CITY OF MANCHESTER

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2007

		Page
Officials		2
Independent Auditor's Report		4-5
Management's Discussion and Analysis		6-13
Basic Financial Statements:	Exhibit	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	16-17
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	18-19
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	21
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	22
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	23
Notes to Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		36-37
Notes to Required Supplementary Information – Budgetary Reporting		38
Other Supplementary Information:	Schedule	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	40-47
Schedule of Indebtedness	2	48-49
Bond and Note Maturities	3	50-51
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	52
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		53-54
Schedule of Findings and Responses		55-59
Staff		60

City of Manchester

Officials

Name	Title	Term Expires
Milt L. Kramer	Mayor	Jan 2010
Darrell R. Hanson	Council Member	Jan 2008
Tony C. Broghammer	Council Member	Jan 2010
Daniel J. Stelken	Council Member	Jan 2008
Jeff L. Ogden	Council Member	Jan 2008
Ron R. Struble	Council Member	Jan 2010
Timothy J. Vick	City Manager	Jun 2008
Erin Rempe	City Clerk	Jan 2008
Julie Schmitz	Treasurer-Deputy City Clerk	Jan 2008
James T. Peters	Attorney	Jan 2008

GOSLING & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Manchester
Manchester, Iowa

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, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Manchester, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our **opinions.**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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 of Manchester, Iowa as of June 30, 2007, 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.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2008, on our consideration of the City of Manchester, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

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that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 36 through 38, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester, Iowa's basic financial statements. The financial statements of the City of Manchester for the three years ended June 30, 2005, were audited by other auditors whose report dated August 19, 2005, expressed an unqualified opinion on those statements. Other 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gosling & Company P.C.

Certified Public Accountants

February 6, 2008

The City of Manchester, Iowa 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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- The City's property tax revenues increased by $123,271, or approximately 7%. Overall revenues decreased by approximately $190,850, or 3% from fiscal 2006 to fiscal 2007.
- Disbursements decreased by 28%, or approximately $2,385,630 from fiscal 2006 to fiscal 2007.
- The City's total cash basis net assets increased by 4%, or approximately $185,201 from June 30, 2006 to June 30, 2007.

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 Statement of Activities and Net Assets. 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 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.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from 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 Statement of Activities and Net Assets-Cash Basis reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, culture and recreation, health and social services, 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 department and sewer department. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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 (TIF), 3) the Debt Service Fund, and 4) Capital Projects 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.

Governmental funds are further broken down into the following activities:

Public Safety - This category includes police and communications center operations, disaster control, fire protection, rescue services, and animal control services.

Public Works - This category includes roadway maintenance, traffic safety, snow and ice, street cleaning, storm/street drainage, airport, solid waste collection, traffic safety, snow removal, compost facility, local access cablevision, local option tax, and equipment reserve.

Culture and Recreation - This category includes library, parks, recreation program, family aquatic center, sports complex, and special events.

Health and Social Services – This category includes contributions to organizations that provide assistance to families in need within the community.

Community and Economic Development - This category includes community beautification, economic development, building and housing, planning and zoning, and revolving loan fund.

General Government - This category includes legislative, administration, tax revenue, insurance, employee benefits, and other general government.

Debt Service - This category includes general and TIF debt service.

Capital Projects - This category includes the Downtown Incentive Program, Housing Grant Projects, Bikeway/Walkway Construction, Subdivision Improvements, Street Project Fund, and Wastewater Treatment Plant Improvements.

Proprietary Funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate cost internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

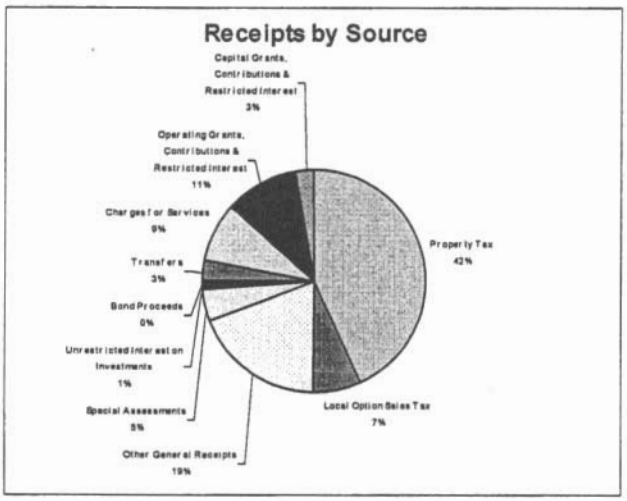
GOVERNMENT-WIDE FINANCIAL ANALYSIS

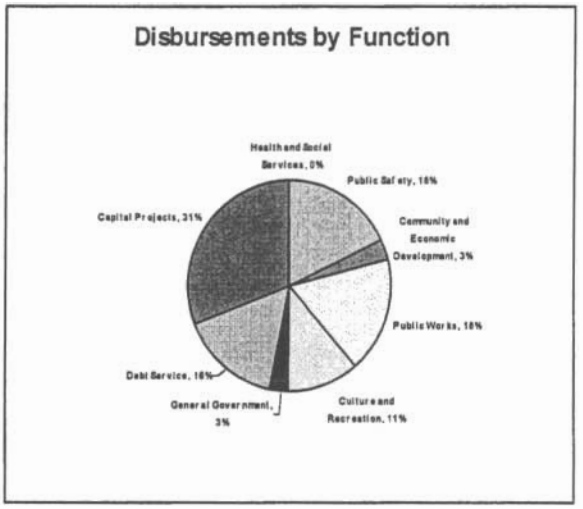
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from $3,141,659 to $3,299,317.

City of Manchester

Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service	$ 451,999	$ 436,288
Operating grants, contributions and restricted interest	565,600	504,415
Capital grants, contributions and restricted interest	145,797	813,298
General receipts:		
Property tax	2,279,103	2,165,804
Local option sales tax	367,538	331,803
Franchise tax	268,232	402,139
Other city tax	1,398	1,371
Special assessments	242,430	181,212
Unrestricted interest on investments	61,607	31,815
Bond proceeds	12,040	2,950,000
Miscellaneous	755,156	424,473
Sale of assets	-	1,887
Interfund loans	(13,000)	(13,000)
Transfers, net	165,428	342,442
Total receipts and transfers	$ 5,303,328	$ 8,573,947
Disbursements:		
Public Safety	$ 946,697	$ 998,579
Public Works	899,325	952,270
Culture and Recreation	563,005	630,143
Health and Social Services	1,000	-
Community and Economic Development	168,936	738,954
General Government	162,732	308,085
Debt Service	833,731	833,084
Capital Projects	1,570,244	2,998,884
Total disbursements	$ 5,145,670	$ 7,459,999
Increase in cash basis net assets	157,658	1,113,948
Cash basis net assets beginning of year	3,141,659	2,027,711
Cash basis net assets end of year	$ 3,299,317	$ 3,141,659





The City's receipts including other financing sources for governmental activities totaled $5,303,328 for Fiscal 2007. The total cost of all programs and services was $5,145,670. The net result was an excess of $157,658 for Fiscal 2007.

