

CITY OF MANCHESTER
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2022

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City of Manchester

Officials

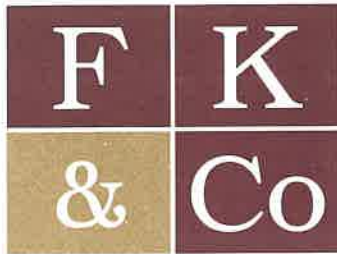
(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Milt Kramer	Mayor	Jan 2022
Mary Ann Poynor	Council Member	Jan 2022
Connie Behnken	Council Member	Jan 2022
Tania M. Bradley	Council Member	Jan 2024
Dean Sherman	Council Member	Jan 2024
Bill Scherbring	Council Member	Jan 2024
Timothy Vick	City Manager	Indefinite
Erin Learn	City Clerk/Treasurer	Indefinite
James Peters	City Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Connie Behnken	Mayor	Jan 2026
Mary Ann Poynor	Council Member	Jan 2026
Linda G. Schmitt	Council Member	Jan 2026
Tania M. Bradley	Council Member	Jan 2024
Dean Sherman	Council Member	Jan 2024
Bill Scherbring	Council Member	Jan 2024
Timothy Vick	City Manager	Indefinite
Erin Learn	City Clerk/Treasurer	Indefinite
James Peters	City Attorney	Indefinite

City of Manchester



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

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 Manchester, Iowa, (City) as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, the financial statements for the five years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 34 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



FALLER, KINCHELOE & CO., PLC

February 15, 2023

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 1,783,960	299,877	160,822	-	(1,323,261)	-	(1,323,261)
Public works	1,639,839	332,463	742,547	296,683	(268,146)	-	(268,146)
Culture and recreation	1,266,060	176,420	177,648	-	(911,992)	-	(911,992)
Community and economic development	438,339	132,244	39,341	-	(266,754)	-	(266,754)
General government	371,629	79,501	7,341	-	(284,787)	-	(284,787)
Debt service	1,261,906	-	-	-	(1,261,906)	-	(1,261,906)
Capital projects	2,638,774	-	77,664	118,022	(2,443,088)	-	(2,443,088)
Total governmental activities	9,400,507	1,020,505	1,205,363	414,705	(6,759,934)	-	(6,759,934)
Business type activities:							
Water	856,958	764,747	74,938	-	-	(17,273)	(17,273)
Sewer	1,321,890	1,094,210	15,522	-	-	(212,158)	(212,158)
Meter deposits	7,959	10,575	-	-	-	2,616	2,616
Total business type activities	2,186,807	1,869,532	90,460	-	-	(226,815)	(226,815)
Total	\$ 11,587,314	2,890,037	1,295,823	414,705	(6,759,934)	(226,815)	(6,986,749)
General Receipts and Transfers:							
Property tax and other city tax levied for:							
General purposes					2,434,006	-	2,434,006
Debt service					669,252	-	669,252
Tax increment financing					711,428	-	711,428
Other city tax					448,054	-	448,054
Local option sales tax					757,848	-	757,848
Hotel/Motel tax					134,247	-	134,247
Commercial/industrial tax replacement					274,512	-	274,512
American Rescue Plan Act					372,761	-	372,761
Unrestricted interest on investments					21,105	2,998	24,103
Bond proceeds (net of \$121,286 premium)					3,386,286	-	3,386,286
Miscellaneous					805	-	805
Sale of capital assets					550	-	550
Transfers					(310,901)	310,901	-
Total general receipts and transfers					8,899,953	313,899	9,213,852
Change in cash basis net position					2,140,019	87,084	2,227,103
Cash basis net position beginning of year					4,327,197	1,251,948	5,579,145
Cash basis net position end of year					\$ 6,467,216	1,339,032	7,806,248
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 776,450	-	776,450
Capital projects					2,270,964	-	2,270,964
Debt service					291,967	733,305	1,025,272
Franchise fees					536,010	-	536,010
Hotel-Motel					40,387	-	40,387
Other purposes					1,284,978	50,427	1,335,405
Unrestricted					1,266,460	555,300	1,821,760
Total cash basis net position					\$ 6,467,216	1,339,032	7,806,248

See notes to financial statements.

