

**CITY OF MARENGO, IOWA**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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# Officials

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Name	Title	Term Expires
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## Elected Officials (Before January, 2010)

Joe Seye	Mayor	January, 2010
William Kreis	Council Member and Mayor Pro Tem	January, 2010
Kelli Krutsinger	Council Member	January, 2012
Michael T. Curry	Council Member	January, 2012
Adam Rabe	Council Member	January, 2010
Candi Schmieder	Council Member	January, 2010

## Elected Officials (After January, 2010)

Joe Seye	Mayor	January, 2012
William Kreis	Council Member and Mayor Pro Tem	January, 2014
Kelli Krutsinger	Council Member	January, 2012
Michael T. Curry	Council Member	January, 2012
Jamie Lillie	Council Member	January, 2014
Brian Imhoff	Council Member	January, 2014

## Appointed Officials

Brent Nelson	Administrator/Clerk	Indefinite
Barbara Barrick	Financial Manager	Resigned August, 2009
Christine Fekkether	Financial Manager	October-November, 2009
Patricia Hanover	Financial Manager	Indefinite (started January, 2010)
Ken Martens	Attorney	Resigned April, 2010
Eric Tindal	Attorney	Indefinite (started April, 2010)
Keith Larsen	Assistant Attorney	Indefinite (started May, 2010)
Stuart Stukey	Public Works Director	Indefinite
Galen Moser	Police Chief	Indefinite

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Certified Public Accountants and Consultants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marengo, Iowa, as of and for the year ended June 30, 2010 which, along with the discretely presented component unit, collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marengo's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Marengo Memorial Hospital. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Marengo Memorial Hospital, is based on the report of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the Marengo Memorial Hospital discrete component unit of the City of Marengo at June 30, 2010, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

To the Honorable Mayor and  
Members of the City Council  
City of Marengo, Iowa  
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2010 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 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.

Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 9 and Pages 22 and 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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 second paragraph of this report, the financial statements for the four years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion for the years ended June 30, 2009 and 2008 and a qualified opinion for the lack of inclusion of the financial information of the Friends of Marengo Public Library for the years ended June 30, 2007 and 2006. Other supplementary information included on Pages 24 through 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
December 9, 2010

## **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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities, other than debt proceeds, decreased 10%, or approximately \$220,000, from the fiscal 2009 year to the fiscal 2010 year. This decrease is due to a CAT grant received in the previous year. No CAT grant was received in the current year.

Governmental activities disbursements increased 2%, or approximately \$46,000, in fiscal year 2010 from the fiscal year 2009. This change was primarily due to the purchase of a police car (three-year rotation) and some other normal increases.

The City's total cash basis net assets increased approximately \$1,100,000 from June 30, 2009 to June 30, 2010. The assets of the governmental activities increased approximately \$1,108,000 while the assets of the business-type activities decreased by approximately \$7,000.

### **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 Assets. 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.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds 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 assets reports information that helps answer this question.

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

The statement of activities and net assets 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 taxes, 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.
- Component unit activity is the Marengo Memorial Hospital.

### **Fund Financial Statements**

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic service. 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, Employee Benefits, Local Option Tax and Tax Increment Financing (T.I.F); (c) the Capital Projects Funds such as the Central Business District Renovation; (d) the Debt Service Fund; and (e) Permanent Funds such as the Cemetery Trust. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$1,070,809 a year ago to \$2,178,842. The analysis that follows focuses on the changes in cash balances for governmental activities.

