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Comprehensive Annual Financial Report, 2002

City of Arnold

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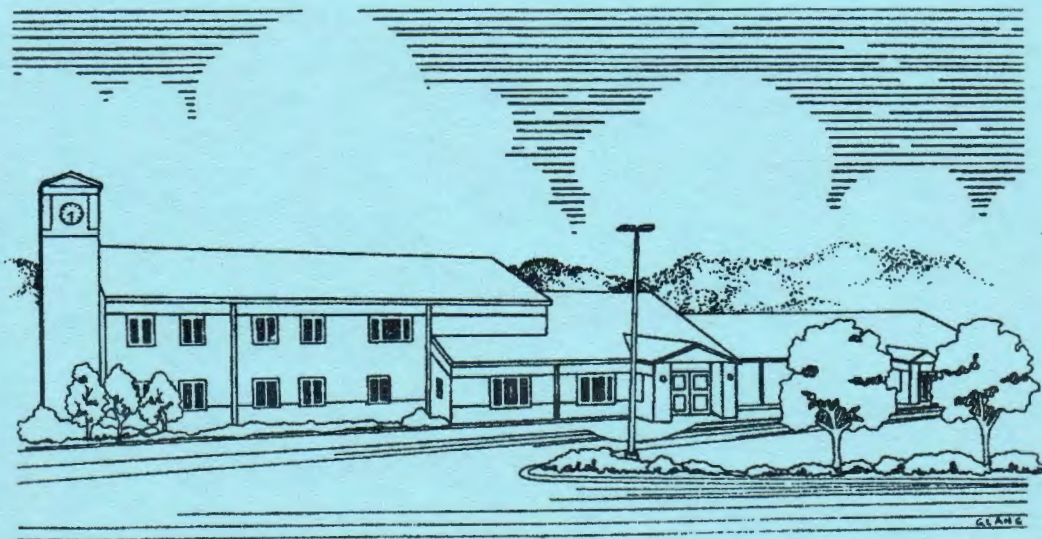
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**CITY of ARNOLD
MISSOURI**

30TH

ANNIVERSARY

1972-2002



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

*For The Fiscal Year Ended
August 31, 2002*

CITY OF ARNOLD, MISSOURI

**Comprehensive Annual Financial Report
For The Fiscal Year Ended August 31, 2002**

Prepared by the Finance Department
JoAnne Tietjens, Finance Director

CITY OF ARNOLD, MISSOURI
FINANCIAL REPORT

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**INTRODUCTORY
SECTION**



City of Arnold

Mark Powell, Mayor

November 18, 2002

To the Honorable Mayor and City Council, and
The Citizens of Arnold, Missouri

Ladies and Gentlemen:

The comprehensive annual financial report of the City of Arnold, Missouri (the City) for the fiscal year ended August 31, 2002, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements, the individual fund and account group financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds and account groups of the City. The City provides a full range of services including police protection; health and sanitation services; construction and maintenance of streets and infrastructure; parks and recreation services; city planning and building inspection; and administration. In addition to general government activities, the City's Sewer System and Police Pension Plan activities are included in the reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The City is centrally located on the eastern border of the State of Missouri, south of the Meramec River at its confluence with the Mississippi River. The central business district of the City of St. Louis is about 17 miles to the north. Interstate Highway 55, U.S. Highway 61-67, State Highways 141 and 231 provide access to St. Louis City and St. Louis County.

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

Parks and Recreation
1838 Old Lemay Ferry Rd.
Arnold, MO 63010
636/282-2380

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

The economic condition and outlook of the City of Arnold have been stable in recent years. Several large retailers and food stores form a retail nucleus that buffers the local economy due to the basic necessity of goods sold. The City's housing stock, geographic location and variety of services have kept real estate marketable. Commercial vacancies remain modest while the potential for further retail and industrial development appears favorable within the next five years.

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

The City's tax structure relies primarily on sales taxes and utility taxes. Sales tax receipts are expected to maintain steady growth at a pace greater than the rate of inflation. Utility tax receipts are likely to increase at a modest rate. Significant reductions are not expected from either source in the upcoming five years. The City has demonstrated its ability to compress government expenditures in the past to accommodate a tight economy or temporary downturn in revenue. It is anticipated this trait will continue.

MAJOR INITIATIVES

The City Council and administrative staff regularly develop and update plans designed to improve the quality of community life while maintaining the financial stability of the City. Major activities during 2002 include the following:

Several major road improvement projects are progressing through engineering design and right-of-way acquisition. Construction of some of these projects will begin in 2003.

A major stormwater project involving buyout and demolition of flood-damaged structures is continuing along Melody Lane and Keywest with the help of funding from two Department of Natural Resources grants. When completed, the land will remain as open space. The buyout program continues to reduce the risk of flood related property damage within the City.

Arnold citizens approved a one quarter (1/4) of one cent sales tax for local parks which went into effect October 1, 2002. The funds will be used to build and maintain a Community Recreation Center. The project is currently in the design phase and construction will begin in 2003.

A voter approved ¼ cent sales tax for local parks that went into effect January 1, 1998 was stopped June 30, 2002. Revenues generated by this tax are being used to retire leasehold revenue bonds issued for the purchase of 120 acres of parkland. The original expiration date of the tax was December 31, 2005. The City was able to retire the tax more than three years early.

People are Arnold's greatest asset, and the neighborhoods in which they reside are one of the more important responsibilities of government. The provision of quality basic services of police, fire, road maintenance, parks, and solid waste collection are critical for their continued desirability. These programs help assure the preservation of the City's neighborhoods.

FINANCIAL INFORMATION

The City maintains its general accounting records on a modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "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. Expenditures are recorded when the liability is incurred.

Internal Control

Management of the City is responsible for establishing and maintaining internal controls designed to ensure the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of general purpose financial statements in conformity with U.S. generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls

Missouri State law and City ordinances require annual budgets to be prepared for the general and special revenue funds. The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the General Fund are included in the annual budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Government Functions

The following schedule presents a summary of general fund revenues for the fiscal year ended August 31, 2002 and the amount and percentage of increases / (decreases) in relation to prior year's revenues.

| <u>Revenues</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Increase (Decrease) from 2001</u> | <u>Percent of Increase (Decrease)</u> |
|-----------------------|---------------------|-------------------------|--------------------------------------|---------------------------------------|
| Taxes | \$ 9,334,785 | 76.89% | 119,706 | 1.30% |
| Special Assessments | 419,270 | 3.42 | (9,284) | (2.17) |
| Licenses and permits | 391,055 | 3.19 | 28,035 | 7.72 |
| Fines and Court costs | 633,418 | 5.17 | 65,134 | 11.46 |
| Intergovernmental | 550,277 | 4.49 | (136,580) | (19.88) |
| Charges for services | 292,351 | 2.39 | (338,391) | (53.65) |
| Investment income | 268,847 | 2.19 | (187,303) | (41.06) |
| Miscellaneous | <u>276,722</u> | <u>2.26</u> | <u>18,239</u> | 7.06 |
| Total | <u>\$12,166,725</u> | <u>100.00%</u> | <u>(440,444)</u> | (3.49)% |

The largest share of general revenue is provided by the City's one-cent sales tax with fiscal year 2002 collections totaling \$4,192,115. Fiscal year 2001 collections totaled \$4,004,997. Fiscal 2002 collections exceeded the prior year by \$187,118, a 4.67% increase. The average growth for the past ten years is 6%.

A voter approved ¼ cent sales tax for local parks that went into effect January 1, 1998, was stopped on June 30, 2002. Revenues generated by this tax will be used to retire leasehold revenue bonds issued for the purchase of

120 acres of parkland with a purchase price of \$3,210,000. Fiscal 2002 collections total \$849,583. A comparison to 2001 would be misleading since the tax was stopped two months before the end of the fiscal year.

The City receives capital improvements sales tax as shared by Jefferson County per contractual agreement. The monies received from this source are on a reimbursement basis for qualifying capital improvement expenditures. Capital improvement sales tax received in fiscal 2002 totaled \$867,537, an increase of \$104,805 over fiscal 2001. In fiscal 2002, the receipts of this tax were reimbursements for purchases of property for the Church Road widening project currently underway.

Collections from the gross receipts tax on utilities decreased \$142,581 or 7.63%, to \$1,724,863. The decrease was due to the reduction in natural gas prices following the sharp increase in fiscal 2001.

Special assessment collections can fluctuate significantly from year to year. Collections of special assessments represent repayments for improvements within sanitary sewer subdistricts and neighborhood improvement districts.

License and permit revenue increased \$28,035 or 7.72%. This increase is due to an increase in building permits for new construction. This increase follows two years of decreases in building permit revenues. Building permits issued for residential construction in fiscal 2002 nearly doubled over fiscal 2001.

Fines and court costs rose \$65,134 or 11.46% to \$633,418 during the year due to more aggressive judgments in municipal court. This follows an increase of nearly 41% in fiscal 2001.

The majority of intergovernmental revenue consists of \$164,273 in receipts from the Department of Natural Resources as partial funding for the stormwater buyout and demolition project, \$74,271 in receipts from the U.S. Department of Transportation (STP) as partial funding for various projects underway and \$204,274 from the U.S. Department of Justice as funding for community oriented policing services.

City charges for services decreased in fiscal 2002, due to the elimination of solid waste fees. Net losses of \$622,046 on gross revenue of \$181,204 were realized during the fiscal year for trash collection. Solid waste collection in the City is provided under a contract with Mid West Waste.

Investment income decreased during the year from \$456,150 in fiscal 2001 to \$268,846 in 2002, or by \$187,303 due to the sharp decline in interest rates.

The following schedule presents a summary of general fund expenditures for the fiscal year ended August 31, 2002 and the percentage increases and decreases in relation to prior year amounts.

| <u>Expenditures</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Increase (Decrease) from 2001</u> | <u>Percent of Increase (Decrease)</u> |
|-----------------------|----------------------------|-----------------------------|--|---|
| General Government | \$2,446,605 | 21.38% | 172,551 | (7.59)% |
| Public Safety | 3,787,138 | 33.10 | (114,148) | (2.93) |
| Public Works | 2,221,126 | 19.42 | 1,950,544 | 720.87 |
| Highways and Streets | 721,077 | 6.30 | (2,940,146) | (80.31) |
| Parks and Recreation | 549,824 | 4.81 | 28,463 | 5.46 |
| Health and Sanitation | 1,011,144 | 8.84 | (12,717) | (1.24) |
| Capital Outlay | <u>703,538</u> | <u>6.15</u> | <u>(2,611)</u> | <u>(.37)</u> |
| Total | <u>\$11,440,452</u> | <u>100.00%</u> | <u>(918,064)</u> | <u>(7.43)%</u> |

Expenditures in the General Government category increased significantly in only one area. There was a sharp increase of \$155,515 in general insurance costs as MIRMA passed on losses they experienced in the previous year.

Public Safety costs remained stable overall. Personnel costs decreased \$110,588 since the police department was not up to full employment.

Public Works Department expenditures increased because the categories of Road Projects and Stormwater Projects were added in fiscal 2002. These categories were previously included in Highways and Streets. When adjustment are made for the changes, Public Works stayed relatively stable across the board.

