

CITY OF MANCHESTER
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2021

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City of Manchester

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Milt Kramer	Mayor	Jan 2022
Mary Ann 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

City of Manchester



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa, (City) as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

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Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, 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 29 through 33, has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2022 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

January 7, 2022

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	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	\$ 1,676,964	227,709	228,070	-	(1,221,185)	-	(1,221,185)
Public works	1,475,573	315,832	793,668	162,284	(203,789)	-	(203,789)
Culture and recreation	975,344	154,387	110,967	-	(709,990)	-	(709,990)
Community and economic development	374,638	138,829	17,450	-	(218,359)	-	(218,359)
General government	363,165	67,988	16,663	-	(278,514)	-	(278,514)
Debt service	1,181,098	-	-	-	(1,181,098)	-	(1,181,098)
Capital projects	3,718,889	-	41,133	3,584,067	(93,689)	-	(93,689)
Total governmental activities	<u>9,765,671</u>	<u>904,745</u>	<u>1,207,951</u>	<u>3,746,351</u>	<u>(3,906,624)</u>	<u>-</u>	<u>(3,906,624)</u>
Business type activities:							
Water	797,790	744,537	71,487	-	-	18,234	18,234
Sewer	1,202,900	1,094,492	16,533	-	-	(91,875)	(91,875)
Meter deposits	11,510	6,974	-	-	-	(4,536)	(4,536)
Total business type activities	<u>2,012,200</u>	<u>1,846,003</u>	<u>88,020</u>	<u>-</u>	<u>-</u>	<u>(78,177)</u>	<u>(78,177)</u>
Total	<u>\$ 11,777,871</u>	<u>2,750,748</u>	<u>1,295,971</u>	<u>3,746,351</u>	<u>(3,906,624)</u>	<u>(78,177)</u>	<u>(3,984,801)</u>
General Receipts and Transfers:							
Property tax and other city tax levied for:							
General purposes					2,297,451	-	2,297,451
Debt service					666,030	-	666,030
Tax increment financing					502,935	-	502,935
Other city tax					361,012	-	361,012
Local option sales tax					667,324	-	667,324
Hotel/Motel tax					78,139	-	78,139
Commercial/industrial tax replacement					274,308	-	274,308
Unrestricted interest on investments					16,404	3,903	20,307
Bond proceeds (net of \$5,343 discount)					2,009,657	-	2,009,657
Miscellaneous					210	-	210
Sale of capital assets					35,660	-	35,660
Transfers					(253,026)	253,026	-
Total general receipts and transfers					<u>6,656,104</u>	<u>256,929</u>	<u>6,913,033</u>
Change in cash basis net position					2,749,480	178,752	2,928,232
Cash basis net position beginning of year					<u>1,577,717</u>	<u>1,073,196</u>	<u>2,650,913</u>
Cash basis net position end of year					<u>\$ 4,327,197</u>	<u>1,251,948</u>	<u>5,579,145</u>
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 720,345	-	720,345
Capital projects					1,090,621	-	1,090,621
Debt service					102,573	688,676	791,249
Franchise fees					318,018	-	318,018
Hotel-Motel					21,091	-	21,091
Other purposes					1,037,760	47,496	1,085,256
Unrestricted					<u>1,036,789</u>	<u>515,776</u>	<u>1,552,565</u>
Total cash basis net position					<u>\$ 4,327,197</u>	<u>1,251,948</u>	<u>5,579,145</u>

