computations will be based upon information supplied by the Underwriter and on interpretations of the Code provided by Special Tax Counsel.

The Leased Property

Simultaneously with the delivery of the Series 2010 Certificates, the City entered into the Base Lease. Pursuant to the Base Lease the City leased the Leased Property to the Trustee. The Trustee, as lessor under the Lease, then leased the Leased Property to the City with a current term ending August 31, 2017, and successive one-year renewal options (the "**Renewal Terms**"), with a final Renewal Term beginning September 1, 2026 and ending December 16, 2026. Each Renewal Term is subject to annual appropriation by the City Council.

Sources and Uses of Funds

The following table itemizes the estimated sources of funds, including the proceeds from the sale of the Series 2010 Certificates (excluding accrued interest), available to refund the Series 2010 Certificates, and how such funds are expected to be used:

Sources of Funds:

Principal Amount of the Series 2010 Certificates	\$
Less: Original Issue Discount.....	
Plus: Original Issue Premium	
Plus: Prior Project Fund.....	
Plus: Prior Debt Service Reserve Fund	
Total Sources of Funds.....	\$

Uses of Funds:

Deposit to Escrow Fund	\$
Cost of Issuance, including Underwriter's Discount	
Total Uses of Funds.....	\$

Annual Basic Rent Payments with Respect to the Series 2017 Certificates

Fiscal Year Ending <u>August 31</u>	Series 2017 Certificates <u>Principal</u>	Series 2017 Certificates <u>Interest</u>	Total Basic <u>Rent</u>
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
Total			

SECURITY FOR THE SERIES 2017 CERTIFICATES

Limited Obligations; Sources of Payment

Each Series 2017 Certificate evidences the undivided, proportionate interest of the Owner thereof in the right to receive Basic Rent Payments to be made by the City under the Lease. The Series 2017 Certificates are payable solely out of the Basic Rent Payments and other money and investments held by the Trustee under the Indenture.

The City's obligation to make Basic Rent Payments and other payments under the Lease is subject to annual appropriation by the City Council and will not constitute a debt or liability of the City, the State of Missouri or any political subdivision thereof. Neither the Lease nor the Series 2017 Certificates will constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease and the Series 2017 Certificates will not obligate the City to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

Under the terms of the Lease, if the City elects to renew the Lease at the end of any Renewal Term, it is obligated to budget, appropriate and set aside a portion of its general revenues derived from sales taxes and other sources, which appropriation must be sufficient to make the Basic Rent Payments coming due during the ensuing fiscal year. To provide for the timely payment of Basic Rent Payments, the City has covenanted and agreed in the Lease to pay the Basic Rent Payments to the Trustee for deposit in the Lease Revenue Fund at least 15 days prior to each Basic Rent Payment Date (but only if the City elects to renew the Lease for each Renewal Term). There can be no assurance that the City Council will appropriate funds for Basic Rent Payments or renew the Lease for any subsequent Renewal Term. The City is not legally required to budget or appropriate money for any subsequent fiscal year beyond the current fiscal year.

Maintenance of the Leased Property

The City has agreed in the Lease, at its own expense, to keep the Leased Property in good condition and repair, ordinary wear and tear excepted. As provided in the Lease, the Trustee and the Owners of the Series 2017 Certificates will not have any obligation to incur any expense of any kind or character for the maintenance of the Leased Property during the term of the Lease.

THE CITY

The City is located in Jefferson County, Missouri and was incorporated as a third-class city in 1972. The City is located on the eastern border of the State of Missouri, approximately 17 miles south of the City of St. Louis, at the confluence of the Meramec and Mississippi Rivers. The City encompasses approximately

11.5 square miles and has a population of approximately 21,319. Certain information describing the City is attached hereto in **APPENDIX A – INFORMATION REGARDING THE CITY OF ARNOLD, MISSOURI.**

RISK FACTORS AND INVESTMENT CONSIDERATIONS

An investment in the Series 2017 Certificates is subject to a number of significant risk factors. The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2017 Certificates. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2017 Certificates should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

Limited Obligations

Each Series 2017 Certificate evidences the undivided, proportionate interest of the Owner thereof in the right to receive Basic Rent Payments to be paid by the City under the Lease. The Series 2017 Certificates are payable solely from the Basic Rent Payments and other money and investments held by the Trustee under the Indenture. The Basic Rent Payments constitute currently budgeted expenditures of the City, payable only if the City Council appropriates sufficient money to extend the term of the Lease for each successive fiscal year. The Original Term of the Lease terminated on August 31, 2011 and the City has continued the Lease for each Renewal Term thereafter through and including the current Renewal Term which ends on August 31, 2017. The Lease Term may be extended, solely at the option of the City, at the end any Renewal Term for additional Renewal Terms provided that the final Renewal Term will not extend beyond December 16, 2026.

The City's obligations under the Lease do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The City is not obligated to renew the Lease beyond the current Renewal Term which ends August 31, 2017. The failure to renew the Lease could mean the loss of occupancy of the entire Leased Property by the City during the remaining term of the Base Lease. The obligations of the City to make Basic Rent Payments and Supplemental Rent Payments under the Lease will be payable solely from currently budgeted expenditures of the City. The City's obligations under the Lease will be from year to year only and will not constitute an indebtedness, liability or a mandatory payment obligation of the City in any ensuing fiscal year beyond the then current fiscal year. No provision of the Lease will be construed or interpreted as creating a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation. The Lease will not directly or indirectly obligate the City to make any payment beyond those appropriated for the City's then current fiscal year. In addition, the City will be under no obligation whatsoever to extend or renew the Lease at the end of the Initial Term or any Renewal Term or to exercise its option to purchase the Trustee's interest in the Leased Property. No provision of the Lease will be construed to pledge or to create a lien on any class or source of City moneys.

The City Council has declared its current intention and expectation that the Lease will be renewed annually until the City exercises its option to acquire the Trustee's interest in the Leased Property. However, such a declaration may not be construed as contractually obligating or otherwise binding the City. Accordingly, the likelihood that the City will renew the Lease for all Renewal Terms and continue to pay the Basic Rent Payments thereunder to enable the Trustee to timely pay the Principal Portions and Interest Portions of Basic Rent Payments represented by the Series 2017 Certificates is dependent upon certain factors which are beyond the control of the Owners, including (1) the demographic conditions within the City and (2) the City's ability to generate sufficient revenues, property taxes, sales taxes, utility fees and charges and other sources to pay its obligations under the Lease and its other obligations.

Sales Tax Collections

The City presently intends to use its share of the proceeds of the County Capital Improvement Sales Tax to make Basic Rent Payments under the Lease. While such proceeds are projected by the City to be adequate to cover the Basic Rent Payments, there can be no assurance that such will be the case. If the proceeds are not adequate, the City could appropriate other legally available funds to pay such Basic Rent Payments, or the City could choose not to make Basic Rent Payments. However, neither the County Capital Improvement Sales Tax nor other funds are, or can be, pledged to the payment of the Series 2017 Certificates without voter approval thereof.

Changes in Economic, Demographic and Market Conditions

Changes in real estate market conditions in the St. Louis metropolitan area, as well as changes in general or local demographic or economic conditions, could adversely affect the value of the property located within the City and the level of economic activity in the City and, consequently, the amounts of real estate taxes, sales taxes and other revenues generated by the City. Such changes could also have an adverse impact on the financial condition of the City and, thus, the City resources available for appropriation for the payment of the Basic Rent Payments with respect to the Series 2017 Certificates.

In particular, sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions. For example, sales tax revenues have historically declined during economic recessions, when high unemployment adversely affects consumption. Demographic changes in the population of the City may adversely affect the level of sales tax revenues. A decline in the City's population, or reductions in the level of commercial and industrial activity in the City, could reduce the number and value of taxable transactions and thus reduce the amount of sales tax revenues. It is not possible to predict whether or to what extent any such changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur, and what impact any such changes would have on sales tax revenues.

Expiration or Termination of the Lease

The Lease will expire by its terms on August 31 during each year commencing in 2017 and ending in 2026, with a final Renewal Term commencing September 1, 2026 and ending December 16, 2026, unless the City in its sole discretion exercises the option provided in the Lease to extend its term for each next succeeding Renewal Term. If in any year the City does not extend the term of the Lease, the City's obligation to make payments will terminate on the August 31 occurring at the end of the then current Renewal Term. Upon (1) the expiration of any Renewal Term during which an Event of Nonappropriation occurs (which is not waived by the Trustee as provided in the Lease) or (2) a default under the Lease and an election by the Trustee to remove the Leased Property, regardless of any damage that may be caused to the surface upon which the Leased Property has been installed, and the Trustee shall not be liable for any such damage. See **"SUMMARY OF THE LEASE — Events of Default"** and **"— Remedies on Default"** in **APPENDIX C — DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS** hereto.

If the City's right of possession and use of the Leased Property under the Lease expires or is terminated for either of the reasons described in the preceding paragraph, (1) the City's obligation to make payments thereunder will continue through the Renewal Term then in effect, but not thereafter; (2) the Principal Portion of Basic Rent Payments that have been appropriated but are then unpaid by the City for the City's then current fiscal year may be declared immediately due and payable; and (3) the Series 2017 Certificates will be payable from, among other sources, such money as may be available by way of recovery from the City of the Basic Rent Payments that are due through the Renewal Term then in effect. If the Lease expires at the end of a Renewal Term without any extension for the next succeeding Renewal Term or if an event occurs as described above pursuant to which the Trustee terminates the City's right of possession of the Leased Property under the Lease, the Trustee may recover possession of the Leased Property and assign the Base Lease or sell its interest in the Leased Property. The net proceeds of any assignment of the Base Lease or sale of the Trustee's interest in the Leased Property, together with certain other money then held by the Trustee under the Indenture, are required to be used to pay the Series 2017 Certificates to the extent of such money.

Due to the nature of the Leased Property (concrete, asphalt and other materials used in the construction of the Leased Property), it is highly unlikely that the Trustee could assign the Base Lease or sell its rights thereunder for the amount necessary (after taking into account money legally available from other sources) to pay in full the Principal Portions and Interest Portions of Basic Rent Payments then due or which may become due with respect to the Series 2017 Certificates. Furthermore, no assurance can be given that the amount, if any, realized upon any assignment of the Base Lease or sublease of the Trustee's interest in the Leased Property will be available to provide for the payment of the Series 2017 Certificates on a timely basis.

Delays in Exercising Remedies

A termination of the Lease will give the Trustee the right to remove the Leased Property, regardless of any damage that may be caused to the surface upon which the Leased Property has been installed, and the right to assign the Base Lease or sell its rights thereunder, all in accordance with the provisions of the Base Lease, the Lease and the Indenture. However, the enforceability of the Lease and the Indenture is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the exercise of judicial authority by State of Missouri or federal courts and the exercise by the United States of America of the powers delegated to it by the U.S. Constitution.

Further, a portion of the Leased Property is used by the City for the performance of its essential governmental functions. Due to the essential governmental use of part of the Leased Property, no assurance can be given that (1) a court, in the exercise of judicial discretion, would enforce these remedies in a timely manner, or (2) any money realized by the Trustee upon an exercise of any remedies would be sufficient to pay in full the Principal Portions and the Interest Portions of Basic Rent Payments represented by the Series 2017 Certificates. Any delays in the ability of the Trustee to obtain possession of the Leased Property will, of necessity, result in delays in any payment of Principal Portions and Interest Portions of Basic Rent Payments represented by the Series 2017 Certificates.

Damage, Destruction and Condemnation of the Leased Property

If (1) the Leased Property or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (2) title to, or the temporary use of, the Leased Property or any part thereof will be nonexistent or deficient or taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority (other than the City), the City and the Trustee will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property, unless the City has exercised its option to purchase the Trustee's interest in the Leased Property by paying the Purchase Price as provided in the Lease. Any balance of the Net Proceeds remaining after such work has been completed will be paid to the City and will be required to be held and appropriated by the City for the exclusive purpose of paying Rent under the Lease. The City has agreed in the Base Lease that, in the event that the whole or any part of the Leased Property is taken by eminent domain proceedings, the interest of the Trustee shall be recognized.

If the City determines that the repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement and if permitted by law, the City will promptly purchase the Trustee's interest in the Leased Property pursuant to the Lease by paying the Purchase Price and such Net Proceeds will be applied by the City to such payment to the extent required for such payment. Any balance of the Net Proceeds remaining after paying the Purchase Price will belong to the City.

If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in the Lease and the City has not elected to purchase the Trustee's interest in the Leased Property pursuant to the Lease, the City will be obligated to complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds. If the City makes any such payments, the City will not be entitled to any reimbursement therefor from the Trustee nor will the City be entitled to any diminution of Rent.

There can be no assurance that the City will elect to extend the term of the Lease for the next Renewal Term succeeding such damage or destruction. See **“SUMMARY OF THE LEASE — Damage, Destruction and Condemnation”** in **APPENDIX C – DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS** hereto.

Under applicable Missouri law, the City has the power to condemn property for any purpose for which it is authorized to acquire property. The City has agreed in the Base Lease that, to the extent it may lawfully do so, if for any reason it exercises the power of eminent domain with respect to the Leased Property, the appraisement value of the Leased Property will not be less than the Rent Payments then due plus the then applicable Purchase Price as defined and set forth in the Lease. It is unknown whether the covenant described in the preceding sentence is enforceable against the City. Accordingly, there is no assurance that, if the City were to condemn the Trustee’s interest under the Base Lease, the condemnation award would be sufficient to pay the outstanding Principal Portion of the Certificates and Interest Portion due thereon.

Bankruptcy

In addition to the limitations on remedies contained in the Indenture and the Lease, the rights and remedies provided in the Indenture and the Lease may be limited by and are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of Missouri.

Effect on Tax-Exemption of Termination of the Lease

Special Tax Counsel is not rendering an opinion with respect to the tax-exempt status of the Interest Portion of the Basic Rent Payments distributable to Series 2017 Certificate owners subsequent to the termination of the Lease for any reason (including an Event of Default under the Lease or an Event of Nonappropriation). If the Lease is terminated while Series 2017 Certificates are outstanding, there is no assurance that payments made to Series 2017 Certificate owners after such termination with respect to interest will be excluded from gross income of the owners thereof for federal income tax purposes or exempt from Missouri income taxation.

Amendment of the Indenture, the Base Lease and the Lease

Certain amendments to the Indenture, the Base Lease and the Lease may be made with consent of the owners of not less than a majority in principal amount of the Certificates (including any Additional Certificates which may be hereafter delivered) then outstanding affected by such supplemental indentures or supplemental leases. Such amendments may adversely affect the security of the owners of the Certificates.

The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by Missouri voters on November 4, 1980. This amendment limits the ability of the City to impose new or increased taxes to provide funding for the payment of the Series 2017 Certificates, or other governmental purposes of the City, without voter approval. The amendment (popularly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal Year, and the limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back property tax rates to produce an amount of revenue equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any “*tax, license or fee*.” The precise meaning and application of the phrase “*tax, license or fee*” is unclear, but decisions of the Missouri Supreme Court have indicated that it does not apply to traditionally set user fees. The limitations imposed by the Hancock Amendment restrict the City’s ability to increase many but not all taxes, licenses and fees without obtaining voter approval.

In 2008, through the enactment of Senate Bill 711 ("SB 711"), the Missouri General Assembly approved further limitations on the amount of property taxes that can be imposed by a political subdivision such as the City. Prior to the enactment of SB 711, a Hancock rollback would not necessarily result in a reduction of the City's property tax levy if its current tax levy was less than its current tax levy ceiling, due to the City's voluntary rollback from the maximum authorized tax levy. The property tax levy is the levy actually imposed by a political subdivision while the tax rate ceiling is the maximum levy the political subdivision may impose under the provisions of the Hancock Amendment. Under SB 711, in reassessment years (odd-numbered years), the Hancock rollback is applied to a political subdivision's actual property tax levy, regardless of whether that levy is at the political subdivision's tax levy ceiling. This further reduction is sometimes referred to as an "SB 711 rollback." In non-reassessment years (even-numbered years), the property tax levy may be increased to the political subdivision's tax levy ceiling (as adjusted by the Hancock rollback), only after a public hearing and adoption of a resolution or policy statement justifying the action.

