

CITY OF MARENGO, IOWA
FINANCIAL STATEMENTS
JUNE 30, 2025

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Officials

Name	Title	Term Expires
Elected Officials		
Adam Rabe	Mayor	December 31, 2025
William Kreis	Council Member and Mayor Pro Tem	December 31, 2025
Karen Wayson-Kisling	Council Member	December 31, 2027
Jenni Olson	Council Member	December 31, 2027
John Hinshaw	Council Member	December 31, 2025
Travis Schlabach	Council Member	December 31, 2025
Appointed Officials		
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 Gerard	Deputy City Clerk	Indefinite

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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, 2025, 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, 2025, 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, 2025, 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
Debt Service	Unmodified
Capital Projects - Aquatic Center	Unmodified
Capital Projects - Public Works Building	Unmodified
Capital Projects - May/Court Streets Water Main	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 disbursements 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, 2025 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, 2024 (which are not presented herein) and 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 32 through 38 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 27 through 31 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 October 10, 2025 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.

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Waterloo, Iowa
October 10, 2025

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, 2025. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2025 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 59%, or \$4,788,948, from the fiscal year 2024 to the fiscal year 2025. The main reason for the decrease in receipts from fiscal year 2024 was debt issued for construction of a new aquatic center and public works building in 2024.

Governmental activities disbursements decreased 39%, or \$2,820,759, in fiscal year 2025 from the fiscal year 2024. Expenditures decreased due to less capital projects.

The City's total cash basis net position decreased \$859,191 from June 30, 2024 to June 30, 2025. The cash basis net position of the governmental activities decreased \$955,057 and the cash basis net position of the business-type activities increased by \$95,866.

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 two 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, Road Use Tax and Local Option Sales Tax; (c) the Capital Projects Funds Aquatic Center, Public Works Building and May/Court Streets Water Main; (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.

2. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$4,977,746 a year ago to \$4,022,689. 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>2025</u>	<u>2024</u>
Receipts		
Program Receipts		
Charges for service	\$ 254,676	\$ 185,618
Operating grants, contributions and restricted interest	808,897	816,059
General Receipts		
Property and T.I.F. taxes	1,440,577	1,439,563
Other city tax	532,343	525,469
Unrestricted interest on investments	243,541	283,940
Sale of assets	43,800	—
Total Receipts	<u>3,323,834</u>	<u>3,250,649</u>
Disbursements		
Public safety	583,348	564,647
Public works	490,427	646,923
Health and social services	2,445	3,676
Culture and recreation	324,014	270,464
Community and economic development	85,016	99,805
General government	393,008	343,421
Debt service	648,631	427,064
Capital projects	1,925,015	4,916,663
Total Disbursements	<u>4,451,904</u>	<u>7,272,663</u>
Change in Cash Basis Net Position Before Bond Proceeds and Transfers	(1,128,070)	(4,022,014)
General obligation bond proceeds	—	4,862,133
Transfers, Net	<u>173,013</u>	<u>(47,859)</u>
Change in Cash Basis Net Position	(955,057)	792,260
Cash Basis Net Position - Beginning of Year	<u>4,977,746</u>	<u>4,185,486</u>
Cash Basis Net Position - End of Year	<u>\$ 4,022,689</u>	<u>\$ 4,977,746</u>

Changes in Cash Basis Net Position of Business-Type Activities

	Years Ended June 30,	
	2025	2024
Receipts		
Program Receipts		
Water	\$ 659,765	\$ 645,382
Sanitary Sewer	991,766	968,297
Storm Sewer	19,584	19,581
Total Receipts	1,671,115	1,633,260
Disbursements		
Water	544,787	560,165
Sanitary Sewer	845,609	546,118
Storm Sewer	11,840	7,426
Total Disbursements	1,402,236	1,113,709
Change in Cash Basis Net Position Before Transfers	268,879	519,551
Transfers, Net	(173,013)	47,859
Change in Cash Basis Net Position	95,866	567,410
Cash Basis Net Position - Beginning of Year	2,045,098	1,477,688
Cash Basis Net Position - End of Year	\$ 2,140,964	\$ 2,045,098

Total business-type activities receipts for the fiscal year were \$1,671,115 compared to \$1,633,260 last year. Total disbursements for the fiscal year increased by 26%, or \$288,527. The increase in receipts was primarily due to increases in water and sewer rates that became effective July 1, 2024. The increase in disbursements was primarily due to higher capital project expenditures.

The cash balance increased by \$95,866, or 5%, from the prior year, due to increases in rates and fees charged to utility customers in fiscal year 2025.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City of Marengo's governmental funds reported a combined cash balance of \$4,022,689, a decrease of \$955,057 from last year's total of \$4,977,746.

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 \$197,423 from the prior year to \$2,131,447. The increase was due to higher property tax collections and charges for service.

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 \$44,114 to \$399,403. This decrease is due to more being spent for street improvement costs.

The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$558,971 to \$461,495. This decrease is due to more being transferred out to other funds for projects and debt service.

The Debt Service Fund cash balance increased \$16,334.

The Capital Projects, Aquatic Center Fund, decreased \$509,531 due to capital expenditures for this project.

The Capital Projects, Public Works Building Fund, decreased \$163,890 due to capital expenditures for this project, which was completed in 2025.