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

	<u>Years Ended June 30,</u>	
	2010	2009
Receipts and Transfers		
Program Receipts		
Charges for services	\$ 174,392	\$ 248,978
Operating grants, contributions and restricted interest	418,670	710,010
Capital grants, contributions and restricted interest		—
General Receipts		
Property tax	906,016	914,213
Local option sales tax	284,167	307,806
Unrestricted miscellaneous, intergovernmental, interest and sale of assets	11,816	29,288
Debt proceeds	2,070,000	—
Transfers, net	194,896	—
Total Receipts	<u>4,059,957</u>	<u>2,210,295</u>
Disbursements		
Public safety	306,174	310,702
Public works	272,971	304,143
Health and social services	53,378	74,817
Culture and recreation	251,003	240,267
Community and economic development	106,472	10,064
General government	149,795	147,180
Debt service	1,244,142	478,930
Capital projects	567,989	1,277,134
Transfers, net	—	62,320
Total Disbursements	<u>2,951,924</u>	<u>2,905,557</u>
Change in Cash Basis Net Assets	<u>1,108,033</u>	<u>(695,262)</u>
Cash Basis Net Assets - Beginning of Year, as Previously Stated	1,058,905	1,754,167
Restatement (Note 10)	11,904	—
Cash Basis Net Assets - Beginning of Year, as Restated	<u>1,070,809</u>	<u>1,754,167</u>
<b>Cash Basis Net Assets - End of Year</b>	<b><u>\$ 2,178,842</u></b>	<b><u>\$ 1,058,905</u></b>

The City's total receipts for governmental activities increased by 84%, or \$1,849,662. The increase was mainly due to bond proceeds for Central Business District, Phase II improvements.

The total cost of all programs and services increased by \$46,367, or 2%. The majority of this increase was due to an increase in the police car and other normal increases with an increase in debt service, offset by a decrease in capital projects.

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

	<b>Years Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
Receipts and Transfers		
Program Receipts		
Charges for Services		
Water	\$ 503,427	\$ 500,060
Sanitary Sewer	222,716	246,220
Storm Sewer	19,049	19,566
Interest	4,456	8,722
Intergovernmental	—	6,016
Debt proceeds	254,439	208,487
Transfers, net	—	62,320
Total Receipts	1,004,087	1,051,391
Disbursements and Transfers		
Water	540,762	728,044
Sanitary Sewer	256,492	252,196
Storm Sewer	19,160	63,739
Transfers, net	194,896	—
Total Disbursements	1,011,310	1,043,979
Change in Cash Basis Net Assets	(7,223)	7,412
Cash Basis Net Assets - Beginning of Year	430,378	422,966
<b>Cash Basis Net Assets - End of Year</b>	<b>\$ 423,155</b>	<b>\$ 430,378</b>

Total business-type activities receipts for the fiscal year were \$1,004,087 compared to \$1,051,391 last year. The decrease was primarily due to transfers made in the prior year. The cash balance decreased by \$7,223, or 2%, from the prior year. Total disbursements for the fiscal year decreased by 3%, or \$32,669. The decrease is primarily due to projects being completed and an increase in transfers out.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

The City of Marengo's governmental funds reported a combined cash balance of \$2,178,842, an increase of more than \$1,108,000 from last year's total of \$1,070,809.

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 decreased \$415 from the prior year to \$335,546.

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 services; 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 Local Option Sales Tax Fund cash balance increased \$55,038 over the prior year due to an increase in retail activity.

The Tax Increment Financing Fund cash balance increased \$386 to \$222,484 during the fiscal year. This increase is due to a small increase in property valuations.

The Central Business District Renovation Fund was formed to account for a capital project. The cash balance increased \$1,053,955 due to bond proceeds received for current and future year project costs.

The Debt Service Fund cash balance decreased \$16,937 due to increased debt service.

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

The Water Utility cash balance increased by \$24,856 to \$259,847 due to less expenditures related to projects and equipment.

The Sanitary Sewer System cash balance decreased by \$33,043 to \$117,097 due to more repair expenditures.

Component Unit - The City has one component unit, Marengo Memorial Hospital (Hospital). The Hospital issues a separate financial report which may be viewed online through the Iowa Auditor of State or by contacting the Chief Financial Officer, Marengo Memorial Hospital, 300 May Street, Marengo, Iowa 52301.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City did not amend its budget. Disbursements exceeded budget for Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development and Debt Service due to staffing turnover and training costs.

