



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

July 2, 2012

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Manly, Iowa.

The City's receipts totaled \$2,134,866 for the year ended June 30, 2011. The receipts included \$362,588 in property and other city tax, \$91,955 from tax increment financing, \$96,157 from local option sales tax, \$78,099 from gaming wager tax, \$373,749 from charges for service, \$513,232 from operating grants, contributions and restricted interest, \$457,038 from capital grants, contributions and restricted interest, \$1,648 from unrestricted interest on investments, \$97,597 from note proceeds and other general receipts of \$62,803.

Disbursements for the year totaled \$2,378,717, and included \$441,356 for debt service, \$266,468 for culture and recreation and \$241,294 for public safety. Also, disbursements for business type activities totaled \$1,229,952.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1121-0946-B00F.pdf>.

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**CITY OF MANLY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2011**

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**City of Manly**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim O'Keefe	Mayor	Jan 2012
Ronald Post	Mayor Pro tem	Jan 2014
Scott Heagel	Council Member	Jan 2012
Dolores Mathahs	Council Member	Jan 2012
Lon Badker	Council Member	Jan 2014
Steve Leake	Council Member	Jan 2014
Dee Dunbar	Clerk/Treasurer	Indefinite
Thomas Meyer	Attorney	Indefinite

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Independent Auditor's Report

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 Manly, Iowa, as of and for the year ended June 30, 2011, 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 Manly's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

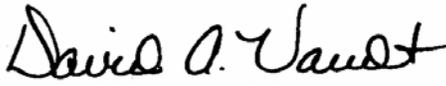
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the preceding paragraph, 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 Manly as of June 30, 2011, 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 June 15, 2012 on our consideration of the City of Manly'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 that testing and not to provide an opinion on the internal control over financial reporting or on 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 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. 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's basic financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 15, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Manly 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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### 2011 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately \$322,000 from fiscal year 2010 to fiscal year 2011. The decrease is primarily due to proceeds from general obligation refunding capital loan notes received in the prior fiscal year while the debt was refunded in the current year.
- The cash basis net assets of the City's business type activities increased approximately \$78,000, primarily due to receipts exceeding disbursements in the Enterprise, Sewer Fund, including grant receipts for the CDBG program of \$455,663, contributions from Worth County of \$150,000, note proceeds of \$97,597 and capital project disbursements for the Grant Street storm sewer improvements project totaling \$686,533.

### 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 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.

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 and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of a federal program benefiting the City.

## **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, 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 Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets 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 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 and the wastewater treatment and sanitary sewer system. These activities are financed primarily by user fees.

### *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, Employee Benefits and Local Option Sales Tax, 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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

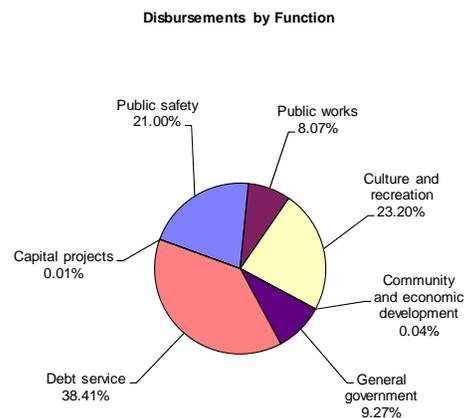
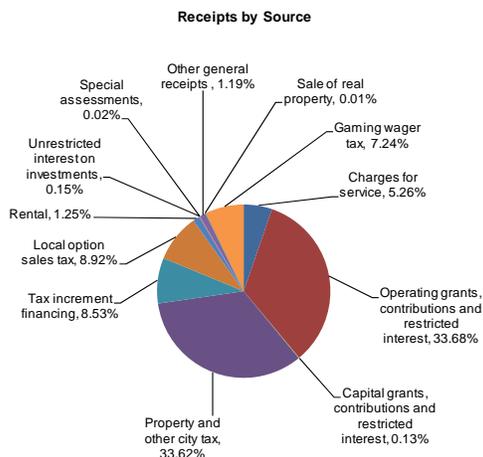
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Garbage Funds. The Water and Sewer Funds are considered to be major funds of the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

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

## 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 decreased from \$459,110 at June 30, 2010 to \$137,148 at June 30, 2011. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service	\$ 56,841
Operating grants, contributions and restricted interest	363,232
Capital grants, contributions and restricted interest	1,375
General receipts:	
Property and other city tax	362,588
Tax increment financing	91,955
Local option sales tax	96,157
Gaming wager tax	78,099
Rent	13,432
Unrestricted interest on investments	1,648
Special assessments	183
Sale of real property	150
Other general receipts	12,785
Total receipts	<u>1,078,445</u>
Disbursements:	
Public safety	241,294
Public works	92,684
Culture and recreation	266,468
Community and economic development	468
General government	106,451
Debt service	441,356
Capital projects	44
Total disbursements	<u>1,148,765</u>
Change in cash basis net assets before transfers	(70,320)
Transfers, net	<u>(251,642)</u>
Change in cash basis net assets	(321,962)
Cash basis net assets beginning of year	459,110
Cash basis net assets end of year	<u>\$ 137,148</u>



