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Financial Statements, 2005

City of Manchester

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STATE AUDITORS OFFICE

MAR 27 2006

CITY OF MANCHESTER, MISSOURI

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2005***



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

CITY OF MANCHESTER, MISSOURI

CONTENTS

| | PAGE |
|---|------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 2 |
| BASIC FINANCIAL STATEMENTS: | |
| Statement Of Net Assets | 11 |
| Statement Of Activities | 12 |
| Balance Sheet - Governmental Funds | 13 |
| Reconciliation Of The Statement Of Net Assets Of Governmental Funds To The Balance Sheet | 14 |
| Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - All Governmental Fund Types | 15 |
| Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities | 16 |
| Notes To Financial Statements | 17 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Budgetary Comparison Schedule: | |
| General Fund | 29 |
| Parks And Storm Water Projects Fund | 30 |
| Notes To Required Supplementary Information | 31 |
| ADDITIONAL SUPPLEMENTARY INFORMATION: | |
| Combining Balance Sheet - Nonmajor Funds | 32 |
| Combining Statement of Revenues, Expenditures And Changes In Fund Balance - Nonmajor Funds | 33 |
| Schedule Of Revenues, Expenditures And Changes In Fund Balance - Budget And Actual: | |
| Capital Projects Fund | 34 |
| Debt Service Fund | 35 |
| TIF Fund | 36 |
| Homecoming Fund | 37 |
| Sewer Fund | 38 |

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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, 2005, 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, 2005, 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 - 30, 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

February 18, 2005

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**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005**

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, 2005. It should be read in conjunction with the accompanying basic financial statement.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased by \$2,086,573 over the course of the 2005 year. During the 2005 year it was determined the City should recognize a long-term liability for employee severance benefits. Therefore, a correction to the beginning net assets, in the amount of \$343,692, has adjusted the January 1, 2005 net assets to \$12,970,868. The current year increase brings the year-end net asset value of the City to \$15,057,441. Of this amount \$6,262,663 is invested in capital assets, \$2,699,077 represents restricted assets and the remaining \$6,095,701 represents unrestricted assets that can be used to meet the City's ongoing operations.
- During the year, the City's revenue from all governmental programs (before transfers and special items) exceeded the expenses by approximately \$1 million.
- As of December 31, 2005, the City's governmental funds reported a combined ending fund balance of \$15,119,326, an increase of \$552,468 in comparison with the year ended December 31, 2004.
- At the end of the year, unreserved undesignated fund balance for the General Fund was \$5,162,299 or 77.7% of the General Fund appropriations for the 2006 year.
- The general fund reported a net increase in fund balance of \$458,249. This was an increase of 7.5% over the prior year.
- In 2005, the City did an advance refunding of its Series 2001 Certificates of Participation to take advantage of the lower interest rates in the market. At the time of the refunding, the outstanding principal balance was \$3.91 million, at a rate of 3.75%. The Series 2005 Certificates of Participation that were issued to affect this refunding carried an interest rate of 3.25% on \$3.42 million. The difference in principal balances was due to the release of the Series 2001 reserve, which was used to reduce the outstanding balance.
- The City's only other debt is for the General Obligation (GO) Bonds which were issued in 2004. During 2005, the City began making principal payments on the principal bond amount of \$6.5 million. Principal reduction will be made annually until 2023, at which time the bonds will be paid off.

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 \$15,057,441 as of December 31, 2005. 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, and equipment); 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

| | <u>2005</u> | <u>2004</u> | <u>Increase (Decrease)</u> |
|---|----------------------|----------------------|--------------------------------|
| Assets: | | | |
| Current and other assets | \$ 15,622,613 | \$ 15,129,029 | \$ 493,584 |
| Capital assets | 9,995,706 | 9,812,052 | 183,654 |
| Total assets | <u>25,618,319</u> | <u>24,941,081</u> | <u>677,238</u> |
| Liabilities: | | | |
| Current and other liabilities | 526,244 | 656,521 | (130,277) |
| Noncurrent liabilities | 10,034,634 | 11,313,692 | (1,279,058) |
| Total liabilities | <u>10,560,878</u> | <u>11,970,213</u> | <u>(1,409,335)</u> |
| Net assets: | | | |
| Invested in capital assets net of related debt | 6,262,663 | 5,749,319 | 513,344 |
| Restricted | 2,699,077 | 1,555,042 | 1,144,035 |
| Unrestricted | 6,095,701 | 5,666,507 | 429,194 |
| Total net assets | <u>\$ 15,057,441</u> | <u>\$ 12,970,868</u> | <u>\$ 2,086,573</u> |

Net assets may serve over time as an indicator of the City's financial position. The City's net assets increased \$2,086,573 or 16.1% to \$15,057,441 as of December 31, 2005.

The most significant portions of the City's net assets are investment in capital assets, net of related debt and unrestricted balances, which total \$6,262,663 and \$6,095,701 in 2005, respectively. Net assets invested in capital assets, net of related debt are 41.6% 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 40.5% 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 \$2,699,077 at December 31, 2005. Restricted net assets are subject to external restrictions on how they may be used. Of restricted net assets, \$1,273,246 is restricted for parks, \$882,986 is restricted for debt service and \$337,210 is restricted for sewer repairs.

Table 2

| | 2005 | 2004 | Increase (Decrease) |
|----------------------------------|----------------------|----------------------|------------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for service | \$ 1,086,425 | \$ 935,094 | \$ 151,331 |
| Capital grants and contributions | 99,687 | 181,461 | (81,774) |
| General revenues: | | | |
| Taxes | 9,144,098 | 8,784,218 | 359,880 |
| Interest income | 314,615 | 226,425 | 88,190 |
| Miscellaneous | 207,099 | 49,680 | 157,419 |
| Total revenues | <u>10,851,924</u> | <u>10,176,878</u> | <u>675,046</u> |
| Expenses: | | | |
| General government | 710,800 | 599,769 | 111,031 |
| Police department | 2,949,477 | 2,891,283 | 58,194 |
| Public works | 2,952,204 | 3,083,083 | (130,879) |
| Community development | 323,537 | 210,514 | 113,023 |
| Aquatic center | 481,721 | 442,230 | 39,491 |
| Recreation | 681,847 | 697,157 | (15,310) |
| Legal and court | 218,517 | 204,322 | 14,195 |
| Interest and fiscal charges | 447,248 | 414,384 | 32,864 |
| Total expenses | <u>8,765,351</u> | <u>8,542,742</u> | <u>222,609</u> |
| Increase in net assets | 2,086,573 | 1,634,136 | 452,437 |
| Net assets, beginning of year | 12,970,868 | 11,336,732 | 1,634,136 |
| Net assets, end of year | <u>\$ 15,057,441</u> | <u>\$ 12,970,868</u> | <u>\$ 2,086,573</u> |

