

City of Manchester, Missouri

**Financial Statements, Independent Auditor's Reports
and Supplementary Information**

December 31, 2013



City of Manchester, Missouri
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of
the Board of Aldermen
City of Manchester, Missouri

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 29-32 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 operational, 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.

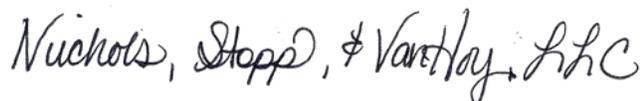
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2014, on our consideration of the City of Manchester, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Manchester, Missouri's internal control over financial reporting and compliance.



Creve Coeur, Missouri
June 2, 2014

Management Discussion & Analysis (Unaudited)

CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2013

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, 2013. It should be read in conjunction with the accompanying basic financial statement.

- The City's total net position increased by \$3,087,607 in 2013. The current year increase brings the year-end net asset value of the City to \$(14,448,417). Of this amount \$23,852,195 is invested in capital assets, \$12,731,223 represents restricted amounts, \$(51,744,074) represents special limited obligation bonds and the remaining \$712,239 represents unrestricted amounts that can be used to meet the City's ongoing operations.
- As of December 31, 2013, the City's governmental funds reported a combined ending fund balance of \$14,517,059, a decrease of \$(266,670) in comparison with the year ended December 31, 2012.
- At the end of the year, unassigned fund balance for the General Fund was \$(49,117) or (0.5%) of the General Fund appropriations for the 2013 year.
- The City made total debt service payments of \$6,017,993, of which \$2,455,000 represents principal.
- The general fund reported a net decrease in fund balance of \$(117,799).

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 (Unaudited)
DECEMBER 31, 2013

Basic Financial Statements

- The Statement of Net Position 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 Revenues, Expenses, and Change in Net Position 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 position was (\$14,448,417) as of December 31, 2013. 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 (Unaudited)
DECEMBER 31, 2013**

Table 1

	2013	2012	Increase (Decrease)
Assets:			
Current and other assets	\$ 15,009,958	\$ 15,651,536	\$ (641,578)
Capital Assets	26,625,341	25,603,334	1,022,007
Total Assets	<u>41,635,299</u>	<u>41,254,870</u>	<u>380,429</u>
Liabilities:			
Current and other liabilities	1,582,889	1,366,041	216,848
Noncurrent liabilities	<u>54,500,827</u>	<u>57,424,853</u>	<u>(2,924,026)</u>
Total liabilities	<u>56,083,716</u>	<u>58,790,894</u>	<u>(2,707,178)</u>
Net position:			
Invested in capital assets net of related debt	23,852,195	22,319,021	1,533,174
Restricted	12,731,223	13,019,058	(287,835)
Unrestricted	<u>(51,031,835)</u>	<u>(52,874,103)</u>	<u>1,842,268</u>
Total net Position	<u>\$ (14,448,417)</u>	<u>\$ (17,536,024)</u>	<u>\$ 3,087,607</u>

Net position may serve over time as an indicator of the City's financial position. The City's net position increased \$3,087,607 to (\$14,448,417) as of December 31, 2013. This increase is due primarily to a reduction in outstanding debt in 2013. \$1,960,000 of tax increment financing (TIF) bonds were redeemed in 2013 and paid out of TIF revenue. The TIF debt is not a general obligation of the City, and the City does not own the property. \$550,000 of The General Obligation Bonds were redeemed bringing the total reduction of our long-term obligation to \$2,455,000.

A portion of the City's net position reflect its investment in capital assets, net of related debt and unrestricted balances, which total \$23,852,195 and \$22,418,334 in 2013 and 2012, respectively. The City uses capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Unrestricted amounts apart from the TIF obligation are, as noted above \$712,239. Unrestricted amounts may be used to meet the City's ongoing obligations to citizens and creditors.

Restricted amounts totaled \$12,731,223 at December 31, 2013. Restricted amounts are subject to external restrictions on how they may be used. Of restricted, \$1,245,142 is restricted for parks projects, \$9,988,792 is restricted TIF fund, \$698,503 is restricted for

CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2013

debt service, \$1 is restricted for parks and recreation, \$576,818 is restricted for sewer repairs, and \$509,802 is restricted for capital projects.

Table 2

	2013	2012	Increase (Decrease)
Revenue			
Program revenues			
Charges for services	\$ 1,091,653	\$ 1,111,627	\$ (19,974)
Capital grants and contributions	331,755	208,479	123,276
General revenues			
Taxes	15,910,229	15,140,368	769,861
Investment return	36,069	151,523	(115,454)
Miscellaneous	67,717	234,659	(166,942)
Total revenues	<u>17,437,423</u>	<u>16,846,656</u>	<u>590,767</u>
Expenses:			
General government	1,852,779	1,410,695	442,084
Police department	3,492,549	3,460,970	31,579
Public works	3,511,676	3,535,613	(23,937)
Community development	266,928	253,670	13,258
Aquatic center	518,331	500,993	17,338
Recreation	809,965	837,289	(27,324)
Legal and court	333,794	348,497	(14,703)
Interest and fiscal charges	3,563,794	3,750,063	(186,269)
Total liabilities	<u>14,349,816</u>	<u>14,097,790</u>	<u>252,026</u>
Increase (decrease) in net position	3,087,607	2,748,866	338,741
Net position, beginning of year	(17,536,024)	(19,211,764)	1,675,740
Prior period adjustment	-	(1,073,126)	1,073,126
Net position, end of year	<u>\$(14,448,417)</u>	<u>\$(17,536,024)</u>	<u>\$3,087,607</u>

The increase in total revenues of \$590,767 represents an increase of 3.5%. This increase in revenues is slightly higher than the national growth of 4.2% at the end of 2013. 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 (Unaudited)
DECEMBER 31, 2013**

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

In 2013 sales tax increased \$930,958. Of that increase, about \$113,000 is in the general fund. The remainder is due primarily to the increase in TIF Fund revenues. Utility tax increased \$24,885. Property tax decreased \$(197,949) from 2012. Interest income decreased \$(115,454) due to a 2012 recovery in the fair market value of funds invested by the City for the future debt service of the TIF Bonds. The 2012 increase in fair value produced a much higher investment income than in 2013 which did not have significant increases. Police fines and court costs increased \$18,938 in 2013 from the amount collected in 2012.