Street Department expenditures decreased across the board when adjustments mentioned in the previous paragraph are made. The major factor is the decrease in street maintenance performed in fiscal 2002. In fiscal 2001 over \$950,000 in contract street maintenance was performed compared to \$20,000 in fiscal 2002. There were also small decreases in payroll and vehicle maintenance.

Expenditures for Parks and Recreation Department and for Health and Sanitation Department remained stable.

General Fund Balance

The fund balance of the General Fund increased \$1,150,367 during the year to a balance of \$7,775,902 at August 31, 2002. This increase reflects an increase in restricted reserves of \$994,556, nearly all reserved for debt service. An increase in fund balance indicates revenues in excess of expenditures.

Enterprise Operations

The City's enterprise operation is comprised of the sanitary sewer system. Providing sanitary sewer services throughout the City has been a major priority since the City's inception. Construction of sewer subdistricts for existing housing subdivisions and requiring developers to construct sewers for new developments has rapidly added new connections to the system.

The system continues to have net losses after depreciation, however, cash flow has been positive and the regular addition of customers serves to reduce these annual losses.

Pension Trust Fund Operations

The operations of the City of Arnold Police Pension Plan remained stable during fiscal 2002. The annual actuarial valuation continues to reflect a positive trend in the City's and employee's funding of the Police Pension Plan.

Debt Administration

At August 31, 2002, the City had three major debt issues outstanding. These issues are \$1,055,000 of certificates of participation (municipal complex), \$1,870,000 of leasehold revenue bonds (park land acquisition) and \$1,926,025 of sewer revenue bonds.

The City has no general obligation bonded debt. Under current Missouri statutes, the City's legal general obligation debt limit, based on 10% of the City's total assessed valuation of real and personal property is \$247,520,322.

Cash Management

Cash temporarily idle during the year was invested in repurchase agreements, U.S. Treasury and U.S. Agency Securities. Interest earned on repurchase agreements and certificates of deposit totaled \$382,899 for all funds for the year. The pension trust fund is invested in New England Financial. Earnings for the Pension Fund totaled \$74,600 for the year.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held by a financial institution's trust department in the City's name.

Risk Management

The City of Arnold has been a member of Missouri Intergovernmental Risk Management Association (MIRMA) since July 1, 1983. MIRMA is a state wide governmental self-insurance pool providing property, liability, and workers' compensation coverages to its members. The financial condition of MIRMA is excellent. MIRMA has been able to significantly increase its self-insurance capacity and services, thereby providing its membership superior coverage and cost savings.

The City, assisted by MIRMA, seeks to provide supervisory and employee training, and identification of hazardous conditions or procedures in an effort to reduce or eliminate personal injuries and property damage.

OTHER INFORMATION

Independent Audit

Missouri statutes require an annual audit by independent certified public accountants. The certified public accounting firm of Hochschild, Bloom & Company LLP, was selected by the City Council to perform this year's audit. The auditors' report on the general purpose financial statements and individual fund statements and schedules is included in the financial section of this report.

Award

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 of Arnold for its comprehensive annual financial report for the fiscal year ended August 31, 2001. This is the 13th consecutive year that the government 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 generally accepted accounting principles and applicable legal requirements.

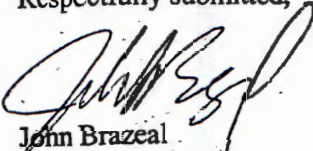
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

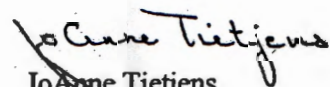
The preparation of the comprehensive annual financial report was made possible by the cooperation of the entire administrative staff of the various departments of the City. I would also like to acknowledge the assistance of our accountants, Hochschild, Bloom & Company LLP, in formulating this report.

In closing, without the support of the Mayor and Council, preparation of this report would not have been possible.

Respectfully submitted,



John Brazeal
City Administrator



JoAnne Tietjens
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Arnold,
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2001

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



William Patrick Vate
President

Jeffrey L. Esser
Executive Director

CITY OF ARNOLD, MISSOURI
PRINCIPAL OFFICIALS

Mark Powell

Mayor

Council

Michael Bonnot

Ward One

Ronald Jerger

Ward One

James Edwards

Ward Two

David Venable

Ward Two

Phil Amato

Ward Three

Joyce Deckman

Ward Three

Alfred Ems

Ward Four

Butch Cooley

Ward Four

Dianne Waller

Clerk-Collector

Reed Schultz

Treasurer

Steve Davis

Judge

Robert Sweeney

City Attorney

John Brazeal

City Administrator

JoAnne Tietjens

Finance Director

Robert Shockey

Acting Chief of Police

Eric Cowle

Public Works Director

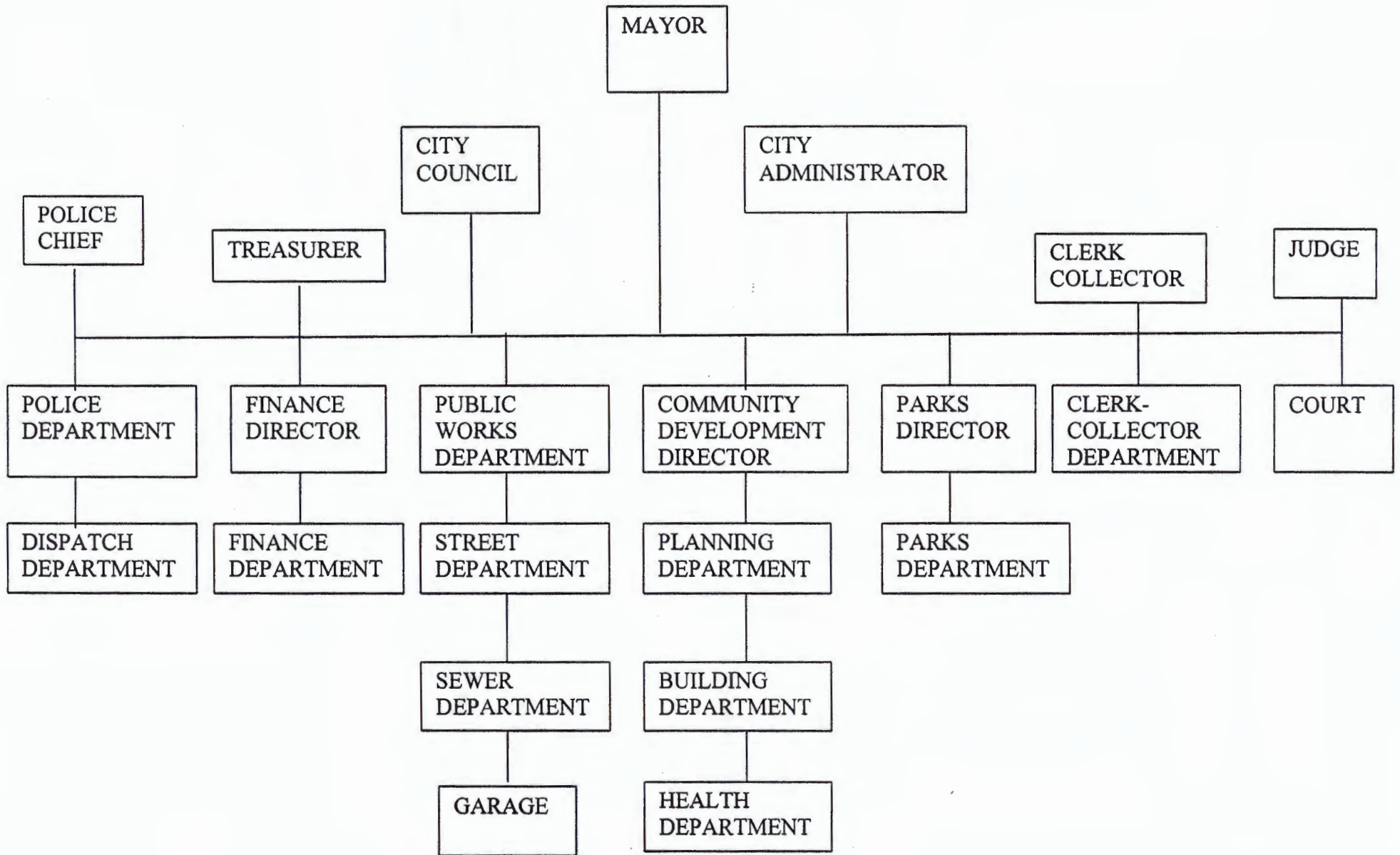
Michael DeRuntz

Community Development Director

Llewellyn Lewis, Jr.

Parks & Recreation Director

CITY OF ARNOLD, MISSOURI - ORGANIZATIONAL CHART





**FINANCIAL
SECTION**



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

INDEPENDENT AUDITORS' REPORT

November 18, 2002

Honorable Mayor and City Council
CITY OF ARNOLD, MISSOURI

We have audited the accompanying general purpose financial statements of the **CITY OF ARNOLD, MISSOURI** (the City) as of and for the year ended August 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of August 31, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note A to the general purpose financial statements, in 2002 the City changed its method of accounting for nonexchange revenues.

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



Member: Independent Accountants International with Member Offices in Principal U.S. and International Cities.

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

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

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ARNOLD, MISSOURI
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AUGUST 31, 2002
WITH COMPARATIVE TOTALS FOR AUGUST 31, 2001

| | Governmental Fund Type | Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Totals | |
|--|---------------------------|--------------------------|------------------------|-------------------|------------------|-------------------|-------------------|
| | | | | General | General | (Memorandum Only) | |
| | | | | Fixed | Long-Term | 2002 | 2001 |
| | General | Enterprise | Trust | Assets | Debt | | |
| ASSETS AND OTHER DEBITS | | | | | | | |
| Cash and cash equivalents | \$ 2,202,608 | 550,617 | - | - | - | 2,753,225 | 1,747,400 |
| Investments | 2,138,010 | 1,500,516 | - | - | - | 3,638,526 | 5,639,101 |
| Deposit administration contracts | - | - | 4,126,355 | - | - | 4,126,355 | 3,893,953 |
| Receivables (net of allowances for uncollectibles): | | | | | | | |
| Taxes | 1,201,581 | - | - | - | - | 1,201,581 | 1,644,403 |
| Special assessments | 1,943,118 | - | - | - | - | 1,943,118 | 2,272,958 |
| Sewer service fees | - | 40,804 | - | - | - | 40,804 | 32,760 |
| Intergovernmental | 436,741 | - | - | - | - | 436,741 | 495,994 |
| Miscellaneous | 620,399 | - | - | - | - | 620,399 | 462,988 |
| Due from other funds | 57,954 | - | 28,526 | - | - | 86,480 | 124,071 |
| Prepaid items | 398,002 | 24,938 | - | - | - | 422,940 | 351,765 |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents | 260,179 | 1,122,421 | - | - | - | 1,382,600 | 1,220,997 |
| Capital improvements sales tax receivable | 2,507,911 | - | - | - | - | 2,507,911 | 2,538,070 |
| Investments | 2,159,256 | 299,667 | - | - | - | 2,458,923 | 915,383 |
| Property and equipment: | | | | | | | |
| Land, buildings and improvements | - | 2,313,448 | - | 17,235,561 | - | 19,549,009 | 18,209,559 |
| Machinery and equipment | - | 498,221 | - | 1,907,073 | - | 2,405,294 | 2,122,487 |
| Automotive equipment | - | - | - | 1,115,029 | - | 1,115,029 | 1,022,412 |
| Furniture and fixtures | - | - | - | 314,768 | - | 314,768 | 202,752 |
| Sewer lines | - | 17,499,884 | - | - | - | 17,499,884 | 17,499,884 |
| Construction-in-process | - | 138,211 | - | - | - | 138,211 | 51,870 |
| Less - Accumulated depreciation | - | (6,790,948) | - | - | - | (6,790,948) | (6,345,510) |
| Other debits: | | | | | | | |
| Amount available for debt service | - | - | - | - | 2,355,416 | 2,355,416 | 1,818,675 |
| Amount to be provided for retirement of general long-term debt | - | - | - | - | 569,584 | 569,584 | 1,814,292 |
| Total Assets And Other Debits | \$13,925,759 | 17,197,779 | 4,154,881 | 20,572,431 | 2,925,000 | 58,775,850 | 57,736,264 |

