

CITY OF MANCHESTER, MISSOURI

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2011***

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, 2011, 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 opinions.

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, 2011, and the respective changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 32 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Manchester, Missouri's financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information has not been subjected to the auditing procedures applied by us, in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

May 9, 2012

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

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, 2011. It should be read in conjunction with the accompanying basic financial statement.

- The City's total net assets increased by \$2,776,697 in 2011. The current year increase brings the year-end net asset value of the City to \$(19,211,764). Of this amount \$21,368,355 is invested in capital assets, \$11,825,850 represents restricted assets, \$(54,835,888) represents special limited obligation bonds and the remaining \$2,429,919 represents unrestricted assets that can be used to meet the City's ongoing operations.
- As of December 31, 2011, the City's governmental funds reported a combined ending fund balance of \$14,292,604, an increase of \$466,599 in comparison with the year ended December 31, 2010.
- At the end of the year, unassigned fund balance for the General Fund was \$615,042 or 6.7% of the General Fund appropriations for the 2011 year.
- The City made total debt service payments of \$3,065,229, of which \$405,000 represents principal.
- The general fund reported a net decrease in fund balance of \$725,216.

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.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

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 presented as required supplementary information. A budgetary comparison is presented for the Capital Projects Fund, Debt Service Fund, TIF Fund, Homecoming 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 (\$19,211,764) as of December 31, 2011. 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.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

Table 1

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Assets:			
Current and other assets	\$ 15,785,837	\$ 15,566,513	\$ 219,324
Capital assets	<u>25,103,355</u>	<u>22,955,660</u>	<u>2,147,695</u>
Total assets	<u>40,889,192</u>	<u>38,522,173</u>	<u>2,367,019</u>
Liabilities:			
Current and other liabilities	1,021,077	1,089,695	(68,618)
Noncurrent liabilities	<u>59,079,879</u>	<u>59,420,939</u>	<u>(341,060)</u>
Total liabilities	<u>60,100,956</u>	<u>60,510,634</u>	<u>(409,678)</u>
Net assets:			
Invested in capital assets net of related debt	21,368,355	18,815,760	2,552,595
Restricted	11,825,850	10,084,043	1,741,807
Unrestricted	<u>(52,405,969)</u>	<u>(50,888,264)</u>	<u>(1,517,705)</u>
Total net assets	<u>\$ (19,211,764)</u>	<u>\$ (21,988,461)</u>	<u>\$ 2,776,697</u>

Net assets may serve over time as an indicator of the City's financial position. The City's net assets increased \$2,776,697 to (\$19,211,764) as of December 31, 2011. This increase is due to a reduction in capital spending by the City in 2011, \$1,701,000 less than 2010 and bond issuance costs of \$1,341,000 in 2010 for the tax increment financing (TIF) long-term debt which is due in more than one year, and which will be paid out of TIF revenue. The TIF debt is not a general obligation of the City, and the City does not own the property.

A portion of the City's net assets reflect its investment in capital assets, net of related debt and unrestricted balances, which total \$21,368,355 and \$18,815,760 in 2011 and 2010, respectively. The City uses capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Unrestricted net assets apart from the TIF obligation are, as noted above \$2,429,919. Unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

Restricted net assets totaled \$11,825,850 at December 31, 2011. Restricted net assets are subject to external restrictions on how they may be used. Of restricted net assets, \$523,490 is restricted for parks projects, \$9,540,958 is restricted TIF fund, \$963,382 is restricted for debt service, \$6,617 is restricted for parks and recreation, \$583,812 is restricted for sewer repairs, and \$166,788 is restricted for capital projects.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

Table 2

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Revenues:			
Program revenues:			
Charges for service	\$ 931,979	\$ 955,085	\$ (23,106)
Capital grants and contributions	842,440	345,001	497,439
General revenues:			
Taxes	13,635,550	13,454,837	180,713
Investment return	(50,964)	21,748	(72,712)
Miscellaneous	235,415	191,038	44,377
Gain on the disposal of capital assets	-	4,642	(4,642)
Total revenues	<u>15,594,420</u>	<u>14,972,351</u>	<u>622,069</u>
Expenses:			
General government	1,258,874	1,146,060	151,928
Police department	3,464,808	3,399,197	65,611
Public works	3,572,618	3,477,863	91,096
Community development	250,119	249,572	547
Aquatic center	476,923	473,981	2,942
Recreation	811,009	823,704	(12,695)
Legal and court	274,050	271,069	2,981
Interest and fiscal charges	2,709,322	2,728,925	(19,603)
Special item: transfer to escrow Agent	-	47,688,390	(47,688,390)
	<u>12,817,723</u>	<u>60,258,761</u>	<u>(47,441,038)</u>
Increase (decrease) in net assets	2,776,697	(45,286,410)	48,063,107
Net assets, beginning of year	(21,988,461)	22,324,430	(44,312,891)
Prior period adjustment	-	973,519	(973,519)
Net assets, end of year	<u>\$ (19,211,764)</u>	<u>\$ (21,988,461)</u>	<u>\$ 2,776,697</u>

The increase in total revenues of \$622,069 represents an increase of 4.2%. This increase in revenues is slightly higher than the national growth of 3.0% at the end of 2011. The new shopping area in the City has boosted the City's sales tax revenue as well as provide for the repayment of the TIF Bonds. The remaining sales tax producers in the City continue to recover from stagnant economy which had produced lower than expected sales tax revenue around the City. Since the city is dependent on varying revenue sources,

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

Manchester is susceptible to income fluctuations and must continue to closely monitor economic indicators.

