

**CITY OF MARENGO, IOWA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

# Table of Contents

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<b>Officials</b> .....	1
<b>Independent Auditor’s Report</b> .....	2-4
<b>Management’s Discussion and Analysis (MD&amp;A)</b> .....	5-10
<b>Basic Financial Statements</b>	
Government-Wide Financial Statement Statement of Activities and Net Position - Cash Basis.....	11
Governmental Fund Financial Statement Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds.....	12
Proprietary Fund Financial Statement Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Enterprise Funds.....	13
Fiduciary Fund Financial Statement Statement of Cash Receipts, Disbursements and Change in Cash Balance - Custodial Fund.....	14
Notes to the Financial Statements .....	15-27
<b>Other Information</b>	
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds .....	28
Notes to Other Information - Budgetary Reporting.....	29
Schedule of Proportionate Share of the Net Pension Liability .....	30
Schedule of Contributions.....	31
Notes to Other Information - Pension Liability.....	32
<b>Supplementary Information</b>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - General Fund.....	33
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds .....	34
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Water Major Enterprise Fund .....	35
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Sanitary Sewer Major Enterprise Fund.....	36
Schedule of Indebtedness .....	37
Schedule of Bond and Note Maturities.....	38
Schedule of Receipts by Source and Disbursements by Function/Program - All Governmental Funds.....	39
<b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	40-41
<b>Schedule of Findings</b> .....	42-46

# Officials

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
<b>Elected Officials</b>		
Adam Rabe	Mayor	December 31, 2021
William Kreis	Council Member and Mayor Pro Tem	December 31, 2021
Greg Jergens (resigned September, 2021)	Council Member	December 31, 2023
Sue Peterson	Council Member	December 31, 2023
Chad Peska	Council Member	December 31, 2021
Travis Schlabach	Council Member	December 31, 2021
<b>Appointed Officials</b>		
Karla Marck	City Administrator/Clerk	Indefinite
Ellen Young	City Financial Manager	Indefinite
Lisa Lillie (through May, 2021)	Utility Billing Clerk	Indefinite
Lonnie Altenhofen	Public Works Director	Indefinite
John Pilkington (through June, 2021)	City Attorney	Indefinite
Ben Gray	Police Chief	Indefinite
Adam Kerkove (beginning May, 2021)	Deputy City Clerk	Indefinite
Gage Kensler (beginning June, 2021)	City Attorney	Indefinite

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# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## Independent Auditor's Report

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

### Report on the Financial Statements

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, Iowa, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the basic financial statements of the primary government, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**Summary of Opinions**

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

The City has excluded from its financial statements the Marengo Memorial Hospital which is organized under Chapter 392 of the Code of Iowa and should be included as a business-type activity and an enterprise fund within these financial statements. The Hospital's accrual basis financial statements were audited by other auditors. The amount by which this departure from the cash basis of accounting affects cash, changes in cash balances, receipts and disbursement of the business-type activities and the enterprise funds has not been determined.

***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.

**Adverse Opinions**

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, 2021, or the changes in cash balances for the year then ended in accordance with the basis of accounting described in Note 1.

**Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Marengo Memorial Hospital Fund and the aggregate remaining fund information as of June 30, 2021 and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

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

### **Other Matters**

#### ***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 third paragraph of this report, the cash basis financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions for the years ended June 30, 2012 and 2014. We expressed a qualified opinion in 2013 due to missing information within the component units. In 2015 through 2020, we expressed unmodified opinions on all opinion units except for adverse opinions which were expressed on the business-type activities, component units and an enterprise fund due to the exclusion of the Marengo Memorial Hospital and various component units. The supplementary information included on pages 33 through 39 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 taken as a whole.

#### **Disclaimer of Opinion on Other 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. The management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability and the schedule of contributions on pages 5 through 10 and 28 through 32, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2022 on our consideration of the City of Marengo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
January 6, 2022

## **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, 2021. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2021 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities, other than transfers, decreased 23.1%, or approximately \$790,000, from the fiscal year 2020 to the fiscal year 2021. Property tax receipts decreased approximately \$7,000. The main reason for the decrease in receipts from fiscal year 2020 was the receipt of approximately \$992,000 from the issuance of the Series 2020A General Obligation Storm Water Management Bonds during fiscal year 2020.

Governmental activities disbursements decreased 24.8%, or approximately \$782,000, in fiscal year 2021 from the fiscal year 2020. Expenditures decreased approximately \$701,000 in Public Works due primarily to less street surface improvements in fiscal year 2021.

The City's total cash basis net position increased approximately \$391,000 from June 30, 2020 to June 30, 2021. The cash basis net position of the governmental activities increased approximately \$123,000 and the cash basis net position of the business-type activities increased by approximately \$268,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

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

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

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

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

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

### **Fund Financial Statements**

The City has three kinds of funds:

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

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



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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$3,050,192 a year ago to \$3,173,026. 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>2021</u>	<u>2020</u>
Receipts		
Program Receipts		
Charges for service	\$ 164,769	\$ 172,041
Operating grants, contributions and restricted interest	692,805	394,417
General Receipts		
Property and T.I.F. taxes	1,261,331	1,321,936
Other city tax	487,734	502,516
Bond proceeds, net of discount	—	992,325
Unrestricted interest on investments	19,971	32,962
Total Receipts	<u>2,626,610</u>	<u>3,416,197</u>
Disbursements		
Public safety	355,198	441,037
Public works	703,178	1,404,159
Health and social services	3,396	473
Culture and recreation	405,097	297,139
Community and economic development	8,333	4,994
General government	177,120	177,958
Debt service	576,224	647,161
Capital projects	137,235	174,663
Total Disbursements	<u>2,365,781</u>	<u>3,147,584</u>
Change in Cash Basis Net Position Before Transfers	260,829	268,613
Transfers, Net	<u>(137,995)</u>	<u>(21,825)</u>
Change in Cash Basis Net Position	122,834	246,788
Cash Basis Net Position - Beginning of Year	<u>3,050,192</u>	<u>2,803,404</u>
<b>Cash Basis Net Position - End of Year</b>	<b><u>\$ 3,173,026</u></b>	<b><u>\$ 3,050,192</u></b>

The City's total receipts for governmental activities decreased by 23.1%, or \$789,587, due primarily to a decrease in bond proceeds of approximately \$992,000.

The total cost of all programs and services decreased by \$781,803, or 24.8%, due primarily to the Public Works Department doing less street surface improvements in fiscal year 2021.