The Capital Projects, May/Court Streets Water Main Fund, increased by \$124,192 as funds were transferred in to pay project expenditures.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Water Utility cash balance decreased by \$17,622 to \$482,404, due to more being transferred out to other funds for projects.

The Sanitary Sewer System cash balance increased by \$133,557 to \$1,563,077 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 27 for a schedule of budget versus actual.

DEBT ADMINISTRATION

As of June 30, 2025, the City had \$4,875,000 in general obligation debt and \$580,000 in sewer revenue debt outstanding.

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 is below its constitutional debt limit of \$8,422,254.

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 2026 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), 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, 2025

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	Business- Type Activities	Total
Governmental Activities						
Public safety	\$ 583,348	\$ 67,074	\$ 74,127	\$ (442,147)	\$ —	\$ (442,147)
Public works	490,427	103,081	345,817	(41,529)	—	(41,529)
Health and social services	2,445	24,377	—	21,932	—	21,932
Culture and recreation	324,014	59,160	340,646	75,792	—	75,792
Community and economic development	85,016	—	40,100	(44,916)	—	(44,916)
General government	393,008	984	6,040	(385,984)	—	(385,984)
Debt service	648,631	—	2,167	(646,464)	—	(646,464)
Capital projects	1,925,015	—	—	(1,925,015)	—	(1,925,015)
Total Governmental Activities	4,451,904	254,676	808,897	(3,388,331)	—	(3,388,331)
Business-Type Activities						
Water	544,787	642,651	—	—	97,864	97,864
Sanitary sewer	845,609	929,379	—	—	83,770	83,770
Storm sewer	11,840	19,584	—	—	7,744	7,744
Total Business-Type Activities	1,402,236	1,591,614	—	—	189,378	189,378
Total	\$ 5,854,140	\$ 1,846,290	\$ 808,897	(3,388,331)	189,378	(3,198,953)
General Receipts						
Property Tax Levied for						
General purposes				915,352	25,742	941,094
Debt service				310,565	—	310,565
Tax increment financing				214,660	—	214,660
Local option sales tax				354,468	—	354,468
Utility franchise fees				177,875	—	177,875
Unrestricted interest on investments				243,541	53,759	297,300
Sale of assets				43,800	—	43,800
Transfers				173,013	(173,013)	—
Total General Receipts				2,433,274	(93,512)	2,339,762
Change in Cash Basis Net Position				(955,057)	95,866	(859,191)
Cash Basis Net Position - Beginning of Year				4,977,746	2,045,098	7,022,844
Cash Basis Net Position - End of Year				\$ 4,022,689	\$ 2,140,964	\$ 6,163,653
Cash Basis Net Position						
Restricted						
Nonexpendable				\$ 100,799	\$ —	\$ 100,799
Expendable						
Debt service				195,378	—	195,378
Local option sales tax				461,495	—	461,495
Urban renewal purposes				100,556	—	100,556
Streets				399,403	—	399,403
Other purposes				1,419,829	48,990	1,468,819
Unrestricted				1,345,229	2,091,974	3,437,203
Total Cash Basis Net Position				\$ 4,022,689	\$ 2,140,964	\$ 6,163,653

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, 2025

	Major						Nonmajor		
	Special Revenue			Capital Projects			Governmental Funds	Total	
	General	Road Use Tax	Local Option Sales Tax	Debt Service	Aquatic Center	Public Works Building			May/Court Streets Water Main
Receipts									
Property tax.....	\$ 705,897	\$ —	\$ —	\$ 310,565	\$ —	\$ —	\$ —	\$ 209,456	\$ 1,225,918
Tax increment financing	—	—	—	—	—	—	—	214,660	214,660
Other city tax	177,875	—	354,468	—	—	—	—	—	532,343
Licenses and permits.....	985	—	—	—	—	—	—	—	985
Use of money and property	168,216	—	38,290	—	28,106	5,529	—	3,400	243,541
Intergovernmental	76,903	345,817	—	2,167	110,157	—	—	1,424	536,468
Charges for service	223,093	653	—	—	—	—	—	—	223,746
Miscellaneous.....	81,753	14,428	—	—	198,843	—	—	7,349	302,373
Total Receipts.....	1,434,722	360,898	392,758	312,732	337,106	5,529	—	436,289	3,280,034
Disbursements									
Public safety.....	583,348	—	—	—	—	—	—	—	583,348
Public works	70,320	420,107	—	—	—	—	—	—	490,427
Health and social services.....	2,445	—	—	—	—	—	—	—	2,445
Culture and recreation.....	323,675	—	—	—	—	—	—	339	324,014
Community and economic development.....	75,016	—	—	—	—	—	—	10,000	85,016
General government.....	382,214	—	—	—	—	—	—	10,794	393,008
Debt service	—	—	—	648,631	—	—	—	—	648,631
Capital projects.....	—	—	—	—	846,637	209,009	583,308	286,061	1,925,015
Total Disbursements.....	1,437,018	420,107	—	648,631	846,637	209,009	583,308	307,194	4,451,904
Receipts Over (Under) Disbursements	(2,296)	(59,209)	392,758	(335,899)	(509,531)	(203,480)	(583,308)	129,095	(1,171,870)
Other Financing Sources (Uses)									
Sale of assets.....	43,800	—	—	—	—	—	—	—	43,800
Transfers in	155,919	54,685	—	352,233	—	39,590	707,500	342,642	1,652,569
Transfers out	—	(39,590)	(951,729)	—	—	—	—	(488,237)	(1,479,556)
Total Other Financing Sources (Uses).....	199,719	15,095	(951,729)	352,233	—	39,590	707,500	(145,595)	216,813
Change in Cash Balances.....	197,423	(44,114)	(558,971)	16,334	(509,531)	(163,890)	124,192	(16,500)	(955,057)
Cash Balances - Beginning of Year.....	1,934,024	443,517	1,020,466	179,044	928,688	163,890	—	308,117	4,977,746
Cash Balances - End of Year	\$ 2,131,447	\$ 399,403	\$ 461,495	\$ 195,378	\$ 419,157	\$ —	\$ 124,192	\$ 291,617	\$ 4,022,689
Cash Basis Fund Balances									
Nonspendable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,799	\$ 100,799
Restricted for									
Debt service.....	—	—	—	195,378	—	—	—	—	195,378
Local option sales tax.....	—	—	461,495	—	—	—	—	—	461,495
Urban renewal purposes	—	—	—	—	—	—	—	100,556	100,556
Streets	—	399,403	—	—	—	—	—	—	399,403
Other purposes	852,135	—	—	—	419,157	—	124,192	24,345	1,419,829
Assigned for other purposes.....	768,303	—	—	—	—	—	—	—	768,303
Unassigned	511,009	—	—	—	—	—	—	65,917	576,926
Total Cash Basis Fund Balances	\$ 2,131,447	\$ 399,403	\$ 461,495	\$ 195,378	\$ 419,157	\$ —	\$ 124,192	\$ 291,617	\$ 4,022,689

