

CITY OF MANCHESTER  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2019

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City of Manchester

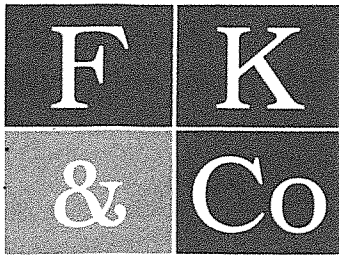
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Milt Kramer	Mayor	Jan 2022
Mary Ann Poyner	Council Member	Jan 2022
Ron Struble	Council Member	Jan 2022
Connie Behnken *	Council Member	Resigned
Tania M. Bradley **	Council Member	Jan 2020
Dean Sherman	Council Member	Jan 2020
Dan Stelken	Council Member	Jan 2020
Timothy Vick	City Manager	Indefinite
Erin Learn	City Clerk/Treasurer	Indefinite
James Peters	City Attorney	Indefinite

\* - Resigned effective August 1, 2018.

\*\* - Appointed effective August 22, 2018.

City of Manchester



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa, (City) as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements 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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 U.S. generally accepted auditing standards 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 City'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 City'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 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 cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

### Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 30 through 34 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2019 on our consideration of the City'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 solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.



FALLER, KINCHELOE & CO., PLC

November 19, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Manchester (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2019 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 17.3%, or approximately \$1,380,000 from fiscal year 2018 to fiscal year 2019. Bond proceeds decreased approximately \$1,309,000 due to less bonds issued in fiscal year 2019 compared to fiscal year 2018.
- Disbursements of the City's governmental activities increased 9.5%, or approximately \$684,000 in fiscal year 2019 from fiscal year 2018. Public safety, culture and recreation, debt service and capital projects disbursements increased approximately \$50,000, \$53,000 \$69,000 and \$445,000, respectively.
- The City's total cash basis net position decreased 20.7%, or approximately \$1,108,000, from June 30, 2018 to June 30, 2019. Of this amount, the cash basis net position of the governmental activities decreased approximately \$1,091,000 and the cash basis net position of the business type activities decreased approximately \$16,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

### BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, the sewer system and the meter deposits. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water Fund and the Sewer Fund, considered to be major funds of the City and the Meter Deposits Fund, considered to be a nonmajor fund of the City.

The required financial statements for proprietary funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from approximately \$4.464 million to approximately \$3.373 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.



Changes in Cash Basis Net Position of Governmental Activities  
(Expressed in Thousands)

	Year Ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service	\$ 969	974
Operating grants, contributions and restricted interest	896	989
Capital grants, contributions and restricted interest	230	225
General receipts:		
Property tax	2,611	2,442
Tax increment financing	483	526
Other city tax	429	409
Local option sales tax	472	494
Hotel/Motel tax	46	46
Commercial/industrial tax replacement	306	294
Unrestricted interest on investments	32	23
Bond proceeds	120	1,429
Miscellaneous	5	-
Sale of capital assets	3	111
Insurance reimbursement	-	20
Total receipts	<u>6,602</u>	<u>7,982</u>
Disbursements:		
Public safety	1,508	1,458
Public works	1,204	1,186
Culture and recreation	989	936
Community and economic development	375	329
General government	350	347
Debt service	1,352	1,283
Capital projects	2,104	1,659
Total disbursements	<u>7,882</u>	<u>7,198</u>
Change in cash basis net position before transfers	(1,280)	784
Transfers, net	<u>189</u>	<u>(112)</u>
Change in cash basis net position	(1,091)	672
Cash basis net position beginning of year	<u>4,464</u>	<u>3,792</u>
Cash basis net position end of year	<u>\$ 3,373</u>	<u>4,464</u>

The City's total receipts for governmental activities decreased 17.3%, or approximately \$1,380,000 under the prior year. The total cost of all programs and services increased approximately \$684,000, or 9.5%, with no new programs added this year. The decrease in receipts was the result of less bond proceeds received in fiscal year 2019 compared to fiscal year 2018. The increase in program costs was the result of an increase in public safety, culture and recreation, debt service and capital projects disbursements.

The City maintained a slight increase in the property tax dollar request for fiscal year 2019. Property tax receipts increased by approximately \$169,000 in fiscal year 2019. Property tax receipts are budgeted to remain relatively constant next year.

The cost of all governmental activities this year was approximately \$7.882 million compared to approximately \$7.198 million last year. However, as shown on the Statement of Activities and Net Position on page 14, the amount taxpayers ultimately financed for these activities was \$5.79 million because some of the cost was paid by those directly benefited from the programs (approximately \$969,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$1,126,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2019 from approximately \$2,188,000 to approximately \$2,095,000, principally due to decreased operating grants, contributions and restricted interest in fiscal year 2019 compared to fiscal year 2018.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year Ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 712	801
Sewer	1,078	1,107
Meter deposits	9	9
Operating grants, contributions and restricted interest	78	-
General receipts:		
Unrestricted interest on investments	9	3
Water revenue bond proceeds	679	-
Total receipts	<u>2,565</u>	<u>1,920</u>
Disbursements:		
Water	1,433	631
Sewer	949	1,108
Meter deposits	10	9
Total disbursements	<u>2,392</u>	<u>1,748</u>
Change in cash basis net position before transfers	173	172
Transfers, net	<u>(189)</u>	112
Change in cash basis net position	(16)	284
Cash basis net position beginning of year	<u>876</u>	<u>592</u>
Cash basis net position end of year	<u>\$ 860</u>	<u>876</u>

Total business type activities receipts for the fiscal year were approximately \$2.565 million compared to approximately \$1.920 million last year. The increase was primarily due to an increase in water revenue bond proceeds. The cash balance decreased approximately \$16,000 from the prior year due to an increase in disbursements. Total disbursements for the fiscal year increased 36.8% to approximately \$2,392,000.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City completed the year, its governmental funds reported a combined fund balance of \$3,372,852 a decrease of more than \$1,091,000 below last year's total of \$4,464,238. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$65,129 from the prior year to \$1,024,751. The City is attempting to maintain the General Fund on a status quo basis from year to year.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$2,266 from the prior year to \$513,519. The monies in this fund can only be used on street related costs. The City intends to use this money for future street improvement projects.
- The Special Revenue, Employee Benefits Fund cash balance increased by \$39,593 from the prior year to \$156,590. Due to the uncertainty in health care insurance premium costs, the City has built up a reserve in this fund should health care insurance premium costs significantly increase in the future.
- The Debt Service Fund cash balance decreased by \$875 from the prior year to \$152,641. The City is attempting to maintain the Debt Service Fund on a status quo from year to year.
- The Capital Projects Fund cash balance decreased by \$1,135,609 to \$995,332. The City is in the process of some major capital improvement projects, which significantly reduced the cash balance in this fund.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased by \$99,622 to \$218,967. The City is attempting to keep the balance in this fund relatively steady from year to year. However, the decrease in the cash balance in fiscal year 2019 was due to costs incurred on a new water construction project.
- The Enterprise, Sewer Fund cash balance increased by \$82,959 to \$591,196. The City is attempting to keep the balance in this fund relatively steady from year to year.