In 2011 sales tax increased \$337,366 and utility tax increased \$24,233 while property tax decreased \$147,205 over 2010. Interest income decreased \$72,712 due to a decrease in the Fair Market value of funds invested by the City for the future debt service of the TIF Bonds. Police fines and court costs decreased \$22,526 in 2011 from the amount collected in 2010.

Under the traditional modified accrual reporting the City's 2011 total expense was \$15,181,262. This can be compared with the 2010 total expenses under the same basis of \$17,981,226, which is a decrease of \$2,799,964 from 2010.

Capital expenditures decreased by over \$1,700,000 from 2010 to 2011. In 2010 a major storm channel was repaired. In 2010 the City issued the TIF Bonds with issuance costs of \$1,341,250. The decrease of \$31,406 in principal and interest was a result of the continuing collection and payment of TIF revenues to the Trustee for bond payment and the final payment of Certificates of Participation in 2011.

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 2011	Fiscal Year Ending 2010	Increase (Decrease)	Percentage Change	
Taxes	\$ 13,654,197	\$ 13,397,894	\$ 256,303	1.9	%
Licenses and permits	212,745	212,298	447	.2	
Fines and forfeitures	312,510	335,036	(22,526)	(6.7)	
Investment income	(50,964)	21,748	(72,712)	(334.3)	
Charges for service	406,724	407,751	(1,027)	(.3)	
Miscellaneous	1,112,649	564,323	548,326	97.2	
Total revenues	<u>\$ 15,647,861</u>	<u>\$ 14,939,050</u>	<u>\$ 708,811</u>		

Total revenues in 2011 exceed 2010 by \$708,811. 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. Sales tax increases are a result of the increase in sales in the shopping center in the TIF district. Increased sales taxes were directed to the payment of the TIF bonds and to the City's general revenues. The new properties in the TIF district generated property taxes that are also directed toward the payment of the bonds.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

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 decreased by approximately \$25,000 from 2010 to 2011.

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 2011, the City received approximately \$45,000 from asset forfeitures. In 2011 the city experienced a decrease of approximately \$22,500 from the City's fines and court costs.

Miscellaneous revenues increased in 2011 by \$548,326. The primary source of this increase comes from the Missouri Department of Transportation (MODOT) which reimbursed a portion of the reconstruction of bridges in the City. MODOT contributed about \$413,000 toward the cost of construction in 2011. The Municipal Park Grant Commission contributed \$331,000 toward the construction of an amphitheater in 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2011, the City had \$30,454,803 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 \$3,128,047 or 11.4% over the prior year.

Table 4

	2011	2010
Land	\$ 1,580,963	\$ 1,580,963
Buildings and improvements	17,220,978	16,566,646
Machinery and equipment	1,440,583	1,306,434
Vehicles	1,493,561	1,486,717
Infrastructure	7,865,756	6,000,103
Construction in progress	852,962	385,893
	\$ 30,454,803	\$ 27,326,756

The most significant addition to capital assets this fiscal year was the addition of infrastructure. In 2011, approximately \$1,195,000 was added for street and sidewalk replacement and \$519,000 was added for bridge reconstruction. Construction in progress is for bridge reconstruction to be completed in 2011 and storm channel improvements to be completed at various times in the future. Additional information on the City's capital assets is presented in the notes to the financial statements.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

DEBT

At year-end, the City had \$59,160,000 in outstanding debt compared to \$59,565,000 at the end of the prior fiscal year, a decrease of \$405,000.

Table 5

	2011		2010
Certificates of Participation	\$	-	\$ 115,000
General Obligation Bonds		3,735,000	4,025,000
TIF Bonds		55,425,000	55,425,000
Total	\$	59,160,000	\$ 59,565,000

During the fiscal year, the City made principal payments totaling \$405,000 during the year. The City also issued TIF Bonds in 2010 as discussed above. 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, 2011, the governmental funds of the City reported a combined fund balance of \$14,292,604. This ending balance includes a decrease in fund balance of \$1,298,639 in the City's General Fund. The excess of expenditures over revenues in the General Fund of \$725,216 was reduced further by transfers to other funds in the amount of \$573,423.

The fund balance increased by \$420,262 in the Parks and Storm Water Projects Fund. During 2011 the City used assets available in this fund to pay debt services and capital outlay expenditures.

The fund balance in the Capital Projects Fund increased by \$4,177. During 2011 the City used assets available in this fund to pay debt services and capital outlay expenditures.

The fund balance increased by \$118,765, in the Debt Service fund.