City of Manchester

Exhibit B

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

As of and for the year ended June 30, 2022

	Special Revenue							Total
	General	Road Use Tax	Employee Benefit	Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	
Receipts:								
Property tax	\$ 1,740,973	-	693,033	-	669,252	-	-	3,103,258
Tax increment financing	-	-	-	-	-	-	711,428	711,428
Other city tax	581,552	-	-	757,848	750	-	-	1,340,150
Licenses and permits	82,786	-	-	-	-	-	-	82,786
Use of money and property	42,872	760	-	786	-	-	905	45,323
Intergovernmental	920,077	702,996	61,427	-	59,042	490,782	8,680	2,243,004
Charges for service	532,166	-	-	-	-	-	-	532,166
Special assessments	-	-	-	-	-	72,165	-	72,165
Miscellaneous	197,803	-	32,616	-	-	5,500	98,392	334,311
Total receipts	4,098,229	703,756	787,076	758,634	729,044	568,447	819,405	8,464,591
Disbursements:								
Operating:								
Public safety	1,417,803	-	364,025	-	-	-	2,132	1,783,960
Public works	1,002,023	570,515	67,301	-	-	-	-	1,639,839
Culture and recreation	915,217	-	135,382	-	-	-	215,461	1,266,060
Community and economic development	276,437	-	23,359	-	-	-	138,543	438,339
General government	252,309	-	119,320	-	-	-	-	371,629
Debt service	-	-	-	-	1,261,906	-	-	1,261,906
Capital projects	-	-	-	-	-	2,638,774	-	2,638,774
Total disbursements	3,863,789	570,515	709,387	-	1,261,906	2,638,774	356,136	9,400,507
Excess (deficiency) of receipts over (under) disbursements	234,440	133,241	77,689	758,634	(532,862)	(2,070,327)	463,269	(935,916)
Other financing sources (uses):								
Bond proceeds (net of \$121,286 premium)	-	-	-	-	3,386,286	-	-	3,386,286
Sale of capital assets	550	-	-	-	-	-	-	550
Transfers in	166,954	-	-	-	520,970	3,700,785	60,411	4,449,120
Transfers out	(60,411)	(77,136)	-	(575,785)	(3,185,000)	(374,715)	(486,974)	(4,760,021)
Total other financing sources (uses)	107,093	(77,136)	-	(575,785)	722,256	3,326,070	(426,563)	3,075,935
Change in cash balances	341,533	56,105	77,689	182,849	189,394	1,255,743	36,706	2,140,019
Cash balances beginning of year	1,425,924	720,345	239,049	439,617	102,573	1,090,621	309,068	4,327,197
Cash balances end of year	\$ 1,767,457	776,450	316,738	622,466	291,967	2,346,364	345,774	6,467,216
Cash Basis Fund Balances								
Restricted for:								
Streets	\$ -	776,450	-	-	-	-	-	776,450
Capital projects	-	-	-	-	-	2,270,964	-	2,270,964
Debt service	-	-	-	-	291,967	-	-	291,967
Franchise fees	536,010	-	-	-	-	-	-	536,010
Hotel-Motel	40,387	-	-	-	-	-	-	40,387
Other purposes	-	-	316,738	622,466	-	-	345,774	1,284,978
Assigned	296,175	-	-	-	-	75,400	-	371,575
Unassigned	894,885	-	-	-	-	-	-	894,885
Total cash basis fund balances	\$ 1,767,457	776,450	316,738	622,466	291,967	2,346,364	345,774	6,467,216

See notes to financial statements.

City of Manchester

Exhibit C

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

As of and for the year ended June 30, 2022

	Enterprise			Total
	Water	Sewer	Nonmajor - Meter Deposits	
Operating receipts:				
Rental income	\$ 35,651	-	-	35,651
Charges for service	764,747	1,094,210	-	1,858,957
Miscellaneous	39,287	15,522	10,575	65,384
Total operating receipts	<u>839,685</u>	<u>1,109,732</u>	<u>10,575</u>	<u>1,959,992</u>
Operating disbursements:				
Business type activities	550,705	636,338	7,959	1,195,002
Total operating disbursements	<u>550,705</u>	<u>636,338</u>	<u>7,959</u>	<u>1,195,002</u>
Excess of operating receipts over operating disbursements	<u>288,980</u>	<u>473,394</u>	<u>2,616</u>	<u>764,990</u>
Non-operating receipts (disbursements):				
Interest on investments	393	2,290	315	2,998
Debt service	(179,613)	(385,600)	-	(565,213)
Capital projects	(126,640)	(299,952)	-	(426,592)
Net non-operating receipts (disbursements)	<u>(305,860)</u>	<u>(683,262)</u>	<u>315</u>	<u>(988,807)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(16,880)</u>	<u>(209,868)</u>	<u>2,931</u>	<u>(223,817)</u>
Other financing sources (uses):				
Transfers in	-	372,761	-	372,761
Transfers out	(15,600)	(46,260)	-	(61,860)
Total other financing sources (uses)	<u>(15,600)</u>	<u>326,501</u>	<u>-</u>	<u>310,901</u>
Change in cash balances	(32,480)	116,633	2,931	87,084
Cash balances beginning of year	<u>429,303</u>	<u>775,149</u>	<u>47,496</u>	<u>1,251,948</u>
Cash balances end of year	<u>\$ 396,823</u>	<u>891,782</u>	<u>50,427</u>	<u>1,339,032</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 218,474	514,831	-	733,305
Meter deposits	-	-	50,427	50,427
Unrestricted	<u>178,349</u>	<u>376,951</u>	<u>-</u>	<u>555,300</u>
Total cash basis fund balances	<u>\$ 396,823</u>	<u>891,782</u>	<u>50,427</u>	<u>1,339,032</u>

See notes to financial statements.

City of Manchester

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Local Option Sales Tax Fund is used to account for local option sales tax collections authorized by referendum to be used for construction and maintenance of bikeway/walkways and for the construction and maintenance of streets.

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the capital projects function prior to the budget amendment approved on May 23, 2022. In addition, during the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

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

(3) Notes Receivable

The City has loaned money to area businesses as part of its Downtown Incentive Program. The program provides no interest loans to downtown businesses for second story improvements. The following loans were outstanding at June 30, 2022 in relation to the City's Downtown Incentive Program.