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, 2025

	<u>Major</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Storm Sewer</u>	
Operating Receipts				
Property taxes	\$ 12,872	\$ 12,870	\$ —	\$ 25,742
Charges for service	631,413	770,662	19,584	1,421,659
Use of money and property	4,242	49,517	—	53,759
Miscellaneous.....	11,238	158,717	—	169,955
Total Operating Receipts	<u>659,765</u>	<u>991,766</u>	<u>19,584</u>	<u>1,671,115</u>
Operating Disbursements				
Business-type activities	<u>499,563</u>	<u>298,750</u>	<u>11,840</u>	<u>810,153</u>
Operating Receipts Over Operating Disbursements				
	<u>160,202</u>	<u>693,016</u>	<u>7,744</u>	<u>860,962</u>
Nonoperating Disbursements				
Capital outlay.....	45,224	482,219	—	527,443
Debt service	—	64,640	—	64,640
Total Nonoperating Disbursements	<u>45,224</u>	<u>546,859</u>	<u>—</u>	<u>592,083</u>
Receipts Over Disbursements.....	<u>114,978</u>	<u>146,157</u>	<u>7,744</u>	<u>268,879</u>
Other Financing Sources (Uses)				
Transfers in	50,000	—	—	50,000
Transfers out	(182,600)	(12,600)	(27,813)	(223,013)
Net Other Financing Uses	<u>(132,600)</u>	<u>(12,600)</u>	<u>(27,813)</u>	<u>(173,013)</u>
Change in Cash Balances	<u>(17,622)</u>	<u>133,557</u>	<u>(20,069)</u>	<u>95,866</u>
Cash Balances - Beginning of Year	<u>500,026</u>	<u>1,429,520</u>	<u>115,552</u>	<u>2,045,098</u>
Cash Balances - End of Year	<u>\$ 482,404</u>	<u>\$ 1,563,077</u>	<u>\$ 95,483</u>	<u>\$ 2,140,964</u>
Cash Basis Fund Balances				
Restricted for				
Customer deposits	\$ 48,990	\$ —	\$ —	\$ 48,990
Unrestricted.....	<u>433,414</u>	<u>1,563,077</u>	<u>95,483</u>	<u>2,091,974</u>
Total Cash Basis Fund Balances	<u>\$ 482,404</u>	<u>\$ 1,563,077</u>	<u>\$ 95,483</u>	<u>\$ 2,140,964</u>

See accompanying notes to the financial statements.

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

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.

Fund Financial Statements

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 *Public Works Building Fund* is used for the construction of that new building.

The *May/Court Streets Water Main Fund* is used for improvements to the water distribution system.

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.

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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, 2025, the City amended the original budget one time.

(2) Cash and Investments

The City's deposits in banks as of June 30, 2025 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City 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.

Notes to the Financial Statements

(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
2026	\$ 365,000	\$ 201,051	\$ 53,000	\$ 10,150
2027	370,000	186,991	54,000	9,222
2028	250,000	172,681	55,000	8,278
2029	260,000	161,181	56,000	7,315
2030	275,000	149,231	57,000	6,335
2031-2035	1,415,000	557,306	305,000	16,188
2036-2040	1,140,000	303,606	—	—
2041-2045	800,000	66,713	—	—
	<u>\$ 4,875,000</u>	<u>\$ 1,798,760</u>	<u>\$ 580,000</u>	<u>\$ 57,488</u>

Year Ending June 30,	Total	
	Principal	Interest
2026	\$ 418,000	\$ 211,201
2027	424,000	196,213
2028	305,000	180,959
2029	316,000	168,496
2030	332,000	155,566
2031-2035	1,720,000	573,494
2036-2040	1,140,000	303,606
2041-2045	800,000	66,713
	<u>\$ 5,455,000</u>	<u>\$ 1,856,248</u>

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, 2025, the total principal and interest remaining to be paid on the bonds was \$637,488. For the current year, principal, interest and fees paid and total customer net receipts were \$64,640 and \$693,016, 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.