#### **BUDGETARY HIGHLIGHTS**

During the course of the year, the City amended its budget one time.

The City's receipts were \$754,967 less than budgeted. This was primarily due to the City receiving less intergovernmental receipts than anticipated.

The City's disbursements were \$873,576 less than budgeted. Disbursements in the public works and business type activities functions were \$493,326 and \$136,906 less than the amended budget amounts.

The City exceeded the amounts budgeted in the debt service function for the year ended June 30, 2019 due to debt service costs not budgeted.

The original budget for fiscal year 2019 was approved by the City Council on March 12, 2018, and later amended on May 28, 2019. The budget amendment was primarily necessitated because of capital improvement projects and additional snow removal costs.

## DEBT ADMINISTRATION

At June 30, 2019, the City had approximately \$10,359,000 in bonds and other long-term debt outstanding, compared to approximately \$11,286,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2019	2018
General obligation bonds	\$ 5,925	7,005
Revenue bonds	4,396	4,248
Lease purchase agreement	38	33
Total	\$ 10,359	11,286

Debt increased due to the addition of new debt in fiscal year 2019, but decreased due to the payoff of existing debt. In total, long-term debt decreased \$932,000 from June 30, 2018 to June 30, 2019.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,925,000 is significantly below its constitutional debt limit of \$15,098,788. Additional information about the City's long-term debt is presented in Note 4 to the financial statements

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Manchester's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019-20 budget.

These indicators were taken into account when adopting the budget for fiscal year 2020. Based on the tax rate of \$15.57523 per \$1,000 of taxable valuation, the City expects to generate \$2,771,590 in property tax receipts for fiscal year 2020. Receipts from all funds, including Enterprise Funds, are anticipated to be \$13,004,241.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, customers, 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 Timothy Vick, City Manager, 208 East Main Street, Manchester, IA 52057.

## Basic Financial Statements

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 1,507,842	233,838	107,713	-	(1,166,291)	-	(1,166,291)
Public works	1,204,317	296,544	674,351	58,938	(174,484)	-	(174,484)
Culture and recreation	989,306	151,938	72,010	-	(765,358)	-	(765,358)
Community and economic development	375,232	101,839	8,252	-	(265,141)	-	(265,141)
General government	350,557	54,249	29,969	-	(266,339)	-	(266,339)
Debt service	1,351,727	-	-	-	(1,351,727)	-	(1,351,727)
Capital projects	2,103,710	130,733	4,000	171,173	(1,797,804)	-	(1,797,804)
Total governmental activities	7,882,691	969,141	896,295	230,111	(5,787,144)	-	(5,787,144)
Business type activities:							
Water	1,433,140	712,468	62,383	-	-	(658,289)	(658,289)
Sewer	948,992	1,077,560	15,338	-	-	143,906	143,906
Meter deposits	9,525	9,000	-	-	-	(525)	(525)
Total business type activities	2,391,657	1,799,028	77,721	-	-	(514,908)	(514,908)
Total	\$ 10,274,348	2,768,169	974,016	230,111	(5,787,144)	(514,908)	(6,302,052)
<b>General Receipts and Transfers:</b>							
Property tax and other city tax levied for:							
General purposes					2,058,295	-	2,058,295
Debt service					551,932	-	551,932
Tax increment financing					482,999	-	482,999
Other city tax					429,174	-	429,174
Local option sales tax					471,857	-	471,857
Hotel/Motel tax					46,214	-	46,214
Commercial/industrial tax replacement					305,994	-	305,994
Unrestricted interest on investments					32,350	9,147	41,497
Bond proceeds					120,000	-	120,000
Water revenue bond proceeds					-	678,505	678,505
Miscellaneous					5,000	-	5,000
Sale of capital assets					2,749	-	2,749
Transfers					189,194	(189,194)	-
Total general receipts and transfers					4,695,758	498,458	5,194,216
Change in cash basis net position					(1,091,386)	(16,450)	(1,107,836)
Cash basis net position beginning of year					4,464,238	876,266	5,340,504
Cash basis net position end of year					\$ 3,372,852	859,816	4,232,668
<b>Cash Basis Net Position</b>							
Restricted:							
Expendable:							
Streets	\$ 513,519				-		513,519
Urban renewal purposes	90,485				-		90,485
Debt service	152,641				381,469		534,110
Capital projects	610,483				-		610,483
Franchise fees	268,095				-		268,095
Hotel-Motel	5,040				-		5,040
Other purposes	596,124				49,653		645,777
Unrestricted	1,136,465				428,694		1,565,159
Total cash basis net position	\$ 3,372,852				859,816		4,232,668

See notes to financial statements.