The City's 2013 total expense increased \$252,026. This can be compared with the 2012 total expenses under the same basis of \$15,181,262, which is an increase of \$700,246.

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 2013	Fiscal Year Ending 2012	Increase (Decrease)	Percentage Change
Property taxes	\$ 1,934,222	\$ 2,092,373	\$ (158,151)	-7.6%
Taxes-other	14,015,805	13,012,241	1,003,564	7.7%
Grants	331,755	317,075	14,680	4.6%
Licenses and permits	237,455	233,848	3,607	1.5%
Fines and forfeitures	438,464	460,612	(22,148)	-4.8%
Charges for services	415,734	417,167	(1,433)	-0.3%
Investment income	36,069	151,523	(115,454)	-76.2%
Other	120,508	142,208	(21,700)	-15.3%
	<u>\$17,530,012.00</u>	<u>\$16,827,047.00</u>	<u>\$ 702,965.00</u>	

Total revenues in 2013 exceed 2012 by \$702,965. 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.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2013**

The new properties in the TIF district generated property taxes that are also directed toward the payment of the bonds.

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 \$8,000 from 2012 to 2013.

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 2013, the City received approximately \$13,000 from asset forfeitures. In 2013 the city experienced a decrease of approximately \$22,000 from the City's fines and court costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2012, the City had \$32,137,252 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 \$1,682,449 or 5.5% over the prior year.

Table 4

	2013	2012
Land	\$ 1,580,963	\$ 1,580,963
Buildings and improvements	18,290,340	17,894,498
Machinery and equipment	1,725,934	1,486,013
Vehicles	1,730,928	1,649,378
Infrastructure	9,620,325	8,812,349
Construction in progress	1,417,292	714,051
	\$ 34,365,782	\$ 32,137,252

The most significant addition to capital assets this fiscal year was the addition of infrastructure. In 2013, approximately \$808,000 was added for street and sidewalk replacement. Improvements to the park were added of approximately \$333,000. Construction in progress is for 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 (Unaudited)
DECEMBER 31, 2013**

DEBT

At year-end, the City had \$54,925,000 in outstanding debt compared to \$57,380,000 at the end of the prior fiscal year, a decrease of \$2,455,000.

Table 5

	2013	2012
General Obligation Bonds	\$ 2,690,000	\$ 3,185,000
TIF Bonds	52,235,000	54,195,000
	\$ 54,925,000	\$ 57,380,000

During the fiscal year, the City made principal payments totaling \$2,455,000 during the year. 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, 2013, the governmental funds of the City reported a combined fund balance of \$14,517,059. This ending balance includes a decrease in fund balance of \$(117,799) in the City's General Fund. The excess of expenditures over revenues in the General Fund of \$(529,141) was reduced further by transfers to other funds in the amount of \$283,168, but increased by a recovery of funds transferred in prior year of \$694,510.

The fund balance decreased by \$(8,437) in the Parks and Storm Water Projects Fund. During 2013 the City used assets available in this fund to pay capital outlay expenditures.

The fund balance in the Capital Projects Fund decreased by \$(310,442). During 2013 the City used assets available in this fund to pay capital outlay expenditures.

The fund balance increased by \$24,485, in the Debt Service fund.

The fund balance in the TIF Fund increased by \$97,797 and included a transfer of \$273,168 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 (Unaudited)
DECEMBER 31, 2013**

General Fund Budgetary Highlights

For 2013, actual revenues in the General Fund were \$8,202,013 compared to the final budget amount of \$9,223,000. There were several categories with variances of note. Sales tax revenue was budgeted with an increase for 2013; however the increase in sales tax revenue from 2012 was not as high as expected. All other tax areas were also short of expectations. The Fines and Court Costs revenue budget had been established to reflect the consistently flat revenue. Investment income was short of expectation due to the decrease in fair market value of the investments.

For 2013, actual expenditures were \$8,731,154 compared to the final budget amount of \$8,972,964. When the 2013 budget was prepared, late in 2012, there was an expectation that the police staffing level would increase. The Police Department has spent 2013 bringing staff to an appropriate level. Expenditures for the Aquatic center and Recreation were also less than anticipated due to a hot summer and required less in personnel costs.

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 sales tax revenue to stabilize, the City projected a 0.5% increase in revenues for the 2013 budget over the anticipated 2012 year performance at budget time.

In preparing the General Fund's operating budgets, department heads were directed to contain costs for 2013 to an increase based on the expected increases in payroll and insurance as well as specific needs for operation. The departmental budget requests were submitted with the discretionary spending budget being requested with an overall 1.80% increase over the 2012 authorized level.

The City's 2014 anticipated revenue is budgeted at \$18,738,800; the appropriated expenditure level is \$17,876,769, which will result in an excess of current year revenues over expenditures of \$862,031. This excess will contribute to the unreserved fund balance expected to be approximately \$437,000. The City has established a minimum designated contingency policy of 20% of the General Fund appropriation, which the 2013 budget continues to exceed.