Notes to the Financial Statements

(3) Long-Term Debt

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, 2025.

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, 2025, the City had paid engineers and been reimbursed under this agreement \$560,000. When the planning and design portion of the project is complete, the total amount borrowed will be rolled into a new construction loan. That is expected to occur in 2026 once construction begins.

(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.

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

Pension Benefits

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

- A multiplier (based on years of service).
- The member's highest five-year average salary. (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.)

Notes to the Financial Statements

(4) Pension and Retirement Benefits

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, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

Disability and Death Benefits

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

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 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 2025, 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, 2025 were \$69,819.

Notes to the Financial Statements

(4) Pension and Retirement Benefits

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

As of June 30, 2025, the City's liability for its proportionate share of the net pension liability totaled \$127,530. The net pension liability (asset) was measured as of June 30, 2024, 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, 2024, the City's proportion was 0.003502%, which was a decrease of 0.000870% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$34,221, \$40,249 and \$4,240, respectively.

There were no nonemployer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2024 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, 2024 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2024 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

Notes to the Financial Statements

(4) Pension and Retirement Benefits

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	21.0%	3.52%
International equity	13.0	5.18
Global smart beta equity	5.0	4.12
Core plus fixed income	25.5	3.04
Public credit	3.0	4.53
Cash	1.0	1.69
Private equity	17.0	8.89
Private real assets	9.0	4.25
Private credit	5.5	6.62
Total	<u>100.0%</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)	\$ 541,617	\$ 127,530	\$ (219,381)

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.

Notes to the Financial Statements

(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 \$761 for single coverage to \$1,696 for family coverage. For the year ended June 30, 2025, the City contributed \$153,083 and plan members eligible for benefits contributed \$6,908 to the plan. As of June 30, 2025, 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, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	—
Active employees	<u>12</u>
Total	<u><u>12</u></u>

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2025 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	\$ 155,919
	Employee Benefits	
Special Revenue	Special Revenue	
Road Use Tax	Employee Benefits	54,685
Façade/Catalyst Grants	Special Revenue	
	Tax Increment Financing	20,000

Notes to the Financial Statements

(7) Interfund Transfers

Transfer To	Transfer From	Amount
Debt Service	Special Revenue	
	Tax Increment Financing	\$ 256,033
	Local Option Sales Tax	96,200
Capital Projects		
May/Court Streets Water Main	Special Revenue	
	Local Option Sales Tax	707,500
May/Franklyn Streets Storm Box	Special Revenue	
	Local Option Sales Tax	27,813
Dual Main Project #2	Special Revenue	
	Local Option Sales Tax	76,715
	Enterprise	
	Water	60,000
Public Works Building	Special Revenue	
	Road Use Tax	39,590
V66 Overlay Project	Special Revenue	
	Local Option Sales Tax	96,514
Four-Inch Main Project	Enterprise	
	Water	60,000
Enterprise		
Water	Enterprise	
	Water System Improvements	50,000
Cemetery Trust	General	1,600
Total		<u>\$ 1,702,569</u>

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 \$162,341 during the year ended June 30, 2025.

(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.

Notes to the Financial Statements

(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 or 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, 2025, \$276,033 of property tax was diverted from the City under the urban renewal and economic development projects.

(11) Construction and Other Commitments

The City had several capital projects in progress or approved for construction at year end. The City's remaining commitment on projects as of June 30, 2025 was approximately \$6,685,000.

(12) Subsequent Events

Management has evaluated subsequent events through October 10, 2025, the date which the financial statements were available to be issued.

Subsequent to June 30, 2025, the City approved approximately \$26,000 for new equipment.

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, 2025

	Govern- mental Funds - Actual	Proprietary Funds - Actual	Total	Budgeted Amounts		Over (Under) Final Budget
				Original	Final	
Receipts						
Property tax	\$ 1,225,918	\$ 25,742	\$ 1,251,660	\$ 1,121,507	\$ 1,121,507	\$ 130,153
Tax increment financing	214,660	—	214,660	220,000	220,000	(5,340)
Other city tax	532,343	—	532,343	567,308	567,308	(34,965)
Licenses and permits ..	985	—	985	12,300	12,300	(11,315)
Use of money and property	243,541	53,759	297,300	71,200	71,200	226,100
Intergovernmental	536,468	—	536,468	397,774	397,774	138,694
Charges for service	223,746	1,421,659	1,645,405	1,526,715	1,526,715	118,690
Miscellaneous	302,373	169,955	472,328	89,245	89,245	383,083
Total Receipts	3,280,034	1,671,115	4,951,149	4,006,049	4,006,049	945,100
Disbursements						
Public safety	583,348	—	583,348	567,604	697,631	(114,283)
Public works	490,427	—	490,427	488,213	488,213	2,214
Health and social services	2,445	—	2,445	6,000	6,000	(3,555)
Culture and recreation	324,014	—	324,014	429,146	446,191	(122,177)
Community and economic development	85,016	—	85,016	66,550	116,550	(31,534)
General government ...	393,008	—	393,008	335,480	335,480	57,528
Debt service	648,631	—	648,631	648,531	648,531	100
Capital projects	1,925,015	527,443	2,452,458	6,193,500	6,193,500	(3,741,042)
Business-type activities	—	874,793	874,793	909,214	909,214	(34,421)
Total Disbursements	4,451,904	1,402,236	5,854,140	9,644,238	9,841,310	(3,987,170)
Receipts Over (Under) Disbursements	(1,171,870)	268,879	(902,991)	(5,638,189)	(5,835,261)	4,932,270
Other Financing Sources, Net	216,813	(173,013)	43,800	5,200,000	5,200,000	(5,156,200)
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(955,057)	95,866	(859,191)	(438,189)	(635,261)	(223,930)
Balances - Beginning of Year	4,977,746	2,045,098	7,022,844	5,523,713	5,523,713	1,499,131
Balances - End of Year	\$ 4,022,689	\$ 2,140,964	\$ 6,163,653	\$ 5,085,524	\$ 4,888,452	\$ 1,275,201