CITY OF ARNOLD, MISSOURI
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
AUGUST 31, 2002
WITH COMPARATIVE TOTALS FOR AUGUST 31, 2001

| | Governmental Fund Type General | Proprietary Fund Type Enterprise | Fiduciary Fund Type Trust | Account Groups | | Totals (Memorandum Only) | |
|---|--------------------------------------|--|---------------------------------|----------------------------|------------------------------|-----------------------------|-------------------|
| | | | | General Fixed Assets | General Long-Term Debt | 2002 | 2001 |
| | | | | | | | |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 703,738 | 57,285 | - | - | - | 761,023 | 1,361,144 |
| Accrued payroll and compensated absences payable | 580,485 | 6,326 | - | - | - | 586,811 | 698,889 |
| Accrued post-employment benefits | 4,699 | - | - | - | - | 4,699 | 8,573 |
| Due to other funds | 28,526 | 57,954 | - | - | - | 86,480 | 124,071 |
| Accrued interest payable | 7,764 | - | - | - | - | 7,764 | 7,764 |
| Deferred revenues | 4,824,645 | 91,787 | - | - | - | 4,916,432 | 5,311,477 |
| Pension contribution payable | - | - | - | - | - | - | 37,967 |
| Notes payable | - | 1,004,600 | - | - | - | 1,004,600 | 1,065,700 |
| Revenue bonds payable, net of bond discounts | - | 1,899,117 | - | - | - | 1,899,117 | 2,122,211 |
| Capital leases payable | - | - | - | - | 2,925,000 | 2,925,000 | 3,595,000 |
| Total Liabilities | 6,149,857 | 3,117,069 | - | - | 2,925,000 | 12,191,926 | 14,332,796 |
| Fund Equity and Other Credits | | | | | | | |
| Investment in general fixed assets | - | - | - | 20,572,431 | - | 20,572,431 | 18,765,516 |
| Contributed capital | - | 17,640,594 | - | - | - | 17,640,594 | 17,642,216 |
| Retained earnings (deficit): | | | | | | | |
| Reserved in accordance with revenue bond agreements | - | 290,000 | - | - | - | 290,000 | 290,000 |
| Unreserved | - | (3,849,884) | - | - | - | (3,849,884) | (3,852,101) |
| Fund balances: | | | | | | | |
| Reserved for prepaid items | 398,002 | - | - | - | - | 398,002 | 325,424 |
| Reserved for encumbrances | 533,384 | - | - | - | - | 533,384 | 580,400 |
| Reserved for bond escrow deposit | 126,000 | - | - | - | - | 126,000 | 126,000 |
| Reserved for bond reserve | 525,972 | - | - | - | - | 525,972 | 479,775 |
| Reserved for debt service reserve | 1,703,444 | - | - | - | - | 1,703,444 | 1,212,900 |
| Reserved for employee retirement benefits | - | - | 4,154,881 | - | - | 4,154,881 | 3,932,302 |
| Unreserved: | | | | | | | |
| Designated for sewer subdistrict projects | 1,165,560 | - | - | - | - | 1,165,560 | 870,932 |
| Designated for street projects | 387,287 | - | - | - | - | 387,287 | 266,740 |
| Designated for trash reimbursement | 40,842 | - | - | - | - | 40,842 | - |
| Designated for road reconstruction | 550,000 | - | - | - | - | 550,000 | 550,000 |
| Designated for neighborhood improvement projects | 654,681 | - | - | - | - | 654,681 | 611,978 |
| Designated for stormwater projects | 352,323 | - | - | - | - | 352,323 | 287,463 |
| Designated for recreational center | 100 | - | - | - | - | 100 | - |
| Designated for technology acquisitions | - | - | - | - | - | - | 52,533 |
| Designated for mayor/council prerogatives | - | - | - | - | - | - | 56,805 |
| Undesignated | 1,338,307 | - | - | - | - | 1,338,307 | 1,204,585 |
| Total Fund Equity And Other Credits | 7,775,902 | 14,080,710 | 4,154,881 | 20,572,431 | - | 46,583,924 | 43,403,468 |
| Total Liabilities, Fund Equity And Other Credits | \$13,925,759 | 17,197,779 | 4,154,881 | 20,572,431 | 2,925,000 | 58,775,850 | 57,736,264 |

See notes to financial statements

CITY OF ARNOLD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUND TYPE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2002
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2001

| | 2002 | 2001 |
|--|------------------------------|-------------------|
| REVENUES | | |
| Taxes | \$ 9,334,785 | 9,215,079 |
| Special assessments | 419,270 | 428,554 |
| Licenses and permits | 391,055 | 363,020 |
| Fines and court costs | 633,418 | 568,284 |
| Intergovernmental | 550,277 | 686,857 |
| Charges for services | 292,351 | 630,742 |
| Investment income | 268,847 | 456,150 |
| Miscellaneous | 276,722 | 258,483 |
| Total Revenues | 12,166,725 | 12,607,169 |
| EXPENDITURES | | |
| Current: | | |
| General government | 1,623,812 | 1,448,222 |
| Public safety | 3,787,138 | 3,901,286 |
| Public works | 2,221,126 | 2,404,619 |
| Highways and streets | 721,077 | 1,527,186 |
| Parks and recreation | 549,824 | 521,361 |
| Health and sanitation | 1,011,144 | 1,023,861 |
| Capital outlay | 703,538 | 706,149 |
| Debt service: | | |
| Principal | 670,000 | 584,984 |
| Interest | 152,793 | 202,036 |
| Debt issuance costs | - | 38,812 |
| Total Expenditures | 11,440,452 | 12,358,516 |
| REVENUES OVER EXPENDITURES | 726,273 | 248,653 |
| OTHER FINANCING SOURCES (USES) | | |
| Proceeds from certificates of participation | - | 1,260,000 |
| Payment to escrow agent | - | (1,221,188) |
| Total Other Financing Sources (Uses) | - | 38,812 |
| REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER (USES) | 726,273 | 287,465 |
| FUND BALANCES, SEPTEMBER 1 | 6,625,535 | 6,338,070 |
| CHANGE IN ACCOUNTING PRINCIPLE | 424,094 | - |
| FUND BALANCES, AUGUST 31 | \$ 7,775,902 | 6,625,535 |

CITY OF ARNOLD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL -
GOVERNMENTAL FUND TYPE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2002

| | Budget | Actual | Over (Under) Budget |
|-----------------------------------|-------------------|--------------------|------------------------------------|
| REVENUES | | | |
| Taxes | \$10,291,179 | 9,334,785 | (956,394) |
| Special assessments | 325,000 | 419,270 | 94,270 |
| Licenses and permits | 406,050 | 391,055 | (14,995) |
| Fines and court costs | 413,000 | 633,418 | 220,418 |
| Intergovernmental | 4,612,410 | 550,277 | (4,062,133) |
| Charges for services | 266,600 | 292,351 | 25,751 |
| Investment income | 289,000 | 268,847 | (20,153) |
| Miscellaneous | 209,900 | 276,722 | 66,822 |
| Total Revenues | 16,813,139 | 12,166,725 | (4,646,414) |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,558,034 | 1,623,812 | 65,778 |
| Public safety | 3,941,487 | 3,787,138 | (154,349) |
| Public works | 6,824,332 | 2,221,126 | (4,603,206) |
| Highways and streets | 773,839 | 721,077 | (52,762) |
| Parks and recreation | 571,694 | 549,824 | (21,870) |
| Health and sanitation | 1,042,301 | 1,011,144 | (31,157) |
| Capital outlay | 649,919 | 703,538 | 53,619 |
| Debt service | 834,742 | 822,793 | (11,949) |
| Total Expenditures | 16,196,348 | 11,440,452 | (4,755,896) |
| REVENUES OVER EXPENDITURES | \$ 616,791 | 726,273 | 109,482 |
| FUND BALANCES, SEPTEMBER 1 | | 6,625,535 | |
| CHANGE IN ACCOUNTING PRINCIPLE | | 424,094 | |
| FUND BALANCES, AUGUST 31 | | \$7,775,902 | |

CITY OF ARNOLD, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
DEFICIT - PROPRIETARY FUND TYPE - ENTERPRISE FUND
FOR THE YEAR ENDED AUGUST 31, 2002
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2001

| | 2002 | 2001 |
|--|------------------------|----------------------|
| OPERATING REVENUES | | |
| Sewer service fees | \$ 1,101,342 | 1,072,312 |
| Sewer connection fees | 27,033 | 14,400 |
| Total Operating Revenues | 1,128,375 | 1,086,712 |
| OPERATING EXPENSES | | |
| Cost of services | 626,559 | 654,749 |
| Administration | 126,000 | 126,000 |
| Depreciation and amortization | 450,843 | 450,133 |
| Total Operating Expenses | 1,203,402 | 1,230,882 |
| OPERATING LOSS | (75,027) | (144,170) |
| NONOPERATING REVENUES (EXPENSE) | | |
| Investment income | 114,053 | 216,987 |
| Gain on sale | - | 2,500 |
| Miscellaneous income | - | 1,314 |
| Interest expense | (124,770) | (143,245) |
| Total Nonoperating Revenues (Expense) | (10,717) | 77,556 |
| LOSS BEFORE CAPITAL CONTRIBUTIONS | (85,744) | (66,614) |
| CAPITAL CONTRIBUTIONS - SEWER LINES | 87,961 | - |
| NET INCOME (LOSS) | 2,217 | (66,614) |
| DEFICIT, SEPTEMBER 1 | (3,562,101) | (3,495,487) |
| DEFICIT, AUGUST 31 | (\$3,559,884) | (3,562,101) |

