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1-1-2007

## Financial Statements, 2006

City of Manchester

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# SUSAN MONTEE, CPA

Missouri State Auditor

May 1, 2007

Michelle DePew, Director of Finance  
City of Manchester  
St. Louis County  
14318 Manchester Road  
Manchester, MO 63011

Fiscal Period: One Year Ended December 31, 2006 ✓

Dear Ms. DePew:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA  
STATE AUDITOR

A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky  
Local Government Analyst

***CITY OF MANCHESTER, MISSOURI***

***FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2006***



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

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# *CITY OF MANCHESTER, MISSOURI*

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## INDEPENDENT AUDITORS' REPORT



The Honorable Mayor and Members of  
the Board of Aldermen  
**CITY OF MANCHESTER, MISSOURI**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Missouri, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Manchester, Missouri, as of December 31, 2006, and the respective changes in the financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 10 and 29 through 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Manchester, Missouri's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us, in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Botz, Deal & Company PC*

March 27, 2007

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**CITY OF MANCHESTER, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006**

The discussion and analysis of the City of Manchester's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended December 31, 2006. It should be read in conjunction with the accompanying basic financial statement.

- The City's total net assets increased by \$1,702,684 in 2006. The current year increase brings the year-end net asset value of the City to \$16,760,154. Of this amount \$7,705,550 is invested in capital assets, \$2,728,895 represents restricted assets and the remaining \$6,325,709 represents unrestricted assets that can be used to meet the City's ongoing operations.
- As of December 31, 2006, the City's governmental funds reported a combined ending fund balance of \$15,474,322, an increase of \$354,967 in comparison with the year ended December 31, 2005.
- At the end of the year, unreserved undesignated fund balance for the General Fund was \$5,218,592 or 71.7% of the General Fund appropriations for the 2007 year.
- The City made total debt service payments of \$1,573,155, of which \$1,235,000 represents principal. Included in the \$1,235,000 was \$380,000 paid to an escrow agent to defease a portion of the general obligation bonds due in 2023.
- During the year, the City's revenue from all governmental programs (before transfers and special items) exceeded the expenses by \$354,967.
- The general fund reported a net increase in fund balance of \$187,261. This is an increase of 2.9% over the prior year.

## REPORT LAYOUT

The report consists of management's discussion and analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements, and required supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, parks and recreation, community development, legal and courts and general government administration. The City currently does not have any business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

### Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operation. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The Statement of Activities focuses on gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column title "Other Non-major Funds". Budgetary comparisons for the General Fund and major special revenue funds are now presented as required supplementary information. A budgetary comparison is presented for the General Fund and the Parks and Storm Water Projects Fund.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

## THE CITY AS A WHOLE

### Government-wide Financial Analysis

The City's combined net assets were \$16,760,154 as of December 31, 2006. This analysis focuses on the net assets (table 1), and changes in general revenues and significant expenses (table 2) of the City's governmental activities.

The City's net assets consist of its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding and unrestricted balances. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 1**

	2006	2005	Increase (Decrease)
<b>Assets:</b>			
Current and other assets	\$ 16,076,815	\$ 15,622,613	\$ 454,202
Capital assets	10,105,435	9,995,706	109,729
Total assets	<u>26,182,250</u>	<u>25,618,319</u>	<u>563,931</u>
<b>Liabilities:</b>			
Current and other liabilities	597,455	526,244	71,211
Noncurrent liabilities	8,824,641	10,034,634	(1,209,993)
Total liabilities	<u>9,422,096</u>	<u>10,560,878</u>	<u>(1,138,782)</u>
<b>Net assets:</b>			
Invested in capital assets net of related debt	7,705,550	6,262,663	1,442,887
Restricted	2,728,895	2,699,077	29,818
Unrestricted	6,325,709	6,095,701	230,008
Total net assets	<u>\$ 16,760,154</u>	<u>\$ 15,057,441</u>	<u>\$ 1,702,713</u>

Net assets may serve over time as an indicator of the City's financial position. The City's net assets increased \$1,702,713 or 11.3% to \$16,760,154 as of December 31, 2006.

The most significant portions of the City's net assets are investment in capital assets, net of related debt and unrestricted balances, which total \$7,705,550 and \$6,333,644 in 2006 and 2005, respectively. Net assets invested in capital assets, net of related debt are 46.0% of total net assets. The City uses capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Unrestricted net assets are 37.7% of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

Restricted net assets totaled \$2,728,895 at December 31, 2006. Restricted net assets are subject to external restrictions on how they may be used. Of restricted net assets, \$1,618,161 is restricted for parks, \$636,740 is restricted for debt service and \$326,357 is restricted for sewer repairs.

**Table 2**

	2006	2005	Increase (Decrease)
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for service	\$ 1,171,228	\$ 1,086,425	\$ 84,803
Capital grants and contributions	18,693	99,687	(80,994)
<b>General revenues:</b>			
Taxes	9,031,211	9,144,098	( 112,887)
Interest income	549,076	314,615	234,461
Miscellaneous	74,719	207,099	( 132,380)
Loss on the disposal of capital assets	589	-	589
Contributed capital assets	20,000	-	20,000
<b>Total revenues</b>	<u>10,865,516</u>	<u>10,851,924</u>	<u>13,592</u>
<b>Expenses:</b>			
General government	728,342	710,800	17,542
Police department	3,103,533	2,949,477	154,056
Public works	3,315,911	2,952,204	363,707
Community development	211,435	323,537	(112,102)
Aquatic center	434,815	481,721	(46,906)
Recreation	789,765	681,847	107,918
Legal and court	240,876	218,517	22,359
Interest and fiscal charges	338,155	447,248	(109,093)
<b>Total expenses</b>	<u>9,162,832</u>	<u>8,765,351</u>	<u>397,481</u>
Increase in net assets	1,702,684	2,086,573	(383,889)
Net assets, beginning of year	15,057,470	12,970,897	2,086,573
Net assets, end of year	<u>\$ 16,760,154</u>	<u>\$ 15,057,470</u>	<u>\$ 1,702,684</u>

The increase in total revenues of \$13,592 represents an increase of 0.1%. This deviation from normal growth was partially due to a stagnant economy producing lower than expected sales tax revenue. Since the city is dependent on varying revenue sources, Manchester is susceptible to income fluctuations and must continue to closely monitor economic indicators.

In 2006 sales tax decreased \$238,305 while property tax increased \$70,167 and utility tax increased \$27,837 over 2005. Interest income increased \$234,431 due to an increase in funds invested by the City. Police fines and court costs increased approximately \$54,000 in 2006 over the amount collected in 2005.

