

CITY OF MANCHESTER, MISSOURI

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2010***

CITY OF MANCHESTER, MISSOURI

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BASIC FINANCIAL STATEMENTS

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, 2010, 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, 2010, 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 31 through 32 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.

Botz, Deal & Company

June 15, 2011

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

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, 2010. It should be read in conjunction with the accompanying basic financial statement.

- The City's total net assets decreased by \$44,312,891 in 2010. The current year increase brings the year-end net asset value of the City to \$(21,988,461). Of this amount \$18,815,760 is invested in capital assets, \$10,089,043 represents restricted assets, \$(54,786,798) represents special limited obligation bonds and the remaining \$1,432,664 represents unrestricted assets that can be used to meet the City's ongoing operations.
- As of December 31, 2010, the City's governmental funds reported a combined ending fund balance of \$13,826,005, an increase of \$5,209,722 in comparison with the year ended December 31, 2009.
- At the end of the year, unreserved undesignated fund balance for the General Fund was \$1,853,087 or 20.7% of the General Fund appropriations for the 2010 year.
- The City made total debt service payments of \$1,141,391, of which \$970,000 represents principal. The City also paid \$1,341,250 in debt issuance costs for the issuance of Special Assessment Bond from the proceeds of the debt proceeds and \$1,955,244 in bond payments from Special Revenues.
- During the year, the City's expenses from all governmental programs (before transfers and special items) exceeded revenues by \$3,042,176.
- The general fund reported a net decrease in fund balance of \$2,561,875. This is a decrease of 40.2% over the prior year.

REPORT LAYOUT

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

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

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 (\$21,988,461) as of December 31, 2010. 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, 2010**

Table 1

	2010	2009	Increase (Decrease)
Assets:			
Current and other assets	\$ 15,566,513	\$ 10,336,816	\$ 5,229,697
Capital assets	22,955,660	19,303,902	3,651,758
Total assets	<u>38,522,173</u>	<u>29,640,718</u>	<u>8,881,455</u>
Liabilities:			
Current and other liabilities	1,089,695	1,730,706	(641,011)
Noncurrent liabilities	59,420,939	5,585,582	53,835,357
Total liabilities	<u>60,510,634</u>	<u>7,316,288</u>	<u>53,194,346</u>
Net assets:			
Invested in capital assets net of related debt	18,815,760	14,194,002	4,621,758
Restricted	10,084,043	2,248,212	7,835,831
Unrestricted	(50,888,264)	5,882,216	(56,770,480)
Total net assets	<u>\$ (21,988,461)</u>	<u>\$ 22,324,430</u>	<u>\$ (44,312,891)</u>

Net assets may serve over time as an indicator of the City's financial position. The City's net assets decreased \$44,312,891 to \$(21,988,461) as of December 31, 2010. This decrease is due to the City's 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 \$18,815,760 and \$14,194,002 in 2010 and 2009, 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 \$3,898,531. Unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

Restricted net assets totaled \$10,084,043 at December 31, 2010. Restricted net assets are subject to external restrictions on how they may be used. Of restricted net assets, \$103,228 is restricted for parks, \$162,587 is restricted for capital projects, \$921,967 is restricted for debt service and \$511,977 is restricted for sewer repairs.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

Table 2

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
Revenues:			
Program revenues:			
Charges for service	\$ 955,085	\$ 917,256	\$ 37,829
Capital grants and contributions	345,001	106,607	238,394
General revenues:			
Taxes	13,454,837	9,698,974	3,755,863
Interest income	21,748	116,924	(95,176)
Miscellaneous	191,038	77,114	113,924
Gain on the disposal of capital assets	4,642	-	4,642
Total revenues	<u>14,972,351</u>	<u>10,916,875</u>	<u>4,055,476</u>
Expenses:			
General government	1,146,060	908,945	237,115
Police department	3,399,197	3,153,266	245,931
Public works	3,477,863	3,461,055	16,808
Community development	249,572	301,840	(52,268)
Aquatic center	473,981	395,020	78,961
Recreation	823,704	913,646	(89,942)
Legal and court	271,069	278,635	(7,566)
Interest and fiscal charges	2,7728,925	192,019	2,536,906
Special item: transfer to escrow agent	47,688,390	-	47,688,390
	<u>60,258,761</u>	<u>9,604,426</u>	<u>50,654,335</u>
Increase (decrease) in net assets	(45,286,410)	1,312,449	(46,598,859)
Net assets, beginning of year	22,324,430	21,011,981	1,312,449
Prior period adjustment	973,519	-	973,519
Net assets, end of year	<u>\$ (21,988,461)</u>	<u>\$ 22,324,430</u>	<u>\$ (44,318,891)</u>