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

	<b>Years Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Receipts		
Program Receipts		
Charges for Service		
Water	\$ 672,265	\$ 652,670
Sanitary Sewer	505,284	408,123
Storm Sewer	19,164	19,040
Total Receipts	1,196,713	1,079,833
Disbursements		
Water	654,582	647,703
Sanitary Sewer	394,161	348,868
Storm Sewer	18,281	19,937
Total Disbursements	1,067,024	1,016,508
Change in Cash Basis Net Position Before Transfers	129,689	63,325
Transfers, Net	137,995	21,825
Change in Cash Basis Net Position	267,684	85,150
Cash Basis Net Position - Beginning of Year	443,493	358,343
<b>Cash Basis Net Position - End of Year</b>	<b>\$ 711,177</b>	<b>\$ 443,493</b>

Total business-type activities receipts for the fiscal year were \$1,196,713 compared to \$1,079,833 last year. Total disbursements for the fiscal year increased by 5.0%, or \$50,516. The increase in receipts was primarily due to the sewer debt assessment added to utility bills for water users that became effective July 1, 2020 and 3% increases in water and sewer rates that became effective July 1, 2020. The increase in disbursements was primarily due to construction work beginning on the Green Lift Station Improvements Project in fiscal year 2021.

The cash balance increased by \$267,684, or 60.4%, from the prior year, mainly due to increases in rates and fees charged to utility customers in fiscal year 2021 and transfers of excess cash from the Levee Improvements Project that was completed under budget.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

The City of Marengo's governmental funds reported a combined cash balance of \$3,173,026, an increase of \$122,834 from last year's total of \$3,050,192.

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 \$309,469 from the prior year to \$1,489,180 due to increases in property tax receipts and the COVID-19 expense reimbursement grant received. Additionally, turnover in personnel at the police department resulted in lower payroll costs.

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

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

The Special Revenue, Road Use Tax Fund cash balance increased \$75,801 to \$601,399. This increase is due to less street improvement projects and more road use tax received from the state.

The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$11,317 to \$185,382. This decrease is due to disbursements and transfers exceeding receipts in the current year. The City transferred money out of this fund in the current year to help fund street improvement projects that were accounted for in the Road Use Tax Fund.

The Special Revenue, Tax Increment Financing Fund cash balance increased from \$102,351 to \$110,795 during the fiscal year. This increase is due to property tax receipts in excess of transfers for debt payments in the current year.

The Debt Service Fund cash balance increased \$9,739 due to property tax receipts and transfers in excess of principal and interest payments.

The Levee Capital Project Fund cash balance decreased from \$815,693 to \$540,463 during the fiscal year. This decrease is due to disbursements for the project during the year. Also, after the project came in significantly under budget, the City transferred some of the remaining money to fund other construction projects. The City intends to spend the remaining money in this fund on other storm water projects.

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

The Water Utility cash balance increased by \$17,683 to \$171,742, due to operating receipts and transfers exceeding operating disbursements and debt service payments in the current year.

The Sanitary Sewer System cash balance increased by \$242,888 to \$467,989 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 to adjust budgeted receipts for bond proceeds that were received in the prior year, grants received for COVID-19 relief and wind damage and other items. Budgeted disbursements were amended for storm damage repairs, street improvement projects, less than anticipated levee improvement costs and other items.

## **DEBT ADMINISTRATION**

As of June 30, 2021, the City had \$1,430,000 in general obligation debt, \$260,000 in water revenue debt, \$782,000 in sewer revenue debt and \$13,389 in notes payable for a vehicle, for total debt outstanding of \$2,485,389.

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

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt in the amount of \$1,430,000 is below its constitutional debt limit of \$6,508,268.

## **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 2022 budget, tax rates and fees that will be charged for various City activities.

Amounts available for appropriation in the operating budget are approximately \$3,445,000, a decrease of 9.7% from the final fiscal year 2021 budget. Disbursements are expected to decrease by approximately \$1,096,342 from fiscal year 2021. The primary reason for the expected decrease in receipts is related to lower property tax rates for debt service and less miscellaneous reimbursements. The primary reasons for the expected decrease in disbursements are lower expected costs for street improvements, library repairs, debt service and capital projects.

### **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**

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

As of and for the Year Ended June 30, 2021

Functions/Programs	Disbursements	Program Receipts		Net Receipts (Disbursements) and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Primary Government		Total
				Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>						
Public safety .....	\$ 355,198	\$ 40,691	\$ 135,464	\$ (179,043)	\$ —	\$ (179,043)
Public works .....	703,178	70,166	378,346	(254,666)	—	(254,666)
Health and social services .....	3,396	21,789	—	18,393	—	18,393
Culture and recreation .....	405,097	18,335	178,995	(207,767)	—	(207,767)
Community and economic development .....	8,333	9,480	—	1,147	—	1,147
General government .....	177,120	4,308	—	(172,812)	—	(172,812)
Debt service .....	576,224	—	—	(576,224)	—	(576,224)
Capital projects .....	137,235	—	—	(137,235)	—	(137,235)
<b>Total Governmental Activities</b> .....	<b>2,365,781</b>	<b>164,769</b>	<b>692,805</b>	<b>(1,508,207)</b>	<b>—</b>	<b>(1,508,207)</b>
<b>Business-Type Activities</b>						
Water .....	654,582	672,265	—	—	17,683	17,683
Sanitary sewer .....	394,161	482,284	23,000	—	111,123	111,123
Storm sewer .....	18,281	19,164	—	—	883	883
<b>Total Business-Type Activities</b> .....	<b>1,067,024</b>	<b>1,173,713</b>	<b>23,000</b>	<b>—</b>	<b>129,689</b>	<b>129,689</b>
<b>Total</b> .....	<b>\$ 3,432,805</b>	<b>\$ 1,338,482</b>	<b>\$ 715,805</b>	<b>(1,508,207)</b>	<b>129,689</b>	<b>(1,378,518)</b>
<b>General Receipts</b>						
Property Tax Levied for						
General purposes .....				824,643	—	824,643
Debt service .....				231,738	—	231,738
Tax increment financing .....				204,950	—	204,950
Local option sales tax .....				359,050	—	359,050
Utility franchise fees .....				128,684	—	128,684
Unrestricted interest on investments .....				19,971	—	19,971
Transfers .....				(137,995)	137,995	—
<b>Total General Receipts</b> .....				<b>1,631,041</b>	<b>137,995</b>	<b>1,769,036</b>
<b>Change in Cash Basis Net Position</b> .....				<b>122,834</b>	<b>267,684</b>	<b>390,518</b>
Cash Basis Net Position - Beginning of Year .....				3,050,192	443,493	3,493,685
<b>Cash Basis Net Position - End of Year</b> .....				<b>\$ 3,173,026</b>	<b>\$ 711,177</b>	<b>\$ 3,884,203</b>
<b>Cash Basis Net Position</b>						
Restricted						
Nonexpendable .....				\$ 86,953	\$ —	\$ 86,953
Expendable						
Debt service .....				152,368	—	152,368
Local option sales tax .....				185,382	—	185,382
Urban renewal purposes .....				110,795	—	110,795
Streets .....				601,399	—	601,399
Other purposes .....				1,422,441	58,088	1,480,529
Unrestricted .....				613,688	653,089	1,266,777
<b>Total Cash Basis Net Position</b> .....				<b>\$ 3,173,026</b>	<b>\$ 711,177</b>	<b>\$ 3,884,203</b>