Under the traditional modified accrual reporting the City's 2005 total expenses were \$8,765,351. This can be compared with the 2006 total expenses under the same basis of \$9,162,832, which is an increase of \$397,481 from 2005.

A significant portion of this increase is due to two main factors within the public works department; increased sewer lateral repairs and an unanticipated bridge repair. The City of Manchester experienced an increase in the number of repairs relating to the Sewer Lateral Fund. In FY 2005 the City of Manchester performed 41 Sewer Lateral repairs verses 54 repairs during FY 2006. Additionally, the Public Works department encountered an unanticipated bridge repair. The bridge located at on Old Meramec Station road was repaired due to the discovery of it being structurally unsound.

Community Development expenses decreased \$112,102 from 2005 largely due to the cost associated with establishing a tax increment finance district. The city recognized the largest part of the pre-development cost before the beginning of FY 2006.

**Governmental Funds**

The following table presents the amount of revenues from various sources on the modified accrual basis of accounting in the governmental funds.

**Table 3**

	Fiscal Year Ending 2006	Fiscal Year Ending 2005	Increase (Decrease)	Percentage Change
Taxes	\$ 9,077,043	\$ 9,099,359	\$ ( 22,316)	( 0.2) %
Licenses and permits	165,055	187,546	( 22,491)	(12.0)
Fines and forfeitures	541,345	487,875	53,470	11.0
Investment income	549,076	314,615	234,461	74.5
Charges for service	391,001	360,816	30,185	8.4
Miscellaneous	128,873	398,148	( 269,275)	(67.6)
Total revenues	<u>\$ 10,852,393</u>	<u>\$ 10,848,359</u>	<u>\$ 4,034</u>	

Total revenues in 2006 exceed 2005 by \$4,034. This increase in revenue is a combination of several factors. Three major types of taxes are imposed by the City. Those taxes are: sales tax, utility use tax, and property tax. Tax revenue in 2006 was basically flat compared to 2005. With regard to sales tax, the City had a reduction of approximately \$230,000 in 2006 from the 2005 collection. This reduction is attributable to the overall sluggish economy, prompting less consumer spending. The City also believes that a continuing increase in internet purchasing is likewise beginning to constrict the origin of sale, which is shrinking the sales tax base. The second component of tax revenue, utility use tax, is largely weather dependant. The 2006 winter season was turbulent for City of Manchester residents. On various occasions customers were without electric, which caused less consumption. However, due to the harsh weather conditions the consumption of gas increased. Overall, sales tax decreased \$238,305 which was partially offset by increases of \$115,999 and \$27,837 in property and utility taxes, respectively.

Intergovernmental revenues are made up of taxes imposed and collected by other taxing jurisdictions, which are shared on a proportional basis with other entities such as the City. These taxes include gasoline, vehicle sales, cigarette, and vehicle fees. These sources of revenue increased by approximately \$16,000 from 2005 to 2006.

One of the City's most unpredictable revenue streams is in the fines and forfeitures category. The City of Manchester's Police Department participates in a regional Drug Task Force. As a member of this Task Force, the City periodically receives a prorata share of asset forfeiture money which can only be spent to support police related activities. Asset forfeiture payments to the City only occur when major drug cases are settled and the court orders the defendant's assets seized. In 2006, the City received approximately \$31,000 from asset forfeitures. In 2006 the total number of court cases processed increased, which supported an increased income in fines and court cost. In 2006 the city experienced an increase of approximately \$54,000 from the city's fines and court costs.

Charges for services increased 8.4% in 2006 over 2005. A significant portion of this increase in revenue was weather related. The 2006 swimming season was conducive to residents utilizing the pool.

Miscellaneous revenues decreased in 2006 by \$269,275. While many of the individual types of miscellaneous charges had increased, one category made up for majority of the decrease. Under a contractual agreement with Pace Development, the developer provided preliminary funding in the amount of \$190,000 in 2005. This preliminary funding is utilized to reimburse the City for its out of pocket expenses associated with the redevelopment area. The City of Manchester has not expended the \$190,000, therefore no further funding was required during 2006.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2006, the City had \$12,710,574 invested in a broad range of capital assets, including police and public works equipment, buildings, park facilities, roads, and water and sewer lines. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$279,043 or 2.2% over the prior year.

**Table 4**

	<u>2006</u>	<u>2005</u>
Land	\$ 1,570,963	\$ 1,570,963
Buildings and improvements	8,072,486	7,954,820
Machinery and equipment	874,569	888,540
Vehicles	1,275,301	1,219,977
Infrastructure	380,753	260,739
Construction in progress	536,492	536,492
	<u>\$ 12,710,564</u>	<u>\$ 12,431,531</u>

The most significant addition to capital assets this fiscal year was the purchase of police vehicles, equipment for public works and the renovation of the Old Meramec Station Road Bridge. Additional information on the City's capital assets is presented in the notes to the financial statements.

## DEBT

At year-end, the City had \$8,425,000 in outstanding debt compared to \$9,660,000 at the end of the prior fiscal year, a decrease of \$1,235,000 or 12.8%.

**Table 5**

	<u>2006</u>	<u>2005</u>
Certificates of Participation	\$ 2,780,000	\$ 3,395,000
General Obligation Bonds	<u>5,645,000</u>	<u>6,265,000</u>
Total	<u>\$ 8,425,000</u>	<u>\$ 9,660,000</u>

During the fiscal year, the City made normal principal payments totaling \$355,000 during the year. In addition, the City defeased \$380,000 of general obligation bonds. The City used funds available in the debt service fund to defease the bonds. More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

## THE CITY'S FUNDS

At the close of the City's fiscal year on December 31, 2006, the governmental funds of the City reported a combined fund balance of \$15,474,322. This ending balance includes an increase in fund balance of \$187,261 in the City's General Fund. The excess of revenues over expenditures in the General Fund of \$856,348 was reduced by transfers to other funds in the amount of \$669,087.

The fund balance increased by \$344,039 in the Parks and Storm Water Projects Fund. During 2006 the City used assets available in this fund to pay debt services and capital outlay expenditures. Revenues in this fund exceeded the requirements associated with these expenditures.

The fund balance decreased by \$206,489, in the Debt Service fund due to a bond defeasance of a portion of General Obligation Bonds Series 2003. During 2006 the City of Manchester placed \$398,800 with an escrow agent for the purpose of generating resources for all future debt service payments.