The City increased property tax rates for 2007 by an average of two percent. With Residential Rollback, this increase resulted in $123,271 in additional property tax revenues.

The cost of all governmental activities this year was $5,145,670 compared to $7,459,999 last year. As shown in the Statement of Activities and Net Assets-Cash Basis, the amount taxpayers ultimately financed for these activities was only $2,279,103 because some of the cost was paid by other city taxes which include local option taxes and other city taxes ($637,168) and by individuals or entities including governments and organizations who directly benefited from the service ($267,621). The City paid for the remaining "public benefit" portion of governmental activities with approximately $1,961,778 in taxes (some of which could only be used for certain programs) and with other receipts, including interest, transfers from other funds and general entitlements.

City of Manchester

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service		
Water	$ 486,059	$ 517,349
Sewer	506,374	521,937
General receipts:		
Unrestricted interest on investments	33,233	20,585
Miscellaneous	-	1,000
Interfund loans	13,000	13,000
Total receipts and transfers	$ 1,038,666	$ 1,073,871
Disbursements:		
Water	$ 442,756	$ 490,279
Sewer	402,939	426,717
Transfers	165,428	342,442
Total disbursements	$ 1,011,123	$ 1,259,438
Increase (decrease) in cash basis net assets	$ 27,543	$ (185,567)
Cash basis net assets beginning of year	988,328	1,173,895
Cash basis net assets end of year	$ 1,015,871	$ 988,328

Total business type activities receipts for the fiscal year were $1,038,666 compared to $1,073,871 last year. The cash balance, however, increased by $27,543 from the prior year due to a decrease in expenditures associated with capital improvement projects. Total disbursements and transfers for the fiscal year decreased by $248,315 or approximately 20%. This decrease is, again, primarily due to a decrease in expenditures associated with capital improvement projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Manchester, Iowa completed the year, its governmental funds reported a combined fund balance of $3,299,317, an increase of $157,658 from last year's total of $3,141,659. The following are the major reasons for the change in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by $300,157 from the prior year to $277,380. This decrease was due primarily to the reallocation of the electric and gas franchise fee receipts to a separate fund. The City is currently involved in litigation related to the collection of these fees, and these funds will be maintained separately until resolution of the lawsuit.

- The Road Use Tax Fund cash balance increased by $29,309 from the prior year to $248,227. The increase is attributable the elimination of a contribution from the Road Use Tax Fund to the Street Capital Projects Fund.

- The Capital Projects Fund, specifically the Bikeway/Walkway Project Funds and the CDBG Housing Grant Fund, received grant revenue in Fiscal Year 2007, for expenses that were incurred primarily in Fiscal Year 2006.

- The Debt Service Fund cash balance decreased by $549,187 from the prior year to $527,451. The decrease was due to the issuance of debt during Fiscal Year 2006, of which a portion was used to pay for projects which occurred during Fiscal Year 2007.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by $49,427 to $645,394, due to a decrease in capital expenditures.

- The Sewer Fund cash balance decreased by $21,884 to $370,477, due primarily to a decrease in receipts for the fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Manchester, Iowa amended its budget one time. The amendment was approved on May 14th, 2007. The amendment was needed, in large part, due to the following items: grant revenues received for the CDBG Housing Grant and the Bailey/Brewer Walkway; additional special assessment revenues; a decrease in the amount of money borrowed and transferred; the reallocation of the franchise fee revenues; and the reallocation of the wastewater treatment plant project expenses from Business Type/Enterprise category to Capital Projects category. The additional revenues received by the City absorbed the additional expenditures.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately $4,120,489 in bonds and other long-term debt, compared to approximately $4,774,349 last year, as shown below.

City of Manchester, Iowa
Outstanding Debt at Year-End

	June 30,	
	2007	2006
General obligation bonds	$ 3,105,000	$ 3,705,000
Urban renewal tax increment financing revenue bonds	1,015,489	1,051,418
Iowa Department of Natural Resources	-	17,931
Total	$ 4,120,489	$ 4,774,349

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 and tax increment debt of $4,120,489 is significantly below its constitutional debt limit of $11,040,315.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Manchester's elected and appointed officials and department heads considered many factors when setting the fiscal year 2008 budget, tax rates, and fees charged for various City activities.

A major factor in setting the fiscal year 2008 budget was how to offset the continued decrease in taxable valuation due to residential rollback, as well as how to offset the loss of the gas and electric franchise fees. The City is working to recoup these losses by reviewing annual charges for services, pursuing alternative revenue sources, and continually monitoring the costs associated with the various services the City provides.

The City's property tax rate will decrease from $15.58959 in Fiscal 2007 to $14.66329 in Fiscal 2008. This is approximately a 4.6% decrease for property owners in the City of Manchester.

CONTACTING THE CITY' S FINANCIAL MANAGEMENT DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, 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 J. Vick, City Manager, or Erin Rempe, City Clerk, 208 East Main Street, Manchester, Iowa.

City of Manchester
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2007

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Government Activities:				
Public Safety	$ 946,697	$ 20,590	$ 23,307	$ -
Public Works	899,325	279,669	448,198	8,270
Culture and Recreation	563,005	121,444	27,857	-
Health and Social Services	1,000	-	-	-
Community & Economic Development	168,936	30,296	52,946	137,527
General Government	162,732	-	13,292	-
Debt Service	833,731	-	-	-
Capital Projects	1,570,244	-	-	-
Total Government Activities	5,145,670	451,999	565,600	145,797
Business Type Activities:				
Water Utility	442,756	486,059	-	-
Wastewater Treatment	402,939	506,374	-	-
Total Business Type Activities	845,695	992,433	-	-
Total Primary Government	$ 5,991,365	$ 1,444,432	$ 565,600	$ 145,797
General Receipts:				
Property Tax Levied For:				
General Purposes				
Insurance				
Employee Benefits				
Tax Increment Financing				
Debt Service				
Local Option Sales Tax				
Other City Tax				
Franchise Tax				
Licenses and Permits				
Special Assessments				
Unrestricted Interest on Investments				
Bond Proceeds				
Miscellaneous				
Sale of Assets				
Interfund Loans				
Transfers In (Out)				
Total General Receipts and Transfers				
Change in Cash Basis Net Assets				
Cash Basis Net Assets, Beginning of Year				
Cash Basis Net Assets, End of Year				
Cash Basis Net Assets				
Restricted				
Urban Renewal Purposes				
Debt Service				
Other Purposes				
Unrestricted				
Total Cash Basis Net Assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
$ (902,800)	$ -	$ (902,800)
(163,188)	-	(163,188)
(413,704)	-	(413,704)
(1,000)	-	(1,000)
51,833	-	51,833
(149,440)	-	(149,440)
(833,731)	-	(833,731)
(1,570,244)	-	(1,570,244)
(3,982,274)	-	(3,982,274)
-	43,303	43,303
-	103,435	103,435
-	146,738	146,738
(3,982,274)	146,738	(3,835,536)
996,548	-	996,548
78,972	-	78,972
436,236	-	436,236
329,300	-	329,300
438,047	-	438,047
367,538	-	367,538
1,398	-	1,398
268,232	-	268,232
25,191	-	25,191
242,430	-	242,430
61,607	33,233	94,840
12,040	-	12,040
729,965	-	729,965
-	-	-
(13,000)	13,000	-
165,428	(165,428)	-
4,139,932	(119,195)	4,020,737
157,658	27,543	185,201
3,141,659	988,328	4,129,987
$ 3,299,317	$ 1,015,871	$ 4,315,188
$ 714,324	$ -	$ 714,324
527,451	-	527,451
1,780,162	-	1,780,162
277,380	1,015,871	1,293,251
$ 3,299,317	$ 1,015,871	$ 4,315,188