Notes to Other Information - Budgetary Reporting ---

Year Ended June 30, 2025

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, 2025, 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 Ten Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability (asset)	0.003502%	0.004372%	0.003999%	0.037153%	0.005816%	0.005314%	0.005220%	0.005409%	0.004245%	0.005082%
City's proportionate share of the net pension liability (asset)	\$ 127,530	\$ 197,343	\$ 151,095	\$ (128,262)	\$ 408,579	\$ 307,738	\$ 330,354	\$ 360,296	\$ 267,174	\$ 251,083
City's covered-employee payroll	\$ 715,000	\$ 690,000	\$ 622,000	\$ 605,000	\$ 665,000	\$ 687,000	\$ 618,000	\$ 609,000	\$ 436,000	\$ 587,000
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	18.84%	28.60%	24.29%	(21.20)%	61.44%	44.79%	53.45%	59.16%	61.28%	42.77%
Plan fiduciary net position as a percentage of the total pension liability (asset)	92.30%	90.13%	91.41%	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%

* 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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 69,819	\$ 67,185	\$ 64,816	\$ 58,511	\$ 57,398	\$ 63,808	\$ 66,792	\$ 57,238	\$ 55,734	\$ 40,285
Contributions in relation to the statutorily required contributions.....	<u>(69,819)</u>	<u>(67,185)</u>	<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>
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	\$ 743,000	\$ 715,000	\$ 690,000	\$ 622,000	\$ 605,000	\$ 665,000	\$ 687,000	\$ 618,000	\$ 609,000	\$ 436,000
Contributions as a percentage of covered-employee payroll	9.40%	9.40%	9.39%	9.41%	9.49%	9.60%	9.72%	9.26%	9.15%	9.24%

Notes to Other Information - Pension Liability

Year Ended June 30, 2025

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%.

Supplementary Information

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

As of and for the Year Ended June 30, 2025

	General	Capital Reserve	Insurance	Police Reserve	Police Forfeiture	Fire Reserve	Cemetery Reserve	Economic Development	Library Miscellaneous	Marengo Recreation Commission	Park Carryover	Park Stevens	C6Zero	Total
Receipts														
Property tax	\$ 616,327	\$ —	\$ 89,570	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 705,897
Utility franchise fees	177,875	—	—	—	—	—	—	—	—	—	—	—	—	177,875
Licenses and permits	985	—	—	—	—	—	—	—	—	—	—	—	—	985
Use of money and property...	113,351	22,402	—	—	—	—	—	—	32,463	—	—	—	—	168,216
Intergovernmental	36,309	—	494	—	—	—	—	40,100	—	—	—	—	—	76,903
Charges for service	223,093	—	—	—	—	—	—	—	—	—	—	—	—	223,093
Miscellaneous	18,693	—	—	56,533	3	5,875	—	—	649	—	—	—	—	81,753
Total Receipts	1,186,633	22,402	90,064	56,533	3	5,875	—	40,100	33,112	—	—	—	—	1,434,722
Disbursements														
Public safety	447,601	121,107	—	9,730	—	4,575	—	—	—	—	—	—	335	583,348
Public works	70,320	—	—	—	—	—	—	—	—	—	—	—	—	70,320
Health and social services	2,445	—	—	—	—	—	—	—	—	—	—	—	—	2,445
Culture and recreation	289,685	25,759	—	—	—	—	—	—	8,231	—	—	—	—	323,675
Community and economic development.....	196	—	—	—	—	—	—	74,820	—	—	—	—	—	75,016
General government	194,349	56,718	131,147	—	—	—	—	—	—	—	—	—	—	382,214
Total Disbursements	1,004,596	203,584	131,147	9,730	—	4,575	—	74,820	8,231	—	—	—	335	1,437,018
Receipts Over (Under) Disbursements	182,037	(181,182)	(41,083)	46,803	3	1,300	—	(34,720)	24,881	—	—	—	(335)	(2,296)
Other Financing Sources (Uses)														
Sale of assets.....	—	—	—	43,800	—	—	—	—	—	—	—	—	—	43,800
Transfers in	156,195	213,146	—	36,303	—	35,000	4,364	35,000	10,413	—	1,239	—	9,384	501,044
Transfers out	(345,125)	—	—	—	—	—	—	—	—	—	—	—	—	(345,125)
Total Other Financing Sources (Uses)	(188,930)	213,146	—	80,103	—	35,000	4,364	35,000	10,413	—	1,239	—	9,384	199,719
Change in Cash Balances ..	(6,893)	31,964	(41,083)	126,906	3	36,300	4,364	280	35,294	—	1,239	—	9,049	197,423
Cash Balances - Beginning of Year.....	517,902	386,125	48,211	20,890	76	500	17,993	96,199	805,433	4,280	315	45,149	(9,049)	1,934,024
Cash Balances - End of Year	\$ 511,009	\$ 418,089	\$ 7,128	\$ 147,796	\$ 79	\$ 36,800	\$ 22,357	\$ 96,479	\$ 840,727	\$ 4,280	\$ 1,554	\$ 45,149	\$ —	\$ 2,131,447
Cash Basis Fund Balances														
Restricted for other purposes	\$ —	\$ —	\$ 7,128	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 840,727	\$ 4,280	\$ —	\$ —	\$ —	\$ 852,135
Assigned for other purposes	—	418,089	—	147,796	79	36,800	22,357	96,479	—	—	1,554	45,149	—	768,303
Unassigned	511,009	—	—	—	—	—	—	—	—	—	—	—	—	511,009
Total Cash Basis Fund Balances.....	\$ 511,009	\$ 418,089	\$ 7,128	\$ 147,796	\$ 79	\$ 36,800	\$ 22,357	\$ 96,479	\$ 840,727	\$ 4,280	\$ 1,554	\$ 45,149	\$ —	\$ 2,131,447