### General Fund Budgetary Highlights

For 2006, actual revenues in the General Fund were \$7,719,866 compared to the final budget amount of \$7,700,097. There were several categories with variances of note. Taxes, fines, court costs and investment interest, were discussed in other sections of this report. Sales tax revenue was budgeted with a slight increase for 2006, however sales tax revenue was down from 2005. The Fines and Court Costs revenue budget had been established to reflect the consistently flat revenue. In 2005 Fines and Court Cost recognized its first notable increase. Prior to 2005 this revenue source was consistently flat and relatively predictable.

For 2006, actual expenditures were \$6,863,518 compared to the final budget amount of \$7,076,008. When the 2006 budget was prepared, late in 2005, there was no expectation that the staffing level would change. The Department of Finance experienced a change in staffing during the year and recognized a salary savings of \$11,683. Another area where full appropriation was not utilized was in professional

fees. The City has a contract with a swimming pool management company to staff and operate the City's Aquatic Center. In the budget process the annual maximum contract payment for the year is used.

The actual payments can be reduced due to foul weather, the number of life guards needed for the day, lack of participation in swimming lessons, fewer special events, etc. In 2006 the actual services provided were \$33,000 less than the contracted maximum for the year. A third area where the City budget produces savings was the return of premiums for insurance. The City participates in a self insurance pool (SLAIT) that charges premiums to pay claims. After a claim is made, it may be several years before it is fully settled. This requires that pool to charge and hold premiums to cover these events, until full settlement is determined. On an annual basis the pool examines whether or not all claims from a given year have been closed. As claims for which premiums were held are closed, the pool returns any surplus premiums. Since this is a speculative return of premium, it is not taken into consideration during the budget process. In 2006 the City received a return of \$10,565 in premiums.

As a member of the Drug Task Force the City cannot determine if or when asset forfeiture funds may be received, therefore no current year appropriation is made utilizing these funds in the original budget process. Other changes to the original budget occurred to re-distribute appropriated wage and benefits costs. When the budget is developed, employee annual performance reviews have not occurred. The Mayor and Board of Aldermen, therefore appropriate a dollar amount that may be used to increase wages and related benefit costs as a general pool. Wages increases are effective on January 1 and required a re-distribution to the various departments from the pool.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In 2005 the City established a fund to account for the pre-development costs associated with the consideration of redeveloping a section of the City. In order for the area to be redeveloped, it is recognized that a developer would require Tax Increment Financing. The newest fund insures that the City captures its costs associated with this exploration from the developer. In 2001, the citizens of Manchester approved the imposition of a Parks & Storm Water Projects sales tax. Recognizing the majority of the City's revenues are derived from taxes and that the economic outlook has been relatively flat, the City projected only a 2% increase in revenues for the 2007 budget over the anticipated 2006 year performance at budget time. In preparing the General Fund's operating budgets, department heads were directed to contain costs for 2007 to no more than a three percent increase, based on the regional CPI for the most recent 12 months. The departmental budget requests were submitted with the discretionary spending budget being requested with an overall 3% increase over the 2006 authorized level.

The City's 2007 anticipated revenue is budgeted at \$11,009,045; the appropriated expenditure level is \$10,933,870, which will result in an excess of revenues over current year expenditures of \$75,175. This surplus is possible even in the event of planned spending in 2007 for several large projects which will be commenced in 2007. The first of these projects is the undertaking of a \$1,000,000 storm water channel project (Seven Oaks Lake Project), which the City has been saving for from the dedicated parks and storm water sales tax. Budget items for concrete street replacement and asphalt street milling were reduced by \$375,000 for 2007. The reduction in these projects will contribute to the increase in the City's unrestricted reserve to \$6,494,499. In addition the City recognizes a restricted reserve in the amount of \$8,454,083. The majority of the reserve fund balance can be contributed to the 2003 G.O. Bonds. The City has established a minimum reserve level policy of 20% of the General Fund appropriation, which the 2007 budget continues to far exceed.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Michelle DePew  
Director of Finance  
City of Manchester, Missouri  
14318 Manchester Road  
Manchester Missouri 63011

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**BASIC FINANCIAL STATEMENTS**

**CITY OF MANCHESTER, MISSOURI**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2006**

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 8,186,901
Taxes receivable:	
Property	355,226
Other	1,254,789
Accounts receivable	75,510
Prepaid	71,970
Interest receivable	107,304
Restricted assets:	
Cash and investments	6,025,115
Capital assets - net	
Nondepreciable	2,107,455
Depreciable	7,997,980
<b>TOTAL ASSETS</b>	<b>26,182,250</b>
<b>LIABILITIES</b>	
Accounts payable	229,646
Accrued wages	134,755
Accrued compensated absences	65,623
Escrow payable	22,500
Accrued interest payable	109,539
Court bonds payable	23,910
Accrued and withheld items	11,482
Noncurrent liabilities:	
Due in one year	891,845
Due in more than one year	7,932,796
<b>TOTAL LIABILITIES</b>	<b>9,422,096</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	7,705,550
Restricted:	
Parks	1,618,161
Capital Projects	32,019
Debt Service	636,740
TIF Expenditures	49,453
Homecoming	66,165
Sewer repairs	326,357
Unrestricted	6,325,709
<b>TOTAL NET ASSETS</b>	<b>\$ 16,760,154</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANCHESTER, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for Service</u>	<u>Capital and Operating Grants and Contributions</u>	<u>Revenue and Change in Net Assets</u>
				<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General government	\$ 728,342	\$ 162,329	\$ -	\$ (566,013)
Police department	3,103,533	615,172	18,693	(2,469,668)
Public works	3,315,911	40,164	-	(3,275,747)
Community development	211,435	-	-	(211,435)
Aquatic center	434,815	291,731	-	(143,084)
Recreation	789,765	61,832	-	(727,933)
Legal and court	240,876	-	-	(240,876)
Interest and fiscal charges	338,155	-	-	(338,155)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,162,832</b>	<b>\$ 1,171,228</b>	<b>\$ 18,693</b>	<b>(7,972,911)</b>
Taxes:				
Sales				5,551,429
Utility				1,126,141
Property				1,289,363
Franchise				185,146
Other				879,132
Interest income				549,076
Gain on the sale of capital assets				589
Other miscellaneous revenue				74,719
Contributed capital assets				20,000
<b>TOTAL GENERAL REVENUES</b>				<b>9,675,595</b>
<b>CHANGE IN NET ASSETS</b>				<b>1,702,684</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>				<b>15,057,470</b>
<b>NET ASSETS - END OF YEAR</b>				<b>\$ 16,760,154</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANCHESTER, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2006**