City of Manchester
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2007

		Special Revenue		
	General	Tax Increment Financing	Road Use Tax	Street Equipment Reserve
Receipts:				
Property Tax	$ 1,075,520	$ -	$ -	$ -
Tax Increment Financing Collections	-	329,300	-	-
Other City Tax	268,232	-	-	-
Licenses and Permits	25,191	-	-	-
Use of Money and Property	16,667	5,061	-	7,183
Charges for Services	451,999	-	-	-
Intergovernmental	237,910	-	438,147	-
Special Assessments	-	-	-	-
Miscellaneous	65,136	-	-	2,868
Total Receipts	2,140,655	334,361	438,147	10,051
Disbursements:				
Operating:				
Public Safety	941,038	-	-	-
Public Works	444,475	-	408,838	-
Culture and Recreation	548,185	-	-	-
Health and Social Services	1,000	-	-	-
Community and Economic Development	139,402	2,200	-	-
General Government	132,480	-	-	-
Debt Service	-	102,726	-	-
Capital Projects	-	-	-	-
Total Disbursements	2,206,580	104,926	408,838	-
Excess (Deficiency) of Receipts over (under) Disbursements	(65,925)	229,435	29,309	10,051
Other Financing Sources (Uses):				
Debt Proceeds	-	12,040	-	-
Interfund Loans	-	(18,000)	-	5,000
Operating Transfers In	345,010	-	-	-
Operating Transfers Out	(579,242)	(203,423)	-	-
Total Other Financing Sources (Uses)	(234,232)	(209,383)	-	5,000
Net Change in Cash Balances	(300,157)	20,052	29,309	15,051
Cash Balances, Beginning of Year	577,537	88,008	218,918	179,347
Cash Balances, End of Year	$ 277,380	$ 108,060	$ 248,227	$ 194, 398
Cash Basis Fund Balances				
Reserved:				
Debt Service	$ -	$ -	$ -	$ -
Unreserved:				
General Fund	277,380	-	-	-
Special Revenues Fund	-	108,060	248,227	194,398
Capital Projects Fund	-	-	-	-
Total Cash Basis Fund Balances	$ 277,380	$ 108,060	$ 248,227	$ 194,398

See notes to financial statements.

Special Revenue	Capital Projects			Other	
Franchise Fees Gas & Electric	Street Projects	Sewer Improvements	Debt Service	Nonmajor Governmental Funds	Total
$ -	$ -	$ -	$ 438,047	$ 436,236	$ 1,949,803
-	-	-	-	-	329,300
-	-	-	673	368,263	637,168
-	-	-	-	-	25,191
4,064	-	6,854	39,861	28,086	107,776
-	-	-	-	-	451,999
-	-	-	-	115,648	791,705
-	88,267	-	-	154,163	242,430
242	5,381	-	-	529,861	603,488
4,306	93,648	6, 854	478,581	1,632,257	5,138,860
-	-	-	-	5,659	946,697
-	-	-	-	46,012	899,325
-	-	-	-	14,820	563,005
-	-	-	-	-	1,000
-	-	-	-	27,334	168,936
-	-	-	-	30,252	162,732
-	-	-	731,005	-	833,731
-	1,109,897	262,289	-	198,058	1,570,244
-	1,109,897	262,289	731,005	322,135	5,145,670
4,306	(1,016,249)	(255,435)	(252,424)	1,310,122	(6,810)
-	-	-	-	-	12,040
-	-	-	-	-	(13,000)
556,747	1,006,508	-	294,353	69,953	2,272,571
-	-	-	(591,116)	(733,362)	(2,107,143)
556,747	1,006,508	-	(296,763)	(663,409)	164,468
561,053	(9,741)	(255,435)	(549,187)	646,713	157,658
-	49,289	559,690	1,076,638	392,232	3,141,659
$ 561,053	$ 39,548	$ 304,255	$ 527,451	$ 1,038,945	$ 3,299,317
$ -	$ -	$ -	$ 527,451	$ -	$ 527,451
-					
-	-	-	-	-	277,380
561,053	-	-	-	668,424	1,780,162
-	39,548	304,255	-	370,521	714,324
$ 561,053	$ 39,548	$ 304,255	$ 527,451	$ 1,038,945	$ 3,299,317

City of Manchester

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets–Cash Basis
Governmental Funds

As of and for the year ended June 30, 2007

Total Governmental Funds Cash Balances (page 19)	$ 3,299,317
Amounts Reported for Governmental Activities in the Statement of Activities and Net Assets are different because:	
None	-
Cash Basis Net Assets of Governmental Activities (page 17)	$ 3,299,317
Net Change in Cash Balances (page 19)	$ 157,658
Amounts Reported for Governmental Activities in the Statements of Activities and Net Assets are different because:	
None	-
Change in Cash Basis Net Assets of Governmental Activities (page 17)	$ 157,658

See notes to financial statements.

City of Manchester
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2007

	Enterprise Funds		
	Water Utility	Sewer Utility	Total
Operating Receipts:			
Use of Money and Property	$ 20,491	$ 12,742	$ 33,233
Charges for Services	486,059	506,374	992,433
Total Operating Receipts	506,550	519,116	1,025,666
Operating Disbursements:			
Governmental Activities:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Business Type Activities	442,756	402,939	845,695
Total Operating Disbursements	442,756	402,939	845,695
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	63,794	116,177	179,971
Excess (Deficiency) of Receipts Over (Under) Disbursements	63,794	116,177	179,971
Other Financing Sources (Uses):			
Interfund Loans	-	13,000	13,000
Operating Transfers In	-	9,000	9,000
Operating Transfers Out	(14,367)	(160,061)	(174,428)
Total Other Financing Sources (Uses)	(14,367)	(138,061)	(152,428)
Net Change in Cash Balances	49,427	(21,884)	27,543
Cash Balances Beginning of Year	595,967	392,361	988,328
Cash Balances End of Year	$ 645,394	$ 370,477	$ 1,015,871
Cash Basis Funds Balances:			
Reserved for Debt Service	$ -	$ -	$ -
Unreserved	645,394	370,477	1,015,871
Total Cash Basis Fund Balances	$ 645,394	$ 370,477	$ 1,015,871

See notes to financial statements.