**CITY OF MANCHESTER, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
DECEMBER 31, 2013**

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 Position
December 31, 2013

	Governmental Activities
Assets	
Current Assets:	
Cash and cash equivalents	\$ 1,288,644
Investments	1,409,757
Restricted cash and equivalents	2,645,704
Restricted investments	5,426,896
Receivables, net:	
Taxes	4,163,847
Interest	395
Other	-
Prepaid items	74,715
Total Current Assets	15,009,958
Noncurrent Assets:	
Land and construction in progress	2,998,255
Other capital assets, net	23,627,086
Total Noncurrent Assets	26,625,341
Total Assets	41,635,299
Deferred Outflows of Resources	-
Liabilities	
Current Liabilities:	
Accounts payable	159,857
Accrued wages	105,698
Accrued compensated absences	74,083
Escrow payable	140,667
Court bonds payable	21,370
Accrued interest payable	571,214
Current portion of General Obligation Bonds payable	510,000
Total Current Liabilities	1,582,889
Noncurrent Liabilities:	
General Obligation Bonds payable, net	2,773,146
Less: current portion	(510,000)
Tax Increment Revenue Bonds payable, net	51,744,074
Postretirement benefits	493,607
Total Noncurrent Liabilities	54,500,827
Total Liabilities	56,083,716
Deferred Inflows of Resources	-
Net Position	
Invested in capital assets, net of related debt	23,852,195
Restricted:	
Enabling legislation	12,773,240
Unrestricted	(51,073,852)
Total Net Position	\$ (14,448,417)

See Notes to the Financial Statements

City of Manchester, Missouri
Statement of Activities
For the year ended December 31, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Change in Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 1,852,779	\$ 237,455	\$ 89,855	\$ -	\$ (1,525,469)
Police department	3,492,549	479,550	-	-	(3,012,999)
Public works	3,511,676	18,913	-	52,094	(3,440,669)
Community development	266,928	-	-	-	(266,928)
Aquatic center	518,331	252,269	-	-	(266,062)
Recreation	809,965	103,466	-	189,806	(516,693)
Legal and court	333,794	-	-	-	(333,794)
Interest and fiscal charges	3,563,794	-	-	-	(3,563,794)
	<u>\$ 14,349,816</u>	<u>\$ 1,091,653</u>	<u>\$ 89,855</u>	<u>\$ 241,900</u>	<u>\$ (12,926,408)</u>
			General Revenues:		
			Taxes:		
				Sales	\$ 11,735,875
				Utility	1,314,029
				Property	1,894,424
				Franchise	259,387
				Other	706,514
				Investment income	36,069
				Other miscellaneous revenue	67,717
				Total General Revenues	<u>\$ 16,014,015</u>
				Change in Net Position	\$ 3,087,607
				Net Position - Beginning of Year	<u>(17,536,024)</u>
				Net Position - End of Year	<u><u>\$ (14,448,417)</u></u>

See Notes to the Financial Statements

City of Manchester, Missouri
Balance Sheet - Governmental Funds
December 31, 2013

	General Fund	Parks and Storm Water Projects Fund	Capital Projects Fund	Debt Service Fund	TIF Fund	Nonmajor Governmental Funds	Total
Assets							
Cash and cash equivalents	\$ (840,612)	\$ 979,838	\$ 14,448	\$ 424,879	\$ 161,615	\$ 548,476	\$ 1,288,644
Investments	1,409,757	-	-	-	-	-	1,409,757
Restricted cash and cash equivalents	-	-	-	-	2,645,704	-	2,645,704
Restricted investments	-	-	-	-	5,426,896	-	5,426,896
Receivables, net:							
Taxes	1,464,375	275,199	241,690	283,246	1,852,379	46,958	4,163,847
Interest	395	-	-	-	-	-	395
Other	-	-	-	-	-	-	-
Prepaid items	74,715	-	-	-	-	-	74,715
Due from (to) other funds	42,017	-	-	-	-	(42,017)	-
Total Assets	<u>2,150,647</u>	<u>1,255,037</u>	<u>256,138</u>	<u>708,125</u>	<u>10,086,594</u>	<u>553,417</u>	<u>15,009,958</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,150,647</u>	<u>\$ 1,255,037</u>	<u>\$ 256,138</u>	<u>\$ 708,125</u>	<u>\$ 10,086,594</u>	<u>\$ 553,417</u>	<u>\$ 15,009,958</u>
Liabilities							
Accounts payable	\$ 81,787	\$ 18,332	\$ 56,778	\$ -	\$ 35	\$ 2,925	\$ 159,857
Accrued wages	105,698	-	-	-	-	-	105,698
Escrow payable	140,667	-	-	-	-	-	140,667
Court bonds payable	21,370	-	-	-	-	-	21,370
Total Liabilities	<u>349,522</u>	<u>18,332</u>	<u>56,778</u>	<u>-</u>	<u>35</u>	<u>2,925</u>	<u>427,592</u>
Deferred Inflows of Resources							
Unavailable revenue - property taxes	15,289	-	-	50,018	-	-	65,307
Fund Balances							
Nonspendable:							
Prepaid items	74,715	-	-	-	-	-	74,715
Restricted:							
Special revenue fund	-	1,236,705	199,360	658,107	10,086,559	592,509	12,773,240
Committed:							
Contingency	1,760,238	-	-	-	-	-	1,760,238
Unassigned	(49,117)	-	-	-	-	(42,017)	(91,134)
Total Fund Balances	<u>1,785,836</u>	<u>1,236,705</u>	<u>199,360</u>	<u>658,107</u>	<u>10,086,559</u>	<u>550,492</u>	<u>14,517,059</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,150,647</u>	<u>\$ 1,255,037</u>	<u>\$ 256,138</u>	<u>\$ 708,125</u>	<u>\$ 10,086,594</u>	<u>\$ 553,417</u>	<u>\$ 15,009,958</u>

See Notes to the Financial Statements

City of Manchester, Missouri
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
December 31, 2013