The cash basis net assets of the City's governmental activities decreased primarily due to refunding of debt in the current year.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 138,646
Sewer	113,769
Garbage	96,190
Operating grants, contributions and restricted interest:	
Sewer	150,000
Capital grants, contributions and restricted interest:	
Sewer	455,663
General receipts:	
Miscellaneous	4,556
Note proceeds	97,597
Total receipts	<u>1,056,421</u>
Disbursements:	
Water	318,132
Sewer	824,604
Garbage	87,216
Total disbursements	<u>1,229,952</u>
Change in cash basis net assets before transfers	(173,531)
Transfers, net	<u>251,642</u>
Change in cash basis net assets	78,111
Cash basis net assets beginning of year	<u>30,091</u>
Cash basis net assets end of year	<u>\$ 108,202</u>

Total business type activities cash basis net assets increased \$78,111 from a year ago, increasing from \$30,091 at June 30, 2010 to \$108,202 at June 30, 2011. The increase is primarily due to receipts exceeding disbursements in the Enterprise, Sewer Fund, which included grant receipts from the CDBG program of \$455,663, contributions from Worth County of \$150,000, note proceeds of \$97,597 and capital project disbursements for the Grant Street storm sewer improvements project totaling \$686,533.

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

As the City of Manly completed the fiscal year, its governmental funds reported a combined fund balance of \$137,148, a decrease of approximately \$322,000 from last year's total of \$459,110. 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 was \$(27,713) at the end of fiscal year 2011 and \$58,378 at the end of fiscal year 2010. Disbursements for culture and recreation and general government increased in fiscal year 2011. The overall decrease in the General Fund cash balance is attributed to a reduction in intergovernmental receipts and increases in park costs and employee training costs.

The Special Revenue, Road Use Tax Fund cash balance at the end of fiscal year 2011 increased \$23,199 from the prior year end to \$41,490. Road use tax receipts increased approximately \$3,000 while disbursements for snow removal decreased approximately \$5,600, with an overall decrease of approximately \$10,000 for public works, partially due to a decrease in road project work in fiscal year 2011.

The Special Revenue, Tax Increment Financing Fund cash balance increased \$31,848 from \$474 at June 30, 2010 to \$32,322 at June 30, 2011. The increase is primarily due to not transferring all amounts collected to pay the existing debt during the year. A transfer of \$60,107 was made to the Debt Service Fund to pay the principal, interest and fiscal charges on the urban renewal general obligation capital loan notes. The City is working to determine where the remaining amounts should be transferred.

The Special Revenue, Volunteer Fire Department Fund is a blended component unit of the City. The cash balance increased \$8,551 over the prior year to a current balance of \$21,483.

The Debt Service Fund cash balance of \$15,371 at year end is a decrease of \$305,986 from the prior year balance of \$321,357. The decrease is primarily due to proceeds from general obligation refunding capital loan notes received in the prior fiscal year while the debt was refunded in the current year.

The Permanent, Cemetery Perpetual Care Fund cash balance of \$43,600 did not change from the prior year.

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

The cash basis net assets of the City's Enterprise, Water Fund increased \$23,481 to \$50,450, primarily due to a transfer from the Enterprise, Garbage Fund of \$16,169. There was also an increase in receipts due to an increase in the water rates in May 2011.

The cash basis net assets of the City's Enterprise, Sewer Fund increased \$58,348 to \$56,491, primarily due to grant receipts from the CDBG program of \$455,663, contributions from Worth County of \$150,000, note proceeds of \$97,597 and capital project disbursements for the Grant Street storm sewer improvements project totaling \$686,533.

#### **BUDGETARY HIGHLIGHTS**

The City did not amend its budget in fiscal year 2011.

The City's receipts were \$462,115 less than budgeted. This was primarily due to lower than expected receipts from intergovernmental sources.

Total disbursements were \$196,364 less than the budget. The City exceeded the budget for the public safety, culture and recreation, general government and debt service functions. The City budgeted for the Grant Street storm sewer improvements project which did not progress as rapidly as budgeted.

## DEBT ADMINISTRATION

At June 30, 2011, the City had \$1,914,631 of notes and other long-term debt outstanding, compared to \$2,392,736 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation capital loan notes	\$1,781,000	2,026,000
Water revenue bonds	86,764	237,582
Lease purchase agreements	-	5,763
Bank notes	46,867	123,391
Total	\$1,914,631	2,392,736

Debt payments in fiscal year 2011 reduced outstanding debt approximately \$478,000.

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 \$801,000 and bank notes of \$46,867, a total of \$847,867, is below the City's constitutional debt limit of approximately \$2,300,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

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

The City of Manly's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

The City's fiscal year 2012 assessed value has increased \$1,465,743 from the fiscal year 2011 level.

The fiscal year 2012 budget includes total receipts of \$2,684,788 and disbursements of \$2,556,697. This budget is higher than the fiscal year 2011 budget which included total receipts of \$2,486,362 while disbursements are lower than the fiscal year 2011 total of \$2,570,760. The fiscal year 2012 budget includes additional receipts due to anticipation of CDBG reimbursements from the Grant Street storm sewer improvements project.

The fiscal year 2012 levy is \$15.78389 per \$1,000 of taxable valuation, which is \$.16773 lower than fiscal year 2011.

These parameters were taken into account when adopting the budget for fiscal year 2012.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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 Dee Dunbar, City Clerk, by mail at 106 S. Broadway Street, P.O. Box 516 Manly, Iowa 50456 or by phone at (641) 454-3090.