City of Manchester

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Assets-Cash Basis
Proprietary Funds

As of and for the year ended June 30, 2007

Total Enterprise Funds Cash Balances (page 22)	$ 1,015,871
Amounts Reported for Business Type Activities in the Statement of Activities and Net Assets are different because:	
None	-
Cash Basis Net Assets of Business Type Activities (page 17)	$ 1,015,871
Net Change in Cash Balances (page22)	$ 27,543
Amounts Reported for Business Type Activities in the Statements of Activities and Net Assets are different because:	
None	-
Change in Cash Basis Net Assets of Business Type Activities (page 17)	$ 27,543

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Manchester, Iowa is a political subdivision of the State of Iowa located in Delaware County. It was first incorporated in 1865 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, Health and Social Services community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Manchester 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 has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City 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
Regional Planning Affiliation Policy Board
Delaware County E911 Board
Manchester Area Chamber of Commerce
Greater Delaware County Community Foundation
Delaware County Softball Commission
Facilities Management Committee
Eastern Iowa Regional Housing Authority Commission
Eastern Iowa Clandestine Lab
Community Childcare of Manchester Iowa

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets-Cash Basis 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 Statement of Activities and Net Assets-Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets-Cash Basis 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 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 Tax Increment Financing/Urban Renewal Fund is used to account for urban renewal projects financed by tax increment financing.

(1) Summary of Significant Accounting Policies (continued)

The Road Use Tax Fund is used to account for road construction and maintenance.

The Street Equipment Reserve Fund is used to account for capital asset purchases of the Street Department as well as to account for reserves designated for future purchases.

The Franchise Fees – Gas and Electric is used to account for fees imposed on revenues for gas and electric utilities and cable television and other services to customers situated within the city. See note 15 for contingency disclosures regarding this fund.

Capital Projects:

The Street Projects Fund is used to account for resources used in the acquisition or construction of major capital facilities and capital assets as it relates to the street construction projects in the City.

The Sewer Improvements Fund is used to account for resources used in the acquisition or construction of major capital facilities and capital assets as it relates to the sewer construction projects in the City.

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

The City reports the following major proprietary funds:

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

The Sewer Utility 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 of Manchester 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 are both restricted and unrestricted cash basis net assets 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.

(1) Summary of Significant Accounting Policies (continued)

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 a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted in the general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 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 insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in 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.

The City's investments consist of certificates of deposits held within the State of Iowa.

(3) Notes Receivable

The city has loaned money to the following Manchester area businesses as part of its Downtown Incentive Program:

Note Receivable, ABCM Corporation, due in monthly installments of $167, beginning April 1, 2006 through March 1, 2011. The note bears no interest and is unsecured.	$ 7,500
Note Receivable, Manchester Area Chamber of Commerce, due in annual installments of $1,630, beginning January 20, 2005 through 2009. The note bears no interest and is secured by a real estate mortgage dated January 20, 2004.	$ 3,260
Note Receivable, Manchester Area Chamber of Commerce, due in annual installments of $784.02, beginning May 1, 2008 through 2012. The note bears no interest and is unsecured.	$ 3,920

(3) Notes Receivable (Continued):

Note Receivable, Tyler's Gold and Diamonds, due in annual installments of $2,000, beginning September 5, 2003 through 2007. The note bears no interest and is secured by a security agreement dated September 5, 2002.	$ 2,000

(4) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 365,000	$ 112,895	$ 58,291	$ 64,177	$ 423,291	$177,072
2009	370,000	100,600	121,739	59,570	491,739	160,170
2010	385,000	87,520	122,727	51,734	507,727	139,254
2011	395,000	73,535	123,777	43,837	518,777	117,372
2012	415,000	59,065	124,885	35,935	539,885	95,000
2013	420,000	43,720	126,070	27,848	546,070	71,568
2014	445,000	28,060	105,500	20,070	550,500	48,130
2015	310,000	11,315	105,500	13,222	415,500	24,537
2016	-	-	105,500	6,381	105,500	6,381
2017	-	-	21,500	618	21,500	618
Total	$ 3,105,000	$ 516,710	$1,015,489	$323,392	$4,120,489	$840,102

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were $89,318, $91,746 and $90,512 respectively, equal to the required contributions for each year.

The City makes available to each full-time or regular part-time employee, the opportunity to make tax exempt contributions under an approved 457 Deferred Compensation Plan. The employee's own tax exempt contribution will be utilized as a retirement fund. However, no monthly contribution to the plan can be less than $50.00. The employee is responsible for the cost of administering the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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.

Sick leave is payable when used and is accumulated at the rate of 12 days each year up to a maximum accumulation of 150 days. Upon retirement or death, disabled employees who have met other specific criteria may be paid sick leave at one-fourth of the then effective hourly rate for that employee.

The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, Special Revenue Funds, and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	$ 95,662
Sick leave	435,749
Total	$531,411

This liability has been computed based on rates of pay in effect at June 30, 2007.

(7) Lease Agreements

1. The City of Manchester is a party to several operating leases. The leases are with various local companies and individuals for hangars at the municipal airport. The leases run for one year and are automatically renewable unless 30 days written notice by either party is given. The City charges $300 per year, per hangar.

2. The City of Manchester has entered into a five year lease agreement dated May 10, 2004 to lease a parking lot on West Main Street to Hardee's Food Systems, Inc. No lease payments are required, but Hardee's Food Systems Inc. has agreed to resurface and landscape the area.

3. The City of Manchester has entered into a lease agreement dated May 6, 1991 with Fareway Stores, Inc. of Boone, Iowa for an easement for purposes of constructing loading docks for $1 and other valuable consideration received.

4. The City of Manchester has entered into a ten-year lease agreement commencing April 16, 2001 to lease a parking lot to the Regional Medical Center of Northeast Iowa and Delaware County for $1. The Regional Medical Center agrees to pay 100 percent of required maintenance.

5. The City of Manchester is a party to an operating lease with Mediacom Iowa, LLC. that runs from May 15, 2005 through May 15, 2010. The lease covers storage space in a building and antenna and equipment space on the water tower on Williams Street. The $296 monthly rent may be increased by the lessor in an amount not to exceed the percent of increase in the consumer price index (CPI-U) from the time the last increase was implemented.

6. The City of Manchester has entered into a three-year lease agreement with William Blakesley dated June 1, 2007 to lease a driveway adjacent to his retail establishment. A $150 lease payment was paid at the signing of the lease. William Blakesley has agreed to pay 100 percent of required maintenance.