## City of Manchester

Exhibit B

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2019

	Special Revenue						Total
	General	Road Use Tax	Employee Benefit	Debt Service	Capital Projects	Nonmajor	
<b>Receipts:</b>							
Property tax	\$ 1,460,092	-	598,203	551,932	-	-	2,610,227
Tax increment financing	-	-	-	-	-	482,999	482,999
Other city tax	437,503	-	-	-	-	472,105	909,608
Licenses and permits	67,187	-	-	-	-	-	67,187
Use of money and property	33,105	-	-	949	2,195	7,060	43,309
Intergovernmental	517,828	669,053	58,811	54,453	170,957	69,056	1,540,158
Charges for service	449,724	-	-	-	-	-	449,724
Special assessments	-	-	-	-	130,733	-	130,733
Miscellaneous	142,428	-	45,128	-	4,216	53,645	245,417
<b>Total receipts</b>	<b>3,107,867</b>	<b>669,053</b>	<b>702,142</b>	<b>607,334</b>	<b>308,101</b>	<b>1,084,865</b>	<b>6,479,362</b>
<b>Disbursements:</b>							
<b>Operating:</b>							
Public safety	1,180,260	-	308,696	-	-	18,886	1,507,842
Public works	582,703	553,829	67,785	-	-	-	1,204,317
Culture and recreation	772,663	-	133,748	-	-	82,895	989,306
Community and economic development	229,838	-	25,990	-	-	119,404	375,232
General government	224,227	-	126,330	-	-	-	350,557
Debt service	-	-	-	1,351,727	-	-	1,351,727
Capital projects	-	-	-	-	2,103,710	-	2,103,710
<b>Total disbursements</b>	<b>2,989,691</b>	<b>553,829</b>	<b>662,549</b>	<b>1,351,727</b>	<b>2,103,710</b>	<b>221,185</b>	<b>7,882,691</b>
Excess (deficiency) of receipts over (under) disbursements	118,176	115,224	39,593	(744,393)	(1,795,609)	863,680	(1,403,329)
<b>Other financing sources (uses):</b>							
Bond proceeds	-	-	-	120,000	-	-	120,000
Sale of capital assets	2,749	-	-	-	-	-	2,749
Transfers in	65,000	-	-	673,518	660,000	20,796	1,419,314
Transfers out	(120,796)	(112,958)	-	(50,000)	-	(946,366)	(1,230,120)
<b>Total other financing sources (uses)</b>	<b>(53,047)</b>	<b>(112,958)</b>	<b>-</b>	<b>743,518</b>	<b>660,000</b>	<b>(925,570)</b>	<b>311,943</b>
Change in cash balances	65,129	2,266	39,593	(875)	(1,135,609)	(61,890)	(1,091,386)
Cash balances beginning of year	959,622	511,253	116,997	153,516	2,130,941	591,909	4,464,238
Cash balances end of year	\$ 1,024,751	513,519	156,590	152,641	995,332	530,019	3,372,852
<b>Cash Basis Fund Balances</b>							
<b>Restricted for:</b>							
Streets	\$ -	513,519	-	-	-	-	513,519
Urban renewal purposes	-	-	-	-	-	90,485	90,485
Debt service	-	-	-	152,641	-	-	152,641
Capital projects	-	-	-	-	610,483	-	610,483
Franchise fees	268,095	-	-	-	-	-	268,095
Hitel-Motel	5,040	-	-	-	-	-	5,040
Other purposes	-	-	156,590	-	-	439,534	596,124
Assigned	119,287	-	-	-	384,849	-	504,136
Unassigned	632,329	-	-	-	-	-	632,329
<b>Total cash basis fund balances</b>	<b>\$ 1,024,751</b>	<b>513,519</b>	<b>156,590</b>	<b>152,641</b>	<b>995,332</b>	<b>530,019</b>	<b>3,372,852</b>

See notes to financial statements.

## City of Manchester

Exhibit C

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2019

	Enterprise			Total
	Water	Sewer	Nonmajor - Meter Deposits	
Operating receipts:				
Rental income	\$ 25,230	-	-	25,230
Charges for service	712,468	1,077,560	-	1,790,028
Miscellaneous	-	-	9,000	9,000
Total operating receipts	<u>737,698</u>	<u>1,077,560</u>	<u>9,000</u>	<u>1,824,258</u>
Operating disbursements:				
Business type activities	559,128	550,956	9,525	1,119,609
Total operating disbursements	<u>559,128</u>	<u>550,956</u>	<u>9,525</u>	<u>1,119,609</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>178,570</u>	<u>526,604</u>	<u>(525)</u>	<u>704,649</u>
Non-operating receipts (disbursements):				
Interest on investments	739	7,670	738	9,147
Miscellaneous	37,153	15,338	-	52,491
Water revenue bond proceeds	678,505	-	-	678,505
Debt service	(267,728)	(398,036)	-	(665,764)
Capital projects	(606,284)	-	-	(606,284)
Net non-operating receipts (disbursements)	<u>(157,615)</u>	<u>(375,028)</u>	<u>738</u>	<u>(531,905)</u>
Excess of receipts over disbursements	<u>20,955</u>	<u>151,576</u>	<u>213</u>	<u>172,744</u>
Other financing sources (uses):				
Transfers out	(120,577)	(68,617)	-	(189,194)
Total other financing sources (uses)	<u>(120,577)</u>	<u>(68,617)</u>	<u>-</u>	<u>(189,194)</u>
Change in cash balances	(99,622)	82,959	213	(16,450)
Cash balances beginning of year	<u>318,589</u>	<u>508,237</u>	<u>49,440</u>	<u>876,266</u>
Cash balances end of year	<u>\$ 218,967</u>	<u>591,196</u>	<u>49,653</u>	<u>859,816</u>
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ 11,690	369,779	-	381,469
Meter deposits	-	-	49,653	49,653
Unrestricted	<u>207,277</u>	<u>221,417</u>	<u>-</u>	<u>428,694</u>
Total cash basis fund balances	<u>\$ 218,967</u>	<u>591,196</u>	<u>49,653</u>	<u>859,816</u>

See notes to financial statements.



City of Manchester

Notes to Financial Statements

June 30, 2019

**(1) Summary of Significant Accounting Policies**

The City of Manchester (City) is a political subdivision of the State of Iowa located in Delaware County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general governmental services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Manchester has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Delaware County Economic Development Commission, Delaware County Solid Waste Commission, Delaware County Conference Board, Delaware County E911 Board, East Central Intergovernmental Association, Foundation for the Future of Delaware County, Northeastern Iowa Regional League, Eastern Iowa Regional Housing Authority, Delaware County Communications Center, Buchanan County Joint E911 Service Board, Community Childcare of Manchester, Greater Delaware County Community Foundation and Good to Great.

**B. Basis of Presentation**

**Government-wide Financial Statement** - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy to support City employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

#### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the debt service function.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) **Notes Receivable**

The City has loaned money to area businesses as part of its Downtown Incentive Program. The program provides no interest loans to downtown businesses for second story improvements. The following loans were outstanding at June 30, 2019 in relation to the City's Downtown Incentive Program.

- A \$10,000 loan was made to Wes Schulte in 2014, due in monthly installments of \$167, beginning February 1, 2015 through December 31, 2019. The loan bears no interest and is unsecured. The principal balance owed on this loan at June 30, 2019 is \$1,000.
- A \$10,000 loan was made to Wes Schulte in 2016, due in monthly installments of \$167, beginning January 1, 2017 through December 31, 2021. The loan bears no interest and is unsecured. The principal balance owed on this loan at June 30, 2019 is \$6,167.

In addition to the above loans, the City made an additional three loans. The following loans were outstanding at June 30, 2019.