The increase in total revenues of \$675,046 represents an overall increase in revenue of only 6.6%. This increase was due to an improved regional economy, which boosted sales tax revenues by \$328,727 (6%). Another impact of the economy was realized through greater investment interest returns. During 2005, investment rates have risen, which contributed an additional \$88,190 to City revenues.

General government expenses increased \$111,031 from 2004. The most significant portion of this increase was due to the departmental assignment of staff members. In 2004, the Public Works Director was acting in the capacity of City Administrator on a temporary basis through October. In October 2004 when he was appointed City Administrator, his payroll costs began to be accounted for in the General Government rather than in his prior home department of Public Works. In 2005, the City Administrator's entire personnel cost was charged to the General Government group resulting in an increase of \$76,971. At the end of 2004 and during 2005, the City had high employee turnover. The City does not pay annual premiums to the state Unemployment Compensation fund, but rather reimburses the fund when former employees make claims. The 2005 employee turnover costs of unemployment compensation reimbursement, and advertising and hiring expense was \$21,692 higher in 2005 than in 2004. Additionally, the cost of the City's insurance increased in 2005 by \$12,563.

Public Works Department's expenses decreased \$130,879 from 2004 because of two main factors. As discussed with regard to the General Government personnel costing, the Public Works department's personnel costs experienced a decrease due to the removal of the payroll expense for the former Director. The second major decrease in 2005 was in the amount of infrastructure improvements that were undertaken. In 2005, the expenditures on streets (slab replacement and asphalt resurfacing) were down by \$60,977, along with a reduction of \$99,267 on storm water channel repairs. The storm water channel repairs were delayed in the design phase and are expected to occur in 2006.

Community development expenses increased \$113,023 from 2004 largely due to the costs associated with exploring the possibility of establishing a tax increment financed redevelopment area. The costs associated with this endeavor totaled \$119,449 in 2005, an increase of roughly \$90,000 over 2004. The balance of the increase in this function was attributable to professional services rendered to perform a Historic Review study of City structures.

In 2005 the City's excess of revenues over expenses were \$2,086,573, which increased net assets to \$15,057,441 as of December 31, 2005.

Governmental Funds

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

Table 3

| | Fiscal Year Ending 2005 | Fiscal Year Ending 2004 | Increase (Decrease) | Percentage Change |
|-----------------------|-------------------------------|-------------------------------|------------------------|----------------------|
| Taxes | \$ 9,099,359 | \$ 8,742,375 | \$ 356,984 | 4.1 % |
| Licenses and permits | 187,546 | 170,294 | 17,252 | 10.1 |
| Fines and forfeitures | 487,875 | 422,121 | 65,754 | 15.6 |
| Investment income | 314,615 | 226,425 | 88,190 | 38.9 |
| Charges for service | 360,816 | 289,076 | 71,740 | 24.8 |
| Miscellaneous | 398,148 | 284,744 | 113,404 | 39.8 |
| Total revenues | <u>\$ 10,848,359</u> | <u>\$ 10,135,035</u> | <u>\$ 713,324</u> | 7.0 |

Tax revenues in 2005 exceeded 2004 by 4.1%. This \$356,984 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. With regard to the sales tax, the City had an increase of approximately \$328,727 in 2005 from the 2004 collections. This increase is attributable to the overall improvement in the economy, prompting more consumers spending. The second component of tax revenue, utility use tax, is largely weather and rate dependant on the utility companies. In 2005 the price of natural gas rose to a high level, which generated higher gross receipts to the utility company. The increases in the utility company's gross receipts lead to a 16.3% increase in City revenues from that source. Finally, the third aspect of taxes, property tax, reflected a decrease over the prior year. Although the 2005 property tax was greater than in 2004, due to a timing issue with the collection agency, not all 2005 revenues were remitted to the City in a timely manner. The delayed revenues from 2005 have been recognized in 2006, which will generate more tax reported than the current year should warrant at year end.

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 2005, the City received over \$40,000 from asset forfeitures.

Investment income increased by \$88,190 or 38.9% from 2004. At the beginning of 2005, the City held several investments with 2005 maturities that were providing interest of 2% or less. As the investments matured the City was able to purchase replacement investments that had an interest rate of up to 3.85%. This increase in interest rate produced higher returns than those in 2004 when they were secured.

Charges for services increase by 24.8% in 2005 over 2004. A significant portion of this increase in revenue was weather related; in 2004 the Aquatic Center was unable to attract the volume of bathers that had been anticipated. The 2005 swimming season was more conducive to residents utilizing the pool. Family pool pass sales were up \$22,376 and daily admissions grew by \$29,899. With increased people using the pool, there were likewise more concession stand sales in the amount of \$13,673. Fortunately, the Parks and Recreation Department also offered several new programs, which received good support, and supplemented Aquatic Center revenue increase.

Miscellaneous revenues increased in 2005 by \$113,404. While many of the individual types of miscellaneous charges were down from 2004, one category more than made up for the decreases. Under a contractual agreement, the developer of a redevelopment area of the City was required to reimburse the City for its out of pocket expenditures. In 2005 that reimbursement amount equaled \$190,000. In the prior year there had only been \$500 reimbursed under this contract. The increase offset reductions in other categories, such as Asset Forfeiture funds which were down by \$20,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2005, the City had \$12,431,531 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 \$454,855 or 3.8% over the prior fiscal year.