7. The City of Manchester has entered into a three-year lease agreement with the Franklin Street Underground, dated January 1, 2004, to construct a handicapped ramp on the property. A $1 lease payment was paid at the signing of the lease. Franklin Street Underground agrees to pay 100 percent of the required maintenance. This lease was renewed on January 1, 2008 for another three years.

8. The City of Manchester has entered into a six-year lease agreement commencing October 1, 2000 to lease a right of way to Regional Medical Center of Northeast Iowa and Delaware County. The right of way consists of underground space for the purpose of running a telecommunications cable. Regional Medical Center will pay $25 per year. The City of Manchester is in the process of renewing this lease.

(7) Lease Agreements (continued)

9. The City of Manchester has entered into a five-year lease agreement commencing March 4, 2002 to lease the transmitter building located 20 feet north of the Grant Street water tower to the Delaware County E-911 Board. The Delaware County E-911 Board will pay $25 per year, payable on the first Monday of March each year, beginning March 2002. The lease shall automatically renew for successive one-year terms, unless a party provides written notification of termination of the lease at least 90 days prior to the expiration of the current lease term. The Delaware County E-911 Board agrees to pay 100 percent of the required maintenance.

10. The City of Manchester has entered into a fifteen-year well agreement commencing April 1, 2002 where the City is entitled to the use of water provided by said well owned by M. Ruth Francois. The City is responsible for all electrical utilities serving the pump house and all connection costs, as well as repairs, maintenance and/or replacement of the well facility.

11. The City of Manchester has entered into an agreement for the right to enter the premises being a building commonly known as 1201 East Main Street, Manchester, Iowa owned by Schultz Bros. Co., commencing on March 18, 2002. The City's sole use of the premises is for the training of police K-9 units. Consideration for the agreement is $10 and can be canceled by either party at any time by giving 2 days written notification.

12. The City of Manchester is a party to an operating lease with Silver Eagle Harley-Davidson/Buell Inc., which runs from April 1, 2007 through December 31, 2007. The lease covers the use of a 2006 Harley-Davidson Police motorcycle by the Manchester Police Department for police and related activities. The City is required to pay $1,500 along with maintenance and insurance.

13. The City of Manchester has entered into a lease agreement commencing June 5, 2006 with Iowa RSA No. 12 Limited Partnership for attachment locations upon the water tower at the intersection of East Prospect and Williams Street and ground space at the site for cellular common carrier mobile radio base operations. There is an option to lease for a term of 18 months. A $3,000 payment was paid at the signing of the lease. The tenant has exercised the option. The initial lease term will be five years at a base rent of $1,000 per month due on the first day of each month beginning July 1, 2006.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to:	Transfer from:	Amount
General	Special Revenue:	
	Employee Benefit Fund	$ 342,006
	Health Fund	5
	COPS Program	3,000
		345,011
Franchise Fees-Gas & Electric	General Fund	556,747
		556,747
Special Revenue:		
Fire Truck Reserve	General Fund	22,495
Housing Acquisition/Demolition Project	FEMA Property Acquisition	5,838
Bikeway/Walkway Project	Debt Service	23,679
		52,012
Capital Projects:		
Street Projects	Debt Service	567,437
	Enterprise:	
	Water Utility	14,367
	Sewer Utility	60,131
	Special Revenue:	
	Street Improvement Fund	53,572
	Local Option	311,000
		1,006,507
2005 CDBG Grant	2002 CDBG Housing	12,612
	2001 CDBG Housing	5,329
		17,941
Enterprise Funds:		
Sewer Replacement	Enterprise Funds:	
	Sewer Utility	9,000
Debt Service	Special Revenue:	
	Tax Increment Financing	203,423
	Enterprise Fund:	
	Sewer Utility	90,930
		303,353
		$ 2,281,571

(8) Interfund Transfers (continued)

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

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling $3,940 during the year ended June 30, 2007.

(10) Interfund Loans

The City has the following interfund loans at June 30, 2007:

Special Revenue Fund, Tax Increment Financing from Enterprise Fund, Airport Improvement Project at 8.00% per annum	$25,874
Special Revenue Fund, Tax Increment Financing from Enterprise Fund, Hughes Project at 5.00% per annum	24,114
Special Revenue Fund, Tax Increment Financing from Enterprise Fund, Recreation Center Project at 5.00% per annum	39,225
	$89,213

(11) Economic Development Loans

The City has granted a corporation a non-interest bearing loan agreement in the amount of $325,000 to build a speculative building in the Manchester Industrial Park for the purpose of attracting new industry and/or creating jobs in the City of Manchester. Principal is due October 21, 2011 unless the building is sold, leased, or otherwise transferred without prior written consent of the lender. As of June 30, 2007, $301,492 has been advanced on the loan agreement.

The City has granted a corporation a non-interest bearing loan agreement in the amount of $240,800 to expand its manufacturing facilities for the purpose of creating additional jobs in the City of Manchester. Principal is due in annual installments of $12,040, beginning December 31, 2006 through December 31, 2025. The note is secured by a real estate mortgage dated June 22, 2006.

The City has granted an individual an interest bearing loan agreement in the amount of $28,000 to improve their subdivision. Principal is due in annual installments of $2,800, beginning July 1, 2007 through July 1, 2016. The annual interest rate is 7% and is secured by a real estate mortgage.

(12) 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.

(13) Deficit Balance

The Downtown Incentive Program and 2005 CDBG Housing fund had deficit fund balance amounts of $9,301 and $5,013 respectively at June 30, 2007. The deficit balance was a result of project costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of grant money, loan proceeds, or fund transfers.

(14) Construction in Progress

The City has entered into various construction contracts totaling approximately $1,737,257. The unpaid contract balances as of June 30, 2007 totaled approximately $246,662, which will be paid as work on the projects progress.

(15) Contingencies

The City participates in state and federal assisted grant programs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

The City has been named a defendant in a class action petition filed in Iowa District Court for Delaware County on September 15, 2006. The petition is in regards to franchise fees that have been imposed on revenues for gas and electric utilities and cable television and other services to customers situated within the City. The City has taken action to discontinue the collection of franchise fees while the suit is pending. The amount of the potential liability could range from $0 to $657,588.

(16) 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 tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements by the developers. Certain agreements also require the developer to certify that specific employment requirements are met. Obligations under the agreement are subject to annual appropriation by the City Council. The City made no payments under the agreements during the year ended June 30, 2007.

