

CITY OF MARENGO, IOWA

FINANCIAL STATEMENTS

JUNE 30, 2020

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Officials

Name	Title	Term Expires
Elected Officials		
Adam Rabe	Mayor	December 31, 2021
William Kreis	Council Member and Mayor Pro Tem	December 31, 2021
Greg Jergens	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
Appointed Officials		
Karla Marck	City Administrator/Clerk	Indefinite
Ellen Young	City Financial Manager	Indefinite
Lisa Lillie	Utility Billing Clerk	Indefinite
Lonnie Altenhofen	Public Works Director	Indefinite
John Pilkington	City Attorney	Indefinite
Galen Moser (retired December 31, 2019)	Police Chief	Indefinite
Ben Gray (started November 26, 2019)	Police Chief	Indefinite

Independent Auditor's Report

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, 2020, 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

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Adverse
Component Units	Adverse
Governmental Funds	
General Fund	Unmodified
Road Use Tax Fund	Unmodified
Local Option Sales Tax Fund	Unmodified
Tax Increment Financing	Unmodified
Debt Service	Unmodified
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, 2020, 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, 2020 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 ten years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions for the years ended June 30, 2010-2012 and 2014. We expressed a qualified opinion in 2013 due to missing information within the component units. In 2015 through 2019, 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 November 4, 2020 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
November 4, 2020

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, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities, other than transfers, increased 17%, or approximately \$504,000, from the fiscal year 2019 to the fiscal year 2020. Property tax receipts increased approximately \$158,000. The main reason for the increase in receipts from fiscal year 2019 was the receipt of approximately \$992,000 from the issuance of the Series 2020A General Obligation Storm Water Management Bonds.

Governmental activities disbursements increased 56%, or approximately \$1,133,000, in fiscal year 2020 from the fiscal year 2019. Expenditures increased approximately \$138,000 in Debt Service due to the first payment on the Series 2020A General Obligation Storm Water Management Bonds issued in fiscal year 2020. Expenditures increased approximately \$950,000 in Public Works due primarily to equipment repairs of \$39,000 and street surface improvements of \$874,000.

The City's total cash basis net position increased approximately \$332,000 from June 30, 2019 to June 30, 2020. The cash basis net position of the governmental activities increased approximately \$247,000 and the cash basis net position of the business-type activities increased by approximately \$85,000.

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 has fiduciary responsibilities.

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, 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.

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

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

3. The fiduciary fund is used to account for assets that belong to others and for which the City has a fiduciary responsibility.

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 \$2,803,404 a year ago to \$3,050,192. 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>2020</u>	<u>2019</u>
Receipts		
Program Receipts		
Charges for service	\$ 172,041	\$ 171,891
Operating grants, contributions and restricted interest	394,417	1,133,260
General Receipts		
Property and T.I.F. taxes	1,321,936	1,163,983
Other city tax	502,516	395,441
Bond proceeds, net of discount	992,325	—
Miscellaneous unrestricted interest on investments and sale of assets	<u>32,962</u>	<u>47,229</u>
Total Receipts	<u>3,416,197</u>	<u>2,911,804</u>
Disbursements		
Public safety	441,037	506,204
Public works	1,404,159	454,138
Health and social services	473	4,561
Culture and recreation	297,139	365,905
Community and economic development	4,994	10,852
General government	177,958	164,575
Debt service	647,161	508,669
Capital projects	<u>174,663</u>	<u>—</u>
Total Disbursements	<u>3,147,584</u>	<u>2,014,904</u>
Change in Cash Basis Net Position Before Transfers	268,613	896,900
Transfers, Net	<u>(21,825)</u>	<u>—</u>
Change in Cash Basis Net Position	246,788	896,900
Cash Basis Net Position - Beginning of Year	<u>2,803,404</u>	<u>1,906,504</u>
Cash Basis Net Position - End of Year	<u>\$ 3,050,192</u>	<u>\$ 2,803,404</u>

The City's total receipts for governmental activities increased by 17%, or \$504,393, due primarily to a decrease in donations received of approximately \$750,000 and increases in property tax receipts, other city taxes and bond proceeds of approximately \$158,000, \$107,000 and \$992,000, respectively.

The total cost of all programs and services increased by \$1,132,680, or 56%, due primarily to fiscal year 2020 Public Works Department equipment repairs of \$39,250 and street surface improvements of \$874,255, debt service payments of \$133,866 on the general obligation storm water management bond issued in 2020 and levee improvement construction costs of \$174,663.

Changes in Cash Basis Net Position of Business-Type Activities

	<u>Years Ended June 30,</u>	
	2020	2019
Receipts		
Program Receipts		
Charges for Service		
Water	\$ 652,670	\$ 617,206
Sanitary Sewer	408,123	368,387
Storm Sewer	<u>19,040</u>	<u>19,283</u>
Total Receipts	<u>1,079,833</u>	<u>1,004,876</u>
Disbursements		
Water	647,703	594,302
Sanitary Sewer	348,868	321,954
Storm Sewer	<u>19,937</u>	<u>13,381</u>
Total Disbursements	<u>1,016,508</u>	<u>929,637</u>
Change in Cash Basis Net Position Before Transfers	63,325	75,239
Transfers, Net	<u>21,825</u>	<u>—</u>
Change in Cash Basis Net Position	85,150	75,239
Cash Basis Net Position - Beginning of Year	<u>358,343</u>	<u>283,104</u>
Cash Basis Net Position - End of Year	<u>\$ 443,493</u>	<u>\$ 358,343</u>

Total business-type activities receipts for the fiscal year were \$1,079,833 compared to \$1,004,876 last year. Total disbursements for the fiscal year increased by 9%, or \$86,871. The increase in receipts was primarily due to a 25% increase to the debt assessment added to utility bills for water users that became effective February 27, 2019, a 3% increase in water rates that became effective July 1, 2019, and a 40% increase to the sewer maintenance and improvement fee added to utility customers' bills that became effective in August, 2019. The increase in disbursements was primarily due to higher repairs, maintenance and equipment costs in fiscal year 2020.