CITY OF ARNOLD, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY
FUND TYPE - ENTERPRISE FUND
FOR THE YEAR ENDED AUGUST 31, 2002
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2001

| | 2002 | 2001 |
|--|--------------|-------------|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| Cash flows from operating activities: | | |
| Operating loss | (\$75,027) | (144,170) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 450,843 | 450,133 |
| Gain on sale of assets | - | (2,500) |
| (Increase) decrease in: | | |
| Receivables | (8,044) | (5,809) |
| Prepaid items | 1,403 | (26,341) |
| Increase (decrease) in: | | |
| Accounts payable | (17,321) | (129,367) |
| Accrued payroll and compensated absences payable | (12,879) | 2,644 |
| Deferred revenues | 1,920 | 3,505 |
| Total Adjustments | 415,922 | 292,265 |
| Net Cash Provided By Operating Activities | 340,895 | 148,095 |
| Cash flows provided by (used in) noncapital financing activities: | | |
| Due to (from) other funds | (27,768) | 377,371 |
| Cash flows from capital and related financing activities: | | |
| Principal paid on revenue bonds payable | (228,500) | (235,975) |
| Interest paid on revenue bonds payable | (124,770) | (143,245) |
| Payments for capital acquisitions | (19,975) | (60,696) |
| Proceeds from sale of assets | - | 10,000 |
| Proceeds from notes payable | - | 56,344 |
| Principal paid on notes payable | (61,100) | - |
| Net Cash Used In Capital And Related Financing Activities | (434,345) | (373,572) |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 8,776,360 | 6,723,751 |
| Purchases of investments | (8,382,207) | (7,825,194) |
| Other income | - | 3,814 |
| Investment income received on investments | 120,446 | 215,264 |
| Net Cash Provided By (Used In) Investing Activities | 514,599 | (882,365) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 393,381 | (730,471) |
| CASH AND CASH EQUIVALENTS, SEPTEMBER 1 | 1,279,657 | 2,010,128 |
| CASH AND CASH EQUIVALENTS, AUGUST 31 | \$ 1,673,038 | 1,279,657 |
| Noncash operating, financing and investing activities: | | |
| Contributed fixed assets | \$ 87,961 | 13,247 |

See notes to financial statements

CITY OF ARNOLD, MISSOURI
STATEMENT OF CHANGES IN PLAN NET ASSETS -
FIDUCIARY FUND TYPE - PENSION TRUST FUND
FOR THE YEAR ENDED AUGUST 31, 2002
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2001

| | 2002 | 2001 |
|--|-------------|-----------|
| ADDITIONS | | |
| Contributions: | | |
| Employer contributions | \$ 320,707 | 349,958 |
| Employee contributions | 160,986 | 156,561 |
| Total Additions | 481,693 | 506,519 |
| Investment income: | | |
| Net appreciation (depreciation) in fair value of investments and interest and dividends | 74,600 | 137,130 |
| Investment expense | (8,423) | - |
| Net Investment Income | 66,177 | 137,130 |
| Total Additions | 547,870 | 643,649 |
| DEDUCTIONS | | |
| Retirement benefits | 6,378 | 6,378 |
| Return of contributions | 135,908 | 15,052 |
| Withdrawals | 183,005 | - |
| Total Deductions | 325,291 | 21,430 |
| NET INCREASE | 222,579 | 622,219 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, SEPTEMBER 1 | 3,932,302 | 3,310,083 |
| NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, AUGUST 31 | \$4,154,881 | 3,932,302 |

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The general purpose financial statements of the City include the financial activities of the City and any component units. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the City. It was determined that there are no other component units to be included in the City's reporting entity.

2. Fund Accounting

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 general purpose financial statements as follows:

GOVERNMENTAL FUND

General Fund -- 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 FUND

Enterprise Fund -- The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City's Enterprise Fund is the Sewer Fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting (Continued)

FIDUCIARY FUND

Trust Fund -- The Trust Fund is used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments and/or other funds. The Pension Trust Fund is accounted for in essentially the same manner as proprietary funds.

ACCOUNT GROUPS

General Fixed Assets -- The general fixed assets used in the City's operations are to be accounted for in the General Fixed Assets Account Group rather than in the governmental funds.

General Long-Term Debt -- Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental fund types are accounted for on the current financial resources measurement focus using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "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. Expenditures are recorded when the related fund liability is incurred, except for interest on obligations in the General Long-Term Debt Account Group which is recorded in the governmental fund types when paid. Licenses and permits, fines and court costs, special assessments, charges for services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary and pension 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.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Accounting (Continued)

As permitted by U.S. generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

4. Budgets and Budgetary Accounting

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

- a. On or before July 8, all departments submit requests for appropriations to the City's budget committee so that a budget may be prepared.
- b. During August, the operating budget is presented to the City Council for review. The operating budget includes proposed expenditures for the General and Enterprise Funds and the means of financing them.
- c. Public hearing meetings are held to obtain taxpayer comments.
- d. Prior to September 1, the budget is adopted by the City Council.
- e. Budgets are adopted on a basis generally consistent with U.S. generally accepted accounting principles. Expenditures modified for some year-end accruals may not legally exceed budgeted appropriations at the department level.
- f. Current year budget includes amendments. Budget amendments at the department level must be approved by the City Council. Management may authorize transfers of appropriations within a department.
- g. Appropriations lapse at year-end.

5. Cash, Cash Equivalents and Investments

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

6. Prepaid Items

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Fixed Assets

General fixed assets acquired for general governmental purposes are recorded as expenditures in the governmental funds. Assets are valued at original or estimated original cost. Contributed fixed assets are stated at estimated fair market value at the date of contribution.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets, sidewalks and drainage systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets. Assets acquired under lease/purchase agreements are recorded at the inception of the agreement.

Property and equipment owned by the Enterprise Fund are stated at cost or, in the case of contributed fixed assets, at the estimated fair market value at the date of contribution. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| Asset | Years |
|----------------------------|---------|
| Machinery and equipment | 8 |
| Buildings and improvements | 10 - 30 |
| Sewer lines | 50 |

Depreciation expense for the year ended August 31, 2002 was \$445,437.

8. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund type. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

9. Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation and sick leave of the proprietary fund are recorded as an expense and liability of that fund as the benefits accrued to employees.

11. Fund Equity

Contributed capital is recorded in the proprietary fund that has received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

12. Sewer Connection Fees

Sewer connection fees are accounted for as revenues only to the extent the fees equal the cost of physical connection to the system. Amounts that substantially exceed the cost to connect are accounted for as additions to contributed capital.

13. Bond Discounts

Bond discounts for the proprietary fund type are deferred and amortized over the term of the bonds. Bond discounts are presented as a reduction of the face amount of bonds payable.

Amortization expenses for the year ended August 31, 2002 was \$5,406.

14. Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers. Such transfers are reported as other financing sources (uses) in the governmental fund type and operating transfers in the proprietary fund type.

Nonrecurring or nonroutine transfers of equity between funds are recorded as equity transfers and, accordingly, are reported as additions or deductions from fund balances of governmental fund type and additions or deductions of contributed capital or retained earnings, as appropriate, of the proprietary fund type.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Restricted Assets

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

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

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

16. Total Columns on Combined Statements - Overview

Total columns on the combined statements - overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

17. Comparative Data

Comparative data for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Allowance for Doubtful Accounts

The allowance for uncollectible receivables is as follows:

| | <u>August 31</u> <u>2002</u> |
|-----------------|---------------------------------|
| General Fund | \$24,119 |
| Enterprise Fund | <u>26,360</u> |
| | <u>\$50,479</u> |

19. Deposit Administration Contracts

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

20. Change in Accounting Principle

In fiscal 2002, the City adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Due to the change in accounting and reporting for nonexchange transactions, sales taxes are recognized at the time of the underlying exchange transaction for derived revenues. The cumulative effect of the change in accounting method is as follows:

| | |
|--------------|-----------|
| General Fund | \$424,094 |
|--------------|-----------|

21. Reclassifications

Certain reclassifications have been made to the August 31, 2001 amounts in order to conform to the presentation of the August 31, 2002 general purpose financial statements.

NOTE B - CASH, CASH EQUIVALENTS AND INVESTMENTS

1. Deposits

The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation. As of August 31, 2002, the City's bank deposits were fully insured or collateralized with securities held by the City or its agent in the City's name.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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

2. Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end as: (1) insured or registered with securities held by the City or its agent in the City's name; (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name; or (3) uninsured and unregistered for which the securities are held by the counterparty or by its trust department or agent, but not in the City's name.

| | August 31, 2002 | | | Carrying Amount/ Fair Value |
|--|--------------------|------------------|----------|-----------------------------------|
| | Categories | | | |
| | <u>1</u> | <u>2</u> | <u>3</u> | |
| U.S. Treasury securities | \$ 525,972 | - | - | 525,972 |
| Government agencies | 5,381,477 | - | - | 5,381,477 |
| Repurchase agreements | - | 1,137,000 | - | 1,137,000 |
| | <u>\$5,907,449</u> | <u>1,137,000</u> | <u>-</u> | <u>7,044,449</u> |
| Guaranteed investment contracts | | | | 1,004,600 |
| Amounts to reconcile to combined balance sheet: | | | | |
| Certificates of deposit classified as investments | | | | 190,000 |
| Investments classified as cash equivalents | | | | <u>(2,141,600)</u> |
| Total Investments | | | | <u>\$6,097,449</u> |

NOTE C - FIXED ASSETS

A summary of changes in general fixed assets is as follows:

| | For The Year Ended August 31, 2002 | | | |
|-------------------------|---------------------------------------|------------------|---------------|------------------------------|
| | Balance August 31 2001 | Additions | Reductions | Balance August 31 2002 |
| | Land, buildings and improve- ments | \$15,896,111 | 1,339,450 | - |
| Machinery and equipment | 1,644,241 | 262,832 | - | 1,907,073 |
| Automotive equipment | 1,022,412 | 111,873 | 19,256 | 1,115,029 |
| Furniture and fixtures | <u>202,752</u> | <u>112,016</u> | <u>-</u> | <u>314,768</u> |
| | <u>\$18,765,516</u> | <u>1,826,171</u> | <u>19,256</u> | <u>20,572,431</u> |

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT

Long-term debt consisted of the following:

General Long-Term Debt Account Group

| | <u>August 31</u> <u>2002</u> |
|---|---------------------------------|
| Capital lease \$3,635,000 leasehold revenue bonds for Collins tract park acquisition, 1997, due in annual installments through September 2005, interest payable at 4.1% to 5%. | \$1,870,000 |
| Capital lease \$1,260,000 certificates of participation for municipal building complex, refunded 2001, due in annual installments through April 15, 2006, interest payable at 4.3%. | <u>1,055,000</u> |
| | <u>\$2,925,000</u> |

A schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of August 31, 2002 is as follows:

| <u>For The Years</u> <u>Ended August 31</u> | <u>Collins</u> <u>Tract</u> <u>Park</u> | <u>Municipal</u> <u>Building</u> <u>Complex</u> | <u>Total</u> |
|--|---|---|-------------------------|
| 2003 | \$ 591,965 | 243,130 | 835,095 |
| 2004 | 602,965 | 240,730 | 843,695 |
| 2005 | 876,750 | 237,530 | 1,114,280 |
| 2006 | <u>-</u> | <u>458,920</u> | <u>458,920</u> |
| Total Minimum Lease Payments | 2,071,680 | 1,180,310 | 3,251,990 |
| Less - Amount representing interest | <u>201,680</u> | <u>125,310</u> | <u>326,990</u> |
| Present Value Of Future Minimum Lease Payments | <u>\$1,870,000</u> | <u>1,055,000</u> | <u>2,925,000</u> |

