

**CITY OF MANCHESTER**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2013**

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**City of Manchester**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Milt Kramer	Mayor	January 2014
Tony Broghammer	Council Member	January 2014
Ron Struble	Council Member	January 2014
Connie Behnken	Council Member	January 2016
Dean Sherman	Council Member	January 2016
Dan Stelken	Council Member	January 2016
Timothy Vick	City Manager	
Erin Learn	City Clerk	
Julie Schmitz	Deputy City Clerk	
James Peters	City Attorney	

**RFSW** Ridihalgh Fuelling  
Snitker Weber & Co.  
C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.  
Jeremy P. Lockard, C.P.A.

14 East Charles St, PO Box 639  
Oelwein, IA 50662  
(319)283-1173  
Fax (319)283-2799

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

**Basis of Accounting**

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

**Other Matters**

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manchester’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 8, 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management’s Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 31 through 33 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2014 on our consideration of the City of Manchester’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 in considering the City of Manchester’s internal control over financial reporting and compliance.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

March 24, 2014

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**City of Manchester**

The City of Manchester 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 that ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow:

### **2013 FINANCIAL HIGHLIGHTS**

- The City's general purpose property tax revenues grew, increasing by \$77,904, to \$1,798,990. Overall revenues decreased by \$246,151, or approximately 3%, to \$8,392,359 from fiscal 2012 to fiscal 2013.
- Disbursements increased by approximately 13%, or \$1,239,314, to \$10,687,362 from fiscal 2012 to fiscal 2013.
- The City's total cash basis net position increased by approximately 7%, or \$278,457, to \$4,145,794 from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$468,224 and the cash basis net position of the business type activities increased approximately \$746,681.

### **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.

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

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

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

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

**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 various federal programs 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 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 Position reports information which helps answer this question.

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

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

- **Governmental Activities** include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** include the water department and sanitary 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) the Capital Projects Funds. 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, and animal control services.

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

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

**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, local access cablevision and other general government.

Debt Service - This category includes general and tax increment financing debt service.

Capital Projects - This category includes the Downtown Incentive Program, Housing Grant Projects, Street Projects, and other capital projects.

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

**Proprietary Funds** account for the City's Enterprise Funds. 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.

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$3,292,280 to \$2,824,666.

The City's receipts including other financing sources for governmental activities totaled \$7,981,403 for Fiscal 2013. The total cost of all programs and services was \$8,449,627. The net result was a deficit of \$468,224 for Fiscal 2013.

The City kept property tax rates the same for 2013 with a rate of \$15.57592. With changes to Residential Rollback, this resulted in an additional \$48,761 in property tax revenues.

The cost of all governmental activities this year was \$8,449,627 compared to \$6,219,681 last year. As shown in the Statement of Activities and Net Assets, the amount of property taxes ultimately utilized for these activities was only \$2,418,612 because some of the cost was paid by other city taxes, which include local option taxes (approximately \$456,000), by those directly benefited from the programs (approximately \$454,000), or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,789,000). The City paid for the remaining public benefit portion of governmental activities with approximately \$3,332,015 as follows: bond proceeds, interest, funds held in reserve for specific projects, and transfers from other funds.

Total business type activities receipts for the fiscal year were \$2,984,416 compared to \$3,356,643 last year. The cash balance increased by \$746,681 due primarily to bond proceeds received for Water Capital Projects occurring in the City. Total disbursements for the fiscal year were \$2,237,735, a decrease of approximately 31% over the prior year. This decrease was primarily due to the completion of Water Capital Project.

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

As the City of Manchester completed the year, its governmental funds reported a combined fund balance of \$2,824,666, a decrease of \$468,224 from last year's total of \$3,292,890. 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 \$208,808 from the prior year to \$592,546 due primarily to the settlement reached on a lawsuit involving franchise fee collection.
- The Special Revenue, Local Option Tax Fund cash balance decreased by \$162,140 from the prior year to \$494,910. This decrease was due to increased street project expenditures for the fiscal year.
- The Debt Service Fund cash balance increased by \$40,841 from the prior year to \$110,455. This increase was due to savings from the refunding of the 2005 General Obligation Bond as part of the 2013 General Obligation Bond Issue.

- The Capital Project, Street Projects Fund cash balance increased by \$848,809 from the prior year to \$887,084. This increase was attributable to bond proceeds received during this fiscal year for street project work within the City.
- The Capital Project, FEMA Capital Projects Fund cash balance decreased by \$211,178 from the prior year to (\$61,026). This decrease was due to the timing of grant expenditures for the acquisition and demolition of flood damaged property, and the receipt of grant proceeds after June 30, 2013.

The changes in the governmental funds as a whole are due primarily to the timing of capital projects and the funding for these projects. The construction season typically runs from April through October, and subsequently crosses over two fiscal years, as the City's fiscal year is July 1 through June 30. Therefore revenues may be received in one fiscal year but not spent until the next fiscal year, and vice versa.

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

- The Enterprise, Water Fund cash balance increased by \$23,832 to \$257,421. This increase was due to an increase in water receipts over the prior fiscal year.
- The Enterprise, Sewer Fund cash balance increased by \$125,258 to \$220,478. This increase was primarily due to an increase in sewer receipts over the prior fiscal year.
- The Enterprise, Sewer Debt Service Fund cash balance decreased by \$41,993 to \$329,520 This decrease was due to the transfer of funds for the annual bond payment for the 2012 General Obligation Bond Issue for lift station improvements.
- The Enterprise, Sewer Capital Improvement Fund cash balance decreased from \$697,229 to \$241,744 This decrease was due to the expenditure of bond proceeds received in the prior fiscal year for lift station improvement projects in the City.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Manchester amended its budget two times. The first amendment was approved on March 11, 2013, and was necessary, in large part, due grant related expenses; general obligation bond issuance; capital projects; and transfers. The second amendment was approved on May 28, 2013, and was needed due to the settlement reached in the lawsuit regarding franchise fee collection and capital project expenditures. The City had sufficient cash balances to absorb these additional costs.

**DEBT ADMINISTRATION**

At June 30, 2013, the City had \$6,625,000 in general obligation bonds, compared to \$6,488,000 last year, as shown below. Additionally, the City had \$5,198,000 in sewer revenue bonds and \$718,862 in water revenue bonds at June 30, 2013.

City of Manchester Outstanding Debt at Year-End		
	June 30,	
	2013	2012
General obligation bonds	\$ 6,625,000	\$ 6,488,000
State Revolving Fund Revenue Bonds	5,916,862	5,443,000
Total	\$12,541,862	\$ 11,931,000

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 and tax increment debt of \$6,625,000 is significantly below its constitutional debt limit of \$13,470,630.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

Manchester’s elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Delaware County now stands at 3.8% versus 3.7% in the prior year. This remains lower than the State’s unemployment rate of 4.2% and significantly lower than the national rate of 6.7%. However, given the financial uncertainty of the current economy, property tax rates were decreased slightly from \$15.69797 in fiscal year 2013 to \$15.57592 in fiscal year 2014. Revenues tied to the economy continue to remain steady. Local option sales tax receipts along with road use tax revenues are projected to meet or exceed estimates. The City’s population decreased slightly with the 2010 Census from 5,257 to 5,179 but has not significantly impacted the City’s financial standing. Manchester’s commercial and industrial districts continue to thrive with few mandatory layoffs, no shutdowns, and limited vacant storefronts.