Table 4

| | 2005 | 2004 |
|----------------------------|----------------------|----------------------|
| Land | \$ 1,570,963 | \$ 1,527,657 |
| Buildings and improvements | 7,954,820 | 7,690,503 |
| Machinery and equipment | 888,540 | 912,985 |
| Vehicles | 1,219,977 | 1,302,218 |
| Infrastructure | 260,739 | - |
| Construction in progress | 536,492 | 543,313 |
| | <u>\$ 12,431,531</u> | <u>\$ 11,976,676</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 Lafayette Center 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 \$9,660,000 in outstanding debt compared to \$10,970,000 at the end of the prior fiscal year, a decrease of \$1,310,000 or 11.9%.

Table 5

| | 2005 | 2004 |
|-------------------------------|---------------------|----------------------|
| Certificates of Participation | \$ 3,395,000 | \$ 4,470,000 |
| General Obligation Bonds | <u>6,265,000</u> | <u>6,500,000</u> |
| Total | <u>\$ 9,660,000</u> | <u>\$ 10,970,000</u> |

During the fiscal year, the City made principal payments totaling \$820,000 during the year. In addition, the City refunded previously issued certificates of participation. The City used funds available in the debt service fund to refund the debt and reduce its outstanding debt by \$490,000. 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, 2005, the governmental funds of the City reported a combined fund balance of \$15,119,326. This ending balance includes an increase in fund balance of \$458,249 in the City's General Fund. The primary reason for the General Fund's increase was in 2005 the fund received more revenue than it had expenditures. The excess of revenues over expenditures in the General Fund of \$1,035,171 was diluted by transfers to other funds in the amount of \$576,922, but the remaining excess increased the fund balance.

The fund balance decreased by \$113,898 in the Parks and Storm Water Projects Fund due to the advance refunding of the Series 2001 Certificates of Participation (COP). When the Series 2001 COPs were issued, they required a 10% reserve fund, which had been held as part of the Restricted Fund Balance. When the Series 2005 COPs were issued the release of this Restricted Fund Balance helped pay the 2001 obligation, but also reduced the fund balance total.

General Fund Budgetary Highlights

For 2005, actual revenues were \$7,677,483 as compared to the budget amount of \$7,455,425. The predominant portion of the \$222,058 variance was in two categories, Fines and Court Costs; and investment interest which was discussed in other sections of this report. The Fines and Court Costs revenue budget had been established to reflect the consistently flat revenue that had been experienced over the prior three years. Since 2002, when revenues from this source were \$427,282, the Court function had not experienced any notable increase, therefore the budget was set at \$425,000. The number of cases on the Court docket increased by 12% from 2004 to 2005, resulting in an overall revenue increase of 14.8% over budget.

For 2005, actual expenditures were \$6,642,312 compared to the budget amount of \$7,095,376. More than half of the \$453,064 variance was related to the 18% employee turnover in 2005. The City's staffing level is authorized at 72 full time positions. During 2005 the City had 13 individuals leave the City's employment. The lag time in re-staffing vacant positions lowered all categories of personnel costs in an amount of \$260,336. Another area where the full appropriation was not utilized was in the Professional Fees group. 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 pool closings in foul weather, lack of participation in swimming lessons, fewer special events, etc. In 2005 the actual services provided were \$41,727 less than the contract maximum for the year. Additional anticipated events, such as placing an annexation proposal on the ballot, engagement for study of the historic district, compensation consultation, and others simply did not occur in 2005 saving another \$30,500. A third area where the City budget produced savings was the return of premium for City 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 the 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 that are released. Since this is a speculative return of premium, it is not anticipated and included in the annual appropriation budget. In 2005 the City received \$23,259 return of premiums paid through 1999.

Changes to the original budget were made to account for the re-appropriation of prior year's encumbrances that were outstanding as of December 31, 2004, in the amount of \$22,421, and an increase in the current year appropriation. 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. In 2005 following receipt of asset forfeiture funds a supplemental appropriation in the amount of \$11,191 was made for asset forfeiture purchases. 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

The most recent change to the City's financial structure was the establishment of 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. Since that time, the City's total governmental revenue stream has increased by approximately 13.1%, or 3.3% per year on average. 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 2.3% increase in revenues for the 2006 budget over the anticipated 2005 year performance at budget time. In preparing the General Fund's operating budgets, department heads were directed to contain costs for 2006 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 4.6% increase over the 2005 authorized level.

The City's 2006 anticipated revenue is budgeted at \$10,731,362; the appropriated expenditure level is \$11,102,919, which will result in an excess of expenditures over current year revenues of \$371,557. This shortfall due to the planned spending in 2006 of revenues that have been collected in previous years that were specifically held for several large projects which will be commenced in 2006. The first of these projects is the undertaking of a \$600,000 storm water channel project, which the City has been saving for from the dedicated parks and storm water sales tax. The second major project is the replacement of the underground gasoline storage tank. This tank is essential to providing response services to the community, but it is regulated by the state Department of Natural Resources. The City's MDNR permit expires in 2006 and therefore the tank must be replaced and re-permitted at an estimated cost of \$110,000. These projects will contribute to the reduction in the City's unrestricted reserve to \$5,964,463; however, since the City's total fund balance includes reserved funds as well in the amount of \$8,760,076, this reduction will not be problematic. The City has established a minimum reserve level policy of 20% of the General Fund appropriation, which the 2006 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:

Marsha Knudtson, MSA, CPA
Director of Finance
City of Manchester, Missouri
14318 Manchester Road
Manchester Missouri 63011

BASIC FINANCIAL STATEMENTS

CITY OF MANCHESTER, MISSOURI

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 7,823,235 |
| Taxes receivable: | |
| Property | 351,111 |
| Other | 1,347,250 |
| Accounts receivable | 68,979 |
| Prepaid | 1,000 |
| Interest receivable | 104,081 |
| Restricted assets: | |
| Cash and investments | 5,926,957 |
| Capital assets - net | |
| Nondepreciable | 2,107,455 |
| Depreciable | 7,888,251 |
| TOTAL ASSETS | <u>25,618,319</u> |
| LIABILITIES | |
| Accounts payable | 177,331 |
| Accrued wages | 123,429 |
| Accrued compensated absences | 65,623 |
| Escrow payable | 18,500 |
| Accrued interest payable | 109,539 |
| Court bonds payable | 20,752 |
| Accrued and withheld items | 11,070 |
| Noncurrent liabilities: | |
| Due in one year | 855,000 |
| Due in more than one year | 9,179,634 |
| TOTAL LIABILITIES | <u>10,560,378</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 6,262,663 |
| Restricted: | |
| Parks | 1,273,246 |
| Capital Projects | 80,944 |
| Debt Service | 882,986 |
| TIF Expenditures | 70,703 |
| Homecoming | 53,988 |
| Sewer repairs | 337,210 |
| Unrestricted | 6,095,701 |
| TOTAL NET ASSETS | <u>\$ 15,057,441</u> |