The cash balance increased by \$85,150, or 24%, from the prior year, mainly due to increases in rates and fees charged to utility customers in fiscal years 2019 and 2020.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City of Marengo's governmental funds reported a combined cash balance of \$3,050,192, an increase of \$246,788 from last year's total of \$2,803,404.

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 \$80,819 from the prior year to \$1,179,711 due to increases in property tax receipts and utility franchise fees received.

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

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

The Special Revenue, Road Use Tax Fund cash balance decreased \$20,587 to \$525,598. This decrease is due to the cost of street improvement projects exceeding receipts and transfers in the current year.

The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$694,112 to \$196,699. This decrease is due to disbursements and transfers exceeding receipts in the current year. The City transferred more 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 \$43,433 to \$102,351 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 \$5,654 due to property tax receipts and transfers in excess of principal and interest payments.

The Levee Capital Project Fund cash balance increased from \$0 to \$815,693 during the fiscal year. This increase is due to debt proceeds exceeding disbursements for the project during the year. The City intends to spend the remaining money in this fund as work on the project progresses.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Water Utility cash balance increased by \$7,379 to \$154,059, 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 \$78,668 to \$225,101 due to a debt assessment charge that was added to utility bills beginning in August, 2019. This charge is to help pay for a new wastewater treatment facility that is currently in the planning phase.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once to adjust budgeted expenditures for street improvement projects and other items.

DEBT ADMINISTRATION

As of June 30, 2020, the City had \$1,805,000 in general obligation debt, \$151,572 in local option sales tax revenue debt, \$512,000 in water revenue debt, \$830,000 in sewer revenue debt and \$19,833 in notes payable for a vehicle, for total debt outstanding of \$3,318,405.

Total debt outstanding increased from the prior year due to the issuance of Series 2020A General Obligation Storm Water Management Bonds to pay for levee improvements.

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 \$1,805,000 is below its constitutional debt limit of \$6,264,573.

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 2021 budget, tax rates and fees that will be charged for various City activities.

Amounts available for appropriation in the operating budget are approximately \$5,267,000, a decrease of 7.8% from the final fiscal year 2020 budget. Disbursements are expected to decrease by approximately \$953,000 from fiscal year 2020. The primary reason for the expected decrease in receipts is related to lower property tax rates for insurance, employee benefits and debt service. The primary reason for the expected decrease in disbursements is lower expected street improvement costs. The City completed a large project on Lucas and Lafayette streets in 2020 and does not expect a similar, large project in the fiscal year 2021.

Marengo Memorial Hospital

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

FINANCIAL CONTACT

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

Basic Financial Statements

Statement of Activities and Net Position - Cash Basis

As of and for the Year Ended June 30, 2020

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	
Governmental Activities						
Public safety	\$ 441,037	\$ 49,355	\$ 39,605	\$ (352,077)	\$ —	\$ (352,077)
Public works	1,404,159	82,876	324,945	(996,338)	—	(996,338)
Health and social services	473	19,551	—	19,078	—	19,078
Culture and recreation	297,139	18,278	29,867	(248,994)	—	(248,994)
Community and economic development	4,994	—	—	(4,994)	—	(4,994)
General government	177,958	1,981	—	(175,977)	—	(175,977)
Debt service	647,161	—	—	(647,161)	—	(647,161)
Capital projects	174,663	—	—	(174,663)	—	(174,663)
Total Governmental Activities	3,147,584	172,041	394,417	(2,581,126)	—	(2,581,126)
Business-Type Activities						
Water	647,703	652,670	—	—	4,967	4,967
Sanitary sewer	348,868	408,123	—	—	59,255	59,255
Storm sewer	19,937	19,040	—	—	(897)	(897)
Total Business-Type Activities	1,016,508	1,079,833	—	—	63,325	63,325
Total	\$ 4,164,092	\$ 1,251,874	\$ 394,417	(2,581,126)	63,325	(2,517,801)
General Receipts						
Property Tax Levied for						
General purposes				769,892	—	769,892
Debt service				293,476	—	293,476
Tax increment financing				258,568	—	258,568
Local option sales tax				382,856	—	382,856
Utility franchise fees				119,660	—	119,660
Unrestricted interest on investments				32,962	—	32,962
Bond proceeds				1,010,000	—	1,010,000
Underwriter's discount on bond issuance				(17,675)	—	(17,675)
Transfers				(21,825)	21,825	—
Total General Receipts				2,827,914	21,825	2,849,739
Change in Cash Basis Net Position				246,788	85,150	331,938
Cash Basis Net Position - Beginning of Year				2,803,404	358,343	3,161,747
Cash Basis Net Position - End of Year				\$ 3,050,192	\$ 443,493	\$ 3,493,685
Cash Basis Net Position						
Restricted						
Nonexpendable				\$ 85,141	\$ —	\$ 85,141
Expendable						
Debt service				142,629	—	142,629
Local option sales tax				196,699	—	196,699
Urban renewal purposes				102,351	—	102,351
Streets				525,598	—	525,598
Other purposes				1,723,206	55,342	1,778,548
Unrestricted				274,568	388,151	662,719
Total Cash Basis Net Position				\$ 3,050,192	\$ 443,493	\$ 3,493,685