## **DEBT ADMINISTRATION**

At June 30, 2010, the City had \$3,755,000 in general obligation debt, \$2,644,188 in water revenue debt and \$53,000 in sewer revenue debt for a total debt outstanding of \$6,452,188. The water revenue debt outstanding is the amount drawn to date of \$3,176,188 from a maximum loan total available of \$3,200,000 less \$532,000 of principal repaid.

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 of \$3,755,000 is below its constitutional debt limit of \$4,939,252.

## **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 2011 budget, tax rates and fees that will be charged for various City activities.

The City is looking at the need for wastewater improvements. Management is reviewing historical increases in expenditures and will be adjusting rates and fees accordingly.

## **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, Brent Nelson, City of Marengo, 153 E. Main Street, Marengo, Iowa 52301.

## **Basic Financial Statements**

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

As of and for the Year Ended June 30, 2010

Functions/Programs	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business- Type Activities	Total	
<b>Governmental Activities</b>							
Public safety .....	\$ 306,174	\$ 46,895	\$ 626	\$ (258,653)	\$ —	\$ (258,653)	\$ —
Public works .....	272,971	58,873	235,201	21,103	—	21,103	—
Health and social services .....	53,378	6,308	—	(47,070)	—	(47,070)	—
Culture and recreation .....	251,003	51,934	85,606	(113,463)	—	(113,463)	—
Community and economic development .....	106,472	—	96,633	(9,839)	—	(9,839)	—
General government .....	149,795	10,382	—	(139,413)	—	(139,413)	—
Debt service .....	1,244,142	—	—	(1,244,142)	—	(1,244,142)	—
Capital projects .....	567,989	—	604	(567,385)	—	(567,385)	—
<b>Total Governmental Activities</b> .....	<b>2,951,924</b>	<b>174,392</b>	<b>418,670</b>	<b>(2,358,862)</b>	<b>—</b>	<b>(2,358,862)</b>	<b>—</b>
<b>Business-Type Activities</b>							
Water .....	540,762	503,427	—	—	(37,335)	(37,335)	—
Sanitary sewer .....	256,492	222,716	—	—	(33,776)	(33,776)	—
Storm sewer .....	19,160	19,049	—	—	(111)	(111)	—
<b>Total Business-Type Activities</b> .....	<b>816,414</b>	<b>745,192</b>	<b>—</b>	<b>—</b>	<b>(71,222)</b>	<b>(71,222)</b>	<b>—</b>
<b>Total Primary Government</b> .....	<b>\$ 3,768,338</b>	<b>\$ 919,584</b>	<b>\$ 418,670</b>	<b>(2,358,862)</b>	<b>(71,222)</b>	<b>(2,430,084)</b>	<b>—</b>
<b>Component Unit - Memorial Hospital</b> .....	<b>\$ 14,555,780</b>	<b>\$ 15,307,241</b>	<b>\$ 291,177</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,042,638</b>
<b>General Receipts</b>							
Property Tax Levied for							
General purposes .....				408,175	—	408,175	—
Memorial hospital .....				40,067	—	40,067	—
Insurance .....				6,159	—	6,159	—
Employee benefits .....				113,746	—	113,746	—
Debt service .....				148,015	—	148,015	—
Tax increment financing .....				189,854	—	189,854	—
Local option sales tax .....				284,167	—	284,167	—
Miscellaneous .....				1,634	—	1,634	—
Unrestricted interest on investments .....				10,182	4,456	14,638	—
Debt proceeds .....				2,070,000	254,439	2,324,439	—
Transfers .....				194,896	(194,896)	—	—
<b>Total General Receipts and Transfers</b> .....				<b>3,466,895</b>	<b>63,999</b>	<b>3,530,894</b>	<b>—</b>
<b>Change in Cash Basis Net Assets</b> .....				<b>1,108,033</b>	<b>(7,223)</b>	<b>1,100,810</b>	<b>1,042,638</b>
Cash Basis Net Assets - Beginning of Year, as Previously Stated .....				1,058,905	430,378	1,489,283	—
Restatement (Note 10) .....				11,904	—	11,904	—
Cash Basis Net Assets - Beginning of Year, as Restated .....				1,070,809	430,378	1,501,187	4,470,115
<b>Cash Basis Net Assets - End of Year</b> .....				<b>\$ 2,178,842</b>	<b>\$ 423,155</b>	<b>\$ 2,601,997</b>	<b>\$ 5,512,753</b>
<b>Cash Basis Net Assets</b>							
Restricted							
Expendable							
Debt service .....				\$ 2,540	\$ 34,753	\$ 37,293	\$ 827,569
Local option tax .....				182,235	—	182,235	—
Tax increment financing .....				222,484	—	222,484	—
Capital projects .....				1,211,796	—	1,211,796	—
Other purpose .....				373,936	40,244	414,180	—
Unrestricted .....				185,851	348,158	534,009	4,685,184
<b>Total Cash Basis Net Assets</b> .....				<b>\$ 2,178,842</b>	<b>\$ 423,155</b>	<b>\$ 2,601,997</b>	<b>\$ 5,512,753</b>