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, 2021

	Special Revenue							Total
	General	Road Use Tax	Employee Benefit	Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	
Receipts:								
Property tax	\$ 1,681,031	-	616,420	-	666,030	-	-	2,963,481
Tax increment financing	-	-	-	-	-	-	502,935	502,935
Other city tax	439,151	-	-	667,322	-	-	-	1,106,473
Licenses and permits	78,502	-	-	-	-	-	-	78,502
Use of money and property	33,665	989	-	1,023	-	-	1,177	36,854
Intergovernmental	775,265	775,101	57,075	-	61,738	3,584,067	11,749	5,264,995
Charges for service	519,821	-	-	-	-	-	-	519,821
Special assessments	-	-	-	-	-	37,133	-	37,133
Miscellaneous	114,163	-	30,560	-	-	4,000	63,943	212,666
Total receipts	3,641,598	776,090	704,055	668,345	727,768	3,625,200	579,804	10,722,860
Disbursements:								
Operating:								
Public safety	1,335,866	-	327,916	-	-	-	13,182	1,676,964
Public works	881,579	525,304	68,690	-	-	-	-	1,475,573
Culture and recreation	797,615	-	133,232	-	-	-	44,497	975,344
Community and economic development	247,483	-	21,841	-	-	-	105,314	374,638
General government	250,501	-	112,664	-	-	-	-	363,165
Debt service	-	-	-	-	1,181,098	-	-	1,181,098
Capital projects	-	-	-	-	-	3,718,889	-	3,718,889
Total disbursements	3,513,044	525,304	664,343	-	1,181,098	3,718,889	162,993	9,765,671
Excess (deficiency) of receipts over (under) disbursements	128,554	250,786	39,712	668,345	(453,330)	(93,689)	416,811	957,189
Other financing sources (uses):								
Bond proceeds (net of \$5,343 discount)	-	-	-	-	2,009,657	-	-	2,009,657
Sale of capital assets	35,660	-	-	-	-	-	-	35,660
Transfers in	180,000	-	-	-	460,401	2,081,732	35,162	2,757,295
Transfers out	(120,162)	(52,767)	-	(416,732)	(1,995,000)	-	(425,660)	(3,010,321)
Total other financing sources (uses)	95,498	(52,767)	-	(416,732)	475,058	2,081,732	(390,498)	1,792,291
Change in cash balances	224,052	198,019	39,712	251,613	21,728	1,988,043	26,313	2,749,480
Cash balances beginning of year	1,201,872	522,326	199,337	188,004	80,845	(897,422)	282,755	1,577,717
Cash balances end of year	\$ 1,425,924	720,345	239,049	439,617	102,573	1,090,621	309,068	4,327,197
Cash Basis Fund Balances								
Restricted for:								
Streets	\$ -	720,345	-	-	-	-	-	720,345
Capital projects	-	-	-	-	-	1,090,621	-	1,090,621
Debt service	-	-	-	-	102,573	-	-	102,573
Franchise fees	318,018	-	-	-	-	-	-	318,018
Hotel-Motel	21,091	-	-	-	-	-	-	21,091
Other purposes	-	-	239,049	439,617	-	-	359,094	1,037,760
Assigned	301,377	-	-	-	-	-	-	301,377
Unassigned	785,438	-	-	-	-	-	(50,026)	735,412
Total cash basis fund balances	\$ 1,425,924	720,345	239,049	439,617	102,573	1,090,621	309,068	4,327,197

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, 2021

	Enterprise			Total
	Water	Sewer	Nonmajor - Meter Deposits	
Operating receipts:				
Rental income	\$ 32,106	-	-	32,106
Charges for service	744,537	1,094,492	-	1,839,029
Miscellaneous	39,381	16,533	6,974	62,888
Total operating receipts	816,024	1,111,025	6,974	1,934,023
Operating disbursements:				
Business type activities	510,470	584,765	11,510	1,106,745
Total operating disbursements	510,470	584,765	11,510	1,106,745
Excess (deficiency) of operating receipts over (under) operating disbursements	305,554	526,260	(4,536)	827,278
Non-operating receipts (disbursements):				
Interest on investments	512	2,981	410	3,903
Debt service	(179,115)	(380,920)	-	(560,035)
Capital projects	(108,205)	(237,215)	-	(345,420)
Net non-operating receipts (disbursements)	(286,808)	(615,154)	410	(901,552)
Excess (deficiency) of receipts over (under) disbursements	18,746	(88,894)	(4,126)	(74,274)
Other financing sources (uses):				
Transfers in	70,000	210,000	-	280,000
Transfers out	(542)	(26,432)	-	(26,974)
Total other financing sources (uses)	69,458	183,568	-	253,026
Change in cash balances	88,204	94,674	(4,126)	178,752
Cash balances beginning of year	341,099	680,475	51,622	1,073,196
Cash balances end of year	\$ 429,303	775,149	47,496	1,251,948
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 173,686	514,990	-	688,676
Meter deposits	-	-	47,496	47,496
Unrestricted	255,617	260,159	-	515,776
Total cash basis fund balances	\$ 429,303	775,149	47,496	1,251,948

See notes to financial statements.

City of Manchester

Notes to Financial Statements

June 30, 2021

(I) **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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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, 2021, disbursements exceeded the amounts budgeted in the capital projects function prior to the budget amendment approved on May 24, 2021.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2021 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, 2021 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, 2021 is \$1,500.
- 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, 2021 is \$8,000.