The increase in total revenues of \$4,055,476 represents an increase of 37.1%. This deviation from normal growth was partially due to a beginning of a recovery from stagnant economy which had produced lower than expected sales tax revenue around the City. The most significant driver of increased revenue is the opening of a new shopping area in the City, which has boosted the City's sales tax revenue as well as provide for the repayment of the TIF Bonds. Since the city is dependent on varying revenue sources,

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

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

In 2010 sales tax increased \$2,976,968 and property tax increased \$1,077,631 while utility tax decreased \$351,471 over 2009. Interest income decreased \$95,176 due to a decrease in funds invested by the City. Police fines and court costs decreased approximately \$60,000 in 2010 from the amount collected in 2009.

Under the traditional modified accrual reporting the City's 2009 total expense was \$17,501,586. This can be compared with the 2010 total expenses under the same basis of \$17,981,226, which is an increase of \$479,640 from 2009.

Capital expenditures decreased by over \$3,000,000 from 2009 to 2010. The Police Headquarters was completed in 2009, while in 2010 a major storm channel was repaired. In 2010 the City issued the TIF Bonds with issuance costs of \$1,341,250. The increase of \$1,953,545 in principal and interest was a result of the collection and payment of TIF revenues to the Trustee for bond payment.

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 2010	Fiscal Year Ending 2009	Increase (Decrease)	Percentage Change	
Taxes	\$ 13,397,894	\$ 9,699,230	\$ 3,698,664	38.1	%
Licenses and permits	212,298	149,696	62,602	41.8	
Fines and forfeitures	335,036	394,749	(59,713)	(15.1)	
Investment income	21,748	116,924	(95,176)	(81.4)	
Charges for service	407,751	372,811	34,940	9.4	
Miscellaneous	564,323	251,060	313,263	124.8	
Total revenues	<u>\$ 14,939,050</u>	<u>\$ 10,984,470</u>	<u>\$ 3,954,580</u>		

Total revenues in 2010 exceed 2009 by \$3,954,580. 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 and property tax increases are a result of the opening of 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, 2010**

Intergovernmental revenues are made up of taxes imposed and collected by other taxing jurisdictions, which are shared on a proportional basis with other entities such as the City. These taxes include gasoline, vehicle sales, cigarette, and vehicle fees. These sources of revenue increased by approximately \$16,000 from 2009 to 2010.

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 2010, the City received approximately \$31,000 from asset forfeitures. In 2010 the total number of court cases processed decreased, which resulted in decreased income in fines and court cost. In 2010 the city experienced a decrease of approximately \$60,000 from the city's fines and court costs.

Charges for services increased 9.4% in 2010 over 2009. A significant portion of this increase in revenue was weather related. The 2010 swimming season was conducive to residents utilizing the pool.

Miscellaneous revenues increased in 2010 by \$313,263. The primary source of this increase comes from the Missouri Department of Transportation (MODOT) which reimbursed a portion of the reconstruction of a bridge in the City. MODOT contributed about \$371,000 toward the cost of construction in 2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2010, the City had \$27,326,756 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 \$4,671,312 or 20.6% over the prior year.

Table 4

	2010		2009
Land	\$ 1,580,963	\$	1,580,963
Buildings and improvements	16,566,646		15,957,385
Machinery and equipment	1,306,434		1,185,888
Vehicles	1,486,717		1,242,290
Infrastructure	6,000,103		2,688,918
Construction in progress	385,893		-
	\$ 27,326,756	\$	22,655,444

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

The most significant addition to capital assets this fiscal year was the addition of infrastructure. In 2010, approximately \$1,900,000 was spent for a storm channel improvement, \$875,000 for street and sidewalk replacement and \$85,000 for bridge repairs. Construction in progress is a bridge reconstruction to be completed in 2011. Additional information on the City's capital assets is presented in the notes to the financial statements.

DEBT

At year-end, the City had \$59,565,000 in outstanding debt compared to \$5,110,000 at the end of the prior fiscal year, an increase of \$54,455,000.

Table 5

	2010		2009
Certificates of Participation	\$ 115,000	\$	810,000
General Obligation Bonds	4,025,000		4,300,000
TIF Bonds	55,425,000		-
Total	\$ 59,565,000	\$	5,110,000

During the fiscal year, the City made principal payments totaling \$970,000 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, 2010, the governmental funds of the City reported a combined fund balance of \$13,826,005. This ending balance includes an decrease in fund balance of \$2,561,875 in the City's General Fund. The excess of expenditures over revenues in the General Fund of \$581,634 was reduced further by transfers to other funds in the amount of \$1,980,241.