Total Governmental Fund Balances	\$ 14,517,059
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	26,625,341
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are not reported in the funds	65,307
Interest payable recorded in the statement of net position does not require the use of current financial resources and, therefore, is not reported in the funds	(571,214)
Long-term liabilities, including bonds payable, compensated absences and postretirement benefits, are not due and payable in the current period and, therefore, are not reported in the funds:	
General Obligation Bonds	(2,773,146)
Tax Increment Revenue Bonds	(51,744,074)
Compensated Absences	(74,083)
Postretirement benefits	(493,607)
	(14,448,417)
Total Net Position of Governmental Activities	\$ (14,448,417)

See Notes to the Financial Statements

City of Manchester, Missouri
Combined Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended December 31, 2013

	General Fund	Parks and Storm Water Projects Fund	Capital Projects Fund	Debt Service Fund	TIF Fund	Nonmajor Governmental Funds	Total
Revenues							
Property taxes	\$ 147,163	\$ -	\$ -	\$ 578,601	\$ 1,208,458	\$ -	\$ 1,934,222
Taxes - other	6,820,937	1,441,153	1,232,955	-	4,354,967	165,793	14,015,805
Grants	89,855	189,806	52,094	-	-	-	331,755
Licenses and permits	237,455	-	-	-	-	-	237,455
Fines and forfeitures	438,464	-	-	-	-	-	438,464
Charges for services	396,821	-	-	-	-	18,913	415,734
Investment income	6,126	-	-	-	29,943	-	36,069
Other	65,192	6	26,014	-	-	29,296	120,508
	<u>\$ 8,202,013</u>	<u>\$ 1,630,965</u>	<u>\$ 1,311,063</u>	<u>\$ 578,601</u>	<u>\$ 5,593,368</u>	<u>\$ 214,002</u>	<u>\$ 17,530,012</u>
Expenditures							
Current:							
General government	\$ 1,166,269	\$ -	\$ -	\$ -	\$ 304,892	\$ -	\$ 1,471,161
Police department	3,156,905	-	-	-	-	-	3,156,905
Public works	2,858,351	-	-	-	-	39,382	2,897,733
Community development	253,575	-	-	-	-	7,297	260,872
Aquatic center	338,376	-	-	-	-	-	338,376
Recreation	627,511	-	-	-	-	36,228	663,739
Legal/court	330,167	-	-	-	-	-	330,167
Capital outlay	-	1,144,892	1,421,505	-	-	167,422	2,733,819
Debt service:							
Principal	-	-	-	495,000	1,960,000	-	2,455,000
Interest and fiscal charges	-	-	-	59,116	3,503,877	-	3,562,993
	<u>\$ 8,731,154</u>	<u>\$ 1,144,892</u>	<u>\$ 1,421,505</u>	<u>\$ 554,116</u>	<u>\$ 5,768,769</u>	<u>\$ 250,329</u>	<u>\$ 17,870,765</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(529,141)</u>	<u>486,073</u>	<u>(110,442)</u>	<u>24,485</u>	<u>(175,401)</u>	<u>(36,327)</u>	<u>(340,753)</u>
Other Financing Sources (Uses)							
Transfers in	\$ 411,342	\$ -	\$ -	\$ -	\$ 273,168	\$ 10,000	\$ 694,510
Transfers out	-	(494,510)	(200,000)	-	-	-	(694,510)
	<u>\$ 411,342</u>	<u>\$ (494,510)</u>	<u>\$ (200,000)</u>	<u>\$ -</u>	<u>\$ 273,168</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Net Change in Fund Balance	(117,799)	(8,437)	(310,442)	24,485	97,767	(26,327)	(340,753)
Fund Balance (Deficit), January 1 - Restated	1,903,635	1,245,142	509,802	633,622	9,988,792	576,819	14,857,812
Fund Balance (Deficit), December 31	<u>\$ 1,785,836</u>	<u>\$ 1,236,705</u>	<u>\$ 199,360</u>	<u>\$ 658,107</u>	<u>\$ 10,086,559</u>	<u>\$ 550,492</u>	<u>\$ 14,517,059</u>

See Notes to the Financial Statements

City of Manchester, Missouri
Reconciliation of the Combined Statement of Revenue, Expenditures,
and Changes in Fund Balances - Governmental Funds to the Statement of Activities
December 31, 2013

Change in fund balance-total governmental funds	(340,753)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues that do not provide current financial resources are not included in the fund financial statements.	(39,798)
The acquisition of capital assets requires the use of current financial resources but has no effect on net position	2,416,657
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities	(1,341,859)
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 sale increases financial resources.	(52,791)
The increase in interest payable and the amortization of bond premium/discount do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds	(801)
Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	2,455,000
Increase in accumulated post retirement benefits are recorded when earned in the statement of activities.	(8,048)
Change in net position of governmental activities	3,087,607

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 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:

Reporting Entity

The City applies the criteria set forth in Statement No. 61 of the Governmental Accounting Standards Board, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* (GASB 61), 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.

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 position and the statement of activities, and reports 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.

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 Tax Increment Financing (TIF) Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, deferred outflows, liabilities, deferred inflows, 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.

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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 fund 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.

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 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.

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

The government-wide financial statements do not reflect those infrastructure assets completed prior to January 1, 2004. From 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.

Use of 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.

Restricted Cash and Investments

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

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.

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.

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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 position. Initial-issue bond premiums and discounts 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 included as an expense. Amortization of bond premiums or discounts 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.

Net Position and Fund Balance/Equity

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

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 position reports a restricted portion of \$12,773,240, 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 passing a resolution, 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 Aldermen or an official to which the Board of Aldermen has delegated the authority to assign amounts for specific purposes.

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance/Equity (continued)

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.

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.

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 various department heads, prepares a budget of estimated revenues and expenditures for the forthcoming year and delivers to the City Administrator.
2. The City Administrator reviews the proposed expenditures with the Director of Finance and the department heads, and, after the necessary revisions have been made, submits the budget to the Mayor and the Board of Aldermen in September of each year.
3. The Board of Aldermen will then hold budget work sessions with the City Administrator and staff to make final revisions to the proposed budget.
4. The budget is legally enacted by ordinance prior to January 1 of the year to which it applies.
5. The City Administrator is authorized to transfer within a fund any unexpended balances. The Board of Aldermen must approve all fund transfers.
6. 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.