## **Basic Financial Statements**

City of Manly

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 241,294	7,912	20,963
Public works	92,684	-	128,758
Culture and recreation	266,468	39,246	141,760
Community and economic development	468	350	40,702
General government	106,451	9,333	19,914
Debt service	441,356	-	11,135
Capital projects	44	-	-
Total governmental activities	1,148,765	56,841	363,232
Business type activities:			
Water	318,132	138,646	-
Sewer	824,604	113,769	150,000
Garbage	87,216	96,190	-
Total business type activities	1,229,952	348,605	150,000
Total	\$ 2,378,717	405,446	513,232
<b>General Receipts and Transfers:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Gaming wager tax			
Rent			
Unrestricted interest on investments			
Special assessments			
Note proceeds			
Miscellaneous			
Sale of real property			
Transfers			
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			
<b>Cash Basis Net Assets</b>			
Restricted:			
Nonexpendable - Cemetery perpetual care			
Expendable:			
Employee benefits			
Streets			
Urban renewal			
Debt service			
Customer deposits			
Other purposes			
Unrestricted			
<b>Total cash basis net assets</b>			

See notes to financial statements.

Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
1,375	(211,044)	-	(211,044)
-	36,074	-	36,074
-	(85,462)	-	(85,462)
-	40,584	-	40,584
-	(77,204)	-	(77,204)
-	(430,221)	-	(430,221)
-	(44)	-	(44)
1,375	(727,317)	-	(727,317)
-	-	(179,486)	(179,486)
455,663	-	(105,172)	(105,172)
-	-	8,974	8,974
455,663	-	(275,684)	(275,684)
457,038	(727,317)	(275,684)	(1,003,001)
	312,294	-	312,294
	50,294	-	50,294
	91,955	-	91,955
	96,157	-	96,157
	78,099	-	78,099
	13,432	-	13,432
	1,648	-	1,648
	183	-	183
	-	97,597	97,597
	12,785	4,556	17,341
	150	-	150
	(251,642)	251,642	-
	405,355	353,795	759,150
	(321,962)	78,111	(243,851)
	459,110	30,091	489,201
\$	137,148	108,202	245,350
	\$ 43,600	-	43,600
	12,457	-	12,457
	41,490	-	41,490
	32,322	-	32,322
	15,371	14,289	29,660
	-	13,350	13,350
	21,483	-	21,483
	(29,575)	80,563	50,988
\$	137,148	108,202	245,350

City of Manly

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

As of and for the year ended June 30, 2011

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 227,432	-	-
Tax increment financing	-	-	91,955
Other city tax	-	-	-
Licenses and permits	8,123	-	-
Use of money and property	17,507	-	-
Intergovernmental	21,459	121,626	-
Charges for service	37,546	-	-
Special assessments	183	-	-
Miscellaneous	210,026	-	-
Total receipts	522,276	121,626	91,955
<b>Disbursements:</b>			
Operating:			
Public safety	184,133	-	-
Public works	-	79,170	-
Culture and recreation	263,073	-	-
Community and economic development	468	-	-
General government	89,249	-	-
Debt service	47,399	19,257	-
Capital projects	-	-	-
Total disbursements	584,322	98,427	-
Excess (deficiency) of receipts over (under) disbursements	(62,046)	23,199	91,955
<b>Other financing sources (uses):</b>			
Sale of equipment	150	-	-
Operating transfers in	12,190	-	-
Operating transfers out	(36,385)	-	(60,107)
Total other financing sources (uses)	(24,045)	-	(60,107)
Net change in cash balances	(86,091)	23,199	31,848
Cash balances beginning of year	58,378	18,291	474
Cash balances end of year	\$ (27,713)	41,490	32,322
<b>Cash Basis Fund Balances</b>			
Nonspendable - cemetery perpetual care	\$ -	-	-
Restricted for:			
Employee benefits	-	-	-
Streets	-	41,490	-
Urban renewal purposes	-	-	32,322
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	(27,713)	-	-
Total cash basis fund balances	\$ (27,713)	41,490	32,322

See notes to financial statements.

Volunteer Fire Department	Debt Service	Permanent Cemetery Perpetual Care	Nonmajor	Total
-	50,294	-	84,862	362,588
-	-	-	-	91,955
-	78,099	-	96,157	174,256
-	-	-	-	8,123
19	-	-	4	17,530
1,375	-	-	7,132	151,592
-	-	-	-	37,546
-	-	-	-	183
11,478	11,135	-	1,883	234,522
12,872	139,528	-	190,038	1,078,295
4,321	-	-	52,840	241,294
-	-	-	13,514	92,684
-	-	-	3,395	266,468
-	-	-	-	468
-	-	-	17,202	106,451
-	374,700	-	-	441,356
-	-	-	44	44
4,321	374,700	-	86,995	1,148,765
8,551	(235,172)	-	103,043	(70,470)
-	-	-	-	150
-	71,010	-	2,713	85,913
-	(141,824)	-	(99,239)	(337,555)
-	(70,814)	-	(96,526)	(251,492)
8,551	(305,986)	-	6,517	(321,962)
12,932	321,357	43,600	4,078	459,110
21,483	15,371	43,600	10,595	137,148
-	-	43,600	-	43,600
-	-	-	12,457	12,457
-	-	-	-	41,490
-	-	-	-	32,322
-	15,371	-	-	15,371
21,483	-	-	-	21,483
-	-	-	(1,862)	(29,575)
21,483	15,371	43,600	10,595	137,148