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

As of and for the Year Ended June 30, 2020

	Major					Capital Projects	Nonmajor	
	Special Revenue					Levee	Governmental	
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing	Debt Service	Project	Funds	Total
Receipts								
Property tax	\$ 592,849	\$ —	\$ —	\$ —	\$ 293,476	\$ —	\$ 177,043	\$ 1,063,368
Tax increment financing	—	—	—	258,568	—	—	—	258,568
Other city tax	119,660	—	382,856	—	—	—	—	502,516
Licenses and permits.....	1,210	—	—	—	—	—	—	1,210
Use of money and property	31,777	—	4	—	—	—	1,181	32,962
Intergovernmental	29,164	324,945	—	—	—	—	25,377	379,486
Charges for service	118,979	28,346	—	—	—	—	1,600	148,925
Miscellaneous.....	28,040	8,797	—	—	—	—	—	36,837
Total Receipts.....	921,679	362,088	382,860	258,568	293,476	—	205,201	2,423,872
Disbursements								
Public safety	441,037	—	—	—	—	—	—	441,037
Public works	57,504	1,346,655	—	—	—	—	—	1,404,159
Health and social services	473	—	—	—	—	—	—	473
Culture and recreation	297,094	—	—	—	—	—	45	297,139
Community and economic development.....	2,661	—	—	—	—	—	2,333	4,994
General government.....	177,958	—	—	—	—	—	—	177,958
Debt service	—	—	157,720	—	489,441	—	—	647,161
Capital projects.....	—	—	—	—	—	174,663	—	174,663
Total Disbursements.....	976,727	1,346,655	157,720	—	489,441	174,663	2,378	3,147,584
Receipts Over (Under) Disbursements	(55,048)	(984,567)	225,140	258,568	(195,965)	(174,663)	202,823	(723,712)
Other Financing Sources (Uses)								
Debt proceeds	—	—	—	—	—	1,010,000	—	1,010,000
Underwriter's discount.....	—	—	—	—	—	(17,675)	—	(17,675)
Transfers in	154,994	963,980	157,721	—	201,619	—	—	1,478,314
Transfers out	(19,127)	—	(1,076,973)	(199,650)	—	(1,969)	(202,420)	(1,500,139)
Total Other Financing Sources (Uses).....	135,867	963,980	(919,252)	(199,650)	201,619	990,356	(202,420)	970,500
Change in Cash Balances	80,819	(20,587)	(694,112)	58,918	5,654	815,693	403	246,788
Cash Balances - Beginning of Year	1,098,892	546,185	890,811	43,433	136,975	—	87,108	2,803,404
Cash Balances - End of Year	\$ 1,179,711	\$ 525,598	\$ 196,699	\$ 102,351	\$ 142,629	\$ 815,693	\$ 87,511	\$ 3,050,192
Cash Basis Fund Balances								
Nonspendable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 85,141	\$ 85,141
Restricted for								
Debt service	—	—	—	—	142,629	—	—	142,629
Local option sales tax.....	—	—	196,699	—	—	—	—	196,699
Urban renewal purposes	—	—	—	102,351	—	—	—	102,351
Streets	—	525,598	—	—	—	—	—	525,598
Other purposes	906,082	—	—	—	—	815,693	1,431	1,723,206
Assigned for other purposes.....	94,264	—	—	—	—	—	—	94,264
Unassigned	179,365	—	—	—	—	—	939	180,304
Total Cash Basis Fund Balances	\$ 1,179,711	\$ 525,598	\$ 196,699	\$ 102,351	\$ 142,629	\$ 815,693	\$ 87,511	\$ 3,050,192

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

As of and for the Year Ended June 30, 2020

	<u>Major</u>		<u>Nonmajor</u>	
	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Storm Sewer</u>	<u>Total</u>
Operating Receipts				
Charges for service	\$ 646,002	\$ 408,123	\$ 19,040	\$ 1,073,165
Miscellaneous.....	<u>6,668</u>	<u>—</u>	<u>—</u>	<u>6,668</u>
Total Operating Receipts	<u>652,670</u>	<u>408,123</u>	<u>19,040</u>	<u>1,079,833</u>
Operating Disbursements				
Business-type activities	<u>388,583</u>	<u>283,597</u>	<u>19,937</u>	<u>692,117</u>
Operating Receipts Over (Under)				
Operating Disbursements	264,087	124,526	(897)	387,716
Nonoperating Disbursements				
Debt service	<u>259,120</u>	<u>65,271</u>	<u>—</u>	<u>324,391</u>
Receipts Over (Under)				
Disbursements	<u>4,967</u>	<u>59,255</u>	<u>(897)</u>	<u>63,325</u>
Other Financing Sources (Uses)				
Transfers in	261,532	84,684	—	346,216
Transfers out	<u>(259,120)</u>	<u>(65,271)</u>	<u>—</u>	<u>(324,391)</u>
Net Other Financing Sources	<u>2,412</u>	<u>19,413</u>	<u>—</u>	<u>21,825</u>
Change in Cash Balances	7,379	78,668	(897)	85,150
Cash Balances - Beginning of Year	<u>146,680</u>	<u>146,433</u>	<u>65,230</u>	<u>358,343</u>
Cash Balances - End of Year	<u>\$ 154,059</u>	<u>\$ 225,101</u>	<u>\$ 64,333</u>	<u>\$ 443,493</u>
Cash Basis Fund Balances				
Restricted for				
Customer deposits	\$ 55,342	\$ —	\$ —	\$ 55,342
Unrestricted	<u>98,717</u>	<u>225,101</u>	<u>64,333</u>	<u>388,151</u>
Total Cash Basis Fund Balances	<u>\$ 154,059</u>	<u>\$ 225,101</u>	<u>\$ 64,333</u>	<u>\$ 443,493</u>

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

As of and for the Year Ended June 30, 2020

	Marengo Picnic in the Park, Inc.
Receipts	\$ 4,280
Disbursements	<u>4,366</u>
Change in Cash Balance	(86)
Cash Balance - Beginning of Year	<u>44,100</u>
Cash Balance - End of Year	<u>\$ 44,014</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Marengo, Iowa, is a political subdivision of the State of Iowa located in Iowa County. It was first incorporated in 1859 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and council members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Marengo has included, except as noted below, all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Marengo Memorial Hospital

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

Excluded Component Units

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Fiduciary Component Unit

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

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods and services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Regional Environmental Improvement Board and Iowa County Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of activities and net position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

(1) Summary of Significant Accounting Policies

Fund Financial Statements

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

The City reports the following major governmental funds:

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

Special Revenue

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

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

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

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.

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.

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.

(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, 2020, the City amended the original budget one time, on May 13, 2020.