- A \$50,000 loan was made to R. C. Properties V, LLC (Lextron Animal Health) to make construction improvements to its facilities. Principal and interest payments are due in annual installments and began in December 2009. The annual interest rate is 2% and the City is provided a security interest via a real estate mortgage on the land, building and fixtures of the property. This loan was paid off in fiscal year 2019, and the balance owed on this loan at June 30, 2019 is \$0.
- A \$100,000 loan was made to Boulders Inn Manchester, LLC to construct a new hotel in Manchester. The annual interest rate is 4% and the City obtained a promissory note from the borrower. The principal advanced in relation to this loan and accrued interest is due to the City on July 1, 2025, unless it is forgiven prior to this date. Principal on this debt shall be forgiven annually on each June 30 commencing June 30, 2019 and continuing to, and including, June 30, 2027. The amount of forgiveness on each forgiveness date shall be equal to 50% of the annual revenues generated solely by the new hotel arising from taxes collected by the City pursuant to Iowa Code Section 423A.7 during the twelve month period immediately preceding each forgiveness date. The principal balance owed on this loan at June 30, 2019 is \$100,000.
- A \$50,000 loan was made to Wes Schulte in 2019, due in yearly installment of \$5,000 plus interest, beginning May 14, 2020 through May 14, 2029. The loan bears interest at 1% per annum and is unsecured. The principal balance owed on this loan at June 30, 2019 is \$50,000.

The management of the City believes all of the above loans are collectible.

**(4) Bonds Payable**

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$1,115,000	124,254	404,000	115,680	1,519,000	239,934
2021	800,000	102,574	417,000	103,560	1,217,000	206,134
2022	825,000	89,116	432,000	91,050	1,257,000	180,166
2023	785,000	73,651	337,000	78,090	1,122,000	151,741
2024	695,000	57,863	348,000	67,980	1,043,000	125,843
2025-2029	1,705,000	91,180	1,918,000	176,370	3,623,000	267,550
	<u>\$5,925,000</u>	<u>538,638</u>	<u>3,856,000</u>	<u>632,730</u>	<u>9,781,000</u>	<u>1,171,368</u>

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,010,000 in sewer revenue bonds issued in July 2008. Proceeds for the bonds were used to provide financing for the construction of improvements to the sewer treatment plant and collection system. The bonds are payable solely from sewer customer net receipts and are payable through 2029. Annual principal and interest payment on the bonds are expected to require less than 74% of net receipts. The total principal and interest remaining to be paid on the bonds is \$4,166,280. For the current year, principal and interest paid and total customer net receipts were \$388,414 and \$526,604, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$909,000 in water revenue bonds issued in December 2011. Proceeds from the bonds provided financing for the construction of water main extensions and improvements. The bonds are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payment on the bonds are expected to require less than 60% of net receipts. The total principal and interest remaining to be paid on the bonds is \$322,450. For the current year, principal and interest paid and total customer net receipts were \$106,970 and \$178,570, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Utility and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

#### Water Revenue Bonds

On February 8, 2019, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$754,000 of water revenue bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a 0.25% servicing fee. At June 30, 2018, the City had drawn \$609,405 on the bond. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of planning, designing and constructing improvements and extensions to the Utility. An initiation fee of .50% of the authorized borrowing for the water revenue bonds was charged by the Iowa Finance Authority and was withheld from the first proceeds of the water revenue bonds drawn. The bonds are payable solely from water customer net receipts and the City has pledged future water customer receipts, net of specified operating disbursements to repay the bonds. A repayment schedule has not yet been adopted for these notes.

The resolution providing for the issuance of the water revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate water revenue bond sinking account within the Enterprise, Water Fund for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

The City did not properly fund the water revenue bond sinking account as required.

#### Interim Revenue Project Notes

On August 31, 2018, the City entered into an interest free interim revenue project note agreement with the Iowa Finance Authority for up to \$96,500 to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the water system. During the year ended June 30, 2019, the City drew \$69,100 on the notes. The City refinanced \$69,100 of these notes during the year ended June 30, 2019, and at June 30, 2019, the balance of these notes was \$0.

The notes were issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and are payable from the proceeds of an authorized loan agreement and the corresponding issuance of water revenue bonds. The interim revenue project notes have a term of three years.

(5) **Lease Purchase Agreement**

On May 17, 2018, the City entered into a lease-purchase agreement to lease a telephone system. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2019:

Year Ended June 30,	Amount
2020	\$ 11,196
2021	11,196
2022	11,196
2023	3,732
Total minimum lease payments	37,320
Less amount representing interest	(4,108)
Present value of net minimum lease payments	<u>\$ 33,212</u>

Payments under this lease-purchase agreement totaled \$6,531 during the year ended June 30, 2019.

(6) **Operating Leases**

The City has entered into various leases to lease building facilities and electronic equipment. All of these leases are considered operating leases and expire at various dates through the fiscal year 2024. Since these leases are all considered operating leases, all lease charges are charged to expense as incurred.

The following is a schedule of future payments required under these operating leases which have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2019:

Year Ended June 30,	Amount
2020	\$ 7,788
2021	5,888
2022	5,888
2023	5,888
2024	5,663
	<u>\$ 31,115</u>

During the fiscal year, total expenditures incurred in relation to these lease agreements were \$29,456.

(7) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the

member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 were \$197,778.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability of \$1,124,203 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018,

the City's proportion was 0.0177648%, which was a decrease of 0.000768% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$206,117, \$422,539 and \$275,585, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	6.01 %
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore,



the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 2,264,033	1,124,203	168,587

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$296,159 and plan members eligible for benefits contributed \$57,298 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. In addition, for employees who meet certain requirements who terminate employment with the City, employees will be entitled to 25% of the employee's accumulated sick leave dollar equivalent at the employee's current rate of compensation. This compensation can be paid in cash or as a credit toward the cost of maintaining health insurance under the City's medical insurance program.

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>29</u>
Total	<u><u>31</u></u>

**(9) Termination Benefits**

During the fiscal year, the City had two early retirement plans in effect. A discussion of these two different plans are as follows:

- In 2014, the City approved a voluntary early retirement plan for employees. The plan was offered from January 3, 2014 through February 3, 2014 and required any applying employees to set a retirement date before July 31, 2014.

Early retirement benefits include a \$500 monthly contribution to the employees' health reimbursement account and 25%, 30% or 35% of accumulated sick pay based on years' service (20, 25 or 30 years, respectively). Monthly payments cease upon the earliest of the following: 1) the employee fails to pay any premium balance, 2) the employee becomes deceased, or 3) the employee becomes eligible for Medicare.

At June 30, 2019, the City has obligations to two participants with a total liability of \$26,400. Actual early retirement expenditures for the year ended June 30, 2019 totaled \$12,000.

- In 2016, the City approved a voluntary early retirement plan for employees. The plan was only offered to employees from July 18, 2016 to August 12, 2016 and required any applying employees to set a retirement date before March 31, 2017. Eligible employees must have 1) completed at least ten consecutive years of full-time service to the City prior to March 31, 2017, 2) have reached the age of 55 at retirement, and 3) have resigned prior to March 31, 2017. The application for early retirement was subject to approval by the City Council

Early retirement benefits include a \$500 monthly contribution to the employees' health reimbursement account and 25%, 30% or 35% of accumulated sick pay based on years' service (20, 25 or 30 years, respectively). Monthly payments cease upon the earliest of the following: 1) the employee fails to pay any premium balance, 2) the employee becomes deceased, or 3) the employee becomes eligible for Medicare.