Risk of Taxability

Special Tax Counsel's opinions as to the exclusion of the Interest Portion of the Basic Rent Payments with respect to the Series 2017 Certificates from gross income for federal income tax purposes and other matters are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Special Tax Counsel's legal judgment based upon its review of existing law. Also, events occurring subsequent to execution and delivery of the Series 2017 Certificates may require that the Interest Portion of the Basic Rent Payments represented by the Series 2017 Certificates be included in gross income for purposes of federal income taxation and not be exempt from income taxes imposed by the State of Missouri. See **"TAX MATTERS"** herein.

The Series 2017 Certificates are not subject to prepayment, nor is the payment of any additional interest or penalties on the Series 2017 Certificates required, in the event of a determination by the Service or a court of competent jurisdiction that the Interest Portion of the Basic Rent Payments paid or to be paid with respect to any Series 2017 Certificate is or will be included in the gross income of the owner of a Series 2017 Certificate for federal income tax purposes. Such determination may, however, result in a breach of the City's tax covenants set forth in the Indenture or the Lease. Likewise, the Indenture does not require the prepayment of the Series 2017 Certificates or the payment of any additional interest or penalty on the Series 2017 Certificates if the Interest Portion of the Basic Rent Payments with respect to the Series 2017 Certificates loses its exemption from income taxes imposed by the State of Missouri. It may be that owners would continue to hold their Series 2017 Certificates, receiving principal and interest as and when due, but would be required to pay federal and state income tax on each interest payment as received or accrued.

Risk of Audit

The Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. No assurance can be given that the Service will not commence an audit of the Series 2017 Certificates. Owners of the Series 2017 Certificates are advised that, if an audit of the Series 2017 Certificates were commenced, the Service, in accordance with its current published procedures, is likely to treat the City as the taxpayer, and the owners of the Series 2017 Certificates may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2017 Certificates during the pendency of the audit, regardless of the ultimate outcome of the audit.

Loss of Premium from Early Prepayment

Any person who purchases a Series 2017 Certificate at a price in excess of its principal amount or who holds a Series 2017 Certificate trading at a price in excess of par should consider the fact that the Series 2017 Certificates are subject to prepayment prior to maturity at the prepayment prices described herein. See **"THE SERIES 2017 CERTIFICATES -- Prepayment"** herein.

Secondary Markets and Prices

The Underwriter will not be obligated to repurchase any of the Series 2017 Certificates, and no representation is made concerning the existence of any secondary market for the Series 2017 Certificates. No

assurance is given that any secondary market will develop following the completion of the offering of the Series 2017 Certificates and no assurance is given that the initial offering price for the Series 2017 Certificates will continue for any period of time.

Other Factors

One or more of the following factors or events could adversely affect the City's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel could affect the capability of the management of the City.
2. *Future Economic Conditions.* Adverse economic conditions or changes in demographics in the City, including increased unemployment and inability to control expenses in periods of inflation, could adversely impact the City's financial performance.
3. *Insurance Claims.* Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance could adversely impact the City's financial performance.
4. *Natural Disasters.* The occurrence of natural disasters, such as floods, droughts or earthquakes, could damage the City's facilities, interrupt services or otherwise impair operations and adversely impact the City's financial performance.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, execution and delivery of the Series 2017 Certificates are subject to the approving opinion of Gilmore & Bell, P.C., St. Louis, Missouri, Special Tax Counsel. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City, as referred to herein. Certain legal matters will be passed upon by Thompson Coburn LLP, St. Louis, Missouri, as Underwriter's Counsel and by Robert K. Sweeney, L.L.C., Hillsboro, Missouri, as Counsel to the City.

The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2017 Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2017 Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2017 Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2017 Certificates.

Opinion of Special Tax Counsel

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel to the City, under the law existing as of the delivery date of the Series 2017 Certificates:

Federal and State of Missouri Tax Exemption. The Interest Portion of Basic Rent paid by the City and distributed to the owners of the Series 2017 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

Alternative Minimum Tax. The Interest Portion of Basic Rent received with respect to the Series 2017 Certificates is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The City's obligation to pay Basic Rent under the Lease is a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code.

Special Tax Counsel's opinions are provided as of the date of the initial delivery of the Series 2017 Certificates, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Series 2017 Certificates in order that the Interest Portion of Basic Rent be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of the Interest Portion of Basic Rent represented by the Series 2017 Certificates in gross income for federal and Missouri income tax purposes retroactive to the date of initial delivery of the Series 2017 Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2017 Certificates, but has reviewed the discussion under the heading "TAX MATTERS."

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated prepayment price at maturity of a Series 2017 Certificate over its issue price. The issue price of a Series 2017 Certificate is generally the first price at which a substantial amount of the Series 2017 Certificates of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt certificates accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2017 Certificate during any accrual period generally equals (a) the issue price of that Series 2017 Certificate, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (b) the yield to maturity on that Series 2017 Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (c) any interest payable on that Series 2017 Certificate during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Series 2017 Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2017 Certificate over its stated redemption price at maturity. The issue price of a Series 2017 Certificate is generally the first price at which a substantial amount of the Series 2017 Certificates of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt certificates amortizes over the term of the Series 2017 Certificate using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2017 Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2017 Certificate prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of certificate premium.

Sale, Exchange or Retirement of Series 2017 Certificates. Upon the sale, exchange or retirement (including prepayment) of a Series 2017 Certificate, an owner of the Series 2017 Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2017 Certificate (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2017 Certificate. To the extent a Series 2017 Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2017 Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2017 Certificates, and to the proceeds paid on the sale of the Series 2017 Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2017 Certificates should be aware that ownership of the Series 2017 Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2017 Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2017 Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2017 Certificates, including the possible application of state, local, foreign and other tax laws.

FINANCIAL STATEMENTS

The audited financial statements of the City for the fiscal year ended August 31, 2016, are included in **APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED AUGUST 31, 2016** in this Official Statement.

The City neither requested nor received a consent of its independent auditor to the inclusion of its audit report in this Official Statement. Neither the City's independent auditors, nor any other independent accountants, have examined the City's records, or performed any procedures with respect to the City since the date of the City's audit for the fiscal year ended August 31, 2016.

LITIGATION

There is not now pending or, to the knowledge of the City, threatened, any litigation seeking to restrain or enjoin in any way limit the approval or the issuance and delivery of this Official Statement or the Series 2017 Certificates or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the City, threatened which in any manner challenges or threatens the powers of the City to enter into or carry out the transactions contemplated by the Indenture and this Official Statement. See **"LITIGATION" in APPENDIX A – INFORMATION REGARDING THE CITY OF ARNOLD, MISSOURI** for information relating to litigation involving the City.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the **"Underwriter"**) has agreed, subject to certain conditions, to purchase the Series 2017 Certificates from the City at a price of \$_____, (which is equal to the principal amount of the Series 2017 Certificates, plus original issue premium of \$_____, and less an underwriting discount of \$_____), plus accrued interest, if any, from the date of the Series 2017

Certificates to the date of payment and delivery of the Series 2017 Certificates. The Underwriter is purchasing the Series 2017 Certificates from the City for resale in the normal course of the Underwriter's business activities. The Underwriter will sell certain of the Series 2017 Certificates at a price greater than such purchase price, as shown on the inside cover hereof. The Underwriter reserves the right to offer any of the Series 2017 Certificates to one or more purchasers on such terms and conditions at such price or prices as the Underwriter, in its discretion, shall determine.

CONTINUING DISCLOSURE

Pursuant to the Lease and a Continuing Disclosure Agreement, the City has agreed to provide to the Municipal Securities Rulemaking Board (the "MSRB"), through the Electronic Municipal Market Access system ("EMMA"), the audited financial statements of the City and certain operating data of the City within 6 months after the end of each fiscal year of the City beginning with the Fiscal Year ended August 31, 2017, and to provide notices of the occurrence of certain enumerated events. See the form of Continuing Disclosure Agreement in **APPENDIX D** hereto.

The City's record of compliance with its continuing disclosure obligations within the past five years is summarized in the table below:

City of Arnold, Missouri
Summary of Continuing Disclosure Filings

Fiscal Year Ending	Filing Due Date	Annual Financial & Operating Information (excludes audit) Filed	Audited Financial Statements Filed	Date Failure to File Notice Posted
8/31/12	2/27/13	2/26/13	2/26/13	N/A
8/31/13	2/27/14	2/28/14	2/28/14	None
8/31/14	2/27/15	2/19/15	2/19/15	N/A
8/31/15	2/27/16	2/20/16	2/20/16	N/A
8/31/16	2/27/17	2/24/17	2/24/17	N/A

As shown above, on one occasion, the City filed its audited financial statements and other financial and operating data one day following the date required by its prior continuing disclosure undertakings and failed to file notice of such late filing.

RATING

S&P Global Ratings, a division of S&P Global Inc. ("S&P"), has assigned a rating of "A+" to the Series 2017 Certificates, based on the credit of the City. Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, by said rating agency if, in its judgment, circumstances warrant. Any such downward revisions or withdrawal of the rating may have an adverse effect on the market price of the Series 2017 Certificates.

MISCELLANEOUS

References herein to the Indenture, the Base Lease, the Lease and certain other matters are brief discussions of certain provisions thereof. Such discussions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein.

Simultaneously with the delivery of the Series 2017 Certificates, the City will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Series 2017 Certificates does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City, certified public accountants, and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized.

The form of this Official Statement, and its distribution and use by the Underwriter, has been approved by the City and deemed final. Neither the City nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the city or the City's ability to make payments required of it; and further, neither the City nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the execution and delivery of the Series 2017 Certificates other than those either expressly or by fair implication imposed on the City by the Indenture, the Base Lease and the Lease.

The agreements of the City with the owners of the Series 2017 Certificates are fully set forth in the Indenture, the Base Lease and the Lease, and neither any advertisement of the Series 2017 Certificates nor this Official Statement is to be construed as constituting a contract or agreement between the City, the Trustee, the Underwriter or the purchaser or Owners of any Series 2017 Certificates with the purchasers of the Series 2017 Certificates. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof.

It is anticipated that CUSIP identification numbers will be printed on the Series 2017 Certificates, but neither the failure to print such numbers on any Series 2017 Certificates, nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and payment for any Series 2017 Certificates.

[Remainder of Page Intentionally Left Blank.]

The attached Appendices are integral parts of this Official Statement and should be read together with all of the foregoing information.

CITY OF ARNOLD, MISSOURI

By: _____
Ron Counts, Mayor

[Page intentionally left blank.]

APPENDIX A

**INFORMATION REGARDING
THE CITY OF ARNOLD, MISSOURI**

[Page intentionally left blank.]

**APPENDIX A
TABLE OF CONTENTS**

INFORMATION REGARDING THE CITY OF ARNOLD, MISSOURI	A-1
ORGANIZATION AND GOVERNMENT.....	A-1
General	A-1
Government.....	A-1
Employees and Employee Relations	A-2
Municipal Services and Utilities	A-2
Transportation and Communication Facilities	A-3
Educational Institutions and Facilities	A-3
Medical Services	A-3
Recreational and Religious Facilities.....	A-3
ECONOMIC AND DEMOGRAPHIC DATA	A-4
Economy	A-4
Employment	A-4
Employment Figures	A-5
General and Demographic Information.....	A-5
Per Capita Income	A-5
Housing Stock	A-6
Building Permits/Construction	A-6
FINANCIAL INFORMATION REGARDING THE CITY	A-6
Accounting, Budgeting and Auditing Procedures	A-6
Basis of Accounting	A-7
General Fund - Revenues, Expenditures and Changes.....	A-8
Sources of Revenue.....	A-9
Retail Sales Taxes	A-9
County Capital Improvement Sales Tax	A-10
Tax Assessments and Property Valuations	A-11
Property Tax Levies and Collections	A-12
Largest Taxpayers	A-12
Pension Plans	A-13
DEBT STRUCTURE OF THE CITY.....	A-14
Direct Bonded Indebtedness.....	A-14
Overlapping Bonded Indebtedness.....	A-14
Revenue Obligations	A-14
Annual Appropriation Obligations.....	A-15
Future Financing Plans.....	A-15
Debt Measures.....	A-15
Authority to Incur Debt.....	A-15
Legal Debt Margin	A-16
LITIGATION	A-16

[Page intentionally left blank.]

APPENDIX A

INFORMATION REGARDING THE CITY OF ARNOLD, MISSOURI

The Series 2017 Certificates are not a general obligation of the City and are payable solely from the revenues described in this Official Statement. The following information regarding the City has been furnished by the City for inclusion herein but should not be construed an indication that the Series 2017 Certificates are payable from any source other than such revenues described in this Official Statement. See “**SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2017 CERTIFICATES**” in this Official Statement. Such information is not guaranteed as to accuracy or completeness by the Underwriter and is not to be construed as a representation by the Underwriter. The Underwriter has not verified this information. No representation is made by the Underwriter as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date as to which such information is provided.

ORGANIZATION AND GOVERNMENT

General

The City of Arnold (the “City”) is located in Jefferson County, Missouri (the “County”) and was incorporated as a third-class city in 1972. The City is located on the eastern border of the State of Missouri, approximately 17 miles south of the City of St. Louis, at the confluence of the Meramec and Mississippi Rivers. The City encompasses approximately 11.5 square miles and has a population estimated in 2016 of 21,357.

Government

The City is governed by a Mayor/City Council form of government and exercises powers of municipal government specifically granted by the State of Missouri. The City Council is composed of eight members who are elected by wards for staggered two-year terms without restriction as to re-election. The Mayor is elected at large for a four-year term without restriction as to re-election. The Mayor presides over meetings of the City Council. The City Council establishes fees and tax rates and authorizes all municipal indebtedness. The City Council, with the consent of the Mayor, appoints a City Administrator who acts as the chief administrative officer of the City and serves at the pleasure of the City Council. The City Administrator is responsible to the City Council for administration of City policy, preparation of the annual budget, appointment of City employees and supervision of the City’s operating departments. The City budget, prepared by the City Administrator after consultation with each department, is reviewed and adopted by the City Council. Tax rates are established by the City Council to support the budget adopted. As required by law, the aggregate City budget may not include any expenditures in excess of anticipated revenues and unencumbered balances from prior years. The City’s Fiscal Year ends on August 31.

The current mayor is Ron Counts, first elected as mayor in April 2009, whose current term as mayor expires in 2021. The current members of the City Council elected for staggered two year terms, are:

<u>Name</u>	<u>Year of Initial Election/ Appointment</u>	<u>Term Expires</u>
Butch Cooley ¹	2013	April 2019
E.J. Fleischmann	2016	April 2018
Jason Fulbright	2013	April 2019
Mark Hood	2017	April 2019
Brian McArthur	2014	April 2018
David Owens	2015	April 2019
Gary Plunk	2014	April 2018
Vernon Sullivan	2016	April 2018

¹ Mr. Cooley also served as a member of the City Council from 2002 to 2009.

Current key members of the City's administration are as follows:

<u>Name</u>	<u>Position</u>	<u>Year of Initial Appointment</u>
Bryan Richison	City Administrator	2013
Deborah Lewis	Finance Director	2007
Tammi Casey	City Clerk	2013
Dickie Brown	Parks Director	2017
Edwin Blattner	Public Works Director	2013
Mary Holden	Community Development Director	2003
Robert Shockey ¹	Chief of Police	2001
Dan Kroupa	Treasurer	2010

Employees and Employee Relations

As of July 1, 2017, the City had 110 full time employees, and approximately 101 part-time seasonal employees, including 49 police officers. Other than the City Administrator and the Chief of Police, all employees of the City are at-will employees.

The initial one-year term of the employment contract of the City Administrator ended August 31, 2014. Since that time the amended contract provides for automatic one-year renewals. Upon any termination of the City Administrator's employment by the City other than with respect to specified "for cause" termination provisions, the City is required to pay a severance payment equal to at least 6 months' salary and to pay for 6 months' employee benefits, including family health insurance, life insurance and pension.

The employment contract of the Chief of Police is for an undetermined period. Upon any termination of the Chief of Police's employment by the City, the City is required to pay a severance payment equal to 6 months' salary and to pay for 6 months' employee benefits including family health insurance, life insurance and pension.