(2) Cash and Investments

The City's deposits in banks as of June 30, 2020 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 \$891 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
2021	\$ 375,000	\$ 41,905	\$ 252,000	\$ 8,960	\$ 59,000	\$ 14,525
2022	345,000	33,745	260,000	4,550	60,000	13,493
2023	350,000	26,125	—	—	61,000	12,443
2024	255,000	18,375	—	—	63,000	11,375
2025	210,000	12,200	—	—	64,000	10,273
2026-2033	270,000	10,530	—	—	523,000	40,077
	<u>\$ 1,805,000</u>	<u>\$ 142,880</u>	<u>\$ 512,000</u>	<u>\$ 13,510</u>	<u>\$ 830,000</u>	<u>\$ 102,186</u>

Year Ending June 30,	Local Option Sales Tax Revenue		Vehicle Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 151,572	\$ 6,147	\$ 6,446	\$ 545	\$ 844,018	\$ 72,082
2022	—	—	6,623	368	671,623	52,156
2023	—	—	6,764	228	417,764	38,796
2024	—	—	—	—	318,000	29,750
2025	—	—	—	—	274,000	22,473
2026-2033	—	—	—	—	793,000	50,607
	<u>\$ 151,572</u>	<u>\$ 6,147</u>	<u>\$ 19,833</u>	<u>\$ 1,141</u>	<u>\$ 3,318,405</u>	<u>\$ 265,864</u>

(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 \$525,510. For the current year, principal, interest and fees paid and total customer net receipts were \$259,120 and \$277,190, 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, 2020, the City had drawn down \$1,097,716 and the total principal and interest remaining to be paid on the bonds was \$932,186. For the current year, principal, interest and fees paid and total customer net receipts were \$65,271 and \$136,306, 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.

Except for sufficient water rates being established to cause Water Fund net revenue to be at least 110% of the water revenue bond payments, the City was in compliance with these requirements as of June 30, 2020.

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 and are payable through 2021. Total principal and interest remaining on the bonds was \$157,719. For the current year, principal and interest paid and total local option sales tax proceeds were \$157,719 and \$382,856, 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.

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.

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.

(4) Pension and Retirement Benefits

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 2020, 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 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$63,808.

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

As of June 30, 2020, the City's liability for its proportionate share of the net pension liability totaled \$307,738. The net pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was 0.005314%, which was an increase of 0.000094% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$89,677, \$55,142 and \$75,590, 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, 2019 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, 2019 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 2019 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%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Notes to the Financial Statements

(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.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$718,749	\$307,738	(\$36,799)

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.

(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 \$593 for single coverage to \$1,722 for family coverage. For the year ended June 30, 2020, the City contributed \$173,839 and plan members eligible for benefits contributed \$1,670 to the plan. As of June 30, 2020, 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, 2020, the following employees were covered by the benefit terms:

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

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	\$ 135,867
	Employee Benefits	<u>532</u>
	Memorial Building	<u>136,399</u>
Capital Reserves	General	<u>18,595</u>
Special Revenue	Special Revenue	
Road Use Tax	Employee Benefits	41,176
	Special Revenue	
	Local Option Sales Tax	919,252
	Capital Projects	
	FEMA Reimbursement	<u>3,552</u>
		<u>963,980</u>
Special Revenue	Special Revenue	
Local Option Sales Tax	Local Option Sales Tax Sinking	<u>1</u>
Special Revenue	Special Revenue	
Local Option Sales Tax Sinking	Local Option Sales Tax	<u>157,720</u>
Special Revenue	Special Revenue	
Debt Service	Tax Increment Financing	199,650
	Capital Projects	
	Levee Project	<u>1,969</u>
		<u>201,619</u>
Enterprise	Capital Projects	
Water	FEMA Reimbursement	<u>2,412</u>
Enterprise	Enterprise	
Water Sinking	Water	<u>259,120</u>
Enterprise	Capital Projects	
Sewer	FEMA Reimbursement	<u>19,413</u>
Enterprise	Enterprise	
Sewer Sinking	Sewer	<u>65,271</u>
Total		<u>\$ 1,824,530</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

(8) Related Party Transactions

The City had business transactions between the City and City officials and employees totaling \$237,492 during the year ended June 30, 2020.

(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, 2020, \$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 July 24, 2019 of approximately \$998,000 for work on the Lucas and Lafayette street improvements. The City's remaining commitment on this project as of June 30, 2020 was approximately \$209,000.

The County Drainage District accepted a bid on February 21, 2020 of approximately \$977,000 for work on the levee protecting the City on its west and north boundaries. The City has agreed to pay the contractor directly. As of June 30, 2020, the City's remaining commitment on this project was approximately \$807,000.

(12) Subsequent Events

Management has evaluated subsequent events through November 4, 2020, the date which the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which are likely to negatively impact revenue, expenses, net income and cash flows. Other financial impacts could occur as well. The potential impacts that the pandemic will have on the City are unknown at this time.

In August, 2020, a large fast-moving complex of thunderstorms with powerful straight-line winds known as a derecho caused widespread destruction in eastern Iowa. Since that date, the City has spent \$64,468 for cleanup and debris removal from this storm.

The City accepted bids and awarded a contract in September, 2020 for approximately \$132,000 for work on the Green Lift Station Improvements Project.

The City requested reimbursement in October, 2020 from the Iowa COVID-19 Government Relief Fund of up to \$58,608 in eligible expenditures in response to the COVID-19 public health emergency.

On July 22, 2020, the City sold Industrial Park Lot #3 to related parties Brian Miller (fireman) and Travis Schlabach (City council member and fireman) for a price of \$9,480. In 2018, the City had published its intent to sell lots in the Industrial Park. The City gave two weeks' notice that a hearing would be held to receive public comments on this sale. The sale was finalized after this public hearing was closed.