The fund balance in the TIF Fund increased by \$1,156,674 and included a transfer of \$268,708 from the General Fund. The increase was due primarily to sales tax proceeds which are held as investments to be used for future payment of bond obligations.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

General Fund Budgetary Highlights

For 2011, actual revenues in the General Fund were \$7,992,382 compared to the final budget amount of \$9,392,075. There were several categories with variances of note. Sales tax revenue was budgeted with an increase for 2011, however the increase in sales tax revenue from 2010 was not as high as expected. The Fines and Court Costs revenue budget had been established to reflect the consistently flat revenue. In 2011 Fines and Court Cost revenue actually declined.

For 2011, actual expenditures were \$8,717,598 compared to the final budget amount of \$9,144,734. When the 2011 budget was prepared, late in 2010, there was an expectation that the police staffing level would increase. The Police Department was without some key positions until late in 2011. Expenditures for the Park and Aquatic Center were also less than anticipated due to extended very hot weather which tends to keep people indoors.

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 was recognized that a developer would require Tax Increment Financing. As of 2010, that development is completed, Bonds have been issues to finance the cost of construction and the shopping area is active and generating revenue. The TIF Fund insures that the City captures its costs associated with this development and that TIF revenues are collected and transferred to the Bond Trustee.

In 2001, the citizens of Manchester approved the imposition of a Parks & Storm Water Projects sales tax. Anticipating increase sales tax revenue with the opening of the new shopping center, the City projected a 5% increase in revenues for the 2011 budget over the anticipated 2010 year performance at budget time.

In preparing the General Fund's operating budgets, department heads were directed to contain costs for 2011 to no more than a 2.6 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 1.3% increase over the 2010 authorized level.

The City's 2012 anticipated revenue is budgeted at \$16,888,303; the appropriated expenditure level is \$16,478,023, which will result in an excess of current year revenues over expenditures of \$410,280. This excess will contribute to the unreserved fund balance expected to be approximately \$2,128,000. The City has established a minimum designated contingency policy of 20% of the General Fund appropriation, which the 2012 budget continues to exceed.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

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:

David Tuberty
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, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 3,702,233
Taxes receivable:	
Property	1,072,132
Other	2,173,810
Accounts receivable	1,644
Prepaid items	106,624
Interest receivable	1,686
Restricted assets:	
Cash and investments	7,674,327
Deferred charges	1,053,381
Capital assets - net:	
Nondepreciable	2,433,925
Depreciable	22,669,430
TOTAL ASSETS	<u>40,889,192</u>
LIABILITIES	
Accounts payable	159,400
Accrued wages	59,179
Accrued compensated absences	73,147
Escrow payable	17,961
Accrued interest payable	650,576
Court bonds payable	30,143
Accrued and withheld items	30,671
Noncurrent liabilities:	
Due in one year:	
General Obligation Bonds	300,000
Due in more than one year:	
General Obligation Bonds	3,435,000
Tax Increment Revenue Bonds	54,835,888
Postretirement benefits	508,991
TOTAL LIABILITIES	<u>60,100,956</u>
NET ASSETS	
Invested in capital assets, net of related debt	21,368,355
Restricted:	
Parks and storm water	523,490
Capital projects	166,788
Debt service	1,004,185
TIF	9,540,958
Parks and recreation	6,617
Sewer repairs	583,812
Unrestricted	(52,405,969)
TOTAL NET ASSETS	<u>\$ (19,211,764)</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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Service</u>	<u>Grants and</u>	<u>Change in Net Assets</u>
			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Governmental Activities				
General government	\$ 1,258,874	\$ 212,056	\$ -	\$ (1,046,818)
Police department	3,464,808	312,510	-	(3,152,298)
Public works	3,572,618	22,529	496,440	(3,053,649)
Community development	250,119	-	-	(250,119)
Aquatic center	476,923	331,143	-	(145,780)
Recreation	811,009	53,741	346,000	(411,268)
Legal and court	274,050	-	-	(274,050)
Interest and fiscal charges	2,709,322	-	-	(2,709,322)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$12,817,723</u>	<u>\$ 931,979</u>	<u>\$ 842,440</u>	<u>(11,043,304)</u>
Taxes:				
				9,018,222
				1,335,811
				2,301,888
				215,254
				764,375
				(50,964)
				235,415
				<u>13,820,001</u>
				<u>2,776,697</u>
				<u>(21,988,461)</u>
				<u>\$ (19,211,764)</u>