	General Fund	Parks and Storm Water Projects Fund	Capital Projects Fund	Other Non-major Funds	Total
<b>ASSETS AND OTHER DEBITS</b>					
Cash and investments	\$ 5,782,271	\$ 1,532,212	\$ -	\$ 872,418	\$ 8,186,901
Taxes receivable:					
Property	144,268	-	-	210,958	355,226
Other	941,806	152,485	129,676	30,822	1,254,789
Accounts receivable	75,510	-	-	-	75,510
Interest receivable	58,574	-	48,730	-	107,304
Prepaid	71,470	-	-	500	71,970
Due from other funds	140,434	-	(125,996)	(14,438)	-
Restricted assets:					
Cash and investments	-	76	6,025,039	-	6,025,115
<b>TOTAL ASSETS</b>	<u>\$ 7,214,333</u>	<u>\$ 1,684,773</u>	<u>\$ 6,077,449</u>	<u>\$ 1,100,260</u>	<u>\$ 16,076,815</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 121,174	\$ 66,536	\$ 20,391	\$ 21,545	\$ 229,646
Accrued wages	134,755	-	-	-	134,755
Accrued compensated absences	65,623	-	-	-	65,623
Escrow payable	22,500	-	-	-	22,500
Court bonds payable	23,910	-	-	-	23,910
Accrued and withheld items	11,482	-	-	-	11,482
Deferred revenue	84,827	-	-	29,750	114,577
<b>TOTAL LIABILITIES</b>	<u>464,271</u>	<u>66,536</u>	<u>20,391</u>	<u>51,295</u>	<u>602,493</u>
<b>FUND BALANCES:</b>					
Fund balances:					
Reserved for prepaid	71,470	-	-	500	71,970
Reserved for capital expenditures	-	76	6,025,039	-	6,025,115
Unreserved:					
Designated - contingency	1,460,000	-	-	-	1,460,000
General fund	5,218,592	-	-	-	5,218,592
Parks and storm water projects fund	-	1,618,161	-	-	1,618,161
Capital projects fund	-	-	32,019	-	32,019
Special revenue funds	-	-	-	441,475	441,475
Debt service fund	-	-	-	606,990	606,990
<b>TOTAL FUND BALANCES</b>	<u>6,750,062</u>	<u>1,618,237</u>	<u>6,057,058</u>	<u>1,048,965</u>	<u>15,474,322</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,214,333</u>	<u>\$ 1,684,773</u>	<u>\$ 6,077,449</u>	<u>\$ 1,100,260</u>	<u>\$ 16,076,815</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANCHESTER, MISSOURI**  
RECONCILIATION OF THE STATEMENT OF NET ASSETS  
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET  
AS OF DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance per balance sheet	\$ 15,474,322
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,105,435
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	114,577
Interest payable recorded in the statement of net assets does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(109,539)
Long-term liabilities, including bonds payable, certificates of participation payable and postretirement benefits, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(8,824,641)</u>
Net assets of governmental activities	<u><u>\$ 16,760,154</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANCHESTER, MISSOURI**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Parks and Storm Water Projects Fund	Capital Projects Fund	Other Non-major Funds	Total
<b>REVENUES</b>					
Taxes	\$ 6,306,016	\$ 1,055,749	\$ 897,914	\$ 817,364	\$ 9,077,043
Licenses and permits	165,055	-	-	-	165,055
Fines and forfeitures	541,345	-	-	-	541,345
Investment income	294,750	918	253,408	-	549,076
Charges for service	353,563	-	-	37,438	391,001
Miscellaneous	59,137	-	35,460	34,276	128,873
<b>TOTAL REVENUES</b>	<u>7,719,866</u>	<u>1,056,667</u>	<u>1,186,782</u>	<u>889,078</u>	<u>10,852,393</u>
<b>EXPENDITURES</b>					
Current:					
General government	690,276	-	-	-	690,276
Police department	2,921,771	-	-	-	2,921,771
Public works	1,954,065	-	-	33,128	1,987,193
Community development	190,184	-	-	21,251	211,435
Aquatic center	291,152	-	-	-	291,152
Recreation	576,474	-	-	34,181	610,655
Legal department and municipal court	239,596	-	-	-	239,596
Capital outlay	-	166,334	1,621,194	184,665	1,972,193
Debt service:					
Principal, interest and fiscal charges	-	546,294	172,510	854,351	1,573,155
<b>TOTAL EXPENDITURES</b>	<u>6,863,518</u>	<u>712,628</u>	<u>1,793,704</u>	<u>1,127,576</u>	<u>10,497,426</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	856,348	344,039	(606,922)	(238,498)	354,967
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfer in (out)	(669,087)	-	657,006	12,081	-
<b>CHANGE IN FUND BALANCE</b>	187,261	344,039	50,084	(226,417)	354,967
<b>FUND BALANCES - BEGINNING OF YEAR</b>	6,562,801	1,274,198	6,006,974	1,275,382	15,119,355
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,750,062</u>	<u>\$ 1,618,237</u>	<u>\$ 6,057,058</u>	<u>\$ 1,048,965</u>	<u>\$ 15,474,322</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MANCHESTER, MISSOURI**  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Change in fund balance-total governmental funds	\$ 354,967
Revenues that do not provide current financial resources are not included in the fund financial statements.	27,995
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	624,709
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(500,108)
Contributed capital assets are recorded as assets in the statement of net assets. These assets are not reflected in the fund financial statements.	20,000
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources.	(34,872)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,235,000
Increase in accumulated post retirement benefits are recorded when earned in the statement of activities.	<u>(25,007)</u>
Change in net assets of governmental activities	<u><u>\$ 1,702,684</u></u>

The accompanying notes are an integral part of these financial statements.

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**CITY OF MANCHESTER, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Manchester, Missouri (the City) was incorporated as a city within St. Louis County, Missouri on August 17, 1959. The residents voted to approve the Village of Manchester becoming a fourth class city as provided by Missouri state statutes, and established a Mayor/City Administrator/Board of Alderman form of government. The City's major operations include police protection, street maintenance and improvements, park and recreation, community development and general administrative services. The basic financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The significant accounting policies applied by the City in the preparation of the accompanying financial statements are summarized below:

A. **REPORTING ENTITY**

The City applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City presently has no component units included within its reporting entity.