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

As of and for the Year Ended June 30, 2025

	Special Revenue					Capital Projects					Permanent	Total
	Employee Benefits	Tax Increment Financing	Facade/Catalyst Grants	Library	Special Tools	Industrial Park Development	V66 Overlay Project	Four-Inch Main Replacement	Dual Main Project #2	May/French Streets Storm Box	Cemetery Trust	
Receipts												
Property tax.....	\$ 209,456	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 209,456
Tax increment financing	—	214,660	—	—	—	—	—	—	—	—	—	214,660
Use of money and property	—	—	—	—	—	—	—	—	—	—	3,400	3,400
Intergovernmental	1,424	—	—	—	—	—	—	—	—	—	—	1,424
Miscellaneous.....	—	—	—	—	7,349	—	—	—	—	—	—	7,349
Total Receipts	210,880	214,660	—	—	7,349	—	—	—	—	—	3,400	436,289
Disbursements												
Culture and recreation.....	—	—	—	—	—	339	—	—	—	—	—	339
Community and economic development	—	—	10,000	—	—	—	—	—	—	—	—	10,000
General government.....	—	—	—	—	10,794	—	—	—	—	—	—	10,794
Capital projects.....	—	—	—	—	—	817	96,514	1,822	159,095	27,813	—	286,061
Total Disbursements.....	—	—	10,000	—	10,794	1,156	96,514	1,822	159,095	27,813	—	307,194
Receipts Over (Under) Disbursements	210,880	214,660	(10,000)	—	(3,445)	(1,156)	(96,514)	(1,822)	(159,095)	(27,813)	3,400	129,095
Other Financing Sources (Uses)												
Transfers in	—	—	20,000	—	—	—	96,514	60,000	136,715	27,813	1,600	342,642
Transfers out	(210,880)	(276,033)	—	(1,324)	—	—	—	—	—	—	—	(488,237)
Total Other Financing Sources (Uses).....	(210,880)	(276,033)	20,000	(1,324)	—	—	96,514	60,000	136,715	27,813	1,600	(145,595)
Change in Cash Balances.....	—	(61,373)	10,000	(1,324)	(3,445)	(1,156)	—	58,178	(22,380)	—	5,000	(16,500)
Cash Balances - Beginning of Year	—	161,929	14,345	1,324	3,445	8,895	—	—	22,380	—	95,799	308,117
Cash Balances - End of Year	\$ —	\$ 100,556	\$ 24,345	\$ —	\$ —	\$ 7,739	\$ —	\$ 58,178	\$ —	\$ —	\$ 100,799	\$ 291,617
Cash Basis Fund Balances												
Nonspendable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 100,799	\$ 100,799
Restricted for other purposes	—	100,556	24,345	—	—	—	—	—	—	—	—	124,901
Unassigned	—	—	—	—	—	7,739	—	58,178	—	—	—	65,917
Total Cash Basis Fund Balances	\$ —	\$ 100,556	\$ 24,345	\$ —	\$ —	\$ 7,739	\$ —	\$ 58,178	\$ —	\$ —	\$ 100,799	\$ 291,617