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2010

	Major					Nonmajor	Total	
	General	Special Revenue		Capital Projects		Debt Service		Governmental Funds
		Local Option Tax	Tax Increment Financing	Central Business District Renovation	Debt Service			
<b>Receipts</b>								
Property taxes .....	\$ 454,401	\$ —	\$ —	\$ —	\$ 148,015	\$ 113,746	\$ 716,162	
T.I.F. collections .....	—	—	189,854	—	—	—	189,854	
Other city tax .....	—	284,167	—	—	—	—	284,167	
Licenses and permits.....	10,382	—	—	—	—	—	10,382	
Use of money and property .....	5,132	1,246	640	2,073	549	542	10,182	
Intergovernmental.....	44,365	—	—	—	—	235,201	279,566	
Charges for services.....	124,930	—	—	—	—	1,894	126,824	
Miscellaneous.....	80,687	—	—	—	—	97,237	177,924	
<b>Total Receipts .....</b>	<b>719,897</b>	<b>285,413</b>	<b>190,494</b>	<b>2,073</b>	<b>148,564</b>	<b>448,620</b>	<b>1,795,061</b>	
<b>Disbursements</b>								
Public safety .....	306,174	—	—	—	—	—	306,174	
Public works .....	47,657	29,930	—	—	—	195,384	272,971	
Health and social services.....	53,378	—	—	—	—	—	53,378	
Culture and recreation.....	251,003	—	—	—	—	—	251,003	
Community and economic development .....	9,473	—	—	—	—	96,999	106,472	
General government.....	118,591	—	—	—	1,550	29,654	149,795	
Debt service.....	—	—	—	—	1,244,142	—	1,244,142	
Capital projects.....	—	—	—	314,961	—	253,028	567,989	
<b>Total Disbursements .....</b>	<b>786,276</b>	<b>29,930</b>	<b>—</b>	<b>314,961</b>	<b>1,245,692</b>	<b>575,065</b>	<b>2,951,924</b>	
<b>Receipts Over (Under) Disbursements.....</b>	<b>(66,379)</b>	<b>255,483</b>	<b>190,494</b>	<b>(312,888)</b>	<b>(1,097,128)</b>	<b>(126,445)</b>	<b>(1,156,863)</b>	
<b>Other Financing Sources (Uses)</b>								
Bond proceeds .....	—	—	—	2,070,000	—	—	2,070,000	
Transfers in.....	65,964	—	—	70,787	1,080,191	226,645	1,443,587	
Transfers out .....	—	(200,445)	(190,108)	(773,944)	—	(84,194)	(1,248,691)	
<b>Total Other Financing Sources (Uses) .....</b>	<b>65,964</b>	<b>(200,445)</b>	<b>(190,108)</b>	<b>1,366,843</b>	<b>1,080,191</b>	<b>142,451</b>	<b>2,264,896</b>	
<b>Increase (Decrease) in Cash Balances.....</b>	<b>(415)</b>	<b>55,038</b>	<b>386</b>	<b>1,053,955</b>	<b>(16,937)</b>	<b>16,006</b>	<b>1,108,033</b>	
Cash Balances - Beginning of Year, as Previously Reported.....	335,961	127,197	222,098	157,841	19,477	196,331	1,058,905	
Restatement (Note 10) .....	—	—	—	—	—	11,904	11,904	
Cash Balances - Beginning of Year, as Restated ....	335,961	127,197	222,098	157,841	19,477	208,235	1,070,809	
<b>Cash Balances - End of Year .....</b>	<b>\$ 335,546</b>	<b>\$ 182,235</b>	<b>\$ 222,484</b>	<b>\$ 1,211,796</b>	<b>\$ 2,540</b>	<b>\$ 224,241</b>	<b>\$ 2,178,842</b>	
<b>Cash Basis Fund Balances</b>								
Reserved								
Debt service.....	\$ —	\$ —	\$ —	\$ —	\$ 2,540	\$ —	\$ 2,540	
Other purpose.....	149,695	—	—	—	—	—	149,695	
Unreserved								
General Fund.....	185,851	—	—	—	—	—	185,851	
Special Revenue Funds .....	—	182,235	222,484	—	—	107,727	512,446	
Capital Projects Funds .....	—	—	—	1,211,796	—	61,346	1,273,142	
Permanent Fund.....	—	—	—	—	—	55,168	55,168	
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 335,546</b>	<b>\$ 182,235</b>	<b>\$ 222,484</b>	<b>\$ 1,211,796</b>	<b>\$ 2,540</b>	<b>\$ 224,241</b>	<b>\$ 2,178,842</b>	