The fund balance decreased by \$1,127,762 in the Parks and Storm Water Projects Fund and included a transfer of \$494,510 from the General Fund. During 2010 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 \$127,631 and included a transfer of \$1,380,496 from the General Fund. During 2010 the City used assets available in this fund to pay debt services and capital outlay expenditures.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

The fund balance increased by \$206,111, in the Debt Service fund.

The fund balance in the TIF Fund increased by \$7,398,485 and included a transfer of \$73,055 from the general fund. The increase was due primarily to debt issuance proceeds which are held as investments to be used for future payment of bond obligations.

General Fund Budgetary Highlights

For 2010, actual revenues in the General Fund were \$7,787,972 compared to the final budget amount of \$9,226,193. There were several categories with variances of note. Sales tax revenue was budgeted with a slight increase for 2010, however sales tax revenue was down from 2009. The Fines and Court Costs revenue budget had been established to reflect the consistently flat revenue. In 2010 Fines and Court Cost revenue actually declined. Investment revenues were significantly lower due to declines in interest rates in 2009 and 2010.

For 2010, actual expenditures were \$8,369,606 compared to the final budget amount of \$8,929,075. When the 2010 budget was prepared, late in 2009, there was an expectation that the police staffing level would increase. The Police Department was without some key positions. Also, with the opening of the Police Facility in 2009, materials and supplies were acquired and have not needed replacement in 2010.

Other changes to the original budget occurred to re-distribute appropriated wage and benefits costs. When the budget is developed, employee annual performance reviews have not occurred. The Mayor and Board of Aldermen, therefore appropriate a dollar amount that may be used to increase wages and related benefit costs as a general pool. Wages increases are effective on January 1 and required a re-distribution to the various departments from the pool.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In 2005 the City established a fund to account for the pre-development costs associated with the consideration of redeveloping a section of the City. In order for the area to be redeveloped, it 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 10% increase in revenues for the 2010 budget over the anticipated 2009 year performance at budget time.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

In preparing the General Fund's operating budgets, department heads were directed to contain costs for 2010 to no more than a 2.5 percent increase, based on the regional CPI for the most recent 12 months. The departmental budget requests were submitted with the discretionary spending budget being requested with an overall 3% increase over the 2009 authorized level.

The City's 2011 anticipated revenue is budgeted at \$17,013,242; the appropriated expenditure level is \$19,241,685, which will result in an excess of current year expenditures over revenues of \$2,228,342. This excess is manageable with an unreserved fund balance of \$3,638,902. The City has established a minimum designated contingency policy of 20% of the General Fund appropriation, which the 2011 budget continues to 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:

David Tuberty
Director of Finance
City of Manchester, Missouri
14318 Manchester Road
Manchester Missouri 63011

CITY OF MANCHESTER, MISSOURI

STATEMENT OF NET ASSETS

DECEMBER 31, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 4,069,248
Taxes receivable:	
Property	1,244,975
Other	2,277,440
Accounts receivable	2,732
Prepaid items	167,218
Interest receivable	4,680
Restricted assets:	
Cash and investments	6,586,168
Deferred charges	1,214,052
Capital assets - net:	
Nondepreciable	1,966,856
Depreciable	20,988,804
TOTAL ASSETS	<u>38,522,173</u>
LIABILITIES	
Accounts payable	236,595
Accrued wages	58,657
Accrued compensated absences	73,147
Escrow payable	16,825
Accrued interest payable	650,576
Court bonds payable	21,976
Accrued and withheld items	31,919
Noncurrent liabilities:	
Due in one year:	
Certificates of Participation	115,000
General Obligation Bonds	290,000
Due in more than one year:	
General Obligation Bonds	3,735,000
Tax Increment Revenue Bonds	54,786,795
Postretirement benefits	494,144
TOTAL LIABILITIES	<u>60,510,634</u>
NET ASSETS	
Invested in capital assets, net of related debt	18,815,760
Restricted:	
Parks and storm water	103,228
Capital projects	162,587
Debt service	921,967
TIF	8,384,284
Sewer repairs	511,977
Unrestricted	(50,888,264)
TOTAL NET ASSETS	<u>\$ (21,988,461)</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, 2010