A summary of changes in general long-term debt is as follows:

| | <u>For The Year Ended August 31, 2002</u> | | | <u>Balance</u> <u>August 31</u> <u>2002</u> |
|------------------------------|---|------------------|-------------------------|---|
| | <u>Balance</u> <u>August 31</u> <u>2001</u> | <u>Additions</u> | <u>Reductions</u> | |
| Capital leases payable | \$3,595,000 | - | (670,000) | 2,925,000 |
| Pension contribution payable | <u>37,967</u> | <u>-</u> | <u>(37,967)</u> | <u>-</u> |
| | <u>\$3,632,967</u> | <u>-</u> | <u>(707,967)</u> | <u>2,925,000</u> |

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

Enterprise Funds

| | <u>August 31 2002</u> |
|--|---------------------------|
| \$1,270,000 Sewerage System Revenue Bonds, Series 1992, under the terms of the refinancing agreement Series 2001B, due in annual installments through January 1, 2013, interest payable at 4.25% to 6.55%. | \$ 843,750 |
| \$1,135,000 Sewerage System Revenue Bonds, Series 1993, due in annual installments through July 1, 2014, interest payable at 3.4% to 5.4%. | 792,275 |
| \$1,240,000 Sewerage System Refunding Revenue Bonds, Series 1994, due in annual installments through December 1, 2004, interest payable at 3% to 5.3%. | <u>290,000</u> |
| | <u>1,926,025</u> |
| Less - Unamortized debt discount | <u>26,908</u> |
| | <u>\$1,899,117</u> |

The principal maturity of the bonds, excluding amounts maturing after August 31, 2002, which were remitted prior to the current fiscal year-end, are as follows:

| <u>For The Years Ended August 31</u> | <u>Series 1992</u> | <u>Series 1993</u> | <u>Series 1994</u> | <u>Total</u> |
|--|-------------------------|------------------------|------------------------|-------------------------|
| 2003 | \$ 55,000 | 50,000 | 140,000 | 245,000 |
| 2004 | 60,000 | 52,000 | 150,000 | 262,000 |
| 2005 | 65,000 | 55,000 | - | 120,000 |
| 2006 | 70,000 | 58,000 | - | 128,000 |
| 2007 | 75,000 | 61,000 | - | 136,000 |
| 2008 - 2014 | <u>518,750</u> | <u>516,275</u> | <u>-</u> | <u>1,035,025</u> |
| | 843,750 | 792,275 | 290,000 | 1,926,025 |
| Less - Unamortized discounts | <u>12,812</u> | <u>12,512</u> | <u>1,584</u> | <u>26,908</u> |
| Net Revenue Bonds Outstanding | <u>\$830,938</u> | <u>779,763</u> | <u>288,416</u> | <u>1,899,117</u> |

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

| <u>Redemption Dates</u> | <u>Redemption Prices</u> |
|-----------------------------------|------------------------------|
| June 1, 2002 and December 1, 2002 | 102% |
| June 1, 2003 and December 1, 2003 | 101 |
| June 1, 2004 and thereafter | 100 |

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

The revenue bonds dated August 1, 1993 maturing after January 1, 2003 may be called for redemption and payment prior to maturity in whole or in part on each June 1 and December 1 commencing June 1, 2003, at redemption prices set forth below (expressed as percentages of principal amount) plus accrued interest thereon to the date of redemption:

| <u>Redemption Dates</u> | <u>Redemption Prices</u> |
|-----------------------------------|--------------------------|
| June 1, 2003 and December 1, 2003 | 102% |
| June 1, 2004 and December 1, 2004 | 101 |
| June 1, 2005 and thereafter | 100 |

The revenue bonds dated March 1, 1994 maturing after September 1, 2001 may be called for redemption and payment prior to maturity in whole or in part on any interest payment date commencing September 1, 1999, at a redemption price equal to 100% of the principal amount plus accrued interest thereon to the date of redemption.

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

| | |
|-------------------------|--------------------|
| | <u>August 31</u> |
| | <u>2002</u> |
| Notes payable: | |
| SRF - 1992, no interest | \$ 442,500 |
| SRF - 1993, no interest | <u>562,100</u> |
| | <u>\$1,004,600</u> |

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

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

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

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS

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

1. City of Arnold, Missouri Police Pension Plan

Plan Description and Provisions

The Plan is a single-employer, defined benefit pension plan that covers all of the City's full-time police employees. The Plan was created and is governed by City ordinance. The payroll for employees covered by the Plan for the year ended August 31, 2001, which is the date of the latest actuarial valuation available, was \$1,692,864 and the City's total payroll was \$4,340,767.

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

Membership in the Plan is comprised of the following:

| <u>Group</u> | <u>August 31 2001</u> |
|---|---------------------------|
| Retirees and beneficiaries currently receiving benefits | 2 |
| Vested terminated employees and active employees | 46 |

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

City ordinance requires each member to contribute 8½% of gross salary. The ordinance requires the City to contribute the actuarially computed amounts, which together with employee contributions and investment income, will cover the costs of the Plan.

Funding Status and Progress

| <u>Pension Plan</u> | | | |
|--|--|--|-------------------------|
| <u>Valuation For The Actuarial Years Ended August 31</u> | <u>Actuarial Value Of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL</u> |
| 2001 | \$3,932,302 | \$3,932,767 | \$ 465 |
| 2000 | 3,310,083 | 3,895,918 | 585,835 |
| 1999 | 2,525,265 | 3,239,830 | 714,565 |
| 1998 | 2,830,169 | 3,679,937 | 849,768 |
| 1997 | 2,871,681 | 3,702,791 | 831,110 |

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

| <u>Pension Plan</u> | | | |
|--|---------------------|------------------------|--|
| <u>Valuation For The Actuarial Years Ended August 31</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>Unfunded AAL As A Percentage Of Covered Payroll</u> |
| 2001 | 100.0% | \$1,692,864 | - % |
| 2000 | 85.0 | 1,596,144 | 36.7 |
| 1999 | 77.9 | 1,367,738 | 52.2 |
| 1998 | 76.9 | 1,436,227 | 59.2 |
| 1997 | 77.6 | 1,389,449 | 59.8 |

| <u>Schedule Of Employer Contributions</u> | | | |
|---|-------------------------------------|----------------------------|-------------------------------|
| <u>For The Years Ended August 31</u> | <u>Annual Required Contribution</u> | <u>Actual Contribution</u> | <u>Percentage Contributed</u> |
| 2001 | \$248,759 | \$349,958 | 140.7% |
| 2000 | 239,086 | 299,407 | 125.2 |
| 1999 | 279,684 | 265,166 | 94.8 |
| 1998 | 262,268 | 198,073 | 75.5 |
| 1997 | 236,162 | 222,077 | 94.0 |

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

| | |
|----------------------------|---|
| Actuarial cost method | Frozen entry age |
| Amortization method | Using assumed rate of 7.25% over 30 years |
| Amortization period | Closed |
| Asset valuation method | At contract value and market value |
| Actuarial assumptions: | |
| Investment rate of return | 8% |
| Projected salary increases | 4.5% |
| Inflation rate | N/A |

Annual Pension Cost

Current year annual pension costs for the Plan are shown in the trend information. Annual required contributions were not made by the Plan. There is no net pension obligation for the Plan.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

Trend Information

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

| Pension Plan | | | |
|--|------------------------------------|-----------------------------------|---|
| Valuation For The Actuarial Years Ended August 31 | Annual Pension Cost | Percentage Contributed | Net Pension Obligation (Asset) |
| 2001 | \$248,759 | 140.7% | (\$62,978) |
| 2000 | 239,086 | 125.2 | 37,967 |
| 1999 | 279,684 | 94.8 | 91,644 |
| 1998 | 262,268 | 75.5 | 72,080 |
| 1997 | 236,162 | 94.0 | 7,335 |

| Valuation For The Actuarial Years Ended August 31 | Net Pension Obligation (Asset) Beginning Of Year | Interest Net Pension Obligation (Asset) | Annual Required Contribution |
|--|---|--|---|
| 2001 | \$37,967 | \$ 254 | \$248,759 |
| 2000 | 91,644 | 6,644 | 239,086 |
| 1999 | 72,080 | 5,046 | 279,684 |
| 1998 | 7,335 | 550 | 262,268 |
| 1997 | (6,308) | (442) | 236,162 |

| Valuation For The Actuarial Years Ended August 31 | Actual Contribution | Net Pension Obligation (Asset) End Of Year |
|--|--------------------------------|---|
| 2001 | \$349,958 | (\$62,978) |
| 2000 | 299,407 | 37,967 |
| 1999 | 265,166 | 91,644 |
| 1998 | 198,073 | 72,080 |
| 1997 | 222,077 | 7,335 |

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

2. Missouri Local Government Employees Retirement System (LAGERS)

Plan Description

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

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

Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required by state statute to contribute at an actuarially determined rate; the current rate is 12.8% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

Annual Pension Cost

For 2002, the City's annual pension cost of \$256,620 was equal to the required and actual contributions. The required contribution was determined as part of the February 28/29, 2000 and/or 2001 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4% per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0% to 4.2% per year, depending on age attributable to seniority/merit; (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table; and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 2002 was 22 years.

Three-year trend information follows:

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

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

| <u>For The Years Ended June 30</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage Of APC Contributed</u> |
|--|--------------------------------------|--|
| 2002 | \$256,620 | 100% |
| 2001 | 261,030 | 100 |
| 2000 | 227,982 | 100 |

Schedule of funding progress follows:

| <u>For The Valuation Years Ended February 28/29</u> | <u>Actuarial Value Of Assets</u> | <u>Entry Age Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL</u> |
|---|--|--|-------------------------|
| 2002 | \$3,534,683 | \$4,196,464 | \$661,781 |
| 2001 | 3,254,438 | 3,869,440 | 615,002 |
| 2000 | 2,883,878 | 3,788,631 | 904,753 |

| <u>For The Valuation Years Ended February 28/29</u> | <u>Funded Ratio</u> | <u>Annual Covered Payroll</u> | <u>Unfunded AAL As A Percentage Of Covered Payroll</u> |
|---|-------------------------|---------------------------------------|--|
| 2002 | 84% | \$1,995,830 | 33% |
| 2001 | 84 | 1,836,757 | 33 |
| 2000 | 76 | 1,644,739 | 55 |

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2001 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

NOTE F - INTERFUND ASSETS/LIABILITIES

Individual interfund assets and liabilities are as follows:

Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>August 31 2002</u> |
|---------------------------|---------------------|---------------------------|
| General Fund | Sewer Fund | \$57,954 |
| Police Pension Trust Fund | General Fund | <u>28,526</u> |
| | | <u>\$86,480</u> |

NOTE G - PROPERTY TAXES

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

The City's property tax calendar is as follows:

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

NOTE H - INSURANCE

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a state-wide governmental self-insurance pool which provides property, liability and workers' compensation coverages to its participating members in a single comprehensive multiline package. The various lines of coverage are not available individually and the membership is limited to municipalities and municipally owned utilities. The City's policy covers all real and personal property owned by the City except sewer lines. The policy is for replacement cost and expires June 30, 2002.

MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis. These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. The City paid an assessment totaling \$390,509 for MIRMA's fiscal years ended June 30, 2002. Settled claims resulting in these risks have not exceeded coverage in any of the past three years.

NOTE I - DEFICIT BALANCES

The Enterprise Fund had a deficit retained earnings balance of \$3,559,884. The fund deficit is offset by contributed capital.