**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 Learn, City Clerk, 208 East Main Street, Manchester, Iowa.

## **Basic Financial Statements**

## City of Manchester

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,349,987	17,837	239,122	15,694
Public works	1,003,015	417,290	553,205	15,545
Culture and recreation	951,894	155,244	58,260	8,682
Community and economic development	291,464	90,115	54,925	629,348
General government	1,241,754	10,670	416,380	-
Debt service	1,887,366	-	-	554
Capital projects	1,724,147	-	-	-
Business type	-	34,587	-	-
Total governmental activities	8,449,627	725,743	1,321,892	669,823
Business type activities:				
Water	706,336	774,546	385	-
Sewer	469,108	1,128,882	173	-
Sewer debt service	421,898	-	-	-
Sewer capital improvement	455,485	-	-	-
Other business type activities	184,908	11,099	-	253,589
Total business type activities	2,237,735	1,914,527	558	253,589
Total	\$ 10,687,362	2,640,270	1,322,450	923,412
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Other city tax				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds, net				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Streets				
Debt service				
Urban renewal purposes				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(1,077,334)	-	(1,077,334)
(16,975)	-	(16,975)
(729,708)	-	(729,708)
482,924	-	482,924
(814,704)	-	(814,704)
(1,886,812)	-	(1,886,812)
(1,724,147)	-	(1,724,147)
34,587	-	34,587
(5,732,169)	-	(5,732,169)
-	68,595	68,595
-	659,947	659,947
-	(421,898)	(421,898)
-	(455,485)	(455,485)
-	79,780	79,780
-	(69,061)	(69,061)
(5,732,169)	(69,061)	(5,801,230)
1,798,990	-	1,798,990
482,885	-	482,885
619,622	-	619,622
61,818	-	61,818
452,744	-	452,744
32,552	3,898	36,450
1,785,666	787,772	2,573,438
30,163	16,567	46,730
7,010	-	7,010
(7,505)	7,505	-
5,263,945	815,742	6,079,687
(468,224)	746,681	278,457
3,292,890	574,447	3,867,337
\$ 2,824,666	1,321,128	4,145,794
\$ 737,080	-	737,080
110,455	329,520	439,975
98,684	-	98,684
19,928	-	19,928
1,858,519	991,608	2,850,127
\$ 2,824,666	1,321,128	4,145,794

## City of Manchester

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

As of and for the year ended June 30, 2013

	Special Revenue		Capital Project		Debt Service
	General	Local Option Tax	Street Projects	FEMA Projects	
<b>Receipts:</b>					
Property tax	\$ 1,357,755	-	-	-	619,622
Tax increment financing collections	-	-	-	-	-
Other city tax	60,407	452,744	-	-	792
Licenses and permits	68,386	-	-	-	-
Use of money and property	25,760	3,714	-	-	554
Intergovernmental	667,588	-	-	594,517	-
Charges for service	449,125	-	-	-	-
Special assessment	-	-	716	-	-
Miscellaneous	190,177	-	15,545	2,576	-
<b>Total receipts</b>	<b>2,819,198</b>	<b>456,458</b>	<b>16,261</b>	<b>597,093</b>	<b>620,968</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	1,342,049	-	-	-	-
Public works	500,784	-	-	-	-
Culture and recreation	894,833	-	-	-	-
Community and economic development	248,492	-	-	-	-
General government	600,187	-	-	-	-
Debt service	-	-	-	-	1,887,366
Capital projects	-	-	712,452	808,271	-
<b>Total disbursements</b>	<b>3,586,345</b>	<b>-</b>	<b>712,452</b>	<b>808,271</b>	<b>1,887,366</b>
<b>Excess of receipts over disbursements</b>	<b>(767,147)</b>	<b>456,458</b>	<b>(696,191)</b>	<b>(211,178)</b>	<b>(1,266,398)</b>
<b>Other financing sources (uses):</b>					
Bond Proceeds, net of \$9,334 discount	-	-	-	-	1,785,666
Miscellaneous	(45)	-	-	-	-
Operating transfers in	746,097	475,000	1,545,000	-	1,221,573
Operating transfers out	(187,713)	(1,093,598)	-	-	(1,700,000)
<b>Total other financing sources (uses)</b>	<b>558,339</b>	<b>(618,598)</b>	<b>1,545,000</b>	<b>-</b>	<b>1,307,239</b>
<b>Net change in cash balances</b>	<b>(208,808)</b>	<b>(162,140)</b>	<b>848,809</b>	<b>(211,178)</b>	<b>40,841</b>
<b>Cash balances beginning of year</b>	<b>801,354</b>	<b>657,050</b>	<b>38,275</b>	<b>150,152</b>	<b>69,614</b>
<b>Cash balances end of year</b>	<b>\$ 592,546</b>	<b>494,910</b>	<b>887,084</b>	<b>(61,026)</b>	<b>110,455</b>
<b>Cash Basis Fund Balances</b>					
<b>Restricted for:</b>					
Streets	\$ -	494,910	-	-	-
Debt service	-	-	-	-	110,455
Urban renewal purposes	-	-	-	-	-
Other purposes	-	-	-	-	-
<b>Committed for:</b>					
Capital expenditures	28,828	-	-	-	-
Other purposes	-	-	-	-	-
<b>Assigned for:</b>					
Capital expenditures	238,554	-	887,084	-	-
Other purposes	50	-	-	-	-
<b>Unassigned</b>	<b>325,114</b>	<b>-</b>	<b>-</b>	<b>(61,026)</b>	<b>-</b>
<b>Total cash basis fund balances</b>	<b>\$ 592,546</b>	<b>494,910</b>	<b>887,084</b>	<b>(61,026)</b>	<b>110,455</b>

See notes to financial statements

Other Nonmajor Governmental Funds	Total
441,235	2,418,612
482,885	482,885
619	514,562
-	68,386
9,919	39,947
526,637	1,788,742
4,850	453,975
121,572	122,288
105,468	313,766
<u>1,693,185</u>	<u>6,203,163</u>
7,938	1,349,987
502,231	1,003,015
57,061	951,894
42,972	291,464
641,567	1,241,754
-	1,887,366
203,424	1,724,147
<u>1,455,193</u>	<u>8,449,627</u>
<u>237,992</u>	<u>(2,246,464)</u>
-	1,785,666
124	79
428,746	4,416,416
<u>(1,442,610)</u>	<u>(4,423,921)</u>
<u>(1,013,740)</u>	<u>1,778,240</u>
(775,748)	(468,224)
<u>1,576,445</u>	<u>3,292,890</u>
<u>800,697</u>	<u>2,824,666</u>
242,170	737,080
-	110,455
98,684	98,684
19,928	19,928
187,664	216,492
170,651	170,651
282,751	1,408,389
38,705	38,755
<u>(239,856)</u>	<u>24,232</u>
<u>800,697</u>	<u>2,824,666</u>