In addition to the above loans, the City made an additional two loans. The following loans were outstanding at June 30, 2021.

- 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, 2020 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, 2021 is \$68,364.
- 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, 2021 is \$40,000.

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, 2021 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 4,810,000	2,050,000	1,020,000	5,840,000	1,000,000
Good Faith Deposit	35,000	-	35,000	-	-
Lease Purchase Agreement	24,042	-	9,826	14,216	10,538
Governmental activities total	\$ 4,869,042	2,050,000	1,064,826	5,854,216	1,010,538
Business type activities:					
Direct borrowings:					
Sewer Revenue Bonds	\$ 3,246,000	-	316,000	2,930,000	327,000
Water Revenue Bonds	727,000	-	162,000	565,000	167,000
Business-type activities total	\$ 3,973,000	-	478,000	3,495,000	494,000

General Obligation Bonds

A summary of the City's June 30, 2021 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
2022	1.70%	\$ 105,000	3,780	2.10%	\$ 85,000	7,490
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		-	-		-	-
		<u>\$ 210,000</u>	<u>5,775</u>		<u>\$ 330,000</u>	<u>18,830</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
2022	2.05%	\$ 55,000	5,015	1.85%	\$ 200,000	22,650
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
		<u>\$ 225,000</u>	<u>12,983</u>		<u>\$1,050,000</u>	<u>72,175</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
2022	1.65%	\$ 235,000	24,331	2.20%	\$ 145,000	25,850
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
2027-2031	2.40%	205,000	4,920	2.80-3.10%	295,000	17,525
		<u>\$1,205,000</u>	<u>89,762</u>		<u>\$ 990,000</u>	<u>112,285</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
2022	0.60%	\$ 150,000	16,365	1.10%	\$ 25,000	5,420
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
2027-2031	1.10-1.60%	735,000	28,190	1.70-2.50%	160,000	11,655
		<u>\$1,530,000</u>	<u>99,115</u>		<u>\$ 300,000</u>	<u>35,660</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 1,000,000	110,901	1,110,901
2023	965,000	94,261	1,059,261
2024	885,000	77,113	962,113
2025	885,000	60,060	945,060
2026	710,000	41,960	751,960
2027-2031	1,395,000	62,290	1,457,290
	<u>\$ 5,840,000</u>	<u>446,585</u>	<u>6,286,585</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, 2021, the City paid \$105,000 of principal and \$5,355 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, 2021, the City paid \$80,000 of principal and \$8,850 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, 2018, 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, 2021, the City paid \$55,000 of principal and \$5,950 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, 2021, the City paid \$195,000 of principal and \$25,965 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, 2021, the City paid \$220,000 of principal and \$27,630 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, 2021, the City paid \$145,000 of principal and \$28,823 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, 2021, the City paid \$220,000 of principal and \$15,767 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, 2021, the City paid \$0 of principal and \$4,893 of interest on the bonds.

Good Faith Deposit - Corporate Purpose Bonds, Series 2020A

In July 2020, the City issued \$1,750,000 of general obligation corporate purpose bonds, Series 2020A. The bonds were issued to pay the costs of infrastructure improvements. The bonds bear interest at rates ranging from 0.50% to 1.60% per annum. On June 30, 2020, the City received a good faith deposit in the amount of \$35,000. However, the City did not receive the remainder of the general obligation corporate purpose bond proceeds of \$1,715,000 until July 6, 2020. Further details in relation to this bond are explained above.

Lease Purchase Agreement

On May 17, 2018, the City entered into a lease-purchase agreement to lease a telephone system. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2021:

Year Ended June 30,	Amount
2022	\$ 11,196
2023	3,732
Total minimum lease payments	14,928
Less amount representing interest	(712)
Present value of net minimum lease payments	<u>\$ 14,216</u>

Payments under this lease-purchase agreement totaled \$11,196 during the year ended June 30, 2021.

