

CITY OF MANCHESTER, MISSOURI

**FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
ADDITIONAL INFORMATION
AND INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2008

City of Manchester, Missouri

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City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008

INTRODUCTION

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, 2008. It should be read in conjunction with the accompanying basic financial statements.

- The City's total net assets increased by \$1,134,400 in 2008. The current year increase brings the year end net asset value of the City to \$21,011,981. Of this amount, \$10,942,628 is invested in capital assets, \$1,985,260 represents restricted assets and the remaining \$8,084,093 represents unrestricted assets that can be used to meet the City's ongoing operations.
- As of December 31, 2008, the City's governmental funds reported a combined ending fund balance of \$15,133,399, a decrease of \$1,789,031 in comparison with the year ended December 31, 2007.
- At the end of the year, unreserved undesignated fund balance for the General Fund was \$7,026,639 or 82% of the General Fund appropriations for the 2008 year.
- The City made total debt service payments of \$1,818,893, of which \$1,485,000 represents principal.
- During the year, the City's expenses from all governmental programs (before transfers and special items) exceeded the revenues by \$1,789,031.
- The general fund reported a net increase in fund balance of \$512,222. This is a decrease of 61% 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
For the Year Ended December 31, 2008
(Continued)

Basic Financial Statements

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

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

THE CITY AS A WHOLE

Government-Wide Financial Analysis

The City's combined net assets were \$21,011,981 as of December 31, 2008. 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
For the Year Ended December 31, 2008
(Continued)

Table 1
Comparative Statement of Net Assets

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Assets:			
Current and other assets	\$15,941,949	\$17,483,857	(\$1,541,908)
Capital assets	<u>12,395,278</u>	<u>10,939,395</u>	<u>1,455,883</u>
Total Assets	<u>28,337,227</u>	<u>28,423,252</u>	(<u>86,025</u>)
Liabilities:			
Current and other liabilities	824,538	588,477	236,061
Noncurrent liabilities	<u>6,500,708</u>	<u>7,957,194</u>	(<u>1,456,486</u>)
Total Liabilities	<u>7,325,246</u>	<u>8,545,671</u>	(<u>1,220,425</u>)
Net Assets:			
Invested in capital assets net of related debt	10,942,628	8,539,510	2,403,118
Restricted	1,985,260	2,579,442	(594,182)
Unrestricted	<u>8,084,093</u>	<u>8,758,629</u>	(<u>674,536</u>)
Total Net Assets	<u>\$21,011,981</u>	<u>\$19,877,581</u>	<u>\$1,134,400</u>

Net assets may serve over time as an indicator of the City's financial position. The City's net assets increased \$1,134,400 or 6% to \$21,011,981 as of December 31, 2008.

The most significant portions of the City's net assets are investment in capital assets, net of related debt and unrestricted balances, which total \$10,942,628 and \$8,539,510 in 2008 and 2007, respectively. Net assets invested in capital assets, net of related debt are 52% of total net assets. The City uses capital assets to provide services to the citizens; consequently these assets are not available for future spending. Unrestricted net assets are 38% of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

Restricted net assets totaled \$1,985,260 at December 31, 2008. Restricted net assets are subject to external restrictions on how they may be used. Of restricted net assets, \$991,044 is restricted for parks, \$42,924 is restricted for capital projects, \$435,775 is restricted for debt service, and \$386,266 is restricted for sewer repairs.

City of Manchester, Missouri
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008
(Continued)

Table 2
Comparative Statement of Activities

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues			
Charges for service	\$ 1,044,406	\$ 1,151,762	(\$ 107,356)
Capital grants and contributions	108,934	179,918	(70,984)
General Revenues			
Taxes	9,480,173	9,451,529	28,644
Interest income	279,374	830,875	(551,501)
Miscellaneous	166,098	93,959	72,139
Other	10,000	-	10,000
Loss on the disposal of capital assets	-	(58,401)	58,401
Total Revenues	<u>11,088,985</u>	<u>11,649,642</u>	<u>(560,657)</u>
Expenses:			
General government	841,229	757,582	83,647
Police department	3,165,510	3,162,008	3,502
Public works	3,949,129	2,672,690	1,276,439
Community development	272,623	255,490	17,133
Aquatic center	449,556	471,485	(21,929)
Recreation	701,897	690,309	11,588
Legal and court	252,229	290,647	(38,418)
Interest and fiscal charges	<u>322,412</u>	<u>232,004</u>	<u>90,408</u>
Total Expenses	<u>9,954,585</u>	<u>8,532,215</u>	<u>1,422,370</u>
Increase in Net Assets	1,134,400	3,117,427	(1,983,027)
Net Assets, Beginning of year	<u>19,877,581</u>	<u>16,760,154</u>	<u>3,117,427</u>
Net Assets, End of year	<u>\$21,011,981</u>	<u>\$19,877,581</u>	<u>\$1,134,400</u>

The decrease in total revenues of \$560,657 represents a decrease of 5%. This deviation from normal growth was partially due to a stagnant economy producing lower than expected sales tax revenue. Since the city is dependent on varying revenue sources, Manchester is susceptible to income fluctuations and must continue to closely monitor economic indicators.

In 2008, sales tax decreased \$454,462 while property tax increased \$169,028 and utility tax increased \$263,091 over 2007. Interest income decreased \$551,501 due to the spending of the G.O. Bond investments, in order to construct the police facility. General Obligation Bond funds remain invested until expenses are incurred. Once expenses are incurred the investments are spent accordingly. Police fines and court costs decreased approximately \$109,991 in 2008 over the amount collected in 2007.