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2021

	Major						Nonmajor Governmental Funds	Total
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	Capital Projects Levee Project		
<b>Receipts</b>								
Property tax.....	\$ 636,543	\$ —	\$ —	\$ —	\$ 231,738	\$ —	\$ 188,100	\$ 1,056,381
Tax increment financing .....	—	—	—	204,950	—	—	—	204,950
Other city tax .....	128,684	—	359,050	—	—	—	—	487,734
Licenses and permits.....	1,446	—	—	—	—	—	—	1,446
Use of money and property .....	19,359	—	—	—	—	—	612	19,971
Intergovernmental .....	99,529	378,346	—	—	—	—	67,077	544,952
Charges for service .....	118,369	2,153	—	—	—	—	1,200	121,722
Miscellaneous.....	158,112	10,728	11,134	—	—	—	9,480	189,454
<b>Total Receipts.....</b>	<b>1,162,042</b>	<b>391,227</b>	<b>370,184</b>	<b>204,950</b>	<b>231,738</b>	<b>—</b>	<b>266,469</b>	<b>2,626,610</b>
<b>Disbursements</b>								
Public safety .....	355,198	—	—	—	—	—	—	355,198
Public works .....	54,504	648,674	—	—	—	—	—	703,178
Health and social services.....	3,396	—	—	—	—	—	—	3,396
Culture and recreation .....	405,097	—	—	—	—	—	—	405,097
Community and economic development.....	2,969	—	—	—	—	—	5,364	8,333
General government.....	177,120	—	—	—	—	—	—	177,120
Debt service .....	—	—	157,719	—	418,505	—	—	576,224
Capital projects.....	—	—	—	—	—	137,235	—	137,235
<b>Total Disbursements.....</b>	<b>998,284</b>	<b>648,674</b>	<b>157,719</b>	<b>—</b>	<b>418,505</b>	<b>137,235</b>	<b>5,364</b>	<b>2,365,781</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>163,758</b>	<b>(257,447)</b>	<b>212,465</b>	<b>204,950</b>	<b>(186,767)</b>	<b>(137,235)</b>	<b>261,105</b>	<b>260,829</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in .....	312,888	333,248	157,719	—	196,506	—	—	1,000,361
Transfers out .....	(167,177)	—	(381,501)	(196,506)	—	(137,995)	(255,177)	(1,138,356)
<b>Total Other Financing Sources (Uses).....</b>	<b>145,711</b>	<b>333,248</b>	<b>(223,782)</b>	<b>(196,506)</b>	<b>196,506</b>	<b>(137,995)</b>	<b>(255,177)</b>	<b>(137,995)</b>
<b>Change in Cash Balances.....</b>	<b>309,469</b>	<b>75,801</b>	<b>(11,317)</b>	<b>8,444</b>	<b>9,739</b>	<b>(275,230)</b>	<b>5,928</b>	<b>122,834</b>
Cash Balances - Beginning of Year.....	1,179,711	525,598	196,699	102,351	142,629	815,693	87,511	3,050,192
<b>Cash Balances - End of Year .....</b>	<b>\$ 1,489,180</b>	<b>\$ 601,399</b>	<b>\$ 185,382</b>	<b>\$ 110,795</b>	<b>\$ 152,368</b>	<b>\$ 540,463</b>	<b>\$ 93,439</b>	<b>\$ 3,173,026</b>
<b>Cash Basis Fund Balances</b>								
Nonspendable .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 86,953	\$ 86,953
Restricted for								
Debt service .....	—	—	—	—	152,368	—	—	152,368
Local option sales tax.....	—	—	185,382	—	—	—	—	185,382
Urban renewal purposes .....	—	—	—	110,795	—	—	—	110,795
Streets .....	—	601,399	—	—	—	—	—	601,399
Other purposes .....	880,547	—	—	—	—	540,463	1,431	1,422,441
Assigned for other purposes.....	57,142	—	—	—	—	—	—	57,142
Unassigned .....	551,491	—	—	—	—	—	5,055	556,546
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 1,489,180</b>	<b>\$ 601,399</b>	<b>\$ 185,382</b>	<b>\$ 110,795</b>	<b>\$ 152,368</b>	<b>\$ 540,463</b>	<b>\$ 93,439</b>	<b>\$ 3,173,026</b>

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2021

	Major		Nonmajor	Total
	Water	Sanitary Sewer	Storm Sewer	
<b>Operating Receipts</b>				
Charges for service .....	\$ 664,100	\$ 482,284	\$ 19,164	\$ 1,165,548
Miscellaneous.....	8,165	23,000	—	31,165
<b>Total Operating Receipts .....</b>	<b><u>672,265</u></b>	<b><u>505,284</u></b>	<b><u>19,164</u></b>	<b><u>1,196,713</u></b>
<b>Operating Disbursements</b>				
Business-type activities .....	<b><u>391,756</u></b>	<b><u>235,622</u></b>	<b><u>12,051</u></b>	<b><u>639,429</u></b>
<b>Operating Receipts Over</b>				
<b>Operating Disbursements .....</b>	<b><u>280,509</u></b>	<b><u>269,662</u></b>	<b><u>7,113</u></b>	<b><u>557,284</u></b>
<b>Nonoperating Disbursements</b>				
Capital outlay.....	586	93,939	6,230	100,755
Debt service .....	262,240	64,600	—	326,840
<b>Total Nonoperating Disbursements.</b>	<b><u>262,826</u></b>	<b><u>158,539</u></b>	<b><u>6,230</u></b>	<b><u>427,595</u></b>
<b>Receipts Over Disbursements.....</b>	<b><u>17,683</u></b>	<b><u>111,123</u></b>	<b><u>883</u></b>	<b><u>129,689</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers in .....	262,240	213,788	6,230	482,258
Transfers out .....	(262,240)	(82,023)	—	(344,263)
<b>Net Other Financing Sources .....</b>	<b><u>—</u></b>	<b><u>131,765</u></b>	<b><u>6,230</u></b>	<b><u>137,995</u></b>
<b>Change in Cash Balances .....</b>	<b>17,683</b>	<b>242,888</b>	<b>7,113</b>	<b>267,684</b>
Cash Balances - Beginning of Year .....	<u>154,059</u>	<u>225,101</u>	<u>64,333</u>	<u>443,493</u>
<b>Cash Balances - End of Year .....</b>	<b><u>\$ 171,742</u></b>	<b><u>\$ 467,989</u></b>	<b><u>\$ 71,446</u></b>	<b><u>\$ 711,177</u></b>
<b>Cash Basis Fund Balances</b>				
Restricted for				
Customer deposits .....	\$ 58,088	\$ —	\$ —	\$ 58,088
Unrestricted.....	<u>113,654</u>	<u>467,989</u>	<u>71,446</u>	<u>653,089</u>
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ 171,742</u></b>	<b><u>\$ 467,989</u></b>	<b><u>\$ 71,446</u></b>	<b><u>\$ 711,177</u></b>

See accompanying notes to the financial statements.