Historically, Missouri law did not permit collective bargaining by any public employees. Employees were allowed to form certain labor organization with "meet and confer" rights, whereby public employers have the duty to meet and confer with public employees but do not have a duty to reach an agreement. In May 2007, the Missouri Supreme Court issued an opinion in which the court held that the provisions of the Missouri Constitution guaranteeing employees the right to organize and to bargain collectively applies to public employees as well as private sector employees. Public employees do not, however, have the right to strike. The City has had no work stoppages or significant employee disputes since its incorporation in 1972.

The City's police employees are represented by the Fraternal Order of Police. The City entered into a three-year collective bargaining agreement with this union in 2016. No other City employees are currently represented by a union.

Municipal Services and Utilities

The City provides its citizens with typical services, such as street maintenance and construction, police protection, code enforcement, engineering and planning, building inspections and parks and recreation. These services are financed from general revenues of the City. Fire protection is provided by the Rock Community Fire Protection District and water service is provided by the Public Water Supply District Nos. 1, 3 and C-1 of Jefferson County, Missouri, each of which is a separate political subdivision from the City.

The storm water sewer system is the only utility enterprise operated by the City. Enterprise operations derive their revenues from user fees. The storm water sewer system is financed by self-sustaining usage charges.

¹ Mr. Shockey has been a member of the Arnold Police Department since 1988 and was appointed as Chief of Police in 2001.

Ameren UE provides residents of the City with electricity. Midwest Missouri Gas, a subsidiary of Laclede Gas, provides gas service throughout the City. Ameren UE and Midwest Missouri Gas are regulated by the Missouri Public Service Commission. Sanitary sewers are owned and operated by Missouri American Water which is also regulated by the Missouri Public Service Commission.

Transportation and Communication Facilities

The City is located along Interstate 55. Other highways serving the City include U.S. Highway 61/67, and Missouri Highways 141 and 231.

The City is served on a daily basis by the Burlington-Northern Railroad and the Missouri-Pacific Railroad, a subsidiary of the Union Pacific System.

The City has no public transportation program. Limited public transportation is provided by the Jefferson County Community Partnership.

The City is part of the St. Louis metropolitan area and is served by the television and radio stations and tele-cable system in this metropolitan area. Local news coverage is provided by The Arnold-Imperial Leader, a free newspaper that is published weekly and serves an area which has a population of approximately 25,000.

Educational Institutions and Facilities

The Fox C-6 School District (the "District") currently holds an "accredited" rating from the Missouri Department of Elementary and Secondary Education, which is the highest rating attainable. The District encompasses twelve elementary schools, three junior high schools and two senior high schools. The District has a total enrollment of approximately 11,650 students. In addition, the Catholic and Lutheran churches of the community operate parochial school systems.

In addition to Jefferson College, a community college with a campus adjacent to the Arnold recreation center, residents of Arnold have access to a number of public and private colleges and universities in the St. Louis metropolitan area, including the University of Missouri-St. Louis, St. Louis Community College, Fontbonne University, Maryville University, St. Louis University, Washington University and Webster University.

Medical Services

There are over 60 hospitals with approximately 12,000 licensed beds located in the St. Louis metropolitan area. One of these hospitals, St. Anthony's Medical Center, operates an urgent care center in the City. One of the newest hospitals in the area, SSM St. Clare Health Center, is located approximately 10 miles from the City. St. Anthony's Medical Center in south St. Louis County and Mercy Hospital Jefferson in Crystal City, Missouri are also located within an approximately 30 minute drive from the City. The Rock Township Ambulance District is a governmental entity providing ambulance services within the City and surrounding areas.

Recreational and Religious Facilities

Year-round activity programs are sponsored by the City's Parks and Recreation Department, which maintains five city parks and Pomme Creek golf course. Park facilities in the City include a fishing lake, picnic areas, playgrounds, summer swimming facilities (outdoor pool) and tennis courts. Mastodon State Park, Teshars Woods Conservation Area and county parks are also located within a few miles of the City's limits.

The Pomme Creek Golf Course was purchased by the City in Spring 2007 for \$4.25 million. Pomme Creek is one of three 18-hole public golf courses in the County and is the only municipally-owned golf course in the County. The City made significant repairs and upgrades to the course and the amenities offered to golfers since its purchase.

In 2005, the City of Arnold constructed a \$17 million recreation center. The recreation center houses an indoor/outdoor pool, cardiovascular equipment, elevated track, basketball/volleyball courts and many other recreation functions. This facility shares a 25-acre site with the Jefferson County Library and Jefferson College. The library opened in August 2005. This Jefferson College campus opened in August 2007.

The Jefferson County Library (Fox-Windsor subdistrict) is located in the City, providing activities such as children's programs, art exhibits and community group meetings.

The City has over seventeen churches representing all major denominations and the Protestant and Catholic faiths. Many denominations sponsor student centers and provide services such as preschools and elementary schools.

ECONOMIC AND DEMOGRAPHIC DATA

Economy

The economic conditions and outlook of the City of Arnold have been stable in recent years. Several large retailers and food stores form a regional, retail nucleus that to some extent buffers the City from adverse economic trends. The City's housing stock, geographic location and variety of services have kept real estate marketable.

In 2008, *Money Magazine Online* named Arnold the 12th Most Affordable City to live in the United States. Commercial vacancies remain modest while the potential for further retail and industrial development appears favorable within the next five to ten years.

The citizens of Arnold secure employment with business and industry throughout the St. Louis metropolitan area. Employment levels in the St. Louis metropolitan area have been and are expected to remain relatively stable due to the variety of business and industry.

Arnold's tax structure relies mainly on sales and utility taxes. The growth rate of sales tax revenues for the past eight years has averaged just under 4%. Due, in part, to additional retail establishments, such as those in Arnold Commons, the City's sales tax receipts are expected to continue to grow but at a reduced pace. Utility tax receipts from electricity are likely to increase at a modest rate while phone tax receipts are registering a decline due to changes in marketing strategies employed by cellular service providers and the elimination of many land lines as many consumers are switching to cellular phones only. Overall, significant reductions are not expected in the upcoming five years.

Employment

Listed below are the major employers located in the City in 2016 and the number employed by each:

<u>Major Employers</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Fox School District	Education	806
Convergys	Call Center	743
Wal-Mart	Retail Store	370
Metal Container Corp.	Manufacturer	340
LMC Industries	Manufacturer	240
Sinclair & Rush	Manufacturer	200
Kohl's Department Store	Retail Store	193
Home Depot	Retail Store	152
Texas Roadhouse	Restaurant	150
Dierberg's	Retail Store	137
Target	Retail Store	129
Lowe's	Retail Store	118
City of Arnold	Government	110
Schnuck's	Retail Store	106
Shop & Save	Retail Store	94

Employment Figures

The following table shows the number of persons employed, the number unemployed and the unemployment rate for the County, the State of Missouri and the United States (no separate statistics are available for the City):

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u> ¹
Jefferson County, Missouri					
Employed	106,738	108,717	112,693	113,646	111,698
Unemployed	7,783	7,258	5,740	5,081	4,855
Unemployment Rate	6.8%	6.3%	4.8%	4.3%	4.2%
State of Missouri					
Employed	2,820,762	2,872,368	2,941,821	2,970,702	2,934,784
Unemployed	201,751	186,699	154,857	140,815	130,759
Unemployment Rate	6.7%	6.1%	5.0%	4.5%	4.3%
United States					
Unemployment Rate	7.4%	6.2%	5.3%	4.9%	4.6%

The unemployment rate for May 2017, the latest month for which information is available, was 4.0% for the County, 4.1% for the State of Missouri and 4.1% for the United States.

¹ Includes the months of January through May 2017.

Source: Missouri Economic Research and Information Center (Missouri Department of Economic Development) in cooperation with U.S. Department of Labor, Bureau of Labor Statistics.

General and Demographic Information

The following table sets forth statistical information for the past five calendar years:

<u>Year</u>	<u>Population</u>	<u>Taxable Retail Sales</u>	<u>Taxable Retail Sales Per Capita</u> ¹
2012	20,837	\$517,160,826	\$24,819
2013	21,013	531,065,299	25,273
2014	21,134	556,083,746	26,312
2015	21,243	583,842,012	27,484
2016	21,357	601,329,958	28,156

Source: Missouri Department of Revenue, Public Information Taxable Sales Report

Per Capita Income

The following table contains information relating to per capita income for the County (no separate statistics for the City are available) and, for comparison purposes, the State of Missouri:

<u>Year</u>	<u>Jefferson County, Missouri Per Capita Income</u>	<u>State of Missouri Per Capita Income</u>
2011	\$33,979	\$38,117
2012	34,646	39,851
2013	35,216	39,847
2014	36,232	41,107
2015	37,740	42,300

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

¹ Similar to many municipalities, residents of neighboring communities also patronize the City's retail establishments. It should not be inferred, therefore, that the Retail Sales Per Capita is a true indicator of the amount of retail sales generated from each of the City's residents.

Housing Stock

The City has approximately 8,731 residential housing units including approximately 7,036 single family residences. Construction is mostly wood frame with some brick veneer or brick. Residential construction continues at the average regional pace, with 180 permits issued in the last 5 years. The City has a significant amount of affordable housing, with average home sales in the \$145,000 - \$175,000 range. In 2008, Money Magazine Online named the City the 12th Most Affordable City to live in the United States.

The City's existing housing inspection program prescribes minimum maintenance requirements for structures and premises to assure safety and provide for abatement of potential hazards. This program helps assure the preservation of the City's neighborhoods and property values.

Building Permits/Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued either for new construction or for major renovation.

Fiscal Year Ended August 31	Number of Permits Issued			Estimated Valuation		
	Residential	Commercial	Total	Residential	Commercial	Total
2012	25	1	26	\$4,023,054	\$11,172,000	\$15,195,054
2013	52	15	67	7,401,113	10,736,500	11,477,613
2014	35	2	37	4,938,140	3,600,000	8,538,140
2015	28	8	36	3,941,197	18,350,130	22,291,327
2016	40	25	65	5,483,940	4,361,288	9,845,228

Source: City of Arnold, Missouri.

FINANCIAL INFORMATION REGARDING THE CITY

Accounting, Budgeting and Auditing Procedures

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the City's financial statements into fund types as follows:

Fund Types:

Governmental Funds: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues collected, expenses paid, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's Stormwater Fund and Golf Course Fund are its only Enterprise Funds.

Fiduciary Funds: Trust Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations or other governments and/or other funds. Trust Funds are accounted for in essentially the same manner as proprietary funds. The City's Police Pension Trust Fund is its only Trust Fund.

Basis of Accounting

Each of the various fund types has its own basis of accounting. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the City's financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for on the current financial resources measurement focus using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues which are considered susceptible to accrual include sales taxes, utility gross receipts taxes and certain intergovernmental revenues. Licenses and permits, fines and court costs, special assessments, charges for services and miscellaneous revenues are not susceptible to accrual because they are generally not measurable until received in cash. Expenditures in governmental funds are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds and trust funds are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

An annual budget is prepared under the direction of the Mayor by the City Administrator and submitted to the City Council for consideration prior to the Fiscal Year commencing on September 1. The operating budget includes proposed expenditures and revenue sources. The budget is legally enacted through the adoption of an ordinance. The primary basis of budgetary control is at the departmental level. The City Administrator is authorized to transfer budgeted amounts between programs within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the Fiscal Year ending August 31, 2016 was performed by Hochschild, Bloom & Company LLP, Chesterfield, Missouri. Copies of the audit reports for the last 15 years are on file in the City Finance Department and are available for review.

General Fund - Revenues, Expenditures and Changes

**CITY OF ARNOLD, MISSOURI
Statement of Revenues, Expenditures and
Changes in Fund Balance – General Fund**

	Fiscal Year Ended August 31				
	2016	2015	2014	2013	2012
REVENUES					
Taxes	\$12,161,808	\$11,636,337	\$11,158,074	\$11,516,117	\$10,428,277
Special assessment	12,563	41,512	47,414	208,907	55,981
Licenses and permits	642,360	818,274	652,512	730,422	637,167
Fines and court costs	668,018	713,514	847,185	1,039,805	902,336
Intergovernmental	684,515	1,353,761	298,735	2,494,985	1,544,465
Charges for services	947,678	889,918	74,913	90,374	115,011
Investment income	25,037	25,039	20,661	46,742	36,415
Miscellaneous	211,519	296,757	314,718	316,045	301,369
Total Revenues	<u>\$15,353,498</u>	<u>\$15,775,112</u>	<u>\$13,414,212</u>	<u>\$16,443,397</u>	<u>\$14,021,021</u>
EXPENDITURES					
General Government	\$2,739,711	\$ 2,803,534	\$2,748,614	\$2,622,248	\$ 2,806,147
Public safety	5,652,953	5,389,717	5,610,226	5,482,289	5,413,009
Public works	607,211	598,889	618,618	556,904	460,444
Highway and streets	1,440,050	1,004,793	1,401,373	1,377,329	1,318,793
Parks and recreation	673,093	582,211	583,560	551,623	525,763
Health and sanitation	1,330,789	1,233,389	1,203,039	1,204,374	1,198,127
Economic Development	--	--	--	--	--
Capital outlay	1,325,272	1,611,488	348,711	5,711,866	1,734,019
Debt service:					
Principal	360,000	350,000	415,177	549,143	563,237
Interest	201,913	210,320	219,366	234,830	240,477
Bond issue costs	--	--	--	--	--
Payments to escrow agent	--	--	--	--	--
Total Expenditures	<u>\$14,330,992</u>	<u>\$13,784,341</u>	<u>\$13,148,684</u>	<u>\$18,290,606</u>	<u>\$14,260,016</u>
REVENUES OVER EXPENDITURES	\$ 1,022,506	\$ 1,990,771	\$ 265,528	\$ (1,847,209)	\$ (238,995)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	--	--	--	--	--
Premium (discount) on issuance of					
Long-term debt	--	--	--	--	--
Refunding of long-term debt	--	--	--	--	--
Proceeds from insurance premium	--	--	--	--	--
Sale of capital assets	14,062	37,507	30,100	315,725	57,673
Transfers in	--	9,976,578	--	--	--
Transfers out	(4,262,502)	(418,220)	(3,486,288)	--	--
Total Other Financing Sources (Uses)	<u>\$(4,248,440)</u>	<u>\$ 9,595,865</u>	<u>\$(3,456,188)</u>	<u>\$ 315,725</u>	<u>\$ 57,673</u>
NET CHANGE IN FUND BALANCE	\$(3,225,934)	\$11,586,636	\$(3,190,660)	\$(1,531,484)	\$ (181,322)
FUND BALANCES, BEGINNING OF YEAR:	<u>\$18,366,759</u>	<u>\$6,780,123</u>	<u>\$9,970,783</u>	<u>\$11,502,267</u>	<u>\$11,683,589</u>
FUND BALANCES, END OF YEAR	<u>\$15,140,825</u>	<u>\$18,366,759</u>	<u>\$6,780,123</u>	<u>\$ 9,970,783</u>	<u>\$11,502,267</u>

Source: City of Arnold, Missouri Comprehensive Annual Financial Reports, FY 2012-2016.

Sources of Revenue

The City's General Fund, which finances its general operations, was funded through the following taxes and other miscellaneous sources of revenue as indicated below for the Fiscal Year ended August 31, 2016:

<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Retail sales taxes	\$ 5,694,010	37.09%
Gross receipts tax on utilities	3,197,614	20.83%
Jefferson County shared capital improvement sales tax	1,140,340	7.43%
Local property tax	1,081,943	7.05%
Motor Fuel Taxes	549,872	3.58%
Shared vehicle tax	271,890	1.77%
Other taxes	226,139	1.47%
Special assessments	12,563	0.08%
Licenses and permits	642,360	4.18%
Fines and court costs	668,018	4.35%
Intergovernmental	684,515	4.46%
Charges for services	947,678	6.17%
Investment income	25,037	0.16%
Miscellaneous	<u>211,519</u>	<u>1.38%</u>
TOTAL	\$ 15,353,498	100.00%

Retail Sales Taxes

The City has the largest concentration of retail space in the County. The City estimates that it has over 170 retail establishments. Most of the retail activity is concentrated in the north central area of the City, specifically along U.S. Highway 61/67 and Interstate 55. The two largest retail shopping centers are Jefferson County Plaza, which opened in 2000 and contains over 300,000 square feet of retail space, and Arnold Commons, which opened in 2008 and contains over 300,000 square feet of retail space. Information relating to the sales taxes imposed by the City and sales tax collections by the City follow.