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, *Fiduciary Activities*. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information



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

Year Ended June 30, 2020

	Govern- mental Funds - Actual	Proprietary Funds - Actual	Total	Budgeted Amounts		Over (Under) Final Budget
				Original	Final	
Receipts						
Property tax	\$ 1,063,368	\$ —	\$ 1,063,368	\$ 1,002,293	\$ 1,002,293	\$ 61,075
Tax increment financing	258,568	—	258,568	265,000	265,000	(6,432)
Other city tax	502,516	—	502,516	393,284	393,284	109,232
Licenses and permits ..	1,210	—	1,210	50,340	50,340	(49,130)
Use of money and property	32,962	—	32,962	12,336	12,336	20,626
Intergovernmental	379,486	—	379,486	1,964,555	1,964,555	(1,585,069)
Charges for service	148,925	1,073,165	1,222,090	1,189,890	1,189,890	32,200
Miscellaneous	36,837	6,668	43,505	633,520	633,520	(590,015)
Total Receipts	<u>2,423,872</u>	<u>1,079,833</u>	<u>3,503,705</u>	<u>5,511,218</u>	<u>5,511,218</u>	<u>(2,007,513)</u>
Disbursements						
Public safety	441,037	—	441,037	541,050	513,550	(72,513)
Public works	1,404,159	—	1,404,159	810,600	1,491,600	(87,441)
Health and social services	473	—	473	6,000	6,000	(5,527)
Culture and recreation	297,139	—	297,139	458,092	380,142	(83,003)
Community and economic development	4,994	—	4,994	11,200	11,200	(6,206)
General government ...	177,958	—	177,958	178,200	185,200	(7,242)
Debt service	647,161	—	647,161	648,698	648,698	(1,537)
Capital projects	174,663	—	174,663	1,540,000	1,540,000	(1,365,337)
Business-type activities	—	1,016,508	1,016,508	1,078,011	1,078,011	(61,503)
Total Disbursements	<u>3,147,584</u>	<u>1,016,508</u>	<u>4,164,092</u>	<u>5,271,851</u>	<u>5,854,401</u>	<u>(1,690,309)</u>
Receipts Over (Under) Disbursements	(723,712)	63,325	(660,387)	239,367	(343,183)	(317,204)
Other Financing Sources, Net	<u>970,500</u>	<u>21,825</u>	<u>992,325</u>	<u>—</u>	<u>—</u>	<u>992,325</u>
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	246,788	85,150	331,938	239,367	(343,183)	675,121
Balances - Beginning of Year	<u>2,803,404</u>	<u>358,343</u>	<u>3,161,747</u>	<u>2,251,581</u>	<u>2,251,581</u>	<u>910,166</u>
Balances - End of Year	<u>\$ 3,050,192</u>	<u>\$ 443,493</u>	<u>\$ 3,493,685</u>	<u>\$ 2,490,948</u>	<u>\$ 1,908,398</u>	<u>\$ 1,585,287</u>

Notes to Other Information - Budgetary Reporting ---

Year Ended June 30, 2020

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, 2020, the City amended the original budget one time, on May 13, 2020.

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, 2020, disbursements did not exceed the amounts budgeted.

Schedule of Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Six Years*

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.005314%	0.005220%	0.005409%	0.004245%	0.005082%	0.003922%
City's proportionate share of the net pension liability ..	\$307,738	\$330,354	\$360,296	\$267,174	\$251,083	\$155,524
City's covered-employee payroll	\$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.....	44.79%	53.45%	59.16%	61.28%	42.77%	29.23%
Plan fiduciary net position as a percentage of the total pension liability	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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 63,808	\$ 66,792	\$ 57,238	\$ 55,734	\$ 40,285	\$ 52,432	\$ 47,533	\$ 47,917	\$ 45,115	\$ 42,259
Contributions in relation to the statutorily required contributions.....	<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>	<u>(42,259)</u>
Contribution Deficiency (Excess)	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>	<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	\$ 665,000	\$ 687,000	\$ 618,000	\$ 609,000	\$ 436,000	\$ 587,000	\$ 532,000	\$ 553,000	\$ 559,000	\$ 608,000
Contributions as a percentage of covered-employee payroll	9.60%	9.72%	9.26%	9.15%	9.24%	8.93%	8.93%	8.67%	8.07%	6.95%

Notes to Other Information - Pension Liability

Year Ended June 30, 2020

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



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

As of and for the Year Ended June 30, 2020

	General	Capital Reserve	Insurance	Police Reserve	Library Miscellaneous	Marengo Recreation Commission	Memorial Building	Pool Renovation	Total
Receipts									
Property taxes	\$ 526,195	\$ —	\$ 66,654	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 592,849
Utility franchise fees	119,660	—	—	—	—	—	—	—	119,660
Licenses and permits.....	1,210	—	—	—	—	—	—	—	1,210
Use of money and property	20,472	—	—	—	11,305	—	—	—	31,777
Intergovernmental	29,164	—	—	—	—	—	—	—	29,164
Charges for service	118,979	—	—	—	—	—	—	—	118,979
Miscellaneous.....	21,338	—	746	5,206	—	750	—	—	28,040
Total Receipts	<u>837,018</u>	<u>—</u>	<u>67,400</u>	<u>5,206</u>	<u>11,305</u>	<u>750</u>	<u>—</u>	<u>—</u>	<u>921,679</u>
Disbursements									
Public safety	441,037	—	—	—	—	—	—	—	441,037
Public works	57,504	—	—	—	—	—	—	—	57,504
Health and social services	473	—	—	—	—	—	—	—	473
Culture and recreation	285,201	—	—	—	11,893	—	—	—	297,094
Community and economic development.....	2,661	—	—	—	—	—	—	—	2,661
General government.....	123,098	—	54,860	—	—	—	—	—	177,958
Total Disbursements.....	<u>909,974</u>	<u>—</u>	<u>54,860</u>	<u>—</u>	<u>11,893</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>976,727</u>
Receipts Over (Under) Disbursements	<u>(72,956)</u>	<u>—</u>	<u>12,540</u>	<u>5,206</u>	<u>(588)</u>	<u>750</u>	<u>—</u>	<u>—</u>	<u>(55,048)</u>
Other Financing Sources (Uses)									
Transfers in	136,399	18,595	—	—	—	—	—	—	154,994
Transfers out	(18,595)	—	—	—	—	—	(532)	—	(19,127)
Total Other Financing Sources (Uses)	<u>117,804</u>	<u>18,595</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(532)</u>	<u>—</u>	<u>135,867</u>
Change in Cash Balances.....	44,848	18,595	12,540	5,206	(588)	750	(532)	—	80,819
Cash Balances - Beginning of Year	<u>134,517</u>	<u>69,670</u>	<u>85,442</u>	<u>793</u>	<u>800,562</u>	<u>—</u>	<u>532</u>	<u>7,376</u>	<u>1,098,892</u>
Cash Balances - End of Year	<u>\$ 179,365</u>	<u>\$ 88,265</u>	<u>\$ 97,982</u>	<u>\$ 5,999</u>	<u>\$ 799,974</u>	<u>\$ 750</u>	<u>\$ —</u>	<u>\$ 7,376</u>	<u>\$ 1,179,711</u>
Cash Basis Fund Balances									
Restricted for other purposes	\$ —	\$ —	\$ 97,982	\$ —	\$ 799,974	\$ 750	\$ —	\$ 7,376	\$ 906,082
Assigned for other purposes.....	—	88,265	—	5,999	—	—	—	—	94,264
Unassigned	<u>179,365</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>179,365</u>
Total Cash Basis Fund Balances	<u>\$ 179,365</u>	<u>\$ 88,265</u>	<u>\$ 97,982</u>	<u>\$ 5,999</u>	<u>\$ 799,974</u>	<u>\$ 750</u>	<u>\$ —</u>	<u>\$ 7,376</u>	<u>\$ 1,179,711</u>