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

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As of and for the Year Ended June 30, 2021

	<b>Marengo Picnic in the Park, Inc.</b>
<b>Receipts</b> .....	<b>\$ 227</b>
<b>Disbursements</b> .....	<b><u>4,510</u></b>
<b>Change in Cash Balance</b> .....	<b>(4,283)</b>
Cash Balance - Beginning of Year .....	<u>44,014</u>
<b>Cash Balance - End of Year</b> .....	<b><u>\$ 39,731</u></b>

# Notes to the Financial Statements

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## **(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 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

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## (1) Summary of Significant Accounting Policies

### **Fiduciary Component Unit**

The Marengo Picnic in the Park, Inc. (Park), an Iowa nonprofit corporation, is currently governed by the City. Although the Organization is considered legally separate from the City, it receives its governance and some administrative support from the City. Due to the nature of its relationship with the City, the Park is reported as a fiduciary fund.

### **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.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

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

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

The City reports the following major governmental funds:

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

### ***Special Revenue***

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

The *Local Option Sales Tax Fund* is used to account for the receipts of a 1% local sales tax for water, streets, sewer and storm sewer.

The *Tax Increment Financing Fund* is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

### ***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 *Levee Project Fund* is used to account for the construction of levee improvements to help prevent the river from flooding the City. The project is financed primarily with general obligation debt.

The City reports the following major enterprise funds.

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

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

The City also reports a fiduciary fund.

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### Measurement Focus and Basis of Accounting

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

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

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

### Governmental Cash Basis Fund Balances

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

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

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

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

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

### Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as other information. During the year ended June 30, 2021, the City amended the original budget one time, on May 12, 2021.

## (2) Cash and Investments

The City's deposits in banks as of June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

## Notes to the Financial Statements

### (2) Cash and Investments

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

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of \$41,503 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in IPAIT is unrated.

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

### Interest Rate Risk

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

### (3) Long-Term Debt

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

Year Ending June 30,	General Obligation		Water Revenue		Sewer Revenue	
	Principal	Interest	Principal	Interest	Principal	Interest
2022 .....	\$ 345,000	\$ 33,745	\$ 260,000	\$ 4,550	\$ 60,000	\$ 13,685
2023 .....	350,000	26,125	—	—	61,000	12,635
2024 .....	255,000	18,375	—	—	63,000	11,568
2025 .....	210,000	12,200	—	—	64,000	10,465
2026 .....	135,000	7,020	—	—	65,000	9,345
2027-2033 ....	135,000	3,510	—	—	469,000	32,272
	<b>\$ 1,430,000</b>	<b>\$ 100,975</b>	<b>\$ 260,000</b>	<b>\$ 4,550</b>	<b>\$ 782,000</b>	<b>\$ 89,970</b>

Year Ending June 30,	Vehicle Loan		Total	
	Principal	Interest	Principal	Interest
2022 .....	\$ 6,623	\$ 368	\$ 671,623	\$ 52,348
2023 .....	6,766	228	417,766	38,988
2024 .....	—	—	318,000	29,943
2025 .....	—	—	274,000	22,665
2026 .....	—	—	200,000	16,365
2027-2033 ....	—	—	604,000	35,782
	<b>\$ 13,389</b>	<b>\$ 596</b>	<b>\$ 2,485,389</b>	<b>\$ 196,091</b>

## Notes to the Financial Statements

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### (3) Long-Term Debt

#### Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$3,200,000 in water revenue bonds issued in April, 2007. Proceeds from the notes provided financing for the construction of water system improvements. The bonds are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$264,550. For the current year, principal, interest and fees paid and total customer net receipts were \$262,240 and \$288,690, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,297,000 of sewer revenue bonds issued in September, 2015. 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, 2021, the City had drawn down \$1,097,716 and the total principal and interest remaining to be paid on the bonds was \$871,970. For the current year, principal, interest and fees paid and total customer net receipts were \$64,600 and \$257,348, respectively.

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

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

The City was in compliance with these requirements as of June 30, 2021.

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, 2021, the City had paid engineers and been reimbursed under this agreement \$23,000, and \$537,000 was still available to be borrowed. When the planning and design portion of the project is complete, the total amount borrowed will be rolled into a new construction loan.

#### Local Option Sales Tax Revenue Bond

The City has pledged future local option sales tax receipts to repay bonds issued in May, 2019 in the total principal amount of \$451,912. The purpose of the issuance was to compensate a developer for the prior development of the water tower, wells and water treatment plant on land owned by them. The bonds are payable solely from local option sales tax proceeds. The final payment on these bonds was made during fiscal year 2021. For the current year, principal and interest paid and total local option sales tax proceeds were \$157,719 and \$359,050, respectively.

### (4) Pension and Retirement Benefits

#### Plan Description

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

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

#### Pension Benefits

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

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

Protection occupation members may retire at normal retirement age which is generally at 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.



## Notes to the Financial Statements

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### **(4) Pension and Retirement Benefits**

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 2021, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 were \$57,398.

#### **Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As of June 30, 2021, the City's liability for its proportionate share of the net pension liability totaled \$408,579. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2020, the City's proportion was 0.005816%, which was an increase of 0.000502% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$88,487, \$31,392 and \$25,823, respectively.

There were no nonemployer contributing entities to IPERS.

## Notes to the Financial Statements

### (4) Pension and Retirement Benefits

#### Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
<b>Total</b>	<b><u>100.0%</u></b>	

# Notes to the Financial Statements

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## (4) Pension and Retirement Benefits

### 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.

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

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's proportionate share of the net pension liability .....	\$806,197	\$408,579	\$75,344

### Pension Plan Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

## (5) Compensated Absences

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

## (6) Other Postemployment Benefits (OPEB)

### Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$571 for single coverage to \$1,904 for family coverage. For the year ended June 30, 2021, the City contributed \$162,148 and plan members eligible for benefits contributed \$3,859 to the plan. As of June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of the GASB Statement No. 75.

## Notes to the Financial Statements

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

#### 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments .....	—
Active employees .....	<u>11</u>
<b>Total</b> .....	<u><b>11</b></u>

### (7) Interfund Transfers

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

Transfer To	Transfer From	Amount
General	Capital Reserve	\$ 106,593
	Special Revenue	
	Employee Benefits	<u>145,711</u>
		<u>252,304</u>
Capital Reserve	General	<u>18,328</u>
Police Reserve	General	<u>42,256</u>
Special Revenue	Special Revenue	
Road Use Tax	Employee Benefits	42,389
	Special Revenue	
	Local Option Sales Tax	223,782
	Capital Projects	
	FEMA Reimbursement	<u>67,077</u>
		<u>333,248</u>
Special Revenue	Special Revenue	
Local Option Sales Tax Sinking	Local Option Sales Tax	<u>157,719</u>
Debt Service	Special Revenue	
	Tax Increment Financing	<u>196,506</u>
Enterprise	Capital Projects	
Green Lift Station Improvements	Levee Project	131,765
	Enterprise	
	Sewer	<u>17,423</u>
		<u>149,188</u>
Enterprise	Capital Projects	
Storm Sewer	Levee Improvements	<u>6,230</u>
Enterprise	Enterprise	
Water Bond Sinking	Water	<u>262,240</u>
Enterprise	Enterprise	
Sewer Bond Sinking	Sewer	<u>64,600</u>
<b>Total</b>		<u><b>\$ 1,482,619</b></u>

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

## Notes to the Financial Statements

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### **(8) Related Party Transactions**

The City had business transactions between the City and City officials and employees totaling \$271,705 during the year ended June 30, 2021.