- A \$10,000 loan was made to Wes Schulte in 2016, due in monthly installments of \$167, beginning January 1, 2017 through December 31, 2021. The loan bears no interest and is unsecured. The principal balance owed on this loan at June 30, 2022 is \$0.
- A \$10,000 loan was made to Riverside Property Group, LLC in 2019, due in annual installments of \$2,000, beginning September 30, 2020 through September 30, 2024. The loan bears no interest and is unsecured. The principal balance owed on this loan at June 30, 2022 is \$6,000.

In addition to the above loans, the City made an additional two loans. The following loans were outstanding at June 30, 2022.

- A \$100,000 loan was made to Boulders Inn Manchester, LLC to construct a new hotel in Manchester. The annual interest rate is 4% and the City obtained a promissory note from the borrower. The principal advanced in relation to this loan and accrued interest is due to the City on July 1, 2025, unless it is forgiven prior to this date. Principal on this debt shall be forgiven annually on each June 30 commencing June 30, 2019 and continuing to, and including, June 30, 2027. The amount of forgiveness on each forgiveness date shall be equal to 50% of the annual revenues generated solely by the new hotel arising from taxes collected by the City pursuant to Iowa Code Section 423A.7 during the twelve month period immediately preceding each forgiveness date. The principal balance owed on this loan at June 30, 2022 is \$40,604.
- A \$50,000 loan was made to Wes Schulte in 2021, due in yearly installment of \$5,000 plus interest, beginning May 14, 2020 through May 14, 2029. The \$50,000 is an economic development loan to aid in the construction of an apartment building with sixteen two-bedroom units on the property. The loan bears interest at 1% per annum and is unsecured. The principal balance owed on this loan at June 30, 2022 is \$35,000.

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

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 5,840,000	3,265,000	1,070,000	8,035,000	1,235,000
Lease Purchase Agreement	14,216	-	10,537	3,679	3,679
Governmental activities total	<u>\$ 5,854,216</u>	<u>3,265,000</u>	<u>1,080,537</u>	<u>8,038,679</u>	<u>1,238,679</u>
Business type activities:					
Direct borrowings:					
Sewer Revenue Bonds	\$ 2,930,000	-	327,000	2,603,000	337,000
Water Revenue Bonds	565,000	-	167,000	398,000	63,000
Business-type activities total	<u>\$ 3,495,000</u>	<u>-</u>	<u>494,000</u>	<u>3,001,000</u>	<u>400,000</u>

General Obligation Bonds

A summary of the City's June 30, 2022 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding, Series 2013			Corporate Purpose and Refunding, Series 2014A		
	Issued April 23, 2013			Issued May 27, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	1.90%	\$ 105,000	1,995	2.10%	\$ 85,000	5,705
2024		-	-	2.45%	90,000	3,920
2025		-	-	2.45%	70,000	1,715
2026		-	-		-	-
2027		-	-		-	-
		<u>\$ 105,000</u>	<u>1,995</u>		<u>\$ 245,000</u>	<u>11,340</u>

Year Ending June 30,	Refunding, Series 2015A			Corporate Purpose, Series 2015B		
	Issued April 28, 2015			Issued June 23, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	2.05%	\$ 55,000	3,888	2.00%	\$ 205,000	18,950
2024	2.40%	60,000	2,760	1.15%	210,000	14,850
2025	2.40%	55,000	1,320	2.30%	215,000	10,335
2026		-	-	2.45%	220,000	5,390
2027		-	-		-	-
		<u>\$ 170,000</u>	<u>7,968</u>		<u>\$ 850,000</u>	<u>49,525</u>

Year Ending June 30,	Corporate Purpose, Series 2017			Corporate Purpose, Series 2018		
	Issued June 27, 2017			Issued April 24, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	1.80%	\$ 185,000	20,453	2.30%	\$ 150,000	22,660
2024	1.95%	185,000	17,123	2.45%	150,000	19,210
2025	2.10%	195,000	13,515	2.60%	155,000	15,535
2026	2.25%	200,000	9,420	2.80%	95,000	11,505
2027	2.40%	205,000	4,920	2.80%	100,000	8,845
2028-2032		-	-	3.10%	195,000	8,680
		<u>\$ 970,000</u>	<u>65,431</u>		<u>\$ 845,000</u>	<u>86,435</u>

Year Ending June 30,	Corporate Purpose, Series 2020A			Urban Renewal, Series 2020B		
	Issued July 6, 2020			Issued July 6, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	0.70%	\$ 155,000	15,465	1.10%	\$ 25,000	5,145
2024	0.80%	160,000	14,380	1.10%	30,000	4,870
2025	0.90%	165,000	13,100	1.70%	30,000	4,540
2026	1.00%	165,000	11,615	1.70%	30,000	4,030
2027	1.10%	170,000	9,965	1.70%	30,000	3,520
2028-2032	1.25-1.60%	565,000	18,225	1.70-2.50%	130,000	8,135
		<u>\$1,380,000</u>	<u>82,750</u>		<u>\$ 275,000</u>	<u>30,240</u>