General City Sales Tax. A one percent sales tax approved by the voters of the City on February 7, 1978 is levied on receipts from the sale at retail of all tangible property or taxable services, if such property or services are subject to the sales tax imposed by the State of Missouri.

Park Sales Tax. The voters of the City approved a Park Sales Tax in the amount of one-quarter of one percent on retail sales made in the City at an election held on April 2, 2002. Collection of the Park Sales Tax commenced on October 1, 2002. The proceeds of this sales tax (which does not have an expiration date) can be used to pay for the construction, furnishing, operation and maintenance of a community recreation center, including an aquatic facility and other recreational amenities. While the proceeds of the Park Sales Tax are not pledged to the payment of the Series 2017 Certificates and the City may use any available funds for payment of Basic Rent Payments under the Lease if it decides to appropriate funds therefor, the City currently intends to use the proceeds of the Park Sales Tax for such Basic Rent Payments.

Sales Tax Collections. The following table shows the retail sales tax collections for the City for the last five Fiscal Years:

<u>Fiscal Year Ended</u> <u>August 31</u>	<u>General 1% Sales</u> <u>Tax Revenues</u>	<u>Park Sales</u> <u>Tax Revenues</u>
2012	\$4,893,553	\$1,179,379
2013	4,966,989	1,200,381
2014	5,216,383	1,255,500
2015	5,575,444	1,347,848
2016	5,694,010	1,380,546

Source: City of Arnold, Missouri.

County Capital Improvement Sales Tax

The County levies a capital improvements sales tax in the amount of one-half of one percent on retail sales made in the County (the "County Capital Improvement Sales Tax"). The County shares a portion of the revenues from the County Capital Improvement Sales Tax with each of the cities located in the County, including the City, for road improvements under a formula based on the population and miles of road within each of the cities. Once the funds from the County Capital Improvement Sales Tax are available, the City may draw such funds upon presentation of evidence that the project to be funded is a transportation capital improvement.

The following table shows the City's draws from its allocation of the revenues from the County Capital Improvement Sales Tax retail sales tax collections for the City for the last five fiscal years:

<u>Year Ended</u> <u>December 31</u>	<u>County Capital Improvement</u> <u>Sales Tax Revenues</u>
2012	\$ 680,650
2013	1,452,885
2014	722,580
2015	781,784
2016	1,140,340

Source: Jefferson County, Missouri.

The proceeds of the Series 2017 Certificates will be used to refund the Series 2010 Certificates. While the debt service payments with respect to the Series 2017 Certificates will be paid, subject to annual appropriation, from any available funds of the City, the City currently expects to use moneys from the City's portion of the County Capital Improvement Sales Tax to make such debt service payments. There can be no assurance, however, that the County will continue to make funds from the County Capital Improvement Sales Tax available to the City or, even if funds continue to be available, in an amount similar to that received by the City historically. The County Capital Improvement Sales Tax may be discontinued or reduced by the County or its voters in the future. The County Capital Improvement Sales Tax was originally imposed in 1986 and was scheduled to expire in 2001. It has subsequently been extended for two additional 15-year periods and currently expires in 2031. It may be further extended with the approval of the County's voters.

The City is not required to use moneys from the County Capital Improvement Sales Tax to pay debt service on the Series 2017 Certificates and may, instead, use such moneys for other road and transportation improvements. In addition, the amount of revenues available from the County Capital Improvement Sales Tax may be affected by general economic and demographic conditions and competition from retailers outside of the County. The City's portion of the County Capital Improvement Sales Tax is merely a source of funds available to the City for the payment of the debt service on the Series 2017 Certificates. The City's portion of the County Capital Improvement Sales Tax is not pledged to the payment of the Series 2017 Certificates.

Tax Assessments and Property Valuations

Tax Assessments and Collections. The City does not assess or collect ad valorem property taxes, but instead delegates those responsibilities to the County, as described below.

On or before the first day of September in each year, the City Council estimates the amount of taxes that will be required during the next succeeding Fiscal Year and the tax rate required to produce that amount, subject to the constitutional and statutory limitations with respect to such tax rate. The City certifies the tax rate to the County Clerk. The officers of the County, at the time they make the levy for state, county, city, school, and other ad valorem taxes, levy the tax rate certified by the City upon all taxable real property in the City. All officers of the County and of the state concerned with the assessment and collection of taxes, fines, and penalties must perform their duties in relation to the levy, assessment, and collection of City taxes as they do in relation to state, county, city, school, and other ad valorem taxes. All City taxes levied must be based upon the assessed valuation of lands and other taxable tangible property in the City as may be determined by the records in the offices of the Assessor and County Clerk of the County, and must be collected and remitted to the City. All the rights and remedies provided by the laws of the state for the collection of state, county, city, school, and other ad valorem taxes are applicable to the collection of taxes authorized to be collected by the City.

The City levies taxes against real property. By statute, personal property is assessed at 33 1/3% of true value, residential property is assessed at 19% of true value and agricultural property is assessed at 12% of true value. Most other property is assessed at 32% of true value.

The County Assessor is responsible for preparing the tax rolls each year for all political subdivisions in the County and for submitting the tax roll to the Board of Equalization for the County. The Board of Equalization has the authority upon appeal to question and determine the proper values of property and then adjust and equalize individual properties appearing on the tax rolls. Real property is required by state statute to be reassessed every two years, in odd-numbered years.

Taxes are levied on all taxable real and personal property owned as of January 1 of each year. By statute, tax bills are to be mailed in October; however, the volume of assessment complaints required to be reviewed by the Board of Equalization can affect the date on which bills are actually mailed. Payment of tax on real and personal property is due by December 31, after which date they become delinquent and accrue a penalty of one percent per month. The County Collector collects taxes for all taxing bodies in the County and deducts a commission equal to 1.5% of the taxes. The Treasurer distributes the taxes collected to the various taxing bodies.

Certain properties, such as those used for charitable, educational, and religious purposes, are exempt from ad valorem taxes. In addition, pursuant to various Missouri statutes, the City may grant real property tax abatement, under certain conditions, to businesses building or rehabilitating property within the City. In December 2015, the City granted tax abatement in connection with a \$150 million expansion of a manufacturing facility in the City.

Current Assessed Valuation. The following table shows the total assessed valuations by category, of all taxable tangible property situated in the City according to the assessment of January 1, 2017.

Real	\$ 288,540,600
Personal	71,603,007
Locally assessed railroad and other utility property	77,005
State assessed railroad and other utility property	<u>7,763,075</u>
Total	<u>\$ 367,983,687</u>

Source: June 26, 2017 certification of the County Clerk, Jefferson County— Note that this information, while not final until December 31, 2017, is unlikely to change in any material respect).

History of Property Valuations. The total assessed valuation of all taxable tangible real property situated in the City, including state-assessed railroad and utility property and personal property, and the estimated actual value thereof, according to the assessments of January 1 in each of the following fiscal years, has been as follows:

<u>Fiscal Year Ended August 31</u>	<u>Assessed Valuation</u>	<u>Estimated Actual Value</u>
2013	\$284,834,579	\$1,227,103,131
2014	284,333,157	1,228,943,555
2015	288,215,116	1,244,696,539
2016	291,368,148	1,262,789,107
2017	296,380,680	1,335,020,500

Property Tax Levies and Collections

Property Tax Levies. The City assesses property taxes only upon real property located within the City. The following table shows the City's property tax levies (per \$100 of assessed valuation) for each of the last five fiscal years:

<u>Fiscal Year Ended August 31</u>	<u>General Fund</u>
2012	\$0.3970
2013	0.3970
2014	0.3970
2015	0.4010
2016	0.4003

Property Tax Collection Record. The following table sets forth property tax collection information for the City for the last five fiscal years.

<u>Fiscal Year Ended August 31</u>	<u>Total Tax Levy</u>	<u>Current Taxes Collected</u>		<u>Current & Delinquent¹ Taxes Collected</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
2012	\$ 1,040,059	\$ 987,178	94.9%	\$ 1,032,779	99.3%
2013	1,042,510	1,025,466	98.4%	1,038,691	99.6%
2014	1,040,624	1,011,172	97.2%	1,038,863	99.8%
2015	1,064,577	1,042,115	97.9%	1,060,157	99.6%
2016	1,075,295	1,060,702	98.6%	1,060,702	98.6%

¹ Includes penalties. Portions of the City are located in tax increment financing redevelopment areas. Portions of the tax revenues in those areas are diverted to the payment of redevelopment project costs.

Largest Taxpayers

The following table lists the taxpayers having the ten highest assessed valuations for real property in the City for 2016 and the percentage of the total assessed value of real property represented by such taxpayers' property:

<u>Taxpayer Name</u>	<u>2016 Assessed Valuation</u>	<u>% of Total</u>
WalMart	\$ 4,729,900	1.62%
Metal Container Corporation	3,781,800	1.30%
THF Arnold Triangle Development, LLC	2,809,600	0.96%
Schnucks	2,656,800	0.91%
Water Tower, LLC	2,638,200	0.91%
Target	2,496,000	0.86%
Convergys Corporation	2,375,900	0.82%
The Home Depot	2,245,000	0.77%
Suellentrop Family Partnership, LP	2,080,000	0.71%
Avion Ridge Apartments	2,069,300	0.71%
Total	\$27,883,200	9.57%

Source: Jefferson County Assessor and City's audited financial statements.

Pension Plans

Police Pension Plan. The City maintains a single-employer, defined benefit pension plan (the “Police Pension Plan”) which covers all full-time members of the City’s police force. The Police Pension Plan was created and is governed by City ordinance. Employees attaining the age of 55 who have completed five or more years of service are entitled to benefits based on average earnings and years of service. The Police Pension Plan also provides early retirement, death and disability benefits. City Ordinance requires each member to contribute 8.5% of such member’s 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 Police Pension Plan. The City’s current required contribution (net of required employee contributions) is 12.3% of annual covered salary.

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 aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

The following schedule of funding progress is presented using the entry age actual cost method:

Valuation For The Actuarial Years Ended August 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio
2016	\$11,193,493	\$10,659,050	105.00%
2015	10,240,894	9,672,673	105.87%
2014	9,943,483	9,057,437	109.78%

A higher than expected number of covered employees opted for a lump sum distribution upon retirement in recent years. The City has not determined the impact of these distributions and interim market fluctuations on the sufficiency of the current funding level of the Police Pension Plan. For additional information regarding the Police Pension Plan, see Note E to the City’s audited financial statements contained in “**APPENDIX B – ACCOUNTANTS’ REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF ARNOLD, MISSOURI FOR FISCAL YEAR ENDED AUGUST 31, 2016**” hereto.

LAGERS. The City also participates in the Missouri Local Government Employees Retirement System (“LAGERS”), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri, which covers all of the City’s full-time employees except for members of the police force. 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 Missouri statutes. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The City’s full-time employees participating in the LAGERS plan do not contribute to the pension plan. The City is required by state statute to contribute at an actuarially determined rate, subject to statutory caps. The rate has increased by the statutory maximum of 1% of annual covered payroll each year over the past few years. The current rate is 16.2% of annual covered salary but the rate, if no statutory cap existed, would be 16.2% of annual covered payroll. The rate that will be applicable to the fiscal year beginning September 1, 2017 will be 17.2% of annual covered salary but the rate, if no statutory cap existed, would be 18.0% of annual covered payroll. The contribution requirements of plan members are determined by the City Council of the City and the contribution requirements for the City are established by state law.

The annual required contribution is determined using the entry age actuarial cost method. The actuarial value of assets is 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 for any change

in assumptions or benefits is generally 30 years. Several different items are currently being amortized, with a significant portion having a remaining amortization period of 17-18 years.

The following schedule of funding progress is presented using the entry age actuarial cost method:

Valuation For The Actuarial Years Ended August 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio
2016	\$16,712,054	\$18,451,564	90.57%
2015	17,116,272	17,185,685	100.41%

For additional information regarding the LAGERS plan, see Note E to the City's audited financial statements contained in **"APPENDIX B – ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF ARNOLD, MISSOURI FOR FISCAL YEAR ENDED AUGUST 31, 2016"** hereto. In addition, 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.

DEBT STRUCTURE OF THE CITY

Direct Bonded Indebtedness

As of August 31, 2016, the City had no outstanding general obligation debt.

Overlapping Bonded Indebtedness

(Balances as August 31, 2016)

<u>Taxing Jurisdiction</u>	<u>Total Outstanding Debt</u>	<u>Percent Applicable to City</u>	<u>Amount Applicable to City</u>
The Junior College District of Jefferson County	\$11,341,091	9.79%	\$1,109,354
Consolidated School District No. 6 of Jefferson County	66,436,986	33.77	22,435,770

Revenue Obligations

The City had no traditional revenue bonds outstanding as of August 31, 2016.

The following table sets forth all of the outstanding tax increment revenue obligations of the City as of August 31, 2016:

<u>Category of Indebtedness</u>	<u>Amount Outstanding</u>
Triangle Redevelopment (Arnold Commons)	\$ 23,275,000
Arnold Crossroads (Series B)	2,585,858
Arnold Crossroads (Series A)	<u>2,202,644</u>
Total Revenue Bonds	<u>\$ 28,063,502</u>

See Note D to the City's audited financial statements contained in **"APPENDIX B – ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF ARNOLD, MISSOURI FOR FISCAL YEAR ENDED AUGUST 31, 2016"** hereto for additional information relating to these bonds.

Annual Appropriation Obligations

In 2010, the City issued \$7,140,000 of Certificates of Participation (City of Arnold, Missouri, Lessee), Series 2010 (the “Series 2010 Certificates”) to refund the Infrastructure Facilities Revenue Bonds (City of Arnold, Missouri – Road Infrastructure Project), Series 2007B, which Series 2010 Certificates are payable from payments to be paid by the City, subject to annual appropriation. The interest rates on the Series 2010 Certificates range from 2.00% to 4.00%. The Series 2010 Certificates are being refunded and prepaid with the proceeds of the Series 2017 Certificates.

In 2012, the City issued \$12,965,000 of Refunding Certificates of Participation (City of Arnold, Missouri, Lessee), Series 2012 (the “Series 2012 Certificates”) to refund the Arnold, Missouri, Public Facilities Corporation Leasehold Revenue Bonds (Arnold Community Recreation Center), Series 2003. The Series 2012 Certificates bear interest ranging from 2% to 3.5% and are due August 15, 2031. As of August 31, 2016, \$10,815,000 of the Series 2012 Certificates were outstanding.

The City has entered into various lease agreements as lessee for financing the acquisition of equipment and vehicles. The present value of the minimum lease payments of these lease purchase obligations as of June 1, 2017 was approximately \$97,100.

See Note D to the City’s audited financial statements contained in “**APPENDIX B – ACCOUNTANTS’ REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF ARNOLD, MISSOURI FOR FISCAL YEAR ENDED AUGUST 31, 2016**” hereto for additional information relating to these lease obligations, including the amounts required (subject to annual appropriation) to be paid by the City in each year.

Future Financing Plans

The City may enter into financing leases to acquire various equipment and vehicles, with a principal amount that could be as much as \$1 million in the next few years. Other than these potential financings and other routine equipment purchases, the City does not currently have any plans to issue indebtedness to finance additional projects within the next three years.

Debt Measures

2017 Estimated True Valuation of Real Property	\$ 1,335,020,500
2017 Assessed Valuation of Real Property	\$ 296,380,680
Estimated Population (2016)	21,357
Total Outstanding General Obligation Debt	\$ -0-
Overlapping General Obligation Debt	\$ 23,545,124
Total Direct and Overlapping General Obligation Debt	\$ 23,545,124
Total Direct and Overlapping General Obligation Debt	
Percent of Estimated True Valuation	1.76%
Percent of Assessed Valuation	7.94%
Per Capita	\$1,102.45

Authority to Incur Debt

The City is authorized to issue general obligation bonds payable from unlimited and valorem taxes to finance capital improvements upon a four-sevenths (4/7) or two-thirds (2/3) majority vote of the qualified voters voting on the specific proposition, depending upon the specifics dates of the election. The City may issue general obligation bonds in an amount not exceeding 10% of the total assessed valuation of the taxable tangible property within the City, according to the last completed assessment for state and county purposes at the time of issuance of such indebtedness.