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2010

	<b>Major</b>		<b>Nonmajor</b>	
	<b>Water</b>	<b>Sanitary Sewer</b>	<b>Storm Sewer</b>	<b>Total</b>
<b>Operating Receipts</b>				
Charges for service .....	\$ 479,121	\$ 221,365	\$ 19,049	\$ 719,535
Miscellaneous.....	24,306	1,351	—	25,657
<b>Total Operating Receipts.....</b>	<b>503,427</b>	<b>222,716</b>	<b>19,049</b>	<b>745,192</b>
<b>Operating Disbursements</b>				
Business-type activities .....	<b>270,368</b>	<b>230,504</b>	<b>18,979</b>	<b>519,851</b>
<b>Operating Receipts Over (Under)</b>				
<b>Operating Disbursements .....</b>	<b>233,059</b>	<b>(7,788)</b>	<b>70</b>	<b>225,341</b>
<b>Nonoperating Receipts (Disbursements)</b>				
Interest on investments .....	2,648	733	1,075	4,456
Capital outlay.....	—	—	(181)	(181)
Debt service.....	(270,394)	(25,988)	—	(296,382)
<b>Total Nonoperating Receipts (Disbursements).....</b>	<b>(267,746)</b>	<b>(25,255)</b>	<b>894</b>	<b>(292,107)</b>
<b>Receipts Over (Under) Disbursements</b>	<b>(34,687)</b>	<b>(33,043)</b>	<b>964</b>	<b>(66,766)</b>
<b>Other Financing Sources (Uses)</b>				
Debt proceeds .....	254,439	—	—	254,439
Operating transfers in.....	2,600	2,000	—	4,600
Transfers out .....	(197,496)	(2,000)	—	(199,496)
<b>Total Other Financing Sources (Uses) .....</b>	<b>59,543</b>	<b>—</b>	<b>—</b>	<b>59,543</b>
<b>Net Change in Cash Balances.....</b>	<b>24,856</b>	<b>(33,043)</b>	<b>964</b>	<b>(7,223)</b>
Cash Balances - Beginning of Year.....	234,991	150,140	45,247	430,378
<b>Cash Balances - End of Year .....</b>	<b>\$ 259,847</b>	<b>\$ 117,097</b>	<b>\$ 46,211</b>	<b>\$ 423,155</b>
<b>Cash Basis Fund Balances</b>				
Reserved				
Expendable				
Debt service .....	\$ 20,209	\$ 14,544	\$ —	\$ 34,753
Customer deposits .....	40,244	—	—	40,244
Unreserved .....	199,394	102,553	46,211	348,158
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 259,847</b>	<b>\$ 117,097</b>	<b>\$ 46,211</b>	<b>\$ 423,155</b>

See accompanying notes to the financial statements.