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Service	Capital Grants and Contributions	Revenue and Change in Net Assets
				Governmental Activities
Governmental Activities				
General government	\$ 1,146,060	\$ 210,790	\$ -	\$ (935,270)
Police department	3,399,197	335,036	-	(3,064,161)
Public works	3,477,863	20,747	337,183	(3,119,933)
Community development	249,572	-	-	(249,572)
Aquatic center	473,981	328,003	-	(145,978)
Recreation	823,704	60,509	7,818	(755,377)
Legal and court	271,069	-	-	(271,069)
Interest and fiscal charges	2,728,925	-	-	(2,728,925)
Special item - transfer to escrow agent of proceeds from TIF bond	47,688,390	-	-	(47,688,390)
TOTAL GOVERNMENTAL ACTIVITIES	\$60,258,761	\$ 955,085	\$ 345,001	(58,958,675)
Taxes:				
Sales				8,680,856
Utility				1,311,578
Property				2,449,093
Franchise				223,656
Other				789,654
Interest income				21,748
Gain on the sale of capital assets				4,642
Other miscellaneous revenue				191,038
TOTAL GENERAL REVENUES				13,672,265
CHANGE IN NET ASSETS				(45,286,410)
NET ASSETS - BEGINNING OF YEAR AS PREVIOUSLY STATED				22,324,430
PRIOR PERIOD ADJUSTMENT				973,519
NET ASSETS - BEGINNING OF YEAR AS RESTATED				23,297,949
NET ASSETS - END OF YEAR				\$ (21,988,461)

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

CITY OF MANCHESTER, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	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	\$ 2,483,264	\$ -	\$ -	\$ 644,130	\$ 407,312	\$ 534,542	\$ 4,069,248
Taxes receivable:							
Property	168,881	-	-	277,837	798,257	-	1,244,975
Other	1,190,414	248,242	211,006	-	594,262	33,516	2,277,440
Accounts receivable	2,732	-	-	-	-	-	2,732
Interest receivable	4,680	-	-	-	-	-	4,680
Prepaid items	167,218	-	-	-	-	-	167,218
Due (to) from other funds	42,989	-	-	-	-	(42,989)	-
Restricted assets:							
Cash and investments	-	76	24	-	6,586,068	-	6,586,168
TOTAL ASSETS AND OTHER DEBITS	\$ 4,060,178	\$ 248,318	\$ 211,030	\$ 921,967	\$ 8,385,899	\$ 525,069	\$ 14,352,461
LIABILITIES							
Accounts payable	\$ 41,547	\$ 145,014	\$ 48,419	\$ -	\$ 1,615	\$ -	\$ 236,595
Accrued wages	58,657	-	-	-	-	-	58,657
Accrued compensated absences	73,147	-	-	-	-	-	73,147
Escrow payable	16,825	-	-	-	-	-	16,825
Court bonds payable	21,976	-	-	-	-	-	21,976
Accrued and withheld items	31,919	-	-	-	-	-	31,919
Deferred revenue	9,987	-	-	77,350	-	-	87,337
TOTAL LIABILITIES	254,058	145,014	48,419	77,350	1,615	-	526,456
FUND BALANCES:							
Fund balances:							
Reserved for prepaid items	167,218	-	-	-	-	-	167,218
Reserved for capital expenditures	-	76	24	-	-	-	100
Unreserved:							
Designated - contingency	1,785,815	-	-	-	-	-	1,785,815
General fund	1,853,087	-	-	-	-	-	1,853,087
Parks and storm water projects fund	-	103,228	-	-	-	-	103,228
Capital projects fund	-	-	162,587	-	-	-	162,587
Special revenue funds	-	-	-	-	8,384,284	525,069	8,909,353
Debt service fund	-	-	-	844,617	-	-	844,617
TOTAL FUND BALANCES	3,806,120	103,304	162,611	844,617	8,384,284	525,069	13,826,005
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,060,178	\$ 248,318	\$ 211,030	\$ 921,967	\$ 8,385,899	\$ 525,069	\$ 14,352,461

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, 2010

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

Total fund balance per balance sheet	\$ 13,826,005
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,955,660
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	87,337
The cost of issuance is an expenditure when the debt is issued, but is deferred and amortized in the statement of activities.	1,214,052
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>(59,420,939)</u>
Net assets of governmental activities	<u><u>\$ 21,988,461</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, 2010**