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

CITY OF MANCHESTER, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	Parks and Storm Water Projects Fund	Capital Projects Fund	Debt Service Fund	TIF Fund	Other Non-major Funds	Total
ASSETS AND OTHER DEBITS							
Cash and investments	\$ 1,362,978	\$ 326,200	\$ -	\$ 791,581	\$ 621,615	\$ 599,859	\$ 3,702,233
Taxes receivable:							
Property	184,434	-	-	212,604	675,094	-	1,072,132
Other	1,124,035	235,617	208,045	-	570,022	36,091	2,173,810
Accounts receivable	1,644	-	-	-	-	-	1,644
Interest receivable	1,686	-	-	-	-	-	1,686
Prepaid items	106,624	-	-	-	-	-	106,624
Due (to) from other funds	42,872	-	-	-	-	(42,872)	-
Restricted assets:							
Cash and investments	-	76	24	-	7,674,227	-	7,674,327
TOTAL ASSETS AND OTHER DEBITS	\$ 2,824,273	\$ 561,893	\$ 208,069	\$1,004,185	\$ 9,540,958	\$ 593,078	\$ 14,732,456
LIABILITIES							
Accounts payable	\$ 77,143	\$ 38,327	\$ 41,281	\$ -	\$ -	\$ 2,649	\$ 159,400
Accrued wages	59,179	-	-	-	-	-	59,179
Accrued compensated absences	73,147	-	-	-	-	-	73,147
Escrow payable	17,961	-	-	-	-	-	17,961
Court bonds payable	30,143	-	-	-	-	-	30,143
Accrued and withheld items	30,671	-	-	-	-	-	30,671
Deferred revenue	28,548	-	-	40,803	-	-	69,351
TOTAL LIABILITIES	316,792	38,327	41,281	40,803	-	2,649	439,852
FUND BALANCES:							
Fund balances:							
Non-spendable	106,624	-	-	-	-	-	106,624
Restricted:							
Capital expenditures	-	-	166,788	-	-	-	166,788
Parks and storm water projects	-	523,566	-	-	-	-	523,566
TIF	-	-	-	-	9,540,958	-	9,540,958
Parks and recreation	-	-	-	-	-	6,617	6,617
Sewer improvements	-	-	-	-	-	583,812	583,812
Debt service	-	-	-	963,382	-	-	963,382
Committed:							
Contingency	1,785,815	-	-	-	-	-	1,785,815
Unassigned:							
General fund	615,042	-	-	-	-	-	615,042
TOTAL FUND BALANCES	2,507,481	523,566	166,788	963,382	9,540,958	590,429	14,292,604
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,824,273	\$ 561,893	\$ 208,069	\$1,004,185	\$ 9,540,958	\$ 593,078	\$ 14,732,456

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, 2011**

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

Total fund balance per balance sheet	\$ 14,292,604
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,103,355
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	69,351
The cost of issuance is an expenditure when the debt is issued, but is deferred and amortized in the statement of activities.	1,053,381
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.	(650,576)
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>(59,079,879)</u>
Net assets of governmental activities	<u><u>\$ (19,211,764)</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, 2011

	General Fund	Parks and Storm Water Projects Fund	Capital Projects Fund	Debt Service Fund	TIF Fund	Other Non-major Funds	Total
REVENUES							
Taxes	\$6,860,576	\$1,391,875	\$ 1,190,863	\$ 555,428	\$ 3,489,055	\$ 166,400	\$ 13,654,197
Licenses and permits	212,745	-	-	-	-	-	212,745
Fines and forfeitures	312,510	-	-	-	-	-	312,510
Investment income (loss)	38,448	-	-	-	(89,412)	-	(50,964)
Charges for service	384,884	-	-	-	-	21,840	406,724
Miscellaneous	183,219	346,000	550,685	-	-	32,745	1,112,649
TOTAL REVENUES	<u>7,992,382</u>	<u>1,737,875</u>	<u>1,741,548</u>	<u>555,428</u>	<u>3,399,643</u>	<u>220,985</u>	<u>15,647,861</u>
EXPENDITURES							
Current:							
General government	1,056,486	-	-	-	-	-	1,056,486
Police department	3,140,035	-	-	-	-	-	3,140,035
Public works	2,922,899	-	-	-	-	7,894	2,930,793
Community development	248,304	-	-	-	-	-	248,304
Aquatic center	325,649	-	-	-	-	-	325,649
Recreation	665,981	-	-	-	-	31,992	697,973
Legal department and municipal court	269,749	-	-	-	-	-	269,749
Capital outlay	88,495	1,228,777	2,014,033	-	-	115,739	3,447,044
Debt service:							
Principal, interest and fiscal charges	-	88,836	28,053	436,663	2,511,677	-	3,065,229
TOTAL EXPENDITURES	<u>8,717,598</u>	<u>1,317,613</u>	<u>2,042,086</u>	<u>436,663</u>	<u>2,511,677</u>	<u>155,625</u>	<u>15,181,262</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(725,216)</u>	<u>420,262</u>	<u>(300,538)</u>	<u>118,765</u>	<u>887,966</u>	<u>65,360</u>	<u>466,599</u>
OTHER FINANCING SOURCES (USES)							
Operating transfer in (out)	<u>(573,423)</u>	<u>-</u>	<u>304,715</u>	<u>-</u>	<u>268,708</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(1,298,639)</u>	<u>420,262</u>	<u>4,177</u>	<u>118,765</u>	<u>1,156,674</u>	<u>65,360</u>	<u>466,599</u>
FUND BALANCES - BEGINNING OF YEAR	<u>3,806,120</u>	<u>103,304</u>	<u>162,611</u>	<u>844,617</u>	<u>8,384,284</u>	<u>525,069</u>	<u>13,826,005</u>
FUND BALANCES - END OF YEAR	<u>\$2,507,481</u>	<u>\$ 523,566</u>	<u>\$ 166,788</u>	<u>\$ 963,382</u>	<u>\$ 9,540,958</u>	<u>\$ 590,429</u>	<u>\$ 14,292,604</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, 2011**