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

7. 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.

Note 2 - Cash and Investments

Deposits and investments held by at the City at December 31, 2013 consisted of the following:

<u>Type</u>	<u>Maturities</u>	<u>2013 FMV</u>
Unrestricted Deposits:		
Petty cash	n/a	\$ 700
Demand deposits	n/a	1,287,944
Total Unrestricted Deposits		<u>\$ 1,288,644</u>
Restricted Deposits:		
Demand deposits	n/a	\$ -
Deposits	n/a	2,645,704
Total Restricted Deposits		<u>\$ 2,645,704</u>
Unrestricted Investments:		
Certificate of deposit	6/29/16	\$ 251,652
Certificate of deposit	6/29/16	251,625
Certificate of deposit	6/29/16	251,620
Freddie Mac FHLMC callable	6/27/17	654,860
Total Unrestricted Investments		<u>\$ 1,409,757</u>
Restricted Investments:		
Government & agency bonds	Various	\$ 2,812,806
Corporate bonds & certificate of deposits	Various	1,881,545
Money market & other	Various	732,545
Total Restricted Investments		<u>\$ 5,426,896</u>

At December 31, 2013, the carrying amount of the City's deposits was \$3,934,348 and the bank balances totaled \$4,397,139. All deposits were covered by the Federal Deposit Insurance Corporation (FDIC), the Securities Insurance Protection Corporation (SIPC), or pledged securities.

<u>Restricted Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>			<u>Rating</u>
		<u>0-3 Years</u>	<u>3-6 Years</u>	<u>6+ Years</u>	
Government & agency bonds	\$ 2,812,806	\$ -	\$ 51,886	\$ 2,760,920	AA
Corporate bonds & CD's	1,881,545		1,338,908	542,637	AA
Money market & other	732,545	732,545		-	N/A
Total Restricted Investments	<u>\$ 5,426,896</u>	<u>\$ 732,545</u>	<u>\$ 1,390,794</u>	<u>\$ 3,303,557</u>	

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 2 - Cash and Investments (continued)

Credit Risk

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

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	\$ 682,158	12.6%
FNMA	Federal agency securities	570,902	10.5%
FHLMC	Federal agency securities	1,171,005	21.6%

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

Note 3 - Property Taxes

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, 2013, upon which the 2013 levy was based for real, personal and public utility property, was \$342,193,502. The City's tax rate was levied at \$.045 (real estate) and \$0.050 (personal property) per \$100 of assessed valuation for the General Fund and \$.193 per \$100 of assessed valuation for the Debt Service Fund.

Note 4 - Interfund Transactions

Interfund receivables/payables at December 31, 2013 consists of the following:

	Due From:	Due To:
General Fund	\$ 42,017	\$ -
Non-major fund: HRC Fund	-	42,017
	\$ 42,017	\$ 42,017

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 4 - Interfund Transactions (continued)

The following transfers were made during the fiscal year ending December 31, 2013:

	Transfers In	Transfers Out
General Fund	\$ 411,342	\$ -
Parks and Storm Water Projects Fund	-	494,510
Capital Projects Fund	-	200,000
TIF Fund	273,168	-
Nonmajor Fund: Manchester Arts Fund	10,000	-
	\$ 694,510	\$ 694,510

Note 5 - Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2013 is as follows:

	Balance at Dec. 31, 2012	Additions	Deletion	Balance at Dec. 31, 2013
<u>Governmental activities:</u>				
Non-depreciable capital assets				
Land	\$ 1,580,963	\$ -	\$ -	\$ 1,580,963
Construction in process	714,051	1,395,690	(692,449)	1,417,292
Total non-depreciable capital assets	\$ 2,295,014	\$ 1,395,690	\$ (692,449)	\$ 2,998,255
Depreciable capital assets				
Buildings and improvements	\$ 17,894,498	\$ 395,842	\$ -	\$ 18,290,340
Machinery and equipment	1,486,013	268,814	(28,893)	1,725,934
Infrastructure	8,812,349	807,976	-	9,620,325
Vehicles	1,649,378	240,789	(159,239)	1,730,928
Total depreciable capital assets	29,842,238	1,713,421	(188,132)	31,367,527
Less: accumulated depreciation				
Buildings and improvements	(3,354,258)	(554,112)	-	(3,908,370)
Machinery and equipment	(862,987)	(146,148)	17,336	(991,799)
Infrastructure	(1,156,301)	(460,821)	-	(1,617,122)
Vehicles	(1,160,372)	(180,785)	118,007	(1,223,150)
Total accumulated depreciation	(6,533,918)	(1,341,866)	135,343	(7,740,441)
Total depreciable capital assets, net	\$ 23,308,320	\$ 371,555	\$ (52,789)	\$ 23,627,086

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 5 - Capital Assets (continued)

Depreciation expense was charged to functions/programs of the Primary Government for the year ended December 31, 2013 as follows:

General government	\$ 56,406
Police department	335,644
Public works	613,943
Community development	6,056
Aquatic center	179,955
Recreation	146,226
Legal/court	3,627
	<u>\$ 1,341,857</u>

Note 6 - Long-Term Debt

General Obligation Bonds

The City issued general obligation bonds 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 are accumulated in the Debt Service Fund to make future principal and interest payments. The original amount of general obligation bonds issued in prior years was \$6,500,000. During 2012, general obligation bonds of \$3,185,000 were issued to refund the outstanding balance. The refunding bonds bear interest at 2.0% and mature March 2018.

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.

