

**CITY OF MARENGO, IOWA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

# Table of Contents

---

<b>Officials</b> .....	1
<b>Independent Auditor’s Report</b> .....	2-5
<b>Management’s Discussion and Analysis (MD&amp;A)</b> .....	6-11
<b>Basic Financial Statements</b>	
Government-Wide Financial Statement Statement of Activities and Net Position - Cash Basis.....	12
Governmental Fund Financial Statement Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds.....	13
Proprietary Fund Financial Statement Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Enterprise Funds.....	14
Fiduciary Fund Financial Statement Statement of Cash Receipts, Disbursements and Change in Cash Balance - Custodial Fund.....	15
Notes to the Financial Statements .....	16-27
<b>Other Information</b>	
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds .....	28
Notes to Other Information - Budgetary Reporting.....	29
Schedule of Proportionate Share of the Net Pension Liability (Asset).....	30
Schedule of Contributions.....	31
Notes to Other Information - Pension Liability.....	32
<b>Supplementary Information</b>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - General Fund.....	33
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds .....	34-35
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Water Major Enterprise Fund .....	36
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Sanitary Sewer Major Enterprise Fund.....	37
Schedule of Indebtedness .....	38
Schedule of Bond and Note Maturities.....	39
Schedule of Receipts by Source and Disbursements by Function/Program - All Governmental Funds.....	40
<b>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 <i>Government Auditing Standards</i></b> .....	41-42
<b>Schedule of Findings</b> .....	43-46

# Officials

---

Name	Title	Term Expires
<b>Elected Officials</b>		
Adam Rabe	Mayor	December 31, 2023
William Kreis	Council Member and Mayor Pro Tem	December 31, 2025
Matt Fults	Council Member	December 31, 2023
Sue Peterson	Council Member	December 31, 2023
John Hinshaw	Council Member	December 31, 2025
Travis Schlabach	Council Member	December 31, 2025
<b>Appointed Officials</b>		
Karla Marck	City Administrator/Clerk	Indefinite
Ellen O'Rourke	City Financial Manager and Utility Billing Clerk	Indefinite
Lonnie Altenhofen	Public Works Director	Indefinite
Ben Gray	Police Chief	Indefinite
Gage Kensler	City Attorney	Indefinite
Allison Fry	Deputy City Clerk	Indefinite

---

# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## Independent Auditor's Report

---

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities (except as described below), each major fund and the aggregate remaining fund information of the City of Marengo, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Marengo's basic financial statements as listed in the table of contents.

In our opinion, because of the significance of the matters described in the "Basis for Adverse Opinions," the financial statements referred to above do not present fairly the cash basis net position of the business-type activities, component units or the cash basis fund balance of the enterprise funds of the City of Marengo as of June 30, 2023, or the changes in cash balances for the year then ended in accordance with the cash basis of accounting described in Note 1.

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, each major fund (other than the Marengo Memorial Hospital Fund) and the aggregate remaining fund information of the City of Marengo, as of June 30, 2023, and the respective changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

#### Basis for Opinions

##### Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Adverse
Component Units	Adverse
Governmental Funds	
General Fund	Unmodified
Road Use Tax Fund	Unmodified
Local Option Sales Tax Fund	Unmodified
Tax Increment Financing	Unmodified
Debt Service	Unmodified
Aggregate Remaining Fund Information	Unmodified

Opinion Unit	Type of Opinion
Enterprise Funds	
Water	Unmodified
Sanitary Sewer	Unmodified
Marengo Memorial Hospital	Adverse
Aggregate Remaining Fund Information	Unmodified

**Basis for Adverse Opinions**

***Business-Type Activities and Marengo Memorial Hospital Enterprise Fund***

As more fully described in Note 1 to the financial statements, the City has excluded from its financial statements the Marengo Memorial Hospital which is organized under Chapter 392 of the Code of Iowa and should be included as a business-type activity and an enterprise fund within these financial statements. The Hospital’s accrual basis financial statements were audited by other auditors. The amount by which this departure from the cash basis of accounting affects cash, changes in cash balances, receipts and disbursement of the business-type activities and the enterprise funds has not been determined. The effects on the financial statements of that departure from those accounting principles are not reasonably determinable.

***Component Units***

The financial statements referred to above do not include the cash balances and receipts and disbursements of the City’s legally separate component units. The amount by which this departure from the cash basis of accounting affects cash, changes in cash balances, receipts and disbursements of the component units has not been determined. The effects on the financial statements of that departure from those accounting principles are not reasonably determinable.

**Unmodified 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, each major fund other than the Marengo Memorial Hospital Fund and the aggregate remaining fund information of the City of Marengo as of June 30, 2023 and the respective changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

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

**Basis of Accounting**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Marengo's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Marengo's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Marengo's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marengo's basic financial statements. We previously audited, in accordance with the standards referred to in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the cash basis financial statements for the nine years ended June 30, 2022 (which are not presented herein) and expressed an unmodified opinion for the year ended June 30, 2014. In 2015 through 2022, we expressed unmodified opinions on all opinion units except for adverse opinions which were expressed on the business-type activities, component units and an enterprise fund due to the exclusion of the Marengo Memorial Hospital and various component units. The supplementary information included on pages 33 through 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises management's discussion and analysis, 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 6 through 11 and 29 through 32 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the City of Marengo'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 of Marengo'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 of Marengo's internal control over financial reporting and compliance.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
November 30, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Marengo provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2023. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2023 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities increased 24.7%, or \$658,200, from the fiscal year 2022 to the fiscal year 2023. The main reason for the increase in receipts from fiscal year 2022 was public donations received for construction of a new aquatic center.

Governmental activities disbursements increased 55.9%, or \$1,068,386, in fiscal year 2023 from the fiscal year 2022. Expenditures increased due primarily to more capital projects in 2023.

The City's total cash basis net position increased \$924,374 from June 30, 2022 to June 30, 2023. The cash basis net position of the governmental activities increased \$345,353 and the cash basis net position of the business-type activities increased by \$579,021.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

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

The Fund Financial Statements tell how governmental services are financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds. The remaining statement provides financial information about activities for which the City of Marengo acts solely as an agent or custodian for the benefit of those outside of the City (Custodial Fund).

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds, the City's indebtedness and other matters.



## **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 accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-Wide Financial Statement**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The statement of activities and net position reports information that helps answer this question.

The statement of activities and net position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities and net position is divided into three kinds of activities:

- Governmental activities include Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax, T.I.F. collections, local option sales tax, intergovernmental receipts, charges for service and debt proceeds finance most of these activities.
- Business-type activities include the Water Utility, the Sanitary Sewer System and the Storm Sewer System. These activities are financed primarily by user charges and debt proceeds.

### **Fund Financial Statements**

The City has three kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year end that are available for spending. The governmental funds include the (a) General Fund; (b) the Special Revenue Funds such as Road Use Tax, Local Option Sales Tax and Tax Increment Financing (T.I.F.); (c) the Capital Projects Funds; (d) the Debt Service Fund; and (e) Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- Proprietary funds are used to account for the City's enterprise funds. The City has no internal service funds. Enterprise funds are used to report business-type activities. The City maintains three enterprise funds to provide separate information for water, sanitary sewer and storm sewer.

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

- The fiduciary fund is used to account for assets that belong to others and for which the City acts as a custodian.

The required financial statement for the fiduciary fund is a statement of cash receipts, disbursements and change in cash balance.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$3,840,133 a year ago to \$4,185,486. The analysis that follows focuses on the changes in cash balances for governmental activities.