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

Change in fund balance-total governmental funds	\$ 466,599
Revenues that do not provide current financial resources are not included in the fund financial statements.	(17,986)
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	3,268,766
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(1,081,957)
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.	(39,114)
The increase in interest payable does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	(49,093)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	405,000
The cost of issuance is an expenditure when the debt is issued, but is deferred and amortized in the statement of activities.	(160,671)
Increase in accumulated post retirement benefits are recorded when earned in the statement of activities.	<u>(14,847)</u>
Change in net assets of governmental activities	<u><u>\$ 2,776,697</u></u>

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

CITY OF MANCHESTER, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, the Capital Projects Fund, the Debt Service Fund, and the TIF 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 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 Debt Service Fund - The City uses this fund to account for the resources accumulated and payments made for the principal and interest on long-term general obligation debt and certificates of participation of governmental funds.

The TIF Fund - The City uses this fund to account for the activity from the Tax Increment Financing Commission for the Manchester Highlands.

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.

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.

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

D. **CAPITAL ASSETS** - continued

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 that point forward, new infrastructure is added to the records, while the retroactive historical value of the City's infrastructure assets has not be added.

E. **DEFERRED CHARGES**

Costs associated with the issuance of bonds are capitalized and amortized over the life of the related bonds.

F. **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.

G. **RESTRICTED CASH AND INVESTMENTS**

Certain cash and investments are restricted for the construction or purchase of assets and the repayment of special assessment bonds.

H. **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.

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

I. **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. Also, the City instituted a Catastrophic Leave Policy during the year ended December 31, 2008, which provides employees the opportunity to donate sick leave, vacation and/or compensatory time so that other employees may remain in paid status, and thus partially reduce the financial impact of a serious illness or injury. No portion of sick or catastrophic leave is payable to the employee upon termination of employment. Therefore, no liability for sick or catastrophic leave has been accrued by the City.

J. **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.

K. **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.

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

K. **NET ASSETS AND FUND EQUITY** - continued

When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted first, then unrestricted resources as they are needed. The government-wide statement of net assets reports \$11,825,850 of restricted assets, which is restricted by enabling legislation.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - Resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted - Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed - Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

Assigned - Resources neither restricted nor committed for which a government has a stated intended use as established by the Board of Directors or an official to which the Board of Directors has delegated the authority to assign amounts for specific purposes.

Unassigned - Resources which cannot be properly classified in one of the other four categories. The General fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

The City would typically use Restricted fund balances first, followed by Committed resources and Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first.

L. **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 September 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.
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.

3. **CASH AND INVESTMENTS**

Cash - At December 31, 2011, the carrying amount of the City's deposits was \$1,601,600 and the bank balances totaled \$1,975,601. All deposits were covered by the Federal Deposit Insurance Corporation (FDIC), the Securities Insurance Protection Corporation (SIPC), or pledged securities.

Credit Risk - The City has no formal policy regarding credit risk. In general, the City invests only in instruments with a minimum AA rating.

3. **CASH AND INVESTMENTS** - continued

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
		1-3 Years	3-6 Years	
U.S. Agency Securities	\$ 5,252,792	\$ 200,408	\$ 5,052,384	AA
U.S. Treasury Security	497,880	497,880	-	AAA
Corporate Bond	753,940	-	753,940	AA

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	Percent Of Portfolio
GNMA	Federal agency securities	\$ 4,388,980	67%
FNMA	Federal agency securities	863,812	13
FNMA	Corporate bond	753,940	12

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

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, 2011, upon which the 2011 levy was based for real, personal and public utility property, was \$349,548,423. The City's tax rate was levied at \$.045 (real estate), \$.05 (personal property) and \$.161 per \$100 of assessed valuation for the General Fund and the Debt Service Fund, respectively.

5. **INTERFUND TRANSACTIONS**

The following transfers were made during the fiscal year ending December 31, 2011:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$ 573,423
Capital Projects Fund	304,715	
TIF Fund	268,708	-

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

6. **INTERFUND RECEIVABLES AND PAYABLES**

Due to/from other funds at December 31, 2011 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund	\$ 42,872	\$ -
Non-major fund:		
HRC Fund	-	42,872

The General Fund provides funds to the Capital Projects Fund and HRC Fund until taxes or other revenues are collected to cover expenditures.

7. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2011 is as follows:

	BALANCE BEGINNING OF YEAR	ADDITIONS	DELETIONS	BALANCE, END OF YEAR
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,580,963	\$ -	\$ -	\$ 1,580,963
Construction in process	385,893	1,106,993	(639,924)	852,962
Total capital assets, not being depreciated	<u>1,966,856</u>	<u>1,106,993</u>	<u>(639,924)</u>	<u>2,433,925</u>
Capital assets, being depreciated:				
Buildings and improvements	16,566,646	654,332	-	17,220,978
Machinery and equipment	1,306,434	134,149	-	1,440,583
Infrastructure	6,000,103	1,865,653	-	7,865,756
Vehicles	1,486,717	147,563	(140,719)	1,493,561
Total capital assets, being depreciated	<u>25,359,900</u>	<u>2,801,697</u>	<u>(140,719)</u>	<u>28,020,878</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,360,927)	(474,864)	-	(2,835,791)
Machinery and equipment	(641,052)	(114,559)	-	(755,611)
Infrastructure	(392,696)	(346,649)	-	(739,345)
Vehicles	(976,421)	(145,885)	101,605	(1,020,701)
Total accumulated depreciation	<u>(4,371,096)</u>	<u>(1,081,957)</u>	<u>101,605</u>	<u>(5,351,448)</u>
Total capital assets, being depreciated, net	<u>20,988,804</u>	<u>1,719,740</u>	<u>(39,114)</u>	<u>22,669,430</u>
Total governmental activities	<u>\$ 22,955,660</u>	<u>\$ 2,826,733</u>	<u>\$ (679,038)</u>	<u>\$ 25,103,355</u>

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

Governmental activities:	
General government	\$ 39,183
Police Department	320,703
Aquatic center	151,274
Recreation	97,025
Public works	470,145
Legal and court	<u>3,627</u>
Total depreciation expense governmental activities	<u>\$ 1,081,957</u>

8. **LONG-TERM DEBT**

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. The bonds bear interest at rates ranging from 1.15% to 4.25% and mature March 2023. Balance outstanding as of December 31, 2011 is as follows:

General Obligation Bonds \$ 3,735,000

Special Assessment Bonds - The bonds were issued in March 2010 for the Highway 141/Manchester Road Project. The bonds are special, limited obligations of the City, payable solely from the incremental sales and property taxes generated by the development along with the revenues pledged by the Manchester Highlands Transportation Development District. The annual debt service payments are contingent upon the revenues collected. The bonds bear interest at 6.0% on balances due November 1, 2025 and 6.875% on balances due November 1, 2039. The obligations of the City and the District to transfer payments for the repayment of the bonds expires in accordance with State statute whether or not the principal and interest thereon have been paid in full. These bonds are only required to make principal payments when excess funds are available after the payment of interest. Balance outstanding as of December 31, 2011 is as follows:

Special Assessment Bonds \$ 55,425,000

The annual debt service payments for long-term debt with scheduled payments are as follows:

YEAR	General Obligation Bonds		TOTAL
	PRINCIPAL	INTEREST	
2012	\$ 300,000	\$ 135,382	\$ 435,382
2013	315,000	125,460	440,460
2014	325,000	114,738	439,738
2015	340,000	103,178	443,178
2016	360,000	90,483	450,483
2017	375,000	76,698	451,698
2018	395,000	61,840	456,840
2019	410,000	45,968	455,968
2020	435,000	28,850	463,850
2021	455,000	10,491	465,491
2022	25,000	525	25,525
Total	\$ <u>3,735,000</u>	\$ <u>793,613</u>	\$ <u>4,528,613</u>

8. **LONG-TERM DEBT** - continued

Special Assessment Bonds - continued

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental activities:					
Certificates of					
Participation	\$ 115,000	\$ -	\$ (115,000)	\$ -	\$ -
General Obligations Bonds	4,025,000	-	(290,000)	3,735,000	300,000
Tax Increment					
Revenue Bonds	55,425,000	-	-	55,425,000	-
Less: unamortized discount	(638,205)	-	49,093	(589,112)	-
Postretirement Benefits	494,144	14,847	-	508,991	-
Total	<u>\$ 59,420,939</u>	<u>\$ 14,847</u>	<u>\$ (355,907)</u>	<u>\$ 59,079,879</u>	<u>\$ 300,000</u>

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. During 2008, the City placed \$599,542 with an escrow agent for the purpose of generating resources for all future debt service payments totaling \$899,100 of general obligation bonds. As a result of the two events, \$950,000 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.

9. **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, 2011, there were 16 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, 2011 amounted to \$508,991. The amount recorded as expense for 2011 was \$14,847. No benefits were paid during 2011.

10. **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 \$183,356 to the Plan during 2011. The City's payroll for employees covered by the Plan for the year ended December 31, 2011 was \$3,721,418 or 92.7% of the City's total payroll of \$4,014,834.

11. 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.

12. 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 2011 premium payments to the trusts totaled \$196,626.

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.

13. COMMITMENTS

In 2009 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, 2011 expenditures for waste removal totaled \$1,367,785.