## City of Manchester

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

As of and for the year ended June 30, 2013

	Water	Sewer	Sewer Debt Service
Operating receipts:			
Use of money and property	\$ 17,009	-	3,811
Intergovernmental	-	-	-
Charges for service	755,059	1,128,882	-
Special Assessment	19,487	-	-
Miscellaneous	-	173	-
Total operating receipts	<u>791,555</u>	<u>1,129,055</u>	<u>3,811</u>
Operating disbursements:			
Business type activities	<u>706,336</u>	<u>469,108</u>	<u>421,898</u>
Total operating disbursements	<u>706,336</u>	<u>469,108</u>	<u>421,898</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>85,219</u>	<u>659,947</u>	<u>(418,087)</u>
Other financing sources (uses):			
Bond Proceeds, net of \$9,090 issuance fee	787,772	-	-
Miscellaneous	(57)	-	-
Operating transfers in	-	-	444,587
Operating transfers out	<u>(849,102)</u>	<u>(534,689)</u>	<u>(68,493)</u>
Total other financing sources (uses)	<u>(61,387)</u>	<u>(534,689)</u>	<u>376,094</u>
Net change in cash balances	23,832	125,258	(41,993)
Cash balances beginning of year	<u>233,589</u>	<u>95,220</u>	<u>371,513</u>
Cash balances end of year	<u>\$ 257,421</u>	<u>220,478</u>	<u>329,520</u>
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ -	-	329,520
Committed for capital expenditures	-	-	-
Assigned for:			
Capital expenditures	-	-	-
Other purposes	-	-	-
Unassigned	<u>257,421</u>	<u>220,478</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 257,421</u>	<u>220,478</u>	<u>329,520</u>

See notes to financial statements

Sewer Capital Improvement	Other Nonmajor Proprietary Funds	Total
-	87	20,907
-	171,404	171,404
-	11,099	1,895,040
-	-	19,487
-	82,185	82,358
-	264,775	2,189,196
455,485	184,908	2,237,735
455,485	184,908	2,237,735
(455,485)	79,867	(48,539)
-	-	787,772
-	-	(57)
-	1,015,202	1,459,789
-	-	(1,452,284)
-	1,015,202	795,220
(455,485)	1,095,069	746,681
697,229	(823,104)	574,447
241,744	271,965	1,321,128
-	-	329,520
-	38,098	38,098
241,744	-	241,744
-	44,711	44,711
-	189,156	667,055
241,744	271,965	1,321,128

City of Manchester

Notes to Financial Statements

June 30, 2013

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

The City of Manchester is a political subdivision of the State of Iowa located in Delaware County. It was first incorporated in 1850 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 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  
Delaware County Conference Board  
Delaware County E911 Board  
Manchester Area Chamber of Commerce  
Community Promotion Board – Hotel/Motel Tax  
East Central Intergovernmental Association  
Foundation for the Future of Delaware County  
Northeastern Iowa Regional League  
Eastern Iowa Regional Housing Authority  
Delaware County Communications Center

Buchanan County Joint E911 Service Board

The City is also a participant in the following community venture programs:

Community Childcare of Manchester  
Greater Delaware County Community Foundation  
Good to Great  
Manchester Regional Education Partnership

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as 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 services.

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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.

The Special Revenue Fund – Local Option Sales Tax is used to account for revenues and expenditures of local option sales tax.

Capital Project:

The Capital Project Fund – Street Projects is used to account for major street construction projects in the City.

The Capital Project Fund – FEMA Capital Projects is used to account for the acquisition and demolition of flood damaged property within the City.

The Debt Service Fund is used to account for collection of property taxes levied for the payment of principal and interest on the City's general obligation bonds and notes.

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's sewer utility system.

The Sewer Debt Service Fund accounts for payments of principal and interest on the City's State Revolving Fund Revenue Bonds.

The Sewer Capital Improvement Fund accounts for capital projects relating to improving the City's sewer infrastructure.

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 is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with 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. The City does not currently have any nonspendable funds.

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.

Committed – Amounts only available to be used for specific purposes determined by a formal action by Council ordinance or resolution.

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted before amendment in the general government function. At year end June 30, 2013 disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 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.

Interest rate risk – The City’s investment policy limits the investment of operating funds, (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. The maturities shall be consistent with the needs and use of the City.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$253 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Bonds and Notes Payable**

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

Year Ending	General Obligation Bonds and Notes		State Revolving Fund Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2014	\$ 1,213,000	159,154	334,000	177,506	1,547,000	159,154
2015	1,245,000	135,698	345,000	167,486	1,590,000	135,698
2016	976,000	112,978	356,000	157,136	1,332,000	112,978
2017	897,000	88,275	367,000	146,456	1,264,000	88,275
2018	797,000	64,890	379,000	135,446	1,176,000	64,890
2019-2023	1,302,000	117,434	1,869,862	502,578	3,171,862	117,434
2024-2029	195,000	18,904	2,266,000	244,350	2,461,000	18,904
Total	\$ 6,625,000	697,331	5,916,862	1,530,957	12,541,862	697,331

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

General Obligation Bonds

On April 23, 2013 the city issued \$1,795,000 of general obligation corporate purpose bonds for 1) constructing street, water system, sanitary sewer system and storm sewer system improvements; 2) the acquisition, demolition and site clearance for dangerous and dilapidated buildings; 3) the settlement of a judgment against the City [see Note 15]; 4) acquiring a snow blower for use by the street department; and 5) to refund the City’s outstanding General Obligation Corporate Purpose Notes, Series 2005. The City received funds in the amount of \$1,785,666 net of \$9,334 discount.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$5,198,000 of bonds outstanding as of June 30, 2013. The bonds were issued July 2, 2008 for a construction project related to the City’s Wastewater Treatment System. The notes are payable solely from sewer customer net receipts and are payable through 2029. Annual principal and interest payments on the notes are expected to require less than 100% of net receipts. The total principal and interest remaining to be paid on the notes is \$6,629,060. For the current year, principal and interest paid and total customer net receipts were \$408,290 and \$659,947, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the sewer activity and the note holders hold a lien on the future earnings of the funds.
- (b) Charges for sewer services shall be at least sufficient to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (c) Charges for sewer services shall be at least sufficient to meet the operation and maintenance expenses of the wastewater treatment system.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$718,862 of bonds outstanding as of June 30, 2013. The bonds were issued December 20, 2011 to pay a portion of the cost of constructing improvements and extensions to the Municipal Waterworks System of the City. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 100% of net receipts. The total principal and interest remaining to be paid on the notes is \$818,759. For the current year, principal and interest paid and total customer net receipts were \$89,953 and \$85,219 respectively.

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

- (a) The notes will only be redeemed from the future earnings of the water activity and the note holders hold a lien on the future earnings of the funds.
- (b) Charges for water services shall be at least sufficient to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (c) Charges for water services shall be at least sufficient to meet the operation and maintenance expenses of the waterworks system.

#### **(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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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 year ended June 30, 2013 and 2012 were \$146,702 and \$134,934, respectively, equal to the required contributions for the year.

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

Plan Description - The City operates a single-employer benefit plan which provides medical/prescription drug, dental, and vision benefits provided through a plan with

Wellmark Blue Cross/Blue Shield for active employees and their families. Retired employees are eligible to participate at their own expense and must be age 55 or older at retirement. There are 34 active and 5 retired members in the plan.

Funding Policy - The contribution requirements of plan members are established by resolution and may be amended by the City. The City fully funds a single coverage policy for employees. Any employees choosing other than a single policy must pay a sliding scale monthly premium up to a maximum of 20% of the total monthly cost. For the year ended June 30, 2013, the City contributed \$218,185 on behalf of plan members.