### Changes in Cash Basis Net Position of Governmental Activities

	<u>Years Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Receipts		
Program Receipts		
Charges for service	\$ 184,583	\$ 211,465
Operating grants, contributions and restricted interest	1,336,040	705,813
General Receipts		
Property and T.I.F. taxes	1,225,072	1,186,091
Other city tax	511,495	549,024
Unrestricted interest on investments	60,047	15,904
Sale of assets	9,260	—
Total Receipts	<u>3,326,497</u>	<u>2,668,297</u>
Disbursements		
Public safety	551,869	476,571
Public works	465,120	456,582
Health and social services	2,676	1,074
Culture and recreation	302,667	285,863
Community and economic development	26,299	13,102
General government	243,631	205,678
Debt service	377,724	380,345
Capital projects	1,011,158	93,543
Total Disbursements	<u>2,981,144</u>	<u>1,912,758</u>
Change in Cash Basis Net Position Before Transfers	345,353	755,539
Transfers, Net	—	(88,432)
Change in Cash Basis Net Position	345,353	667,107
Cash Basis Net Position - Beginning of Year	<u>3,840,133</u>	<u>3,173,026</u>
<b>Cash Basis Net Position - End of Year</b>	<b><u>\$ 4,185,486</u></b>	<b><u>\$ 3,840,133</u></b>

## Changes in Cash Basis Net Position of Business-Type Activities

	<b>Years Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Receipts		
Program Receipts		
Charges for Service		
Water	\$ 598,872	\$ 721,300
Sanitary Sewer	766,544	545,390
Storm Sewer	19,113	19,640
Total Receipts	1,384,529	1,286,330
Disbursements		
Water	436,297	699,786
Sanitary Sewer	365,552	404,934
Storm Sewer	3,659	82,552
Total Disbursements	805,508	1,187,272
Change in Cash Basis Net Position Before Transfers	579,021	99,058
Transfers, Net	—	88,432
Change in Cash Basis Net Position	579,021	187,490
Cash Basis Net Position - Beginning of Year	898,667	711,177
<b>Cash Basis Net Position - End of Year</b>	<b>\$ 1,477,688</b>	<b>\$ 898,667</b>

Total business-type activities receipts for the fiscal year were \$1,384,529 compared to \$1,286,330 last year. Total disbursements for the fiscal year decreased by 32.2%, or \$381,764. The increase in receipts was primarily due to increases in water and sewer rates that became effective July 1, 2022. The decrease in disbursements was primarily due to less infrastructure expenditures.

The cash balance increased by \$579,021, or 64.4%, from the prior year, due to increases in rates and fees charged to utility customers in fiscal year 2023 and less infrastructure expenditures.

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City of Marengo's governmental funds reported a combined cash balance of \$4,185,486, an increase of \$345,353 from last year's total of \$3,840,133.

The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The General Fund cash balance increased \$81,649 from the prior year to \$1,792,980. The increase was less than the prior year due to higher public safety costs.

The General Fund receives receipts from property tax; licenses and permits; interest on deposits; state, county and local public safety; library and other assistance; various charges for service; donations; refunds and reimbursements; and miscellaneous sales and services.

The General Fund disburses monies for police; fire; animal control; landfill payments; mosquito control; contributions to health and social service agencies; library; parks; recreation facilities and activities; cemetery maintenance; mayor, city council, city administrator/clerk and city finance; attorney and legal expenses; elections; auditor fee; upkeep of city hall; and insurance.

The Special Revenue, Road Use Tax Fund cash balance decreased \$34,088 to \$596,939. This decrease is due to more street improvement costs in the current year.

The Special Revenue, Local Option Sales Tax Fund cash balance increased \$169,783 to \$762,330. This increase is due to more local option sales tax received and less transferred out to other funds for projects.

The Debt Service Fund cash balance increased \$5,834.

The Capital Projects, Aquatic Center Fund, increased \$482,861 due to public donations received during 2023 for this project which is expected to be constructed in 2024.

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

The Water Utility cash balance increased by \$162,575 to \$366,950, due to operating receipts exceeding operating disbursements.

The Sanitary Sewer System cash balance increased by \$400,992 to \$1,007,341 due to increases in rates charged to customers. These increases were implemented to help pay for improvements to the wastewater treatment system that are currently in the planning and design phase.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. See page 28 for a schedule of budget versus actual.

## **DEBT ADMINISTRATION**

As of June 30, 2023, the City had \$735,000 in general obligation debt and \$683,000 in sewer revenue debt for total debt outstanding of \$1,418,000.

Total debt outstanding decreased from the prior year due to normal debt service payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt in the amount of \$735,000 is below its constitutional debt limit of \$7,285,000.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Marengo's elected and appointed officials and citizens considered many factors when setting the fiscal year 2024 budget, tax rates and fees that will be charged for various City activities.

Property taxes are expected to increase by a small amount and expenditures will be impacted by higher than normal inflation being experienced in the local and national economy.

### **Marengo Memorial Hospital**

The City has excluded from these financial statements, the activities of the Marengo Memorial Hospital which was organized under Chapter 392 of the Code of Iowa and is not a legally separate entity from the City of Marengo. The Hospital's audited financial statements may be viewed online at the Iowa Auditor of State website or by contacting Marengo Memorial Hospital, 300 West May Street, Marengo, Iowa 52301.

## **FINANCIAL CONTACT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact, Karla Marck ([kmarck@marengoiowa.com](mailto:kmarck@marengoiowa.com)), City of Marengo, 153 East Main Street, Marengo, Iowa 52301.

## **Basic Financial Statements**

---

**Statement of Activities and Net Position - Cash Basis**

As of and for the Year Ended June 30, 2023

Functions/Programs	Disbursements	Program Receipts		Net Receipts (Disbursements) and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Primary Business-Type Activities	Total
<b>Governmental Activities</b>						
Public safety .....	\$ 551,869	\$ 61,817	\$ 20,145	\$ (469,907)	\$ —	\$ (469,907)
Public works .....	465,120	66,511	519,445	120,836	—	120,836
Health and social services .....	2,676	22,222	560	20,106	—	20,106
Culture and recreation .....	302,667	22,992	784,400	504,725	—	504,725
Community and economic development .....	26,299	9,260	—	(17,039)	—	(17,039)
General government .....	243,631	1,781	9,406	(232,444)	—	(232,444)
Debt service .....	377,724	—	2,084	(375,640)	—	(375,640)
Capital projects .....	1,011,158	—	—	(1,011,158)	—	(1,011,158)
<b>Total Governmental Activities .....</b>	<b>2,981,144</b>	<b>184,583</b>	<b>1,336,040</b>	<b>(1,460,521)</b>	<b>—</b>	<b>(1,460,521)</b>
<b>Business-Type Activities</b>						
Water .....	436,297	598,872	—	—	162,575	162,575
Sanitary sewer .....	365,552	766,544	—	—	400,992	400,992
Storm sewer .....	3,659	19,113	—	—	15,454	15,454
<b>Total Business-Type Activities .....</b>	<b>805,508</b>	<b>1,384,529</b>	<b>—</b>	<b>—</b>	<b>579,021</b>	<b>579,021</b>
<b>Total .....</b>	<b>\$ 3,786,652</b>	<b>\$ 1,569,112</b>	<b>\$ 1,336,040</b>	<b>(1,460,521)</b>	<b>579,021</b>	<b>(881,500)</b>
<b>General Receipts</b>						
Property Tax Levied for						
General purposes .....				851,671	—	851,671
Debt service .....				188,901	—	188,901
Tax increment financing .....				184,500	—	184,500
Local option sales tax .....				358,419	—	358,419
Utility franchise fees .....				153,076	—	153,076
Unrestricted interest on investments .....				60,047	—	60,047
Sale of assets .....				9,260	—	9,260
<b>Total General Receipts .....</b>				<b>1,805,874</b>	<b>—</b>	<b>1,805,874</b>
<b>Change in Cash Basis Net Position .....</b>				<b>345,353</b>	<b>579,021</b>	<b>924,374</b>
Cash Basis Net Position - Beginning of Year .....				3,840,133	898,667	4,738,800
<b>Cash Basis Net Position - End of Year .....</b>				<b>\$ 4,185,486</b>	<b>\$ 1,477,688</b>	<b>\$ 5,663,174</b>
<b>Cash Basis Net Position</b>						
Restricted						
Nonexpendable .....				\$ 92,427	\$ —	\$ 92,427
Expendable						
Debt service .....				157,706	—	157,706
Local option sales tax .....				762,330	—	762,330
Urban renewal purposes .....				105,776	—	105,776
Streets .....				596,939	—	596,939
Other purposes .....				1,577,358	48,180	1,625,538
Unrestricted .....				892,950	1,429,508	2,322,458
<b>Total Cash Basis Net Position .....</b>				<b>\$ 4,185,486</b>	<b>\$ 1,477,688</b>	<b>\$ 5,663,174</b>