	General Fund	Parks and Storm Water Projects Fund	Capital Projects Fund	Debt Service Fund	TIF Fund	Other Non-major Funds	Total
REVENUES							
Taxes	\$6,699,976	\$1,278,098	\$ 1,094,153	\$ 635,420	\$ 3,522,761	\$ 167,486	\$ 13,397,894
Licenses and permits	212,298	-	-	-	-	-	212,298
Fines and forfeitures	335,036	-	-	-	-	-	335,036
Investment income	20,990	-	-	-	758	-	21,748
Charges for service	388,512	-	-	-	-	19,239	407,751
Miscellaneous	131,160	7,818	371,306	-	-	54,039	564,323
TOTAL REVENUES	7,787,972	1,285,916	1,465,459	635,420	3,523,519	240,764	14,939,050
EXPENDITURES							
Current:							
General government	984,121	-	-	-	-	-	984,121
Police department	3,081,267	-	-	-	-	-	3,081,267
Public works	2,782,729	-	-	-	-	6,184	2,788,913
Community development	247,303	-	-	-	-	-	247,303
Aquatic center	338,477	-	-	-	-	-	338,477
Recreation	656,872	-	-	-	-	31,706	688,578
Legal department and municipal court	266,599	-	-	-	-	-	266,599
Capital outlay	12,238	2,368,443	2,545,987	-	-	221,415	5,148,083
Debt service:							
Bond issuance costs	-	-	-	-	1,341,250	-	1,341,250
Principal, interest and fiscal charges	-	539,745	172,337	429,309	1,955,244	-	3,096,635
TOTAL EXPENDITURES	8,369,606	2,908,188	2,718,324	429,309	3,296,494	259,305	17,981,226
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(581,634)	(1,622,272)	(1,252,865)	206,111	227,025	(18,541)	(3,042,176)
OTHER FINANCING SOURCES (USES)							
Special assessment bonds issued	-	-	-	-	54,786,795	-	54,786,795
Payments to escrow agent	-	-	-	-	(47,688,390)	-	(47,688,390)
Operating transfer in (out)	(1,980,241)	494,510	1,380,496	-	73,055	32,180	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,980,241)	494,510	1,380,496	-	7,171,460	32,180	7,098,405
CHANGE IN FUND BALANCE	(2,561,875)	(1,127,762)	127,631	206,111	7,398,485	13,639	4,056,229
FUND BALANCES - BEGINNING OF YEAR, AS PREVIOUSLY STATED	6,367,995	1,231,066	(144,994)	638,506	12,280	511,430	8,616,283
PRIOR PERIOD ADJUSTMENT	-	-	179,974	-	973,519	-	1,153,493
FUND BALANCES - BEGINNING OF YEAR AS RESTATED	6,367,995	1,231,066	34,980	638,506	985,799	511,430	9,769,776
FUND BALANCES - END OF YEAR	\$3,806,120	\$ 103,304	\$ 162,611	\$ 844,617	\$ 8,384,284	\$ 525,069	\$ 13,826,005

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, 2010

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

Change in fund balance-total governmental funds	\$ 4,056,229
Revenues that do not provide current financial resources are not included in the fund financial statements.	49,224
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	4,762,457
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(914,802)
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.	(15,923)
The issuance of the debt is an other financing source, but increases long-term liabilities in the statement of net assets and does not affect the statement of activities.	(54,786,795)
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.	(602,290)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	970,000
The cost of issuance is an expenditure when the debt is issued, but is deferred and amortized in the statement of activities.	1,214,052
Increase in accumulated post retirement benefits are recorded when earned in the statement of activities.	<u>(18,562)</u>
Change in net assets of governmental activities	<u><u>\$ (45,286,410)</u></u>

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

CITY OF MANCHESTER, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 and a debt service fund which accounts for property taxes assessed specifically for the retirement of debt.

D. **CAPITAL ASSETS**

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

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 been 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. 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. 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

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. The City has restricted net assets totaling \$10,084,043, which is restricted by enabling legislation or by creditors through debt covenants.

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 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.
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.

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

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, 2010 expenditures exceed appropriations in the funds as follows:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Difference</u>
TIF	\$ 3,057,400	\$ 3,296,494	\$ 239,094

The City did not include debt service payments in the budget.

3. **CASH AND INVESTMENTS**

Cash - At December 31, 2010, the carrying amount of the City's deposits was \$1,483,277 and the bank balances totaled \$1,775,581. 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 an AAA rating.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>		<u>Rating</u>
		<u>0-1 Years</u>	<u>3-6 Years</u>	
U.S. Agency Securities	\$ 2,585,971	\$ 1,037,546	\$ 1,548,425	AAA
Money Market Fund	6,586,168	6,586,168	-	N/A

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent Of Portfolio</u>
FHLMC Callable	Federal agency securities	\$ 1,548,425	16.9%
FHLB Callable	Federal agency securities	1,037,546	11.3
Federated Treasury Obligations Fund	Money Market Fund	6,586,168	71.3

3. **CASH AND 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 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, 2010, upon which the 2010 levy was based for real, personal and public utility property, was \$341,178,779. The City's tax rate was levied at \$.045 (real estate), \$.05 (personal property) and \$.193 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, 2010:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ -	\$ 1,980,241
TIF Fund	73,055	-
Parks and Storm Water Fund	494,510	-
Capital Projects Fund	1,380,496	
Nonmajor funds:		
Homecoming Fund	-	16,118
HRC Fund	48,298	-