At June 30, 2019, the City has obligations to two participants with a total liability of \$40,000. Actual early retirement expenditures for the year ended June 30, 2019 totaled \$12,000.

**(10) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 10,000
	Urban Renewal Tax Increment	30,000
	Park Improvement	25,000
		<u>65,000</u>
Special Revenue:	General	
Park Improvement		<u>20,796</u>
Debt Service	Special Revenue:	
	Road Use Tax	52,958
	Urban Renewal Tax Increment	431,366
	Enterprise:	
	Water	120,577
	Sewer	68,617
		<u>673,518</u>
Capital Projects	General	100,000
	Special Revenue:	
	Road Use Tax	50,000
	Local Option Sales Tax	460,000
	Debt Service	50,000
		<u>660,000</u>
	Total	<u>\$ 1,419,314</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(11) Lease Income**

The City is leasing antenna space on the water tower and City buildings to communication providers. The length of the lease terms are five years with options to extend for additional years at the option of the tenants. The lease terms contain provisions of monthly rent amounts and increases in rents. The City received \$33,996 from tenants in fiscal year 2019 from these leases.

**(12) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2019, was \$167,957. The liability has been computed based on rates of pay in effect at June 30, 2019.

**(13) Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$61,385 during the year ended June 30, 2019.

**(14) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(15) Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The remaining total to be paid by the City under the agreements is not to exceed \$910,651.

The City rebated \$99,014 during fiscal year 2019. The outstanding balance of the agreements at June 30, 2019 subject to annual appropriation was \$910,651.

The agreements are not a general obligation of the City. In addition, the agreements are not subject to the constitutional debt limitation of the City because these agreements are subject to annual appropriation by the City Council.

**(16) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, the City abated \$99,014 of property tax under the urban renewal and economic development projects.

**(17) Commitments**

The City has entered into various agreements for street and parking lot reconstruction, riverfront development project, water project and an airport project. As of June 30, 2019, approximately \$413,000 remains to be paid on these projects. These costs will be paid for as work progresses. It is anticipated that these projects will be completed in fiscal year 2020. The City intends to pay for these costs from existing cash reserves.

**(18) Contingency**

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

**(19) Fund Balance**

The City's assigned fund balance in the General Fund as of June 30, 2019 consists of the following:

<u>Purpose</u>	<u>Amount</u>
Fire department	\$ 94,159
Animal control	634
Street reserve	24,349
Airport	<u>145</u>
Total	<u>\$ 119,287</u>

**(20) Subsequent Events**

The City has evaluated all subsequent events through November 19, 2019, the date the financial statements were available to be issued.

**(21) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

City of Manchester

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 2,610,227	-	2,610,227	2,698,837	2,698,837	(88,610)
Tax increment financing	482,999	-	482,999	549,540	549,540	(66,541)
Other city tax	909,608	-	909,608	992,603	1,032,603	(122,995)
Licenses and permits	67,187	-	67,187	37,150	37,150	30,037
Use of money and property	43,309	34,377	77,686	31,546	73,536	4,150
Intergovernmental	1,540,158	-	1,540,158	1,541,447	1,928,024	(387,866)
Charges for service	449,724	1,790,028	2,239,752	2,385,656	2,367,657	(127,905)
Special assessments	130,733	61,491	192,224	125,000	155,659	36,565
Miscellaneous	245,417	-	245,417	243,391	277,219	(31,802)
Total receipts	6,479,362	1,885,896	8,365,258	8,605,170	9,120,225	(754,967)
Disbursements:						
Public safety	1,507,842	-	1,507,842	1,603,851	1,603,851	96,009
Public works	1,204,317	-	1,204,317	1,574,582	1,697,643	493,326
Culture and recreation	989,306	-	989,306	1,005,896	1,059,166	69,860
Community and economic development	375,232	-	375,232	361,876	382,580	7,348
General government	350,557	-	350,557	319,358	367,055	16,498
Debt service	1,351,727	-	1,351,727	1,210,543	1,292,066	(59,661)
Capital projects	2,103,710	-	2,103,710	1,722,000	2,217,000	113,290
Business type activities	-	2,391,657	2,391,657	2,722,988	2,528,563	136,906
Total disbursements	7,882,691	2,391,657	10,274,348	10,521,094	11,147,924	873,576
Excess (deficiency) of receipts over (under) disbursements	(1,403,329)	(505,761)	(1,909,090)	(1,915,924)	(2,027,699)	118,609
Other financing sources, net	311,943	489,311	801,254	900,000	805,126	(3,872)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,091,386)	(16,450)	(1,107,836)	(1,015,924)	(1,222,573)	114,737
Balances beginning of year	4,464,238	876,266	5,340,504	4,342,914	5,340,490	14
Balances end of year	\$ 3,372,852	859,816	4,232,668	3,326,990	4,117,917	114,751

See accompanying independent auditor's report.

City of Manchester

Notes to Other Information - Budgetary Reporting

June 30, 2019

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$626,830. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, the City exceeded the amounts budgeted in the debt service function.

City of Manchester

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Five Years\*  
(In Thousands)

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.017765%	0.018533%	0.017534%	0.015865%	0.015066%
City's proportionate share of the net pension liability	\$ 1,124	1,235	1,103	784	598
City's covered payroll	\$ 1,919	1,932	1,759	1,759	1,706
City's proportionate share of the net pension liability as a percentage of its covered payroll	58.57%	63.92%	62.70%	44.56%	35.03%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

See accompanying independent auditor's report.



City of Manchester

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 198	177	178	162	159	159	147	135	123	56
Contributions in relation to the statutorily required contribution	(198)	(177)	(178)	(162)	(159)	(159)	(147)	(135)	(123)	(56)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 2,045	1,919	1,932	1,759	1,706	1,708	1,604	1,561	1,563	756
Contributions as a percentage of covered payroll	9.68%	9.21%	9.21%	9.21%	9.30%	9.29%	9.14%	8.64%	7.85%	7.42%

See accompanying independent auditor's report.