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2023

	Major				Nonmajor	Total	
	General	Special Revenue Road Use Tax	Local Option Sales Tax	Debt Service	Capital Projects Aquatic Center		Governmental Funds
<b>Receipts</b>							
Property tax .....	\$ 682,771	\$ —	\$ —	\$ 188,901	\$ —	\$ 168,900	\$ 1,040,572
Tax increment financing .....	—	—	—	—	—	184,500	184,500
Other city tax .....	153,076	—	358,419	—	—	—	511,495
Licenses and permits .....	1,735	—	—	—	—	—	1,735
Use of money and property .....	59,848	—	—	—	—	199	60,047
Intergovernmental .....	60,685	335,083	—	2,084	—	186,222	584,074
Charges for service .....	142,799	325	—	—	—	—	143,124
Miscellaneous .....	46,445	8,697	—	—	735,701	10,107	800,950
<b>Total Receipts .....</b>	<b>1,147,359</b>	<b>344,105</b>	<b>358,419</b>	<b>190,985</b>	<b>735,701</b>	<b>549,928</b>	<b>3,326,497</b>
<b>Disbursements</b>							
Public safety .....	551,869	—	—	—	—	—	551,869
Public works .....	63,970	401,150	—	—	—	—	465,120
Health and social services .....	2,676	—	—	—	—	—	2,676
Culture and recreation .....	302,285	—	—	—	—	382	302,667
Community and economic development .....	26,299	—	—	—	—	—	26,299
General government .....	243,631	—	—	—	—	—	243,631
Debt service .....	—	—	—	377,724	—	—	377,724
Capital projects .....	—	—	—	—	252,840	758,318	1,011,158
<b>Total Disbursements .....</b>	<b>1,190,730</b>	<b>401,150</b>	<b>—</b>	<b>377,724</b>	<b>252,840</b>	<b>758,700</b>	<b>2,981,144</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>(43,371)</b>	<b>(57,045)</b>	<b>358,419</b>	<b>(186,739)</b>	<b>482,861</b>	<b>(208,772)</b>	<b>345,353</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in .....	125,020	48,257	—	192,573	—	601,640	967,490
Transfers out .....	—	(25,300)	(188,636)	—	—	(753,554)	(967,490)
<b>Total Other Financing Sources (Uses) .....</b>	<b>125,020</b>	<b>22,957</b>	<b>(188,636)</b>	<b>192,573</b>	<b>—</b>	<b>(151,914)</b>	<b>—</b>
<b>Change in Cash Balances .....</b>	<b>81,649</b>	<b>(34,088)</b>	<b>169,783</b>	<b>5,834</b>	<b>482,861</b>	<b>(360,686)</b>	<b>345,353</b>
Cash Balances - Beginning of Year .....	1,711,331	631,027	592,547	151,872	—	753,356	3,840,133
<b>Cash Balances - End of Year .....</b>	<b>\$ 1,792,980</b>	<b>\$ 596,939</b>	<b>\$ 762,330</b>	<b>\$ 157,706</b>	<b>\$ 482,861</b>	<b>\$ 392,670</b>	<b>\$ 4,185,486</b>
<b>Cash Basis Fund Balances</b>							
Nonspendable .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 92,427	\$ 92,427
Restricted for							
Debt service .....	—	—	—	157,706	—	—	157,706
Local option sales tax .....	—	—	762,330	—	—	—	762,330
Urban renewal purposes .....	—	—	—	—	—	105,776	105,776
Streets .....	—	596,939	—	—	—	—	596,939
Other purposes .....	914,006	—	—	—	482,861	180,491	1,577,358
Assigned for other purposes .....	412,440	—	—	—	—	—	412,440
Unassigned .....	466,534	—	—	—	—	13,976	480,510
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 1,792,980</b>	<b>\$ 596,939</b>	<b>\$ 762,330</b>	<b>\$ 157,706</b>	<b>\$ 482,861</b>	<b>\$ 392,670</b>	<b>\$ 4,185,486</b>

See accompanying notes to the financial statements.



## Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Enterprise Funds

---

As of and for the Year Ended June 30, 2023

	Major		Nonmajor	Total
	Water	Sanitary Sewer	Storm Sewer	
<b>Operating Receipts</b>				
Charges for service .....	\$ 590,972	\$ 725,059	\$ 19,113	\$ 1,335,144
Miscellaneous.....	7,900	41,485	—	49,385
<b>Total Operating Receipts .....</b>	<b><u>598,872</u></b>	<b><u>766,544</u></b>	<b><u>19,113</u></b>	<b><u>1,384,529</u></b>
<b>Operating Disbursements</b>				
Business-type activities .....	<b><u>436,297</u></b>	<b><u>259,407</u></b>	<b><u>3,659</u></b>	<b><u>699,363</u></b>
<b>Operating Receipts Over</b>				
<b>Operating Disbursements .....</b>	<b><u>162,575</u></b>	<b><u>507,137</u></b>	<b><u>15,454</u></b>	<b><u>685,166</u></b>
<b>Nonoperating Disbursements</b>				
Capital outlay.....	—	41,485	—	41,485
Debt service .....	—	64,660	—	64,660
<b>Total Nonoperating Disbursements.</b>	<b><u>—</u></b>	<b><u>106,145</u></b>	<b><u>—</u></b>	<b><u>106,145</u></b>
<b>Receipts Over Disbursements.....</b>	<b>162,575</b>	<b>400,992</b>	<b>15,454</b>	<b>579,021</b>
Cash Balances - Beginning of Year .....	<u>204,375</u>	<u>606,349</u>	<u>87,943</u>	<u>898,667</u>
<b>Cash Balances - End of Year .....</b>	<b><u>\$ 366,950</u></b>	<b><u>\$ 1,007,341</u></b>	<b><u>\$ 103,397</u></b>	<b><u>\$ 1,477,688</u></b>
<b>Cash Basis Fund Balances</b>				
Restricted for				
Customer deposits .....	\$ 48,180	\$ —	\$ —	\$ 48,180
Unrestricted.....	<u>318,770</u>	<u>1,007,341</u>	<u>103,397</u>	<u>1,429,508</u>
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ 366,950</u></b>	<b><u>\$ 1,007,341</u></b>	<b><u>\$ 103,397</u></b>	<b><u>\$ 1,477,688</u></b>

**Statement of Cash Receipts, Disbursements and Change in Cash  
Balance - Custodial Fund**

---

As of and for the Year Ended June 30, 2023

	<b>Marengo Picnic in the Park, Inc.</b>
<b>Receipts</b> .....	<b>\$ 4,778</b>
<b>Disbursements</b> .....	<b><u>(29,370)</u></b>
<b>Change in Cash Balance</b> .....	<b>(24,592)</b>
Cash Balance - Beginning of Year .....	<u>24,592</u>
<b>Cash Balance - End of Year</b> .....	<b><u>\$ —</u></b>

# Notes to the Financial Statements

---

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

The City of Marengo, Iowa, is a political subdivision of the State of Iowa located in Iowa County. It was first incorporated in 1859 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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

### **Reporting Entity**

For financial reporting purposes, the City of Marengo has included, except as noted below, 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 (GASB) 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.

### **Marengo Memorial Hospital**

The City has excluded from these financial statements, the activities of the Marengo Memorial Hospital which was organized under Chapter 392 of the Code of Iowa and is not a legally separate entity from the City of Marengo. The Hospital's audited financial statements may be viewed online at the Iowa Auditor of State website or by contacting Marengo Memorial Hospital, 300 West May Street, Marengo, Iowa 52301.

### **Excluded Component Units**

Friends of the Marengo Public Library (Friends), an Iowa nonprofit corporation, is a component unit that is legally separate from the City. Friends is governed by its own board. Friends was formed for the direct benefit of the Marengo Public Library (Library). Economic resources received by Friends are used for the direct benefit of the Library and, therefore, the City's constituents.

Friends has a calendar year end. Friends does not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the cash transactions of Friends from the City financial statements.

Marengo Firefighters Association (Association), an Iowa nonprofit corporation, is a component unit that is legally separate from the City. The Association is governed by its own board and was formed for the direct benefit of the Marengo volunteer firefighters. Economic resources received by the Association are used for the direct benefit of the firefighters and, therefore, the City's constituents. The Association has a January 31 year end and does not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the cash transactions of the Association from City financial statements.