Year Ending June 30,	Corporate Purpose Bonds Series 2021A			Corporate Purpose Bonds Series 2021B		
	Issued September 28, 2021			Issued September 28, 2021		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	2.00%	\$ 175,000	41,300	1.50%	\$ 95,000	18,065
2024	2.00%	180,000	37,800	1.50%	95,000	16,640
2025	2.00%	180,000	34,200	1.50%	95,000	15,215
2026	2.00%	180,000	30,600	1.50%	100,000	13,790
2027	2.00%	185,000	27,000	1.50%	100,000	12,290
2028-2032	2.00%	965,000	78,600	1.50-1.80%	530,000	37,995
2033	2.00%	200,000	4,000	1.90%	115,000	2,185
		<u>\$2,065,000</u>	<u>253,500</u>		<u>\$1,130,000</u>	<u>116,180</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 1,235,000	153,626	1,388,626
2024	1,160,000	131,553	1,291,553
2025	1,160,000	109,475	1,269,475
2026	990,000	86,350	1,076,350
2027	790,000	66,540	856,540
2028-2032	2,385,000	151,635	2,536,635
2033	315,000	6,185	321,185
	<u>\$ 8,035,000</u>	<u>705,364</u>	<u>8,740,364</u>

On April 23, 2013, the City issued \$1,795,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 0.35% to 1.90% per annum. The bonds were issued to currently refund a portion of the outstanding General Obligation Corporate Purpose Notes, Series 2005, pay the costs of constructing street, water system, sanitary sewer system and storm sewer system improvements, acquire demolition and site clearance for dangerous and dilapidated buildings, settle a pending judgement against the City, acquire a snow blower for use by the street department, and pay costs of issuance of the Bonds. During the year ended June 30, 2022, the City paid \$105,000 of principal and \$3,780 of interest on the bonds.

On May 27, 2014, the City issued \$1,130,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 0.50% to 2.45% per annum. The bonds were issued to pay costs associated with the City's Maquoketa Riverfront Redevelopment Project/Manchester Whitewater Park Project, pay the costs of constructing repairs and improvements to City Hall, currently refund a portion of the City's General Obligation Corporate Purpose Bonds, Series 2007, and pay costs of issuance of the Bonds. During the year ended June 30, 2022, the City paid \$85,000 of principal and \$7,490 of interest on the bonds.

On April 28, 2015, the City issued \$1,375,000 of general obligation refunding bonds with interest rates ranging from 1.50% to 2.40% per annum. The bonds were issued to currently refund the City's outstanding General Obligation Corporate Purpose and Refunding Bonds, Series, 2008, to currently refund the City's outstanding General Obligation Fire Station Notes, Series 2008, and pay costs of issuance of the Bonds. During the year ended June 30, 2022, the City paid \$55,000 of principal and \$5,015 of interest on the bonds.

On June 23, 2015, the City issued \$2,000,000 of general obligation corporate purpose bonds with interest rates ranging from 0.75% to 2.45% per annum. The bonds were issued to construct street, water system, sanitary sewer system, storm water drainage and sidewalk improvements, construct municipal recreation trail improvements, complete the City's Whitewater Park Project, and pay the costs of issuance of the Bonds. During the year ended June 30, 2022, the City paid \$200,000 of principal and \$22,650 of interest on the bonds.

On June 27, 2017, the City issued \$1,950,000 of general obligation corporate purpose bonds with interest rates ranging from 1.20% to 2.40% per annum. The bonds were issued to pay the costs of acquisition, demolition and restoration of dilapidated property, the acquisition of street sweeper, the acquisition of a fire truck, constructing street, water system, sanitary sewer system and storm water drainage system improvements, planning, designing, constructing and installing improvements and facilities at existing municipal parks, the acquisition and preparation of property for potential use as the site of a municipal public works facility, and issuing the bonds. During the year ended June 30, 2022, the City paid \$235,000 of principal and \$24,330 of interest on the bonds.

On April 24, 2018, the City issued \$1,435,000 of general obligation corporate purpose bonds with interest rates ranging from 1.80% to 3.10% per annum. The bonds were issued to pay the costs of improving and equipping existing city parks, constructing street, water system, sanitary sewer system, storm water drainage and sidewalk improvements and extensions, funding economic development grants to private property owners, improvements to a municipal parking lot and to pay the costs of issuing the bonds. During the year ended June 30, 2022, the City paid \$145,000 of principal and \$25,850 of interest on the bonds.

On July 6, 2020, the City issued \$1,750,000 of general obligation corporate purpose bonds with interest rates ranging from 0.50% to 1.60% per annum. The bonds were issued to pay the costs of various corporate purpose capital improvements, pay the costs of acquiring vehicles and to pay the costs of issuing the bonds. During the year ended June 30, 2022, the City paid \$150,000 of principal and \$16,365 of interest on the bonds.

On July 6, 2020, the City issued \$300,000 of urban renewal bonds with interest rates ranging from 1.10% to 2.50% per annum. The bonds were issued to pay the costs of undertaking an urban renewal project and to pay the costs of issuing the bonds. During the year ended June 30, 2022, the City paid \$25,000 of principal and \$5,420 of interest on the bonds.

On September 28, 2021, the City issued \$2,135,000 of corporate purpose bonds with an interest rate of 2.00% per annum. The bonds were issued to pay the costs of constructing street, sanitary sewer system, storm water drainage, water utility system and sidewalk improvements, pay the costs of acquiring and installing street lighting, signage and signalization improvements, pay the costs of acquiring and equipping an end loader for the municipal public works department, and pay the costs of issuing the bonds. During the year ended June 30, 2022, the City paid \$70,000 of principal and \$28,823 of interest on the bonds.