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

6. **INTERFUND RECEIVABLES AND PAYABLES**

Due to/from other funds at December 31, 2010 are as follows:

	<u>DUE FROM</u>	<u>DUE TO</u>
General Fund	\$ 42,989	\$ -
Non-major fund:		
HRC Fund	-	42,989

The General Fund provides funds to the Capital Projects Fund, Parks & Storm Water 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, 2010 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	-	385,893
Total capital assets, not being depreciated	<u>1,580,963</u>	<u>385,893</u>	<u>-</u>	<u>1,966,856</u>
Capital assets, being depreciated:				
Buildings and improvements	15,957,385	615,261	(6,000)	16,566,646
Machinery and equipment	1,185,888	124,144	(3,598)	1,306,434
Infrastructure	2,688,918	3,311,185	-	6,000,103
Vehicles	1,242,290	325,961	(81,534)	1,486,717
Total capital assets, being depreciated	<u>21,074,481</u>	<u>4,376,551</u>	<u>(91,132)</u>	<u>25,359,900</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,925,038)	(441,889)	6,000	(2,360,927)
Machinery and equipment	(542,304)	(102,346)	3,598	(641,052)
Infrastructure	(175,469)	(217,227)	-	(392,696)
Vehicles	(888,692)	(153,340)	65,611	(976,421)
Total accumulated depreciation	<u>(3,531,503)</u>	<u>(914,802)</u>	<u>75,209</u>	<u>(4,371,096)</u>
Total capital assets, being depreciated, net	<u>17,542,978</u>	<u>3,461,749</u>	<u>(15,923)</u>	<u>20,988,804</u>
Total governmental activities	<u>\$ 19,123,941</u>	<u>\$ 3,847,642</u>	<u>\$ (15,923)</u>	<u>\$ 22,955,660</u>

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

Governmental activities:	
General government	\$ 33,452
Police Department	315,135
Aquatic center	135,504
Recreation	92,079
Public works	335,005
Legal and court	3,627
Total depreciation expense governmental activities	<u>\$ 914,802</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	\$ 810,000	\$ -	\$ 695,000	\$ 115,000	\$ 115,000
General Obligations Bonds	4,300,000	-	275,000	4,025,000	290,000
Tax Increment					
Revenue Bonds	-	55,425,000	-	55,425,000	-
Less: unamortized discount	-	(638,205)	-	(638,205)	-
Postretirement Benefits	475,582	18,562	-	494,144	-
Total	<u>\$ 5,585,582</u>	<u>\$ 54,805,357</u>	<u>\$ 970,000</u>	<u>\$ 59,420,939</u>	<u>\$ 405,000</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, 2010, there were 17 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, 2010 amounted to \$494,144. The amount recorded as expense for 2010 was \$18,562. No benefits were paid during 2010.

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 \$184,109 to the Plan during 2010. The City's payroll for employees covered by the Plan for the year ended December 31, 2010 was \$3,508,892 or 95.6% of the City's total payroll of \$3,669,110.

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 2010 premium payments to the trusts totaled \$591,972.

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, 2010 expenditures for waste removal totaled \$1,336,412.

14. PRIOR PERIOD ADJUSTMENTS

During the year the City changed the accounting for the TIF Fund, as a result amounts collected in the prior year for debt service payments were no longer recorded as a liability which increased the TIF fund balance by \$973,519. In addition, amounts prepaid for the purchase of a vehicle in the Capital Projects Fund were improperly expensed in the prior year. This correction resulted in an increase to fund balance of \$179,974.

15. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 15, 2011, the date the financial statements were available to be issued.

16. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*, establishes standards for the policies and disclosures for fund balance among other things. GASB 54 will be effective for the City for the year ending December 31, 2011.