Direct Borrowings - Revenue Bonds

A summary of the City's June 30, 2021 direct borrowings revenue bonds payable are as follows:

Year Ending June 30,	Sewer Revenue			Water Revenue		
	Issued July 2, 2008			Issued December 20, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 327,000	51,275	3.00%	\$ 105,000	3,150
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	-	-	-
2027-2029	1.75%	1,188,000	42,036	-	-	-
		<u>\$2,930,000</u>	<u>239,367</u>		<u>\$ 105,000</u>	<u>3,150</u>

Year Ending June 30,	Water Revenue			Total		
	Issued February 8, 2019					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.75%	\$ 62,000	8,050	494,000	62,475	556,475
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
2027-2029	1.75%	138,000	3,640	1,326,000	45,676	1,371,676
		<u>\$ 460,000</u>	<u>32,847</u>	<u>3,495,000</u>	<u>275,364</u>	<u>3,770,364</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.

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 71% of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,169,367. For the current year, principal and interest paid and total customer net receipts were \$372,805 and \$526,260, 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.

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.

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. Annual principal and interest payment on the bonds are expected to require less than 59% of net receipts. The total principal and interest remaining to be paid on the bonds is \$600,997. For the current year, principal and interest paid and total customer net receipts were \$177,297 and \$305,554, 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) Operating Leases

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

The following is a schedule of future payments required under these operating leases which have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2021:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2022	\$ 30,574
2023	8,574
2024	6,264
2025	393
	<u>\$ 45,805</u>

During the fiscal year, total expenditures incurred in relation to these lease agreements were \$30,827.

(6) **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 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 were \$206,022.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$1,313,254 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.0186947%, which was an increase of 0.000702% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$274,200, \$362,215 and \$187,228, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 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, 2020 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 2020 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	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
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.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 2,541,815	1,313,254	283,574

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.

(7) 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, 2021, the City contributed \$296,793 and plan members eligible for benefits contributed \$47,703 to the plan. At June 30, 2021, 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, 2021, the following employees were covered by the benefit terms:

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

(8) Termination Benefits

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

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

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

At June 30, 2021, the City has obligations to one participant with a total liability of \$3,000. Actual early retirement expenditures for the year ended June 30, 2021 totaled \$11,400.

- 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, 2021, the City has obligations to one participant with a total liability of \$20,000. Actual early retirement expenditures for the year ended June 30, 2021 totaled \$8,000.

(9) 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, 2021, was \$181,658. The liability has been computed based on rates of pay in effect at June 30, 2021.

(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, 2021, the City paid \$6,405 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 \$3,915,000 is outstanding at June 30, 2021. 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) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 30,000
	Debt Service	150,000
		<u>180,000</u>
Special Revenue:	General	<u>35,162</u>
Park Improvement		
Debt Service	General	35,000
	Special Revenue:	
	Road Use Tax	52,767
	Urban Renewal Tax Increment	345,660
	Enterprise:	
	Water	542
	Sewer	26,432
		<u>460,401</u>
Capital Projects	General	50,000
	Special Revenue:	
	Local Option Sales Tax	416,732
	Urban Renewal Tax Increment	50,000
	Debt Service	1,565,000
		<u>2,081,732</u>
Enterprise:	Debt Service	<u>70,000</u>
Water		
Enterprise:	Debt Service	<u>210,000</u>
Sewer		
	Total	<u>\$ 3,037,295</u>

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

(13) 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 \$32,106 from tenants in fiscal year 2021 from these leases.

(14) Related Party Transactions

The City had business transactions between the City and City officials, totaling \$47,596 during the year ended June 30, 2021.

(15) 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.

(16) Deficit Balance

The Special Revenue, Urban Renewal Tax Increment Fund had a deficit balance of \$50,026 at June 30, 2021. It is anticipated that this deficit will be eliminated through subsequent tax increment financing collections.

(17) 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, 2021, the City rebated \$94,964 of incremental property taxes to the developers. At June 30, 2021, the remaining balance to be paid on the agreement was \$1,374,059 and the amount appropriated for payment in the next fiscal year is \$280,700.

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.

(18) 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, 2021, \$51,975 of property tax was diverted from the City under the urban renewal and economic development agreements.

(19) Commitments

The City has entered into various agreements for street, sewer and airport related projects. As of June 30, 2021, approximately \$469,000 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 2022. The City intends to pay for these costs from existing cash reserves.

(20) 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.

(21) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2021 consists of the following:

Purpose	Amount
Fire department	\$ 200,675
Police department	3,000
Animal control	760
Street reserve	62,996
Holiday decorations	12,313
Sports complex	4,409
Housing	12,289
Airport	4,935
Total	<u>\$ 301,377</u>

(22) 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.