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

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

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

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

#### **City Tax Abatements**

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or 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, 2021, \$199,650 of property tax was diverted from the City under the urban renewal and economic development projects.

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

The City accepted a bid on January 13, 2021 of approximately \$460,000 for the design of needed improvements to the wastewater treatment facility. The City's remaining commitment on this project as of June 30, 2021 was approximately \$437,000.

The City accepted a bid on September 25, 2020 of approximately \$132,000 for work on needed improvements to the Green Lift Station. As of June 30, 2021, the City's remaining commitment on this project was approximately \$83,000.

The City accepted a bid on February 10, 2021 of approximately \$265,000 for repairs to the library that were needed as a result of the August, 2020 derecho. The City's remaining commitment on this project as of June 30, 2021 was approximately \$30,000.

## Notes to the Financial Statements

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### **(12) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. The impact to the City of Marengo is that the fiduciary fund is now referred to as a custodial fund.

### **(13) Subsequent Events**

Management has evaluated subsequent events through January 6, 2022, the date which the financial statements were available to be issued.

In July, 2021, the City accepted a bid and authorized the purchase of a replacement warning siren to be installed at the new water plant facility at a cost not to exceed \$37,265.

In August, 2021, the City paid \$36,216 for a new vehicle for the police department, and in October, 2021, the City paid an additional \$17,460 for equipment added to the vehicle.

In October, 2021, the City accepted a bid for \$27,300 for tree removal and tree trimming services from October, 2021 to May, 2022.

In October, 2021, the City approved the purchase of a new wheel loader at a total cost not to exceed \$180,425.

**Other Information** 

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## 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, 2021

	Govern- mental Funds - Actual	Proprietary Funds - Actual	Total	Budgeted Amounts		Over (Under) Final Budget
				Original	Final	
<b>Receipts</b>						
Property tax .....	\$ 1,056,381	\$ —	\$ 1,056,381	\$ 961,117	\$ 961,117	\$ 95,264
Tax increment financing	204,950	—	204,950	196,506	196,506	8,444
Other city tax .....	487,734	—	487,734	541,469	541,469	(53,735)
Licenses and permits ..	1,446	—	1,446	1,800	1,800	(354)
Use of money and property .....	19,971	—	19,971	23,004	48,484	(28,513)
Intergovernmental .....	544,952	—	544,952	1,950,832	468,709	76,243
Charges for service .....	121,722	1,165,548	1,287,270	1,237,500	1,237,500	49,770
Miscellaneous .....	189,454	31,165	220,619	30,085	361,518	(140,899)
<b>Total Receipts .....</b>	<b>2,626,610</b>	<b>1,196,713</b>	<b>3,823,323</b>	<b>4,942,313</b>	<b>3,817,103</b>	<b>6,220</b>
<b>Disbursements</b>						
Public safety .....	355,198	—	355,198	474,750	523,006	(167,808)
Public works .....	703,178	—	703,178	451,944	764,494	(61,316)
Health and social services .....	3,396	—	3,396	6,000	6,000	(2,604)
Culture and recreation	405,097	—	405,097	259,050	601,817	(196,720)
Community and economic development .....	8,333	—	8,333	8,500	8,500	(167)
General government ...	177,120	—	177,120	173,458	175,158	1,962
Debt service .....	576,224	—	576,224	572,740	572,740	3,484
Capital projects .....	137,235	100,755	237,990	1,540,000	1,015,364	(777,374)
Business-type activities	—	966,269	966,269	1,032,501	1,060,501	(94,232)
<b>Total Disbursements</b>	<b>2,365,781</b>	<b>1,067,024</b>	<b>3,432,805</b>	<b>4,518,943</b>	<b>4,727,580</b>	<b>(1,294,775)</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>260,829</b>	<b>129,689</b>	<b>390,518</b>	<b>423,370</b>	<b>(910,477)</b>	<b>1,300,995</b>
<b>Other Financing Sources, Net .....</b>	<b>(137,995)</b>	<b>137,995</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses .....</b>	<b>122,834</b>	<b>267,684</b>	<b>390,518</b>	<b>423,370</b>	<b>(910,477)</b>	<b>1,300,995</b>
Balances - Beginning of Year .....	3,050,192	443,493	3,493,685	2,358,704	2,358,704	1,134,981
<b>Balances - End of Year .....</b>	<b>\$ 3,173,026</b>	<b>\$ 711,177</b>	<b>\$ 3,884,203</b>	<b>\$ 2,782,074</b>	<b>\$ 1,448,227</b>	<b>\$ 2,435,976</b>



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

Year Ended June 30, 2021

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. During the year ended June 30, 2021, the City amended the original budget one time, on May 12, 2021.

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.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the general government and debt service functions.

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

Last Seven Years\*

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

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

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

Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution .....	\$ 57,398	\$ 63,808	\$ 66,792	\$ 57,238	\$ 55,734	\$ 40,285	\$ 52,432	\$ 47,533	\$ 47,917	\$ 45,115
Contributions in relation to the statutorily required contributions.....	<u>(57,398)</u>	<u>(63,808)</u>	<u>(66,792)</u>	<u>(57,238)</u>	<u>(55,734)</u>	<u>(40,285)</u>	<u>(52,432)</u>	<u>(47,533)</u>	<u>(47,917)</u>	<u>(45,115)</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 .....	\$ 605,000	\$ 665,000	\$ 687,000	\$ 618,000	\$ 609,000	\$ 436,000	\$ 587,000	\$ 532,000	\$ 553,000	\$ 559,000
Contributions as a percentage of covered-employee payroll .....	9.49%	9.60%	9.72%	9.26%	9.15%	9.24%	8.93%	8.93%	8.67%	8.07%

## Notes to Other Information - Pension Liability

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Year Ended June 30, 2021

### Changes of Benefit Terms

There are no significant changes in benefit terms.