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

As of and for the Year Ended June 30, 2025

	Water	Water Deposits	Water System Improvements	Total
Operating Receipts				
Property taxes	\$ 12,872	\$ —	\$ —	\$ 12,872
Charges for service	631,413	—	—	631,413
Use of money and property	—	—	4,242	4,242
Miscellaneous.....	3,413	7,825	—	11,238
Total Operating Receipts	<u>647,698</u>	<u>7,825</u>	<u>4,242</u>	<u>659,765</u>
Operating Disbursements				
Business-type activities	<u>491,903</u>	<u>7,660</u>	<u>—</u>	<u>499,563</u>
Operating Receipts Over Operating Disbursements	<u>155,795</u>	<u>165</u>	<u>4,242</u>	<u>160,202</u>
Nonoperating Disbursements				
Capital outlay.....	<u>—</u>	<u>—</u>	<u>45,224</u>	<u>45,224</u>
Receipts Over (Under) Disbursements	<u>155,795</u>	<u>165</u>	<u>(40,982)</u>	<u>114,978</u>
Other Financing Sources (Uses)				
Transfers in	—	—	50,000	50,000
Transfers out	(182,600)	—	—	(182,600)
Net Other Financing Sources (Uses)...	<u>(182,600)</u>	<u>—</u>	<u>50,000</u>	<u>(132,600)</u>
Change in Cash Balances	<u>(26,805)</u>	<u>165</u>	<u>9,018</u>	<u>(17,622)</u>
Cash Balances - Beginning of Year	<u>406,258</u>	<u>48,825</u>	<u>44,943</u>	<u>500,026</u>
Cash Balances - End of Year	<u>\$ 379,453</u>	<u>\$ 48,990</u>	<u>\$ 53,961</u>	<u>\$ 482,404</u>
Cash Basis Fund Balances				
Restricted for				
Customer deposits	\$ —	\$ 48,990	\$ —	\$ 48,990
Unrestricted.....	<u>379,453</u>	<u>—</u>	<u>53,961</u>	<u>433,414</u>
Total Cash Basis Fund Balances	<u>\$ 379,453</u>	<u>\$ 48,990</u>	<u>\$ 53,961</u>	<u>\$ 482,404</u>

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

As of and for the Year Ended June 30, 2025

	Sewer Rental	Sewer Bond Sinking	Wastewater Treatment Facility Savings	Wastewater Treatment Facility Improvements	Total
Operating Receipts					
Property taxes	\$ 12,870	\$ —	\$ —	\$ —	\$ 12,870
Charges for service	452,324	—	318,338	—	770,662
Use of money and property	—	—	49,517	—	49,517
Planning and design loan proceeds	<u>2,753</u>	<u>—</u>	<u>—</u>	<u>155,964</u>	<u>158,717</u>
Total Operating Receipts	<u>467,947</u>	<u>—</u>	<u>367,855</u>	<u>155,964</u>	<u>991,766</u>
Operating Disbursements					
Business-type activities	<u>298,750</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>298,750</u>
Operating Receipts Over Operating Disbursements	<u>169,197</u>	<u>—</u>	<u>367,855</u>	<u>155,964</u>	<u>693,016</u>
Nonoperating Disbursements					
Capital outlay	—	—	—	482,219	482,219
Debt service	<u>—</u>	<u>64,640</u>	<u>—</u>	<u>—</u>	<u>64,640</u>
Total Nonoperating Disbursements	<u>—</u>	<u>64,640</u>	<u>—</u>	<u>482,219</u>	<u>546,859</u>
Receipts Over (Under) Disbursements	<u>169,197</u>	<u>(64,640)</u>	<u>367,855</u>	<u>(326,255)</u>	<u>146,157</u>
Other Financing Sources (Uses)					
Transfers in	—	64,640	—	326,255	390,895
Transfers out	<u>(77,240)</u>	<u>—</u>	<u>(326,255)</u>	<u>—</u>	<u>(403,495)</u>
Net Other Financing Sources (Uses)	<u>(77,240)</u>	<u>64,640</u>	<u>(326,255)</u>	<u>326,255</u>	<u>(12,600)</u>
Change in Cash Balances	91,957	—	41,600	—	133,557
Cash Balances - Beginning of Year	<u>464,114</u>	<u>—</u>	<u>965,406</u>	<u>—</u>	<u>1,429,520</u>
Cash Balances - End of Year	<u>\$ 556,071</u>	<u>\$ —</u>	<u>\$ 1,007,006</u>	<u>\$ —</u>	<u>\$ 1,563,077</u>
Cash Basis Fund Balances					
Unrestricted	<u>\$ 556,071</u>	<u>\$ —</u>	<u>\$ 1,007,006</u>	<u>\$ —</u>	<u>\$ 1,563,077</u>

Schedule of Indebtedness

Year Ended June 30, 2025

	Amount Originally Issued	Date of Issue	Interest Rates	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds								
Refunding.....	\$ 930,000	5-10-17	2.25%	\$ 80,000	\$ —	\$ 80,000	\$ —	\$ 1,800
Storm water management	1,010,000	4-8-20	2.60	400,000	—	130,000	270,000	10,400
Urban renewal	1,075,000	9-26-23	4.00	1,075,000	—	90,000	985,000	43,000
Corporate purpose.....	3,800,000	12-21-23	4.00 - 5.00	<u>3,750,000</u>	<u>—</u>	<u>130,000</u>	<u>3,620,000</u>	<u>161,131</u>
Total General Obligation Bonds.....				<u>\$ 5,305,000</u>	<u>\$ —</u>	<u>\$ 430,000</u>	<u>\$ 4,875,000</u>	<u>\$ 216,331</u>
Revenue Bonds								
Sewer	1,297,000	9-11-15	1.75	<u>\$ 632,000</u>	<u>\$ —</u>	<u>\$ 52,000</u>	<u>\$ 580,000</u>	<u>\$ 11,060</u>