B. **BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges that would distort direct costs and program revenues reported for the various functions concerned.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

B. **BASIC FINANCIAL STATEMENTS** - continued

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, the Parks and Storm Water Projects Fund and the Capital Projects Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 60 days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** - continued

The City reports the following major governmental funds:

**The General Fund** - The City's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

**The Parks and Storm Water Projects Fund** - The City uses this fund to account for sales tax revenue designated for parks and storm water projects.

**The Capital Projects Fund** - The City uses this fund to account for sales tax revenue and proceeds from the issuance of debt designated for capital improvements.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for specific revenue sources that are legally restricted to expenditures for specific purposes and a debt service fund which accounts for property taxes assessed specifically for the retirement of debt.

D. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights, street lights, sewer lines and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$2,000 or more and an estimated useful life in excess of one year. Infrastructure assets with an initial cost of \$50,000 or more are also capitalized and depreciated. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	5 - 40 years
Machinery and equipment	5 - 20 years
Vehicles	5 years
Infrastructure	10 - 50 years

The government-wide financial statements do not reflect those infrastructure assets completed prior to January 1, 2004. From this point forward, new infrastructure will be added to the records while the retroactive historical value of the City's infrastructure assets will not be added.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

E. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

F. **RESTRICTED CASH AND INVESTMENTS**

Certain cash and investments are restricted for the construction or purchase of assets.

G. **INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

H. **COMPENSATED ABSENCES**

The policy for vacation pay allows employees to take time off with pay. The policy allows employees to carry forward up to one-half of the days earned in that particular year. Any days carried forward must be used in the following year. Since all days carried forward must be used in the following year, it is reflected as a current liability. Sick leave is accumulated based upon hours worked and is available only to provide compensation during periods of illness or injury. No portion of sick leave is payable to the employee upon termination of employment. Therefore, no liability for sick leave has been accrued by the City.

I. **LONG-TERM LIABILITIES**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense.

Also recorded in long-term liabilities is the City's severance package liability. The City pays to each employee with 20 years of service upon retirement an amount equal to three months salary. The City records in long-term liabilities an amount equal to the estimated liability at year end based on the length of service of each employee. The change in this liability is recorded in the government-wide statements to match the expense of providing this benefit to the period it is earned by the employee.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

J. **NET ASSETS AND FUND EQUITY**

In government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal on related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. **INVESTMENTS**

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. The City's investments are carried at fair value. Interest income earned on pooled cash and investments is allocated to the various funds. Interest income on restricted cash and investments is credited directly to the related fund.

The City is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker's Acceptance and Commercial Paper.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The Board of Alderman adopts an annual budget on the modified accrual basis of accounting for its general, debt service, capital projects and special revenue funds. The procedures outlined below are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. The Director of Finance, with the assistance of the department heads, prepares a budget of estimated revenues and expenditures for the forthcoming year and delivers the budget to the City Administrator.
2. The City Administrator reviews the proposed expenditures with the Director of Finance and the department heads and, after necessary revisions have been made, submits the budget to the Mayor and Board of Aldermen in late October of each year.
3. The Board of Alderman will then hold budget work sessions with the City Administrator and staff to make final revisions to the proposed budget.
4. A 15-day notice is given by publication announcing a public hearing on the proposed budget in a newspaper with general circulation in the City and a public hearing and introduction of the bill for the adoption of the annual budget is held at the first Aldermanic meeting in the month of December.

2. **BUDGETS AND BUDGETARY ACCOUNTING** - continued

5. The budget is legally enacted by ordinance prior to January 1 of the year to which it applies.
6. The City Administrator is authorized to transfer within a fund any unexpended balances. The Board of Aldermen must approve all fund transfers.
7. The Board of Aldermen may make supplemental appropriations for revenues in excess of original budget estimates or reduce appropriations should revenues be insufficient to meet the amount appropriated.
8. At the end of each budget period, all appropriated balances lapse and may be reappropriated in the next budget period.

The legal level of budgetary control for the City is at the fund level.

For the year ended December 31, 2006 expenditures exceed appropriations in the funds as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Difference</u>
Debt Service	\$ 455,290	\$ 854,351	\$ 399,061
Sewer	168,000	217,793	49,793

3. **CASH AND TEMPORARY INVESTMENTS**

**Cash** - At December 31, 2006, the carrying amount of the City's deposits was \$385,414 and the bank balances totaled \$420,774. All deposits were covered by the Federal Deposit Insurance Corporation (FDIC), the Securities Insurance Protection Corporation (SIPC), or pledged securities. Securities held as collateral were held by the pledging financial institution or its agent but not in the City's name.

4. **PROPERTY TAX**

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied on September 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The assessed value at January 1, 2006, upon which the 2006 levy was based for real, personal and public utility property, was \$309,828,345. The City's tax rate was levied at \$.05 and \$.20 per \$100 of assessed valuation for the General Fund and the Debt Service Fund, respectively.

5. **INVESTMENTS**

**Custodial credit risk** - For deposits and investments, the custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the City's policy that all deposits and investments be insured, covered by collateral or be investments backed by the full faith and credit of the United States Government. Investments of the City are either insured, collateralized or invested in securities of the United States or its agencies.

5. **INVESTMENTS** - continued

**Credit risk** - The City has no formal policy regarding credit risk. In general, the City invests only in instruments with an AAA rating.

**Interest rate risk** - The City has no formal policy in regards to interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City limits its exposure to investments with maturities greater than one year. The following table shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Maturity		Rating
		0-1 Years	1-3 Years	
U.S. Agency Securities	\$ 10,376,503	\$ 9,976,503	\$ 400,000	AAA
Certificate of deposit	800,000	800,000	-	AAA
Repurchase Agreements	2,650,000	2,650,000	-	N/A
<b>TOTAL</b>	<b>\$ 13,826,503</b>	<b>\$ 13,426,503</b>	<b>\$ 400,000</b>	

**Concentration of Credit Risk** - The City places no limit on the amount that the City may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment type	Reported Amount
FHLMC	Federal agency securities	\$ 1,013,750
FHLB callable	Federal agency securities	5,856,835
FHLMCRB	Federal agency securities	2,001,945
FNMA	Federal agency securities	1,503,973
Commerce Bank NA	Certificate of Deposit	800,000

6. **INTERFUND TRANSACTIONS**

The following transfers were made during the fiscal year ending December 31, 2006:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$669,087
Capital Projects Fund	657,006	-
Homecoming Fund	12,081	-

The City transferred funds from the General Fund to the Capital Projects Fund and the Homecoming Fund to cover expenditures in those funds that exceed funds available.