The City is authorized to issue refunding bonds in an amount not exceeding the principal amount of outstanding indebtedness to be refunded plus an amount equal to the interest accrued to the date of such refunding bonds. Refunding bonds do not require voter approval.

Legal Debt Margin

Assessed Value for the City for 2016, including Personal Property	\$ 360,126,514
Limit of General Obligation Bond Indebtedness at 10% of Assessed Value	\$ 36,012,651
General Obligation Bond Indebtedness Outstanding	-0-
Remaining Legal Debt Margin	<u>\$ 36,012,651</u>

LITIGATION

The City is involved in various legal proceedings before various courts. Upon the basis of information presently available, the City believes that the final disposition of these proceedings will not have a material adverse effect on the financial position of the City.

APPENDIX B

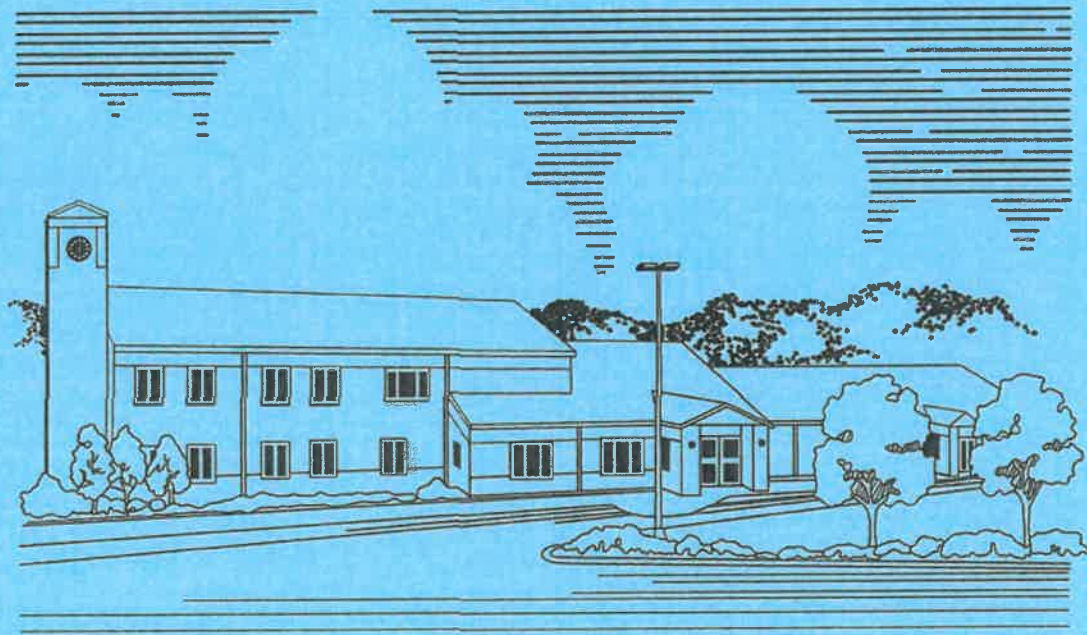
**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR FISCAL YEAR ENDED AUGUST 31, 2016**

[Page intentionally left blank.]

CITY OF ARNOLD, MISSOURI

Comprehensive Annual Financial Report

For The Fiscal Year Ended August 31, 2016



CITY OF ARNOLD, MISSOURI

**Comprehensive Annual Financial Report
For The Fiscal Year Ended August 31, 2016**

Prepared by the
Finance Department



CITY OF ARNOLD, MISSOURI
FINANCIAL REPORT

	Page
SECTION I - INTRODUCTORY SECTION	
Letter of Transmittal	i
GFOA Certificate of Achievement	vii
Principal Officials	viii
Organization Chart	ix
 SECTION II - FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Position - Pension Trust Fund	26
Statement of Changes in Fiduciary Net Position - Pension Trust Fund	27
Notes to Financial Statements	28
Required Supplemental Information:	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund	55
Recreation Center Fund	57
Special Allocation Fund	58
Notes to Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	59
Schedule of Changes in Net Pension Asset and related Ratios - Police Pension Plan	60
Schedule of Pension Contributions - Police Pension Plan - Last Ten Fiscal Years	61
Schedule of Changes in Net Pension Asset and Related Ratios - LAGERS	62
Schedule of Pension Contributions - LAGERS - Last Ten Fiscal Years	63
Other Supplemental Information:	
Governmental Funds - Comparative Balance Sheets	64
Governmental Funds - Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances	65

CITY OF ARNOLD, MISSOURI

FINANCIAL REPORT

	Page
SECTION II - FINANCIAL SECTION (Continued)	
Other Supplemental Information (Continued):	
Combining Balance Sheet - Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Tourism Fund	68
Drug Forfeiture Fund	69
 SECTION III - STATISTICAL SECTION	
Net Position by Component - Last Ten Fiscal Years	71
Change in Net Position - Last Ten Fiscal Years	72
Fund Balances of Governmental Funds - Last Ten Fiscal Years	74
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years	75
Program Revenues by Functions/Programs - Last Ten Fiscal Years	76
Tax Revenues by Source - Governmental Funds - Last Ten Fiscal Years	77
Sales Tax Revenue - Governmental Funds - Last Ten Fiscal Years	78
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	79
Assessed Values for Tax Increment Financing Districts - Last Eight Fiscal Years	80
Property Tax Rates - Direct and All Overlapping Governments - Last Ten Fiscal Years	81
Principal Taxpayers - Current Year and Nine Years Ago	82
Property Tax Levies and Collections - Last Ten Fiscal Years	83
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	84
Direct and Overlapping Governmental Activities Debt	85
Legal Debt Margin Information - Last Ten Fiscal Years	86
Demographic and Economic Statistics - Last Ten Fiscal Years	87
Principal Employers - Current Year and Nine Years Ago	88
Full-time Equivalent City Government Employees by Functions/Programs - Last Ten Fiscal Years	89
Operating Indicators by Functions/Programs - Last Ten Fiscal Years	90
Capital Assets Statistics by Functions/Programs - Last Ten Fiscal Years	91
Triangle TIF Fund Deposited - Last Nine Fiscal Years	92
Historic Collections of PILOTS and Economic Tax Revenues - Last Nine Fiscal Years	93
General Fund Revenue Sources	94

INTRODUCTION



[Page intentionally left blank.]



City of Arnold

Ron Counts, Mayor

February 17, 2017

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

State law and local ordinances require that all general-purpose local governments publish a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, the comprehensive annual financial report of the City of Arnold, Missouri (the City) for the fiscal year ended August 31, 2016, is hereby submitted.

The comprehensive annual financial report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Hochschild, Bloom & Company LLP audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended August 31, 2016, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended August 31, 2016, are fairly presented in conformity with U.S. generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Public Works
2900 Arnold Tenbrook
Arnold, MO 63010
636/282-2386

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

Profile of the Government

Incorporated in 1972 as a city of the third class, the City is located on the eastern border of the State of Missouri, south of the Meramec River at its confluence with the Mississippi River. The City has operated under the mayor-council-city administrator form of government since its inception. Policymaking and legislative authority are vested in a governing council consisting of the mayor and eight council members. The mayor and council are elected on a nonpartisan basis. The mayor is elected to serve a four-year term. Council members serve two-year staggered terms, with four council members elected every year. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city administrator, police chief, and city attorney. The city administrator is responsible for carrying out the policies and ordinances of the governing council, hiring employees, and overseeing the day-to-day operations of the City.

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

Local Economy

Arnold, the largest city in Jefferson County serves a population of 20,808 residents in 8,090 households based on the 2010 Census and occupies an area of approximately 11.2 square miles. Residents are ideally located to commute to employment within the City, County and throughout the surrounding Metropolitan St. Louis area. Interstate Highway 55, U.S. Highway 61-67, and State Highways 141 and 231 provide access to St. Louis City, St. Louis and St. Charles counties along with the Metro-East (Illinois).

The economic condition and outlook of the City of Arnold continues to remain stable. The City believes it is in a favorable situation for the future given the continued increase in the number of retail sales and services establishments and the growth in manufacturing jobs within the city.

In December 2016, the Federal Reserve Bank of St. Louis reported that as of August 2016, the seasonally-unadjusted unemployment rate for Jefferson County is at 4.9% up 0.5% from 4.4% in August 2015. By comparison, as of August 2016, the unemployment rate for the State of Missouri was 5.4% while August 2015 was 4.9%. The St. Louis metropolitan statistical area which includes some Illinois counties was

5.2% as of August 2016 and 4.9% for the same period last year. The adjacent counties of St. Louis, Franklin, and Washington were reported at 5.1%, 4.9%, and 7.2% in August 2016, respectively. From a high of 10.6% in January 2010, the August 2016 United States civilian unemployment rate of 5.0% has almost rebounded to its pre-recession level (August 2007; 4.6%).

The residential real estate tax base for fiscal year 2016 showed a slight increase of approximately 0.28% over last year's levels. The City's residential stock, geographic location and variety of services have kept real estate marketable. The appraised value of commercial real estate within the City increased 4.2% during the same period. While the potential for further retail and industrial development remains favorable, the number of existing commercial vacancies and corresponding days dormant has increased in older developments.

The City's revenue structure relies primarily on sales taxes and gross receipts/utility taxes. Utility tax receipts from the electric, gas, and cable companies continue to increase at a modest rate. A continued dip in telecommunications gross receipts tax has been attributed to changes in telecom marketing strategies and a shift by consumers to mobile services over landline services. City general sales tax receipts for fiscal year 2016 remained strong, up 2.4% from 2015. After factoring in the EATS pass-through payments for the TIF projects and economic development set-aside, the City's net general sales tax receipts were 2.1% over the net tax for the prior fiscal year. We have projected a 3.3% increase in gross sales tax for fiscal year 2017 and will re-evaluate as the fiscal year progresses.

Due to the state of the local economy and its financial policies and practices, the City of Arnold received a credit rating of A+/Stable from Standard & Poor's in 2010. This rating was reviewed and reaffirmed in 2015.

Long-term Financial Planning

The annual budget serves as the foundation for the City's financial planning and control. The City bases its revenue and expenditure assumptions on historical data and trends, with future costs derived from basic inflationary cost assumptions and known costs. Throughout the fiscal year, the city administrator meets to monitor trends in monthly revenue and expenditure activity, prioritize capital needs, review financial policies and work with mayor and council to develop fees for services. Actual revenue results for the past five years are analyzed for any developing trends and to aid in forecasting funding for the new budget year. All departments of the City are required to submit requests for appropriations to the city administrator and finance director. These requests are used as a starting point for developing a proposed expenditure budget based on the anticipated revenues forecasted.

Initial draft budget documents are refined through a series of reviews attended by the mayor, staff, and interested councilpersons. Based on discussion during these meetings and according to City policy, the city administrator and finance director present the proposed budget to the mayor and city council for review in July prior to adoption. The city council is required to hold a public hearing on the proposed

budget and to adopt a final budget prior to September 1. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police).

During the year, the city administrator has the authority to make transfers of appropriations between line items within individual departments. Transfers of appropriations between departments, however, require approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the financial statements for the governmental funds.

Major Budget and other Initiatives

The City desires to plan for its success for decades to come. To encourage growth and stability, the City has established an economic development committee to actively seek out and support commercial development. In 2008, the City established the Arnold Retail Corridor Transportation Development District (ARC-TDD) to accommodate anticipated changes in traffic patterns and density because of the Triangle and Arnold Crossroads TIFs and other future developments. ARC-TDD project funds were used to help with the construction of road improvements at Astra Way and Missouri State Roads and Lone Star Drive in past years. The ARC-TDD is included in the basis financial statements as a distinctly presented component unit. Separate financial statements may be obtained from the City's finance department.

In December 2015, the City issued additional Chapter 100 Industrial Bonds in support of a second expansion of the Metal Container Corporation facility with a maximum principal amount of \$150 million adding another 24,000 sq. ft. to their complex. In addition to the Chapter 100 Industrial Bonds, the state has offered economic incentives to support this project. This expansion will provide an estimated 70 new manufacturing jobs and insure Metal Container Corporation's presence in the City well into the future. During October 2016, SSM Health opened primary medical and urgent care operations in the new Ridgcrest Crossing development.

Following the Comprehensive Plan's blueprint or guideline, the City utilized federal surface transportation improvement funds along with City funds for the reconstruction of Michigan Avenue completed in September 2015. Work continued on the Tenbrook Road sidewalk project with the acquisition of temporary construction easements. A portion of the funds needed for the construction of these sidewalks is provided by a grant from the Save Routes to School program. The City received notice of a federal congestion mitigation air quality grant award in October 2015 for improvements to the Jeffco-Tenbrook intersection and has completed design work. This project will be constructed in tandem with the Tenbrook sidewalks project.

In keeping with the City's focus on enhancing the leisure life provided residents, the City expanded the Dog Park and added additional permanent structures at the Arnold Farmers Market in Arnold City Park, introduced foot or soccer golf events at Pomme Creek Golf Course and approved the development of a new park devoted to

archery. The City was happy to receive notice in January 2016 that the Missouri Department of Conservation had awarded the City \$130,000 in support of the Archery Park project.

In 2014, council approved the establishment of a small business development program. Corridor55 opened in September 2014 providing co-working office space and support for fledgling local entrepreneurs. The Arnold Chamber of Commerce has relocated to Corridor55. While space is still available in the common areas for use, all designated offices are occupied.

The City sold the sewer system to Missouri American Water for \$12.5 million in May 2015. At that time, a portion of the sale proceeds were used to pay off the Sewage System Series 2005, 2006 and 2007A revenue bonds. In addition, \$14 million in notes payable to the Metropolitan St. Louis Sewer District for improvements to the Lower Meramec River Waste Water System were assumed by Missouri American Water. In December 2015, the City used approximately \$4 million in Sewer Sale proceeds to defease the Series 2007 Leasehold Revenues Bonds issued for Pomme Creek saving an estimated \$1 million in future interest costs.

In January 2016, city council established a five-year street and road improvement plan and earmarked \$2.5 million in sewer system sale proceeds as funding.

In February 2016, dispatching duties were transitioned to Jefferson County 911 Dispatch. Monies realized by this change were used to hire two additional police officers.

The City will continue to seek alternative funding sources, such as grants, and analyzing City operations for areas of efficiency and cost effectiveness. The City will also seek to developing programs to enhance the services it offers to residents and to attract and support local business.

On December 30, 2015, with the Meramec River cresting anticipated to be higher than that of the record 1993 flood, Mayor Ron Counts declared a level 2 state of emergency paving the way for the governor to activate the National Guard. An emergency response command center was opened in city hall and staff worked around the clock to provide relief and property assessment services to residents impacted by the rising waters. The Arnold Recreation Center provided emergency shelter and distributed cleaning supplies to victims. FEMA authorized residential disaster assistance shortly thereafter.

Relevant Financial Policies

The City of Arnold has an established set of financial policies under which it operates. The most recently adopted is its Fund Balance Policy. Due to the General Fund's reliance on sales tax revenue, the City's Fund Balance Policy anticipates a target unassigned fund balance of not less than 34% or four months of annual operating revenues for the fiscal year and requires a plan of action to restore the balance if it falls below this level. For fiscal 2016, the General Fund unassigned fund balance of \$8,583,974 is approximately 56% of total revenues.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended August 31, 2015. This is the 27th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.