NOTE J - INTERFUND ADMINISTRATION FEE

During the year, the Sewer System Fund paid \$126,000 to the General Fund for administrative costs incurred by the General Fund relating to the operation of the Sewer System Fund. This fee is included in miscellaneous revenue in the General Fund.

NOTE K - CONTINGENCIES AND COMMITMENTS

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

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

NOTE L - PENDING ACCOUNTING PRONOUNCEMENTS

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. In July 2001, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. Under the revised requirements, governmental financial statements will include management's discussion and analysis (MD&A), basic financial statements that present both government-wide and fund financial statements, and required supplementary information.

MD&A introduces the financial statements by giving readers a brief, objective and easily readable analysis of the City's financial performance for the year and its financial position at year-end, including an analysis of budgetary change and results.

The government-wide financial statements will provide information about the primary government and its component units without displaying fund or fund types. The financial statements will distinguish between the governmental and business-type activities of the primary government. All information will be reported using the economic resources measurement focus and the accrual basis of accounting.

The fund financial statements will provide information about the primary government's fund types, including fiduciary funds and blended component units. Governments will present separate financial statements for each fund category - governmental, proprietary and fiduciary - and will no longer present a combined balance sheet. General capital assets and general long-term liabilities will be reported only in the government-wide financial statements as assets and liabilities of governmental activities. Governmental fund financial statements will focus on fiscal accountability and will report the flows and balances of current financial resources using the modified accrual basis of accounting. Proprietary and fiduciary fund financial statements will report operating results and financial position using the economic resources measurement focus and the accrual basis of accounting. A single set of notes will apply to both government-wide and fund financial statements.

The model also includes required reporting for infrastructure assets. Reporting alternatives include historical cost-based depreciation and modified approach if the government maintains such assets at or above an established condition level. Retroactive infrastructure reporting will also become effective on a phase-in approach.

CITY OF ARNOLD, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE L - PENDING ACCOUNTING PRONOUNCEMENTS (Continued)

The City is required to adopt GASB Statement No. 34 in fiscal year 2003 except for certain provisions relating to infrastructure which it is required to adopt by fiscal year 2007. The City has not completed the varied analyses required to estimate the financial statement impact of these new Statements.

SUPPLEMENTAL INFORMATION SECTION

CITY OF ARNOLD, MISSOURI
SUPPLEMENTAL INFORMATION - GENERAL FUND -
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2002

| | <u>Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|-------------------------------|----------------------------|--------------------------|------------------------------------|
| TAXES | | | |
| Property | \$ 746,227 | 784,409 | 38,182 |
| Sales | 7,216,290 | 6,159,926 | (1,056,364) |
| Public utility gross receipts | 1,678,886 | 1,724,863 | 45,977 |
| Motor fuel | 530,000 | 545,538 | 15,538 |
| Other | 119,776 | 120,049 | 273 |
| Total Taxes | <u>10,291,179</u> | <u>9,534,785</u> | <u>(956,394)</u> |
| SPECIAL ASSESSMENTS | <u>325,000</u> | <u>419,270</u> | <u>94,270</u> |
| LICENSES AND PERMITS | <u>406,050</u> | <u>391,055</u> | <u>(14,995)</u> |
| FINES AND COURT COSTS | <u>413,000</u> | <u>633,418</u> | <u>220,418</u> |
| INTERGOVERNMENTAL | <u>4,612,410</u> | <u>550,277</u> | <u>(4,062,133)</u> |
| CHARGES FOR SERVICES | <u>266,600</u> | <u>292,351</u> | <u>25,751</u> |
| INVESTMENT INCOME | <u>289,000</u> | <u>268,847</u> | <u>(20,153)</u> |
| MISCELLANEOUS | | | |
| Sewer administration | 126,000 | 126,000 | - |
| Other | 83,900 | 150,722 | 66,822 |
| Total Miscellaneous | <u>209,900</u> | <u>276,722</u> | <u>66,822</u> |
| Total Revenues | <u><u>\$16,813,139</u></u> | <u><u>12,166,725</u></u> | <u><u>(4,646,414)</u></u> |

CITY OF ARNOLD, MISSOURI
SUPPLEMENTAL INFORMATION - GENERAL FUND -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2002

| | <u>Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|--------------------------------|----------------------------|--------------------------|------------------------------------|
| GENERAL GOVERNMENT | | | |
| General and administrative | \$ 710,090 | 766,597 | 56,507 |
| Mayor and council | 57,841 | 58,276 | 435 |
| Municipal court | 124,297 | 88,833 | (35,464) |
| Administrator | 144,349 | 144,244 | (105) |
| Treasurer | 15,680 | 14,065 | (1,615) |
| Finance | 115,880 | 141,739 | 25,859 |
| Collector of revenue | 123,734 | 122,307 | (1,427) |
| Attorney | 97,400 | 132,463 | 35,063 |
| Elections | 5,000 | 5,921 | 921 |
| Planning commission | 163,763 | 149,367 | (14,396) |
| Total General Government | <u>1,558,034</u> | <u>1,623,812</u> | <u>65,778</u> |
| PUBLIC SAFETY | | | |
| Police | 3,268,892 | 3,142,303 | (126,589) |
| Police board | 12,507 | 20,616 | 8,109 |
| Dispatching | 370,754 | 373,793 | 3,039 |
| Building commission | 289,334 | 250,426 | (38,908) |
| Total Public Safety | <u>3,941,487</u> | <u>3,787,138</u> | <u>(154,349)</u> |
| PUBLIC WORKS | | | |
| | <u>6,824,332</u> | <u>2,221,126</u> | <u>(4,603,206)</u> |
| HIGHWAYS AND STREETS | | | |
| | <u>773,839</u> | <u>721,077</u> | <u>(52,762)</u> |
| PARKS AND RECREATION | | | |
| | <u>571,694</u> | <u>549,824</u> | <u>(21,870)</u> |
| HEALTH AND SANITATION | | | |
| Health department | 107,889 | 99,849 | (8,040) |
| Rabies control | 93,787 | 94,424 | 637 |
| Vector control | 32,625 | 13,621 | (19,004) |
| Solid waste | 808,000 | 803,250 | (4,750) |
| Total Health And Sanitation | <u>1,042,301</u> | <u>1,011,144</u> | <u>(31,157)</u> |
| CAPITAL OUTLAY | | | |
| | <u>649,919</u> | <u>703,538</u> | <u>53,619</u> |
| DEBT SERVICE | | | |
| | <u>834,742</u> | <u>822,793</u> | <u>(11,949)</u> |
| Total Expenditures | <u><u>\$16,196,348</u></u> | <u><u>11,440,452</u></u> | <u><u>(4,755,896)</u></u> |

CITY OF ARNOLD, MISSOURI
SUPPLEMENTAL INFORMATION - COMPARATIVE SCHEDULES
OF GENERAL FIXED ASSETS BY SOURCE
AUGUST 31, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|---|-----------------------------|-----------------------------|
| GENERAL FIXED ASSETS | | |
| Land, buildings and improvements | \$ 17,235,561 | 15,896,111 |
| Machinery and equipment | 1,907,073 | 1,644,241 |
| Automotive equipment | 1,115,029 | 1,022,412 |
| Furniture and fixtures | 314,768 | 202,752 |
| | <u> </u> | <u> </u> |
| Total General Fixed Assets | <u>\$ 20,572,431</u> | <u>18,765,516</u> |
| | | |
| INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE | | |
| General Fund | <u>\$ 20,572,431</u> | <u>18,765,516</u> |

CITY OF ARNOLD, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF
GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
AUGUST 31, 2002

| <u>Function And Activity</u> | <u>Land, Buildings And Improve- ments</u> | <u>Machinery And Equipment</u> | <u>Automotive Equipment</u> | <u>Furniture And Fixtures</u> | <u>Total</u> |
|------------------------------------|---|--|---------------------------------|---------------------------------------|-------------------|
| General government: | | | | | |
| General and administrative | \$ 13,578,521 | 522,269 | - | 157,596 | 14,258,386 |
| Flood emergency | 31,975 | - | - | - | 31,975 |
| Mayor and council | - | - | - | 7,571 | 7,571 |
| Municipal court | - | - | - | 3,603 | 3,603 |
| Administrator | - | - | 12,386 | 2,834 | 15,220 |
| Finance | - | 3,852 | - | 27,560 | 31,412 |
| Collector of revenue | - | - | - | 18,833 | 18,833 |
| Attorney | - | - | - | 2,865 | 2,865 |
| Planning commission | - | - | - | 2,587 | 2,587 |
| Total General Government | <u>13,610,496</u> | <u>526,121</u> | <u>12,386</u> | <u>223,449</u> | <u>14,372,452</u> |
| Public safety: | | | | | |
| Police | - | 491,095 | 474,167 | 61,509 | 1,026,771 |
| Police board | - | - | - | 176 | 176 |
| Dispatching | - | 218,247 | - | 1,288 | 219,535 |
| Building commission | - | 9,991 | 41,432 | 17,622 | 69,045 |
| Total Public Safety | <u>-</u> | <u>719,333</u> | <u>515,599</u> | <u>80,595</u> | <u>1,315,527</u> |
| Public works | 45,825 | 81,621 | 53,929 | 6,874 | 188,249 |
| Fleet | - | 6,635 | - | - | 6,635 |
| Highways and streets | - | 490,883 | 377,851 | 974 | 869,708 |
| Parks and recreation | 3,579,240 | 69,653 | 108,660 | 1,148 | 3,758,701 |
| Health and sanitation: | | | | | |
| Health department | - | 715 | 12,494 | 1,728 | 14,937 |
| Rabies control | - | 4,184 | 21,550 | - | 25,734 |
| Vector control | - | 7,928 | 12,560 | - | 20,488 |
| Total Health And Sanitation | <u>-</u> | <u>12,827</u> | <u>46,604</u> | <u>1,728</u> | <u>61,159</u> |
| Total General Fixed Assets | <u>\$ 17,235,561</u> | <u>1,907,073</u> | <u>1,115,029</u> | <u>314,768</u> | <u>20,572,431</u> |

CITY OF ARNOLD, MISSOURI
SUPPLEMENTAL INFORMATION - SCHEDULE OF CHANGES
IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED AUGUST 31, 2002

| <u>Function And Activity</u> | <u>Balance August 31 2001</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance August 31 2002</u> |
|------------------------------|---------------------------------------|-------------------------|----------------------|---------------------------------------|
| General government: | | | | |
| General and administrative | \$ 12,735,171 | 1,523,215 | - | 14,258,386 |
| Flood emergency | 31,975 | - | - | 31,975 |
| Mayor and council | 7,571 | - | - | 7,571 |
| Municipal court | 3,603 | - | - | 3,603 |
| Administrator | 15,220 | - | - | 15,220 |
| Finance | 31,412 | - | - | 31,412 |
| Collector of revenue | 18,833 | - | - | 18,833 |
| Attorney | 2,865 | - | - | 2,865 |
| Planning commission | 2,587 | - | - | 2,587 |
| Total General Government | <u>12,849,237</u> | <u>1,523,215</u> | <u>-</u> | <u>14,372,452</u> |
| Public safety: | | | | |
| Police | 850,392 | 195,635 | 19,256 | 1,026,771 |
| Police board | 176 | - | - | 176 |
| Dispatching | 210,579 | 8,956 | - | 219,535 |
| Building commission | 58,086 | 10,959 | - | 69,045 |
| Total Public Safety | <u>1,119,233</u> | <u>215,550</u> | <u>19,256</u> | <u>1,315,527</u> |
| Public works | <u>123,968</u> | <u>64,281</u> | <u>-</u> | <u>188,249</u> |
| Fleet | <u>-</u> | <u>6,635</u> | <u>-</u> | <u>6,635</u> |
| Highways and streets | <u>853,218</u> | <u>16,490</u> | <u>-</u> | <u>869,708</u> |
| Parks and recreation | <u>3,758,701</u> | <u>-</u> | <u>-</u> | <u>3,758,701</u> |
| Health and sanitation: | | | | |
| Health department | 14,937 | - | - | 14,937 |
| Rabies control | 25,734 | - | - | 25,734 |
| Vector control | 20,488 | - | - | 20,488 |
| Total Health And Sanitation | <u>61,159</u> | <u>-</u> | <u>-</u> | <u>61,159</u> |
| Total General Fixed Assets | <u><u>\$ 18,765,516</u></u> | <u><u>1,826,171</u></u> | <u><u>19,256</u></u> | <u><u>20,572,431</u></u> |