**Exhibit C**

## City of Manly

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

As of and for the year ended June 30, 2011

	Enterprise			Total
	Water	Sewer	Nonmajor Garbage	
Operating receipts:				
Charges for service	\$ 138,646	113,769	96,190	348,605
Operating disbursements:				
Business type activities	148,673	86,410	65,012	300,095
Excess (deficiency) of operating receipts over (under) operating disbursements	(10,027)	27,359	31,178	48,510
Non-operating receipts (disbursements):				
Intergovernmental	-	605,663	-	605,663
Miscellaneous	4,545	11	-	4,556
Note proceeds	-	97,597	-	97,597
Debt service	(169,459)	(51,661)	(22,204)	(243,324)
Capital outlay	-	(686,533)	-	(686,533)
Total non-operating receipts (disbursements)	(164,914)	(34,923)	(22,204)	(222,041)
Excess (deficiency) of receipts over (under) disbursements	(174,941)	(7,564)	8,974	(173,531)
Other financing sources (uses):				
Operating transfers in	198,422	68,178	3,477	270,077
Operating transfers out	-	(2,266)	(16,169)	(18,435)
Total other financing sources (uses)	198,422	65,912	(12,692)	251,642
Net change in cash balances	23,481	58,348	(3,718)	78,111
Cash balances beginning of year	26,969	(1,857)	4,979	30,091
Cash balances end of year	\$ 50,450	56,491	1,261	108,202
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ 14,289	-	-	14,289
Customer deposits	13,350	-	-	13,350
Unrestricted	22,811	56,491	1,261	80,563
Total cash basis fund balances	\$ 50,450	56,491	1,261	108,202

See notes to financial statements.

City of Manly

Notes to Financial Statements

June 30, 2011

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

The City of Manly is a political subdivision of the State of Iowa located in Worth County. It was first incorporated in 1877 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage 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.

These financial statements present the City of Manly (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund.

The Manly Volunteer Fire Department has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting the Manly (Volunteer) Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Manly Volunteer Fire Department meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Jointly Governed Organizations

The City participates in 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: Worth County Assessor's Conference Board, Worth County Emergency Management Commission and Worth County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets 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 presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets 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 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 Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Volunteer Fire Department Fund is used to account for donations received by the Manly Volunteer Fire Department to be used for fire department purposes.

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 Permanent, Cemetery Perpetual Care Fund is used to account for funds collected to be used for the perpetual care of the cemetery.

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 wastewater 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 incurred, 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.

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 a 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:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and debt service functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Notes		Water Tower Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 215,000	77,063	-	-	215,000	77,063
2013	225,000	69,379	11,196	4,338	236,196	73,717
2014	225,000	61,208	11,755	3,778	236,755	64,986
2015	236,000	52,425	12,343	3,191	248,343	55,616
2016	162,000	43,112	12,960	2,574	174,960	45,686
2017-2021	598,000	114,098	38,510	3,701	636,510	117,799
2022	120,000	6,060	-	-	120,000	6,060
Total	\$ 1,781,000	423,345	86,764	17,582	1,867,764	440,927

General Obligation Capital Loan Note

On August 1, 2006, the City issued general obligation capital loan notes for \$150,000 to pay for a church demolition project. The principal and interest on the notes are payable from a debt service levy and other sources. The notes bear interest at 6.25% per annum. During the year, principal payments totaled \$15,000 on this debt issuance with a balance of \$96,000 remaining at June 30, 2011.

On November 15, 2006, the City issued general obligation capital loan notes for \$475,000 to pay for a Grant Street construction project. The principal and interest on the notes are payable from a debt service levy and other sources. The notes bear interest from 4.00 to 4.45% per annum. During the year, principal payments totaled \$45,000 on this debt issuance with a balance of \$305,000 remaining at June 30, 2011.

On October 15, 2007, the City issued general obligation capital loan notes for \$1,260,000 to pay for the costs of building and equipping a Family Aquatic Center and acquisition, construction, reconstruction, improving and equipping of recreation grounds. The principal and interest on the notes are payable from local option sales tax revenues, gaming wager tax and a debt service levy. The amounts from these sources are to be determined by the City Council by March 15 of each year during the annual budget process. The notes bear interest ranging from 4.15 to 5.05% per annum. During the year, principal payments totaled \$70,000 on this debt issuance with a balance of \$1,055,000 remaining at June 30, 2011. The capital loan notes are subject to an annual appropriation and only the amount payable in the succeeding year is subject to the constitutional debt limitation.

On June 30, 2010, the City issued general obligation refunding capital loan notes for \$325,000 to pay the costs of refunding outstanding general obligation capital loan notes, series 2000, issued for a water main project and purchase of a fire truck, and revenue capital loan notes, series 2000, issued for a water project. The principal and interest on the notes are payable from a debt service levy and other sources. The notes bear interest ranging from 2.00 to 2.60% per annum. During the year, there were no principal payments on this debt issuance. The outstanding balance was \$325,000 at June 30, 2011.