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

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

Respectfully submitted,



Bryan Richison
City Administrator



Deborah G. Lewis
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Arnold
Missouri**

**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended**

August 31, 2015

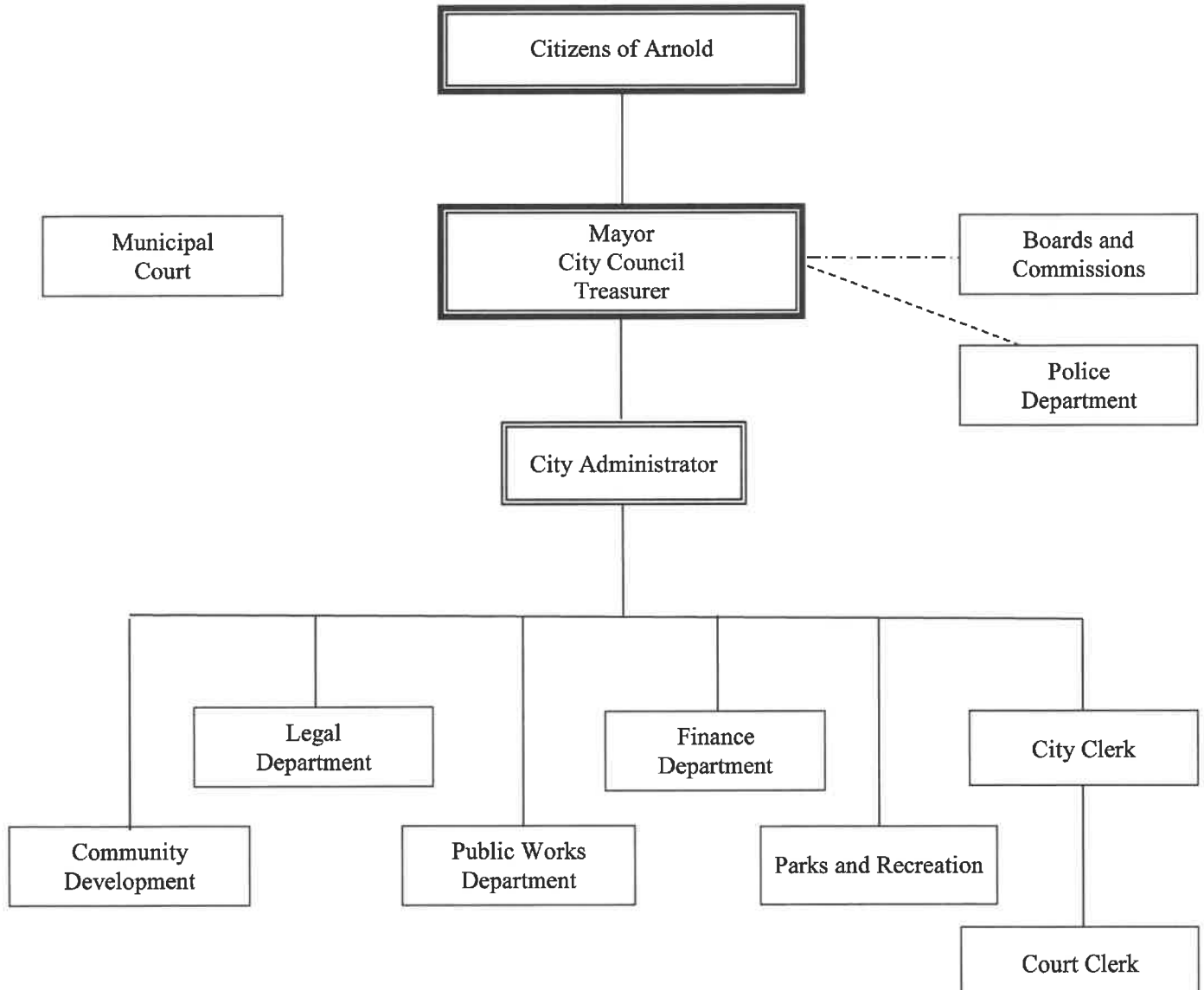
A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF ARNOLD, MISSOURI
PRINCIPAL OFFICIALS

Ron Counts	Mayor
Council	
EJ Fleischmann	Ward One
Jason Fulbright	Ward One
David Owens	Ward Two
Brian McArthur	Ward Two
Phil Amato	Ward Three
Vern Sullivan	Ward Three
Butch Cooley	Ward Four
Gary Plunk	Ward Four
Dan Kroupa	Treasurer
Todd Hamby	Judge
Robert Sweeney	City Attorney
Bryan Richison	City Administrator
Tammi Casey	City Clerk
Deborah Lewis	Finance Director
Robert Shockey	Chief of Police
Mary Holden	Community Development Director
Ed Blattner	Public Works Director
Susie Boone	Parks and Recreation Director

City of Arnold Organization Chart



THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL





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

INDEPENDENT AUDITOR'S REPORT

February 17, 2017

Honorable Mayor and Members of the City Council
CITY OF ARNOLD, MISSOURI

REPORT ON THE FINANCIAL STATEMENTS

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of the City as of August 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 and introductory and statistical sections, as listed in the table contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2017, 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* in considering the City's internal control over financial reporting and compliance.

Nochschild, Bloom + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ARNOLD, MISSOURI MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$57,715,054 (*net position*). The City has a deficit unrestricted net position of \$15,804,471 due to \$28,063,502 in TIF bonds and notes outstanding at year-end for infrastructure assets not owned by the City.
- Governmental activities and business-type activities had a net position of \$52,867,003 and \$4,848,051, respectively, at fiscal year-end.
- The City's total net position increased by \$2,250,917 during the fiscal year. The combined governmental activities decreasing by \$1,633,601 while the combined business-type activities increased by \$3,884,521.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$21,213,836, a decrease of \$3,139,429 in comparison with the prior year. Approximately 43% of this amount or \$9,083,974 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the General Fund was \$13,520,591, or approximately 94% of total General Fund expenditures.
- The City's total outstanding long-term debt, including compensated absences, decreased by \$6,686,242 during the current fiscal year to a total of \$44,903,193. The Series 2007 Leasehold Revenue Bonds were defeased in December 2015. No new bonds were issued in the fiscal year.

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 supplemental information intended to furnish additional detail to support 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, in a manner similar to a private-sector company. The two government-wide financial statements, **Statement of Net Position** and **Statement of Activities**, report the City's net position and how it has changed. In the government-wide financial 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 Position** presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net position also provides information on the City's net investment in capital assets, restricted items, and unrestricted net position.

CITY OF ARNOLD, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2016

The **Statement of Activities** presents information on how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety (police, courts, and justice services), public works, highways and streets, health and sanitation, tourism, 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 storm water system utility services provided by the City.

The government-wide financial statements include not only the City (known as the *primary government*), but also the legally separate Arnold Retail Corridor Transportation Development District (the District). The District is considered a component unit of the City. The District was organized to construct public infrastructure improvement projects to serve new transportation redevelopment projects in the City. The District's financial activity is discretely presented in the City's basic financial statements.

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

	Government-wide Statements	Fund 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 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 commissioned employees
Required financial statements	* Statement of net position	* Balance Sheet	* Statement of net position	* Statement of fiduciary net position
	* Statement of activities	* Statement of revenues, expenditures, and changes in fund balance	* Statement of revenues, expenses, and changes in net position	* Statement of changes in fiduciary net position
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

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

Fund financial statements. A *fund* is an accounting device that groups related accounts together 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*.

The City maintains five individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Recreation Center Fund, and Special Allocation Fund, which are considered major funds. Data for the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report.

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.

Proprietary funds. Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide financial statements, provide both long- and short-term financial information, only with more detail. With the disposal of the sewer system, the City maintains two *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 storm water utility system and the Pomme Creek Golf Course. The City does not utilize the second type of proprietary fund, the *Internal Service Fund*. Typically, Internal Service Funds provide services that predominantly benefit governmental rather than performing business-type functions and are used to accumulate and allocate costs internally among an entity's various functions and departments.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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 and pension information. Other supplemental information contains comparative governmental funds statements and combining and individual statements for the nonmajor governmental funds.

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$57,715,054 at the close of the most recent fiscal year. This represents an increase in net position of 4.1% or \$2,250,917 higher than fiscal 2015. (Table A-2)

At the end of the current fiscal year, the City had positive balances in seven categories of net position (net investment in capital assets; restricted for capital improvements; restricted for debt service; restricted for public safety; restricted for tax increment financing; restricted for tourism; and restricted for recreation) however, its unrestricted net position had a deficit balance of \$15,804,471.

Table A-2
City of Arnold's Net Position as of August 31, 2015 and 2016
(In thousands of dollars)

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Total</i>	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 30,343	26,190	690	514	31,033	26,704
Capital assets	77,165	76,478	4,219	4,466	81,384	80,944
Total Assets	107,508	102,668	4,909	4,980	112,417	107,648
Total Deferred Outflows Of Resources	2,089	3,305	77	214	2,166	3,519
Long-term debt outstanding	48,073	46,800	3,815	174	51,888	46,974
Other liabilities	6,432	5,864	194	163	6,626	6,027
Total Liabilities	54,505	52,664	4,009	337	58,514	53,001
Total Deferred Inflows Of Resources	592	442	13	9	605	451
Net Investment in capital assets	61,358	61,601	404	4,466	61,762	66,067
Restricted for capital improvements	687	815	-	-	687	815
Restricted for debt service	3,052	3,050	326	-	3,378	3,050
Restricted for public safety	54	80	-	-	54	80
Restricted for tax increment financing	2,993	3,002	-	-	2,993	3,002
Restricted for tourism	234	221	-	-	234	221
Restricted for recreation	218	284	-	-	218	284
Unrestricted	(14,096)	(16,186)	234	382	(13,862)	(15,804)
Total Net Position	\$ 54,500	52,867	964	4,848	55,464	57,715

The largest portion of the City's net position, \$66,067,500 in 2016 (an increase of approximately 6.9% from 2015, due in part to the defeasance of the Series 2007 Bonds), 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

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

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 position, \$7,452,025 represents resources that are subject to external restrictions on how they may be used. Of this amount, \$6,051,646 or over 81% is restricted by debt covenants while use of the remaining, \$1,400,379, is restricted by other governmental entities.

The remaining category of the City's net position represents a deficit balance of *unrestricted net position* totaling \$15,804,471 in 2016. This represents a decrease in the prior year's net position of \$1,942,160 or slightly below 14% due to the use of sewer system proceeds.

Table A-3
Change in City's Net Positions for the Years Ended August 31, 2015 and 2016
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2015	2016	2015	2016	2015	2016	2015 - 2016
Revenues							
Program revenues:							
Charges for services	\$ 3,683	3,465	3,782	958	7,465	4,423	(40.75) %
Operating grants	1,183	1,492	-	42	1,183	1,534	29.67
Capital grants	1,573	1,608	88	137	1,661	1,745	5.06
General revenues							
Taxes	16,515	16,994	-	-	16,515	16,994	2.90
Investment income	29	27	77	-	106	27	(74.53)
Miscellaneous	124	153	7	-	131	153	16.79
Total Revenues	23,107	23,739	3,954	1,137	27,061	24,876	(8.07)
Expenses							
General government	3,507	3,771	-	-	3,507	3,771	7.53
Public safety	6,120	5,706	-	-	6,120	5,706	(6.76)
Public works	518	1,120	-	-	518	1,120	116.22
Highways and streets	3,022	3,578	-	-	3,022	3,578	18.40
Parks and recreation	2,371	2,599	-	-	2,371	2,599	9.62
Health and sanitation	1,233	1,345	-	-	1,233	1,345	9.08
Economic Development	131	162	-	-	131	162	23.66
Sewer system	-	-	2,883	-	2,883	-	(100.00)
Storm water system	-	-	526	545	526	545	3.61
Golf Course	-	-	649	863	649	863	32.97
Interest on long-term debt	3,040	2,936	-	-	3,040	2,936	(3.42)
Total Expenses	19,942	21,217	4,058	1,408	24,000	22,625	(5.73)
Excess (deficiency) before special items and transfers	3,165	2,522	(104)	(271)	3,061	2,251	(26.46)
Special item	-	-	(8,248)	-	(8,248)	-	(100.00)
Transfers	9,737	(4,155)	(9,737)	4,155	-	-	-
Increase (Decrease) In Net Position	12,902	(1,633)	(18,089)	3,884	(5,187)	2,251	37.95
Net position - September 1	40,515	54,500	18,985	964	59,500	55,464	(6.78)
Restatement - Pension	1,083	-	68	-	1,151	-	(100.00)
Net Position - September 1 As Restated	41,598	54,500	19,053	964	60,651	55,464	(8.55)
Net position - August 31	<u>\$54,500</u>	<u>52,867</u>	<u>964</u>	<u>4,848</u>	<u>55,464</u>	<u>57,715</u>	4.06 %

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

Governmental activities. Governmental activities decreased the City's net position by \$1,633,604. Key elements of this net decrease are as follows:

- Proceeds from the 2015 sale of the sewer system \$3,854,812 were transferred from the General Fund to the Golf Course Fund to advance refund the Series 2007 Bonds and for the purchase of a greens roller. Additionally, \$167,074 in sewer sale proceeds was transferred to the Storm Water Fund for the Farmcrest project. The City transferred \$133,380 from the General Fund to subsidize operations at the Golf Course.
- Real property assessed valuations increased \$3,608,703 or 1.3%. Residential property values increased \$3,725,003 or 2.3% while commercial values decreased 1.1%. In compliance with the Hancock Amendment, the City reduced its property tax levy from .4012 cents/\$100 in assessed valuation to .4011 cents for fiscal year 2016. Although General Fund revenues were up slightly, overall property tax revenues dipped approximately 5.3% or \$119,562 due to receipt of disputed taxes on property within the Triangle TIF District included in last year's revenue.
- Sales tax revenues were \$585,831 or 5.4% higher than last year. Increased utilization of the Jefferson County shared tax for street improvements account for \$272,507 of this change. General Fund sales tax net of the TIF Districts capture grew 2.1% or \$118,566. Sales tax within the TIF Districts increased \$143,360 or 5.6%.
- Overall gross receipts tax revenues increased slightly, approximately 0.5% for the year. Gross receipts tax on waste water treatment provided \$175,759 in revenue this first full year of collection. While electric utility tax revenues show an increase of \$46,949 or 2.3%, gas utility tax revenues fell \$98,056 or 20.7% below last year. Variance swings in electric and gas revenues occur each year based on the weather that the area experiences. Telephone utility tax revenues fell \$65,617 or just over 11.0% as telecom companies change pricing strategies and consumers continue to eliminate residential landlines in favor of cellular service only. This year's cable TV fees were \$12,364 or 5.3% lower than last year.
- While overall charges for services were lower than 2015 by \$218,799 or 5.9%, parks and recreation revenue increased approximately 9.7% or \$131,584 due in part to an increase in recreation center memberships of \$106,637 or 23.5%. A new program for district-wide membership of Fox C-6 employees accounts for \$60,000 of this revenue. Higher fees for solid waste removal account for the bulk of the increase Health and Sanitation revenues of 8.7% or \$71,489. Court fines and costs experienced a drop of approximately 12.8% or \$91,138 as phases of the recent municipal court reform were implemented. Prior year building permit revenues were above current year by 60.9% or \$129,638 as the large Metal Container Corporation permits were issued in fiscal 2015.
- Capital Grants and Contributions were \$36,022 or 2.3% higher this fiscal year due to the five year street improvement program implemented by Council. Operating grants and contributions shows an increase of \$308,848 or 26.1% over last year. This increase is attributable to assistance from FEMA and SEMA for the December flood event.