(23) Subsequent Events

The City has evaluated all subsequent events through January 7, 2022, the date the financial statements were available to be issued.

In September 2021, the City issued \$2,135,000 of general obligation corporate purpose bonds, Series 2021A. In September 2021, the City issued \$1,130,000 of taxable general corporate purpose bonds, Series 2021B. Both of these bond issues were issued to pay the costs of future infrastructure improvements, purchasing equipment and to pay the costs of issuing the bonds.

(24) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

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, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 2,963,481	-	2,963,481	3,057,264	3,057,264	(93,783)
Tax increment financing	502,935	-	502,935	517,926	517,926	(14,991)
Other city tax	1,106,473	-	1,106,473	1,032,971	1,034,850	71,623
Licenses and permits	78,502	-	78,502	33,300	36,385	42,117
Use of money and property	36,854	36,009	72,863	66,975	68,040	4,823
Intergovernmental	5,264,995	-	5,264,995	2,591,106	5,371,387	(106,392)
Charges for service	519,821	1,839,029	2,358,850	2,452,483	2,454,954	(96,104)
Special assessments	37,133	-	37,133	125,000	105,000	(67,867)
Miscellaneous	212,666	62,888	275,554	1,187,956	244,185	31,369
Total receipts	10,722,860	1,937,926	12,660,786	11,064,981	12,889,991	(229,205)
Disbursements:						
Public safety	1,676,964	-	1,676,964	1,652,728	1,754,274	77,310
Public works	1,475,573	-	1,475,573	1,256,408	1,573,691	98,118
Culture and recreation	975,344	-	975,344	1,076,893	1,059,954	84,610
Community and economic development	374,638	-	374,638	405,134	438,254	63,616
General government	363,165	-	363,165	401,435	459,657	96,492
Debt service	1,181,098	-	1,181,098	1,165,505	1,181,137	39
Capital projects	3,718,889	-	3,718,889	3,133,202	4,231,057	512,168
Business type activities	-	2,012,200	2,012,200	2,020,866	2,258,168	245,968
Total disbursements	9,765,671	2,012,200	11,777,871	11,112,171	12,956,192	1,178,321
Excess (deficiency) of receipts over (under) disbursements	957,189	(74,274)	882,915	(47,190)	(66,201)	949,116
Other financing sources (uses), net	1,792,291	253,026	2,045,317	-	2,009,657	35,660
Change in balances	2,749,480	178,752	2,928,232	(47,190)	1,943,456	984,776
Balances beginning of year	1,577,717	1,073,196	2,650,913	4,606,529	2,650,903	10
Balances end of year	\$ 4,327,197	1,251,948	5,579,145	4,559,339	4,594,359	984,786

See accompanying independent auditor's report.

City of Manchester

Notes to Other Information - Budgetary Reporting

June 30, 2021

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 \$1,844,021. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the capital projects function prior to the budget amendment approved on May 24, 2021.

City of Manchester

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

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

Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.018695%	0.017993%	0.017765%	0.018533%	0.017534%	0.015865%	0.015066%
City's proportionate share of the net pension liability	\$ 1,313	1,042	1,124	1,235	1,103	784	598
City's covered payroll	\$ 2,056	2,045	1,919	1,932	1,759	1,759	1,706
City's proportionate share of the net pension liability as a percentage of its covered payroll	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	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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 206	197	198	177	178	162	159	159	147	135
Contributions in relation to the statutorily required contribution	(206)	(197)	(198)	(177)	(178)	(162)	(159)	(159)	(147)	(135)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 2,170	2,056	2,045	1,919	1,932	1,759	1,706	1,708	1,604	1,561
Contributions as a percentage of covered payroll	9.49%	9.58%	9.68%	9.21%	9.21%	9.21%	9.30%	9.29%	9.14%	8.64%

See accompanying independent auditor's report.