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

As of and for the Year Ended June 30, 2020

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Permanent</u>	
	<u>Employee Benefits</u>	<u>Library</u>	<u>Industrial Park Development</u>	<u>FEMA Reimburse- ment</u>	<u>Cemetery Trust</u>	<u>Total</u>
Receipts						
Property tax	\$ 177,043	\$ —	\$ —	\$ —	\$ —	\$ 177,043
Use of money and property	—	—	—	—	1,181	1,181
Intergovernmental	—	—	—	25,377	—	25,377
Charges for service	—	—	—	—	1,600	1,600
Total Receipts	<u>177,043</u>	<u>—</u>	<u>—</u>	<u>25,377</u>	<u>2,781</u>	<u>205,201</u>
Disbursements						
Culture and recreation	—	45	—	—	—	45
Community and economic development	—	—	2,333	—	—	2,333
Total Disbursements	<u>—</u>	<u>45</u>	<u>2,333</u>	<u>—</u>	<u>—</u>	<u>2,378</u>
Receipts Over (Under) Disbursements	177,043	(45)	(2,333)	25,377	2,781	202,823
Other Financing Uses						
Transfers out	(177,043)	—	—	(25,377)	—	(202,420)
Change in Cash Balances	—	(45)	(2,333)	—	2,781	403
Cash Balances - Beginning of Year	—	1,476	3,272	—	82,360	87,108
Cash Balances - End of Year	<u>\$ —</u>	<u>\$ 1,431</u>	<u>\$ 939</u>	<u>\$ —</u>	<u>\$ 85,141</u>	<u>\$ 87,511</u>
Cash Basis Fund Balances						
Nonspendable	\$ —	\$ —	\$ —	\$ —	\$ 85,141	\$ 85,141
Restricted for other purposes	—	1,431	—	—	—	1,431
Unassigned	—	—	939	—	—	939
Total Cash Basis Fund Balances	<u>\$ —</u>	<u>\$ 1,431</u>	<u>\$ 939</u>	<u>\$ —</u>	<u>\$ 85,141</u>	<u>\$ 87,511</u>

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

As of and for the Year Ended June 30, 2020

	Water	Water Bond Sinking	Water Deposits	Total
Operating Receipts				
Charges for service	\$ 646,002	\$ —	\$ —	\$ 646,002
Miscellaneous.....	<u>—</u>	<u>—</u>	<u>6,668</u>	<u>6,668</u>
Total Operating Receipts	646,002	—	6,668	652,670
Operating Disbursements				
Business-type activities	<u>382,701</u>	<u>—</u>	<u>5,882</u>	<u>388,583</u>
Operating Receipts Over Operating Disbursements	263,301	—	786	264,087
Nonoperating Disbursements				
Debt service	<u>—</u>	<u>259,120</u>	<u>—</u>	<u>259,120</u>
Receipts Over (Under) Disbursements	263,301	(259,120)	786	4,967
Other Financing Sources (Uses)				
Transfers in	2,412	259,120	—	261,532
Transfers out	<u>(259,120)</u>	<u>—</u>	<u>—</u>	<u>(259,120)</u>
Total Other Financing Sources (Uses)	(256,708)	259,120	—	2,412
Change in Cash Balances	6,593	—	786	7,379
Cash Balances - Beginning of Year	<u>92,124</u>	<u>—</u>	<u>54,556</u>	<u>146,680</u>
Cash Balances - End of Year	<u>\$ 98,717</u>	<u>\$ —</u>	<u>\$ 55,342</u>	<u>\$ 154,059</u>
Cash Basis Fund Balances				
Restricted for				
Customer deposits	\$ —	\$ —	\$ 55,342	\$ 55,342
Unrestricted	<u>98,717</u>	<u>—</u>	<u>—</u>	<u>98,717</u>
Total Cash Basis Fund Balances	<u>\$ 98,717</u>	<u>\$ —</u>	<u>\$ 55,342</u>	<u>\$ 154,059</u>

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

As of and for the Year Ended June 30, 2020

	Sewer Rental	Sewer Bond Sinking	Total
Operating Receipts			
Charges for service	\$ 408,123	\$ —	\$ 408,123
Operating Disbursements			
Business-type activities	<u>283,597</u>	<u>—</u>	<u>283,597</u>
Operating Receipts Over Operating Disbursements	124,526	—	124,526
Nonoperating Disbursements			
Debt service	<u>—</u>	<u>65,271</u>	<u>65,271</u>
Receipts Over (Under) Disbursements	<u>124,526</u>	<u>(65,271)</u>	<u>59,255</u>
Other Financing Sources (Uses)			
Transfers in	19,413	65,271	84,684
Transfers out	<u>(65,271)</u>	<u>—</u>	<u>(65,271)</u>
Total Other Financing Sources (Uses)	<u>(45,858)</u>	<u>65,271</u>	<u>19,413</u>
Change in Cash Balances	78,668	—	78,668
Cash Balances - Beginning of Year	<u>146,433</u>	<u>—</u>	<u>146,433</u>
Cash Balances - End of Year	<u>\$ 225,101</u>	<u>\$ —</u>	<u>\$ 225,101</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ 225,101</u>	<u>\$ —</u>	<u>\$ 225,101</u>