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

CITY OF MANCHESTER, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

| Functions/Programs | Expenses | Program Revenue | | Net (Expense) |
|--|---------------------|---------------------|--|----------------------------------|
| | | Charges for Service | Capital and Operating Grants and Contributions | Revenue and Change in Net Assets |
| | | | | Governmental Activities |
| Governmental Activities | | | | |
| General government | \$ 710,800 | \$ 179,687 | \$ - | \$ (531,113) |
| Police department | 2,949,477 | 490,019 | 99,687 | (2,359,771) |
| Public works | 2,952,204 | 55,100 | - | (2,897,104) |
| Community development | 323,537 | - | - | (323,537) |
| Aquatic center | 481,721 | 279,320 | - | (202,401) |
| Recreation | 681,847 | 82,299 | - | (599,548) |
| Legal and court | 218,517 | - | - | (218,517) |
| Interest and fiscal charges | 447,248 | - | - | (447,248) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 8,765,351 | \$ 1,086,425 | \$ 99,687 | (7,579,239) |
| Taxes: | | | | |
| Sales | | | | 5,789,734 |
| Utility | | | | 1,098,304 |
| Property | | | | 1,219,196 |
| Franchise | | | | 172,930 |
| Other | | | | 863,934 |
| Interest income | | | | 314,615 |
| Loss on the sale of capital assets | | | | (10,974) |
| Other miscellaneous revenue | | | | 218,073 |
| TOTAL GENERAL REVENUES | | | | 9,665,812 |
| CHANGE IN NET ASSETS | | | | 2,086,573 |
| NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY STATED | | | | 13,314,560 |
| Correction for postretirement benefits | | | | (343,692) |
| NET ASSETS - BEGINNING OF YEAR, AS RESTATED | | | | 12,970,868 |
| NET ASSETS - END OF YEAR | | | | \$ 15,057,441 |

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

CITY OF MANCHESTER, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005

| | General Fund | Parks and Storm Water Projects Fund | Capital Projects Fund | Other Non-major Funds | Total |
|--|---------------------|--|-----------------------------|-----------------------------|----------------------|
| ASSETS AND OTHER DEBITS | | | | | |
| Cash and investments | \$ 5,663,081 | \$ 1,104,611 | \$ - | \$ 1,055,543 | \$ 7,823,235 |
| Taxes receivable: | | | | | |
| Property | 142,623 | - | - | 208,488 | 351,111 |
| Other | 985,565 | 178,867 | 152,112 | 30,706 | 1,347,250 |
| Accounts receivable | 779 | 3,200 | - | 65,000 | 68,979 |
| Interest receivable | 57,335 | - | 46,746 | - | 104,081 |
| Prepaid | 500 | - | - | 500 | 1,000 |
| Due from other funds | 108,858 | - | - | - | 108,858 |
| Restricted assets: | | | | | |
| Cash and investments | - | 934 | 5,926,023 | - | 5,926,957 |
| TOTAL ASSETS | <u>\$ 6,958,741</u> | <u>\$ 1,287,612</u> | <u>\$ 6,124,881</u> | <u>\$ 1,360,237</u> | <u>\$ 15,731,471</u> |
| LIABILITIES | | | | | |
| Account payable | \$ 139,493 | \$ 13,432 | \$ 9,056 | \$ 15,350 | \$ 177,331 |
| Accrued wages | 123,429 | - | - | - | 123,429 |
| Accrued compensated absences | 65,623 | - | - | - | 65,623 |
| Escrow payable | 18,500 | - | - | - | 18,500 |
| Court bonds payable | 20,752 | - | - | - | 20,752 |
| Accrued and withheld items | 11,070 | - | - | - | 11,070 |
| Due to other funds | - | - | 108,858 | - | 108,858 |
| Deferred revenue | 17,075 | - | - | 69,507 | 86,582 |
| TOTAL LIABILITIES | <u>395,942</u> | <u>13,432</u> | <u>117,914</u> | <u>84,857</u> | <u>612,145</u> |
| FUND BALANCES: | | | | | |
| Fund balances: | | | | | |
| Reserved for prepaid | 500 | - | - | - | 500 |
| Reserved for capital expenditures | - | 934 | 5,817,165 | - | 5,818,099 |
| Unreserved: | | | | | |
| Designated - contingency | 1,400,000 | - | - | - | 1,400,000 |
| General fund | 5,162,299 | - | - | - | 5,162,299 |
| Parks and storm water projects fund | - | 1,273,246 | - | - | 1,273,246 |
| Capital projects fund | - | - | 189,802 | - | 189,802 |
| Special revenue funds | - | - | - | 461,901 | 461,901 |
| Debt service fund | - | - | - | 813,479 | 813,479 |
| TOTAL FUND BALANCES | <u>6,562,799</u> | <u>1,274,180</u> | <u>6,006,967</u> | <u>1,275,380</u> | <u>15,119,326</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 6,958,741</u> | <u>\$ 1,287,612</u> | <u>\$ 6,124,881</u> | <u>\$ 1,360,237</u> | <u>\$ 15,731,471</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, 2005