7. **INTERFUND RECEIVABLES AND PAYABLES**

Due to/from other funds at December 31, 2006 are as follows:

	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General Fund	\$ 140,434	\$ -
Capital Projects Fund	-	125,996
Debt Service Fund		14,438

The General Fund provides funds to the Capital Projects Fund until taxes are collected to cover expenditures.

8. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended December 31, 2006 is as follows:

	<u>BALANCE BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>RECLASS- IFICATION/ DELETIONS</u>	<u>BALANCE, END OF YEAR</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,570,963	\$ -	\$ -	\$ 1,570,963
Construction in process	536,492	-	-	536,492
Total capital assets, not being depreciated	<u>2,107,455</u>	<u>-</u>	<u>-</u>	<u>2,107,455</u>
Capital assets, being depreciated:				
Buildings and improvements	7,954,820	117,666	-	8,072,486
Machinery and equipment	888,540	146,229	( 160,200)	874,569
Infrastructure	260,739	120,014	-	380,753
Vehicles	1,219,977	240,800	( 185,476)	1,275,301
Total capital assets, being depreciated	<u>10,324,076</u>	<u>624,709</u>	<u>( 345,776)</u>	<u>10,603,109</u>
Less accumulated depreciation for:				
Buildings and improvements	( 987,751)	( 230,192)	-	(1,217,943)
Machinery and equipment	( 497,459)	( 111,365)	141,547	( 467,277)
Infrastructure	( 13,037)	( 17,968)	-	( 31,005)
Vehicles	( 937,578)	( 140,583)	189,257	( 888,904)
Total accumulated depreciation	<u>(2,435,825)</u>	<u>( 500,108)</u>	<u>( 330,804)</u>	<u>(2,605,129)</u>
Total capital assets, being depreciated, net	<u>7,888,251</u>	<u>124,601</u>	<u>( 14,872)</u>	<u>7,997,980</u>
Total governmental activities	<u>\$ 9,995,706</u>	<u>\$ 124,601</u>	<u>\$ ( 14,872)</u>	<u>\$ 10,105,435</u>

8. **CAPITAL ASSETS** - continued

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental activities:	
General government	\$ 34,643
Police Department	126,330
Aquatic center	143,663
Recreation	72,002
Public works	123,306
Legal and court	<u>162</u>
Total depreciation expense-	
governmental activities	<u>\$ 500,106</u>

9. **LONG-TERM DEBT**

**Refunding Certificates of Participation** - In 2005 the City issued Certificates of Participation to refund certificates issued in 2001 for the construction of an aquatic center and new public works building. The Certificates will be retired through the payment of an annually renewable lease purchase agreement.

On December 31, 2006, the outstanding principal on the certificates consists of the following:

UMB Bank, N.A., Kansas City	\$2,780,000
Interest rate - 3.285%	
Matures - March, 2011	
Annual payments range from	
\$71,811 to \$717,777	

**General Obligation Bonds** - The bonds were issued in April 2003 for the purpose of acquiring land and constructing, furnishing and equipping a new police station, including public meeting space therein. Funds from a dedicated property tax will be accumulated in the Debt Service Fund to make future principal and interest payments. On December 31, 2006, the outstanding principal on the General Obligation Bonds consists of the following:

UMB Bank, N.A., Kansas City	\$5,645,000
Police building	
Interest rate - 1.15% to 4.25%	
Matures - March, 2023	
Annual payments range from	
\$122,550 to \$490,075	

9. **LONG-TERM DEBT** - continued

The annual debt service payments are as follows:

YEAR	Certificates of Participation		General Obligation Bonds		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2007	\$ 635,000	\$ 80,893	\$ 250,000	\$ 195,028	\$ 1,160,921
2008	655,000	59,705	260,000	189,855	1,164,560
2009	680,000	37,777	265,000	183,683	1,166,460
2010	695,000	15,193	275,000	176,589	1,161,782
2011	115,000	1,889	290,000	168,458	575,347
2012	-	-	300,000	159,383	459,383
2013	-	-	315,000	149,460	464,460
2014	-	-	325,000	138,737	463,737
2015	-	-	340,000	127,177	467,177
2016	-	-	360,000	114,482	474,482
2017	-	-	375,000	100,697	475,697
2018	-	-	395,000	85,869	480,869
2019	-	-	410,000	69,967	479,967
2020	-	-	435,000	52,850	487,850
2021	-	-	455,000	34,491	489,491
2022	-	-	475,000	15,075	490,075
2023	-	-	120,000	2,550	122,550
Total	\$ 2,780,000	\$ 195,457	\$ 5,645,000	\$ 1,964,351	\$ 10,584,808

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental activities:					
Certificates of					
Participation	\$ 3,395,000	\$ -	\$ (615,000)	\$ 2,780,000	\$ 635,000
General Obligations					
Bonds	6,265,000	-	(620,000)	5,645,000	250,000
Postretirement					
benefits	374,634	25,007	-	399,641	6,845
Total	\$ 10,034,634	\$ 25,007	\$ (1,235,000)	\$ 8,824,641	\$ 891,845

During 2006, the City placed \$398,800 with an escrow agent for the purpose of generating resources for all future debt service payments totaling \$468,825 of general obligation bonds. As a result, \$380,000 of the bonds is considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets.

10. **POST-RETIREMENT BENEFITS**

As a benefit to employees who have served the City for an extended period of time, the City provides certain benefits upon retirement. Upon retirement full time employees who have been employed by the City for 20 years or more are entitled to receive three months of salary. At December 31, 2006, there were 13 employees eligible to receive benefits. The City has accrued this liability in the government-wide statements as a noncurrent liability. The balance at December 31, 2006 amounted to \$399,642. The amount recorded as expense for 2006 was \$25,008. No benefits were paid during 2006.

11. **RETIREMENT PLAN**

The City of Manchester, Missouri Profit Sharing Plan and Trust (a single-employer defined contribution retirement plan currently administered by ICMA Retirement Corp.) became effective October 1, 1990 upon the passage of an ordinance by the Board of Aldermen. The City pays for the full cost of the Plan by contributing up to 5% of eligible participating employees' annual compensation. All employees are eligible to participate in the Plan when they have been credited with at least 1,000 hours of service during the period of 6 consecutive months measured from the anniversary date of their employment.

Employees vest at a graduated rate over a five year period. The City contributed \$151,830 to the Plan during 2006, which represented 4.7% of eligible participating employees' compensation. The City's payroll for employees covered by the Plan for the year ended December 31, 2006 was \$3,097,509 or 95% of the City's total payroll of \$3,260,536.