**STATISTICAL
SECTION**

CITY OF ARNOLD, MISSOURI
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

| Fiscal Year | General Government | Public Safety | Public Works | Highways And Streets | Parks And Recreation | Health And Sanitation | Capital Outlay | Debt Service | Total |
|--------------------|---------------------------|----------------------|---------------------|-----------------------------|-----------------------------|------------------------------|-----------------------|---------------------|-------------------|
| 1993 | \$ 1,414,608 | 2,428,800 | 295,634 | 1,002,916 | 353,331 | 545,650 | 664,119 | - | 6,705,058 |
| 1994 | 2,990,274 | 2,652,954 | 301,829 | 1,360,285 | 431,731 | 571,777 | 232,990 | - | 8,541,840 |
| 1995 | 6,005,996 | 2,860,774 | 306,690 | 946,103 | 421,626 | 624,088 | 490,526 | - | 11,655,803 |
| 1996 | 2,549,763 | 2,870,859 | 288,260 | 1,070,740 | 438,769 | 636,818 | 365,840 | - | 8,221,049 |
| 1997 | 1,368,316 | 2,847,853 | 300,416 | 4,110,097 | 414,899 | 645,971 | 454,377 | - | 10,141,929 |
| 1998 | 1,620,657 | 3,032,830 | 292,242 | 2,985,299 | 455,725 | 751,861 | 4,336,295 | - | 13,474,909 |
| 1999 | 2,049,441 | 3,176,224 | 356,308 | 1,233,767 | 495,895 | 764,165 | 2,421,938 | - | 10,497,738 |
| 2000 | 2,129,939 | 3,472,504 | 262,624 | 987,096 | 492,673 | 808,802 | 506,273 | - | 8,659,911 |
| 2001 (1) | 1,448,222 | 3,901,286 | 2,404,619 | 1,527,186 | 521,361 | 1,023,861 | 706,149 | 825,832 | 12,358,516 |
| 2002 | 1,623,812 | 3,787,138 | 2,221,126 | 721,077 | 549,824 | 1,011,144 | 703,538 | 822,793 | 11,440,452 |

(1) Road projects transferred from Highways and Streets to Public Works department and debt service accounted for separately.

CITY OF ARNOLD, MISSOURI
GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN FISCAL YEARS

| Fiscal Year | Taxes | Special Assessments | Licenses And Permits | Fines And Court Costs | Intergovernmental | Charges For Services | Investment Income | Miscellaneous | Total |
|--------------------|------------------|----------------------------|-----------------------------|------------------------------|--------------------------|-----------------------------|--------------------------|----------------------|-------------------|
| 1993 | \$ 5,140,436 | 178,106 | 237,365 | 246,501 | 592,749 | 514,676 | 89,453 | 225,081 | 7,224,367 |
| 1994 | 5,714,338 | 208,318 | 288,693 | 252,962 | 1,707,256 | 537,164 | 122,505 | 322,927 | 9,154,163 |
| 1995 | 5,701,074 | 237,361 | 267,284 | 335,820 | 4,648,881 | 566,582 | 146,063 | 252,311 | 12,155,376 |
| 1996 | 5,377,496 | 282,521 | 284,441 | 341,807 | 1,318,109 | 578,221 | 202,293 | 319,770 | 8,704,658 |
| 1997 | 6,086,870 | 357,203 | 297,466 | 379,466 | 2,340,801 | 580,148 | 283,246 | 276,510 | 10,601,710 |
| 1998 | 7,366,716 | 281,251 | 407,674 | 365,737 | 904,389 | 568,363 | 329,660 | 229,687 | 10,453,477 |
| 1999 | 6,786,607 | 462,128 | 437,320 | 362,251 | 646,139 | 506,498 | 338,289 | 244,761 | 9,783,993 |
| 2000 | 7,230,362 | 521,950 | 404,733 | 403,169 | 243,162 | 503,346 | 466,262 | 196,974 | 9,969,958 |
| 2001 | 9,215,079 | 428,554 | 363,020 | 568,284 | 686,857 | 630,742 | 456,150 | 258,483 | 12,607,169 |
| 2002 | 9,334,785 | 419,270 | 391,055 | 633,418 | 550,277 | 292,351 | 268,847 | 276,722 | 12,166,725 |

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

| Fiscal Year | Property Taxes | Sales Taxes | Public Utility Gross Receipts Taxes | Motor Fuel Taxes | Other Taxes | Total |
|--------------------|-----------------------|--------------------|--|-------------------------|--------------------|--------------|
| 1993 | \$ 477,296 | 2,969,250 | 1,244,833 | 361,306 | 87,751 | 5,140,436 |
| 1994 | 491,016 | 3,380,911 | 1,345,534 | 402,270 | 94,607 | 5,714,338 |
| 1995 | 488,468 | 3,397,419 | 1,269,851 | 443,743 | 101,593 | 5,701,074 |
| 1996 | 522,735 | 2,890,690 | 1,425,912 | 465,774 | 72,385 | 5,377,496 |
| 1997 | 567,527 | 3,459,780 | 1,435,129 | 523,123 | 101,311 | 6,086,870 |
| 1998 | 606,021 | 4,648,901 | 1,474,412 | 529,326 | 108,056 | 7,366,716 |
| 1999 | 622,119 | 4,008,135 | 1,516,599 | 527,420 | 112,334 | 6,786,607 |
| 2000 | 670,891 | 4,373,059 | 1,513,163 | 558,156 | 115,093 | 7,230,362 |
| 2001 | 710,966 | 5,982,216 | 1,867,444 | 535,295 | 119,158 | 9,215,079 |
| 2002 | 784,409 | 6,159,926 | 1,724,863 | 545,538 | 120,049 | 9,334,785 |

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

| Fiscal Year | Total Tax Levy | Current Tax Collections | Percent Collected As Current | Delinquent Tax (And Penalties) Collections | Total Tax Collections | Total Collections As Percent Of Levy | Outstanding Delinquent Taxes | Outstanding Delinquent Taxes As Percent Of Levy |
|--------------------|-----------------------|--------------------------------|-------------------------------------|---|------------------------------|---|-------------------------------------|--|
| 1993 | \$ 474,443 | \$ 331,877 | 70.0 % | \$ 146,464 | \$ 478,341 | 100.8 % | \$ 16,024 | 3.38 % |
| 1994 | 490,378 | 442,916 | 90.3 | 50,660 | 493,576 | 100.7 | 15,220 | 3.10 |
| 1995 | 486,110 | 471,523 | 97.0 | 20,944 | 492,467 | 101.3 | 11,395 | 2.34 |
| 1996 | 525,276 | 467,869 | 89.1 | 52,355 | 520,224 | 99.0 | 17,318 | 3.29 |
| 1997 | 565,117 | 526,297 | 93.1 | 40,723 | 567,020 | 100.3 | 17,826 | 3.15 |
| 1998 | 603,604 | 527,829 | 87.4 | 82,700 | 610,529 | 101.1 | 16,443 | 2.72 |
| 1999 | 622,429 | 586,577 | 94.2 | 35,659 | 622,236 | 100.0 | 18,762 | 3.01 |
| 2000 | 670,891 | 517,177 | 77.1 | 155,207 | 672,384 | 100.2 | 13,849 | 2.06 |
| 2001 | 708,787 | 661,782 | 93.4 | 46,057 | 707,839 | 99.9 | 16,978 | 2.40 |
| 2002 | 780,778 | 730,130 | 93.5 | 51,280 | 781,410 | 100.1 | 16,345 | 2.09 |

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

| Fiscal Year | Assessed Value | Estimated Actual Value | Ratio Of Total Assessed Value To Total Estimated Actual Value |
|--------------------|-----------------------|-------------------------------|--|
| 1993 | \$ 98,785,800 | \$ 428,748,081 | 23.0 % |
| 1994 | 101,989,700 | 444,160,674 | 23.0 |
| 1995 | 104,735,900 | 458,432,133 | 22.8 |
| 1996 | 108,097,300 | 487,008,416 | 22.2 |
| 1997 | 115,317,000 | 516,289,419 | 22.3 |
| 1998 | 128,404,600 | 580,411,190 | 22.1 |
| 1999 | 132,768,200 | 599,340,356 | 22.2 |
| 2000 | 145,829,500 | 650,337,845 | 22.4 |
| 2001 | 154,012,200 | 679,974,183 | 22.6 |
| 2002 | 176,057,800 | 764,386,661 | 23.0 |

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

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

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

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

| | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| City of Arnold | <u>0.48</u> | <u>0.48</u> | <u>0.48</u> | <u>0.48</u> | <u>0.49</u> | <u>0.47</u> | <u>0.47</u> | <u>0.46</u> | <u>0.45</u> | <u>0.45</u> |
| Overlapping governments: | | | | | | | | | | |
| State of Missouri | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
| Jefferson County | 0.54 | 0.53 | 0.45 | 0.48 | 0.49 | 0.74 | 0.49 | 0.48 | 0.50 | 0.50 |
| Consolidated School No. 6 of Jefferson County | 2.98 | 2.98 | 3.03 | 3.78 | 3.78 | 3.61 | 3.61 | 3.58 | 3.50 | 3.51 |
| Rock Community Fire Protection District | 0.67 | 0.67 | 0.70 | 0.73 | 0.73 | 0.70 | 0.80 | 0.85 | 0.92 | 0.94 |
| Rock Township Ambulance District | 0.22 | 0.22 | 0.23 | 0.24 | 0.24 | 0.23 | 0.23 | 0.23 | 0.22 | 0.22 |
| The Junior College District of Jefferson County | 0.21 | 0.21 | 0.22 | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 | 0.35 |
| The Jefferson County Library District | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 |
| Total Overlapping Governments | <u>4.85</u> | <u>4.84</u> | <u>4.86</u> | <u>5.69</u> | <u>5.70</u> | <u>5.73</u> | <u>5.58</u> | <u>5.59</u> | <u>5.59</u> | <u>5.74</u> |
| Total City And Overlapping Governments | <u>5.33</u> | <u>5.32</u> | <u>5.34</u> | <u>6.17</u> | <u>6.19</u> | <u>6.20</u> | <u>6.05</u> | <u>6.05</u> | <u>6.04</u> | <u>6.19</u> |