# Notes to the Financial Statements

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

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

### **Reporting Entity**

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

These financial statements present the City of Marengo (the primary government) and its discretely presented component unit, the Marengo Memorial Hospital (Hospital).

### **Discrete Component Unit**

The Hospital is organized under Chapter 37 of the Code of Iowa and is dependent upon the City Council to levy memorial taxes and approve all debt issues. The Hospital is governed by its own Board of Trustees and issues its own financial statements prepared in accordance with generally accepted accounting principles. During the year ended June 30, 2010, the City recognized cash receipts of \$40,146, composed of property taxes - \$40,067 and interest - \$79 collected for the Hospital and remitted \$39,830 to the Hospital. At June 30, 2010, the City held \$1,527 in the General Fund restricted for the Hospital.

### **Excluded Component Unit**

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 City financial statements as the amounts for 2010 are not material.

### **Blended 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 administrative support from the City. Due to the nature of its relationship with the City, the Park is considered part of the primary government and is reported as a special revenue fund.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### **Jointly Governed Organizations**

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

### **Basis of Presentation**

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

The statement of activities and net assets reports information on all of the 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 services.

The statement of activities and net assets presents the City's net assets. Net assets are reported in the following categories:

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

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

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

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax receipts 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.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### **Special Revenue**

The *Local Option 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 the collection of tax increment financing receipts and the transfer thereof to other funds to pay liabilities incurred for allowable projects.

### **Capital Projects**

The *Central Business District (CBD) Renovation Fund* is used to account for the renovation of the downtown which is financed primarily with general obligation debt and a Community Attraction Grant from the state of Iowa.

### **Debt Service**

The *Debt Service Fund* is used to account 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.

## **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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Enterprise 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.

## **Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2010, disbursements exceeded amounts budgeted in the Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development and Debt Service Functions.

## Notes to the Financial Statements

### (2) Deposits and Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City has investments in certificates of deposit with the Iowa Public Agency Investment Trust which are valued at their cost of \$176,568.

#### 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.

#### Credit Risk

The City's investment in the Iowa Public Agency Investment Trust is unrated.

### (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		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011 .....	\$ 310,000	\$ 132,645	\$ 188,000	\$ 80,040	\$ 26,000	\$ 1,227	\$ 524,000	\$ 213,912
2012 .....	305,000	117,281	194,000	74,400	27,000	419	526,000	192,100
2013 .....	310,000	109,531	199,000	68,580	—	—	509,000	178,111
2014 .....	335,000	101,493	205,000	62,610	—	—	540,000	164,103
2015 .....	340,000	92,691	212,000	56,460	—	—	552,000	149,151
2016-20..	1,250,000	327,934	1,157,000	183,090	—	—	2,407,000	511,024
2021-25..	905,000	98,934	513,000	23,190	—	—	1,418,000	122,124
	<b><u>\$ 3,755,000</u></b>	<b><u>\$ 980,509</u></b>	<b><u>\$ 2,668,000</u></b>	<b><u>\$ 548,370</u></b>	<b><u>\$ 53,000</u></b>	<b><u>\$ 1,646</u></b>	<b><u>\$ 6,476,000</u></b>	<b><u>\$ 1,530,525</u></b>

On April 23, 2007, the City Council adopted resolution 07-21 which provided for the issuance of not to exceed \$3,200,000 water revenue bonds in order to provide funds to pay a portion of the cost of construction improvements and extensions to the City's Water Utility (project). The Iowa Finance Authority, an agency and public instrumentality of the State of Iowa, is the lender. Issuance terms provided for a 1% (\$32,000) initiation fee, interest rate of 3%, and an annual servicing fee of 0.25% of the unpaid principal balance. Proceeds, less the initiation fee, are available as project costs are incurred. Through June 30, 2010, the City has drawn \$3,176,188 of available proceeds, including the initiation fee. The annual debt service requirement above is based upon the loan agreement for the total drawdown of funds available. The actual outstanding balance at June 30, 2010 was \$2,644,188.