#### Water Tower Revenue Bond

On February 6, 1979, the City issued a water tower revenue bond for \$262,000 to pay for the construction of a new water tower. The bond bears interest at 5.00% per annum. During the year, principal payments totaled \$20,818 on this debt issuance with a balance of \$86,764 remaining at June 30, 2011.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water tower revenue bond. The bond is payable solely from water customer net receipts and is payable through 2019. Annual principal and interest payments on the notes are expected to require more than 100% of net receipts. The total principal and interest to be paid on the bond is \$104,346. For the current year, principal and interest paid and total customer net receipts were \$31,068 and (\$10,027), respectively.

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

- (a) The bond will only be redeemed from the future earnings of the water system and the bond holder holds a lien on the future earnings of the water system.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Water Fund for the purpose of making the bond principal and interest payment when due.
- (c) Money shall be set aside in a water revenue bond reserve account within the Water Fund in an amount equal to at least the maximum amount of principal and interest coming due on the bond in any succeeding fiscal year.

#### Bank Notes

On August 30, 2010, the City secured a line of credit to cover operating and project disbursements, not to exceed \$500,000, from First Security Bank.

The line of credit bears interest at 4.75% per annum. Payments will be made from CDGB grant reimbursements and other operating receipts. During the year, the City borrowed \$97,597 and repaid principal of \$50,730, leaving a loan balance of \$46,867 at June 30, 2011.

The City did not comply with the provisions of Chapters 384.24A and 384.25 of the Code of Iowa which requires certain authorization procedures to be followed, including notice, publication of the intended action and time and place of the meeting to approve the intended action.

#### **(4) 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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 contribution to IPERS for the year ended June 30, 2011 was \$24,716, equal to the required contribution for the year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 4 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark of Iowa. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$570 for single coverage and \$1,256 for family coverage. The City pays 100% of single coverage. Employees currently pay \$160 per month for family coverage. For the year ended June 30, 2011, the City contributed \$59,962 and plan members eligible for benefits contributed \$6,800 to the plan.

#### **(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees separated from City employment are paid for unused vacation leave earned. However, sick leave days are lost upon resignation, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2011, primarily relating to the General Fund, was \$12,800. This liability has been computed based on rates of pay in effect at June 30, 2011.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 9,924
	Enterprise:	
	Sewer	2,266
		<u>12,190</u>
Special Revenue:	General	2,713
Employee Benefits		<u>10,903</u>
Debt Service	General	10,903
	Special Revenue:	
	Tax Increment Financing	60,107
		<u>71,010</u>
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	43,906
	Debt Service	138,347
	Enterprise:	
	Garbage	16,169
		<u>198,422</u>
Sewer	General	22,769
	Special Revenue:	
	Local Option Sales Tax	45,409
		<u>68,178</u>
Garbage	Debt Service	3,477
Total		<u>\$ 355,990</u>

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

**(8) 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.

**(9) Construction Contracts**

During the year ended June 30, 2011, the City entered into a construction contract for storm sewer improvements. Unpaid contract commitments as of June 30, 2011 totaled \$427,449 and will be paid as work on the project progresses. The project was partially funded through a Community Development Block Grant.

**(10) Deficit Balances**

The City had deficit balances in the General Fund, the Special Revenue, I-Jobs Fund and the Capital Projects Fund of \$27,713, \$1,818 and \$44, respectively, at June 30, 2011. The City will investigate alternatives to eliminate these deficits.

**(11) Subsequent Event**

On August 1, 2011, the City issued \$160,000 of general obligation capital loan notes, series 2011 for the purpose of paying the costs of constructing storm sewer improvements. The principal and interest on the notes are payable from an annual debt service levy.

**Required Supplementary Information**

City of Manly  
 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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
<b>Receipts:</b>				
Property tax	\$ 362,588	-	-	362,588
Tax increment financing	91,955	-	-	91,955
Other city tax	174,256	-	-	174,256
Licenses and permits	8,123	-	-	8,123
Use of money and property	17,530	-	19	17,511
Intergovernmental	151,592	605,663	1,375	755,880
Charges for service	37,546	348,605	-	386,151
Special assessments	183	-	-	183
Miscellaneous	234,522	4,556	11,478	227,600
Total receipts	<u>1,078,295</u>	<u>958,824</u>	<u>12,872</u>	<u>2,024,247</u>
<b>Disbursements:</b>				
Public safety	241,294	-	4,321	236,973
Public works	92,684	-	-	92,684
Health and social services	-	-	-	-
Culture and recreation	266,468	-	-	266,468
Community and economic development	468	-	-	468
General government	106,451	-	-	106,451
Debt service	441,356	-	-	441,356
Capital projects	44	-	-	44
Business type activities	-	1,229,952	-	1,229,952
Total disbursements	<u>1,148,765</u>	<u>1,229,952</u>	<u>4,321</u>	<u>2,374,396</u>
Excess (deficiency) of receipts over (under) disbursements	(70,470)	(271,128)	8,551	(350,149)
Other financing sources (uses), net	<u>(251,492)</u>	<u>349,239</u>	<u>-</u>	<u>97,747</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(321,962)	78,111	8,551	(252,402)
Balances beginning of year	<u>459,110</u>	<u>30,091</u>	<u>12,932</u>	<u>476,269</u>
Balances end of year	<u>\$ 137,148</u>	<u>108,202</u>	<u>21,483</u>	<u>223,867</u>

See accompanying independent auditor's report.