The City's obligation under these agreements for fiscal year 2008 will not exceed $45,148.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

City of Manchester

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property Tax	$ 1,949,803	$ -	$ -
Tax Increment Financing Collections	329,300	-	-
Other City Tax	637,168	-	-
Licenses and Permits	25,191	-	-
Use of Money and Property	107,776	33,233	-
Charges for Services	451,999	992,433	-
Intergovernmental	791,705	-	-
Special Assessments	242,430	-	-
Miscellaneous	603,488	-	-
Total Receipts	5,138,860	1,025,666	-
Disbursements:			
Public Safety	946,697	-	-
Public Works	899,325	-	-
Culture and Recreation	563,005	-	-
Health and Social Services	1,000	-	-
Community and Economic Development	168,936	-	-
General Government	162,732	-	-
Debt Service	833,731	-	-
Capital Projects	1,570,244	-	-
Business Type Activities	-	845,695	-
Total Disbursements	5,145,670	845,695	-
Excess (Deficiency) of Receipts Over (Under) Disbursements	(6,810)	179,971	-
Other Financing Sources, Net	164,468	(152,428)	-
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	157,658	27,543	-
Balances, Beginning of Year	3,141,659	988,328	-
Balances, End of Year	$ 3,299,317	$ 1,015,871	$ -

See accompanying independent auditor's report.

Total	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
$ 1,949,803	$ 1,857,865	$ 1,908,130	$ 41,673
329,300	330,000	330,000	(700)
637,168	786,966	615,818	21,350
25,191	23,380	23,380	1,811
141,009	22,055	74,470	66,539
1,444,432	1,469,005	1,469,005	(24,573)
791,705	689,997	1,195,490	(403,785)
242,430	196,237	240,929	1,501
603,488	218,030	320,159	283,329
6,164,526	5,593,535	6,177,381	(12,855)
946,697	1,080,510	1,026,758	(80,061)
899,325	1,018,814	970,552	(71,227)
563,005	686,002	686,002	(122,997)
1,000	1,300	1,300	(300)
168,936	128,819	184,666	(15,730)
162,732	296,019	190,373	(27,641)
833,731	846,874	846,874	(13,143)
1,570,244	1,345,000	1,971,956	(401,712)
845,695	2,876,742	1,082,458	(236,763)
5,991,365	8,280,080	6,960,939	(969,574)
173,161	(2,686,545)	(783,558)	956,719
12,040	2,165,626	550,000	(537,960)
185,201	(520,919)	(233,558)	418,759
4,129,987	3,158,614	3,158,614	971,373
$ 4,315,188	$ 2,637,695	$ 2,925,056	$ 1,390,132

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information 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 Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary 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 decreased budgeted revenues by $831,633 including a decrease in other financing sources and decreased budgeted disbursements by $1,118,994 including an increase in transfers out that is reflected in other financing sources, net. The net change was a decrease of $287,361. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted in the general government and business type activities functions.

Other Supplementary Information

City of Manchester
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2007

	Special Revenue		
	Employee Benefit Fund	Local Option	Police Special Uses
Receipts:			
Property Tax	$ 436,236	$ -	$ -
Tax Increment Financing Collections	-	-	-
Other City Tax	725	367,538	-
Licenses and Permits	-	-	-
Use of Money and Property	10,117	3,110	133
Charges for Services	-	-	-
Intergovernmental	-	-	500
Special Assessments	-	-	-
Miscellaneous	30,565	-	2,325
Total Receipts	477,643	370,648	2,958
Disbursements:			
Operating:			
Public Safety	-	-	5,659
Public Works	-	-	-
Culture and Recreation	-	-	-
Health and Social Services	-	-	-
Community and Economic Development	-	-	-
General Government	30,252	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Total Disbursements	30,252	-	5,659
Excess (Deficiency) of Receipts over (under) Disbursements	447,391	370,648	(2,701)
Other Financing Sources (Uses):			
Sale of Capital Assets	-	-	-
Debt Proceeds	-	-	-
Interfund Loans	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	(342,006)	(311,000)	-
Total Other Financing Sources (Uses)	(342,006)	(311,000)	-
Net Change in Cash Balances	105,385	59,648	(2,701)
Cash Balances, Beginning of Year	202,929	136,266	9,461
Cash Balances, End of Year	$ 308,314	$ 195,914	$ 6,760
Cash Basis Fund Balances			
Reserved:			
Debt Service	$ -	$ -	$ -
Unreserved:			
General Fund	-	-	-
Special Revenues Fund	308,314	-	6,760
Capital Projects Fund	-	195,914	-
Total Cash Basis Fund Balances	$ 308,314	$ 195,914	$ 6,760

See accompanying independent auditor's report.

Airport Fly-In	Tirrill Trust	COPS Program	Police Canine Program	Park Gift & Trust	Park Improvement
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
68	167	-	99	525	563
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,825	1,070	3,000	-	5,122	1,365
4,893	1,237	3,000	99	5,647	1,928
-	-	-	-	-	-
859	-	-	-	-	-
-	-	-	-	6,152	1,132
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
859	-	-	-	6,152	1,132
4,034	1,237	3,000	99	(505)	796
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(3,000)	-	-	-
-	-	(3,000)	-	-	-
4,034	1,237	-	99	(505)	796
2,162	4,346	-	5,142	21,912	21,297
$ 6,196	$ 5,583	$ -	$ 5,241	$ 21,407	$ 22,093
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
6,196	5,583	-	5,241	21,407	22,093
-	-	-	-	-	-
$ 6,196	$ 5,583	$ -	$ 5,241	$ 21,407	$ 22,093

City of Manchester
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2007

	Special Revenue		
	Sports Complex	Health	Fire Truck Reserve
Receipts:			
Property Tax	$ -	$ -	$ -
Tax Increment Financing Collections	-	-	-
Other City Tax	-	-	-
Licenses and Permits	-	-	-
Use of Money and Property	106	-	5,125
Charges for Services	-	-	-
Intergovernmental	-	-	-
Special Assessments	-	-	-
Miscellaneous	283	-	11,385
Total Receipts	389	-	16,510
Disbursements:			
Operating:			
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Health and Social Services	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Total Disbursements	-	-	-
Excess (Deficiency) of Receipts over (under) Disbursements	389	-	16,510
Other Financing Sources (Uses):			
Sale of Capital Assets	-	-	-
Debt Proceeds	-	-	-
Interfund Loans	-	-	-
Operating Transfers In	-	-	22,495
Operating Transfers Out	-	(5)	-
Total Other Financing Sources (Uses)	-	(5)	22,495
Net Change in Cash Balances	389	(5)	39,005
Cash Balances, Beginning of Year	5,950	5	135,035
Cash Balances, End of Year	$ 6,339	$ -	$ 174,040
Cash Basis Fund Balances			
Reserved:			
Debt Service	$ -	$ -	$ -
Unreserved:			
General Fund	-	-	-
Special Revenues Fund	6,339	-	174,040
Capital Projects Fund	-	-	-
Total Cash Basis Fund Balances	$ 6,339	$ -	$ 174,040

See accompanying independent auditor's report.