On September 28, 2021, the City issued \$1,130,000 of corporate purpose bonds with interest rates ranging from 1.50% to 1.90% per annum. The bonds were issued to pay the costs of constructing street, sanitary sewer system, storm water drainage, water utility system and sidewalk improvements, pay the costs of acquiring and installing street lighting, signage and signalization improvements, and pay the costs of issuing the bonds. During the year ended June 30, 2022, the City paid \$0 of principal and \$12,194 of interest on the bonds.

Lease Purchase Agreement

On May 17, 2018, the City entered into a lease-purchase agreement to lease a telephone system. As of June 30, 2022, future payments of principal and interest owed on this lease purchase totals \$3,679 and \$53, respectively. This lease-purchase is scheduled to be paid off in fiscal year 2023.

Payments under this lease-purchase agreement totaled \$11,196 during the year ended June 30, 2022.

Direct Borrowings - Revenue Bonds

A summary of the City's June 30, 2022 direct borrowings revenue bonds payable are as follows:

Year Ending June 30,	Sewer Revenue Issued July 2, 2008		
	Interest Rates	Principal	Interest
2023	1.75%	\$ 337,000	45,553
2024	1.75%	348,000	39,655
2025	1.75%	359,000	33,565
2026	1.75%	371,000	27,283
2027	1.75%	383,000	20,791
2028-2029	1.75%	805,000	21,246
		<u>2,603,000</u>	<u>188,093</u>

Year Ending June 30,	Water Revenue Issued February 8, 2019			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	1.75%	\$ 63,000	6,965	400,000	52,518	452,518
2024	1.75%	64,000	5,862	412,000	45,517	457,517
2025	1.75%	66,000	4,742	425,000	38,307	463,307
2026	1.75%	67,000	3,588	438,000	30,871	468,871
2027	1.75%	68,000	2,415	451,000	23,206	474,206
2028-2029	1.75%	70,000	1,225	875,000	22,471	897,471
		<u>\$ 398,000</u>	<u>24,797</u>	<u>3,001,000</u>	<u>212,890</u>	<u>3,213,890</u>

Sewer Revenue Bonds

On July 2, 2008, the City entered into an agreement with the Iowa Finance Authority for the issuance of sewer revenue bonds of up to \$6,010,000 with interest at 1.75% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of improvements to the sewer treatment plant and collection system. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bonds or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City paid principal of \$327,000 and interest of \$51,275 on the bonds.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,010,000 in sewer revenue bonds issued in July 2008. The bonds are payable solely from sewer customer net receipts and are payable through 2029. Annual principal and interest payment on the bonds are expected to require less than 80% of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,791,093. For the current year, principal and interest paid and total customer net receipts were \$378,275 and \$473,394, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the Utility and the bond holder holds a lien on the future earnings of the funds.

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

Water Revenue Bonds - 2011

On December 20, 2011, the City entered into an agreement with the Iowa Finance Authority for the issuance of water revenue bonds of up to \$909,000 with interest at 3.00% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of the construction of water main extensions and improvements. During the year ended June 30, 2022, the City paid principal of \$105,000 and interest of \$3,150 on the bonds.

Water Revenue Bonds - 2019

On February 8, 2019, the City entered into an agreement with the Iowa Finance Authority for the issuance of water revenue bonds of up to \$754,000 with interest at 1.75% per annum. This agreement was later amended to a bond amount of \$650,031. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of the construction of water main extensions and improvements. During the year ended June 30, 2022, the City paid principal of \$62,000 and interest of \$8,050 on the bonds.

Water Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$909,000 in water revenue bonds issued in December 2011 and \$650,031 in water revenue bonds issued in February 2019. The bonds are payable solely from water customer net receipts and are payable through 2029. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. Annual principal and interest payment on the bonds are expected to require less than 62% of net receipts. The total principal and interest remaining to be paid on the bonds is \$422,797. For the current year, principal and interest paid and total customer net receipts were \$178,200 and \$288,980, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the Utility and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.

- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

(5) Pension Plan

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

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

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

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

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled \$209,922.

Net Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$(581,652) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.168484%, which was an increase of 0.149789% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$(147,890), \$291,927 and \$1,658,982, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	4.43 %
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0 %	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 728,189	(581,652)	(1,678,775)

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

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$330,825 and plan members eligible for benefits contributed \$55,757 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services.

In addition, for employees who meet certain requirements who terminate employment with the City, employees will be entitled, depending on years of service, between 25-35% of the employee's accumulated sick leave dollar equivalent at the employee's current rate of compensation. This compensation can be paid in cash or as a credit toward the cost of maintaining health insurance under the City's medical insurance program.

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>27</u>
Total	<u><u>30</u></u>

(7) Termination Benefits

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

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

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

As of June 30, 2022, the participants in this program all were eligible for Medicare, and as a result, the City has no more liability in relation to this 2014 plan. Actual early retirement expenditures for the year ended June 30, 2022 totaled \$3,000.

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

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

At June 30, 2022, the City has obligations to one participant with a total liability of \$14,000. Actual early retirement expenditures for the year ended June 30, 2022 totaled \$6,000.