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

| | |
|--|-----------------------------|
| Total fund balance per balance sheet | \$ 15,119,326 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 9,995,706 |
| Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds. | 86,582 |
| 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>(10,034,634)</u> |
| Net assets of governmental activities | <u><u>\$ 15,057,441</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, 2005

| | General Fund | Parks and Storm Water Projects Fund | Capital Projects Fund | Other Non-major Funds | Total |
|--|---------------------|--|-----------------------------|-----------------------------|----------------------|
| REVENUES | | | | | |
| Taxes | \$ 6,336,808 | \$ 1,101,441 | \$ 936,741 | \$ 724,369 | \$ 9,099,359 |
| Licenses and permits | 187,546 | - | - | - | 187,546 |
| Fines and forfeitures | 487,875 | - | - | - | 487,875 |
| Investment income | 181,900 | 6,495 | 126,220 | - | 314,615 |
| Charges for service | 335,607 | - | - | 25,209 | 360,816 |
| Miscellaneous | 147,747 | - | 29,000 | 221,401 | 398,148 |
| TOTAL REVENUES | <u>7,677,483</u> | <u>1,107,936</u> | <u>1,091,961</u> | <u>970,979</u> | <u>10,848,359</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 679,539 | - | - | - | 679,539 |
| Police department | 2,774,034 | - | - | - | 2,774,034 |
| Public works | 1,908,289 | - | - | 21,277 | 1,929,566 |
| Community development | 204,088 | - | - | 119,449 | 323,537 |
| Aquatic center | 287,605 | - | - | - | 287,605 |
| Recreation | 571,236 | - | - | 37,034 | 608,270 |
| Legal department and municipal court | 217,521 | - | - | - | 217,521 |
| Capital outlay | - | 210,883 | 1,332,997 | 148,037 | 1,691,917 |
| Debt service: | | | | | |
| Principal, interest and fiscal charges | - | 660,186 | 208,480 | 453,703 | 1,322,369 |
| TOTAL EXPENDITURES | <u>6,642,312</u> | <u>871,069</u> | <u>1,541,477</u> | <u>779,500</u> | <u>9,834,358</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>1,035,171</u> | <u>236,867</u> | <u>(449,516)</u> | <u>191,479</u> | <u>1,014,001</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Refunding certificates of participation issued | - | 2,599,200 | 820,800 | - | 3,420,000 |
| Payment to refunded certificate escrow agent | - | (2,949,965) | (931,568) | - | (3,881,533) |
| Operating transfer in (out) | (576,922) | - | 563,988 | 12,934 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(576,922)</u> | <u>(350,765)</u> | <u>453,220</u> | <u>12,934</u> | <u>(461,533)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 458,249 | (113,898) | 3,704 | 204,413 | 552,468 |
| FUND BALANCES - BEGINNING OF YEAR | <u>6,104,550</u> | <u>1,388,078</u> | <u>6,003,263</u> | <u>1,070,967</u> | <u>14,566,858</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 6,562,799</u> | <u>\$ 1,274,180</u> | <u>\$ 6,006,967</u> | <u>\$ 1,275,380</u> | <u>\$ 15,119,326</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, 2005

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

| | | |
|--|----|-------------------------|
| Change in fund balance-total governmental funds | \$ | 552,468 |
| Revenues that do not provide current financial resources are not included in the fund financial statements | | 44,739 |
| The acquisition of capital assets requires the use of current financial resources but has no effect on net assets. | | 724,429 |
| The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities. | | (498,301) |
| 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. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. | | (42,474) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | 820,000 |
| Increase in accumulated post retirement benefits are recorded when earned in the statement of activities. | | (30,942) |
| Refunding of debt is reported as other financing sources and uses in the governmental funds. In the government-wide statements this has no effect on net assets. | | 490,000 |
| Interest payable does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. | | <u>26,654</u> |
| Change in net assets of governmental activities | \$ | <u><u>2,086,573</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, 2005

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 and its component units. 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 \$1,000 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.

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, 2005 expenditures exceed appropriations in the funds as follows:

| <u>Fund</u> | <u>Appropriation</u> | <u>Expenditures</u> | <u>Difference</u> |
|--------------|----------------------|---------------------|-------------------|
| Debt Service | \$ 453,441 | \$ 453,703 | \$ 262 |
| Sewer | 168,000 | 169,314 | 1,314 |

3. **CASH AND TEMPORARY INVESTMENTS**

Cash - At December 31, 2005, the carrying amount of the City's deposits was \$212,007 and the bank balances totaled \$319,248. All deposits were covered by the Federal Deposit Insurance Corporation (FDIC), the Securities Insurance Protection Corporation (SIPC), pledged securities, or invested in governmental 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, 2005, upon which the 2005 levy was based for real, personal and public utility property, was \$303,630,889. 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**

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

5. INVESTMENTS - continued

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 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.

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 | \$ 11,333,699 | \$ 6,721,539 | \$ 4,612,160 | AAA |
| Repurchase Agreements | 2,250,000 | 2,250,000 | - | N/A |
| TOTAL | \$ 13,583,699 | \$ 8,971,539 | \$ 4,612,160 | |

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 District investment are as follows:

| Issuer | Investment type | Reported Amount |
|---------------|---------------------------|-----------------|
| FHLB | Federal agency securities | \$ 1,492,692 |
| FHLB callable | Federal agency securities | 4,655,375 |
| FHLMCRB | Federal agency securities | 999,741 |
| FNMA | Federal agency securities | 4,185,891 |

6. INTERFUND TRANSACTIONS

The following transfers were made during the fiscal year ending December 31, 2005:

| | TRANSFER IN | TRANSFER OUT |
|-----------------------|-------------|--------------|
| General Fund | \$ - | \$576,922 |
| Capital Projects Fund | 563,988 | - |
| Homecoming Fund | 12,934 | - |

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, 2005 are as follows:

| | <u>RECEIVABLE</u> | <u>PAYABLE</u> |
|-----------------------|-------------------|----------------|
| General Fund | \$ 108,858 | \$ - |
| Capital Projects Fund | - | 108,858 |