**(6) Termination Benefits**

In 2007, the City approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have 1) completed at least ten years of full-time service to the City, 2) have reached the age of 55 by December 31, 2007, and 3) have resigned by December 31, 2007. The application for early retirement was subject to approval by the City Council.

Early retirement benefits equal 25% of each day of earned, unused sick leave days, calculated as of the last day of employment prior to retirement. If the employee wanted to continue participation in the City's health insurance plan, the payment would contribute towards the monthly premium not to exceed \$400 per month. The City cease coverage of the retiree upon the earliest of the following: 1) the employee fails to pay any premium balance, 2) the employee becomes deceased, or 3) the employee becomes eligible for Medicare.

At June 30, 2013, the City has obligations to two participants with total actual early retirement expenditures for the year ended June 30, 2013 of \$12,800.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 102,720

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Franchise Fees	\$ 19,629
	Employee Benefits	414,969
	C.O.P.S.	3,000
	Park Improvement	5,000
	Road Use	71,200
	Debt Service	<u>100,000</u>
		613,798
Special Revenue:		
Franchise Fees	Debt Service	250,000
Park Improvement	General	26,347
Local Option Sales Tax	Special Revenue:	
	Tax Increment Financing	475,000
Tirrill Trust	General	2,400
Housing Acquisition/Demolition	Debt Service	<u>150,000</u>
		903,747
Capital Projects:		
Downtown Incentive	Special Revenue:	
	Tax Increment Financing	80,000
Street Projects	Special Revenue:	
	Local Option Sales Tax	875,000
	Debt Service	590,000
	Capital Projects:	
	Street Improvement	<u>80,000</u>
		1,625,000
Debt Service	General	26,668
	Special Revenue:	
	Tax Increment Financing	373,812
	Proprietary:	
	Water	61,330
	Sewer	81,280
	Sewer Debt Service	<u>68,483</u>
		611,573
Proprietary:		
Water Capital Improvement	Special Revenue:	
	Local Option Sales Tax	218,598
	Proprietary:	
	Water	787,772
Sewer Replacement	Proprietary:	
	Sewer	8,832
Sewer Debt Service	Proprietary:	
	Sewer	<u>444,578</u>
		1,459,780
TOTAL		<u>\$ 5,213,898</u>

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 during the year ended June 30, 2013 totaling \$42,655.

**(10) 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.

**(11) Economic Development Loans and Agreements**

The City has granted Lextron Animal Health an interest bearing loan in the amount of \$50,000 to make proposed construction improvements to its lot. Principal and interest payments are due in annual installments and began December 31, 2009 continuing through December 31, 2018. The annual interest rate is 2% and the City is provided with a security interest in the real estate mortgage on the land, building, and fixtures of the specified lot.

The City entered into a development agreement on September 10, 2007 for an urban renewal project for the period June 1, 2010 through June 1, 2014. The agreement requires the City to rebate portions of the incremental tax paid by a developer up to \$14,110 a year for five years with a maximum total payment of \$70,550. The tax will be rebated in exchange for certain infrastructure improvements made by the developer. Obligations under the agreement are subject to annual appropriation by the City Council. The City made payments under this agreement of \$14,110 during the year ended June 30, 2013.

The City entered into a development agreement on June 19, 2008 for an urban renewal project beginning on December 1, 2010 and continuing for ten years. The agreement requires the City to rebate portions of the incremental tax paid by a company up to \$176,000. The tax will be rebated in exchange for construction of a warehouse addition by the company. Obligations under the agreement are subject to annual appropriation by the City Council. The City made no payments under this agreement during the year ended June 30, 2013.

The City entered into a development agreement on September 26, 2011 for an urban renewal project. The agreement requires the City to rebate portions of the incremental tax paid by a company up to \$41,500 over three years. The tax will be rebated in order for the company to maintain fiscal viability. Obligations under the agreement are subject to annual appropriation by the City Council. The City made payments under this agreement of \$14,420 during the year ended June 30, 2013.

These agreements are not general obligations of the City however the amounts payable are subject to the constitutional debt limitation of the City.

**(12) Notes Receivable**

The City has loaned money to area businesses as part of its Downtown Incentive Program. The program provides no interest loans to downtown businesses for second story improvements.

Bill Corcoran, due in monthly installments of \$63, beginning on May 1, 2009 through April 1, 2014. The note bears no interest and is unsecured. Balance due at June 30, 2013 is \$632.

Fred and Judy Vorwald, due in annual installments of \$2,000, beginning August 1, 2008 through August 1, 2012. The note bears no interest and is unsecured. Final payment was received September 18, 2012.

Schaul LLC, due in monthly installments of \$167, beginning January 1, 2010 through December 1, 2014. The loan bears no interest and is unsecured. Balance due at June 30, 2013 is \$3,000.

Matthew Schulte, due in monthly installments of \$167, beginning June 1, 2011 through May 1, 2016. The loan bears no interest and is unsecured. Balance due at June 30, 2013 is \$5,757.

**(13) Construction Commitments**

The City awarded a bid to Fehr Graham Engineering for the Well 4 & 5 Improvement Project engineering. The contract total was for \$178,500 of which \$163,354 had been paid before year end.

The City awarded a bid to Tschiggfrie Excavating for the Well 4 & 5 Improvement Project. The contract total was for \$1,462,380 of which \$1,418,382 had been paid before year end.

The City awarded a bid to Fehr Graham Engineering for the 2013 Street Improvement Project engineering. The contract total was for \$54,000 of which \$33,442 had been paid before year end.

The City awarded a bid to Tschiggfrie Excavating for the 2013 Street Improvement Project. The contract total was for \$363,620 of which \$44,682 had been paid before year end.

The City awarded a bid to Kirkham Michael & Associates for the Airport Slurry Seal Project engineering. The contract total was for \$25,892 of which \$9,568 had been paid before year end.

The City awarded a bid to Struck & Irwin Paving for the Airport Slurry Seal Project. The contract total was for \$88,860 of which none had been paid before year end.

The City awarded a bid to Fehr Graham Engineering for the Highway 13 Improvement Project engineering. The contract total was for \$99,000 of which \$42,094 had been paid before year end.

The City awarded a bid to Pirc Tobin Construction for the Highway 13 Improvement Project. The contract total was for \$180,295 of which \$122,722 had been paid before year end.

The City awarded a bid to Fehr Graham Engineering for the South 5<sup>th</sup> Street Reconstruction Project engineering. The contract total was for \$90,750 of which \$10,442 had been paid before year end.

The City awarded a bid to K & W Coatings for the water tower repainting project. The contract total was for \$88,200 of which none been paid before year end.

The City awarded a bid to Fehr Graham Engineering for the Trunk Sewer Replacement Project engineering. The contract total was for \$60,000 of which none had been paid before year end.

**(14) Deficit Fund Balances**

The Capital Projects – Whitewater Park Project, the Capital Projects – FEMA Projects and the Capital Projects – CDBG Housing Grants Fund had deficit balances of \$1,892, \$61,026 and \$237,964, respectively, at June 30, 2013. The deficit balances were a result of project costs incurred before grant and loan fund reimbursements. The deficits will be eliminated upon receipt of the grant funds.