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

### **Fiduciary Component Unit**

The Marengo Picnic in the Park, Inc. (Park), an Iowa nonprofit corporation, is currently governed by the City. Although the Organization is considered legally separate from the City, it receives its governance and some administrative support from the City. Due to the nature of its relationship with the City, the Park is reported as a fiduciary fund. During the year ended June 30, 2023, all remaining funds were transferred to the City, and the Park's bank account was closed.

### **Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods and 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: Regional Environmental Improvement Board and Iowa County Assessor's Conference Board.

### **Basis of Presentation**

#### ***Government-Wide Financial Statements***

The 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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of activities and net position - cash basis presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

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

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

The statement of activities and net position - cash basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, refunds, reimbursements 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.

## (1) Summary of Significant Accounting Policies

### ***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary 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 other 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 *Local Option Sales Tax Fund* is used to account for the receipts of a 1% local sales tax for water, streets, sewer and storm sewer.

### ***Debt Service***

The *Debt Service Fund* is used 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.

### ***Capital Projects***

The Aquatic Center Fund is used for the construction of a new outdoor pool and related amenities.

The City reports the following major enterprise funds.

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

The *Sanitary Sewer Fund* accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports a fiduciary fund.

The *Marengo Picnic in the Park, Inc.* is used to account for assets that are under governance by the City.

# Notes to the Financial Statements

---

## (1) Summary of Significant Accounting Policies

### Measurement Focus and Basis of Accounting

The City of Marengo 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 fund types in accordance with accounting principles generally accepted in the United States of America.

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 nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

### Governmental Cash Basis Fund Balances

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

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

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

***Assigned*** - Amounts the Council intends to use for specific purposes.

***Unassigned*** - All amounts not included in other spendable classifications.

### Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as other information. During the year ended June 30, 2023, the City amended the original budget one time.

## (2) Cash and Investments

The City's deposits in banks as of June 30, 2023 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

## Notes to the Financial Statements

### (2) Cash and Investments

The City uses the fair value hierarchy established by generally accepted accounting principles, based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The City had no investments meeting the disclosure requirements of GASB Statement No. 72.

### 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.

### (3) Long-Term Debt

Annual debt service requirements to maturity for long-term debt are as follows.

Year Ending June 30,	General Obligation		Sewer Revenue	
	Principal	Interest	Principal	Interest
2024 .....	\$ 255,000	\$ 18,375	\$ 51,000	\$ 11,953
2025 .....	210,000	12,200	52,000	11,060
2026 .....	135,000	7,020	53,000	10,150
2027 .....	135,000	3,510	54,000	9,222
2028 .....	—	—	55,000	8,278
2029-2033 .....	—	—	293,000	26,547
2034-2035 .....	—	—	125,000	3,291
	<b>\$ 735,000</b>	<b>\$ 41,105</b>	<b>\$ 683,000</b>	<b>\$ 80,501</b>

Year Ending June 30,	Total	
	Principal	Interest
2024 .....	\$ 306,000	\$ 30,328
2025 .....	262,000	23,260
2026 .....	188,000	17,170
2027 .....	189,000	12,732
2028 .....	55,000	8,278
2029-2033 .....	293,000	26,547
2034-2035 .....	125,000	3,291
	<b>\$ 1,418,000</b>	<b>\$ 121,606</b>

## Notes to the Financial Statements

---

### (3) Long-Term Debt

#### Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay sewer revenue bonds. Proceeds from the bonds provided financing for the sanitary sewer rehabilitation project. The bonds are payable solely from sewer customer net receipts and are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 90% of net receipts. As of June 30, 2023, the total principal and interest remaining to be paid on the bonds was \$763,501. For the current year, principal, interest and fees paid and total customer net receipts were \$64,660 and \$400,992, respectively.

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

1. All of the bonds and the interest thereon shall be payable solely from the net revenue of the Utilities and the balances in the sinking funds, both of which are pledged for payment. None of the bonds shall be a general obligation of the City, nor payable in any manner by taxation.
2. Sufficient rates will be established and maintained which will cause net revenue of the Utilities to be at least 110% of the bond principal and interest due in the fiscal year.
3. Monthly transfers will be made to the revenue bond sinking funds equal to one-twelfth of the next principal payments and one-sixth of the next interest payments such that adequate cash is available in the sinking funds to pay debt service when due.
4. Maintain insurance on or self-insure the insurable portions of the wastewater treatment and sanitary sewer systems.

The City was in compliance with these requirements as of June 30, 2023.

In April, 2021, the City approved a 0% sewer revenue loan and disbursement agreement anticipation project note. Under this loan, the City will be reimbursed for payments made toward the planning and design of wastewater treatment facility improvements. As of June 30, 2023, the City had paid engineers and been reimbursed under this agreement \$222,210, and \$337,790 was still available to be borrowed. When the planning and design portion of the project is complete, the total amount borrowed will be rolled into a new construction loan.

### (4) Pension and Retirement Benefits

#### 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 IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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.



### (4) Pension and Retirement Benefits

#### 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used 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 and may retire any time after reaching age 50 with 22 or more years of covered employment. 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, 2013. For service earned before July 1, 2013, 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, 2013, 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.

## Notes to the Financial Statements

---

### (4) Pension and Retirement Benefits

#### 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 one 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 2023, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2023 were \$64,816.

#### Net Pension Liability (Asset), Pension Expense (Income), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2023, the City's liability for its proportionate share of the net pension liability totaled \$151,095. The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2022, the City's proportion was 0.003999%, which was a decrease of 0.033154% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City pension expense (income), deferred outflows of resources and deferred inflows of resources totaled (\$6,001), \$27,294 and \$47,805, respectively.

There were no nonemployer contributing entities to IPERS.

#### Actuarial Assumptions

The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

## Notes to the Financial Statements

### (4) Pension and Retirement Benefits

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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 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 geometric 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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
<b>Total</b>	<u><b>100.0%</b></u>	

#### 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 payments to determine the total pension liability (asset).

#### Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset) .....	\$406,369	\$151,095	(\$73,505)

## Notes to the Financial Statements

---

### (4) Pension and Retirement Benefits

#### Pension Plan 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](http://www.ipers.org).

### (5) Compensated Absences

City employees accumulate a limited amount of earned but unused compensatory time off and vacation hours for subsequent use or for payment. Unused compensatory time is paid at year end. Vacation hours are earned based on each employee's anniversary date and each employee is expected to take the earned time off. Payment is made for unused vacation hours at separation. These accumulations, which are not considered to be material by management, are not recognized as disbursements by the City until used or paid.

### (6) Other Postemployment Benefits (OPEB)

#### Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, spouses and their dependents. 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. The most recent active member monthly premiums for the City and the plan members range from \$945 for single coverage to \$2,207 for family coverage. For the year ended June 30, 2023, the City contributed \$148,871 and plan members eligible for benefits contributed \$4,718 to the plan. As of June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75.

#### OPEB Benefits

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

As of June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments .....	10
Active employees .....	—
<b>Total</b> .....	<u>10</u>

## Notes to the Financial Statements

---

### (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	\$ 122,503
	Employee Benefits	
	Capital Projects	
	Levy Projects	2,517
Special Revenue	Special Revenue	
Road Use Tax	Employee Benefits	48,257
Debt Service	Special Revenue	
	Tax Increment Financing	192,573
Capital Projects		
Jefferson Street Improvements	Special Revenue	
	American Rescue Plan	167,800
May Street Improvements	Capital Projects	
	Levy Projects	3,713
South Ditch Project	Capital Projects	
	Levy Projects	202,105
Miller Street Improvements	Special Revenue	
	Local Option Sales Tax	188,636
Dual Main Project #2	Special Revenue	
	American Rescue Plan	11,486
Public Works Building	Special Revenue	
	Road Use Tax	25,300
Cemetery Trust	Capital Projects	
	Levy Projects	2,600
<b>Total</b>		<b><u>\$ 967,490</u></b>

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

### (8) Related Party Transactions

The City had business transactions between the City and City officials and employees totaling \$579,437 during the year ended June 30, 2023.