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, 2005 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 | \$ 1,527,657 | \$ 43,306 | \$ - | \$ 1,570,963 |
| Construction in process | 543,313 | 70,238 | (77,059) | 536,492 |
| Total capital assets, not being depreciated | <u>2,070,970</u> | <u>113,544</u> | <u>(77,059)</u> | <u>2,107,455</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 7,690,503 | 40,990 | 223,327 | 7,954,820 |
| Machinery and equipment | 912,985 | 159,864 | (184,309) | 888,540 |
| Infrastructure | - | 260,739 | - | 260,739 |
| Vehicles | 1,302,218 | 149,292 | (231,533) | 1,219,977 |
| Total capital assets, being depreciated | <u>9,905,706</u> | <u>610,885</u> | <u>(192,515)</u> | <u>10,324,076</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (701,062) | (255,712) | (30,977) | (987,751) |
| Machinery and equipment | (459,508) | (102,008) | 64,057 | (497,459) |
| Infrastructure | - | (13,037) | - | (13,037) |
| Vehicles | (1,004,054) | (127,544) | 194,020 | (937,578) |
| Total accumulated depreciation | <u>(2,164,624)</u> | <u>(498,301)</u> | <u>227,100</u> | <u>(2,435,825)</u> |
| Total capital assets, being depreciated, net | <u>7,741,082</u> | <u>112,584</u> | <u>34,585</u> | <u>7,888,251</u> |
| Total governmental activities | <u>\$ 9,812,052</u> | <u>\$ 226,128</u> | <u>\$ (42,474)</u> | <u>\$ 9,995,706</u> |

8. **CAPITAL ASSETS - continued**

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

| | |
|-----------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 25,901 |
| Police Department | 157,569 |
| Aquatic center | 143,825 |
| Recreation | 62,677 |
| Public works | 108,165 |
| Legal and court | <u>164</u> |
| Total depreciation expense- | |
| governmental activities | <u>\$ 498,301</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, 2005, the outstanding principal on the certificates consists of the following:

| | |
|-----------------------------|-------------|
| UMB Bank, N.A., Kansas City | \$3,395,000 |
| 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, 2005, the outstanding principal on the General Obligation Bonds consists of the following:

| | |
|--------------------------------|-------------|
| UMB Bank, N.A., Kansas City | \$6,265,000 |
| Police building | |
| Interest rate - 1.15% to 4.25% | |
| Matures - March, 2023 | |
| Annual payments range from | |
| \$311,373 to \$510,625 | |

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 | |
| 2006 | \$ 615,000 | \$ 101,424 | \$ 240,000 | \$ 215,290 | \$1,171,714 |
| 2007 | 635,000 | 80,893 | 250,000 | 211,178 | 1,177,071 |
| 2008 | 655,000 | 59,705 | 260,000 | 206,005 | 1,180,710 |
| 2009 | 680,000 | 37,777 | 265,000 | 199,833 | 1,182,610 |
| 2010 | 695,000 | 15,193 | 275,000 | 192,739 | 1,177,932 |
| 2011 | 115,000 | 1,889 | 290,000 | 184,608 | 591,497 |
| 2012 | - | - | 300,000 | 175,533 | 475,533 |
| 2013 | - | - | 315,000 | 165,610 | 480,610 |
| 2014 | - | - | 325,000 | 154,887 | 479,887 |
| 2015 | - | - | 340,000 | 143,327 | 483,327 |
| 2016 | - | - | 360,000 | 130,632 | 490,632 |
| 2017 | - | - | 375,000 | 116,847 | 491,847 |
| 2018 | - | - | 395,000 | 102,019 | 497,019 |
| 2019 | - | - | 410,000 | 86,117 | 496,117 |
| 2020 | - | - | 435,000 | 69,000 | 504,000 |
| 2021 | - | - | 455,000 | 50,641 | 505,641 |
| 2022 | - | - | 475,000 | 31,225 | 506,225 |
| 2023 | - | - | 500,000 | 10,625 | 510,625 |
| TOTAL | <u>\$3,395,000</u> | <u>\$ 296,881</u> | <u>\$6,265,000</u> | <u>\$2,446,116</u> | <u>\$12,402,997</u> |

| | BALANCE, BEGINNING OF YEAR | ADDITIONS | REDUCTIONS | BALANCE, END OF YEAR | DUE WITHIN ONE YEAR |
|--------------------------|----------------------------------|---------------------|-----------------------|----------------------------|------------------------------|
| Governmental activities: | | | | | |
| Certificates of | | | | | |
| Participation | \$ 4,470,000 | \$ 3,420,000 | \$ (4,495,000) | \$ 3,395,000 | \$ 615,000 |
| General Obligations | | | | | |
| Bonds | 6,500,000 | - | (235,000) | 6,265,000 | 240,000 |
| Postretirement | | | | | |
| benefits | 343,692 | 30,942 | - | 374,634 | - |
| Total | <u>\$ 11,313,692</u> | <u>\$ 3,450,942</u> | <u>\$ (4,730,000)</u> | <u>\$ 10,034,634</u> | <u>\$ 855,000</u> |

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

The City issued \$3,420,000 in certificates of participation to provide resources for investments placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,910,000 in certificates of participation. As a result, the refunded certificates of participation are considered to be defeased and the liability has been removed from the governmental activities on the statement of net assets. The old debt exceeded the reacquisition price by \$28,467. This advance refunding was undertaken to reduce total debt service payments over the next 6 years by \$263,576 and resulted in an economic gain of \$91,306.

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 has been employed by the City for 20 years or more are entitled to receive three months of salary. At December 31, 2005, 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, 2005 amounted to \$374,634. The amount recorded as expense for 2005 was \$30,942. No benefits were paid during 2005.

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 \$149,123 to the Plan during 2005, which represented 4.9 % of eligible participating employees' compensation. The City's payroll for employees covered by the Plan for the year ended December 31, 2005 was \$3,031,088 or 95% of the City's total payroll of \$3,181,086.

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 2005 premium payments to the trusts totaled \$138,126.

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, 2005 expenditures for waste removal totaled \$777,573.