City of Manchester

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2016. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## Supplementary Information

City of Manchester

Schedule 1

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2019

	Special Revenue										Total	
	Urban Renewal Tax Increment	Police Special Use	Local Option Sales Tax	Park Improvement	Economic Development	Tirrill Trust	Park Gift & Trust	Lora Stewart Trust	Library Gift & Trust	Police Canine		
<b>Receipts:</b>												
Tax increment financing	\$ 482,999	-	-	-	-	-	-	-	-	-	-	482,999
Other city tax	248	-	471,857	-	-	-	-	-	-	-	-	472,105
Use of money and property	-	180	2,716	1,431	603	24	445	44	1,613	4	-	7,060
Intergovernmental	49,509	4,225	-	-	-	-	1,500	-	13,822	-	-	69,056
Miscellaneous	-	2,119	-	10,600	5,457	93	18,277	-	9,322	7,777	-	53,645
<b>Total receipts</b>	<b>532,756</b>	<b>6,524</b>	<b>474,573</b>	<b>12,031</b>	<b>6,060</b>	<b>117</b>	<b>20,222</b>	<b>44</b>	<b>24,757</b>	<b>7,781</b>	<b>-</b>	<b>1,084,865</b>
<b>Disbursements:</b>												
<b>Operating:</b>												
Public safety	-	6,213	-	-	-	-	-	-	-	12,673	-	18,886
Culture and recreation	-	-	-	8,949	-	-	17,013	-	56,933	-	-	82,895
Community and economic development	69,404	-	-	-	50,000	-	-	-	-	-	-	119,404
<b>Total disbursements</b>	<b>69,404</b>	<b>6,213</b>	<b>-</b>	<b>8,949</b>	<b>50,000</b>	<b>-</b>	<b>17,013</b>	<b>-</b>	<b>56,933</b>	<b>12,673</b>	<b>-</b>	<b>221,185</b>
Excess (deficiency) of receipts over (under) disbursements	463,352	311	474,573	3,082	(43,940)	117	3,209	44	(32,176)	(4,892)	-	863,680
<b>Other financing sources (uses):</b>												
Transfers in	-	-	-	20,796	-	-	-	-	-	-	-	20,796
Transfers out	(461,366)	-	(460,000)	(25,000)	-	-	-	-	-	-	-	(946,366)
<b>Total other financing sources (uses)</b>	<b>(461,366)</b>	<b>-</b>	<b>(460,000)</b>	<b>(4,204)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(925,570)</b>
Change in cash balances	1,986	311	14,573	(1,122)	(43,940)	117	3,209	44	(32,176)	(4,892)	-	(61,890)
Cash balances beginning of year	88,499	23,035	147,080	69,039	50,756	2,850	30,413	3,010	161,043	16,184	-	591,909
Cash balances end of year	\$ 90,485	23,346	161,653	67,917	6,816	2,967	33,622	3,054	128,867	11,292	-	530,019
<b>Cash Basis Fund Balances</b>												
<b>Restricted for:</b>												
Urban renewal purposes	\$ 90,485	-	-	-	-	-	-	-	-	-	-	90,485
Other purposes	-	23,346	161,653	67,917	6,816	2,967	33,622	3,054	128,867	11,292	-	439,534
<b>Total cash basis fund balances</b>	<b>\$ 90,485</b>	<b>23,346</b>	<b>161,653</b>	<b>67,917</b>	<b>6,816</b>	<b>2,967</b>	<b>33,622</b>	<b>3,054</b>	<b>128,867</b>	<b>11,292</b>	<b>-</b>	<b>530,019</b>

See accompanying independent auditor's report.

City of Manchester

Schedule of Indebtedness

Schedule 2

Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
<b>General Obligation Bonds:</b>									
Corporate purpose and refunding, Series 2010	May 15, 2010	1.40-3.60%	\$ 1,865,000	295,000	-	145,000	150,000	10,330	-
Water improvement, Series 2010B	November 23, 2010	0.85-3.15%	550,000	180,000	-	180,000	-	3,742	-
Corporate purpose, Series 2012	May 3, 2012	0.60-1.60%	1,000,000	90,000	-	90,000	-	1,304	-
Corporate purpose and refunding, Series 2013	April 23, 2013	0.35-1.90%	1,795,000	515,000	-	100,000	415,000	7,705	-
Corporate purpose and refunding, Series 2014A	May 27, 2014	0.50-2.45%	1,130,000	570,000	-	80,000	490,000	11,570	-
Refunding, Series 2015A	April 28, 2015	1.50-2.40%	1,375,000	390,000	-	55,000	335,000	7,820	-
Corporate purpose, Series 2015B	June 23, 2015	0.75-2.45%	2,000,000	1,630,000	-	190,000	1,440,000	31,360	-
Corporate purpose, Series 2017	June 27, 2017	1.20-2.40%	1,950,000	1,900,000	-	250,000	1,650,000	33,781	-
Corporate purpose, Series 2018	April 24, 2018	1.80-3.10%	1,435,000	1,435,000	-	110,000	1,325,000	37,949	-
Vehicle acquisition Series 2019	June 26, 2019	2.50%	120,000	-	120,000	-	120,000	-	-
<b>Total</b>				<b>\$ 7,005,000</b>	<b>120,000</b>	<b>1,200,000</b>	<b>5,925,000</b>	<b>145,561</b>	<b>-</b>
<b>Revenue Bonds:</b>									
Sewer revenue	July 2, 2008	1.75%	\$ 6,010,000	3,849,000	-	297,000	3,552,000	91,414	-
Water revenue	December 20, 2011	3.00%	909,000	399,000	-	95,000	304,000	11,970	-
Water revenue	February 8, 2019	1.75%	754,000	-	609,405	69,000	540,405	3,140	-
<b>Total</b>				<b>\$ 4,248,000</b>	<b>609,405</b>	<b>461,000</b>	<b>4,396,405</b>	<b>106,524</b>	<b>-</b>
<b>Interim Revenue Project Notes:</b>									
Water revenue	August 31, 2018	0.00%	\$ 96,500	-	69,100	69,100	-	-	-
<b>Lease Purchase Agreement:</b>									
Equipment	May 17, 2018	5.90%	\$ 38,266	38,266	-	5,054	33,212	1,477	-

See accompanying independent auditor's report.