Fire Capital Growth Improvement	Rescue Squad Replacement	Housing Acquisition/ Demolition Project	Lorna Stewart Trust	Holiday Decoration Replacement
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
71	669	56	65	18
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	51,605	-	-
71	669	51,661	65	18
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	27,334	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	27,334	-	-
71	669	24,327	65	18
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	5,838	-	-
-	-	-	-	-
-	-	5,838	-	-
71	669	30,165	65	18
2,330	24,828	11,271	4,496	1,103
$ 2,401	$ 25,497	$ 41,436	$ 4,561	$ 1,121
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
2,401	25,497	41,436	4,561	1,121
-	-	-	-	-
$ 2,401	$ 25,497	$ 41,436	$ 4,561	$ 1,121

City of Manchester
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2007

	Special Revenue	
	Library Gift and Trust	Economic Development Revolving Fund
Receipts:		
Property Tax	$ -	$ -
Tax Increment Financing Collections	-	-
Other City Tax	-	-
Licenses and Permits	-	-
Use of Money and Property	787	1,285
Charges for Services	-	-
Intergovernmental	6,225	-
Special Assessments	-	-
Miscellaneous	6,751	-
Total Receipts	13,763	1,285
Disbursements:		
Operating:		
Public Safety	-	-
Public Works	-	-
Culture and Recreation	7,536	-
Health and Social Services	-	-
Community and Economic Development	-	-
General Government	-	-
Debt Service	-	-
Capital Projects	-	-
Total Disbursements	7,536	-
Excess (Deficiency) of Receipts over (under) Disbursements	6,227	1,285
Other Financing Sources (Uses):		
Sale of Capital Assets	-	-
Debt Proceeds	-	-
Interfund Loans	-	-
Operating Transfers In	-	-
Operating Transfers Out	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Cash Balances	6,227	1,285
Cash Balances, Beginning of Year	31,208	47,767
Cash Balances, End of Year	$ 37,435	$ 49,052
Cash Basis Fund Balances		
Reserved:		
Debt Service	$ -	$ -
Unreserved:		
General Fund	-	-
Special Revenues Fund	37,435	-
Capital Projects Fund	-	49,052
Total Cash Basis Fund Balances	$ 37,435	$ 49,052

See accompanying independent auditor's report.

Capital Projects

Downtown Incentive Program	2001 CDBG - Home Funds	2002 CDBG Housing	2005 CDBG Grant	Bikeway Walkway Project
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,031	-	-	-	-
-	-	-	-	-
-	-	-	104,819	-
-	-	-	-	-
5,630	-	-	19,268	386,667
6,661	-	-	124,087	386,667
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
62,622	-	-	58,625	40,443
62,622	-	-	58,625	40,443
(55,961)	-	-	65,462	346,224
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	17,941	23,679
-	(5,329)	(12,612)	-	-
-	(5,329)	(12,612)	17,941	23,679
(55,961)	(5,329)	(12,612)	83,403	369,903
46,660	5,329	12,612	(88,416)	(366,416)
$ (9,301)	$ -	$ -	$ (5,013)	$ 3,487
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
(9,301)	-	-	(5,013)	3,487
$ (9,301)	$ -	$ -	$ (5,013)	$ 3,487

City of Manchester
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2007

	Capital Projects	
	Street Improvement	FEMA Property
Receipts:		
Property Tax	$ -	$ -
Tax Increment Financing Collections	-	-
Other City Tax	-	-
Licenses and Permits	-	-
Use of Money and Property	1,416	-
Charges for Services	-	-
Intergovernmental	-	4,104
Special Assessments	154,163	-
Miscellaneous	-	-
Total Receipts	155,579	4,104
Disbursements:		
Operating:		
Public Safety	-	-
Public Works	45,153	-
Culture and Recreation	-	-
Health and Social Services	-	-
Community and Economic Development	-	-
General Government	-	-
Debt Service	-	-
Capital Projects	-	112
Total Disbursements	45,153	112
Excess (Deficiency) of Receipts over (under) Disbursements	110,426	3,992
Other Financing Sources (Uses):		
Sale of Capital Assets	-	-
Debt Proceeds	-	-
Interfund Loans	-	-
Operating Transfers In	-	-
Operating Transfers Out	(53,572)	(5,838)
Total Other Financing Sources (Uses)	(53,572)	(5,838)
Net Change in Cash Balances	56,854	(1,846)
Cash Balances, Beginning of Year	11	1,858
Cash Balances, End of Year	$ 56,865	$ 12
Cash Basis Fund Balances		
Reserved:		
Debt Service	$ -	$ -
Unreserved:		
General Fund	-	-
Special Revenues Fund	-	-
Capital Projects Fund	56,865	12
Total Cash Basis Fund Balances	$ 56,865	$ 12

See accompanying independent auditor's report.

Capital Projects - Levied	Total
$ -	$ 436,236
-	-
-	368,263
-	-
2,675	28,086
-	-
-	115,648
-	154,163
-	529,861
2,675	1,632,257
-	5,659
-	46,012
-	14,820
-	-
-	27,334
-	30,252
-	-
36,256	198,058
36,256	322,135
(33,581)	1,310,122
-	-
-	-
-	-
-	69,953
-	(733,362)
-	(663,409)
(33,581)	646,713
113,086	392,232
$ 79,505	$ 1,038,945
$ -	$ -
-	-
-	668,424
79,505	370,521
$ 79,505	$ 1,038,945

Schedule of Indebtedness

Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Essential Corporate Purpose	July 1, 2004	2.00 - 4.10%	$ 2,375,000
Essential Corporate Purpose	November 1, 2005	3.25 - 3.65%	2,450,000
Total			$ 4,825,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	March 2, 2005	5.75%	$ 430,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	November 8, 2002	6.00%	155,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds	February 1, 2006	7.00%	500,000
Total			$ 1,085,000
Iowa Department of Natural Resources - Solid Waste Alternatives Program	February 10, 2006	0.00%	$ 87,843

See accompanying independent auditor's report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
$ 1,405,000	$ -	$ 500,000	$ 905,000	$ 47,535
2,300,000	-	100,000	2,200,000	82,610
$ 3,705,000	$ -	$ 600,000	$ 3,105,000	$ 130,145
$ 430,000	$ -	$ 21,500	$ 408,500	$ 24,725
121,418	-	14,429	106,989	7,073
500,000	-	-	500,000	35,000
$ 1,051,418	$ -	$ 35,929	$ 1,015,489	$ 66,798
$ 17,931	$ 14,900	$ 32,831	$ -	$ -

City of Manchester
Bond and Note Maturities
June 30, 2007

General Obligation Bonds

Essential Corporate Purpose

Year Ending June 30,	Issued July 1, 2004 Interest Rate %	Amount	Issued November 1, 2005 Interest Rate %	Amount
2008	3.10	$ 120,000	3.50	$ 245,000
2009	3.40	120,000	3.60	250,000
2010	3.70	125,000	3.60	260,000
2011	3.80	125,000	3.60	270,000
2012	3.90	135,000	3.60	280,000
2013	4.00	135,000	3.60	285,000
2014	4.10	145,000	3.60	300,000
2015		-	3.65	310,000
Total		$ 905,000		$ 2,200,000

Urban Renewal Tax Increment Financing (TIF) Revenue Bonds

Year Ending June 30,	Issued November 8, 2002 Interest Rate %	Amount	Issued March 2, 2005 Interest Rate %	Amount
2008	6.00	$ 15,291	5.75	$ 43,000
2009	6.00	16,239	5.75	43,000
2010	6.00	17,227	5.75	43,000
2011	6.00	18,277	5.75	43,000
2012	6.00	19,385	5.75	43,000
2013	6.00	20,570	5.75	43,000
2014		-	5.75	43,000
2015		-	5.75	43,000
2016		-	5.75	43,000
2017		-	5.75	21,500
Total		$ 106,989		$ 408,500

See accompanying independent auditor's report.