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Budgeted Amounts <u>Original / Final</u>	Final to Total Variance
352,925	9,663
92,000	(45)
105,992	68,264
3,600	4,523
13,270	4,241
1,490,061	(734,181)
373,470	12,681
500	(317)
54,544	173,056
<u>2,486,362</u>	<u>(462,115)</u>
228,373	(8,600)
125,314	32,630
5,000	5,000
132,616	(133,852)
765	297
102,985	(3,466)
293,434	(147,922)
75	31
1,682,198	452,246
<u>2,570,760</u>	<u>196,364</u>
(84,398)	(265,751)
<u>150,000</u>	<u>(52,253)</u>
65,602	(318,004)
<u>46,978</u>	<u>429,291</u>
<u>112,580</u>	<u>111,287</u>

City of Manly

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 the blended component unit. 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 ended June 30, 2011, there were no budget amendments.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government and debt service functions.

**Other Supplementary Information**

City of Manly

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

As of and for the year ended June 30, 2011

	Special Revenue		
	Employee Benefits	I JOBS	Local Option Sales Tax
Receipts:			
Property tax	\$ 84,862	-	-
Other city tax	-	-	96,157
Use of money and property	4	-	-
Intergovernmental	-	7,132	-
Miscellaneous	1,883	-	-
Total receipts	86,749	7,132	96,157
Disbursements:			
Operating:			
Public safety	52,840	-	-
Public works	13,514	-	-
Culture and recreation	3,395	-	-
General government	13,102	-	4,100
Capital projects	-	-	-
Total disbursements	82,851	-	4,100
Excess (deficiency) of receipts over (under) disbursements	3,898	7,132	92,057
Other financing sources (uses):			
Operating transfers in	2,713	-	-
Operating transfers out	-	-	(99,239)
Total other financing sources (uses)	2,713	-	(99,239)
Net change in cash balances	6,611	7,132	(7,182)
Cash balances beginning of year	5,846	(8,950)	7,182
Cash balances end of year	\$ 12,457	(1,818)	-
<b>Cash Basis Fund Balances</b>			
Restricted for employee benefits	\$ 12,457	-	-
Unassigned	-	(1,818)	-
Total cash basis fund balances	\$ 12,457	(1,818)	-

See accompanying independent auditor's report.

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Capital Projects	Total
-	84,862
-	96,157
-	4
-	7,132
-	1,883
-	190,038
-	52,840
-	13,514
-	3,395
-	17,202
44	44
44	86,995
(44)	103,043
-	2,713
-	(99,239)
-	(96,526)
(44)	6,517
-	4,078
(44)	10,595
-	12,457
(44)	(1,862)
(44)	10,595

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City of Manly  
Schedule of Indebtedness  
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Watermain and firetruck	Mar 1, 2000	4.90-5.70%	\$ 530,000
Essential corporate purpose	Aug 1, 2006	6.25	150,000
Urban renewal	Nov 15, 2006	4.00-4.45	475,000
Pool and park improvement	Oct 15, 2007	4.15-5.05	1,260,000
Refunding corporate purpose	Jun 30, 2010	2.00-2.60	325,000
Total			
Revenue bonds:			
Water	Mar 1, 2000	5.10-6.15%	\$ 250,000
Water tower	Feb 6, 1979	5.00	262,000
Total			
Lease purchase agreement:			
Police vehicle	Sep 20, 2007	6.00%	\$ 27,152
Bank notes:			
Broadway street project	Oct 25, 2005	5.75%	\$ 83,000
Short term loan	May 28, 2009	7.50	87,043
Interim financing note	May 26, 2010	5.25	60,000
Line of credit	Aug 30, 2010	4.75	500,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
115,000	-	115,000	-	544
111,000	-	15,000	96,000	7,204
350,000	-	45,000	305,000	14,858
1,125,000	-	70,000	1,055,000	53,775
325,000	-	-	325,000	6,887
<b>\$ 2,026,000</b>	<b>-</b>	<b>245,000</b>	<b>1,781,000</b>	<b>83,268</b>
130,000	-	130,000	-	7,773
107,582	-	20,818	86,764	10,250
<b>\$ 237,582</b>	<b>-</b>	<b>150,818</b>	<b>86,764</b>	<b>18,023</b>
5,763	-	5,763	-	251
18,199	-	18,199	-	1,058
45,192	-	45,192	-	2,207
60,000	-	60,000	-	315
-	97,597	50,730	46,867	2,084
<b>\$ 123,391</b>	<b>97,597</b>	<b>174,121</b>	<b>46,867</b>	<b>5,664</b>

City of Manly  
Note Maturities  
June 30, 2011

General Obligation Capital Loan Notes							
Year Ending June 30,	Essential Corporate Purpose		Urban Renewal		Pool and Park Improvement		
	Issued Aug 1, 2006		Issued Nov 15, 2006		Issued Oct 15, 2007		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	6.25%	\$ 15,000	4.10%	\$ 45,000	4.40%	\$ 75,000	
2013	6.25	15,000	4.15	50,000	4.45	80,000	
2014	6.25	15,000	4.25	50,000	4.55	80,000	
2015	6.25	16,000	4.30	50,000	4.65	85,000	
2016	6.25	17,000	4.35	55,000	4.75	90,000	
2017	6.25	18,000	4.45	55,000	4.80	95,000	
2018		-		-	4.85	100,000	
2019		-		-	4.90	105,000	
2020		-		-	4.95	110,000	
2021		-		-	5.00	115,000	
2022		-		-	5.05	120,000	
Total		<u>\$ 96,000</u>		<u>\$ 305,000</u>		<u>\$1,055,000</u>	

Year Ending June 30,	Revenue Bond	
	Water Tower	
	Issued Feb 6, 1979	
Interest Rates	Total	
2012	\$ -	
2013	5.00% 11,196	
2014	5.00 11,755	
2015	5.00 12,343	
2016	5.00 12,960	
2017	5.00 13,609	
2018	5.00 14,289	
2019	5.00 10,612	
Total	<u>\$ 86,764</u>	

See accompanying independent auditor's report.

