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## Report to Board of Aldermen and Management, 2005

City of Manchester

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**CITY OF MANCHESTER, MISSOURI**

**REPORT TO BOARD OF ALDERMEN  
AND MANAGEMENT**

**DECEMBER 31, 2005**



**BOTZ, DEAL & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

February 28, 2006

Honorable Mayor  
and the Board of Aldermen  
Manchester, Missouri

We are pleased to discuss the results of our audit of the general purpose financial statements of City of Manchester, Missouri for the year ended December 31, 2005.

The accompanying report addresses matters with respect to our 2005 audit and other information which we believe will be of assistance and interest to you, as well as specific matters required by professional standards to be reported to you. This report is intended solely for the information and use of the Mayor and Board of Aldermen.

Sincerely,

*Botz, Deal & Company*

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## OVERVIEW OF 2005 AUDIT

<b>AUDITORS' RESPONSIBILITY</b>	<ul style="list-style-type: none"><li>* Audit performed in accordance with auditing standards generally accepted in the United States of America.</li><li>* Objective being reasonable - not absolute - assurance about the financial statements being free of material misstatement.</li></ul>
<b>REPORT ON 2005 AUDIT</b>	<ul style="list-style-type: none"><li>* Issued an unqualified opinion dated February 28, 2006.</li><li>* Adjustments to the 2005 financial statements were proposed and agreed upon.</li></ul>
<b>INTERNAL CONTROL OVER FINANCIAL REPORTING</b>	<ul style="list-style-type: none"><li>* Reviewed controls to extent necessary to obtain an understanding of the structure in order to render an opinion on financial statements.</li><li>* Recommendations set forth on page 3.</li></ul>
<b>MANAGEMENT COOPERATION</b>	<ul style="list-style-type: none"><li>* Received full cooperation.</li></ul>

## OTHER MATTERS

The Auditing Standards Board of the AICPA requires that we communicate certain matters to the Audit Committee, or its equivalent of an organization. These requirements are set out in Statement on Auditing Standards Nos. 53, 54, 61 and 89 and our comments thereto are presented below.

<b>ERRORS</b>	* None came to our attention.
<b>FRAUD AND OTHER ILLEGAL ACTS</b>	* None came to our attention.
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	* None.
<b>MANAGEMENT JUDGEMENTS AND ACCOUNTING ESTIMATES</b>	* Reviewed management's formulation of accounting estimates and concluded they were reasonable.
<b>CONSULTATIONS WITH OTHER ACCOUNTANTS</b>	* None.
<b>SUMMARY OF UNADJUSTED AUDIT DIFFERENCES</b>	* See Exhibit I.

## RECOMMENDATIONS TO MANAGEMENT

<b>OVERALL</b>	<ul style="list-style-type: none"><li>* Considered internal control over financial reporting to determine auditing procedures.</li><li>* Audit procedures would not necessarily disclose all matters in internal control over financial reporting that may be material weaknesses.</li></ul>
<b>CURRENT YEAR</b>	<ul style="list-style-type: none"><li>* The optional standard mileage rate that can be used to reimburse employees for business related purposes for 2006 is 44.5 cents per mile.</li></ul>
<b>PRIOR YEAR</b>	<ul style="list-style-type: none"><li>* Management should consider raising the capitalization threshold to \$2,500 for general fixed assets and \$50,000 for infrastructure additions. Generally increasing the capitalization threshold allows the City to capture the significant value of fixed assets without incurring the excessive cost of tracking lower cost fixed assets.</li></ul> <p><b>Status:</b> Implemented by management.</p>

**EXHIBIT I**

**SUMMARY OF UNADJUSTED AUDIT DIFFERENCES**

**GOVERNMENT-WIDE STATEMENTS**

<u>UNADJUSTED AUDIT DIFFERENCES:</u>	<u>DEBIT</u>	<u>CREDIT</u>	<u>INCREASE (DECREASE) IN FUND BALANCE</u>
Unamortized gain on refunding	\$27,280		
Interest expense		\$27,280	\$27,280
Record unamortized portion of gain on certificate of participation refunding.			
Bond issue costs	54,613		
Governmental expense		54,613	54,613
Record unamortized portion of certificate of participation issue costs.			
			<u>\$81,893</u>



**EXHIBIT I**

**SUMMARY OF UNADJUSTED AUDIT DIFFERENCES**

**CAPITAL PROJECTS FUND**

**EFFECT OF UNADJUSTED AUDIT DIFFERENCES -  
PRIOR YEAR:**

**DEBIT**

**CREDIT**

**INCREASE (DECREASE)  
IN FUND BALANCE**

Investment income

\$ 10,826

\$ 10,826

Adjust accrued interest

**EXHIBIT I**

**SUMMARY OF UNADJUSTED AUDIT DIFFERENCES**

**GENERAL FUND**

<b><u>UNADJUSTED AUDIT DIFFERENCES:</u></b>	<b><u>DEBIT</u></b>	<b><u>CREDIT</u></b>	<b><u>INCREASE (DECREASE) IN FUND BALANCE</u></b>
Unrealized loss	\$78,621		\$(78,621)
Investments		\$78,621	
Adjust investments to market value			
CUMULATIVE EFFECT (BEFORE EFFECT OF PRIOR YEAR DIFFERENCES)			<u>(78,621)</u>
<b><u>EFFECT OF UNADJUSTED AUDIT DIFFERENCES - PRIOR YEAR:</u></b>			
Investment income		28,117	28,177
Adjust investments to market			
CUMULATIVE EFFECT (AFTER EFFECT OF PRIOR YEAR DIFFERENCES)			<u>\$(50,504)</u>