**(15) Litigation**

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, cable television, and other services to customers within the City. The City discontinued collection of franchise fees while the suit was pending. The amount of potential liability was estimated to range from \$0 to \$500,000.

During the year ended June 30, 2013 the City was ordered to pay \$595,592 in stipulated judgment by the court. The judgment was paid May 5, 2013. No further potential liability is anticipated.

**(16) Subsequent Event**

In July 2013, the City awarded a contract for the Highway 13 Improvement Project in the amount of \$649,619.

In January 2014, the City approved an engineering agreement at a cost of \$94,990 for the Whitewater Park Project.

In February 2014, the City approved entering into an essential purpose loan agreement and a general purpose loan agreement in the amounts of \$965,000 and \$180,000, respectively. The essential purpose loan is to be used for refunding the 2007 General Obligation Bond and costs associated with the Whitewater Park Project. The general purpose loan is for roof and window replacement at City Hall and the Police Department.

In November, 2013 the City approved a voluntary early retirement program. This program is similar to the early retirement program that has been offered in prior years. The City began approving applications for the new voluntary early retirement program in February 2014.

## **Other Information**

City of Manchester

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

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,418,612	-	-
Tax increment financing collections	482,885	-	-
Other city tax	514,562	-	-
Licenses and permits	68,386	-	-
Use of money and property	39,947	20,907	-
Intergovernmental	1,788,742	171,404	-
Charges for service	453,975	1,895,040	-
Special assessment	122,288	19,487	-
Miscellaneous	313,766	82,358	-
Total receipts	<u>6,203,163</u>	<u>2,189,196</u>	-
Disbursements:			
Public safety	1,349,987	-	-
Public works	1,003,015	-	-
Culture and recreation	951,894	-	-
Community and economic development	291,464	-	-
General government	1,241,754	-	-
Debt service	1,887,366	-	-
Capital projects	1,724,147	-	-
Business type activities	-	2,237,735	-
Total disbursements	<u>8,449,627</u>	<u>2,237,735</u>	-
Excess of receipts over disbursements	(2,246,464)	(48,539)	-
Other financing sources (uses), net	<u>1,778,240</u>	<u>795,220</u>	-
Excess of receipts and other financing sources over disbursements and other financing uses	(468,224)	746,681	-
Balances beginning of year	<u>3,292,890</u>	<u>574,447</u>	-
Balances end of year	<u>\$ 2,824,666</u>	<u>1,321,128</u>	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
2,418,612	2,357,949	2,481,595	(62,983)
482,885	487,951	487,951	(5,066)
514,562	565,762	538,000	(23,438)
68,386	31,455	31,955	36,431
60,854	47,690	54,225	6,629
1,960,146	2,179,905	3,218,239	(1,258,093)
2,349,015	2,414,000	2,430,022	(81,007)
141,775	105,000	107,000	34,775
396,124	218,527	383,295	12,829
<u>8,392,359</u>	<u>8,408,239</u>	<u>9,732,282</u>	<u>(1,339,923)</u>
1,349,987	1,344,865	1,434,581	84,594
1,003,015	1,057,645	1,084,877	81,862
951,894	954,386	997,369	45,475
291,464	201,668	328,225	36,761
1,241,754	254,306	1,292,459	50,705
1,887,366	1,189,076	1,913,059	25,693
1,724,147	2,029,573	3,736,735	2,012,588
2,237,735	2,769,651	2,326,413	88,678
<u>10,687,362</u>	<u>9,801,170</u>	<u>13,113,718</u>	<u>2,426,356</u>
(2,295,003)	(1,392,931)	(3,381,436)	1,086,433
<u>2,573,460</u>	-	2,400,000	173,460
278,457	(1,392,931)	(981,436)	1,259,893
<u>3,867,337</u>	<u>4,570,777</u>	<u>3,163,913</u>	<u>703,424</u>
<u>4,145,794</u>	<u>3,177,846</u>	<u>2,182,477</u>	<u>1,963,317</u>

City of Manchester

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue, Capital Project, Debt Service and Enterprise 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 nine major classes of disbursements known as functions, not by fund or fund type. 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, 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, two budget amendments increased budgeted receipts by \$1,324,043 and increased budgeted disbursements by \$3,312,548. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted before amendment in the general government function. At year end June 30, 2013 disbursements did not exceed the amounts budgeted.

**Supplementary Information**

## City of Manchester

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

As of and for the year ended June 30, 2013

	Non-Major Special Revenue Funds	Non-Major Capital Project Funds	Total
<b>Receipts:</b>			
Property tax	\$ 441,235	-	441,235
Tax increment financing collections	482,885	-	482,885
Other city tax	619	-	619
Use of money and property	9,117	802	9,919
Intergovernmental	501,513	25,124	526,637
Charges for services	4,850	-	4,850
Special Assessment	-	121,572	121,572
Miscellaneous	98,903	6,565	105,468
<b>Total receipts</b>	<b>1,539,122</b>	<b>154,063</b>	<b>1,693,185</b>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	7,938	-	7,938
Public works	501,644	587	502,231
Culture and recreation	50,169	6,892	57,061
Community and economic developme:	42,972	-	42,972
General government	641,567	-	641,567
Debt service	-	-	-
Capital projects	-	203,424	203,424
<b>Total disbursements</b>	<b>1,244,290</b>	<b>210,903</b>	<b>1,455,193</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>294,832</b>	<b>(56,840)</b>	<b>237,992</b>
<b>Other financing sources:</b>			
Miscellaneous	124	-	124
Operating transfers in	428,746	-	428,746
Operating transfers out	(1,442,610)	-	(1,442,610)
<b>Net change in cash balances</b>	<b>(718,908)</b>	<b>(56,840)</b>	<b>(775,748)</b>
<b>Cash balances beginning of year</b>	<b>1,466,773</b>	<b>109,672</b>	<b>1,576,445</b>
<b>Cash balances end of year</b>	<b>\$ 747,865</b>	<b>52,832</b>	<b>800,697</b>
<b>Cash Basis Fund Balances</b>			
<b>Restricted for:</b>			
Streets	\$ 242,170	-	242,170
Urban renewal purposes	98,684	-	98,684
Other purposes	19,928	-	19,928
<b>Committed for:</b>			
Capital expenditures	-	187,664	187,664
Other purposes	170,651	-	170,651
<b>Assigned for:</b>			
Capital expenditures	177,727	105,024	282,751
Other purposes	38,705	-	38,705
Unassigned	-	(239,856)	(239,856)
<b>Total cash basis fund balances</b>	<b>\$ 747,865</b>	<b>52,832</b>	<b>800,697</b>

See accompanying independent auditor's report

City of Manchester  
 Schedule of Cash Receipts, Disbursements  
 and Changes in Cash Balances  
 Nonmajor Governmental Funds - Special Revenue Funds