14. **SUBSEQUENT EVENTS**

In January 2012 the City authorized the issuance of refunding bonds in the amount of \$3,185,000 to defease the outstanding general obligation bonds.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 9, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANCHESTER, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 8,378,000	\$ 8,378,000	\$ 6,860,576	\$ (1,517,424)
Licenses and permits	229,000	229,000	212,745	(16,255)
Fines and forfeitures	320,000	320,000	312,510	(7,490)
Investment income	34,600	34,600	38,448	3,848
Charges for service	385,475	385,475	384,884	(591)
Miscellaneous	45,000	45,000	183,219	138,219
TOTAL OPERATING REVENUE	<u>9,392,075</u>	<u>9,392,075</u>	<u>7,992,382</u>	<u>(1,399,693)</u>
EXPENDITURES				
Current:				
General government	1,029,959	1,107,959	1,056,486	51,473
Police department	3,458,994	3,475,994	3,140,035	335,959
Public works	2,898,614	2,898,614	2,922,899	(24,285)
Community development	294,159	294,159	248,304	45,855
Aquatic center	350,708	350,708	325,649	25,059
Recreation	728,550	728,550	665,981	62,569
Legal department and municipal court	288,750	288,750	269,749	19,001
Capital outlay	-	-	88,495	(88,495)
TOTAL EXPENDITURES	<u>9,049,734</u>	<u>9,144,734</u>	<u>8,717,598</u>	<u>427,136</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	342,341	247,341	(725,216)	(972,557)
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	(2,240,845)	(2,240,845)	(573,423)	1,667,422
CHANGE IN FUND BALANCE	(1,898,504)	(1,993,504)	(1,298,639)	<u>\$ 694,865</u>
FUND BALANCES - BEGINNING OF YEAR	<u>3,806,120</u>	<u>3,806,120</u>	<u>3,806,120</u>	
FUND BALANCES - END OF YEAR	<u>\$ 1,907,616</u>	<u>\$ 1,812,616</u>	<u>\$ 2,507,481</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, 2011

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 1,111,099	\$ 1,111,099	\$ 1,391,875	\$ 280,776
Miscellaneous	250,000	250,000	346,000	96,000
TOTAL OPERATING REVENUE	<u>1,361,099</u>	<u>1,361,099</u>	<u>1,737,875</u>	<u>376,776</u>
EXPENDITURES				
Capital outlay	2,060,400	2,060,400	1,228,777	831,623
Debt service:				
Principal, interest and fiscal charges	115,000	115,000	88,836	26,164
TOTAL EXPENDITURES	<u>2,175,400</u>	<u>2,175,400</u>	<u>1,317,613</u>	<u>857,787</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(814,301)	(814,301)	420,262	1,234,563
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	-	-	-	-
CHANGE IN FUND BALANCE	<u>(814,301)</u>	<u>(814,301)</u>	<u>420,262</u>	<u>\$ 1,234,563</u>
FUND BALANCES - BEGINNING OF YEAR	<u>103,304</u>	<u>103,304</u>	<u>103,304</u>	
FUND BALANCES - END OF YEAR	<u>\$ (710,997)</u>	<u>\$ (710,997)</u>	<u>\$ 523,566</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, 2011

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.

SUPPLEMENTARY INFORMATION

CITY OF MANCHESTER, MISSOURI
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue Funds			Total
	Homecoming Fund	Sewer Fund	HRC Fund	
ASSETS AND OTHER DEBITS				
Cash and investments	\$ 49,489	\$ 550,370	\$ -	\$ 599,859
Other taxes receivable	-	36,091	-	36,091
Due (to) from other funds	-	-	(42,872)	(42,872)
TOTAL ASSETS AND OTHER DEBITS	\$ 49,489	\$ 586,461	\$ (42,872)	\$ 593,078
LIABILITIES				
Accounts payable	\$ -	\$ 2,649	\$ -	\$ 2,649
FUND BALANCES				
Fund balances:				
Restricted:				
Parks and recreation	49,489	-	(42,872)	6,617
Sewer improvements	-	583,812	-	583,812
TOTAL FUND BALANCES	49,489	583,812	(42,872)	590,429
TOTAL LIABILITIES AND FUND BALANCES	\$ 49,489	\$ 586,461	\$ (42,872)	\$ 593,078

See Independent Auditors' Report.

CITY OF MANCHESTER, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Special Revenue Funds</u>			
	<u>Homcoming Fund</u>	<u>Sewer Fund</u>	<u>HRC Fund</u>	<u>Total</u>
REVENUE				
Taxes	\$ -	\$ 166,400	\$ -	\$ 166,400
Charges for service	-	21,840	-	21,840
Miscellaneous	25,400	-	7,345	32,745
TOTAL REVENUE	<u>25,400</u>	<u>188,240</u>	<u>7,345</u>	<u>220,985</u>
EXPENDITURES				
Current:				
Public works	-	7,894	-	7,894
Recreation	31,992	-	-	31,992
Capital outlay	-	108,511	7,228	115,739
TOTAL EXPENDITURES	<u>31,992</u>	<u>116,405</u>	<u>7,228</u>	<u>155,625</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,592)	71,835	117	65,360
FUND BALANCES - BEGINNING OF YEAR	<u>56,081</u>	<u>511,977</u>	<u>(42,989)</u>	<u>525,069</u>
FUND BALANCES - END OF YEAR	<u>\$ 49,489</u>	<u>\$ 583,812</u>	<u>\$ (42,872)</u>	<u>\$ 590,429</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, 2011