### Changes of Assumptions

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

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

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

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

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

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

**Supplementary Information**

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

As of and for the Year Ended June 30, 2021

	General	Capital Reserve	Insurance	Police Reserve	Library Miscellaneous	Marengo Recreation Commission	Pool Renovation	Total
<b>Receipts</b>								
Property tax .....	\$ 571,256	\$ —	\$ 65,287	\$ —	\$ —	\$ —	\$ —	\$ 636,543
Utility franchise fees .....	128,684	—	—	—	—	—	—	128,684
Licenses and permits .....	1,446	—	—	—	—	—	—	1,446
Use of money and property .....	982	—	—	—	18,377	—	—	19,359
Intergovernmental .....	99,529	—	—	—	—	—	—	99,529
Charges for service .....	118,369	—	—	—	—	—	—	118,369
Miscellaneous .....	17,830	—	2,853	6,142	131,287	—	—	158,112
<b>Total Receipts .....</b>	<b>938,096</b>	<b>—</b>	<b>68,140</b>	<b>6,142</b>	<b>149,664</b>	<b>—</b>	<b>—</b>	<b>1,162,042</b>
<b>Disbursements</b>								
Public safety .....	317,331	—	—	37,867	—	—	—	355,198
Public works .....	54,504	—	—	—	—	—	—	54,504
Health and social services .....	3,396	—	—	—	—	—	—	3,396
Culture and recreation .....	220,990	—	—	—	184,107	—	—	405,097
Community and economic development .....	2,969	—	—	—	—	—	—	2,969
General government .....	117,888	—	59,232	—	—	—	—	177,120
<b>Total Disbursements .....</b>	<b>717,078</b>	<b>—</b>	<b>59,232</b>	<b>37,867</b>	<b>184,107</b>	<b>—</b>	<b>—</b>	<b>998,284</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>221,018</b>	<b>—</b>	<b>8,908</b>	<b>(31,725)</b>	<b>(34,443)</b>	<b>—</b>	<b>—</b>	<b>163,758</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in .....	252,304	18,328	—	42,256	—	—	—	312,888
Transfers out .....	(60,584)	(106,593)	—	—	—	—	—	(167,177)
<b>Total Other Financing Sources (Uses) .....</b>	<b>191,720</b>	<b>(88,265)</b>	<b>—</b>	<b>42,256</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>145,711</b>
<b>Change in Cash Balances .....</b>	<b>412,738</b>	<b>(88,265)</b>	<b>8,908</b>	<b>10,531</b>	<b>(34,443)</b>	<b>—</b>	<b>—</b>	<b>309,469</b>
Cash Balances - Beginning of Year .....	179,365	88,265	97,982	5,999	799,974	750	7,376	1,179,711
<b>Cash Balances - End of Year .....</b>	<b>\$ 592,103</b>	<b>\$ —</b>	<b>\$ 106,890</b>	<b>\$ 16,530</b>	<b>\$ 765,531</b>	<b>\$ 750</b>	<b>\$ 7,376</b>	<b>\$ 1,489,180</b>
<b>Cash Basis Fund Balances</b>								
Restricted for other purposes .....	\$ —	\$ —	\$ 106,890	\$ —	\$ 765,531	\$ 750	\$ 7,376	\$ 880,547
Assigned for other purposes .....	40,612	—	—	16,530	—	—	—	57,142
Unassigned .....	551,491	—	—	—	—	—	—	551,491
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 592,103</b>	<b>\$ —</b>	<b>\$ 106,890</b>	<b>\$ 16,530</b>	<b>\$ 765,531</b>	<b>\$ 750</b>	<b>\$ 7,376</b>	<b>\$ 1,489,180</b>

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

As of and for the Year Ended June 30, 2021

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Permanent</u>	Total
	Employee Benefits	Library	Industrial Park Development	FEMA Reimburse- ment	Cemetery Trust	
<b>Receipts</b>						
Property tax .....	\$ 188,100	\$ —	\$ —	\$ —	\$ —	\$ 188,100
Use of money and property .....	—	—	—	—	612	612
Intergovernmental .....	—	—	—	67,077	—	67,077
Charges for service .....	—	—	—	—	1,200	1,200
Miscellaneous .....	—	—	9,480	—	—	9,480
<b>Total Receipts .....</b>	<b><u>188,100</u></b>	<b><u>—</u></b>	<b><u>9,480</u></b>	<b><u>67,077</u></b>	<b><u>1,812</u></b>	<b><u>266,469</u></b>
<b>Disbursements</b>						
Community and economic development .....	—	—	5,364	—	—	5,364
<b>Receipts Over Disbursements .....</b>	<b><u>188,100</u></b>	<b><u>—</u></b>	<b><u>4,116</u></b>	<b><u>67,077</u></b>	<b><u>1,812</u></b>	<b><u>261,105</u></b>
<b>Other Financing Uses</b>						
Transfers out .....	<u>(188,100)</u>	—	—	<u>(67,077)</u>	—	<u>(255,177)</u>
<b>Change in Cash Balances .....</b>	<b>—</b>	<b>—</b>	<b>4,116</b>	<b>—</b>	<b>1,812</b>	<b>5,928</b>
Cash Balances - Beginning of Year .....	—	1,431	939	—	85,141	87,511
<b>Cash Balances - End of Year .....</b>	<b><u>\$ —</u></b>	<b><u>\$ 1,431</u></b>	<b><u>\$ 5,055</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 86,953</u></b>	<b><u>\$ 93,439</u></b>
<b>Cash Basis Fund Balances</b>						
Nonspendable .....	\$ —	\$ —	\$ —	\$ —	\$ 86,953	\$ 86,953
Restricted for other purposes .....	—	1,431	—	—	—	1,431
Unassigned .....	—	—	5,055	—	—	5,055
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ —</u></b>	<b><u>\$ 1,431</u></b>	<b><u>\$ 5,055</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 86,953</u></b>	<b><u>\$ 93,439</u></b>

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

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As of and for the Year Ended June 30, 2021

	Water	Water Bond Sinking	Water Deposits	Total
<b>Operating Receipts</b>				
Charges for service .....	\$ 664,100	\$ —	\$ —	\$ 664,100
Miscellaneous.....	210	—	7,955	8,165
<b>Total Operating Receipts .....</b>	<b><u>664,310</u></b>	<b><u>—</u></b>	<b><u>7,955</u></b>	<b><u>672,265</u></b>
<b>Operating Disbursements</b>				
Business-type activities .....	<b><u>386,547</u></b>	<b><u>—</u></b>	<b><u>5,209</u></b>	<b><u>391,756</u></b>
<b>Operating Receipts Over Operating Disbursements .....</b>	<b><u>277,763</u></b>	<b><u>—</u></b>	<b><u>2,746</u></b>	<b><u>280,509</u></b>
<b>Nonoperating Disbursements</b>				
Capital outlay.....	586	—	—	586
Debt service .....	<u>—</u>	<u>262,240</u>	<u>—</u>	<u>262,240</u>
<b>Total Nonoperating Disbursements .....</b>	<b><u>586</u></b>	<b><u>262,240</u></b>	<b><u>—</u></b>	<b><u>262,826</u></b>
<b>Receipts Over (Under) Disbursements .....</b>	<b><u>277,177</u></b>	<b><u>(262,240)</u></b>	<b><u>2,746</u></b>	<b><u>17,683</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers in .....	—	262,240	—	262,240
Transfers out .....	<u>(262,240)</u>	<u>—</u>	<u>—</u>	<u>(262,240)</u>
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>(262,240)</u></b>	<b><u>262,240</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Change in Cash Balances .....</b>	<b>14,937</b>	<b>—</b>	<b>2,746</b>	<b>17,683</b>
Cash Balances - Beginning of Year .....	<u>98,717</u>	<u>—</u>	<u>55,342</u>	<u>154,059</u>
<b>Cash Balances - End of Year .....</b>	<b><u>\$ 113,654</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 58,088</u></b>	<b><u>\$ 171,742</u></b>
<b>Cash Basis Fund Balances</b>				
Restricted for				
Customer deposits .....	\$ —	\$ —	\$ 58,088	\$ 58,088
Unrestricted .....	<u>113,654</u>	<u>—</u>	<u>—</u>	<u>113,654</u>
<b>Total Cash Basis Fund Balances</b>	<b><u>\$ 113,654</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 58,088</u></b>	<b><u>\$ 171,742</u></b>