As of and for the year ended June 30, 2013

	Special Revenue					
	Franchise Fee Gas & Electric	Road Use Tax	Employee Benefits	Police Special Uses	T.I.F.	Tirrill Trust
<b>Receipts:</b>						
Property tax	\$ -	-	441,235	-	-	-
Tax increment financing collections	-	-	-	-	482,885	-
Other city tax	-	-	619	-	-	-
Use of money and property	4,427	-	7	18	3,785	7
Intergovernmental	-	495,972	-	500	-	-
Charges for services	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Miscellaneous	-	-	31,297	7,842	-	2,782
<b>Total receipts</b>	<b>4,427</b>	<b>495,972</b>	<b>473,158</b>	<b>8,360</b>	<b>486,670</b>	<b>2,789</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	-	-	-	7,203	-	-
Public works	-	501,644	-	-	-	-
Culture and recreation	-	-	-	-	-	7,201
Community and economic developme	-	-	-	-	40,303	-
General government	598,592	-	42,975	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
<b>Total disbursements</b>	<b>598,592</b>	<b>501,644</b>	<b>42,975</b>	<b>7,203</b>	<b>40,303</b>	<b>7,201</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(594,165)</b>	<b>(5,672)</b>	<b>430,183</b>	<b>1,157</b>	<b>446,367</b>	<b>(4,412)</b>
<b>Other financing sources:</b>						
Miscellaneous	-	124	-	-	-	-
Operating transfers in	250,000	-	-	-	-	2,400
Operating transfers out	(19,629)	(71,199)	(414,970)	-	(928,812)	-
<b>Net change in cash balances</b>	<b>(363,794)</b>	<b>(76,747)</b>	<b>15,213</b>	<b>1,157</b>	<b>(482,445)</b>	<b>(2,012)</b>
<b>Cash balances beginning of year</b>	<b>363,794</b>	<b>318,917</b>	<b>1,253</b>	<b>10,592</b>	<b>581,129</b>	<b>2,482</b>
<b>Cash balances end of year</b>	<b>\$ -</b>	<b>242,170</b>	<b>16,466</b>	<b>11,749</b>	<b>98,684</b>	<b>470</b>
<b>Cash Basis Fund Balances</b>						
<b>Restricted for:</b>						
Streets	\$ -	242,170	-	-	-	-
Urban renewal purposes	-	-	-	-	98,684	-
Other purposes	-	-	16,466	-	-	470
<b>Committed for other purposes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Assigned for:</b>						
Capital expenditures	-	-	-	-	-	-
Other purposes	-	-	-	11,749	-	-
<b>Total cash basis fund balances</b>	<b>\$ -</b>	<b>242,170</b>	<b>16,466</b>	<b>11,749</b>	<b>98,684</b>	<b>470</b>

See accompanying independent auditor's report

Special Revenue (continued)								
Police COPS	Police K9	Park Gift & Trust	Park Improvement	Housing Acquisition & Demolition	Library Gift & Trust	Economic Development RLF	Lora Stewart Trust	Total
-	-	-	-	-	-	-	-	441,235
-	-	-	-	-	-	-	-	482,885
-	-	-	-	-	-	-	-	619
-	30	130	194	72	436	-	11	9,117
-	-	-	-	-	5,041	-	-	501,513
-	-	4,850	-	-	-	-	-	4,850
-	-	-	-	-	-	-	-	-
3,000	55	8,384	35,105	-	4,872	5,566	-	98,903
3,000	85	13,364	35,299	72	10,349	5,566	11	1,539,122
-	735	-	-	-	-	-	-	7,938
-	-	-	-	-	-	-	-	501,644
-	-	10,785	27,682	-	4,501	-	-	50,169
-	-	-	-	2,669	-	-	-	42,972
-	-	-	-	-	-	-	-	641,567
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	735	10,785	27,682	2,669	4,501	-	-	1,244,290
3,000	(650)	2,579	7,617	(2,597)	5,848	5,566	11	294,832
-	-	-	-	-	-	-	-	124
-	-	-	26,346	150,000	-	-	-	428,746
(3,000)	-	-	(5,000)	-	-	-	-	(1,442,610)
-	(650)	2,579	28,963	147,403	5,848	5,566	11	(718,908)
-	4,682	22,832	65,234	23,248	52,271	17,358	2,981	1,466,773
-	4,032	25,411	94,197	170,651	58,119	22,924	2,992	747,865
-	-	-	-	-	-	-	-	242,170
-	-	-	-	-	-	-	-	98,684
-	-	-	-	-	-	-	2,992	19,928
-	-	-	-	170,651	-	-	-	170,651
-	-	25,411	94,197	-	58,119	-	-	177,727
-	4,032	-	-	-	-	22,924	-	38,705
-	4,032	25,411	94,197	170,651	58,119	22,924	2,992	747,865

## City of Manchester

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

As of and for the year ended June 30, 2013

	Capital Projects			
	Capital Projects Levied	Downtown Incentive	Whitewater Park Project	Bikeway Walkway Project
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	-
Use of money and property	146	273	-	-
Intergovernmental	-	-	5,000	-
Charges for services	-	-	-	-
Special Assessment	-	-	-	-
Miscellaneous	-	6,565	-	-
<b>Total receipts</b>	<b>146</b>	<b>6,838</b>	<b>5,000</b>	<b>-</b>
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	587
Culture and recreation	-	-	6,892	-
Community and economic developme:	-	-	-	-
General government	-	-	-	-
Debt service	-	-	-	-
Capital projects	8,234	37,266	-	-
<b>Total disbursements</b>	<b>8,234</b>	<b>37,266</b>	<b>6,892</b>	<b>587</b>
Excess (deficiency) of receipts over (under) disbursements	(8,088)	(30,428)	(1,892)	(587)
Other financing sources:				
Miscellaneous	-	-	-	-
Operating transfers in (out)	-	80,000	-	-
Net change in cash balances	(8,088)	49,572	(1,892)	(587)
Cash balances beginning of year	18,267	138,092	-	9,285
Cash balances end of year	\$ 10,179	187,664	(1,892)	8,698
<b>Cash Basis Fund Balances</b>				
Committed for capital expenditures	\$ -	187,664	-	-
Assigned for capital expenditures	10,179	-	-	8,698
Unassigned	-	-	(1,892)	-
<b>Total cash basis fund balances</b>	<b>\$ 10,179</b>	<b>187,664</b>	<b>(1,892)</b>	<b>8,698</b>

See accompanying independent auditor's report

<u>Capital Projects (continued)</u>		
<u>Street Improvement</u>	<u>CDBG Housing Grants</u>	<u>Total</u>
-	-	-
-	-	-
-	-	-
383	-	802
-	20,124	25,124
-	-	-
121,572	-	121,572
-	-	6,565
<u>121,955</u>	<u>20,124</u>	<u>154,063</u>
-	-	-
-	-	587
-	-	6,892
-	-	-
-	-	-
-	-	-
43,934	113,990	203,424
<u>43,934</u>	<u>113,990</u>	<u>210,903</u>
<u>78,021</u>	<u>(93,866)</u>	<u>(56,840)</u>
-	-	-
(80,000)	-	-
<u>(1,979)</u>	<u>(93,866)</u>	<u>(56,840)</u>
<u>88,126</u>	<u>(144,098)</u>	<u>109,672</u>
<u>86,147</u>	<u>(237,964)</u>	<u>52,832</u>
-	-	187,664
86,147	-	105,024
-	(237,964)	(239,856)
<u>86,147</u>	<u>(237,964)</u>	<u>52,832</u>