- In 2021, the City approved a voluntary early retirement plan for employees. The plan was only offered to employees from December 6, 2021 to January 14, 2022 and required any applying employees to set a retirement date before June 1, 2022. Eligible employees must have 1) completed at least twenty consecutive years of full-time service to the City prior to June 1, 2022, 2) have reached the age of 55 at retirement, and 3) have resigned prior to June 1, 2022. The application for early retirement was subject to approval by the City Council

Early retirement benefits include a lump sum benefit of \$20,000 on retirement date and \$20,000 on July 1, 2022. In addition, the value of the early retirement benefits also includes a 25%, 30% or 35% of accumulated sick pay based on years' service (20, 25 or 30 years, respectively). The administration of the early retirement benefits is handled by a third party administrator (TPA). For medical related costs, including health insurance premium costs, claimed by the retiree, the TPA reimburses the retired employee, and then simultaneously requests reimbursement from the City to fund this cost.

At June 30, 2022, the City has obligations to three participants with a total liability of \$139,540. Actual early retirement expenditures for the year ended June 30, 2022 totaled \$8,386.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2022, was \$170,508. The liability has been computed based on rates of pay in effect at June 30, 2022.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 30,000
	Debt Service	135,000
	Capital Projects	1,954
		<u>166,954</u>
Special Revenue:	General	<u>60,411</u>
Park Improvement		
Debt Service	Special Revenue:	
	Road Use Tax	77,136
	Urban Renewal Tax Increment	381,974
	Enterprise:	
	Water	15,600
	Sewer	46,260
		<u>520,970</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	575,785
	Urban Renewal Tax Increment	75,000
	Debt Service	3,050,000
		<u>3,700,785</u>
Enterprise:	Debt Service	<u>372,761</u>
Sewer		
Total		<u>\$ 4,821,881</u>

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

(10) Employee Health Insurance Plan

The City self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and City contributions and is administered by a third-party administrator. The City self-funds up to \$2,000 per individual or \$6,000 per family, with the employee responsible for \$1,000 for individual coverage and \$3,000 for family coverage. Administrative service fees and premiums are paid monthly from the City’s operating funds to the third-party administrator. During the year ended June 30, 2022, the City paid \$22,961 in relation to this program.

(11) Industrial Development Revenue Bonds

The City has issued a total of \$3,915,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,786,524 is outstanding at June 30, 2022. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

(12) Lease Income

The City is leasing antenna space on the water tower and City buildings to communication providers. The length of the lease terms are five years with options to extend for additional years at the option of the tenants. The lease terms contain provisions of monthly rent amounts and increases in rents. The City received \$35,651 from tenants in fiscal year 2022 from these leases.

(13) Related Party Transactions

The City had business transactions between the City and City officials, totaling \$68,156 during the year ended June 30, 2022.

(14) Risk Management

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

(15) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings. Certain agreements also require the developer to certify specific employment requirements are met.

During the year ended June 30, 2022, the City rebated \$138,543 of incremental property taxes to the developers. At June 30, 2022, the remaining balance to be paid on the agreement was \$3,962,736 and the amount appropriated for payment in the next fiscal year is \$303,200.

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

(16) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2022, \$70,627 of property tax was diverted from the City under the urban renewal and economic development agreements.

(17) Commitments

The City has entered into various agreements for street, water, sewer and airport related projects. As of June 30, 2022, approximately \$2,121,000 remains to be paid on these projects. These costs will be paid for as work progresses. It is anticipated that these projects will be completed in fiscal year 2023. The City intends to pay for these costs from existing cash reserves.

The City has entered into agreements to purchase a fire truck and real estate for the airport. These contract amounts total approximately \$431,000. These costs will be paid for as the equipment and real estate is received. It is anticipated that these projects will be completed in fiscal year 2023. The City intends to pay for these costs from existing cash reserves.

(18) Contingency

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

(19) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2022 consists of the following:

<u>Purpose</u>	<u>Amount</u>
Fire department	\$ 242,286
Police department	3,000
Animal control	899
Street reserve	22,249
Holiday decorations	3,834
Sports complex	4,409
Housing	6,439
Airport	<u>13,059</u>
Total	<u>\$ 296,175</u>

(20) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City.

(21) Subsequent Events

The City has evaluated all subsequent events through February 15, 2023, the date the financial statements were available to be issued.

Other Information

City of Manchester

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

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 3,103,258	-	3,103,258	3,136,551	3,136,551	(33,293)
Tax increment financing	711,428	-	711,428	719,771	719,771	(8,343)
Other city tax	1,340,150	-	1,340,150	1,111,188	1,361,188	(21,038)
Licenses and permits	82,786	-	82,786	36,250	36,250	46,536
Use of money and property	45,323	38,649	83,972	71,100	71,100	12,872
Intergovernmental	2,243,004	-	2,243,004	1,553,230	2,104,612	138,392
Charges for service	532,166	1,858,957	2,391,123	2,507,791	2,507,791	(116,668)
Special assessments	72,165	-	72,165	105,000	105,000	(32,835)
Miscellaneous	334,311	65,384	399,695	230,600	308,600	91,095
Total receipts	8,464,591	1,962,990	10,427,581	9,471,481	10,350,863	76,718
Disbursements:						
Public safety	1,783,960	-	1,783,960	1,879,858	1,912,851	128,891
Public works	1,639,839	-	1,639,839	1,730,069	1,768,173	128,334
Culture and recreation	1,266,060	-	1,266,060	1,132,644	1,331,105	65,045
Community and economic development	438,339	-	438,339	457,099	509,197	70,858
General government	371,629	-	371,629	478,495	478,495	106,866
Debt service	1,261,906	-	1,261,906	1,215,755	1,249,855	(12,051)
Capital projects	2,638,774	-	2,638,774	1,260,000	3,888,020	1,249,246
Business type activities	-	2,186,807	2,186,807	1,773,137	2,532,581	345,774
Total disbursements	9,400,507	2,186,807	11,587,314	9,927,057	13,670,277	2,082,963
Excess (deficiency) of receipts over (under) disbursements	(935,916)	(223,817)	(1,159,733)	(455,576)	(3,319,414)	2,159,681
Other financing sources (uses), net	3,075,935	310,901	3,386,836	1,000,000	3,386,286	550
Change in balances	2,140,019	87,084	2,227,103	544,424	66,872	2,160,231
Balances beginning of year	4,327,197	1,251,948	5,579,145	4,270,844	5,578,466	679
Balances end of year	\$ 6,467,216	1,339,032	7,806,248	4,815,268	5,645,338	2,160,910