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

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As of and for the Year Ended June 30, 2021

	Sewer Rental	Sewer Bond Sinking	Wasterwater Treatment Facility Improvements	Green Lift Station Improve- ments	Total
<b>Operating Receipts</b>					
Charges for service .....	\$ 482,284	\$ —	\$ —	\$ —	\$ 482,284
Miscellaneous .....	<u>—</u>	<u>—</u>	<u>23,000</u>	<u>—</u>	<u>23,000</u>
<b>Total Operating Receipts .....</b>	<b>482,284</b>	<b>—</b>	<b>23,000</b>	<b>—</b>	<b>505,284</b>
<b>Operating Disbursements</b>					
Business-type activities .....	<u>235,622</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>235,622</u>
<b>Operating Receipts Over Operating Disbursements .....</b>	<b>246,662</b>	<b>—</b>	<b>23,000</b>	<b>—</b>	<b>269,662</b>
<b>Nonoperating Disbursements</b>					
Capital outlay .....	4,401	—	23,000	66,538	93,939
Debt service .....	<u>—</u>	<u>64,600</u>	<u>—</u>	<u>—</u>	<u>64,600</u>
<b>Total Nonoperating Disbursements .....</b>	<b>4,401</b>	<b>64,600</b>	<b>23,000</b>	<b>66,538</b>	<b>158,539</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>242,261</b>	<b>(64,600)</b>	<b>—</b>	<b>(66,538)</b>	<b>111,123</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in .....	—	64,600	—	149,188	213,788
Transfers out .....	<u>(82,023)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(82,023)</u>
<b>Net Other Financing Sources (Uses) .....</b>	<b>(82,023)</b>	<b>64,600</b>	<b>—</b>	<b>149,188</b>	<b>131,765</b>
<b>Change in Cash Balances .....</b>	<b>160,238</b>	<b>—</b>	<b>—</b>	<b>82,650</b>	<b>242,888</b>
Cash Balances - Beginning of Year	<u>225,101</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>225,101</u>
<b>Cash Balances - End of Year .....</b>	<b>\$ 385,339</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 82,650</b>	<b>\$ 467,989</b>
<b>Cash Basis Fund Balances</b>					
Unrestricted .....	<u>\$ 385,339</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 82,650</u>	<u>\$ 467,989</u>

## Schedule of Indebtedness

Year Ended June 30, 2021

	Amount Originally Issued	Date of Issue	Interest Rates	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>								
Corporate purpose and refunding .....	\$ 1,555,000	3-13-13	1.50 - 2.00%	\$ 345,000	\$ —	\$ 145,000	\$ 200,000	\$ 6,900
Refunding .....	930,000	5-10-17	2.00 - 2.25	580,000	—	120,000	460,000	12,125
Storm water management .....	1,010,000	4-8-20	2.60	<u>880,000</u>	<u>—</u>	<u>110,000</u>	<u>770,000</u>	<u>22,880</u>
<b>Total General Obligation Bonds .....</b>				<b><u>\$ 1,805,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 375,000</u></b>	<b><u>\$ 1,430,000</u></b>	<b><u>\$ 41,905</u></b>
<b>Revenue Bonds</b>								
Water .....	\$ 3,200,000	6-1-07	1.75%	\$ 512,000	\$ —	\$ 252,000	\$ 260,000	\$ 8,960
Sewer .....	1,297,000	9-11-15	2.00	830,000	—	48,000	782,000	14,525
Local option sales tax .....	451,912	5-1-19	4.00	<u>151,572</u>	<u>—</u>	<u>151,572</u>	<u>—</u>	<u>6,147</u>
<b>Total Revenue Bonds .....</b>				<b><u>\$ 1,493,572</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 451,572</u></b>	<b><u>\$ 1,042,000</u></b>	<b><u>\$ 29,632</u></b>
<b>Vehicle Loan</b>								
2018 Ford Interceptor .....	\$ 32,660	3-27-18	2.75%	<b><u>\$ 19,833</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 6,444</u></b>	<b><u>\$ 13,389</u></b>	<b><u>\$ 547</u></b>

## Schedule of Bond and Note Maturities

As of June 30, 2021

Year Ending June 30,	General Obligation Bonds						
	Corporate Purpose and Refunding		Refunding		Storm Water Management		Total
	Issued March 31, 2013		Issued May 10, 2017		Issued April 8, 2020		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2022	2.00%	\$ 100,000	2.00%	\$ 125,000	2.60%	\$ 120,000	
2023	2.00	100,000	2.00	125,000	2.60	125,000	350,000
2024		—	2.25	130,000	2.60	125,000	255,000
2025		—	2.25	80,000	2.60	130,000	210,000
2026		—		—	2.60	135,000	135,000
2027		—		—	2.60	135,000	135,000
<b>Total</b>		<b>\$ 200,000</b>		<b>\$ 460,000</b>		<b>\$ 770,000</b>	<b>\$ 1,430,000</b>

Year Ending June 30,	Revenue Bonds				
	Water Revenue		Sewer Revenue		Total
	Issued June 1, 2007		Issued Sept. 11, 2015		
Interest Rates	Amount	Interest Rates	Amount		
2022	1.75%	\$ 260,000	2.00%	\$ 60,000	\$ 320,000
2023		—	2.00	61,000	61,000
2024		—	2.00	63,000	63,000
2025		—	2.00	64,000	64,000
2026		—	2.00	65,000	65,000
2027		—	2.00	66,000	66,000
2028		—	2.00	68,000	68,000
2029		—	2.00	69,000	69,000
2030		—	2.00	70,000	70,000
2031		—	2.00	72,000	72,000
2032		—	2.00	73,000	73,000
2033		—	2.00	51,000	51,000
<b>Total</b>		<b>\$ 260,000</b>		<b>\$ 782,000</b>	<b>\$ 1,042,000</b>

Year Ending June 30,	Vehicle Loan	
	Issued Feb. 1, 2018	
Interest Rates	Amount	
2022	2.75%	\$ 6,623
2023	2.75	6,766
<b>Total</b>		<b>\$ 13,389</b>