## City of Manchester

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

As of and for the year ended June 30, 2013

	Water Capital Improvement	Utility Deposit Trust	Sewer Replacement	Total
<b>Receipts:</b>				
<b>Operating receipts:</b>				
Use of money and property	\$ -	-	87	87
Intergovernmental	171,404	-	-	171,404
Charges for service	-	11,099	-	11,099
Miscellaneous	82,185	-	-	82,185
<b>Total operating receipts</b>	<b>253,589</b>	<b>11,099</b>	<b>87</b>	<b>264,775</b>
<b>Operating disbursements:</b>				
Business type activities	175,638	9,270	-	184,908
<b>Total operating disbursements</b>	<b>175,638</b>	<b>9,270</b>	<b>-</b>	<b>184,908</b>
Excess (deficiency) of operating receipts over (under) operating disbursements	77,951	1,829	87	79,867
Operating transfers in	1,006,370	-	8,832	1,015,202
Net change in cash balances	1,084,321	1,829	8,919	1,095,069
Cash balances beginning of year	(895,165)	42,882	29,179	(823,104)
Cash balances end of year	\$ 189,156	44,711	38,098	271,965
<b>Cash Basis Fund Balances</b>				
Committed for capital expenditures	\$ -	-	38,098	38,098
Assigned for other purposes	-	44,711	-	44,711
Unassigned	189,156	-	-	189,156
<b>Total cash basis fund balances</b>	<b>\$ 189,156</b>	<b>44,711</b>	<b>38,098</b>	<b>271,965</b>

See accompanying independent auditor's report

City of Manchester  
 Schedule of Indebtedness  
 Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Corporate purpose, Series 2005	November 1, 2005	3.60 - 3.65%	\$ 2,450,000
Corporate purpose, Series 2007	October 1, 2007	3.75 - 4.05%	715,000
Fire station	February 13, 2008	3.85%	800,000
Corporate purpose, Series 2008	July 1, 2008	3.30 - 4.10%	2,645,000
Corporate purpose, Series 2010	May 15, 2010	1.40 - 3.60%	1,865,000
Water improvement, Series 2010B	November 23, 2010	.85 - 3.15%	550,000
Corporate purpose, Series 2012	May 3, 2012	.60 - 1.60%	1,000,000
Corporate purpose, Series 2013	April 23, 2013	.35 - 1.9%	1,795,000
State revolving fund - Sewer revenue bonds	July 2, 2008	3.00%	\$ 6,010,000
Water revenue bonds	December 20, 2011	3.00%	909,000

See accompanying independent auditor's report

Schedule 5

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 895,000	-	895,000	-	32,375	-
465,000	-	70,000	395,000	18,275	-
658,000	-	38,000	620,000	25,333	-
1,605,000	-	270,000	1,335,000	61,760	-
1,365,000	-	255,000	1,110,000	35,680	-
500,000	-	50,000	450,000	10,830	-
1,000,000	-	80,000	920,000	11,306	-
-	1,795,000	-	1,795,000	-	-
<u>\$ 6,488,000</u>	<u>1,795,000</u>	<u>1,658,000</u>	<u>6,625,000</u>	<u>195,559</u>	<u>-</u>
\$ 5,443,000	-	245,000	5,198,000	163,290	-
-	796,862	78,000	718,862	11,953	-
<u>\$ 5,443,000</u>	<u>796,862</u>	<u>323,000</u>	<u>5,916,862</u>	<u>175,243</u>	<u>-</u>

City of Manchester  
Bond and Note Maturities  
June 30, 2013

Year Ending June 30,	General Obligation Bonds and Notes							
	Corporate Purpose Series 2007		Fire Station		Corporate Purpose Series 2008		Corporate Purpose Series 2010	
	October 1, 2007		February 13, 2008		July 1, 2008		May 15, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	3.85%	\$ 75,000	3.85%	38,000	3.70%	260,000	2.00%	265,000
2015	3.90%	75,000	3.85%	40,000	3.85%	270,000	2.40%	135,000
2016	3.95%	80,000	3.85%	41,000	3.95%	310,000	2.75%	135,000
2017	4.00%	80,000	3.85%	42,000	4.00%	245,000	3.00%	135,000
2018	4.05%	85,000	3.85%	42,000	4.10%	250,000	3.25%	145,000
2019	-	-	3.85%	43,000	-	-	3.40%	145,000
2020	-	-	3.85%	43,000	-	-	3.60%	150,000
2021	-	-	3.85%	44,000	-	-	-	-
2022	-	-	3.85%	45,000	-	-	-	-
2023	-	-	3.85%	47,000	-	-	-	-
2024	-	-	3.85%	48,000	-	-	-	-
2025	-	-	3.85%	48,000	-	-	-	-
2026	-	-	3.85%	49,000	-	-	-	-
2027	-	-	3.85%	50,000	-	-	-	-
		<u>\$ 395,000</u>		<u>620,000</u>	Total	<u>1,335,000</u>		<u>1,110,000</u>

Year Ending June 30,	State Revolving Fund Revenue Bonds		State Revolving Fund Revenue Bonds		Total
	July 2, 2008		December 20, 2011		
	Interest Rates	Amount	Interest Rates	Amount	
2014	3.00%	\$ 253,000	3.00%	81,000	334,000
2015	3.00%	261,000	3.00%	84,000	345,000
2016	3.00%	270,000	3.00%	86,000	356,000
2017	3.00%	278,000	3.00%	89,000	367,000
2018	3.00%	287,000	3.00%	92,000	379,000
2019	3.00%	297,000	3.00%	95,000	392,000
2020	3.00%	306,000	3.00%	98,000	404,000
2021	3.00%	316,000	3.00%	93,862	409,862
2022	3.00%	327,000	-	-	327,000
2023	3.00%	337,000	-	-	337,000
2024	3.00%	348,000	-	-	348,000
2025	3.00%	359,000	-	-	359,000
2026	3.00%	371,000	-	-	371,000
2027	3.00%	383,000	-	-	383,000
2028	3.00%	396,000	-	-	396,000
2029	3.00%	409,000	-	-	409,000
		<u>\$5,198,000</u>		<u>718,862</u>	<u>5,916,862</u>

See accompanying independent auditor's report

Year Ending June 30,	General Obligation Bonds and Notes						Total
	Corporate Purpose Series 2010B		Corporate Purpose Series 2012		Corporate Purpose Series 2013		
	November 23, 2010		May 3, 2012		April 23, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	1.30%	50,000	0.60%	80,000	0.35%	445,000	1,213,000
2015	1.55%	55,000	0.80%	215,000	0.45%	455,000	1,245,000
2016	1.85%	55,000	1.00%	215,000	0.60%	140,000	976,000
2017	2.10%	55,000	1.20%	225,000	0.75%	115,000	897,000
2018	2.40%	55,000	1.60%	95,000	0.95%	125,000	797,000
2019	2.70%	60,000	1.60%	70,000	1.05%	100,000	418,000
2020	3.00%	60,000	1.60%	20,000	1.30%	100,000	373,000
2021	3.15%	60,000	-	-	1.50%	105,000	209,000
2022	-	-	-	-	1.70%	105,000	150,000
2023	-	-	-	-	1.90%	105,000	152,000
2024	-	-	-	-	-	-	48,000
2025	-	-	-	-	-	-	48,000
2026	-	-	-	-	-	-	49,000
2027	-	-	-	-	-	-	50,000
		<u>450,000</u>		<u>920,000</u>		<u>1,795,000</u>	<u>6,625,000</u>