City of Manchester

Notes to Other Information – Pension Liability

Year ended June 30, 2021

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 I

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

As of and for the year ended June 30, 2021

	Special Revenue									
	Urban									
	Renewal Tax Increment	Police Special Use	Park Improvement	Economic Development	Tirrill Trust	Park Gift & Trust	Lora Stewart Trust	Library Gift & Trust	Police Canine	Total
Receipts:										
Tax increment financing	\$ 502,935	-	-	-	-	-	-	-	-	502,935
Use of money and property	-	123	767	-	-	256	31	-	-	1,177
Intergovernmental	-	2,999	-	-	-	-	-	8,750	-	11,749
Miscellaneous	-	3,949	24,302	5,450	375	22,885	-	6,282	700	63,943
Total receipts	502,935	7,071	25,069	5,450	375	23,141	31	15,032	700	579,804
Disbursements:										
Operating:										
Public safety	-	12,711	-	-	-	-	-	-	471	13,182
Culture and recreation	-	-	-	-	-	17,254	-	27,243	-	44,497
Community and economic development	105,314	-	-	-	-	-	-	-	-	105,314
Total disbursements	105,314	12,711	-	-	-	17,254	-	27,243	471	162,993
Excess (deficiency) of receipts over (under) disbursements	397,621	(5,640)	25,069	5,450	375	5,887	31	(12,211)	229	416,811
Other financing sources (uses):										
Transfers in	-	-	35,162	-	-	-	-	-	-	35,162
Transfers out	(425,660)	-	-	-	-	-	-	-	-	(425,660)
Total other financing sources (uses)	(425,660)	-	35,162	-	-	-	-	-	-	(390,498)
Change in cash balances	(28,039)	(5,640)	60,231	5,450	375	5,887	31	(12,211)	229	26,313
Cash balances beginning of year	(21,987)	21,273	84,287	12,316	3,342	36,647	3,113	131,520	12,244	282,755
Cash balances end of year	\$ (50,026)	15,633	144,518	17,766	3,717	42,534	3,144	119,309	12,473	309,068
Cash Basis Fund Balances										
Restricted for:										
Other purposes	\$ -	15,633	144,518	17,766	3,717	42,534	3,144	119,309	12,473	359,094
Unassigned	(50,026)	-	-	-	-	-	-	-	-	(50,026)
Total cash basis fund balances	\$ (50,026)	15,633	144,518	17,766	3,717	42,534	3,144	119,309	12,473	309,068

See accompanying independent auditor's report.

City of Manchester

Schedule 2

Schedule of Indebtedness

Year ended June 30, 2021

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds:									
Corporate purpose and refunding, Series 2013	April 23, 2013	0.35-1.90%	\$ 1,795,000	315,000	-	105,000	210,000	5,355	-
Corporate purpose and refunding, Series 2014A	May 27, 2014	0.50-2.45%	1,130,000	410,000	-	80,000	330,000	8,850	-
Refunding, Series 2015A	April 28, 2015	1.50-2.40%	1,375,000	280,000	-	55,000	225,000	5,950	-
Corporate purpose, Series 2015B	June 23, 2015	0.75-2.45%	2,000,000	1,245,000	-	195,000	1,050,000	25,965	-
Corporate purpose, Series 2017	June 27, 2017	1.20-2.40%	1,950,000	1,425,000	-	220,000	1,205,000	27,630	-
Corporate purpose, Series 2018	April 24, 2018	1.80-3.10%	1,435,000	1,135,000	-	145,000	990,000	28,823	-
Corporate purpose, Series 2020A	July 6, 2020	0.50-1.60%	1,750,000	35,000	1,715,000	220,000	1,530,000	15,767	-
Urban renewal, Series 2020B	July 6, 2020	1.10-2.50%	300,000	-	300,000	-	300,000	4,893	-
Total				\$ 4,845,000	2,015,000	1,020,000	5,840,000	123,233	-
Revenue Bonds:									
Sewer revenue	July 2, 2008	1.75%	\$ 6,010,000	3,246,000	-	316,000	2,930,000	56,805	-
Water revenue	December 20, 2011	3.00%	909,000	206,000	-	101,000	105,000	6,180	-
Water revenue	February 8, 2019	1.75%	650,031	521,000	-	61,000	460,000	9,117	-
Total				\$ 3,973,000	-	478,000	3,495,000	72,102	-
Lease Purchase Agreement:									
Equipment	May 17, 2018	5.90%	\$ 38,266	24,042	-	9,826	14,216	1,370	-

See accompanying independent auditor's report.