## Notes to the Financial Statements

---

### **(9) Risk Management**

The City of Marengo 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.

### **(10) Tax Abatements**

GASB Statement No. 77 defines tax abatements as a reduction in tax revenue that results from an agreement between one or more governments and an individual entity in which (a) one or more governments promise to forgo tax revenue 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.

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 to 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, 2023, \$192,574 of property tax was diverted from the City under the urban renewal and economic development projects.

### **(11) Construction and Other Commitments**

The City accepted a bid on January 13, 2021 of approximately \$460,000 for the design of needed improvements to the wastewater treatment facility. The City's remaining commitment on this project as of June 30, 2023 was approximately \$401,500.

### **(12) Subsequent Events**

Management has evaluated subsequent events through November 30, 2023, the date which the financial statements were available to be issued.

Subsequent to June 30, 2023, the City approved the following:

- Bid for construction of new public works building - \$823,600
- Bid for construction of the aquatic center - \$4,390,000
- Bid for water main project - \$27,925
- Issuance of \$1,075,000 of general obligation bonds

**Other Information** 

---

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

Year Ended June 30, 2023

	Govern- mental Funds - Actual	Proprietary Funds - Actual	Total	Budgeted Amounts		Over (Under) Final Budget
				Original	Final	
<b>Receipts</b>						
Property tax .....	\$ 1,040,572	\$ —	\$ 1,040,572	\$ 986,435	\$ 986,435	\$ 54,137
Tax increment financing	184,500	—	184,500	192,574	192,574	(8,074)
Other city tax .....	511,495	—	511,495	521,432	521,432	(9,937)
Licenses and permits ..	1,735	—	1,735	12,950	12,950	(11,215)
Use of money and property .....	60,047	—	60,047	21,000	21,000	39,047
Intergovernmental .....	584,074	—	584,074	409,244	409,244	174,830
Charges for service .....	143,124	1,335,144	1,478,268	1,298,250	1,298,250	180,018
Miscellaneous .....	800,950	49,385	850,335	27,875	760,530	89,805
<b>Total Receipts .....</b>	<b>3,326,497</b>	<b>1,384,529</b>	<b>4,711,026</b>	<b>3,469,760</b>	<b>4,202,415</b>	<b>508,611</b>
<b>Disbursements</b>						
Public safety .....	551,869	—	551,869	489,232	630,527	(78,658)
Public works .....	465,120	—	465,120	457,633	461,633	3,487
Health and social services .....	2,676	—	2,676	6,000	6,000	(3,324)
Culture and recreation	302,667	—	302,667	281,592	370,952	(68,285)
Community and economic development .....	26,299	—	26,299	29,544	45,944	(19,645)
General government ...	243,631	—	243,631	203,000	237,620	6,011
Debt service .....	377,724	—	377,724	377,625	377,625	99
Capital projects .....	1,011,158	41,485	1,052,643	718,108	1,378,930	(326,287)
Business-type activities	—	764,023	764,023	846,240	846,240	(82,217)
<b>Total Disbursements</b>	<b>2,981,144</b>	<b>805,508</b>	<b>3,786,652</b>	<b>3,408,974</b>	<b>4,355,471</b>	<b>(568,819)</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>345,353</b>	<b>579,021</b>	<b>924,374</b>	<b>60,786</b>	<b>(153,056)</b>	<b>1,077,430</b>
Balances - Beginning of Year .....	3,840,133	898,667	4,738,800	4,442,943	4,442,943	295,857
<b>Balances - End of Year .....</b>	<b>\$ 4,185,486</b>	<b>\$ 1,477,688</b>	<b>\$ 5,663,174</b>	<b>\$ 4,503,729</b>	<b>\$ 4,289,887</b>	<b>\$ 1,373,287</b>



## Notes to Other Information - Budgetary Reporting ---

Year Ended June 30, 2023

The budgetary comparison is presented in accordance with GASB 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. During the year ended June 30, 2023, the City amended the original budget one time.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects and Business-Type Activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund type, the legal level of control is at the aggregated function level, not by fund.

Disbursements exceeded the amount budgeted in the public works, general government and debt service functions.

**Schedule of Proportionate Share of the Net Pension Liability (Asset)**  
**Iowa Public Employees' Retirement System**

Last Nine Years\*

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability (asset) .....	0.003999%	0.037153%	0.005816%	0.005314%	0.005220%	0.005409%	0.004245%	0.005082%	0.003922%
City's proportionate share of the net pension liability (asset) .....	\$151,095	(\$128,262)	\$408,579	\$307,738	\$330,354	\$360,296	\$267,174	\$251,083	\$155,524
City's covered-employee payroll .....	\$622,000	\$605,000	\$665,000	\$687,000	\$618,000	\$609,000	\$436,000	\$587,000	\$532,000
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll .....	24.29%	(21.20)%	61.44%	44.79%	53.45%	59.16%	61.28%	42.77%	29.23%
Plan fiduciary net position as a percentage of the total pension liability (asset).....	91.41%	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\* The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

**Schedule of Contributions**  
**Iowa Public Employees' Retirement System**

Last Ten Years

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution .....	\$ 64,816	\$ 58,511	\$ 57,398	\$ 63,808	\$ 66,792	\$ 57,238	\$ 55,734	\$ 40,285	\$ 52,432	\$ 47,533
Contributions in relation to the statutorily required contributions.....	<u>(64,816)</u>	<u>(58,511)</u>	<u>(57,398)</u>	<u>(63,808)</u>	<u>(66,792)</u>	<u>(57,238)</u>	<u>(55,734)</u>	<u>(40,285)</u>	<u>(52,432)</u>	<u>(47,533)</u>
Contribution Deficiency (Excess) .....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll .....	\$ 690,000	\$ 622,000	\$ 605,000	\$ 665,000	\$ 687,000	\$ 618,000	\$ 609,000	\$ 436,000	\$ 587,000	\$ 532,000
Contributions as a percentage of covered-employee payroll .....	9.39%	9.41%	9.49%	9.60%	9.72%	9.26%	9.15%	9.24%	8.93%	8.93%

## Notes to Other Information - Pension Liability

---

Year Ended June 30, 2023

### Changes of Benefit Terms

There are no significant changes in benefit terms.

### Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for regular members
- Lowered disability rates for regular members.
- Adjusted termination rates for all membership groups.

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 unfunded actuarial liability (UAL) 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**