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

Figure A-1
Sources of Revenue - Governmental Activities

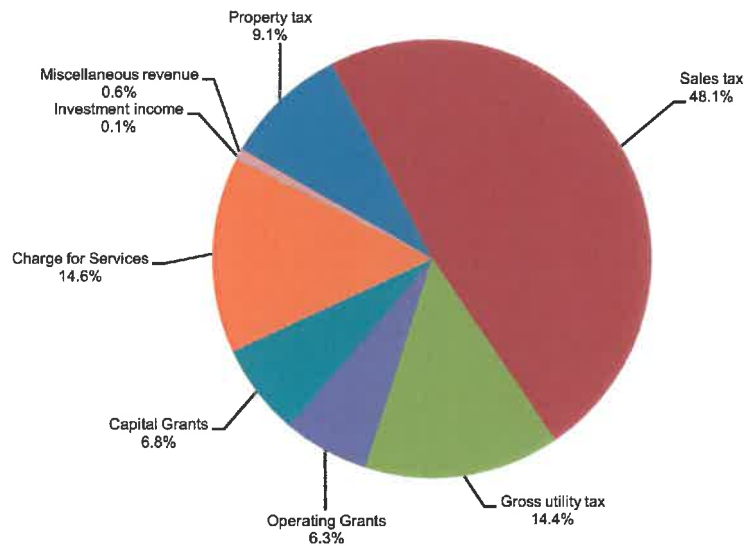
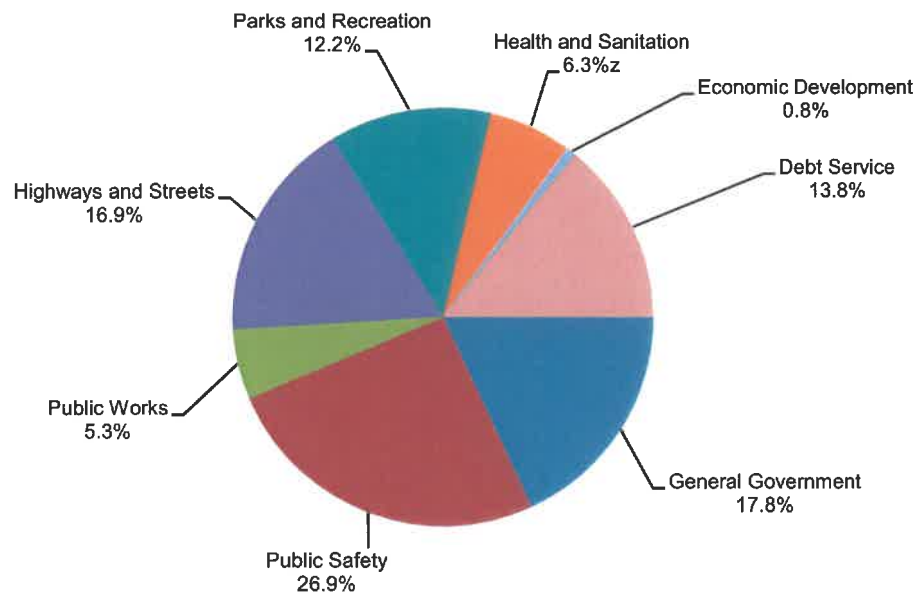


Figure A-2
Expenses by Function - Governmental Activities



CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

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 \$21,217,758.
- However, the amount that our taxpayers paid for these activities through City taxes was \$14.6 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.

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

	Total Cost of Services		Percentage Change			Net Cost of Services		Percentage Change	
	2015	2016	2015 - 2016			2015	2016	2015 - 2016	
General government	\$ 3,507	3,771	7.53	%	\$	2,994	3,363	12.32	%
Public safety	6,120	5,706	(6.76)			4,852	4,450	(8.29)	
Public works	518	1,120	116.22			495	1,102	122.63	
Highways and streets	3,022	3,578	18.40			472	988	109.32	
Parks and recreation	2,371	2,599	9.62			1,109	1,201	8.30	
Health and sanitation	1,233	1,345	9.08			410	451	10.00	
Economic development	131	162	23.66			131	162	23.66	
Interest on long-term debt	3,040	2,936	(3.42)			3,040	2,936	(3.42)	
Total	\$ 19,942	21,217	6.39	%	\$	13,503	14,653	8.52	%

Business-type activities. Business-type activities increased the City's net position by \$3,884,521. The key element of this increase (\$3,840,817) was a transfer from General Fund to defease the Series 2007 Bonds for Pomme Creek Golf Course previously mentioned. Other components are as follows:

- Storm water rates remain the same with charges for services decreasing \$3,920 or approximately 0.68% while cost of services increased \$19,099 or approximately 3.6% during the current year. No major in-house projects were begun this year however; funds (\$167,074) from General Fund were transferred to storm water for the Farmcrest project.
- Charges for services increased \$57,209 or almost 17.7% at the City's public golf course this year over last as the course recovered quickly from winter flooding. Operating expenses increased \$213,422 or approximately 32.9% of this amount, \$162,136 was related to debt advance refunding. Personnel costs were approximately 10% or \$23,038 over last year. An additional \$18,950 or 36% was expended for supplies over last year. These increases are attributed to flood clean-up and being open for a full season.

**CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016**

- Investment income for all business-type activities decreased due to the loss of bond funds upon sale of the sewer system last year.

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, *unrestricted 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 discussed previously, this year the City transferred funds totaling \$4,155,266 amounts from General Fund to business activities to advance refund Series 2007 Pomme Creek Golf Course Bonds, purchase equipment, provide for a storm water project and eliminate the negative cash position in the Gold Fund. These transfers account for the decrease in the City's General Fund of \$3,225,934 as compared with the prior year, leaving the General Fund with an ending fund balance of \$15,140,825. Of this amount \$483,636 represents prepaid items and is nonspendable. Additional amounts of \$572,853 and \$563,745 have been restricted for capital projects and debt service respectively. The City Council has committed portions of fund balance as follows: 1) \$191,236 for services and street improvements, 2) \$883,724 for sewer sub-district projects, 3) \$113,165 for greenway beautification, 4) \$403,654 for economic development, 5) \$9,066 for the pride in our City program, 6) \$57,751 in continued support of a city bus route, and 7) \$2,016,619 for the five year residential street improvement project. Assigned for use in the future budget is \$761,402 for the Jeffco Tenbrook sidewalk and intersection projects. The remaining unassigned fund balance is \$9,083,974.

The Recreation Center Fund is strictly dedicated to the center's 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 \$283,640. Of this balance, prepaid items totaling \$44,165 are reported as nonspendable while the remaining \$239,475 is reported as restricted. As predicted prior to building the recreation center, sales tax receipts are 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 \$5,487,901 or an increase of \$7,141 or 0.1% above 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 project. As of August 2016, \$23,275,000 remains outstanding on these bonds. In October 2009, notes in the amount of \$3,319,555 were issued for the Arnold Crossroads TIF project. Additional notes in the amount of \$3,000,000 were issued May 2011 for the Arnold Crossroads Sub-Area #1 TIF project. As of August 2016, \$2,585,858 remains outstanding on the Arnold Crossroads and \$2,202,644 on the Arnold Crossroads Sub-Area #1 projects.

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 unrestricted net position for the Storm Water Fund is \$389,322, an increase of \$73,215 from prior year. The Golf Fund ended the year with an unrestricted net position of (\$7,797), up \$74,775 from prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Results for the General Fund this year were higher than anticipated by \$1,525,746. Actual total revenues were \$601,376 above final budget while actual total expenditures were \$628,269 below budget. Transfers to/from other funds totaling \$296,101 account for the remaining variance to budget.

Total tax revenue was over final estimated budget by \$215,704 or 1.8%. Sales tax revenues were \$11,779 or 0.17% lower than final budget. Gross receipts tax was \$157,614 or 5.2% higher than final budget. Electrical consumption was

CITY OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

over budget by \$118,781 or 5.9%. This was due in part to higher consumer usage in the summer months than anticipated. Telephone tax exceeded budget expectations by \$48,271 or approximately 10.1%. Motor fuel tax was \$69,872 over that budgeted as the price per gallon remained favorable to the \$2.75/gallon used for budget estimate therefore not curtailing consumption.

Permits and licenses ended the fiscal year higher than budget by approximately 4.7% or \$28,610. The budget was adjusted based on the reduced number of permits issued in the first half of the year but construction season picked up and building, mechanical and existing structure permits exceeded estimates by \$18,762 or 15.3%. Animal licenses exceeded budget by \$1,545 or 7.7%. Both of these increases are attributed to positive changes in the economy. Consumers have increase discretionary income to support home improvements and animals. Mechanical and other license revenues account for \$7,073 or 17.5% of this variance to budget.

Fines and court costs were over budget estimate by \$113,518 or 20.5% as the impact of recent court operation changes have not been implemented as fast as anticipated.

Intergovernmental revenues were \$162,662 or 31.2% over budget as the amount of federal flood assistance \$157,329 was not learned until after fiscal year end.

Charges for service revenues were over budget estimate by \$72,962 or approximately 8.2%. This is due in part to the reinstated solid waste fees and penalties generating \$46,964 more revenue than anticipated. Park programs and rentals gained popularity and account for an additional \$17,443 of this variance.

General government actual expenditures were lower than final budget by just under 5.9% or \$169,994. This was driven in part by lower than anticipated general and administrative expenses below estimate by \$102,874. This includes utility costs at \$21,762 or 32% below budget since the change to energy efficient lights throughout City Hall. The delay in the planned update to the telephone system resulted in telephones being lower than projected by 41% or \$35,576. A vacancy in the Municipal Court accounts for the \$2,739 favorable budget variance while a \$2,834 unfavorable variance in Administrator budget resulted from a benefit correction. A vacancy resulting from a transfer to another department created the favorable variance of \$11,588 or approximately 6.5% in Collector of revenue budget. Delays in various IT projects provided the \$29,969 variance to budget.

Public safety actual expenditures were under budget \$31,924 or 0.6%. Of this variance, \$40,063 occurs in the Police budget due to lower than projected costs for fuel (\$14,111), supplies (\$6,428), expendable equipment (\$14,639) and data processing services (\$6,428). Dispatch exceeded budget by \$20,606 or 4.8% due to accrued leave payouts due to unanticipated retirements. The Building Commission budget experienced a lower than projected need for property intervention activities providing for a favorable variance of \$12,467 or approximately 4.0%.

The public works budget shows a favorable variance of \$20,258 or 3.2% due to delay in engineering work for the Melody project and reduced electrical costs.

Highway and street expenditures were lower than estimated by \$179,589 or 11.1% due to the decision to launch a five year out-sourced street improvement program provided lower than anticipated asphalt and concrete expenditures. This was accompanied by lower than projected fuel costs.

Parks and recreation wages were lower than final budget by \$11,405 or 24.9% of the variance with the balance in park programs, grass mowing services, utilities, supplies, and fuel accounts. These variances were due in part to flooding and adverse weather conditions.

Capital outlays budget anticipated the start of construction on Jeffco-Tenbrook Intersection project but this was delayed to coincide with the Safe Routes to School sidewalk project.

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, 2016, amounted to \$80,944,000 (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 OF ARNOLD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016

City's investment in capital assets for the current fiscal year was 0.5% (governmental activities decreased 0.9% and a 5.9% increase for business-type activities). (See table A-5)

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

- Increases in General Fund CWIP include continued work on Melody Lane (\$775), Jeffco-Tenbrook Intersection and Sidewalks project (\$58,189) and remodeling of the Health Department (\$4,221).
- The Michigan Avenue project was completed and capitalized at \$2,007,214.
- As part of the annual police vehicle replacement program, six police cars were purchased (\$261,351) and six police vehicles were retired (\$133,357). The police department acquired a used truck for DWI Enforcement with enhancements (\$13,296). Public works (\$23,841) and parks (\$23,043) each purchased a Ford Fusion Hybrid vehicle.
- Highway and streets purchased a snow plow attachment (\$12,540) and walk behind saw (\$5,546). Asset Forfeiture funds were used to acquire two new K9 officers (\$18,700), voice stress analyzer system (\$8,495) and telephone forensic equipment (\$9,995).
- The Golf Course purchased a greens roller (\$13,995).
- The Storm Water Fund accepted the storm water improvements for the Strawberry Ridge (\$123,066) and Sterling Pine (\$14,150) subdivisions and the Farmcrest project (\$196,384).

For more detailed information about the City's capital assets, see note C in the notes to the financial statements.

Table A-5
City's Capital Assets as of August 31, 2015 and 2016
(Net of depreciation)

	Governmental Activities		Business-type Activities		Total Capital Assets	
	2015	2016	2015	2016	2015	2016
Land	\$ 27,816,002	27,820,883	3,363,160	3,363,160	31,179,162	31,184,043
Buildings	11,654,067	11,164,964	383,508	362,726	12,037,575	11,527,690
Machinery and equipment	301,746	308,330	85,295	68,952	387,041	377,282
Automobiles and trucks	901,809	950,008	-	-	901,809	950,008
Infrastructure	34,537,532	35,857,560	-	-	34,537,532	35,857,560
Storm water lines	-	-	351,038	671,688	351,038	671,688
Construction in progress	1,954,100	375,729	36,266	-	1,990,366	375,729
Total	\$ 77,165,256	76,477,474	4,219,267	4,466,526	81,384,523	80,944,000

Long-term debt. At year-end the City had \$44,142,978 in bonds and notes outstanding - a decrease of 13.09% from last year - as shown in Table A-6. No new debt was issued in fiscal year 2016.

CITY OF ARNOLD, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2016

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

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 \$36,126,514. The City currently has no general obligation debt outstanding.

Table A-6
City's Outstanding Debt as of August 31, 2015 and 2016
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Percentage Change	
	2015	2016	2015	2016	2015	2016	2015 - 2016	
Revenue bonds and notes (backed by specific tax and fee revenues)	\$ 46,977	44,143	3,815	-	50,792	44,143	(13.09)	%

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate, not seasonally adjusted, for Jefferson County for August 2016 was 4.9%, which is an increase from a rate of 4.4% a year ago. This is lower than the national and state's average unemployment rate of 5.0% and 5.4% respectively, all rates not seasonally adjusted.
- The Consumer Price Index (Table 10. Consumer Price Index for All Urban Consumers) indicates that nationwide inflation has increased 1.1% over the August 2015 rate. Inflationary trends for the Midwest region (0.6%) compare favorably to the Northeast (1.1%), South (1.0%) and West (1.6%) regions indices.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

The property tax rate set to support the 2017 fiscal year budget is \$0.4003 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.

Storm water fees remain at \$3 per month per equivalent residential unit.

Newly incorporated into the budget for fiscal year 2017 is the City's first bargaining agreement with the Fraternal Order of Police. This three-year agreement provides for annual wage increases and other changes for commissioned and other personnel.

In December 2016, subsequent to the adoption of the 2017 budget, the City refunded the Series 2009 Triangle TIF bonds which will result in lower interest rates. The fiscal year 2017 will be modified to reflect the refunding.

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 City of Arnold Finance Office, 2101 Jeffco Blvd., Arnold, MO, 63010.