City of Manchester

Schedule 3

Bond and Note Maturities

June 30, 2019

General Obligation Bonds																	
Year Ending June 30,	Corporate Purpose and Refunding, Series 2010 Issued May 15, 2010		Corporate Purpose and Refunding, Series 2013 Issued April 23, 2013		Corporate Purpose and Refunding, Series 2014A Issued May 24, 2014		Refunding, Series 2015A Issued April 28, 2015		Corporate Purpose, Series 2015B Issued June 23, 2015		Corporate Purpose, Series 2017 Issued June 27, 2017		Corporate Purpose, Series 2018 Issued April 24, 2018		Vehicle Acquisition, Series 2019 Issued June 26, 2019		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
	2020	3.60%	\$ 150,000	1.30%	\$ 100,000	1.70%	\$ 80,000	1.70%	\$ 55,000	1.50%	\$ 195,000	1.40%	\$ 225,000	1.90%	\$ 190,000	2.50%	
2021	-	-	1.50%	105,000	1.70%	80,000	1.70%	55,000	1.70%	195,000	1.50%	220,000	2.05%	145,000	-	-	800,000
2022	-	-	1.70%	105,000	2.10%	85,000	2.05%	55,000	1.85%	200,000	1.65%	235,000	2.20%	145,000	-	-	825,000
2023	-	-	1.90%	105,000	2.10%	85,000	2.05%	55,000	2.00%	205,000	1.80%	185,000	2.30%	150,000	-	-	785,000
2024	-	-	-	-	2.45%	90,000	2.40%	60,000	1.15%	210,000	1.95%	185,000	2.45%	150,000	-	-	695,000
2025	-	-	-	-	2.45%	70,000	2.40%	55,000	2.30%	215,000	2.10%	195,000	2.60%	155,000	-	-	690,000
2026	-	-	-	-	-	-	-	-	2.45%	220,000	2.25%	200,000	2.80%	95,000	-	-	515,000
2027	-	-	-	-	-	-	-	-	-	-	2.40%	205,000	2.80%	100,000	-	-	305,000
2028	-	-	-	-	-	-	-	-	-	-	-	-	3.10%	110,000	-	-	110,000
2029	-	-	-	-	-	-	-	-	-	-	-	-	3.10%	85,000	-	-	85,000
		<u>\$ 150,000</u>		<u>\$ 415,000</u>		<u>\$ 490,000</u>		<u>\$ 335,000</u>		<u>\$1,440,000</u>		<u>\$1,650,000</u>		<u>\$1,325,000</u>		<u>\$ 120,000</u>	<u>5,925,000</u>

Revenue Bonds					
Year Ending June 30,	Sewer Revenue Issued July 2, 2008		Water Revenue Issued December 20, 2011		Total
	Interest Rates	Amount	Interest Rates	Amount	
	2020	3.00%	\$ 306,000	3.00%	
2021	3.00%	316,000	3.00%	101,000	417,000
2022	3.00%	327,000	3.00%	105,000	432,000
2023	3.00%	337,000	-	-	337,000
2024	3.00%	348,000	-	-	348,000
2025	3.00%	359,000	-	-	359,000
2026	3.00%	371,000	-	-	371,000
2027	3.00%	383,000	-	-	383,000
2028	3.00%	396,000	-	-	396,000
2029	3.00%	409,000	-	-	409,000
		<u>\$3,552,000</u>		<u>\$ 304,000</u>	<u>3,856,000</u>

See accompanying independent auditor's report.

City of Manchester

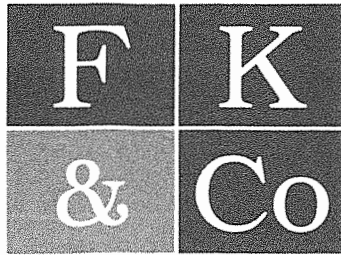
Schedule 4

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Receipts:</b>										
Property tax	\$2,610,227	2,442,238	2,437,719	2,372,959	2,487,134	2,487,134	2,418,612	2,369,851	2,362,026	2,266,457
Tax increment financing	482,999	525,838	425,009	463,133	460,648	460,648	482,885	448,997	343,304	329,835
Other city tax	909,608	912,503	945,201	897,207	808,153	808,153	514,562	539,479	513,902	481,171
Licenses and permits	67,187	64,325	29,559	37,712	59,605	59,605	68,386	81,250	29,424	26,796
Use of money and property	43,309	34,578	39,413	28,718	30,264	30,264	39,947	37,534	46,165	36,098
Intergovernmental	1,540,158	1,551,216	1,279,513	1,979,901	1,568,778	1,568,778	1,788,742	1,164,408	1,586,056	1,606,068
Charges for service	449,724	437,071	448,882	462,203	450,766	450,766	453,975	467,608	483,805	449,380
Special assessments	130,733	167,272	87,888	101,080	151,447	151,447	122,288	115,749	119,917	97,815
Miscellaneous	245,417	287,554	522,908	328,965	288,780	288,780	313,766	572,786	219,790	300,550
<b>Total</b>	<b>\$6,479,362</b>	<b>6,422,595</b>	<b>6,216,092</b>	<b>6,671,878</b>	<b>6,305,575</b>	<b>6,305,575</b>	<b>6,203,163</b>	<b>5,797,662</b>	<b>5,704,389</b>	<b>5,594,170</b>
<b>Disbursements:</b>										
<b>Operating:</b>										
Public safety	\$1,507,842	1,458,336	1,938,818	1,333,712	1,283,259	1,283,259	1,349,987	1,307,833	1,298,604	1,205,421
Public works	1,204,317	1,185,878	1,323,550	1,026,969	1,210,853	1,210,853	1,003,015	1,077,500	1,091,486	1,073,190
Culture and recreation	989,306	936,497	974,281	1,034,405	849,916	849,916	951,894	797,076	764,461	731,011
Community and economic development	375,232	329,370	512,343	256,771	328,015	328,015	291,464	201,313	269,224	198,688
General government	350,557	346,705	348,554	310,751	235,480	235,480	1,241,754	284,863	229,292	205,237
Debt service	1,351,727	1,282,399	1,297,663	1,233,413	1,703,677	1,703,677	1,887,366	1,125,583	1,108,798	1,529,018
Capital projects	2,103,710	1,659,283	1,114,987	2,142,961	1,952,614	1,952,614	1,724,147	1,425,513	1,220,334	2,017,135
<b>Total</b>	<b>\$7,882,691</b>	<b>7,198,468</b>	<b>7,510,196</b>	<b>7,338,982</b>	<b>7,563,814</b>	<b>7,563,814</b>	<b>8,449,627</b>	<b>6,219,681</b>	<b>5,982,199</b>	<b>6,959,700</b>

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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 City Council:

We have audited in accordance with U.S. generally accepted auditing standards 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, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa (City) as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2019. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items I-A-19, I-B-19 and I-C-19 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item I-D-19 to be a significant deficiency.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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 result of that testing and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

November 19, 2019

City of Manchester  
Schedule of Findings  
Year ended June 30, 2019

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-19 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City of Manchester’s (City) financial statements.

Condition – Generally, one or two individuals have control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Payroll – recordkeeping, preparation and distribution.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-19 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

City of Manchester

Schedule of Findings

Year ended June 30, 2019

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion – Response acknowledged.

I-C-19 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to reconciling utility billings, collections and delinquent accounts to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent accounts.

Condition – Although the City’s utility software generates monthly reports of utility billings, collections and delinquent accounts, the amounts are not reconciled from month to month.

Cause – Policies have not been established and procedures have not been implemented to ensure monthly utility billings, collections and delinquent accounts are reconciled each month to the City’s financial and utility billing records on a monthly basis.