See accompanying independent auditor's report.

City of Manchester

Notes to Other Information - Budgetary Reporting

June 30, 2022

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,743,220. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the capital projects function prior to the budget amendment approved on May 23, 2022. In addition, during the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the debt service function.

City of Manchester

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

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

Other Information

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.168484%	0.018695%	0.017993%	0.017765%	0.018533%	0.017534%	0.015865%	0.015066%
City's proportionate share of the net pension liability (asset)	\$ (582)	1,313	1,042	1,124	1,235	1,103	784	598
City's covered payroll	\$ 2,170	2,056	2,045	1,919	1,932	1,759	1,759	1,706
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-26.82%	63.86%	50.95%	58.57%	63.92%	62.70%	44.56%	35.03%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

City of Manchester

Schedule of City Contributions

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

Other Information

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 210	206	197	198	177	178	162	159	159	147
Contributions in relation to the statutorily required contribution	(210)	(206)	(197)	(198)	(177)	(178)	(162)	(159)	(159)	(147)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 2,232	2,170	2,056	2,045	1,919	1,932	1,759	1,706	1,708	1,604
Contributions as a percentage of covered payroll	9.41%	9.49%	9.58%	9.68%	9.21%	9.21%	9.21%	9.30%	9.29%	9.14%

See accompanying independent auditor's report.

City of Manchester

Notes to Other Information – Pension Liability

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Manchester

Schedule 1

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

As of and for the year ended June 30, 2022

	Special Revenue									Total
	Urban Renewal Tax Increment	Police Special Use	Park Improvement	Economic Development	Tirrill Trust	Park Gift & Trust	Lora Stewart Trust	Library Gift & Trust	Police Canine	
Receipts:										
Tax increment financing	\$ 711,428	-	-	-	-	-	-	-	-	711,428
Use of money and property	-	94	590	-	-	197	24	-	-	905
Intergovernmental	-	-	-	-	-	-	-	8,680	-	8,680
Miscellaneous	-	5,041	15,407	5,400	230	26,846	-	44,968	500	98,392
Total receipts	711,428	5,135	15,997	5,400	230	27,043	24	53,648	500	819,405
Disbursements:										
Operating:										
Public safety	-	1,074	-	-	-	-	-	-	1,058	2,132
Culture and recreation	-	-	175,328	-	-	28,415	232	11,486	-	215,461
Community and economic development	138,543	-	-	-	-	-	-	-	-	138,543
Total disbursements	138,543	1,074	175,328	-	-	28,415	232	11,486	1,058	356,136
Excess (deficiency) of receipts over (under) disbursements	572,885	4,061	(159,331)	5,400	230	(1,372)	(208)	42,162	(558)	463,269
Other financing sources (uses):										
Transfers in	-	-	60,411	-	-	-	-	-	-	60,411
Transfers out	(486,974)	-	-	-	-	-	-	-	-	(486,974)
Total other financing sources (uses)	(486,974)	-	60,411	-	-	-	-	-	-	(426,563)
Change in cash balances	85,911	4,061	(98,920)	5,400	230	(1,372)	(208)	42,162	(558)	36,706
Cash balances beginning of year	(50,026)	15,633	144,518	17,766	3,717	42,534	3,144	119,309	12,473	309,068
Cash balances end of year	\$ 35,885	19,694	45,598	23,166	3,947	41,162	2,936	161,471	11,915	345,774
Cash Basis Fund Balances										
Restricted for:										
Other purposes	\$ 35,885	19,694	45,598	23,166	3,947	41,162	2,936	161,471	11,915	345,774
Total cash basis fund balances	\$ 35,885	19,694	45,598	23,166	3,947	41,162	2,936	161,471	11,915	345,774

See accompanying independent auditor's report.