Issued February 1, 2006

Interest Rate %		Amount
	$	-
7.00		62,500
7.00		62,500
7.00		62,500
7.00		62,500
7.00		62,500
7.00		62,500
7.00		62,500
7.00		62,500
		-
	$	500,000

City of Manchester

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

For the Last Four Years

	2007	2006	2005	2004
Receipts:				
Property Tax	$ 1,949,803	$ 1,826,532	$ 1,747,287	$ 1,735,565
Tax Increment Financing Collections	329,300	339,272	339,328	358,684
Other City Tax	637,168	735,313	389,850	326,991
Licenses and Permits	25,191	31,960	54,526	50,394
Use of Money and Property	107,776	55,509	45,182	33,680
Charges for Services	451,999	436,288	1,349,935	1,078,970
Intergovernmental	791,705	1,488,351	379,864	387,586
Special Assessments	242,430	181,212	116,617	161,648
Miscellaneous	603,488	200,068	492,758	183,030
Total	$ 5,138,860	$ 5,294,505	$ 4,915,347	$ 4,316,548
Disbursements:				
Operating:				
Public Safety	$ 946,697	$ 998,579	$ 928,904	$ 950,095
Public Works	899,325	952,270	900,842	844,865
Culture and Recreation	563,005	630,143	551,069	587,519
Health & Social Services	1,000	-	-	-
Community and Economic Development	168,936	738,954	526,735	113,872
General Government	162,732	308,085	162,541	168,035
Debt Service	833,731	833,084	1,760,950	523,317
Capital Projects	1,570,244	2,998,884	2,626,556	1,560,389
Total	$ 5,145,670	$ 7,459,999	$ 7,457,597	$ 4,748,092

See accompanying independent auditor's report.

GOSLING & COMPANY, P.C.
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 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, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 6, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Manchester's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Manchester's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Manchester's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Manchester's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood that a misstatement of the City of Manchester's financial statements that is more than inconsequential will not by prevented or detected by the City of Manchester's internal control. We consider the deficiencies in internal control described in part II of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Manchester's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, according, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manchester'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.

We noted certain matters that we reported to management of the City of Manchester, in a separate letter dated January 25, 2008.

The City of Manchester's response to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City of Manchester's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Manchester and other parties to whom the City of Manchester may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Manchester 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.

Gosling Hoagey P.C.

Certified Public Accountants

February 6, 2008

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Significant deficiencies identified?	X Yes	___ No
- Material Weaknesses identified?	X Yes	___ No
- Noncompliance material to financial statements noted?	___ Yes	X No

Part II: Findings Related to the Financial Statements:

Significant Deficiencies Rising to the Level of Material Weaknesses:

II-A-07 Segregation of Duties

Criteria – The city has a responsibility to establish and maintain effective internal controls over financial transactions and reporting, which includes adequate segregation of duties.

Condition – A limited number of City personnel perform many of the accounting and financial functions.

Effect – Incompatible duties were not properly segregated.

Cause – Segregation of duties is difficult with a limited number of office employees.

Recommendation – The City should review its control procedures to obtain the maximum internal control possible under the circumstances. Management's close supervision and review of accounting information is the best means of preventing or detecting errors or irregularities.

Management response and corrective action plan – We have reviewed procedures and plan to continue to look for improvements to internal control.

II-B-07 Separately Maintained Records

Criteria – Chapter 384.20 of the Code of Iowa states in part "a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose, by any City officer, employee, or other person, and which show the receipt, use, and disposition of all City property."

Condition - The Manchester Volunteer Fire Department maintains separate accounting records pertaining to their operation. The financial transactions and resulting balances are not included in the City's accounting records.

Effect – The City of Manchester does not show all public funds collected, received, or expended for city purposes.

Cause – The Manchester Volunteer Fire Department does not wish to give control of their funds over to the City of Manchester.

II-B-07 Separately Maintained Records (continued):

Recommendation –The Manchester Volunteer Fire Department should determine the status of the separate accounts for accountability and reporting purposes. If the Manchester Volunteer Fire Department wishes to maintain custody and control over the separate accounts, they should be established as legally separate entities from the City, with Articles of Incorporation and by-laws. Otherwise, the City should include these accounts in its records, in accordance with Chapter 384.20 of the Code of Iowa. Legal counsel should be consulted for assistance, as necessary, to resolve this issue.

Management response and corrective action plan – We will consider this.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in the general government and business type activities functions. 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.

III-B-07 Questionable Disbursements – No disbursements of City money that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Margie Recker, police dispatch employee, owner of Recker Signs	Sign lettering services	$ 158
Joann Kramer, spouse of Mayor Milt Kramer	Digital Photography Class	105
Sue Broghammer, owner of Sue's Flower and Garden and daughter of Tony Broghammer, Council Member	Plants	269
Mike Corkery, Fireman, Owner of NE Iowa Telephone Service	Telephone services and supplies	3,108
James Wessels, Police Officer, Owner of Wessels Tuckpointing	Repair W. Marion Bridge	300

The business transactions do not appear to represent conflicts of interest since they were entered into through competitive bidding and council approval.

Part III: Other Findings Related to Required Statutory Reporting: (continued)

III-E-07 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 insure the coverage is adequate for current operations.

III-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-07 Deposits and Investments – No transactions were found that violated the city's investment policies or provisions of Chapter 12B.10 of the Code of Iowa.

III-H-07 Revenue Bonds and Notes – No findings disclosing non-compliance with the applicable chapters of the Code of Iowa.

III-I-07 Financial Condition – The Downtown Incentive Program and 2005 CDBG Housing Grant Fund had deficit balances at June 30, 2007 of $9,301 and $5,013 respectively.

Cause – The deficit was due to issuing a TIF loan before loan proceeds were received and expenditures incurred prior to receipt of a grant.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return this fund to a sound financial position.

Response – The deficit will be eliminated upon receipt of grant money, loan proceeds, or fund transfers.

City of Manchester

Staff

This audit was performed by:

Kimberly A. Bruess, CPA, Senior Auditor
Nadine A. Myers, Assistant Auditor

Kathy S. Mersch, CPA
Auditor in Charge