---

**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances -  
General Fund**

As of and for the Year Ended June 30, 2023

	General	Capital Reserve	Insurance	Police Reserve	Police Forfeiture	Fire Reserve	Cemetery Reserve	Economic Development	Library Miscellaneous	Marengo Recreation Commission	Park Carryover	C6Zero	Total
<b>Receipts</b>													
Property tax .....	\$ 621,609	\$ —	\$ 61,162	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 682,771
Utility franchise fees .....	153,076	—	—	—	—	—	—	—	—	—	—	—	153,076
Licenses and permits .....	1,735	—	—	—	—	—	—	—	—	—	—	—	1,735
Use of money and property .....	50,337	—	—	—	—	—	—	—	9,511	—	—	—	59,848
Intergovernmental .....	50,619	—	675	—	—	—	—	—	—	—	—	9,391	60,685
Charges for service .....	142,799	—	—	—	—	—	—	—	—	—	—	—	142,799
Miscellaneous .....	37,504	—	—	2,579	76	3,595	—	—	2,691	—	—	—	46,445
<b>Total Receipts .....</b>	<b>1,057,679</b>	<b>—</b>	<b>61,837</b>	<b>2,579</b>	<b>76</b>	<b>3,595</b>	<b>—</b>	<b>—</b>	<b>12,202</b>	<b>—</b>	<b>—</b>	<b>9,391</b>	<b>1,147,359</b>
<b>Disbursements</b>													
Public safety .....	414,747	—	—	5,702	—	68,400	—	—	—	—	—	63,020	551,869
Public works .....	63,970	—	—	—	—	—	—	—	—	—	—	—	63,970
Health and social services .....	2,676	—	—	—	—	—	—	—	—	—	—	—	2,676
Culture and recreation .....	260,308	8,359	—	—	—	—	—	—	31,065	—	2,553	—	302,285
Community and economic development .....	118	—	—	—	—	—	—	26,181	—	—	—	—	26,299
General government .....	161,408	—	82,223	—	—	—	—	—	—	—	—	—	243,631
<b>Total Disbursements .....</b>	<b>903,227</b>	<b>8,359</b>	<b>82,223</b>	<b>5,702</b>	<b>—</b>	<b>68,400</b>	<b>—</b>	<b>26,181</b>	<b>31,065</b>	<b>—</b>	<b>2,553</b>	<b>63,020</b>	<b>1,190,730</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>154,452</b>	<b>(8,359)</b>	<b>(20,386)</b>	<b>(3,123)</b>	<b>76</b>	<b>(64,805)</b>	<b>—</b>	<b>(26,181)</b>	<b>(18,863)</b>	<b>—</b>	<b>(2,553)</b>	<b>(53,629)</b>	<b>(43,371)</b>
<b>Other Financing Sources (Uses)</b>													
Transfers in .....	126,098	208,840	—	49,823	—	29,784	3,893	83,840	12,623	—	2,868	5,117	522,886
Transfers out .....	(394,271)	—	—	—	—	(3,595)	—	—	—	—	—	—	(397,866)
<b>Total Other Financing Sources (Uses) .....</b>	<b>(268,173)</b>	<b>208,840</b>	<b>—</b>	<b>49,823</b>	<b>—</b>	<b>26,189</b>	<b>3,893</b>	<b>83,840</b>	<b>12,623</b>	<b>—</b>	<b>2,868</b>	<b>5,117</b>	<b>125,020</b>
<b>Change in Cash Balances .....</b>	<b>(113,721)</b>	<b>200,481</b>	<b>(20,386)</b>	<b>46,700</b>	<b>76</b>	<b>(38,616)</b>	<b>3,893</b>	<b>57,659</b>	<b>(6,240)</b>	<b>—</b>	<b>315</b>	<b>(48,512)</b>	<b>81,649</b>
Cash Balances - Beginning of Year .....	628,767	39,231	106,798	7,511	—	43,400	14,100	37,690	827,264	6,570	—	—	1,711,331
<b>Cash Balances - End of Year .....</b>	<b>\$ 515,046</b>	<b>\$ 239,712</b>	<b>\$ 86,412</b>	<b>\$ 54,211</b>	<b>\$ 76</b>	<b>\$ 4,784</b>	<b>\$ 17,993</b>	<b>\$ 95,349</b>	<b>\$ 821,024</b>	<b>\$ 6,570</b>	<b>\$ 315</b>	<b>\$ (48,512)</b>	<b>\$ 1,792,980</b>
<b>Cash Basis Fund Balances</b>													
Restricted for other purposes .....	\$ —	\$ —	\$ 86,412	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 821,024	\$ 6,570	\$ —	\$ —	\$ 914,006
Assigned for other purposes .....	—	239,712	—	54,211	76	4,784	17,993	95,349	—	—	315	—	412,440
Unassigned .....	515,046	—	—	—	—	—	—	—	—	—	—	(48,512)	466,534
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 515,046</b>	<b>\$ 239,712</b>	<b>\$ 86,412</b>	<b>\$ 54,211</b>	<b>\$ 76</b>	<b>\$ 4,784</b>	<b>\$ 17,993</b>	<b>\$ 95,349</b>	<b>\$ 821,024</b>	<b>\$ 6,570</b>	<b>\$ 315</b>	<b>\$ (48,512)</b>	<b>\$ 1,792,980</b>

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

As of and for the Year Ended June 30, 2023

	Special Revenue					Capital Projects		
	Employee Benefits	Tax Increment Financing	Library	American Rescue Plan	Special Tools	Industrial Park Development	Levee Project	May Street Improvements
<b>Receipts</b>								
Property tax.....	\$ 168,900	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Tax increment financing .....	—	184,500	—	—	—	—	—	—
Use of money and property .....	—	—	—	—	—	—	—	—
Intergovernmental .....	1,860	—	—	184,362	—	—	—	—
Miscellaneous.....	—	—	—	—	847	9,260	—	—
<b>Total Receipts .....</b>	<b><u>170,760</u></b>	<b><u>184,500</u></b>	<b><u>—</u></b>	<b><u>184,362</u></b>	<b><u>847</u></b>	<b><u>9,260</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Disbursements</b>								
Culture and recreation.....	—	—	43	—	—	339	—	—
Capital projects.....	—	—	—	—	—	—	159,278	3,713
<b>Total Disbursements.....</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>43</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>339</u></b>	<b><u>159,278</u></b>	<b><u>3,713</u></b>
<b>Receipts Over (Under) Disbursements .....</b>	<b><u>170,760</u></b>	<b><u>184,500</u></b>	<b><u>(43)</u></b>	<b><u>184,362</u></b>	<b><u>847</u></b>	<b><u>8,921</u></b>	<b><u>(159,278)</u></b>	<b><u>(3,713)</u></b>
<b>Other Financing Uses</b>								
Transfers in .....	—	—	—	—	—	—	—	3,713
Transfers out .....	(170,760)	(192,574)	—	(179,285)	—	—	(210,935)	—
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>(170,760)</u></b>	<b><u>(192,574)</u></b>	<b><u>—</u></b>	<b><u>(179,285)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(210,935)</u></b>	<b><u>3,713</u></b>
<b>Change in Cash Balances.....</b>	<b><u>—</u></b>	<b><u>(8,074)</u></b>	<b><u>(43)</u></b>	<b><u>5,077</u></b>	<b><u>847</u></b>	<b><u>8,921</u></b>	<b><u>(370,213)</u></b>	<b><u>—</u></b>
Cash Balances - Beginning of Year.....	—	113,850	1,367	173,243	—	5,055	370,213	—
<b>Cash Balances - End of Year .....</b>	<b><u>\$ —</u></b>	<b><u>\$ 105,776</u></b>	<b><u>\$ 1,324</u></b>	<b><u>\$ 178,320</u></b>	<b><u>\$ 847</u></b>	<b><u>\$ 13,976</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>
<b>Cash Basis Fund Balances</b>								
Nonspendable .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted for other purposes .....	—	105,776	1,324	178,320	847	—	—	—
Unassigned .....	—	—	—	—	—	13,976	—	—
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ —</u></b>	<b><u>\$ 105,776</u></b>	<b><u>\$ 1,324</u></b>	<b><u>\$ 178,320</u></b>	<b><u>\$ 847</u></b>	<b><u>\$ 13,976</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>

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

As of and for the Year Ended June 30, 2023

	<u>Capital Projects</u>					<u>Permanent</u>	<u>Total</u>
	<u>Jefferson Street Improvements</u>	<u>South Ditch Project</u>	<u>Miller Street Improvements</u>	<u>Dual Main Project #2</u>	<u>Public Works Building</u>	<u>Cemetery Trust</u>	
<b>Receipts</b>							
Property tax.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 168,900
Tax increment financing .....	—	—	—	—	—	—	184,500
Use of money and property .....	—	—	—	—	—	199	199
Intergovernmental .....	—	—	—	—	—	—	186,222
Miscellaneous.....	—	—	—	—	—	—	10,107
<b>Total Receipts .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>199</b>	<b>549,928</b>
<b>Disbursements</b>							
Culture and recreation .....	—	—	—	—	—	—	382
Capital projects.....	167,800	202,105	188,636	11,486	25,300	—	758,318
<b>Total Disbursements.....</b>	<b>167,800</b>	<b>202,105</b>	<b>188,636</b>	<b>11,486</b>	<b>25,300</b>	<b>—</b>	<b>758,700</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>(167,800)</b>	<b>(202,105)</b>	<b>(188,636)</b>	<b>(11,486)</b>	<b>(25,300)</b>	<b>199</b>	<b>(208,772)</b>
<b>Other Financing Uses</b>							
Transfers in .....	167,800	202,105	188,636	11,486	25,300	2,600	601,640
Transfers out .....	—	—	—	—	—	—	(753,554)
<b>Total Other Financing Sources (Uses).....</b>	<b>167,800</b>	<b>202,105</b>	<b>188,636</b>	<b>11,486</b>	<b>25,300</b>	<b>2,600</b>	<b>(151,914)</b>
<b>Change in Cash Balances.....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,799</b>	<b>(360,686)</b>
Cash Balances - Beginning of Year .....	—	—	—	—	—	89,628	753,356
<b>Cash Balances - End of Year .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 92,427</b>	<b>\$ 392,670</b>
<b>Cash Basis Fund Balances</b>							
Nonspendable .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 92,427	\$ 92,427
Restricted for other purposes .....	—	—	—	—	—	—	286,267
Unassigned .....	—	—	—	—	—	—	13,976
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 92,427</b>	<b>\$ 392,670</b>



## Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Water Major Enterprise Fund

---

As of and for the Year Ended June 30, 2023

	Water	Water Deposits	Water System Improvements	Total
<b>Operating Receipts</b>				
Charges for service .....	\$ 590,972	\$ —	\$ —	\$ 590,972
Miscellaneous.....	<u>—</u>	<u>7,900</u>	<u>—</u>	<u>7,900</u>
<b>Total Operating Receipts .....</b>	<b><u>590,972</u></b>	<b><u>7,900</u></b>	<b><u>—</u></b>	<b><u>598,872</u></b>
<b>Operating Disbursements</b>				
Business-type activities .....	<u>430,100</u>	<u>6,197</u>	<u>—</u>	<u>436,297</u>
<b>Operating Receipts Over</b>				
<b>Operating Disbursements .....</b>	<b><u>160,872</u></b>	<b><u>1,703</u></b>	<b><u>—</u></b>	<b><u>162,575</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers in .....	—	—	50,000	50,000
Transfers out .....	<u>(50,000)</u>	<u>—</u>	<u>—</u>	<u>(50,000)</u>
<b>Net Other Financing Sources (Uses).....</b>	<b><u>(50,000)</u></b>	<b><u>—</u></b>	<b><u>50,000</u></b>	<b><u>—</u></b>
<b>Change in Cash Balances .....</b>	<b>110,872</b>	<b>1,703</b>	<b>50,000</b>	<b>162,575</b>
Cash Balances - Beginning of Year .....	<u>157,898</u>	<u>46,477</u>	<u>—</u>	<u>204,375</u>
<b>Cash Balances - End of Year .....</b>	<b><u>\$ 268,770</u></b>	<b><u>\$ 48,180</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 366,950</u></b>
<b>Cash Basis Fund Balances</b>				
Restricted for				
Customer deposits .....	\$ —	\$ 48,180	\$ —	\$ 48,180
Unrestricted .....	<u>268,770</u>	<u>—</u>	<u>50,000</u>	<u>318,770</u>
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ 268,770</u></b>	<b><u>\$ 48,180</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 366,950</u></b>

## Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Sanitary Sewer Major Enterprise Fund

---

As of and for the Year Ended June 30, 2023

	Sewer Rental	Sewer Bond Sinking	Wastewater Treatment Facility Savings	Wastewater Treatment Facility Improvements	Total
<b>Operating Receipts</b>					
Charges for service .....	\$ 414,225	\$ —	\$ 310,834	\$ —	\$ 725,059
Planning and design loan proceeds .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>41,485</u>	<u>41,485</u>
<b>Total Operating Receipts .....</b>	<b><u>414,225</u></b>	<b><u>—</u></b>	<b><u>310,834</u></b>	<b><u>41,485</u></b>	<b><u>766,544</u></b>
<b>Operating Disbursements</b>					
Business-type activities .....	<u>259,407</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>259,407</u>
<b>Operating Receipts Over Operating Disbursements .....</b>	<b><u>154,818</u></b>	<b><u>—</u></b>	<b><u>310,834</u></b>	<b><u>41,485</u></b>	<b><u>507,137</u></b>
<b>Nonoperating Disbursements</b>					
Capital outlay .....	—	—	—	41,485	41,485
Debt service .....	—	64,660	—	—	64,660
<b>Total Nonoperating Disbursements .....</b>	<b><u>—</u></b>	<b><u>64,660</u></b>	<b><u>—</u></b>	<b><u>41,485</u></b>	<b><u>106,145</u></b>
<b>Receipts Over (Under) Disbursements .....</b>	<b><u>154,818</u></b>	<b><u>(64,660)</u></b>	<b><u>310,834</u></b>	<b><u>—</u></b>	<b><u>400,992</u></b>
<b>Other Financing Sources (Uses)</b>					
Transfers in .....	—	64,660	—	—	64,660
Transfers out .....	<u>(64,660)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(64,660)</u>
<b>Net Other Financing Sources (Uses) .....</b>	<b><u>(64,660)</u></b>	<b><u>64,660</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Change in Cash Balances .....</b>	<b>90,158</b>	<b>—</b>	<b>310,834</b>	<b>—</b>	<b>400,992</b>
Cash Balances - Beginning of Year .....	<u>303,069</u>	<u>—</u>	<u>303,280</u>	<u>—</u>	<u>606,349</u>
<b>Cash Balances - End of Year .....</b>	<b><u>\$ 393,227</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 614,114</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 1,007,341</u></b>
<b>Cash Basis Fund Balances</b>					
Unrestricted .....	<u>\$ 393,227</u>	<u>\$ —</u>	<u>\$ 614,114</u>	<u>\$ —</u>	<u>\$ 1,007,341</u>

## Schedule of Indebtedness

Year Ended June 30, 2023

	Amount Originally Issued	Date of Issue	Interest Rates	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>								
Corporate purpose and refunding .....	\$ 1,555,000	3-13-13	1.50%	\$ 100,000	\$ —	\$ 100,000	\$ —	\$ 2,025
Refunding .....	930,000	5-10-17	2.25	335,000	—	125,000	210,000	7,725
Storm water management .....	1,010,000	4-8-20	2.60	<u>650,000</u>	<u>—</u>	<u>125,000</u>	<u>525,000</u>	<u>17,500</u>
<b>Total General Obligation Bonds .....</b>				<b><u>\$ 1,085,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 735,000</u></b>	<b><u>\$ 27,250</u></b>
<b>Revenue Bonds</b>								
Sewer .....	1,297,000	9-11-15	1.75	<u>\$ 733,000</u>	<u>\$ —</u>	<u>\$ 50,000</u>	<u>\$ 683,000</u>	<u>\$ 14,660</u>

## Schedule of Bond and Note Maturities

As of June 30, 2023

Year Ending June 30,	General Obligation Bonds				
	Refunding		Storm Water Management		
	Issued May 10, 2017		Issued April 8, 2020		
	Interest Rates	Amount	Interest Rates	Amount	Total
2024	2.25%	\$ 130,000	2.60%	\$ 125,000	\$ 255,000
2025	2.25	80,000	2.60	130,000	210,000
2026		—	2.60	135,000	135,000
2027		—	2.60	135,000	135,000
<b>Total</b>		<b><u>\$ 210,000</u></b>		<b><u>\$ 525,000</u></b>	<b><u>\$ 735,000</u></b>

Year Ending June 30,	Revenue Bonds	
	Sewer Revenue	
	Issued Sept. 11, 2015	
	Interest Rates	Amount
2024	1.75%	\$ 51,000
2025	1.75	52,000
2026	1.75	53,000
2027	1.75	54,000
2028	1.75	55,000
2029	1.75	56,000
2030	1.75	57,000
2031	1.75	59,000
2032	1.75	60,000
2033	1.75	61,000
2034	1.75	62,000
2035	1.75	63,000
<b>Total</b>		<b><u>\$ 683,000</u></b>