The City, however, has not yet completed its assessment of these statements or in the potential impact on its financial position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANCHESTER, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 7,868,393	\$ 7,868,393	\$ 6,699,976	\$ (1,168,417)
Licenses and permits	239,200	239,200	212,298	(26,902)
Fines and forfeitures	500,000	500,000	335,036	(164,964)
Investment income	180,000	180,000	20,990	(159,010)
Charges for service	460,500	356,000	388,512	32,512
Miscellaneous	82,600	82,600	131,160	48,560
TOTAL OPERATING REVENUE	<u>9,330,693</u>	<u>9,226,193</u>	<u>7,787,972</u>	<u>(1,438,221)</u>
EXPENDITURES				
Current:				
General government	1,065,433	1,065,433	984,121	81,312
Police department	3,382,178	3,382,178	3,081,267	300,911
Public works	2,824,287	2,824,287	2,782,729	41,558
Community development	320,622	320,622	247,303	73,319
Aquatic center	338,493	338,493	338,477	16
Recreation	719,336	719,336	656,872	62,464
Legal department and municipal court	278,726	278,726	266,599	12,127
Capital outlay	-	-	12,238	(12,238)
TOTAL EXPENDITURES	<u>8,929,075</u>	<u>8,929,075</u>	<u>8,369,606</u>	<u>559,469</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	401,618	297,118	(581,634)	(878,752)
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	(3,024,040)	(2,883,440)	(1,980,241)	903,199
CHANGE IN FUND BALANCE	(2,622,422)	(2,586,322)	(2,561,875)	<u>\$ 24,447</u>
FUND BALANCES - BEGINNING OF YEAR	<u>6,367,995</u>	<u>6,367,995</u>	<u>6,367,995</u>	
FUND BALANCES - END OF YEAR	<u>\$ 3,745,573</u>	<u>\$ 3,781,673</u>	<u>\$ 3,806,120</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, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 1,325,000	\$ 1,325,000	\$ 1,278,098	\$ (46,902)
Miscellaneous	390,000	390,000	7,818	(382,182)
TOTAL OPERATING REVENUE	<u>1,715,000</u>	<u>1,715,000</u>	<u>1,285,916</u>	<u>(429,084)</u>
EXPENDITURES				
Capital outlay	3,842,600	3,842,600	2,368,443	1,474,157
Debt service:				
Principal, interest and fiscal charges	542,000	542,000	539,745	2,255
TOTAL EXPENDITURES	<u>4,384,600</u>	<u>4,384,600</u>	<u>2,908,188</u>	<u>1,476,412</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,669,600)	(2,669,600)	(1,622,272)	1,047,328
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	1,751,990	1,751,990	494,510	(1,257,480)
CHANGE IN FUND BALANCE	<u>(917,610)</u>	<u>(917,610)</u>	<u>(1,127,762)</u>	<u>\$ (210,152)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,231,066</u>	<u>1,231,066</u>	<u>1,231,066</u>	
FUND BALANCES - END OF YEAR	<u>\$ 313,456</u>	<u>\$ 313,456</u>	<u>\$ 103,304</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, 2010

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, 2010

	Special Revenue Funds			Total
	Homecoming Fund	Sewer Fund	HRC Fund	
ASSETS AND OTHER DEBITS				
Cash and investments	\$ 56,081	\$ 478,461	\$ -	\$ 534,542
Other taxes receivable	-	33,516	-	33,516
Due (to) from other funds	-	-	(42,989)	(42,989)
TOTAL ASSETS AND OTHER DEBITS	\$ 56,081	\$ 511,977	\$ (42,989)	\$ 525,069
FUND BALANCES				
Fund balances:				
Unreserved:				
Homcoming Fund	\$ 56,081	\$ -	\$ -	\$ 56,081
Sewer Fund	-	511,977	-	511,977
HRC Fund	-	-	(42,989)	(42,989)
TOTAL FUND BALANCES	\$ 56,081	\$ 511,977	\$ (42,989)	\$ 525,069