## City of Manchester

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

	<u>2013</u>	<u>2012</u>
Receipts:		
Property tax	\$ 2,418,612	2,369,851
Tax increment financing	482,885	448,997
Other city tax	514,562	539,479
Licenses and permits	68,386	81,250
Use of money and property	39,947	37,534
Intergovernmental	1,788,742	1,164,408
Charges for service	453,975	467,608
Special assessments	122,288	115,749
Miscellaneous	313,766	572,786
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 6,203,163</u>	<u>5,797,662</u>
Disbursements:		
Operating:		
Public safety	\$ 1,349,987	1,307,833
Public works	1,003,015	1,077,500
Culture and recreation	951,894	797,076
Community and economic development	291,464	201,313
General government	1,241,754	284,863
Debt service	1,887,366	1,125,583
Capital projects	1,724,147	1,425,513
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 8,449,627</u>	<u>6,219,681</u>

See accompanying independent auditor's report

City of Manchester  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2013

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Grant Number</u>	<u>Program Expenditures</u>
<b>Direct:</b>			
U.S. Department of Agriculture: Rural Business Enterprise Grants	10.769	RBEG	\$ 45,733
<b>Indirect:</b>			
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-DRMH-051 (251)	16,956
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	11-CF-006	340,995
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	11-HSG-033	65,434
Iowa Finance Authority: Home Investment Partnerships Program	14.239	10-HM-117	29,806
U.S. Department of Homeland Security: Iowa Homeland Security and Emergency Management Division: Disaster Grants - Public Assistance	97.036	FEMA-1930-DRIA	83,583
Hazard Mitigation Grant	97.039	HMGP-DR-1763-0051	26,524
Hazard Mitigation Grant	97.039	HMGP-DR-1763-0164	24,345
Hazard Mitigation Grant	97.039	HMGP-DR-1880-0030	460,469
Hazard Mitigation Grant	97.039	HMGP-DR-1998-0018	43,642
Total			<u>\$ 1,137,487</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Manchester 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.

**RFSW** Ridihalgh Fuelling  
Snitker Weber & Co.  
C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.  
Jeremy P. Lockard, C.P.A.

14 East Charles St, PO Box 639  
Oelwein, IA 50662  
(319)283-1173  
Fax (319)283-2799

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Manchester's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 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-B-13 and II-C-13 to be significant deficiencies.

#### 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. 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### City of Manchester's Responses to Findings

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

#### Purpose of this Report

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

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

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

March 24, 2014



James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.  
Jeremy P. Lockard, C.P.A.

14 East Charles St, PO Box 639  
Oelwein, IA 50662  
(319)283-1173  
Fax (319)283-2799

Independent Auditor's Report on Compliance  
for Each Major Federal Program, on Internal Control over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Manchester, 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 the City of Manchester's major federal program for the year ended June 30, 2013. The City of Manchester's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Manchester's major federal program based on our audit of the types of compliance requirements referred to above. 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 Manchester'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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Manchester's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Manchester complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

#### Report on Internal Control Over Compliance

The management of The City of Manchester is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Manchester's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 Manchester's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in 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. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

March 24, 2014

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

- (a) Unmodified 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 programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose 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 programs were CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and CFDA Number 97.039 Hazard Mitigation Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Manchester did not qualify as a low-risk auditee.

## **Part II: Findings Related to the Financial Statements:**

### **INTERNAL CONTROL DEFICIENCIES:**

II-A-13 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. The City should segregate the tasks within the following areas to the extent possible with existing personnel:

- 1) Cash – handling, reconciling and recording.
- 2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- 3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 4) Payroll – recordkeeping, preparation and distribution.
- 5) Utilities – billing, collecting, depositing and posting.
- 6) Financial reporting – preparation and reconciling.
- 7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – We will consider this.

Conclusion – Response acknowledged.

II-B-13 Preparation of Financial Statements - Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting which is a basis of accounting other than U.S. generally accepted accounting principles. The City does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes, as required by governmental accounting standards and the cash basis of accounting. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an entity of this size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on an ongoing basis. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

Conclusion – Response acknowledged.

II-C-13 Refund Checks – In June 2012, the City wrote customer refund checks totaling \$734.68 that were not mailed. Per the prior year audit, the City indicated they would void, reissue and mail the refund checks as soon as they are written. At June 30, 2013 the City had reissued the refund checks but they had yet to be mailed to the recipients. The City is writing and holding checks.

Recommendation – The City should mail all checks as soon as they are written.

Response – This was an isolated incident. The City acknowledges the recommendation and will review its policies to ensure checks are mailed in a timely fashion.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**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.

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

IV-A-13 Certified Budget – Disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted. However disbursements exceeded amounts budgeted before amendment in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended before disbursements are allowed to exceed it in the future, if applicable.

Conclusion – Response accepted.

IV-B-13 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
1) Mark Fink, brother-in-law of employee Chad Eschen	Snow removal, large machinery, demo	\$ 28,298
2) Erica Foley, spouse of employee Doug Foley	Youth coach	240
3) Alicia Jean Wessels, daughter of employee Jim Wessels	Compliance checks	75
4) NE Iowa Telephone Service, owned by fireman Mike Corkery	Supplies, alarm fees	2,316
5) Sue's Flower & Garden Center, owned by daughter of councilman Tony Broghammer	Landscaping supplies	867
6) Kaitlyn Graybill, daughter of fireman Kevin Graybill	Youth referee	100
7) Affiliated Tree Service, owned by employee Jim Wessels	Tree removal	4,195
8) Kathy Guilgot, sibling to employee Mike Ryan	Plants, landscaping	45
9) Becker Electric LLC, owned by brother-in-law to employee Perry Peterson	Electrical services	4,989
10) Don's Hardware, owned by grandfather to employee Nathan Detrich	Refrigerator	1,179
11) Freiburger Farms, owned by son-in-law to employee Larry Schmidt	Mower rental	350

In accordance with Chapter 362.5(k) of the Code of Iowa, transactions 1, 7, and 9 may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

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

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

Response – The City acknowledges the recommendation and will work with legal counsel to develop a policy to ensure the City is in compliance with Chapter 362.5(k) of the Code of Iowa.

Conclusion – Response accepted.

- IV-E-13 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 that the coverage is adequate for current operations.
- IV-F-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- IV-H-13 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- IV-I-13 Financial Condition – The Capital Projects – CDBG Housing Fund had a deficit balance of \$237,964, the Capital Projects – FEMA Projects Fund had a deficit balance of \$61,026 and the Capital Projects – Whitewater Park Project Fund had a deficit balance of \$1,892 at June 30, 2013.

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

Response – The deficits were due to construction costs incurred prior to receipt of grant and loan funds. These timing issues occur as a result of grant reimbursement agreements.

Conclusion – Response accepted.

- IV-J-13 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

No instances of non-compliance with the City’s TIF funds noted.

- IV-K-13 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

- IV-L-13 Unclaimed Property – The City has numerous outstanding checks that are being carried on the bank reconciliations. No action is being taken on these items.

Recommendation – We recommend the City review all checks in excess of one year outstanding and report as unclaimed property to the State Treasurer on an annual basis per Chapter 556.11 of the Code of Iowa.

Response – The City acknowledges the recommendation and will implement a policy to address checks outstanding for more than one year, which will include participation in the Great Iowa Treasure Hunt.

Conclusion – Response accepted.