**Schedule of Receipts by Source and Disbursements by Function/Program**  
**All Governmental Funds**

Last Ten Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Receipts</b>										
Property tax .....	\$ 1,040,572	\$ 986,749	\$ 1,056,381	\$ 1,063,368	\$ 922,545	\$ 835,170	\$ 857,396	\$ 821,757	\$ 798,242	\$ 772,581
Tax increment financing .....	184,500	199,342	204,950	258,568	241,438	232,605	241,486	205,336	199,462	165,592
Other city tax .....	511,495	549,024	487,734	502,516	395,441	331,548	404,043	310,296	333,178	358,946
Licenses and permits.....	1,735	1,625	1,446	1,210	1,915	60,410	45,288	42,967	40,839	36,033
Use of money and property .....	60,047	15,904	19,971	32,962	27,362	11,481	4,439	6,895	4,263	7,916
Intergovernmental .....	584,074	584,244	544,952	379,486	366,501	360,350	348,417	347,643	320,710	336,193
Charges for service .....	143,124	165,273	121,722	148,925	147,860	148,231	147,699	145,877	120,670	127,690
Miscellaneous.....	<u>800,950</u>	<u>166,136</u>	<u>189,454</u>	<u>36,837</u>	<u>788,875</u>	<u>30,877</u>	<u>21,633</u>	<u>41,950</u>	<u>87,692</u>	<u>29,394</u>
<b>Total Receipts .....</b>	<b><u>\$ 3,326,497</u></b>	<b><u>\$ 2,668,297</u></b>	<b><u>\$ 2,626,610</u></b>	<b><u>\$ 2,423,872</u></b>	<b><u>\$ 2,891,937</u></b>	<b><u>\$ 2,010,672</u></b>	<b><u>\$ 2,070,401</u></b>	<b><u>\$ 1,922,721</u></b>	<b><u>\$ 1,905,056</u></b>	<b><u>\$ 1,834,345</u></b>
<b>Disbursements</b>										
Operating										
Public safety.....	\$ 551,869	\$ 476,571	\$ 355,198	\$ 441,037	\$ 506,204	\$ 527,560	\$ 467,261	\$ 367,359	\$ 382,903	\$ 566,483
Public works.....	465,120	456,582	703,178	1,404,159	454,138	305,982	299,659	333,084	304,461	770,354
Health and social services.....	2,676	1,074	3,396	473	4,561	8,254	9,818	14,418	25,154	23,046
Culture and recreation.....	302,667	285,863	405,097	297,139	365,905	287,206	316,660	281,540	327,621	234,589
Community and economic development.....	26,299	13,102	8,333	4,994	10,852	42,638	2,231	—	—	736
General government .....	243,631	205,678	177,120	177,958	164,575	170,682	176,747	211,575	185,482	119,980
Debt service .....	377,724	380,345	576,224	647,161	508,669	355,688	1,264,042	347,955	1,231,412	494,750
Capital projects.....	<u>1,011,158</u>	<u>93,543</u>	<u>137,235</u>	<u>174,663</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,031</u>	<u>9,362</u>	<u>11,027</u>
<b>Total Disbursements .....</b>	<b><u>\$ 2,981,144</u></b>	<b><u>\$ 1,912,758</u></b>	<b><u>\$ 2,365,781</u></b>	<b><u>\$ 3,147,584</u></b>	<b><u>\$ 2,014,904</u></b>	<b><u>\$ 1,698,010</u></b>	<b><u>\$ 2,536,418</u></b>	<b><u>\$ 1,557,962</u></b>	<b><u>\$ 2,466,395</u></b>	<b><u>\$ 2,220,965</u></b>

**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  
City of Marengo, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marengo, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Marengo’s basic financial statements, and have issued our report thereon dated November 30, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Marengo’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Marengo’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Marengo’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 23-I-R-1, 23-I-R-2 and 23-I-R-3 that we consider to be material weaknesses.

To the Honorable Mayor and  
Members of the City Council  
City of Marengo, Iowa  
Page 2

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Marengo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance 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, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Marengo's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the City of Marengo's response to the findings identified in our audit and described in the accompanying schedule of findings. The City of Marengo's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 results 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.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
November 30, 2023

# Schedule of Findings

---

Year Ended June 30, 2023

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

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

#### **23-I-R-1 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's financial statements.

**Condition** - Incompatible duties are being performed by the same person.

**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 or Potential Effect** - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or fraud in a timely manner by employees in the normal course of performing their assigned functions.

**Identification of Repeat Finding** - 22-I-R-1.

**Auditor's Recommendation** - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

**View of Responsible Officials and Planned Corrective Action** - The City is aware of the lack of segregation of duties and will consider alternatives to improve this situation.

**Auditor's Conclusion** - Response accepted.

#### **23-I-R-2 Financial Statement Preparation**

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

**Condition** - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles.



## Schedule of Findings

---

Year Ended June 30, 2023

**Cause** - As is inherent in many governmental entities of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply the cash basis of accounting in preparing the financial statements and the related disclosures.

**Effect or Potential Effect** - The financial statements and related disclosures may not be prepared in accordance with the cash basis of accounting.

**Identification of Repeat Finding** - 22-I-R-2.

**Auditor's Recommendation** - The City could obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

**Views of Responsible Officials and Planned Corrective Action** - The City staff will research available educational courses regarding financial statement preparation as well as continue to attend the work session held annually by the League of Cities. However, we intend to continue to rely on the audit firm to assist us with preparing the financial statements.

**Auditor's Conclusion** - Response accepted.

### 23-I-R-3 Utility Billing Reconciliation

**Criteria** - Manual inputs to the utility billing software should be reviewed and approved by an independent person prior to issuance of utility bills. Also, outputs should be reviewed for reasonableness.

**Condition** - The Sewer and Water Reconciliation Report tested showed no evidence of review or approval by an independent person.

**Cause** - Lack of internal controls around utility billing process.

**Effect or Potential Effect** - If water consumption is not accurately recorded, amounts billed will be inaccurate, leading to revenue that is incorrectly stated.

**Identification of Repeat Finding** - 22-I-R-3.

**Auditor's Recommendation** - The City should establish written procedures for an independent person to review the Sewer and Water Reconciliation Report to ensure the consumption and billing appear reasonable.

**View of Responsible Officials and Planned Corrective Action** - The City is in the process of implementing better controls around the utility billing process.

**Auditor's Conclusion** - Response accepted.

# Schedule of Findings

Year Ended June 30, 2023

## Part II: Findings Related to Statutory Reporting

### 23-II-A Certified Budget

**Current Year Finding** - Disbursements during the year ended June 30, 2023 exceeded the amount budgeted in the public works, general government and debt service functions prior to the budget amendment. 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."

**Auditor's 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 function budget.

**City's Response** - In the future, the budget will be amended prior to exceeding it.

**Auditor's Response** - Response accepted.

**23-II-B Questionable Disbursement** - We noted no material disbursements which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**22-II-C Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**23-II-D Business Transactions** - Business transactions between the City of Marengo and City officials and employees which may be conflicts of interest are as follows:

<b>Name, Title and Business Connection</b>	<b>Transaction Description</b>	<b>Amount</b>
Brian Miller, Fireman Owner of Miller Excavating	Repairs, hauling and excavating	\$546,770
Travis Schlabach, Council Member and Fireman Owner of S & S Plumbing	Repairs and maintenance	32,667

In accordance with Chapter 362.5 of the Code of Iowa, the transactions listed above may represent conflicts of interest. Of the amounts listed above, \$29,853 paid to S & S Plumbing and \$4,494 paid to Miller Excavating may represent conflicts of interest since competitive bidding was not utilized for those transactions.

**Auditor's Recommendation** - The City should use a competitive bidding process in the future or consider alternatives for the services that may represent conflicts of interest.

**City's Response** - The transactions were normal expenses (repairs, hauling and excavating). A competitive bidding process is not always practical; however, we will endeavor to competitively bid the work when practicable in the future.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings

---

Year Ended June 30, 2023

- 23-II-E Restricted Donor Activity** - No transactions were noted between the City, City officials or City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 23-II-F Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 23-II-G Council Minutes** - No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 23-II-H Deposits and Investments** - We noted no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy, except for the fact that the City could not locate a depository resolution.
- Auditor's Recommendation** - In order to comply with the Code of Iowa, the City should approve a depository resolution naming each bank or investment entity that the City may deposit public funds to, and list the maximum amount that can be on deposit with each institution.
- City's Response** - We will adopt the appropriate resolution in order to comply with the Code of Iowa.
- Auditor's Conclusion** - Response accepted.
- 23-II-I Urban Renewal Annual Report** - We determined that the Urban Renewal Annual Report for the year ended June 30, 2022 was properly approved and filed on or before December 1, 2022.
- 23-II-J Tax Increment Financing** - The Special Revenue, T.I.F. Fund properly disbursed payments for T.I.F. loans. Also, the City properly completed the Tax Increment Debt Certificate Forms to request T.I.F. property taxes.