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, 2013, there were 66 employees eligible to receive benefits upon meeting the service requirements. The City has accrued this liability in the government-wide statements as a noncurrent liability. The balance at December 31, 2013 amounted to \$493,607. The amount recorded as expense for 2013 was \$8,048. Benefits of \$17,142 were paid during 2013.

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 6 - Long-Term Debt (continued)

	Balance at Dec. 31, 2012	Additions	Reductions	Balance at Dec. 31, 2013	Due Within One Year
General obligation bonds	\$ 3,185,000	\$ -	\$ (495,000)	\$ 2,690,000	\$ 510,000
Tax Increment Revenue Bonds	54,195,000	-	(1,960,000)	52,235,000	-
Issuance discounts	(540,019)	-	49,093	(490,926)	-
Issuance premiums	99,313	-	(16,167)	83,146	-
Postretirement Benefits	485,559	8,048	-	493,607	-
Total Long-Term Debt	\$ 57,424,853	\$ 8,048	\$ (2,422,074)	\$ 55,010,827	\$ 510,000

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

Year ended,	Principal	Interest	Total
2014	\$ 510,000	\$ 48,700	\$ 558,700
2015	520,000	38,400	558,400
2016	540,000	27,800	567,800
2017	550,000	16,900	566,900
2018	570,000	5,700	575,700
	\$ 2,690,000	\$ 137,500	\$ 2,827,500

Note 7 - 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 \$176,993 and \$183,163 to the Plan during 2013 and 2012, respectively.

Note 8 - 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.

City of Manchester, Missouri
Notes to Financial Statements
For the year ended December 31, 2013

Note 9 - 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 trust requires 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 trust should the trust cease operation at some future date. The City's 2013 premium payments to the trust totaled \$166,251.

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.

Note 10 - Commitments

In 2013, 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, 2013, expenditures for waste removal totaled \$1,410,047.

Note 11 - Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 2, 2014, the date the financial statements were available to be issued.

Note 12 - Prior Period Adjustment

Fund balance as of January 1, 2013 has been increased by \$74,083. The City is no longer including compensated absences as a liability on the governmental fund balance sheet. Compensated absences are not due and payable in the current period and, therefore, not reported in the funds.

Required Supplementary Information

City of Manchester, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		(Under)
Revenues				
Taxes	\$ 7,980,000	\$ 7,980,000	\$ 6,968,100	\$ (1,011,900)
Grants	-	-	89,855	89,855
Licenses and permits	245,000	245,000	237,455	(7,545)
Fines and forfeitures	410,000	410,000	438,464	28,464
Charges for services	460,000	460,000	396,821	(63,179)
Investment income	58,000	58,000	6,126	(51,874)
Other	70,000	70,000	65,192	(4,808)
Total Revenues	<u>\$ 9,223,000</u>	<u>\$ 9,223,000</u>	<u>\$ 8,202,013</u>	<u>\$ (1,020,987)</u>
Expenditures				
Current:				
General government	\$ 1,120,646	\$ 1,120,646	\$ 1,166,269	\$ 45,623
Police department	3,392,743	3,392,743	3,156,905	(235,838)
Public works	2,839,995	2,839,995	2,858,351	18,356
Community development	271,370	271,370	253,575	(17,795)
Aquatic center	348,610	348,610	338,376	(10,234)
Recreation	687,630	687,630	627,511	(60,119)
Legal/court	311,970	311,970	330,167	18,197
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 8,972,964</u>	<u>\$ 8,972,964</u>	<u>\$ 8,731,154</u>	<u>\$ (241,810)</u>
Excess (Deficiency) of Revenues over Expenditures	250,036	250,036	(529,141)	(779,177)
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	411,342	411,342
Transfers out	(285,000)	(285,000)	-	(285,000)
Total Other Financing Sources (Uses)	<u>(285,000)</u>	<u>(285,000)</u>	<u>411,342</u>	<u>126,342</u>
Net Change in Fund Balance	<u>\$ (34,964)</u>	<u>\$ (34,964)</u>	\$ (117,799)	<u>\$ (82,835)</u>
Fund Balance, January 1			<u>1,903,635</u>	
Fund Balance, December 31			<u>\$ 1,785,836</u>	

City of Manchester, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Parks and Storm Water Projects Fund
For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Taxes	\$ 1,483,000	\$ 1,483,000	\$ 1,441,153	\$ (41,847)
Grants	-	-	189,806	189,806
Miscellaneous	-	-	6	6
Total Revenues	<u>\$ 1,483,000</u>	<u>\$ 1,483,000</u>	<u>\$ 1,630,965</u>	<u>\$ 147,965</u>
Expenditures				
Capital outlay	\$ 1,432,110	\$ 1,432,110	\$ 1,144,892	\$ (287,218)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 1,432,110</u>	<u>\$ 1,432,110</u>	<u>\$ 1,144,892</u>	<u>\$ (287,218)</u>
Excess (Deficiency) of Revenues over Expenditures	50,890	50,890	486,073	435,183
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(494,510)	(494,510)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(494,510)</u>	<u>(494,510)</u>
Net Change in Fund Balance	<u>\$ 50,890</u>	<u>\$ 50,890</u>	\$ (8,437)	<u>\$ (59,327)</u>
Fund Balance, January 1			<u>1,245,142</u>	
Fund Balance, December 31			<u>\$ 1,236,705</u>	