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 1,262,000	\$ 1,262,000	\$ 1,190,863	\$ (71,137)
Miscellaneous	25,000	25,000	550,685	525,685
TOTAL OPERATING REVENUE	<u>1,287,000</u>	<u>1,287,000</u>	<u>1,741,548</u>	<u>454,548</u>
EXPENDITURES				
Capital outlay	2,522,877	2,522,877	2,014,033	508,844
Debt service:				
Principal, interest and fiscal charges	-	-	28,053	(28,053)
TOTAL EXPENDITURES	<u>2,522,877</u>	<u>2,522,877</u>	<u>2,042,086</u>	<u>480,791</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,235,877)	(1,235,877)	(300,538)	935,339
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	1,055,174	1,055,174	304,715	(750,459)
CHANGE IN FUND BALANCE	(180,703)	(180,703)	4,177	<u>\$ 184,880</u>
FUND BALANCES - BEGINNING OF YEAR	<u>162,611</u>	<u>162,611</u>	<u>162,611</u>	
FUND BALANCES - END OF YEAR	<u>\$ (18,092)</u>	<u>\$ (18,092)</u>	<u>\$ 166,788</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, 2011

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
OPERATING REVENUE				
Taxes	\$ 677,496	\$ 677,496	\$ 555,428	\$ (122,068)
EXPENDITURES				
Debt service:				
Principal, interest and fiscal charges	<u>1,014,459</u>	<u>1,014,459</u>	<u>436,663</u>	<u>577,796</u>
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	(336,963)	(336,963)	118,765	<u>\$ 455,728</u>
FUND BALANCES - BEGINNING OF YEAR	<u>844,617</u>	<u>844,617</u>	<u>844,617</u>	
FUND BALANCES - END OF YEAR	<u>\$ 507,654</u>	<u>\$ 507,654</u>	<u>\$ 963,382</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, 2011

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET POSITIVE (NEGATIVE)
OPERATING REVENUE				
Taxes	\$ 4,063,173	\$ 4,063,173	\$ 3,489,055	\$ (574,118)
Investment income	-	-	(89,412)	(89,412)
TOTAL OPERATING REVENUE	<u>4,063,173</u>	<u>4,063,173</u>	<u>3,399,643</u>	<u>(663,530)</u>
EXPENDITURES				
Current:				
Professional fees	21,600	21,600	-	21,600
Debt service	4,232,240	4,232,240	2,511,677	1,720,563
TOTAL EXPENDITURES	<u>4,253,840</u>	<u>4,253,840</u>	<u>2,511,677</u>	<u>1,742,163</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(190,667)	(190,667)	887,966	1,078,633
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	268,708	268,708
CHANGE IN FUND BALANCE	(190,667)	(190,667)	1,156,674	<u>\$ 1,347,341</u>
FUND BALANCES - BEGINNING OF YEAR	<u>8,384,284</u>	<u>8,384,284</u>	<u>8,384,284</u>	
FUND BALANCES - END OF YEAR	<u>\$ 8,193,617</u>	<u>\$ 8,193,617</u>	<u>\$ 9,540,958</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, 2011

	<u>BUDGET</u>		<u>ACTUAL</u>	VARIANCE WITH
	<u>ORIGINAL</u>	<u>FINAL</u>		FINAL BUDGET POSITIVE (NEGATIVE)
OPERATING REVENUE				
Miscellaneous	<u>\$ 30,500</u>	<u>\$ 30,500</u>	<u>\$ 25,400</u>	<u>\$ (5,100)</u>
EXPENDITURES				
Current:				
Recreation	<u>38,320</u>	<u>38,320</u>	<u>31,992</u>	<u>6,328</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,820)	(7,820)	(6,592)	<u>\$ 1,228</u>
FUND BALANCES - BEGINNING OF YEAR	<u>56,081</u>	<u>56,081</u>	<u>56,081</u>	
FUND BALANCES - END OF YEAR	<u>\$ 48,261</u>	<u>\$ 48,261</u>	<u>\$ 49,489</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, 2011

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
OPERATING REVENUE				
Taxes	\$ 167,000	\$ 167,000	\$ 166,400	\$ (600)
Charges for service	25,000	25,000	21,840	(3,160)
TOTAL OPERATING REVENUE	<u>192,000</u>	<u>192,000</u>	<u>188,240</u>	<u>(3,760)</u>
EXPENDITURES				
Current:				
Public works	39,055	39,055	7,894	31,161
Capital outlay	145,000	145,000	108,511	36,489
TOTAL EXPENDITURES	<u>184,055</u>	<u>184,055</u>	<u>116,405</u>	<u>67,650</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,945	7,945	71,835	<u>\$ 63,890</u>
FUND BALANCES - BEGINNING OF YEAR	<u>511,977</u>	<u>511,977</u>	<u>511,977</u>	
FUND BALANCES - END OF YEAR	<u>\$ 519,922</u>	<u>\$ 519,922</u>	<u>\$ 583,812</u>	

See Independent Auditors' Report.