CITY OF ARNOLD, MISSOURI
STATEMENT OF NET POSITION
AUGUST 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Transportation Development District
ASSETS				
Cash and investments	\$ 15,456,035	378,346	15,834,381	3,731,582
Receivables (net of allowances for uncollectibles):				
Taxes	3,258,898	-	3,258,898	-
Special assessments	1,032,279	-	1,032,279	-
Service fees	487,843	118,689	606,532	-
Intergovernmental	184,561	33,608	218,169	-
Miscellaneous	194,441	-	194,441	-
Internal balances	19,210	(19,210)	-	-
Prepaid items	564,451	2,404	566,855	-
Restricted assets:				
Cash and investments	3,644,537	-	3,644,537	-
Capital improvements sales tax receivable	815,269	-	815,269	-
Net pension asset	533,443	-	533,443	-
Capital assets:				
Land and construction in progress	28,196,612	3,363,160	31,559,772	-
Other capital assets, net of accumulated depreciation	48,280,862	1,103,366	49,384,228	-
Total Assets	<u>102,668,441</u>	<u>4,980,363</u>	<u>107,648,804</u>	<u>3,731,582</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	776,176	-	776,176	-
Deferred amounts related to pensions	2,528,372	214,095	2,742,467	-
Total Deferred Outflows Of Resources	<u>3,304,548</u>	<u>214,095</u>	<u>3,518,643</u>	<u>-</u>
LIABILITIES				
Accounts payable	2,056,802	61,554	2,118,356	-
Accrued liabilities	76,409	53,642	130,051	-
Accrued interest payable	3,349,855	-	3,349,855	-
Unearned revenue	380,791	47,630	428,421	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	2,740,054	-	2,740,054	1,195,000
Due in more than one year:				
Long-term debt	42,163,139	-	42,163,139	14,390,000
Net OPEB obligation	331,800	-	331,800	-
Net pension liability	1,565,122	174,388	1,739,510	-
Total Liabilities	<u>52,663,972</u>	<u>337,214</u>	<u>53,001,186</u>	<u>15,585,000</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts related to pensions	442,014	9,193	451,207	-
NET POSITION				
Net investment in capital assets	61,600,974	4,466,526	66,067,500	-
Restricted for capital improvements	815,269	-	815,269	-
Restricted for debt service	3,049,589	-	3,049,589	1,878,954
Restricted for public safety	80,373	-	80,373	-
Restricted for tax increment financing	3,002,057	-	3,002,057	-
Restricted for tourism	221,097	-	221,097	-
Restricted for recreation	283,640	-	283,640	-
Restricted for transportation development	-	-	-	1,852,628
Unrestricted net position	<u>(16,185,996)</u>	<u>381,525</u>	<u>(15,804,471)</u>	<u>(15,585,000)</u>
Total Net Position	<u>\$ 52,867,003</u>	<u>4,848,051</u>	<u>57,715,054</u>	<u>(11,853,418)</u>

CITY OF ARNOLD, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

FUNCTIONS/PROGRAMS	Net Revenues (Expenses) And Changes In Net Position						Component Unit
	Program Revenues			Primary Government		Transportation Development District	
	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities		
Primary Government							
Governmental Activities							
General government	\$ 3,771,398	352,912	50,000	5,501	(3,362,985)	(3,362,985)	-
Public safety	5,705,617	823,464	427,279	4,638	(4,450,236)	(4,450,236)	-
Public works	1,120,005	-	-	18,534	(1,101,471)	(1,101,471)	-
Highways and streets	3,578,202	-	1,010,182	1,579,865	(988,155)	(988,155)	-
Parks and recreation	2,599,236	1,393,972	4,370	-	(1,200,894)	(1,200,894)	-
Health and sanitation	1,345,275	894,289	5	-	(450,981)	(450,981)	-
Economic development	161,981	-	-	-	(161,981)	(161,981)	-
Interest on long-term debt	2,936,044	-	-	-	(2,936,044)	(2,936,044)	-
Total Governmental Activities	21,217,758	3,464,637	1,491,836	1,608,538	(14,652,747)	(14,652,747)	-
Business-type Activities							
Storm water	544,671	576,378	-	137,216	-	168,923	-
Golf	862,906	381,704	41,513	-	-	(439,689)	-
Total Business-type Activities	1,407,577	958,082	41,513	137,216	-	(270,766)	-
Total Primary Government	\$ 22,625,335	4,422,719	1,533,349	1,745,754	(14,652,747)	(14,923,513)	-
Component Unit							
Transportation development district	\$ 1,269,550	-	-	-	-	-	(1,269,550)
General Revenues							
Taxes:							
Property					2,151,266	-	-
Sales					11,386,525	-	2,389,630
Gross receipts					3,418,667	-	-
Miscellaneous					37,719	-	-
Investment income					27,489	21	367
Miscellaneous					139,300	-	-
Gain on sale of capital assets					13,443	-	-
Transfers					4,155,266	-	-
Total General Revenues And Transfers					13,019,143	4,155,287	2,389,997
CHANGE IN NET POSITION					(1,633,604)	3,884,521	1,120,447
NET POSITION, SEPTEMBER 1, AS RESTATED					54,500,607	963,530	(12,973,865)
NET POSITION, AUGUST 31					\$ 52,867,003	4,848,051	(11,853,418)

See notes to financial statements

CITY OF ARNOLD, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2016

	General	Recreation Center	Special Allocation	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 12,871,155	593,328	1,739,705	251,847	15,456,035
Receivables (net of allowances for uncollectibles):					
Taxes	1,696,651	283,529	1,251,176	27,542	3,258,898
Special assessments	1,032,279	-	-	-	1,032,279
Service fees	487,843	-	-	-	487,843
Intergovernmental	184,561	-	-	-	184,561
Court	84,058	-	-	-	84,058
Miscellaneous	63,493	46,890	-	-	110,383
Due from other funds	317,761	-	161,176	5,300	484,237
Prepaid items	483,636	44,165	-	36,650	564,451
Restricted assets:					
Cash and investments	1,158,693	-	2,485,844	-	3,644,537
Capital improvements sales tax receivable	815,269	-	-	-	815,269
Total Assets	<u>\$ 19,195,399</u>	<u>967,912</u>	<u>5,637,901</u>	<u>321,339</u>	<u>26,122,551</u>
LIABILITIES					
Accounts payable	\$ 1,788,465	263,338	-	4,999	2,056,802
Accrued liabilities	73,696	2,713	-	-	76,409
Due to other funds	128,941	186,086	150,000	-	465,027
Unearned revenue	133,786	232,135	-	14,870	380,791
Total Liabilities	<u>2,124,888</u>	<u>684,272</u>	<u>150,000</u>	<u>19,869</u>	<u>2,979,029</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue:					
Special assessments	1,032,279	-	-	-	1,032,279
Court fines	82,138	-	-	-	82,138
Taxes	815,269	-	-	-	815,269
Total Deferred Inflows Of Resources	<u>1,929,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,929,686</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	483,636	44,165	-	36,650	564,451
Restricted for:					
Capital projects	572,853	-	-	-	572,853
Debt service	563,745	-	2,485,844	-	3,049,589
Recreation Center	-	239,475	-	-	239,475
Public safety	-	-	-	80,373	80,373
Tax increment financing	-	-	3,002,057	-	3,002,057
Tourism	-	-	-	184,447	184,447
Committed for:					
Purchase of services and street improvements	191,236	-	-	-	191,236
Sewer sub district projects	883,724	-	-	-	883,724
Greenway beautification	113,165	-	-	-	113,165
Economic development	403,654	-	-	-	403,654
Pride in our City	9,066	-	-	-	9,066
City bus route	57,751	-	-	-	57,751
Street improvements	2,016,619	-	-	-	2,016,619
Assigned for:					
Subsequent year's budget	761,402	-	-	-	761,402
Unassigned	9,083,974	-	-	-	9,083,974
Total Fund Balances	<u>15,140,825</u>	<u>283,640</u>	<u>5,487,901</u>	<u>301,470</u>	<u>21,213,836</u>
Total Liabilities, Deferred Inflows Of Resources, And Fund Balances	<u>\$ 19,195,399</u>	<u>967,912</u>	<u>5,637,901</u>	<u>321,339</u>	<u>26,122,551</u>

CITY OF ARNOLD, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
AUGUST 31, 2016

Total Fund Balances - Governmental Funds \$ 21,213,836

Amounts reported for governmental activities in the statement of net position 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 \$130,089,665 and the accumulated depreciation is \$53,612,191. 76,477,474

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

Net pension asset	533,443
Net pension liability	(1,565,122)
Deferred outflows related to pensions	2,528,372
Deferred inflows related to pensions	(442,014)
Net OPEB obligation	(331,800)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 1,929,686

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	(3,349,855)
Accrued compensated absences	(760,215)
Certificates of participation outstanding	(16,230,000)
Tax increment revenue bonds outstanding	(23,275,000)
Tax increment revenue notes outstanding	(4,788,502)
Unamortized bond premium	(5,624)
Unamortized bond deferred charges	776,176
Unamortized bond discount	156,148

Total Net Position Of Governmental Activities \$ 52,867,003

CITY OF ARNOLD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	General	Recreation Center	Special Allocation	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 12,161,808	1,380,546	3,965,720	154,724	17,662,798
Special assessments	12,563	-	-	-	12,563
Licenses and permits	642,360	-	-	-	642,360
Fines and court costs	668,018	-	-	-	668,018
Intergovernmental	684,515	-	-	10,323	694,838
Charges for services	947,678	1,344,421	-	55,659	2,347,758
Investment income	25,037	2	2,450	-	27,489
Miscellaneous	211,519	3,885	-	113,824	329,228
Total Revenues	<u>15,353,498</u>	<u>2,728,854</u>	<u>3,968,170</u>	<u>334,530</u>	<u>22,385,052</u>
EXPENDITURES					
Current:					
General government	2,739,711	-	7,500	275,500	3,022,711
Public safety	5,652,953	-	-	35,738	5,688,691
Public works	607,211	-	-	-	607,211
Highways and streets	1,440,050	-	-	-	1,440,050
Parks and recreation	673,093	1,837,076	-	-	2,510,169
Health and sanitation	1,330,789	-	-	-	1,330,789
Economic development	-	-	161,981	-	161,981
Capital outlay	1,325,272	4,330	-	9,995	1,339,597
Debt service:					
Principal	360,000	575,000	1,911,292	-	2,846,292
Interest	201,913	353,617	1,880,256	-	2,435,786
Total Expenditures	<u>14,330,992</u>	<u>2,770,023</u>	<u>3,961,029</u>	<u>321,233</u>	<u>21,383,277</u>
REVENUES OVER (UNDER) EXPEN- DITURES	<u>1,022,506</u>	<u>(41,169)</u>	<u>7,141</u>	<u>13,297</u>	<u>1,001,775</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	14,062	-	-	-	14,062
Transfers in	-	107,236	-	-	107,236
Transfers out	(4,262,502)	-	-	-	(4,262,502)
Total Other Financing Sources (Uses)	<u>(4,248,440)</u>	<u>107,236</u>	<u>-</u>	<u>-</u>	<u>(4,141,204)</u>
NET CHANGE IN FUND BALANCES	<u>(3,225,934)</u>	<u>66,067</u>	<u>7,141</u>	<u>13,297</u>	<u>(3,139,429)</u>
FUND BALANCES, SEPTEMBER 1	<u>18,366,759</u>	<u>217,573</u>	<u>5,480,760</u>	<u>288,173</u>	<u>24,353,265</u>
FUND BALANCES, AUGUST 31	<u>\$ 15,140,825</u>	<u>283,640</u>	<u>5,487,901</u>	<u>301,470</u>	<u>21,213,836</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, 2016

Net Change In Fund Balances - Governmental Funds \$ (3,139,429)

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 (\$2,879,930) exceeded capital outlays over the capitalization threshold (\$914,101) in the current period. (1,965,829)

The net effect of various transactions involving capital assets:

Disposal of capital assets	(619)
Donated capital assets	1,278,666

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 69,759

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 position. Also, the governmental funds report the effect of 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.

Repayments:

Certificates of participation	935,000	
Tax increment revenue bonds	1,365,000	
Tax increment revenue notes	546,292	
Amortization	(83,070)	
Net Adjustment		2,763,222

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	(417,188)	
Net OPEB obligation	(33,200)	
Accrued compensated absences	37,390	
Pension expense	(226,376)	(639,374)

Change In Net Position Of Governmental Activities \$ (1,633,604)

CITY OF ARNOLD, MISSOURI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AUGUST 31, 2016

	Business-type Activities - Enterprise Funds		
	Storm Water	Golf	Total
ASSETS			
Current Assets			
Cash and investments	\$ 377,796	550	378,346
Receivables:			
Service fees	118,689	-	118,689
Intergovernmental	-	33,608	33,608
Prepaid items	207	2,197	2,404
Total Current Assets	<u>496,692</u>	<u>36,355</u>	<u>533,047</u>
Noncurrent Assets			
Capital assets:			
Land and construction in progress	2,554	3,360,606	3,363,160
Other capital assets, net of accumulated depreciation	<u>966,550</u>	<u>136,816</u>	<u>1,103,366</u>
Total Capital Assets	<u>969,104</u>	<u>3,497,422</u>	<u>4,466,526</u>
Total Assets	<u>1,465,796</u>	<u>3,533,777</u>	<u>4,999,573</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>150,351</u>	<u>63,744</u>	<u>214,095</u>
LIABILITIES			
Current Liabilities			
Accounts payable	37,864	23,690	61,554
Accrued liabilities	25,153	28,489	53,642
Due to other funds	18,152	1,058	19,210
Unearned revenue	<u>47,630</u>	<u>-</u>	<u>47,630</u>
Total Current Liabilities	<u>128,799</u>	<u>53,237</u>	<u>182,036</u>
Noncurrent Liabilities			
Net pension liability	<u>122,466</u>	<u>51,922</u>	<u>174,388</u>
Total Liabilities	<u>251,265</u>	<u>105,159</u>	<u>356,424</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>6,456</u>	<u>2,737</u>	<u>9,193</u>
NET POSITION			
Net investment in capital assets	969,104	3,497,422	4,466,526
Unrestricted	<u>389,322</u>	<u>(7,797)</u>	<u>381,525</u>
Total Net Position	<u>\$ 1,358,426</u>	<u>3,489,625</u>	<u>4,848,051</u>

See notes to financial statements

CITY OF ARNOLD, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Business-type Activities - Enterprise Funds		
	Storm Water	Golf	Total
OPERATING REVENUES			
Charges for services	\$ 576,378	381,704	958,082
OPERATING EXPENSES			
Cost of services	474,123	502,321	976,444
Administration	36,000	-	36,000
Depreciation	34,548	29,524	64,072
Total Operating Expenses	544,671	531,845	1,076,516
OPERATING INCOME (LOSS)	31,707	(150,141)	(118,434)
NONOPERATING REVENUES (EXPENSES)			
Investment income	5	16	21
Intergovernmental revenue	-	41,513	41,513
Interest expense	-	(331,061)	(331,061)
Total Nonoperating Revenues (Expenses)	5	(289,532)	(289,527)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	31,712	(439,673)	(407,961)
CAPITAL CONTRIBUTIONS	137,216	-	137,216
TRANSFER IN	167,074	3,988,192	4,155,266
CHANGE IN NET POSITION	336,002	3,548,519	3,884,521
NET POSITION, SEPTEMBER 1	1,022,424	(58,894)	963,530
NET POSITION, AUGUST 31	\$ 1,358,426	3,489,625	4,848,051

CITY OF ARNOLD, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Business-type Activities - Enterprise Funds		
	Storm Water	Golf	Total
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash flows from operating activities:			
Receipts from customers and users	\$ 558,463	380,704	939,167
Payments to suppliers	(66,823)	(255,079)	(321,902)
Payments to employees	(394,741)	(245,281)	(640,022)
Net Cash Provided By (Used In) Operating Activities	96,899	(119,656)	(22,757)
Cash flows from noncapital financing activities:			
Intergovernmental revenue	-	7,905	7,905
Due to other funds	(8,310)	1,058	(7,252)
Transfer from other funds	167,074	3,988,192	4,155,266
Net Cash Provided By Noncapital Financing Activities	158,764	3,997,155	4,155,919
Cash flows from capital and related financing activities:			
Purchase of capital assets	(160,119)	(13,996)	(174,115)
Principal payments on bonds	-	(3,840,000)	(3,840,000)
Interest expense	-	(349,497)	(349,497)
Net Cash Used In Capital And Related Financing Activities	(160,119)	(4,203,493)	(4,363,612)
Cash flows from investing activities:			
Investment income	5	16	21
Proceeds from sale of investments	-	325,978	325,978
Net Cash Provided By Investing Activities	5	325,994	325,999
NET INCREASE IN CASH AND CASH EQUIVALENTS	95,549	-	95,549
CASH AND CASH EQUIVALENTS, SEPTEMBER 1	282,247	550	282,797
CASH AND CASH EQUIVALENTS, AUGUST 31	\$ 377,796	550	378,346

CITY OF ARNOLD, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED AUGUST 31, 2016

	Business-type Activities - Enterprise Funds		
	Storm Water	Golf	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 31,707	(150,141)	(118,434)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	34,548	29,524	64,072
(Increase) decrease in:			
Receivables	(18,484)	-	(18,484)
Deferred outflows - pension related	(92,705)	(43,809)	(136,514)
Prepaid items	(57)	(2,197)	(2,254)
Increase (decrease) in:			
Accounts payable	23,329	(5,750)	17,579
Accrued liabilities	(6,354)	640	(5,714)
Unearned revenues	569	(1,000)	(431)
Net pension liability	127,572	53,688	181,260
Deferred inflows - pension related	(3,226)	(611)	(3,837)
Total Adjustments	65,192	30,485	95,677
 Net Cash Provided By (Used In) Operating Activities	 \$ 96,899	 (119,656)	 (22,757)
 Noncash operating, financing, and investing activities:			
Contributions of capital assets from developer	\$ 137,216	-	137,216

CITY OF ARNOLD, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION -
PENSION TRUST FUND
AUGUST 31, 2016

ASSETS

Mutual funds	<u>\$ 11,256,652</u>
--------------	----------------------

NET POSITION

Restricted for pensions	<u>\$ 11,256,652</u>
-------------------------	----------------------