City of Manchester, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
TIF Fund
For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$ 4,971,000	\$ 4,971,000	\$ 5,563,425	\$ 592,425
Investment income	110,000	110,000	29,943	(80,057)
Miscellaneous	-	-	-	-
Total Revenues	<u>\$ 5,081,000</u>	<u>\$ 5,081,000</u>	<u>\$ 5,593,368</u>	<u>\$ 512,368</u>
Expenditures				
General government	\$ 292,000	\$ 292,000	\$ 304,892	\$ 12,892
Capital outlay	-	-	-	-
Debt Service:				
Principal	1,075,000	1,075,000	1,960,000	885,000
Interest and fiscal charges	3,165,450	3,165,450	3,503,877	338,427
Pledged revenue not subject to appropriation	-	-	-	(1,208,458)
Total Expenditures	<u>\$ 4,532,450</u>	<u>\$ 4,532,450</u>	<u>\$ 5,768,769</u>	<u>\$ 27,861</u>
Excess (Deficiency) of Revenues over Expenditures	548,550	548,550	(175,401)	484,507
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	275,000	275,000	273,168	(1,832)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>275,000</u>	<u>275,000</u>	<u>273,168</u>	<u>(1,832)</u>
Net Change in Fund Balance	<u>\$ 823,550</u>	<u>\$ 823,550</u>	\$ 97,767	<u>\$ (725,783)</u>
Fund Balance, January 1			<u>9,988,792</u>	
Fund Balance, December 31			<u>\$ 10,086,559</u>	

City of Manchester, Missouri
Notes to the Required Supplementary Information
For the year ended December 31, 2013

Note 1 - Explanation of Budgetary Process

The City prepares its budget on a basis consistent with generally accepted accounting principles. The budget process is detailed in footnote 1 of the notes to the financial statements.

Supplementary Information

City of Manchester, Missouri
Combining Balance Sheet - Non-Major Governmental Funds
December 31, 2013

	Special Revenue Funds				
	Homecoming Fund	Sewer Fund	HRC Fund	Manchester Arts Fund	Totals
Assets					
Cash and cash equivalents	\$ 36,971	\$ 508,652	\$ -	\$ 2,853	\$ 548,476
Investments	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Restricted investments	-	-	-	-	-
Receivables, net:	-	-	-	-	-
Taxes	-	46,958	-	-	46,958
Interest	-	-	-	-	-
Other	-	-	-	-	-
Prepaid items	-	-	-	-	-
Due from (to) other funds	-	-	(42,017)	-	(42,017)
Total Assets	<u>36,971</u>	<u>555,610</u>	<u>(42,017)</u>	<u>2,853</u>	<u>553,417</u>
Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 36,971</u>	<u>\$ 555,610</u>	<u>\$ (42,017)</u>	<u>\$ 2,853</u>	<u>\$ 553,417</u>
Liabilities					
Accounts payable	\$ 2,035	\$ 890	\$ -	\$ -	\$ 2,925
Accrued wages	-	-	-	-	-
Escrow payable	-	-	-	-	-
Court bonds payable	-	-	-	-	-
Total liabilities	<u>2,035</u>	<u>890</u>	<u>-</u>	<u>-</u>	<u>2,925</u>
Deferred Inflows of Resources	-	-	-	-	-
Fund Balance					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted:					
Special revenue fund	34,936	554,720	-	2,853	592,509
Committed:					
Contingency	-	-	-	-	-
Unassigned	-	-	(42,017)	-	(42,017)
Total Fund Balances	<u>34,936</u>	<u>554,720</u>	<u>(42,017)</u>	<u>2,853</u>	<u>550,492</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 36,971</u>	<u>\$ 555,610</u>	<u>\$ (42,017)</u>	<u>\$ 2,853</u>	<u>\$ 553,417</u>

City of Manchester, Missouri
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended December 31, 2013

	Special Revenue Funds				
	Homecoming Fund	Sewer Fund	HRC Fund	Manchester Arts Fund	Totals
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	165,793	-	-	165,793
Grants	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Charges for services	-	18,913	-	-	18,913
Investment income	-	-	-	-	-
Other	28,766	-	505	25	29,296
Total Revenues	<u>\$ 28,766</u>	<u>\$ 184,706</u>	<u>\$ 505</u>	<u>\$ 25</u>	<u>\$ 214,002</u>
Expenditures					
Current:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Police department	-	-	-	-	-
Public works	-	39,382	-	-	39,382
Community development	-	-	125	7,172	7,297
Aquatic center	-	-	-	-	-
Recreation	36,228	-	-	-	36,228
Legal/court	-	-	-	-	-
Capital outlay	-	167,422	-	-	167,422
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total Expenditures	<u>\$ 36,228</u>	<u>\$ 206,804</u>	<u>\$ 125</u>	<u>\$ 7,172</u>	<u>\$ 250,329</u>
Excess (Deficiency) of Revenues over Expenditures	(7,462)	(22,098)	380	(7,147)	(36,327)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Net Change in Fund Balance	(7,462)	(22,098)	380	2,853	(26,327)
Fund Balance (Deficit), January 1	<u>42,398</u>	<u>576,818</u>	<u>(42,397)</u>	<u>-</u>	<u>576,819</u>
Fund Balance (Deficit), December 31	<u>\$ 34,936</u>	<u>\$ 554,720</u>	<u>\$ (42,017)</u>	<u>\$ 2,853</u>	<u>\$ 550,492</u>

City of Manchester, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,232,955	(467,045)
Grants	-	-	52,094	52,094
Miscellaneous	50,000	50,000	26,014	(23,986)
Total Revenues	<u>\$ 1,750,000</u>	<u>\$ 1,750,000</u>	<u>\$ 1,311,063</u>	<u>\$ (438,937)</u>
Expenditures				
Capital outlay	\$ 1,802,974	\$ 1,802,974	\$ 1,421,505	\$ (381,469)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 1,802,974</u>	<u>\$ 1,802,974</u>	<u>\$ 1,421,505</u>	<u>\$ (381,469)</u>
Excess (Deficiency) of Revenues over Expenditures	(52,974)	(52,974)	(110,442)	(57,468)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(200,000)	(200,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>
Net Change in Fund Balance	<u>\$ (52,974)</u>	<u>\$ (52,974)</u>	\$ (310,442)	<u>\$ (257,468)</u>
Fund Balance, January 1			<u>509,802</u>	
Fund Balance, December 31			<u>\$ 199,360</u>	