Schedule of Indebtedness

Year Ended June 30, 2020

	Amount Originally Issued	Date of Issue	Interest Rates	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds								
Corporate purpose and refunding	\$ 1,555,000	3-13-13	1.50 - 2.00%	\$ 555,000	\$ —	\$ 210,000	\$ 345,000	\$ 10,050
Refunding	930,000	5-10-17	2.00 - 2.25	700,000	—	120,000	580,000	14,525
Storm water management	1,010,000	4-8-20	2.60	<u>—</u>	<u>1,010,000</u>	<u>130,000</u>	<u>880,000</u>	<u>3,866</u>
Total General Obligation Bonds				<u>\$ 1,255,000</u>	<u>\$ 1,010,000</u>	<u>\$ 460,000</u>	<u>\$ 1,805,000</u>	<u>\$ 28,441</u>
Revenue Bonds								
Water.....	\$ 3,200,000	6-1-07	1.75%	\$ 756,000	\$ —	\$ 244,000	\$ 512,000	\$ 13,230
Sewer	1,297,000	9-11-15	2.00	877,716	—	47,716	830,000	16,457
Local option sales tax	451,912	5-1-19	4.00	<u>297,205</u>	<u>—</u>	<u>145,633</u>	<u>151,572</u>	<u>12,086</u>
Total Revenue Bonds				<u>\$ 1,930,921</u>	<u>\$ —</u>	<u>\$ 437,349</u>	<u>\$ 1,493,572</u>	<u>\$ 41,773</u>
Vehicle Loans								
2017 Ford Interceptor	\$ 34,480	2-22-17	2.50%	\$ 17,373	\$ —	\$ 17,373	\$ —	\$ 624
2018 Ford Interceptor	32,660	3-27-18	2.75	<u>26,124</u>	<u>—</u>	<u>6,291</u>	<u>19,833</u>	<u>701</u>
Total Vehicle Loans				<u>\$ 43,497</u>	<u>\$ —</u>	<u>\$ 23,664</u>	<u>\$ 19,833</u>	<u>\$ 1,325</u>

Schedule of Bond and Note Maturities

As of June 30, 2020

Year Ending June 30,	General Obligation Bonds						
	Corporate Purpose and Refunding		Storm				
			Refunding		Water Management		
	Issued March 31, 2013		Issued May 10, 2017		Issued April 8, 2020		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2021	2.00%	\$ 145,000	2.00%	\$ 120,000	2.60%	\$ 110,000	\$ 375,000
2022	2.00	100,000	2.00	125,000	2.60	120,000	345,000
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
Total		\$ 345,000		\$ 580,000		\$ 880,000	\$ 1,805,000

Year Ending June 30,	Revenue Bonds						
	Water Revenue		Sewer Revenue		Local Option Sales Tax Revenue		Total
	Issued June 1, 2007		Issued Sept. 11, 2015		Issued May 1, 2019		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2021	1.75%	\$ 252,000	2.00%	\$ 59,000	4.00%	\$ 151,572	\$ 462,572
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	40,000		—	40,000
Total		\$ 512,000		\$ 830,000		\$ 151,572	\$ 1,493,572

Year Ending June 30,	Vehicle Loan	
	Issued Feb. 1, 2018	
	Interest Rates	Amount
2021	2.75%	\$ 6,446
2022	2.75	6,623
2023	2.75	6,764
Total		\$ 19,833

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

Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts										
Property tax	\$ 1,063,368	\$ 922,545	\$ 835,170	\$ 857,396	\$ 821,757	\$ 798,242	\$ 772,581	\$ 746,058	\$ 728,694	\$ 710,258
Tax increment financing	258,568	241,438	232,605	241,486	205,336	199,462	165,592	173,602	173,171	170,615
Other city tax	502,516	395,441	331,548	404,043	310,296	333,178	358,946	354,820	366,526	334,739
Licenses and permits.....	1,210	1,915	60,410	45,288	42,967	40,839	36,033	8,939	9,093	9,369
Use of money and property	32,962	27,362	11,481	4,439	6,895	4,263	7,916	12,350	10,659	12,598
Intergovernmental	379,486	366,501	360,350	348,417	347,643	320,710	336,193	281,958	290,369	340,453
Charges for service	148,925	147,860	148,231	147,699	145,877	120,670	127,690	137,301	147,803	143,658
Miscellaneous.....	<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>	<u>55,242</u>
Total Receipts	<u>\$ 2,423,872</u>	<u>\$ 2,891,937</u>	<u>\$ 2,010,672</u>	<u>\$ 2,070,401</u>	<u>\$ 1,922,721</u>	<u>\$ 1,905,056</u>	<u>\$ 1,834,345</u>	<u>\$ 1,741,279</u>	<u>\$ 1,771,807</u>	<u>\$ 1,776,932</u>
Disbursements										
Operating										
Public safety.....	\$ 441,037	\$ 506,204	\$ 527,560	\$ 467,261	\$ 367,359	\$ 382,903	\$ 566,483	\$ 322,332	\$ 331,815	\$ 294,270
Public works.....	1,404,159	454,138	305,982	299,659	333,084	304,461	770,354	339,754	270,497	288,020
Health and social services.....	473	4,561	8,254	9,818	14,418	25,154	23,046	66,631	60,750	55,905
Culture and recreation.....	297,139	365,905	287,206	316,660	281,540	327,621	234,589	230,055	237,503	231,105
Community and economic development.....	4,994	10,852	42,638	2,231	—	—	736	1,950	9,191	15,456
General government	177,958	164,575	170,682	176,747	211,575	185,482	119,980	172,452	178,933	163,059
Debt service	647,161	508,669	355,688	1,264,042	347,955	1,231,412	494,750	419,530	423,280	443,744
Capital projects.....	<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>	<u>1,256,963</u>
Total Disbursements	<u>\$ 3,147,584</u>	<u>\$ 2,014,904</u>	<u>\$ 1,698,010</u>	<u>\$ 2,536,418</u>	<u>\$ 1,557,962</u>	<u>\$ 2,466,395</u>	<u>\$ 2,220,965</u>	<u>\$ 1,662,184</u>	<u>\$ 1,568,190</u>	<u>\$ 2,748,522</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marengo, Iowa, as of and for the year ended June 30, 2020, 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 November 4, 2020. 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.