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, 2010

	Special Revenue Funds			Total
	Homcoming Fund	Sewer Fund	HRC Fund	
REVENUE				
Taxes	\$ -	\$ 167,486	\$ -	\$ 167,486
Charges for service	-	19,239	-	19,239
Miscellaneous	25,672	-	28,367	54,039
TOTAL REVENUE	<u>25,672</u>	<u>186,725</u>	<u>28,367</u>	<u>240,764</u>
EXPENDITURES				
Current:				
Public works	-	6,184	-	6,184
Recreation	31,706	-	-	31,706
Capital outlay	-	101,761	119,654	221,415
TOTAL EXPENDITURES	<u>31,706</u>	<u>107,945</u>	<u>119,654</u>	<u>259,305</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,034)	78,780	(91,287)	(18,541)
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	(16,118)	-	48,298	32,180
CHANGE IN FUND BALANCE	(22,152)	78,780	(42,989)	13,639
FUND BALANCES - BEGINNING OF YEAR	<u>78,233</u>	<u>433,197</u>	<u>-</u>	<u>511,430</u>
FUND BALANCES - END OF YEAR	<u>\$ 56,081</u>	<u>\$ 511,977</u>	<u>\$ (42,989)</u>	<u>\$ 525,069</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, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 1,287,000	\$ 1,287,000	\$ 1,094,153	\$ (192,847)
Miscellaneous	-	-	371,306	371,306
TOTAL OPERATING REVENUE	<u>1,287,000</u>	<u>1,287,000</u>	<u>1,465,459</u>	<u>178,459</u>
EXPENDITURES				
Capital outlay	2,589,572	2,589,572	2,545,987	43,585
Debt service:				
Principal, interest and fiscal charges	171,000	171,000	172,337	(1,337)
TOTAL EXPENDITURES	<u>2,760,572</u>	<u>2,760,572</u>	<u>2,718,324</u>	<u>42,248</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,473,572)	(1,473,572)	(1,252,865)	220,707
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	1,055,174	1,055,174	1,380,496	325,322
CHANGE IN FUND BALANCE	(418,398)	(418,398)	127,631	<u>\$ 546,029</u>
FUND BALANCES - BEGINNING OF YEAR, AS PREVIOUSLY STATED	(144,994)	(144,994)	(144,994)	
PRIOR PERIOD ADJUSTMENT	<u>179,974</u>	<u>179,974</u>	<u>179,974</u>	
FUND BALANCES - END OF YEAR, AS RESTATED	<u>\$ (383,418)</u>	<u>\$ (383,418)</u>	<u>\$ 162,611</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, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 661,000	\$ 661,000	\$ 635,420	\$ (25,580)
EXPENDITURES				
Debt service:				
Principal, interest and fiscal charges	<u>450,000</u>	<u>450,000</u>	<u>429,309</u>	<u>20,691</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	211,000	211,000	206,111	<u>\$ (46,271)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>638,506</u>	<u>638,506</u>	<u>638,506</u>	
FUND BALANCES - END OF YEAR	<u>\$ 849,506</u>	<u>\$ 849,506</u>	<u>\$ 844,617</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, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 2,941,000	\$ 2,941,000	\$ 3,522,761	\$ 581,761
Investment income	-	-	758	758
TOTAL OPERATING REVENUE	<u>2,941,000</u>	<u>2,941,000</u>	<u>3,523,519</u>	<u>582,519</u>
EXPENDITURES				
Current:				
Community development	20,000	20,000	-	20,000
Debt service	3,037,400	3,037,400	3,296,494	(259,094)
TOTAL EXPENDITURES	<u>3,057,400</u>	<u>3,057,400</u>	<u>3,296,494</u>	<u>(239,094)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(116,400)	(116,400)	227,025	343,425
OTHER FINANCING SOURCES (USES)				
Special assessment bonds issued	-	-	54,786,795	54,786,795
Payments to escrow agent	-	-	(47,688,390)	(47,688,390)
Operating transfers in (out)	76,276	76,276	73,055	(3,221)
TOTAL OTHER FINANCING SOURCES (USES)	<u>76,276</u>	<u>76,276</u>	<u>7,171,460</u>	<u>7,095,184</u>
CHANGE IN FUND BALANCE	(40,124)	(40,124)	7,398,485	<u>\$ 7,438,609</u>
FUND BALANCES - BEGINNING OF YEAR, AS PREVIOUSLY STATED	12,280	12,280	12,280	
PRIOR PERIOD ADJUSTMENT	<u>973,519</u>	<u>973,519</u>	<u>973,519</u>	
FUND BALANCES - END OF YEAR AS RESTATED	<u>\$ 945,675</u>	<u>\$ 945,675</u>	<u>\$ 8,384,284</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, 2010

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
OPERATING REVENUE				
Miscellaneous	\$ 30,500	\$ 30,500	\$ 25,672	\$ (4,828)
EXPENDITURES				
Current:				
Recreation	42,343	42,343	31,706	10,637
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,843)	(11,843)	(6,034)	5,809
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	(16,118)	(16,118)
CHANGE IN FUND BALANCE	(11,843)	(11,843)	(22,152)	\$ (10,309)
FUND BALANCES - BEGINNING OF YEAR	78,233	78,233	78,233	
FUND BALANCES - END OF YEAR	\$ 66,390	\$ 66,390	\$ 56,081	

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, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OPERATING REVENUE				
Taxes	\$ 167,000	\$ 167,000	\$ 167,486	\$ 486
Charges for service	30,000	30,000	19,239	(10,761)
TOTAL OPERATING REVENUE	<u>197,000</u>	<u>197,000</u>	<u>186,725</u>	<u>(10,275)</u>
EXPENDITURES				
Current:				
Public works	45,277	45,277	6,184	39,093
Capital outlay	150,000	150,000	101,761	48,239
TOTAL EXPENDITURES	<u>195,277</u>	<u>195,277</u>	<u>107,945</u>	<u>87,332</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,723	1,723	78,780	<u>\$ 77,057</u>
FUND BALANCES - BEGINNING OF YEAR	<u>433,197</u>	<u>433,197</u>	<u>433,197</u>	
FUND BALANCES - END OF YEAR	<u>\$ 434,920</u>	<u>\$ 434,920</u>	<u>\$ 511,977</u>	

See Independent Auditors' Report.