12. **DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City makes no contribution to the Plan.

ICMA Retirement Corporation administers the City's Deferred Compensation Plan. The City does not have significant administrative involvement in the Plan. With the adoption of Governmental Accounting Standards Board (GASB) No. 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*" the City's Deferred Compensation Plan is not included in the general purpose financial statements. The City's Plan does not meet the criteria for reporting the Deferred Compensation Plan in a fiduciary fund.

13. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is a member of the St. Louis Area Insurance Trust (SLAIT), a non-for-profit, self insurance risk pool, formed by various St. Louis County municipalities.

In order to operate as a group self-insurer of workers' compensation, SLAIT was formed in August 1986. In addition to insurance protection, the program provides risk management services with emphasis on loss control, claims administration, and management information services. SLAIT is fully funded by its member participants and employs an outside service company to process all claims.

Coverage is provided by the trust for general and auto liability subject to a \$500 deductible per occurrence for third party property damage and for law enforcement liability subject to a \$2,500 deductible per occurrence. Any damage to city property carries a \$5,000 deductible. This trust also employs an outside service company to process all claims.

The trusts require an annual premium payment by members to cover estimated claims payable and reserves for claims. The members of the trust have no legal interest in assets, liabilities, or fund balances of the insurance trust. However, the City is contingently liable to fund its pro rata share of any deficit incurred by the trusts should the trusts cease operation at some future date. The City's 2006 premium payments to the trusts totaled \$132,834.

The City also purchases commercial insurance to cover risks related to building and other City property, crimes, business, travel, public official liability, earthquakes, and employee blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

14. **COMMITMENTS**

In 2004 the City signed a contract for single-family residential household trash, recycle and yard waste collection service. The contract is for 5 years and increases for each subsequent year are equal to the consumer price index. During the year ended December 31, 2006 expenditures for waste removal totaled \$798,247.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MANCHESTER, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET POSITIVE (NEGATIVE)
<b>OPERATING REVENUE</b>				
Taxes	\$ 6,521,258	\$ 6,539,516	\$ 6,306,016	\$ (233,500)
Licenses and permits	186,673	186,673	165,055	(21,618)
Fines and forfeitures	441,084	441,084	541,345	100,261
Investment income	175,000	175,000	294,750	119,750
Charges for service	311,324	311,324	353,563	42,239
Miscellaneous	46,500	46,500	59,137	12,637
TOTAL REVENUE	<u>7,681,839</u>	<u>7,700,097</u>	<u>7,719,866</u>	<u>19,769</u>
<b>EXPENDITURES</b>				
Current:				
General government	754,132	770,817	690,276	80,541
Police department	2,829,583	2,924,878	2,921,771	3,107
Public works	1,993,596	2,026,364	1,954,065	72,299
Community development	189,234	193,390	190,184	3,206
Aquatic center	328,507	328,507	291,152	37,355
Recreation	583,711	594,187	576,474	17,713
Legal department and municipal court	235,097	237,865	239,596	(1,731)
Non-departmental	134,354	-	-	-
TOTAL EXPENDITURES	<u>7,048,214</u>	<u>7,076,008</u>	<u>6,863,518</u>	<u>212,490</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	633,625	624,089	856,348	232,259
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in (out)	<u>(822,717)</u>	<u>(768,395)</u>	<u>(669,087)</u>	<u>99,308</u>
<b>CHANGE IN FUND BALANCE</b>	(189,092)	(144,306)	187,261	<u>\$ 331,567</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>6,562,801</u>	<u>6,562,801</u>	<u>6,562,801</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,373,709</u>	<u>\$ 6,418,495</u>	<u>\$ 6,750,062</u>	

See note to required supplementary information.

**CITY OF MANCHESTER, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**PARKS AND STORM WATER PROJECTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE</b>				
Taxes	\$ 1,118,880	\$ 1,118,880	\$ 1,055,749	\$ (63,131)
Investment income	-	-	918	918
<b>TOTAL REVENUE</b>	<u>1,118,880</u>	<u>1,118,880</u>	<u>1,056,667</u>	<u>(62,213)</u>
<b>EXPENDITURES</b>				
Capital outlay	941,320	951,692	166,334	785,358
Debt service:				
Principal, interest and fiscal charges	546,382	546,382	546,294	88
<b>TOTAL EXPENDITURES</b>	<u>1,487,702</u>	<u>1,498,074</u>	<u>712,628</u>	<u>785,446</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(368,822)	(379,194)	344,039	723,233
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfer in (out)	14,000	14,000	-	(14,000)
<b>CHANGE IN FUND BALANCE</b>	<u>(354,822)</u>	<u>(365,194)</u>	<u>344,039</u>	<u>\$ 709,233</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,274,198</u>	<u>1,274,198</u>	<u>1,274,198</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 919,376</u>	<u>\$ 909,004</u>	<u>\$ 1,618,237</u>	

See note to required supplementary information.

***CITY OF MANCHESTER, MISSOURI***  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006

**1. BUDGETARY INFORMATION**

The City prepares its budget on a basis consistent with generally accepted accounting principles. The budgetary process is detailed in footnote 2 of the notes to the financial statements.

**CITY OF MANCHESTER, MISSOURI**  
**COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2006**

	Special Revenue Funds				Total
	Debt Service Fund	TIF Fund	Homecoming Fund	Sewer Fund	
<b>ASSETS AND OTHER DEBITS</b>					
Cash and investments	\$ 440,220	\$ 64,414	\$ 65,665	\$ 302,119	\$ 872,418
Property taxes receivable	210,958	-	-	-	210,958
Other taxes receivable	-	-	-	30,822	30,822
Accounts receivable other	-	-	-	-	-
Due to/from other funds	(14,438)	-	-	-	(14,438)
Prepaid expenses	-	-	500	-	500
<b>TOTAL ASSETS</b>	<b>\$ 636,740</b>	<b>\$ 64,414</b>	<b>\$ 66,165</b>	<b>\$ 332,941</b>	<b>\$ 1,100,260</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 14,961	\$ -	\$ 6,584	\$ 21,545
Deferred revenue	29,750	-	-	-	29,750
<b>TOTAL LIABILITIES</b>	<b>29,750</b>	<b>14,961</b>	<b>-</b>	<b>6,584</b>	<b>51,295</b>
<b>FUND BALANCES:</b>					
Fund balances:					
Reserved for prepaid	-	-	500	-	500
Unreserved:					
Debt service fund	606,990	-	-	-	606,990
TIF fund	-	49,453	-	-	49,453
Homecoming fund	-	-	65,665	-	65,665
Sewer fund	-	-	-	326,357	326,357
<b>TOTAL FUND BALANCES</b>	<b>606,990</b>	<b>49,453</b>	<b>66,165</b>	<b>326,357</b>	<b>1,048,465</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 636,740</b>	<b>\$ 64,414</b>	<b>\$ 66,165</b>	<b>\$ 332,941</b>	<b>\$ 1,099,760</b>

See Independent Auditors' Report.