15. **PRIOR PERIOD CORRECTION**

Certain errors resulting in the understatement of liabilities for postretirement benefits was discovered during the current year. Accordingly, an adjustment was made to reduce previously reported net assets on the government-wide statement of net assets by \$343,692.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANCHESTER, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

| | BUDGET | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|---------------------|---------------------|---------------------|---|
| | ORIGINAL | FINAL | | |
| OPERATING REVENUE | | | | |
| Taxes | \$ 6,346,675 | \$ 6,346,675 | \$ 6,336,808 | \$ (9,867) |
| Licenses and permits | 171,700 | 171,700 | 187,546 | 15,846 |
| Fines and forfeitures | 425,000 | 425,000 | 487,875 | 62,875 |
| Investment income | 70,000 | 70,000 | 181,900 | 111,900 |
| Charges for service | 332,550 | 332,550 | 335,607 | 3,057 |
| Miscellaneous | 109,500 | 109,500 | 147,747 | 38,247 |
| TOTAL REVENUE | <u>7,455,425</u> | <u>7,455,425</u> | <u>7,677,483</u> | <u>222,058</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 860,990 | 748,603 | 679,539 | 69,064 |
| Police department | 2,883,021 | 2,969,209 | 2,774,034 | 195,175 |
| Public works | 1,982,447 | 2,007,484 | 1,908,289 | 99,195 |
| Community development | 242,328 | 257,908 | 204,088 | 53,820 |
| Aquatic center | 351,137 | 324,264 | 287,605 | 36,659 |
| Recreation | 572,654 | 584,396 | 571,236 | 13,160 |
| Legal department and municipal court | 201,093 | 203,512 | 217,521 | (14,009) |
| TOTAL EXPENDITURES | <u>7,093,670</u> | <u>7,095,376</u> | <u>6,642,312</u> | <u>453,064</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>361,755</u> | <u>360,049</u> | <u>1,035,171</u> | <u>675,122</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfer in (out) | <u>-</u> | <u>-</u> | <u>(576,922)</u> | <u>(576,922)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 361,755 | 360,049 | 458,249 | <u>\$ 98,200</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>6,104,550</u> | <u>6,104,550</u> | <u>6,104,550</u> | |
| FUND BALANCES - END OF YEAR | <u>\$ 6,466,305</u> | <u>\$ 6,464,599</u> | <u>\$ 6,562,799</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, 2005

| | BUDGET | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|-------------------|-------------------|---------------------|---|
| | ORIGINAL | FINAL | | |
| OPERATING REVENUE | | | | |
| Taxes | \$ 1,131,500 | \$ 1,131,500 | \$ 1,101,441 | \$ (30,059) |
| Investment income | 23,750 | 5,800 | 6,495 | 695 |
| TOTAL REVENUE | <u>1,155,250</u> | <u>1,137,300</u> | <u>1,107,936</u> | <u>(29,364)</u> |
| EXPENDITURES | | | | |
| Capital outlay | 1,240,950 | 1,329,945 | 210,883 | 1,119,062 |
| Debt service: | | | | |
| Principal, interest and fiscal charges | 562,680 | 553,816 | 660,186 | (106,370) |
| TOTAL EXPENDITURES | <u>1,803,630</u> | <u>1,883,761</u> | <u>871,069</u> | <u>1,012,692</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(648,380)</u> | <u>(746,461)</u> | <u>236,867</u> | <u>983,328</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refunding certificates of participation issued | - | - | 2,599,200 | 2,599,200 |
| Payment to refunded certificate escrow agent | - | - | (2,949,965) | (2,949,965) |
| OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>(350,765)</u> | <u>(350,765)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>(648,380)</u> | <u>(746,461)</u> | <u>(113,898)</u> | <u>\$ 632,563</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>1,388,078</u> | <u>1,388,078</u> | <u>1,388,078</u> | |
| FUND BALANCES - END OF YEAR | <u>\$ 739,698</u> | <u>\$ 641,617</u> | <u>\$ 1,274,180</u> | |

See note to required supplementary information.

CITY OF MANCHESTER, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2005

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.

See note to required supplementary information.

SUPPLEMENTARY INFORMATION

CITY OF MANCHESTER, MISSOURI
COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005

| | Special Revenue Funds | | | | Total |
|--|-----------------------|------------------|--------------------|-------------------|---------------------|
| | Debt Service Fund | TIF Fund | Homecoming Fund | Sewer Fund | |
| ASSETS AND OTHER DEBITS | | | | | |
| Cash and investments | \$ 674,498 | \$ 7,655 | \$ 53,488 | \$ 319,902 | \$ 1,055,543 |
| Property taxes receivable | 208,488 | - | - | - | 208,488 |
| Other taxes receivable | - | - | - | 30,706 | 30,706 |
| Accounts receivable other | - | 65,000 | - | - | 65,000 |
| Prepaid expenses | - | 0 | 500 | - | 500 |
| TOTAL ASSETS | <u>\$ 882,986</u> | <u>\$ 72,655</u> | <u>\$ 53,488</u> | <u>\$ 350,608</u> | <u>\$ 1,360,237</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ 1,952 | \$ - | \$ 13,398 | \$ 15,350 |
| Deferred revenue | 69,507 | - | - | - | 69,507 |
| TOTAL LIABILITIES | <u>69,507</u> | <u>1,952</u> | <u>-</u> | <u>13,398</u> | <u>84,857</u> |
| FUND BALANCES: | | | | | |
| Fund balances: | | | | | |
| Unreserved: | | | | | |
| Debt service fund | 813,479 | - | - | - | 813,479 |
| TIF fund | - | 70,703 | - | - | 70,703 |
| Homcoming fund | - | - | 53,988 | - | 53,988 |
| Sewer fund | - | - | - | 337,210 | 337,210 |
| TOTAL FUND BALANCES | <u>813,479</u> | <u>70,703</u> | <u>53,988</u> | <u>337,210</u> | <u>1,275,380</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 882,986</u> | <u>\$ 72,655</u> | <u>\$ 53,988</u> | <u>\$ 350,608</u> | <u>\$ 1,360,237</u> |