Schedule of Bond and Note Maturities

As of June 30, 2025

Year Ending June 30,	General Obligation Bonds						Total
	Storm Water Management Issued April 8, 2020		Urban Renewal Issued September 26, 2023		Corporate Purpose Issued December 21, 2023		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2026	2.60%	\$ 135,000	4.00%	\$ 95,000	5.000%	\$ 135,000	\$ 365,000
2027	2.60	135,000	4.00	95,000	5.000	140,000	370,000
2028		—	4.00	100,000	5.000	150,000	250,000
2029		—	4.00	105,000	5.000	155,000	260,000
2030		—	4.00	110,000	5.000	165,000	275,000
2031		—	4.00	115,000	5.000	170,000	285,000
2032		—	4.00	120,000	4.000	180,000	300,000
2033		—	4.00	120,000	4.000	185,000	305,000
2034		—	4.00	125,000	4.000	195,000	320,000
2035		—		—	4.000	205,000	205,000
2036		—		—	4.000	210,000	210,000
2037		—		—	4.000	220,000	220,000
2038		—		—	4.000	230,000	230,000
2039		—		—	4.000	235,000	235,000
2040		—		—	4.000	245,000	245,000
2041		—		—	4.000	255,000	255,000
2042		—		—	4.125	265,000	265,000
2043		—		—	4.125	280,000	280,000
Total		\$ 270,000		\$ 985,000		\$ 3,620,000	\$ 4,875,000

Year Ending June 30,	Revenue Bonds Sewer Revenue Issued September 11, 2015	
	Interest Rates	Amount
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
Total		\$ 580,000

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

Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Receipts										
Property tax	\$ 1,225,918	\$ 1,239,443	\$ 1,040,572	\$ 986,749	\$ 1,056,381	\$ 1,063,368	\$ 922,545	\$ 835,170	\$ 857,396	\$ 821,757
Tax increment financing	214,660	200,120	184,500	199,342	204,950	258,568	241,438	232,605	241,486	205,336
Other city tax	532,343	525,469	511,495	549,024	487,734	502,516	395,441	331,548	404,043	310,296
Licenses and permits.....	985	1,725	1,735	1,625	1,446	1,210	1,915	60,410	45,288	42,967
Use of money and property	243,541	305,952	60,047	15,904	19,971	32,962	27,362	11,481	4,439	6,895
Intergovernmental	536,468	599,626	584,074	584,244	544,952	379,486	366,501	360,350	348,417	347,643
Charges for service	223,746	151,526	143,124	165,273	121,722	148,925	147,860	148,231	147,699	145,877
Miscellaneous.....	<u>302,373</u>	<u>226,788</u>	<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>
Total Receipts	<u>\$ 3,280,034</u>	<u>\$ 3,250,649</u>	<u>\$ 3,326,497</u>	<u>\$ 2,668,297</u>	<u>\$ 2,626,610</u>	<u>\$ 2,423,872</u>	<u>\$ 2,891,937</u>	<u>\$ 2,010,672</u>	<u>\$ 2,070,401</u>	<u>\$ 1,922,721</u>
Disbursements										
Operating										
Public safety.....	\$ 583,348	\$ 564,647	\$ 551,869	\$ 476,571	\$ 355,198	\$ 441,037	\$ 506,204	\$ 527,560	\$ 467,261	\$ 367,359
Public works.....	490,427	646,923	465,120	456,582	703,178	1,404,159	454,138	305,982	299,659	333,084
Health and social services.....	2,445	3,676	2,676	1,074	3,396	473	4,561	8,254	9,818	14,418
Culture and recreation.....	324,014	270,464	302,667	285,863	405,097	297,139	365,905	287,206	316,660	281,540
Community and economic development.....	85,016	99,805	26,299	13,102	8,333	4,994	10,852	42,638	2,231	—
General government	393,008	343,421	243,631	205,678	177,120	177,958	164,575	170,682	176,747	211,575
Debt service	648,631	427,064	377,724	380,345	576,224	647,161	508,669	355,688	1,264,042	347,955
Capital projects.....	<u>1,925,015</u>	<u>4,916,663</u>	<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>
Total Disbursements	<u>\$ 4,451,904</u>	<u>\$ 7,272,663</u>	<u>\$ 2,981,144</u>	<u>\$ 1,912,758</u>	<u>\$ 2,365,781</u>	<u>\$ 3,147,584</u>	<u>\$ 2,014,904</u>	<u>\$ 1,698,010</u>	<u>\$ 2,536,418</u>	<u>\$ 1,557,962</u>

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, 2025, 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 October 10, 2025.

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 25-I-R-1 and 25-I-R-2 that we consider to be material weaknesses.

To the Honorable Mayor and
Members of the City Council
City of Marengo, Iowa
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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, 2025 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
October 10, 2025

Schedule of Findings

Year Ended June 30, 2025

Part I: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

25-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 - 24-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.

25-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, 2025

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 - 24-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.

Part II: Findings Related to Statutory Reporting

25-II-A Certified Budget

Current Year Finding - Disbursements during the year ended June 30, 2025 exceeded the amount budgeted in the public works, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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.

25-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.

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

Schedule of Findings

Year Ended June 30, 2025

25-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:

Name, Title and Business Connection	Transaction Description	Amount
Travis Schlabach, Council Member and Fireman Owner of S & S Plumbing	Repairs and maintenance	\$25,669

In accordance with Chapter 362.5 of the Code of Iowa, the transactions listed above 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 and maintenance). A competitive bidding process is not always practical; however, we do endeavor to competitively bid the work when practicable.

Auditor's Conclusion - Response accepted.

25-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.

25-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.

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

25-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.

25-II-I Urban Renewal Annual Report - We determined that the Urban Renewal Annual Report for the year ended June 30, 2024 was properly approved and filed on or before December 1, 2024.

25-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.