City of Manchester

Schedule 3

Bond and Note Maturities

June 30, 2021

General Obligation Bonds																	
Year Ending June 30,	Corporate Purpose and Refunding, Series 2013		Corporate Purpose and Refunding, Series 2014A		Refunding, Series 2015A		Corporate Purpose, Series 2015B		Corporate Purpose, Series 2017		Corporate Purpose, Series 2018		Corporate Purpose, Series 2020A		Urban Renewal, Series 2020B		Total
	Issued April 23, 2013		Issued May 27, 2014		Issued April 28, 2015		Issued June 23, 2015		Issued June 27, 2017		Issued April 24, 2018		Issued July 6, 2020		Issued July 6, 2020		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2022	1.70%	\$ 105,000	2.10%	\$ 85,000	2.05%	\$ 55,000	1.85%	\$ 200,000	1.65%	\$ 235,000	2.20%	\$ 145,000	0.60%	\$ 150,000	1.10%	\$ 25,000	1,000,000
2023	1.90%	105,000	2.10%	85,000	2.05%	55,000	2.00%	205,000	1.80%	185,000	2.30%	150,000	0.70%	155,000	1.10%	25,000	965,000
2024	-	-	2.45%	90,000	2.40%	60,000	2.15%	210,000	1.95%	185,000	2.45%	150,000	0.80%	160,000	1.10%	30,000	885,000
2025	-	-	2.45%	70,000	2.40%	55,000	2.30%	215,000	2.10%	195,000	2.60%	155,000	0.90%	165,000	1.70%	30,000	885,000
2026	-	-	-	-	-	-	2.45%	220,000	2.25%	200,000	2.80%	95,000	1.00%	165,000	1.70%	30,000	710,000
2027	-	-	-	-	-	-	-	-	2.40%	205,000	2.80%	100,000	1.10%	170,000	1.70%	30,000	505,000
2028	-	-	-	-	-	-	-	-	-	-	3.10%	110,000	1.25%	170,000	1.70%	30,000	310,000
2029	-	-	-	-	-	-	-	-	-	-	3.10%	85,000	1.40%	175,000	2.50%	30,000	290,000
2030	-	-	-	-	-	-	-	-	-	-	-	-	1.60%	180,000	2.50%	35,000	215,000
2031	-	-	-	-	-	-	-	-	-	-	-	-	1.60%	40,000	2.50%	35,000	75,000
		<u>\$ 210,000</u>		<u>\$ 330,000</u>		<u>\$ 225,000</u>		<u>\$ 1,050,000</u>		<u>\$ 1,205,000</u>		<u>\$ 990,000</u>		<u>\$ 1,530,000</u>		<u>\$ 300,000</u>	<u>5,840,000</u>

Revenue Bonds							Total
Year Ending June 30,	Sewer Revenue		Water Revenue		Water Revenue		
	Issued July 2, 2008		Issued December 20, 2011		Issued February 8, 2019		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2022	1.75%	\$ 327,000	3.00%	\$ 105,000	1.75%	\$ 62,000	494,000
2023	1.75%	337,000	-	-	1.75%	63,000	400,000
2024	1.75%	348,000	-	-	1.75%	64,000	412,000
2025	1.75%	359,000	-	-	1.75%	66,000	425,000
2026	1.75%	371,000	-	-	1.75%	67,000	438,000
2027	1.75%	383,000	-	-	1.75%	68,000	451,000
2028	1.75%	396,000	-	-	1.75%	70,000	466,000
2029	1.75%	409,000	-	-	-	-	409,000
		<u>\$ 2,930,000</u>		<u>\$ 105,000</u>		<u>\$ 460,000</u>	<u>3,495,000</u>

See accompanying independent auditor's report.

City of Manchester

Schedule 4

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

For the Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Receipts:										
Property tax	\$ 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	2,369,851
Tax increment financing	502,935	530,152	482,999	525,838	425,009	463,133	460,648	460,648	482,885	448,997
Other city tax	1,106,473	1,023,436	909,608	912,503	945,201	897,207	808,153	808,153	514,562	539,479
Licenses and permits	78,502	73,820	67,187	64,325	29,559	37,712	59,605	59,605	68,386	81,250
Use of money and property	36,854	119,179	43,309	34,578	39,413	28,718	30,264	30,264	39,947	37,534
Intergovernmental	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	1,164,408
Charges for service	519,821	443,856	449,724	437,071	448,882	462,203	450,766	450,766	453,975	467,608
Special assessments	37,133	63,867	130,733	167,272	87,888	101,080	151,447	151,447	122,288	115,749
Miscellaneous	212,666	184,084	245,417	287,554	522,908	328,965	288,780	288,780	313,766	572,786
Total	\$ 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	5,797,662
Disbursements:										
Operating:										
Public safety	\$ 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	1,307,833
Public works	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	1,077,500
Culture and recreation	975,344	936,920	989,306	936,497	974,281	1,034,405	849,916	849,916	951,894	797,076
Community and economic development	374,638	358,387	375,232	329,370	512,343	256,771	328,015	328,015	291,464	201,313
General government	363,165	389,079	350,557	346,705	348,554	310,751	235,480	235,480	1,241,754	284,863
Debt service	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	1,125,583
Capital projects	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	1,425,513
Total	\$ 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	6,219,681