City of Manchester, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over
Taxes	\$ 257,000	\$ 257,000	\$ 578,601	\$ 321,601
Miscellaneous	-	-	-	-
Total Revenues	<u>\$ 257,000</u>	<u>\$ 257,000</u>	<u>\$ 578,601</u>	<u>\$ 321,601</u>
Expenditures				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Debt Service:				
Principal	495,000	495,000	495,000	-
Interest and fiscal charges	62,850	62,850	59,116	(3,734)
Total Expenditures	<u>\$ 557,850</u>	<u>\$ 557,850</u>	<u>\$ 554,116</u>	<u>\$ (3,734)</u>
Excess (Deficiency) of Revenues over Expenditures	(300,850)	(300,850)	24,485	325,335
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (300,850)</u>	<u>\$ (300,850)</u>	\$ 24,485	<u>\$ 325,335</u>
Fund Balance, January 1			<u>633,622</u>	
Fund Balance, December 31			<u>\$ 658,107</u>	

City of Manchester, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Homecoming Fund
For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over
				(Under)
Taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	26,000	26,000	28,766	2,766
Total Revenues	<u>\$ 26,000</u>	<u>\$ 26,000</u>	<u>\$ 28,766</u>	<u>\$ 2,766</u>
Expenditures				
Recreation	\$ 39,963	\$ 39,963	\$ 36,228	\$ (3,735)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 39,963</u>	<u>\$ 39,963</u>	<u>\$ 36,228</u>	<u>\$ (3,735)</u>
Excess (Deficiency) of Revenues over Expenditures	(13,963)	(13,963)	(7,462)	6,501
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (13,963)</u>	<u>\$ (13,963)</u>	\$ (7,462)	<u>\$ 6,501</u>
Fund Balance, January 1				<u>42,398</u>
Fund Balance, December 31				<u>\$ 34,936</u>

City of Manchester, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Sewer Fund
For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$ 167,000	\$ 167,000	\$ 165,793	\$ (1,207)
Charges for service	11,000	11,000	18,913	7,913
Miscellaneous	-	-	-	-
Total Revenues	<u>\$ 178,000</u>	<u>\$ 178,000</u>	<u>\$ 184,706</u>	<u>\$ 6,706</u>
Expenditures				
Public works	\$ 223,630	\$ 223,630	\$ 39,382	\$ (184,248)
Capital outlay	-	-	167,422	167,422
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 223,630</u>	<u>\$ 223,630</u>	<u>\$ 206,804</u>	<u>\$ (16,826)</u>
Excess (Deficiency) of Revenues over Expenditures	(45,630)	(45,630)	(22,098)	23,532
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (45,630)</u>	<u>\$ (45,630)</u>	\$ (22,098)	<u>\$ 23,532</u>
Fund Balance, January 1			<u>576,818</u>	
Fund Balance, December 31			<u>\$ 554,720</u>	

City of Manchester, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
HRC Fund
For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	1,000	1,000	505	(495)
Total Revenues	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 505</u>	<u>\$ (495)</u>
Expenditures				
Community development	\$ 200	\$ 200	\$ 125	\$ (75)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 125</u>	<u>\$ (75)</u>
Excess (Deficiency) of Revenues over Expenditures	800	800	380	(420)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 800</u>	<u>\$ 800</u>	\$ 380	<u>\$ (420)</u>
Fund Balance, January 1			<u>(42,397)</u>	
Fund Balance, December 31			<u>\$ (42,017)</u>	

City of Manchester, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Manchester Arts Fund
For the year ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	25	25
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 25</u>
Expenditures				
Community development	\$ 10,000	\$ 10,000	\$ 7,172	\$ (2,828)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 7,172</u>	<u>\$ (2,828)</u>
Excess (Deficiency) of Revenues over Expenditures	(10,000)	(10,000)	(7,147)	2,853
Other Financing Sources (Uses)				
Transfers in	-	-	10,000	10,000
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Net Change in Fund Balance	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	\$ 2,853	<u>\$ 12,853</u>
Fund Balance, January 1			-	
Fund Balance, December 31			<u>\$ 2,853</u>	

Other Information



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of
the Board of Aldermen
City of Manchester, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Manchester, Missouri's basic financial statements, and have issued our report thereon dated June 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Manchester, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Manchester, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Manchester, Missouri's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manchester, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2013-1.

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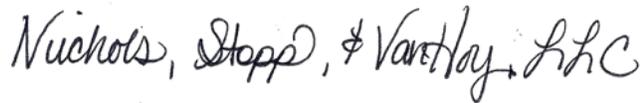
The City of Manchester, Missouri's Response to Findings

The City of Manchester, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Manchester, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the City of Manchester, Missouri, in a separate letter dated June 2, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive style.

Creve Coeur, Missouri
June 2, 2014

City of Manchester, Missouri
Schedule of Findings and Responses
For the year ended December 31, 2013

Financial Statement Findings

2013-1 **Condition:** During the year, the actual expenditures of the TIF Fund exceeded the budgeted expenditures.

Criteria: Missouri Statutes requires political subdivisions to prepare an annual budget in which expenditures are not to exceed the budget.

Cause: Oversight

Effect: The City is in violation of Missouri Revised Statutes.

Recommendation: The City should periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: Management agrees with the finding and procedures are in place to assure that this will not occur in the future. The TIF Fund represents expenditures that are not a general obligation of the City. The actual expenditures are determined by the terms of the redevelopment agreement and by the Trustee of the TIF bonds. All expenditures in excess of budgeted amounts represent the retirement of additional principal.

City of Manchester, Missouri
Follow-Up on Prior Audit Findings For An Audit of Financial
Statements Performed in Accordance with Government Auditing Standards

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the City of Manchester, Missouri, on the applicable findings in the prior audit report issued for the year end December 31, 2012.

Prior Year Financial Statement Findings

None