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, 2005

| | Special Revenue Funds | | | | Total |
|--|-----------------------|------------------|------------------|-------------------|---------------------|
| | Debt Service Fund | TIF Fund | Homcoming Fund | Sewer Fund | |
| REVENUES | | | | | |
| Taxes | \$ 556,973 | \$ - | \$ - | \$ 167,396 | \$ 724,369 |
| Charges for service | - | - | - | 25,209 | 25,209 |
| Miscellaneous | - | 190,152 | 31,249 | - | 221,401 |
| TOTAL REVENUES | <u>556,973</u> | <u>190,152</u> | <u>31,249</u> | <u>192,605</u> | <u>970,979</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Public works | - | - | - | 21,277 | 21,277 |
| Community development | - | 119,449 | - | - | 119,449 |
| Recreation | - | - | 37,034 | - | 37,034 |
| Capital outlay | - | - | - | 148,037 | 148,037 |
| Debt service: | | | | | |
| Principal, interest and fiscal charges | 453,703 | - | - | - | 453,703 |
| TOTAL EXPENDITURES | <u>453,703</u> | <u>119,449</u> | <u>37,034</u> | <u>169,314</u> | <u>779,500</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 103,270 | 70,703 | (5,785) | 23,291 | 191,479 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfer in (out) | - | - | 12,934 | - | 12,934 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 103,270 | 70,703 | 7,149 | 23,291 | 204,413 |
| FUND BALANCES - BEGINNING OF YEAR | <u>710,209</u> | <u>-</u> | <u>46,839</u> | <u>313,919</u> | <u>1,070,967</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 813,479</u> | <u>\$ 70,703</u> | <u>\$ 53,988</u> | <u>\$ 337,210</u> | <u>\$ 1,275,380</u> |

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, 2005

| | BUDGET | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|---------------------|---------------------|---------------------|---|
| | ORIGINAL | FINAL | | |
| OPERATING REVENUE | | | | |
| Taxes | \$ 961,750 | \$ 961,750 | \$ 936,741 | \$ (25,009) |
| Investment income | 84,000 | 78,825 | 126,220 | 47,395 |
| Miscellaneous | - | - | 29,000 | 29,000 |
| TOTAL REVENUE | <u>1,045,750</u> | <u>1,040,575</u> | <u>1,091,961</u> | <u>51,386</u> |
| EXPENDITURES | | | | |
| Capital outlay | 2,049,995 | 2,189,906 | 1,332,997 | 856,909 |
| Debt service: | | | | |
| Principal, interest and fiscal charges | 177,688 | 174,889 | 208,480 | (33,591) |
| TOTAL EXPENDITURES | <u>2,227,683</u> | <u>2,364,795</u> | <u>1,541,477</u> | <u>823,318</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,181,933)</u> | <u>(1,324,220)</u> | <u>(449,516)</u> | <u>874,704</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refunding certificates of participation issued | - | - | 820,800 | - |
| Payment to refunded certificate escrow agent | - | - | (931,568) | (931,568) |
| Operating transfers in | - | - | 563,988 | 563,988 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>453,220</u> | <u>(367,580)</u> |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>(1,181,933)</u> | <u>(1,324,220)</u> | <u>3,704</u> | <u>\$ (56,864)</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>6,104,550</u> | <u>6,104,550</u> | <u>6,003,263</u> | |
| FUND BALANCES - END OF YEAR | <u>\$ 4,922,617</u> | <u>\$ 4,780,330</u> | <u>\$ 6,006,967</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, 2005

| | BUDGET | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|-------------------|-------------------|-------------------|---|
| | ORIGINAL | FINAL | | |
| OPERATING REVENUE | | | | |
| Taxes | \$ 543,000 | \$ 543,000 | \$ 556,973 | \$ 13,973 |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal, interest and fiscal charges | 453,441 | 453,441 | 453,703 | (262) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 89,559 | 89,559 | 103,270 | <u>\$ 14,235</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>710,209</u> | <u>710,209</u> | <u>710,209</u> | |
| FUND BALANCES - END OF YEAR | <u>\$ 799,768</u> | <u>\$ 799,768</u> | <u>\$ 813,479</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, 2005

| | BUDGET | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|------------------|------------------|------------------|---|
| | ORIGINAL | FINAL | | |
| OPERATING REVENUE | | | | |
| Miscellaneous | \$ 326,377 | \$ 326,377 | \$ 190,152 | \$ (136,225) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community development | 276,698 | 276,698 | 119,449 | 157,249 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 49,679 | 49,679 | 70,703 | <u>\$ (293,474)</u> |
| FUND BALANCES - BEGINNING OF YEAR | - | - | - | |
| FUND BALANCES - END OF YEAR | <u>\$ 49,679</u> | <u>\$ 49,679</u> | <u>\$ 70,703</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, 2005

| | BUDGET | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|--|------------------|------------------|------------------|---|
| | ORIGINAL | FINAL | | |
| OPERATING REVENUE | | | | |
| Miscellaneous | \$ 31,500 | \$ 31,500 | \$ 31,249 | \$ (251) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Recreation | 39,511 | 40,511 | 37,034 | 3,477 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (8,011) | (9,011) | (5,785) | (3,728) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfer in | - | - | 12,934 | 12,934 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | (8,011) | (9,011) | 7,149 | <u>\$ 9,206</u> |
| FUND BALANCES - BEGINNING OF YEAR | 46,839 | 46,839 | 46,839 | |
| FUND BALANCES - END OF YEAR | <u>\$ 38,828</u> | <u>\$ 37,828</u> | <u>\$ 53,988</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, 2005

| | BUDGET | | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---|-------------------|-------------------|-------------------|---|
| | ORIGINAL | FINAL | | |
| OPERATING REVENUE | | | | |
| Taxes | \$ 168,000 | \$ 168,000 | \$ 167,396 | \$ (604) |
| Charges for service | 27,500 | 27,500 | 25,209 | (2,291) |
| TOTAL REVENUE | <u>195,500</u> | <u>195,500</u> | <u>192,605</u> | <u>(2,895)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 45,530 | 45,530 | 21,277 | 24,253 |
| Capital outlay | 122,470 | 122,470 | 148,037 | (25,567) |
| TOTAL EXPENDITURES | <u>168,000</u> | <u>168,000</u> | <u>169,314</u> | <u>(1,314)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 27,500 | 27,500 | 23,291 | <u>\$ (4,209)</u> |
| FUND BALANCES - BEGINNING OF YEAR | <u>313,919</u> | <u>313,919</u> | <u>313,919</u> | |
| FUND BALANCES - END OF YEAR | <u>\$ 313,919</u> | <u>\$ 313,919</u> | <u>\$ 337,210</u> | |

See Independent Auditors' Report.