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manchester, Iowa (City) as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting 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 our opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-21 and I-B-21 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-21 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the 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, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

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

Purpose of this Report

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

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



FALLER, KINCHELOE & CO., PLC

January 7, 2022

City of Manchester
Schedule of Findings
Year ended June 30, 2021

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-21 Segregation of Duties

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

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

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

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

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

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

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

Conclusion – Response acknowledged.

I-B-21 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, 2021

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

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

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

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

Conclusion – Response acknowledged.

I-C-21 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, 2021

Part II: Other Findings Related to Required Statutory Reporting:

II-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the capital projects function prior to the budget amendment approved on May 24, 2021. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response acknowledged.

II-B-21 Questionable Disbursements – No disbursement that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-21 Travel Expense – No disbursements of City of Manchester (City) money for travel expenses of spouses of City officials or employees were noted.

II-D-21 Business Transactions – Business transactions between the City and City officials or employees of the primary government are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Becker Electric, owned by mother of employee Perry Peterson’s partner	Electrical work	\$2,274
Mark Fink, Volunteer Fire	Construction services	3,755
Burrington Group, Inc., co-owned by Randy Rattenborg, Volunteer Fire	Engineering	40,147
Cakes by Kim, sister to employee Cathy Corkery	Services	60
Cathy Corkery, spouse of Mike Corkery, Volunteer Fire	Services	440
Conrad Construction, owned by Dennis Conrad, Volunteer Fire	Construction services	920

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions with Becker Electric, Mark Fink, Cakes by Kim, Jennie Voss, Cathy Corkery and Conrad Construction 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 Burrington Group, Inc. do not appear to represent a conflict of interest since the transactions were with Volunteer Fire personnel.

City of Manchester

Schedule of Findings

Year ended June 30, 2021

- II-E-21 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.
- II-F-21 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-G-21 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.

- II-H-21 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-I-21 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-J-21 Interfund Transfers – Interfund transfers did not document a clear statement of reason or purpose for the transfer, as required by Iowa Administrative Code Section 545-2.1.

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

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-K-21 1099-NEC Forms – It appears the City did not issue some Internal Revenue Service 1099-NEC forms as required.

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

Response – For calendar year 2020, we mistakenly issued 1099-Misc forms to those payees who should have received a 1099-NEC Form. We will implement this recommendation in the future.

Conclusion – Response acknowledged.

City of Manchester

Schedule of Findings

Year ended June 30, 2021

II-L-21 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 the following related to the City's TIF balances and procedures:

- The City did not certify to the County Auditor the general obligation bond interest which will be incurred on TIF related debt.
- During the year ended June 30, 2021, the City paid \$10,350 of claims for professional services from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts

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. The City should also reimburse the TIF Fund from an allowable fund, such as the General Fund, for these unallowable costs. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

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

Conclusion – Response acknowledged.

II-M-21 Financial Condition – The Special Revenue, Urban Renewal Tax Increment Fund had a deficit balance of \$50,026 at June 30, 2021.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – We are working on a plan to eliminate this deficit.

Conclusion – Response acknowledged.

II-N-21 Construction Project – An instance was noted where it appears the City did not obtain competitive bids on a construction project in accordance with the requirements of Chapter 26.3 of the Code of Iowa.

Recommendation – The City should implement procedures to ensure competitive bids are obtained in compliance with the Code of Iowa requirements on future construction projects.

Response – We will implement this recommendation on future projects. For the project in question, we thought our engineer took care of this, and as it turned out our engineer did not follow through on this requirement.

Conclusion – Response acknowledged.

City of Manchester

Schedule of Findings

Year ended June 30, 2021

II-O-21 Annual Urban Renewal Report (AURR) – The AURR report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the beginning and ending debt balances as reported on the AURR do not agree to the City’s records.

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

Response – We will implement this recommendation.

Conclusion – Response acknowledged.