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 20-I-R-1, 20-I-R-2, 20-I-R-3 and 20-I-R-4 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 deficiencies described in Part I of the accompanying schedule of findings as items 20-I-R-5 and 20-I-R-6 to be significant deficiencies.

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, 2020 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
November 4, 2020

Schedule of Findings

Year Ended June 30, 2020

Part I: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

20-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 - 19-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.
should be evidenced by the signature or initials of the reviewer and the date of the review.

20-I-R-2 Financial Statement Preparation

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

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

Schedule of Findings

Year Ended June 30, 2020

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 generally accepted accounting principles 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 generally accepted accounting principles.

Identification of Repeat Finding - 19-I-R-3.

Auditor's Recommendation - The City should 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.

20-I-R-3 Disaster Recovery Plan

Criteria - The City should have a disaster recovery plan documenting procedures that will be followed in the event of a disaster at City Hall. This plan should include a requirement to store a backup copy of the City's computer data off-site so that the City may continue to function following a disaster event.

Condition - The City does not have a disaster recovery plan in place. While the City's computer data is continuously backed up on a rotating basis between two servers, both of these are located at the City Hall.

Cause - Lack of attention to this operational risk.

Effect or Potential Effect - If a disaster occurred at City Hall, the building, computer hardware, computer data, furniture and everything City management uses on a daily basis could be permanently destroyed, with no plan in place to continue operations.

Identification of Repeat Finding - 19-I-R-4.

Auditor's Recommendation - We recommend establishing procedures to have a backup copy of the City's computer data stored off-site to properly protect the files in case of a disaster. Additionally, the City should consider hiring a consultant to assist with the establishment of a disaster recovery plan.

View of Responsible Officials and Planned Corrective Action - The City will consider the establishment of a disaster recovery plan that includes off-site storage of computer backups.

Auditor's Conclusion - Response accepted.

Schedule of Findings

Year Ended June 30, 2020

20-I-R-4 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 - 19-I-R-6.

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.

20-I-R-5 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 - N/A

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.

Schedule of Findings

Year Ended June 30, 2020

20-I-R-6 Interfund Transfers

Criteria - Iowa Administrative Code (IAC) Section 545-2.5 requires interfund transfers to be approved by City Council resolution.

Condition - The transfer from General (001) to Capital Reserve (002) dated July 9, 2019 in the amount of \$18,595 was not approved by City Council resolution.

Cause - Lack of management oversight.

Effect or Potential Effect - If transfers are not approved by the City Council, the fund balances could be amounts they are not expecting.

Identification of Repeat Finding - N/A

Auditor's Recommendation - The City should comply with Iowa Administrative Code Section 545-2.5 by having all interfund transfers approved by City Council resolution.

View of Responsible Officials and Planned Corrective Action - The City will develop procedures to ensure all interfund transfers are approved by resolution.

Auditor's Conclusion - Response accepted.

Part II: Findings Related to Statutory Reporting

20-II-A Certified Budget - Disbursements during the year ended June 30, 2020 did not exceed the amounts in the amended budget.

20-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.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Mark Swift, Fireman Owner of Brown's Hardware/ Swift True Value	Supplies	\$ 14,092
Brian Miller, Fireman Owner of Miller Excavating	Repairs and excavating	222,034

Schedule of Findings

Year Ended June 30, 2020

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. One of the transactions (totaling \$174,363) with Miller Excavating does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa. The remaining \$47,671 paid to Miller Excavating may represent conflicts of interest since competitive bidding was not utilized for those transactions.

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

City's Response - The transactions were normal expenses (repairs 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.

20-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.

20-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.

20-II-G Council Minutes

Current Year Findings - None of the four meeting minutes tested included a summary of monthly cash receipts by fund.

We also noted that one of the four meeting minutes tested did not include total disbursements from each fund or a list of claims allowed.

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, total disbursements from each fund and a listing of claims allowed.

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.

20-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.

Schedule of Findings

Year Ended June 30, 2020

20-II-I Urban Renewal Annual Report - We determined that the urban renewal annual report for the year ended June 30, 2019 was properly approved and filed on or before December 1, 2019. However, we noted the following errors on the Levy Authority Summary:

- T.I.F. Debt Outstanding was understated by \$4,586.
- T.I.F. Revenue for the year ended June 30, 2019 was understated by \$3,214.
- T.I.F. Expenditures for the year ended June 30, 2019 were understated by \$3,780.
- T.I.F. Special Revenue Fund Cash Balance as of June 30, 2019 was overstated by \$566.

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.

20-II-J Revenue Bonds and Notes - The City violated the net revenue debt covenant for the water revenue bonds, which requires the City to "leave a balance of net revenues equal to at least 110% of the principal and interest on all of the bonds..." For the current year, the net revenue was only 107% of debt service requirements.

Auditor's Recommendation - The City should monitor the revenue and expenses of the Water Fund to ensure that the net revenue is at least 110% of each year's principal and interest requirements.

City's Response - The City increased water rates, effective July 1, 2019 and 2020, and will increase rates again on July 1, 2021. We will monitor the expenses in the Water Fund in order to comply with debt covenants and consider delaying expenses if necessary.

Auditor's Conclusion - Response accepted.