**CITY OF MANCHESTER, MISSOURI**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds				Total
	Debt Service Fund	TIF Fund	Homcoming Fund	Sewer Fund	
<b>REVENUES</b>					
Taxes	\$ 647,862	\$ -	\$ -	\$ 169,502	\$ 817,364
Charges for service	-	-	-	37,438	37,438
Miscellaneous	-	-	34,276	-	34,276
<b>TOTAL REVENUES</b>	<b>647,862</b>	<b>-</b>	<b>34,276</b>	<b>206,940</b>	<b>889,078</b>
<b>EXPENDITURES</b>					
Current:					
Public works	-	-	-	33,128	33,128
Community development	-	21,251	-	-	21,251
Recreation	-	-	34,181	-	34,181
Capital outlay	-	-	-	184,665	184,665
Debt service:					
Principal, interest and fiscal charges	854,351	-	-	-	854,351
<b>TOTAL EXPENDITURES</b>	<b>854,351</b>	<b>21,251</b>	<b>34,181</b>	<b>217,793</b>	<b>1,127,576</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(206,489)	(21,251)	95	(10,853)	(238,498)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfer in	-	-	12,081	-	12,081
<b>CHANGE IN FUND BALANCE</b>	(206,489)	(21,251)	12,176	(10,853)	(226,417)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>813,479</b>	<b>70,704</b>	<b>53,989</b>	<b>337,210</b>	<b>1,275,382</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 606,990</b>	<b>\$ 49,453</b>	<b>\$ 66,165</b>	<b>\$ 326,357</b>	<b>\$ 1,048,965</b>

See Independent Auditors' Report.

**CITY OF MANCHESTER, MISSOURI**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE</b>				
Taxes	\$ 978,030	\$ 978,030	\$ 897,914	\$ (80,116)
Investment income	164,000	164,000	253,408	89,408
Miscellaneous	-	-	35,460	35,460
TOTAL REVENUE	<u>1,142,030</u>	<u>1,142,030</u>	<u>1,186,782</u>	<u>44,752</u>
<b>EXPENDITURES</b>				
Capital outlay	1,686,490	1,714,335	1,621,194	93,141
Debt service:				
Principal, interest and fiscal charges	<u>172,542</u>	<u>172,542</u>	<u>172,510</u>	<u>32</u>
TOTAL EXPENDITURES	<u>1,859,032</u>	<u>1,886,877</u>	<u>1,793,704</u>	<u>93,173</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(717,002)	(744,847)	(606,922)	137,925
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	<u>781,002</u>	<u>784,104</u>	<u>657,006</u>	<u>(127,098)</u>
<b>CHANGE IN FUND BALANCE</b>	64,000	39,257	50,084	<u>\$ 10,827</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>6,562,801</u>	<u>6,562,801</u>	<u>6,006,974</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,626,801</u>	<u>\$ 6,602,058</u>	<u>\$ 6,057,058</u>	

See Independent Auditors' Report.

**CITY OF MANCHESTER, MISSOURI**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>OPERATING REVENUE</b>				
Taxes	\$ 564,613	\$ 564,613	\$ 647,862	\$ 83,249
<b>EXPENDITURES</b>				
Debt service:				
Principal, interest and fiscal charges	<u>455,290</u>	<u>455,290</u>	<u>854,351</u>	<u>(399,061)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	109,323	109,323	(206,489)	<u>\$ 482,310</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>813,479</u>	<u>813,479</u>	<u>813,479</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 922,802</u>	<u>\$ 922,802</u>	<u>\$ 606,990</u>	

See Independent Auditors' Report.

**CITY OF MANCHESTER, MISSOURI**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - TIF FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE</b>				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Current:				
Community development	42,694	42,694	21,251	21,443
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(42,694)	(42,694)	(21,251)	\$ (21,443)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	29,415	(28,009)	-	(28,009)
<b>CHANGE IN FUND BALANCE</b>	(13,279)	(70,703)	(21,251)	<u>\$ 49,452</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	70,704	70,704	70,704	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 28,010</u>	<u>\$ 28,010</u>	<u>\$ 49,453</u>	

See Independent Auditors' Report.

**CITY OF MANCHESTER, MISSOURI**  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - HOMECOMING FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE</b>				
Miscellaneous	\$ 31,500	\$ 31,500	\$ 34,276	\$ 2,776
<b>EXPENDITURES</b>				
Current:				
Recreation	<u>41,716</u>	<u>41,716</u>	<u>34,181</u>	<u>7,535</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(10,216)	(10,216)	95	(4,759)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	<u>(1,700)</u>	<u>(1,700)</u>	<u>12,081</u>	<u>13,781</u>
<b>CHANGE IN FUND BALANCE</b>	(11,916)	(11,916)	12,176	<u>\$ 9,022</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>53,989</u>	<u>53,989</u>	<u>53,989</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 42,073</u>	<u>\$ 42,073</u>	<u>\$ 66,165</u>	

See Independent Auditors' Report.

**CITY OF MANCHESTER, MISSOURI**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OPERATING REVENUE</b>				
Taxes	\$ 165,000	\$ 165,000	\$ 169,502	\$ 4,502
Charges for service	27,500	27,500	37,438	9,938
<b>TOTAL REVENUE</b>	<u>192,500</u>	<u>192,500</u>	<u>206,940</u>	<u>14,440</u>
<b>EXPENDITURES</b>				
Current:				
Public works	45,530	45,530	33,128	12,402
Capital outlay	122,470	122,470	184,665	(62,195)
<b>TOTAL EXPENDITURES</b>	<u>168,000</u>	<u>168,000</u>	<u>217,793</u>	<u>(49,793)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	24,500	24,500	(10,853)	<u>\$ (35,353)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>337,210</u>	<u>337,210</u>	<u>337,210</u>	
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 337,210</u>	<u>\$ 337,210</u>	<u>\$ 326,357</u>	

See Independent Auditors' Report.