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Refunding Corporate Purpose		
Issued Jun 30, 2010		
Interest		
Rates	Amount	Total
2.00%	\$ 80,000	215,000
2.00	80,000	225,000
2.60	80,000	225,000
2.60	85,000	236,000
	-	162,000
	-	168,000
	-	100,000
	-	105,000
	-	110,000
	-	115,000
	-	120,000
	<u>\$ 325,000</u>	<u>1,781,000</u>

**Schedule 4**

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City of Manly

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

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<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's			
Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-253	<u>\$ 537,455</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Manly and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**City of Manly**

**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**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Manly, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated June 15, 2012. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010. Except as noted in the Independent Auditor's Report, 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.

Internal Control Over Financial Reporting

Management of the City of Manly is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Manly'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 our opinion on the effectiveness of the City of Manly's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Manly'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Manly's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 through II-D-11 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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-11 and II-F-11 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manly'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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 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.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City'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 Manly and other parties to whom the City of Manly may report, including federal awarding agencies and pass-through entities, and 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 Manly 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 15, 2012

**City of Manly**

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**



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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited City of Manly, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on City of Manly's major federal program for the year ended June 30, 2011. The City of Manly's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Manly's management. Our responsibility is to express an opinion on the City of Manly's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Manly's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Manly's compliance with those requirements.

In our opinion, the City of Manly complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

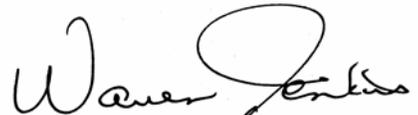
The management of the City of Manly is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Manly's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Manly's internal control over compliance.

A deficiency in the City's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 15, 2012

City of Manly

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

- (a) Qualified opinions were issued on the financial statements which 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.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Manly did not qualify as a low-risk auditee.

City of Manly

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (3) Receipts – collecting, depositing, journalizing and posting. Also, an initial list of receipts is not prepared by the mail opener and later reconciled to the deposit by an independent person.
- (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (5) Disbursements – purchasing, check signing, recording and reconciling.
- (6) Payroll – preparing and distributing.
- (7) Accounting system – performing all general accounting functions and having custody of assets.
- (8) Computer system – performing all general accounting functions and controlling all data input and output.
- (9) Financial reporting – preparing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – We will segregate duties as much as we can with a limited staff. Mayor will review the bank reconciliations monthly and will sign off on them.

Conclusion – Response accepted.

City of Manly

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-B-11 Financial Reporting – Material amounts of transfers were not properly recorded in the financial statements. Adjustments were subsequently made to properly record these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all transfers are properly recorded in the City’s financial statements.

Response – We will ensure transfers are properly recorded in the City’s financial statements.

Conclusion – Response accepted.

II-C-11 Bank Reconciliations – During the year, cash and investment balances in the City’s general ledger balance sheet were not properly reconciled to the bank and investment balances timely.

Recommendation – The City should ensure the bank and investment balances are reconciled to the general ledger balance sheet timely.

Response – We are currently preparing bank reconciliations in a timely manner.

Conclusion – Response accepted.

II-D-11 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled monthly and delinquent accounts were not monitored. The City does not have a formal policy for writing off uncollectible accounts.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts. The City Council should review the reconciliation each month and monitor delinquent accounts. The City should have a formal policy for writing off uncollectible accounts.

Response – We are currently reconciling monthly. The City Council will review the reconciliation each month and monitor delinquencies. We will adopt a formal policy for writing off uncollectible accounts.

Conclusion – Response accepted.

II-E-11 Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies for:

- Computer security.
- A disaster recovery plan for the computer system.
- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentiality.

City of Manly

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – The City should develop written policies and procedures addressing the above items in order to improve the City’s control over its computer system.

Response – We will work on implementing a change in passwords and will develop a disaster recovery plan.

Conclusion – Response accepted.

II-F-11 Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges and payments were not always paid timely, resulting in \$38 in interest and late fee charges for payments we tested. Also, the City paid \$54 in sales tax on charges for payments we tested.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges. Supporting documentation should be filed to support all credit card charges and payments should be made on a timely basis. Also, the City should provide documentation to ensure purchases are exempt from sales tax.

Response – We plan to adopt a formal policy which will outline the suggestions above.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Manly

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**PART III – Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

City of Manly

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety, culture and recreation, general government and debt service 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.”

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

Response – We will review current budget and amend if necessary prior to disbursements exceeding the budget.

Conclusion – Response accepted.

IV-B-11 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Lon Badker, Council Member, Plumber	Pool repairs	\$ 94

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

IV-E-11 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 the coverage is adequate for current operations.