City of Manchester

Schedule 2

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

For the Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Receipts:										
Property tax	\$ 3,103,258	2,963,481	2,669,498	2,610,227	2,442,238	2,437,719	2,372,959	2,487,134	2,487,134	2,418,612
Tax increment financing	711,428	502,935	530,152	482,999	525,838	425,009	463,133	460,648	460,648	482,885
Other city tax	1,340,150	1,106,473	1,023,436	909,608	912,503	945,201	897,207	808,153	808,153	514,562
Licenses and permits	82,786	78,502	73,820	67,187	64,325	29,559	37,712	59,605	59,605	68,386
Use of money and property	45,323	36,854	119,179	43,309	34,578	39,413	28,718	30,264	30,264	39,947
Intergovernmental	2,243,004	5,264,995	1,353,730	1,540,158	1,551,216	1,279,513	1,979,901	1,568,778	1,568,778	1,788,742
Charges for service	532,166	519,821	443,856	449,724	437,071	448,882	462,203	450,766	450,766	453,975
Special assessments	72,165	37,133	63,867	130,733	167,272	87,888	101,080	151,447	151,447	122,288
Miscellaneous	334,311	212,666	184,084	245,417	287,554	522,908	328,965	288,780	288,780	313,766
Total	\$ 8,464,591	10,722,860	6,461,622	6,479,362	6,422,595	6,216,092	6,671,878	6,305,575	6,305,575	6,203,163
Disbursements:										
Operating:										
Public safety	\$ 1,783,960	1,676,964	1,530,810	1,507,842	1,458,336	1,938,818	1,333,712	1,283,259	1,283,259	1,349,987
Public works	1,639,839	1,475,573	1,219,622	1,204,317	1,185,878	1,323,550	1,026,969	1,210,853	1,210,853	1,003,015
Culture and recreation	1,266,060	975,344	936,920	989,306	936,497	974,281	1,034,405	849,916	849,916	951,894
Community and economic development	438,339	374,638	358,387	375,232	329,370	512,343	256,771	328,015	328,015	291,464
General government	371,629	363,165	389,079	350,557	346,705	348,554	310,751	235,480	235,480	1,241,754
Debt service	1,261,906	1,181,098	1,246,844	1,351,727	1,282,399	1,297,663	1,233,413	1,703,677	1,703,677	1,887,366
Capital projects	2,638,774	3,718,889	2,669,395	2,103,710	1,659,283	1,114,987	2,142,961	1,952,614	1,952,614	1,724,147
Total	\$ 9,400,507	9,765,671	8,351,057	7,882,691	7,198,468	7,510,196	7,338,982	7,563,814	7,563,814	8,449,627

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa (City) as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 15, 2023. 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's internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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 that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items 2022-001 and 2022-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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



FALLER, KINCHELOE & CO., PLC

February 15, 2023

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

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

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

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

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

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

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

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

Conclusion – Response acknowledged.

2022-002 Preparation of Financial Statements

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

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

City of Manchester

Schedule of Findings

Year ended June 30, 2022

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

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

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

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

Conclusion – Response acknowledged.

2022-003 Meter Deposits

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

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

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

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

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

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Manchester
 Schedule of Findings
 Year ended June 30, 2022

Part II: Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the capital projects function prior to the budget amendment approved on May 23, 2022. Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response acknowledged.

2022-B Questionable Disbursements – No disbursement that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

2022-C Travel Expense – No disbursements of City of Manchester (City) money for travel expenses of spouses of City officials or employees were noted.

2022-D Business Transactions – Business transactions between the City and City officials or employees of the primary government are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mark Fink, Volunteer Fire	Snow removal services	1,050
Burrington Group, Inc., co-owned by Randy Rattenborg, Volunteer Fire	Engineering	46,298
5K Sports and More, owned by Jeremy DeMoss, Volunteer Fire	Supplies	1,474
DJ Repair, employer of Chad Eschen, City Employee	Repair	252
Honey Creek Flooring, owned by Bill Scherbring, Council Member	Flooring	3,290
NE Overhead Door, owned by Joe Stepanek, Volunteer Fire	Repair	1,462
Price Industrial Electric, employer of Jeremy DeMoss, Volunteer Fire	Electrical maintenance	13,347
Conrad Construction, owned by Dennis Conrad, Volunteer Fire	Construction services	825

City of Manchester

Schedule of Findings

Year ended June 30, 2022

Darris Morris, Employee		
Parents owns Olive That Deli LLC	Meeting supplies	158

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions with DJ Repair, Honey Creek Flooring and Olive That Deli, LLC do not appear to represent a conflict of interest since the total transactions were less than \$6,000 during the fiscal year.

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the above transactions with Mark Fink, Burrington Group, Inc., 5K Sports and More, Hitech Communications, NE Overhead Door, Price Industrial Electric, and Conrad Construction do not appear to represent a conflict of interest since the transactions were with Volunteer Fire personnel.

2022-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2022-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

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

Recommendation - The City should ensure that the City Council minutes, summary of all receipts and related claims are timely published in the newspaper as required by the Code of Iowa.

Response - We will implement this recommendation.

Conclusion - Response acknowledged.

2022-H 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.

2022-I Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

2022-J 1099 Forms – For one transaction, the City issued a 1099-Misc. form with the Internal Revenue Service instead of a 1099-S form, as required.

Recommendation – The City implement procedures to ensure proper Internal Revenue Service 1099 forms are issued as required.

Response – The issue is question was real estate purchased by the City. We will review these types of transaction in more detail in the future to ensure correct 1099 forms are issued.

Conclusion – Response acknowledged.

City of Manchester

Schedule of Findings

Year ended June 30, 2022

2022-K Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

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

Recommendation – The City should consult TIF legal counsel to determine the disposition of these issues. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa.

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

Conclusion – Response acknowledged.

2022-L Annual Urban Renewal Report (AURR) – The AURR report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the ending cash balance, disbursements and beginning and ending debt balances as reported on the AURR do not agree to the City's records.

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

Response – We will implement this recommendation.

Conclusion – Response acknowledged.