Effect – Inadequate reconciliations can result in unrecorded or misstated utility receipts and improper or unauthorized adjustments and write-offs.

Recommendation – The City should ensure all amounts on the reconciliations of utility billings, collections and delinquent accounts are properly supported.

Response – The City will ensure utility reconciliations are properly supported and reviewed on a monthly basis.

Conclusion – Response acknowledged.

I-D-19 Meter Deposits

Criteria – An effective internal control system provides for reconciling the dollar value of meter deposits on hand with the cash balances as recorded in the meter deposit account.

Condition - There is no reconciliation of the dollar value of the detailed list of meter deposits on hand with the cash balance in the meter deposit account.

Cause – Policies and procedures have not been implemented to ensure the City reconciles the dollar value of the detailed list of meter deposits on hand with the cash balance in the meter deposit account.

City of Manchester

Schedule of Findings

Year ended June 30, 2019

Effect - Inadequate reconciliations can result in unrecorded or misstated utility receipts and improper or unauthorized adjustments and write-offs.

Recommendation – The City should implement procedures to ensure the meter deposit amounts by customer are identified. In addition, the listing of meter deposit amounts on hand, by customer, should be reconciled to the meter deposit cash total as recorded on the accounting system on a monthly basis.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Manchester  
Schedule of Findings  
Year ended June 30, 2019

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-19 Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response acknowledged.

II-B-19 Questionable Disbursements – No disbursement that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-19 Travel Expense – No disbursements of City of Manchester (City) money for travel expenses of spouses of City officials or employees were noted.

II-D-19 Business Transactions – Business transactions between the City and City officials or employees of the primary government are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Becker Electric, owned by mother of employee Perry Peterson’s partner	Electrical work	\$12,298
Mark Fink, brother-in-law to employee Chad Eschen	Hauling and labor	4,633
Brehme Drug, Inc., owned by Ashley Brehme, Planning and Zoning Board Member	Supplies	33
Burrington Group, Inc., owned by Randy Rottenborg, Volunteer Fire	Engineering	25,064
Delaware County Abstract Co., owned by family of Jay Reeder, Planning and Zoning Board Member	Professional fees	715
Don’s TV, owned by Don Detrich, grandfather of employee Nate Detrich	Appliances	108
Hitech Communications, employer of Jeremy DeMoss, Volunteer Fire	Maintenance and repair	12,757
Harper Folsum, daughter of employee Kristy Folsum	Programming	300
Schmitz Janitorial Supply, owned by Brother-in-law of Julie Schmitz, City employee	Supplies	157

City of Manchester

Schedule of Findings

Year ended June 30, 2019

James Wessels, tree removal, City employee	Services	\$ 5,320
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In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions with Brehme Drug, Inc., Delaware County Abstract Co., Don's TV, Harper Folsom and Schmitz Janitorial Supply do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the above transactions with Burrington Group, Inc. do not appear to represent a conflict of interest since the transaction was with a Volunteer Fire personnel.

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Becker Electric, Mark Fink and James Wessels may represent conflict of interests as they were for more than \$1,500.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

Response – We will consult our Attorney in relation to this issue.

Conclusion – Response acknowledged.

II-E-19 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-19 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Instances were noted where a summary of all receipts were not timely published in the newspaper. Some City Council minutes, and related claims, were not published within fifteen days of the City Council meetings. Chapter 372.13(6) of the Code of Iowa requires a summary of all receipts, council minutes, and all claims be published in the newspaper within fifteen days of the City Council meeting.

The Council went into closed session at times during the fiscal year. The Council minutes did not document the vote of each member to go into closed session, as required by Chapter 21.5(2) of the Code of Iowa.

Recommendation - The City should ensure that the City Council minutes, summary of all receipts and related claims are timely published in the newspaper as required by the Code of Iowa. In addition, the City should also comply with Chapter 21 of the Code of Iowa in relation to closed sessions.

Response - We will implement these recommendations.

Conclusion - Response acknowledged.

II-G-19 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-19 Revenue Bonds and Notes – The water revenue bond resolutions require a sinking account be established and monthly transfers of the principal and interest coming due be made to the sinking account. We noted that the City did not properly fund the sinking account for the water revenue bonds.

City of Manchester

Schedule of Findings

Year ended June 30, 2019

Recommendation – The City should implement procedures to ensure the water revenue bond sinking account requirements are met.

Response – We will review this situation and take appropriate action.

Conclusion – Response acknowledged.

- II-I-19 Compliance Issues – Instances were noted where elected officials did not have Social Security withholding from their paycheck. Elected officials pay is subject to Social Security withholding unless they opt out of coverage.

Recommendation – The City should implement procedures to ensure that Social Security withholdings are made from elected officials paychecks.

Response – The above was an oversight on our part, we will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-J-19 Interfund Transfers – After April 17, 2019, interfund transfers were not passed by resolution as required by Iowa Administrative Code Section 545-2.1.

Recommendation – The City should implement procedures to ensure compliance with the State of Iowa requirements in relation to interfund transfers.

Response – This provision was new in fiscal year 2019. We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-K-19 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted City's TIF debt certifications to the County Auditor include amounts relating to rebate obligations which include an annual appropriation clause. Until appropriated, these payments do not represent debt and, accordingly, should not have been certified as debt.

We noted that the City did not certify general obligation bond interest which will be incurred on TIF related debt.

Recommendation – The City should consult TIF legal counsel to determine the disposition of this issue. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa. The TIF debt certification should also include all general obligation bond interest and only allowable debt approved by the City Council prior to certification.

Response – The City will consult TIF legal counsel, make corrections to the TIF certification and ensure the future certifications are in compliance with the Code of Iowa requirements.

Conclusion – Response acknowledged.

City of Manchester

Schedule of Findings

Year ended June 30, 2019

- II-L-19 Tax Increment Financing Fund Disbursements – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Urban Renewal Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable LMI assistance.

During the year ended June 30, 2019, the City paid \$387 of claims for professional services and publication costs from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts.

During the year ended June 30, 2019, the City used an incorrect TIF tax rate to determine the amount of developer rebates. As a result, the rebate amounts paid to the developers in fiscal year 2019 were incorrect.

Recommendation – The City should reimburse the TIF Fund from an allowable fund, such as the General Fund, for these unallowable costs. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance. In addition, the City should implement procedures to ensure the developers are paid the correct amount of rebates.

Response – We will consult with legal counsel in relation to this.

Conclusion – Response acknowledged.

- II-M-19 Annual Urban Renewal Report (AURR) – The AURR report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the beginning and ending debt balances as reported on the AURR do not agree to the City's records.

Recommendation – The City should ensure the balances reported on the Levy Authority Summary on the AURR agree with the City's records.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.