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

Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Receipts</b>										
Property tax .....	\$ 1,056,381	\$ 1,063,368	\$ 922,545	\$ 835,170	\$ 857,396	\$ 821,757	\$ 798,242	\$ 772,581	\$ 746,058	\$ 728,694
Tax increment financing .....	204,950	258,568	241,438	232,605	241,486	205,336	199,462	165,592	173,602	173,171
Other city tax .....	487,734	502,516	395,441	331,548	404,043	310,296	333,178	358,946	354,820	366,526
Licenses and permits.....	1,446	1,210	1,915	60,410	45,288	42,967	40,839	36,033	8,939	9,093
Use of money and property .....	19,971	32,962	27,362	11,481	4,439	6,895	4,263	7,916	12,350	10,659
Intergovernmental .....	544,952	379,486	366,501	360,350	348,417	347,643	320,710	336,193	281,958	290,369
Charges for service .....	121,722	148,925	147,860	148,231	147,699	145,877	120,670	127,690	137,301	147,803
Miscellaneous.....	<u>189,454</u>	<u>36,837</u>	<u>788,875</u>	<u>30,877</u>	<u>21,633</u>	<u>41,950</u>	<u>87,692</u>	<u>29,394</u>	<u>26,251</u>	<u>45,492</u>
<b>Total Receipts .....</b>	<b><u>\$ 2,626,610</u></b>	<b><u>\$ 2,423,872</u></b>	<b><u>\$ 2,891,937</u></b>	<b><u>\$ 2,010,672</u></b>	<b><u>\$ 2,070,401</u></b>	<b><u>\$ 1,922,721</u></b>	<b><u>\$ 1,905,056</u></b>	<b><u>\$ 1,834,345</u></b>	<b><u>\$ 1,741,279</u></b>	<b><u>\$ 1,771,807</u></b>
<b>Disbursements</b>										
Operating										
Public safety.....	\$ 355,198	\$ 441,037	\$ 506,204	\$ 527,560	\$ 467,261	\$ 367,359	\$ 382,903	\$ 566,483	\$ 322,332	\$ 331,815
Public works.....	703,178	1,404,159	454,138	305,982	299,659	333,084	304,461	770,354	339,754	270,497
Health and social services.....	3,396	473	4,561	8,254	9,818	14,418	25,154	23,046	66,631	60,750
Culture and recreation.....	405,097	297,139	365,905	287,206	316,660	281,540	327,621	234,589	230,055	237,503
Community and economic development.....	8,333	4,994	10,852	42,638	2,231	—	—	736	1,950	9,191
General government .....	177,120	177,958	164,575	170,682	176,747	211,575	185,482	119,980	172,452	178,933
Debt service .....	576,224	647,161	508,669	355,688	1,264,042	347,955	1,231,412	494,750	419,530	423,280
Capital projects.....	<u>137,235</u>	<u>174,663</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,031</u>	<u>9,362</u>	<u>11,027</u>	<u>109,480</u>	<u>56,221</u>
<b>Total Disbursements .....</b>	<b><u>\$ 2,365,781</u></b>	<b><u>\$ 3,147,584</u></b>	<b><u>\$ 2,014,904</u></b>	<b><u>\$ 1,698,010</u></b>	<b><u>\$ 2,536,418</u></b>	<b><u>\$ 1,557,962</u></b>	<b><u>\$ 2,466,395</u></b>	<b><u>\$ 2,220,965</u></b>	<b><u>\$ 1,662,184</u></b>	<b><u>\$ 1,568,190</u></b>

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

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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, Iowa, as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the City’s basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 6, 2022. Our report expressed modified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States.

**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) to determine the 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.

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

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

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 of Marengo's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying schedule of findings as items 21-I-R-1, 21-I-R-2 and 21-I-R-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying schedule of findings as item 21-I-R-4 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Marengo's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 that are described in Part II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

### **Purpose of This Report**

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
January 6, 2022

# Schedule of Findings

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Year Ended June 30, 2021

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

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

#### **21-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** - 20-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.

#### **21-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

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Year Ended June 30, 2021

**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** - 20-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.

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

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

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

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

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

**Identification of Repeat Finding** - 20-I-R-4.

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

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

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



## Schedule of Findings

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Year Ended June 30, 2021

### 21-I-R-4 Payroll Records

**Criteria** - On an annual basis, approved rates of pay for all employees should be documented in the City Council minutes or in a resolution. Additionally, employee personnel files should clearly document pay rate histories, including all raises approved by the City Council.

**Condition** - We were unable to verify the authorized rate of pay for one employee selected for testing because the employee does not have a contract, nor did the personnel file contain documentation supporting the rate of pay.

**Cause** - Lack of management oversight.

**Effect or Potential Effect** - Inadequate record keeping could result in inaccurate payment and recording of wages.

**Identification of Repeat Finding** - 20-I-R-5.

**Auditor's Recommendation** - The City should annually approve rates of pay for each employee, and those approved rates should be documented in each employee's personnel file. The purpose is to allow better oversight of wages by the Mayor, City Council and management.

**View of Responsible Officials and Planned Corrective Action** - The City will review and update personnel files for all employees.

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

### **Part II: Findings Related to Statutory Reporting**

#### 21-II-A Certified Budget

**Current Year Finding** - Disbursements during the year ended June 30, 2021 exceeded the final budget in the 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 if necessary.

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

21-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.

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

## Schedule of Findings

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Year Ended June 30, 2021

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

<b>Name, Title and Business Connection</b>	<b>Transaction Description</b>	<b>Amount</b>
Mark Swift, Fireman Father of owner of Brown's Hardware/Swift True Value	Supplies	\$ 5,919
Brian Miller, Fireman Owner of Miller Excavating	Repairs, hauling and excavating	250,326
Travis Schlabach, Council Member and Fireman Owner of S & S Plumbing	Repairs and maintenance	5,980

In accordance with Chapter 362.5 of the Code of Iowa, the transactions listed above may represent conflicts of interest since a competitive bidding process was not utilized and they were in excess of \$1,500. Four of the transactions (totaling \$173,850) with Miller Excavating do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa. The remaining \$76,476 paid to Miller Excavating may represent conflicts of interest since competitive bidding was not utilized for those transactions.

The City sold an industrial park lot to Travis Schlabach and Brian Miller for \$9,480. This transaction does not appear to represent a conflict of interest, as the City followed its established guidelines, rules and restrictions for the sale of such property. A notice was published and a public hearing was held, and after consideration of all offers received, the City determined it was in the best interest of the City to sell to these related parties.

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

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

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

- 21-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.

- 21-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.

## Schedule of Findings

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Year Ended June 30, 2021

### 21-II-G Council Minutes

**Current Year Findings** - Two of the four meeting minutes tested did not include a summary of monthly cash receipts by fund.

**Auditor's Recommendation** - The City should review the requirements of Chapter 372.13(6) of the Code of Iowa and ensure that published minutes include a summary of all receipts.

**City's Response** - The City will comply with the Code of Iowa and properly include all required information in the published minutes.

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

**21-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.

**21-II-I Urban Renewal Annual Report** - We determined that the urban renewal annual report for the year ended June 30, 2020 was properly approved and filed on or before December 1, 2020. However, we noted that T.I.F. debt outstanding as reported on the Levy Authority Summary was overstated by \$390,389.

**Auditor's Recommendation** - The City should ensure the debt amounts reported on the Levy Authority Summary agree with the City's records.

**City's Response** - This will be corrected on next year's report.

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

**21-II-J Tax Increment Financing** - The Special Revenue, Tax Increment Financing (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.