IV-F-11 Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

The City Council went into closed session on January 3, 2011 and March 1, 2011. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the publication did not always include a list of claims allowed, total disbursements by fund and a summary of receipts, as required. Also, the City did not publish annual gross salaries as required by an Attorney General’s opinion dated April 12, 1978.

City of Manly

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Certain transactions were paid prior to City Council approval. We were unable to determine City Council approvals for several other transactions.

Transfers between funds were not properly approved in the City Council minutes.

The minutes for all City Council meetings during the fiscal year were not properly signed.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and publish minutes and annual individual salaries as required. All disbursements and transfers should be approved by the City Council and documented in the minutes record. Also, the minutes should be signed to authenticate the record.

Response – We will make sure to comply with Chapter 21 of the Code of Iowa and publish minutes and annual individual salaries as required. The City Council will approve all disbursements and transfers and will be evidenced in the minutes. We will make sure all minutes are signed by the Mayor and City Clerk.

Conclusion – Response accepted.

IV-G-11 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. Also, interest on investments is not always recorded on a timely basis.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. Additionally, all interest on investments should be recorded on a timely basis.

Response – We will adopt a written investment policy and will ensure all interest on investments is recorded on a timely basis.

Conclusion – Response accepted.

IV-H-11 Revenue Bonds – The following instances of non-compliance with the requirements of the water tower revenue bond resolution were noted:

- Section 15(c) of the water tower revenue bond resolution requires money to be set aside to maintain a debt service reserve in an amount equal to at least the maximum amount of principal and interest coming due on the bonds in any succeeding fiscal year. As of June 30, 2011, the required reserve was \$14,289. The City has not set aside any money in the water tower reserve account.
- Section 16(c) of the water tower revenue bond resolution requires water rates to be adopted which are sufficient to produce net receipts at least equal to the year's principal and interest payments. For the current year, net receipts were \$(10,027) while principal and interest payments were \$31,068.

City of Manly

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – The City should transfer \$14,289 into the water tower reserve account to comply with the bond resolution and adopt water rates sufficient to produce net receipts at least equal to the principal and interest payments due each year.

Response – The City of Manly will complete the transfer of \$14,289 and in the future will comply with the required debt service reserve. Going forward, the City will set water rates to generate the required net receipts.

Conclusion – Response accepted.

- IV-I-11 IPERS Contributions - IPERS remittances were not always made by the 15<sup>th</sup> of the following month. The City incurred penalties of \$88 for delinquent payments during fiscal year 2011.

Recommendation – The City should institute procedures to ensure all IPERS remittances are made by the 15<sup>th</sup> of the following month.

Response – Currently we are submitting our payments to IPERS timely.

Conclusion – Response accepted.

- IV-J-11 Financial Condition - The General Fund, the Special Revenue, I-Jobs Fund and the Capital Projects Fund had deficit balances of \$27,713, \$1,818 and \$44, respectively, at June 30, 2011.

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

Response – We will investigate alternatives to eliminate these deficits.

Conclusion – Response accepted.

- IV-K-11 Note Agreement – During the year, the City entered into an agreement for a \$500,000 “line of credit”. However, the City did not comply with the provisions of Chapters 384.24A and 384.25 of the Code of Iowa which require certain authorization procedures to be followed, including notice, publication of the intended action and time and place of the meeting to approve the intended action.

Recommendation - The City should comply with Chapters 384.24A and 384.25 of the Code of Iowa when entering into note agreements.

Response – In the future we will work with our legal counsel to ensure compliance with the Code of Iowa prior to entering into loan agreements.

Conclusion – Response accepted.

- IV-L-11 Fire Department Per Call Payments - The City did not file a form 1099 with the Internal Revenue Service for Fire Department per call payments to individuals in excess of \$600 for the year.

Recommendation - The City should ensure all 1099 forms are properly completed and filed.

Response – We have filed 1099’s for 2011.

Conclusion – Response accepted.

City of Manly

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-M-11 Emergency Fund - Chapter 384.8 of the Code of Iowa provides a City may establish an Emergency Fund and transfers may be made from the Emergency Fund to the General Fund. The City levied property tax for an Emergency Fund, but recorded the property tax in the General Fund, General Account rather than establishing a separate fund.

Recommendation - The City should review this for compliance in the future.

Response - We will set up an Emergency Fund.

Conclusion - Response accepted.

- IV-N-11 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 the fund as provided in Iowa Code Section 403.19. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then 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.

Although the TIF certification included the dates the City Council initially approved disbursements eventually included on the TIF certification, the minutes and resolutions corresponding to those dates often did not include a specific reference the debt was intended to be TIF debt.

Recommendation - The City should decertify the amounts not yet qualified for reimbursement from the Special Revenue, Tax Increment Financing Fund. The City Council minutes and resolutions authorizing disbursements which qualify for reimbursement from the Special Revenue, Tax Increment Financing Fund should clearly state such eligibility. If the initial approval of a disbursement does not do so, the City Council should take official action before the certification is filed, making a finding of eligibility for reimbursement before such items are listed on a certification.

Response - The City of Manly will comply with the above recommendations. We plan on obtaining assistance from outside this office to act in accordance with TIF certifications.

Conclusion - Response accepted.

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City of Manly

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Kelly L. Hilton, Staff Auditor  
Emily K. Creighton, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State