Note: Above per \$100 assessed valuation

CITY OF ARNOLD, MISSOURI
PRINCIPAL TAXPAYERS
AUGUST 31, 2002

| <u>Taxpayer</u> | <u>Type Of Business</u> | <u>Tax Paid</u> |
|----------------------------------|---------------------------|-----------------|
| AmerenUE | Utility | \$ 1,091,895 |
| Southwestern Bell Telephone | Utility | 345,852 |
| Midwest Missouri Gas | Utility | 286,316 |
| Metal Container Corporation | Aluminum Can Manufacturer | 14,825 |
| Schnucks | Grocery Store | 11,359 |
| Target | Retail Store | 11,259 |
| Home Depot | Retail Store | 10,757 |
| Kohls | Retail Store | 10,355 |
| Sullentrop Family Partnership LP | Industrial Center | 10,308 |
| Convergy's Corporation | Customer Service | 8,619 |

CITY OF ARNOLD, MISSOURI
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>Special Assessment Billings (Due Within Fiscal Year)</u> | <u>Special Assessment Collected (1)</u> |
|--------------------|---|---|
| 1993 | \$119,070 | \$178,106 |
| 1994 | 117,229 | 208,318 |
| 1995 | 161,956 | 237,361 |
| 1996 | 198,111 | 282,521 |
| 1997 | 188,568 | 357,203 |
| 1998 | 167,176 | 281,251 |
| 1999 | 253,376 | 462,128 |
| 2000 | 328,768 | 521,950 |
| 2001 | 213,968 | 428,554 |
| 2002 | 294,473 | 419,270 |

(1) Includes prepayments

CITY OF ARNOLD, MISSOURI
COMPUTATION OF LEGAL DEBT MARGIN
AUGUST 31, 2002

| | | |
|---|--------------------|-----------------------------|
| Assessed value as of January 1, 2002: | | |
| Real property | \$ 176,057,800 | |
| Personal property - city | <u>71,462,522</u> | |
| | | <u><u>\$247,520,322</u></u> |
| | | |
| Debt limit - 10% of assessed value* | | \$ 24,752,032 |
| | | |
| Amount of debt applicable to debt limit: | | |
| Total bonded debt | 4,851,025 | |
| Less - Exempt debt: | | |
| Sewer revenue bonds | (1,926,025) | |
| Certificates of participation (Municipal Complex) | (1,055,000) | |
| Leasehold revenue bonds (Collins Tract) | <u>(1,870,000)</u> | |
| Net amount of debt applicable to debt limit | | <u>-</u> |
| | | |
| Legal Debt Margin | | <u><u>\$ 24,752,032</u></u> |

*Under Article VI, Sections 26(b) and 26(c) of the Missouri Constitution, the City by vote of 2/3 of the qualified electors thereof, may incur general obligation bonded indebtedness for City purposes in an amount not to exceed 10% of the assessed valuation of taxable intangible property within the City as asserted by the last completed assessment for state or county purposes. Under Section 26(d) of said Article VI, the City may incur general obligation indebtedness not exceeding in the aggregate an additional 10% of the aforesaid assessed valuation for the purposes of acquiring rights-of-way, constructing and improving sanitary or storm sewer systems; and under Section 26(e) of said Article VI, additional general obligation indebtedness may be incurred for purchasing or constructing waterworks, electric or other light plants to be owned exclusively by the City, provided that the general obligation indebtedness of the City shall not exceed 20% of the assessed valuation.

CITY OF ARNOLD, MISSOURI
COMPUTATION OF DIRECT AND OVERLAPPING DEBT -
GENERAL OBLIGATION BONDED DEBT
AUGUST 31, 2002

| <u>Name Of Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Percentage Applicable To City Of Arnold</u> | <u>Amount Applicable To City Of Arnold</u> |
|---|-----------------------------|--|--|
| The Junior College District of Jefferson County | \$ 3,690,000 | 12.62 % | \$ 465,678 |
| Consolidated School District No. 6 of Jefferson County | 32,750,000 | 43.41 | 14,216,775 |
| City of Arnold | - | 100.00 | - |
| | | | <u>\$ 14,682,453</u> |

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

| <u>Fiscal Year</u> | <u>Gross Revenues</u> | <u>Operating Expenses</u> | <u>Net Revenue Available For Debt Service</u> | <u>Debt Service Requirements</u> | | | <u>Coverage</u> |
|--------------------|-----------------------|---------------------------|---|----------------------------------|-----------------|--------------|-----------------|
| | | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 1993 | \$ 978,024 | \$ 623,508 | \$ 354,516 | \$ 128,333 | \$ 211,273 | \$ 339,606 | 1.04 |
| 1994 | 1,082,448 | 653,002 | 429,446 | 595,000 | 291,358 | 886,358 | 0.48 |
| 1995 | 1,113,170 | 697,938 | 415,232 | 186,167 | 191,326 | 377,493 | 1.10 |
| 1996 | 1,154,205 | 822,532 | 331,673 | 178,250 | 182,707 | 360,957 | 0.92 |
| 1997 | 1,215,473 | 941,631 | 273,842 | 179,250 | 176,432 | 355,682 | 0.77 |
| 1998 | 1,161,063 | 742,330 | 418,733 | 209,250 | 169,116 | 378,366 | 1.11 |
| 1999 | 1,213,806 | 662,102 | 551,704 | 187,500 | 159,917 | 347,417 | 1.59 |
| 2000 | 1,262,057 | 814,523 | 447,534 | 150,750 | 147,581 | 298,331 | 1.50 |
| 2001 | 1,307,513 | 752,559 | 554,954 | 235,975 | 143,245 | 379,220 | 1.46 |
| 2002 | 1,242,428 | 752,559 | 489,869 | 228,500 | 149,709 | 378,209 | 1.30 |

CITY OF ARNOLD, MISSOURI
DEMOGRAPHIC STATISTICS
FIVE-YEAR INTERVALS

| <u>Fiscal Year</u> | <u>Population (1)</u> | <u>Per Capita Income (1)</u> | <u>Median Age (1)</u> | <u>Education Level In Years Of Formal Schooling (2)</u> | <u>School Enrollment (3)</u> | <u>Unemployment Rate (4)</u> |
|--------------------|-----------------------|------------------------------|-----------------------|---|------------------------------|------------------------------|
| 1980 | 19,141 | \$6,960 | 29.5 | 12.2 | N/A | 7.4% |
| 1985 | 19,545 | N/A | N/A | N/A | 8,614 | 7.6 |
| 1990 | 18,828 | 12,689 | 31.8 | 12.0 | 9,252 | 9.0 |
| 1995 | 20,053 | N/A | N/A | N/A | 9,507 | 5.2 |
| 2000 | 19,965 | 19,435 | 34.9 | N/A | 11,019 | 3.1 |

(1) Source - Census Bureau, City of Arnold Community Development Department

(2) Source - Census Bureau

(3) Source - Consolidated School District No. 6

(4) Source - Missouri Department of Labor

CITY OF ARNOLD, MISSOURI
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS

| Fiscal Year | Real Property Value | | | | Commercial Construction (1) | | Residential Construction (1) | |
|--------------------|----------------------------|--------------------|--------------------|--------------------|------------------------------------|------------------|-------------------------------------|------------------|
| | Commercial | Residential | Agriculture | Total | Number Of Units | Value | Number Of Units | Value |
| 1993 | \$ 133,410,625 | \$ 295,055,789 | \$ 281,667 | \$ 428,748,081 | 7 | \$ 1,509,600 | 118 | \$ 6,492,665 |
| 1994 | 137,025,937 | 304,074,737 | 3,060,000 | 444,160,674 | 4 | 775,000 | 211 | 14,398,494 |
| 1995 | 137,276,563 | 318,124,737 | 3,030,833 | 458,432,133 | 7 | 1,320,011 | 145 | 10,856,574 |
| 1996 | 121,302,188 | 362,797,895 | 2,908,333 | 487,008,416 | 5 | 949,839 | 148 | 20,957,246 |
| 1997 | 134,044,375 | 379,334,211 | 2,910,833 | 516,289,419 | 7 | 2,786,390 | 129 | 10,702,387 |
| 1998 | 140,222,813 | 438,724,210 | 1,464,167 | 580,411,190 | 17 | 16,756,035 | 124 | 11,283,815 |
| 1999 | 146,035,313 | 452,004,210 | 1,300,833 | 599,340,356 | 12 | 10,108,385 | 94 | 8,160,633 |
| 2000 | 171,384,687 | 478,743,158 | 210,000 | 650,337,845 | 27 | 11,518,889 | 42 | 3,715,502 |
| 2001 | 190,995,938 | 488,801,579 | 176,667 | 679,974,184 | 4 | 3,750,000 | 40 | 4,341,138 |
| 2002 | 237,207,188 | 526,999,474 | 180,000 | 764,386,662 | 5 | 1,838,350 | 77 | 7,910,565 |

(1) Source - City of Arnold Community Development Department

CITY OF ARNOLD, MISSOURI
MISCELLANEOUS STATISTICAL DATA
AUGUST 31, 2002

| | |
|--|-----------------------------|
| Date of incorporation | September 1972 |
| Form of government | Mayor/Council/Administrator |
| Number of full-time employees (excluding police) | 53 |
| Area in square miles | 11.6 |
| City of Arnold facilities and services: | |
| Miles of streets | 76.6 |
| Culture and recreation: | |
| Community centers | 1 |
| Parks | 5 |
| Park acreage | 463 |
| Swimming pools | 1 |
| Tennis courts | 1 |
| Police protection: | |
| Number of stations | 1 |
| Number of commissioned police officers | 47 |
| Number of other police personnel | 12 |
| Number of patrol units | 16 |
| Number of law violations: | |
| Physical arrests | 2,061 |
| Traffic violations | 8,342 |
| Sewerage system: | |
| Miles of sanitary sewers | 96.3 |
| Miles of storm sewers | 7.4 |
| Number of pumping stations | 9 |
| Daily average treatment in gallons | 1.8 million |
| Maximum daily capacity in gallons | 11 million |
| Facilities and services not included in the reporting entity: | |
| Education: | |
| Number of elementary schools | 10 |
| Number of elementary school instructors | 441 |
| Number of secondary schools | 5 |
| Number of secondary school instructors | 315 |
| Number of community colleges | 1 |

(Continued)

CITY OF ARNOLD, MISSOURI
MISCELLANEOUS STATISTICAL DATA (Continued)
AUGUST 31, 2002

Fire protection:

| | |
|---|-------|
| Number of stations | 4 |
| Number of full-time fire personnel and officers | 54 |
| Number of volunteer fire personnel | 12 |
| Number of calls answered | 2,800 |
| Number of inspections conducted | 4,601 |

Emergency ambulance services:

| | |
|--|-------|
| Number of stations | 3 |
| Number of emergency medical personnel and officers | 43 |
| Number of ambulance units | 6 |
| Number of calls answered | 5,332 |

Water system:

| | |
|--------------------------------------|--------------|
| Miles of water mains | 111 |
| Number of service connections | 6,948 |
| Number of fire hydrants | 755 |
| Daily average consumption in gallons | 2.50 million |
| Maximum daily capacity in gallons | 6.48 million |