### (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 \$3,216,370. For the current year, principal and interest paid and total customer net receipts were \$262,394 and \$256,232, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$360,000 in sewer revenue bonds issued in November, 1991. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2012. 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 \$54,646. For the current year, principal and interest paid and total customer net receipts were \$25,950 and \$14,312, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions:

1. All of the bonds and the interest thereon shall be payable solely from the net revenue of the Utility and the balance in the sinking fund, 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. Loan proceeds shall be held by the Trustee (Wells Fargo Bank, National Association) and disbursed for costs of the Project.
3. Sufficient rates will be established and maintained which will cause net revenue of the Water Utility to be at least 110% of the bond principal and interest due in the fiscal year.
4. Monthly transfers will be made to the water revenue bond sinking fund equal to one-twelfth of the next principal payment and one-sixth of the next interest payment such that adequate cash is available in the sinking fund to pay debt service when due.
5. Maintain insurance on or self-insure the insurable portions of the wastewater treatment system.

Except for sufficient rates being established to cause net revenue to be at least 110% of bond payments (see Page 40, item 10-C-7), the City was in compliance with these requirements at June 30, 2010.

The resolution providing for the issuance of the sanitary sewer revenue bonds includes the following provisions:

1. The bonds are to be redeemed from future earnings of the utility and the bondholders hold a lien on the future earnings of the utility.
2. Sufficient rates will be established and maintained which will cause net revenue of the sanitary sewer utility to be at least 110% of the utility's debt service for the year.

## Notes to the Financial Statements

### (3) Long-Term Debt

3. Monthly transfers will be made to the debt sinking fund equal to one-twelfth of the next principal payment and one-sixth of the next interest payment such that adequate cash is available in the sinking fund to pay debt service when due.
4. Actions will be taken to ensure that the sanitary sewer utility will be audited within 90 days of each fiscal year end and that a copy of the audit report will be provided to the Iowa Department of Natural Resources (DNR) within 120 days of each fiscal year end. A waiver was received for this provision.

Except for sufficient rates being established to cause net revenue to be at least 110% of bond payments (see Page 40, item 10-C-7), the City was in compliance with these requirements at June 30, 2010.

#### Hospital Revenue Notes

The Marengo Memorial Hospital has issued hospital revenue notes, Series 2005, in the original amount of \$4,000,000. The notes are payable solely from future revenue of the Hospital and are due June 1, 2015. Interest is due serially each June 1 through 2015 at an interest rate of 4.8%.

The Marengo Memorial Hospital has issued hospital revenue notes, Series 2004, in the original amount of \$6,000,000. The notes are payable solely from future revenue of the Hospital and are due serially each June 1 through 2024 at interest rates ranging from 4% to 6.2%.

The notes contain a number of covenants regarding the operation of the Hospital, and the Hospital is in substantial compliance with those covenants.

The Hospital has a note agreement to finance the purchase of certain equipment. The note requires monthly payments of \$23,830, including interest at 4.5%, with the final payment due April, 2013. The note is collateralized by the equipment purchased by the Hospital. At June 30, 2010, the remaining balance on this note is \$738,423.

Maturities required on Hospital debt are as follows:

Year Ending June 30,	Revenue Notes		Note Payable	Total Principal	Interest	Total
	Series 2005	Series 2004				
2011.....	\$ —	\$ 245,000	\$ 257,992	\$ 502,992	\$ 478,453	\$ 981,445
2012.....	—	255,000	269,853	524,853	456,302	981,155
2013.....	—	270,000	210,578	480,578	432,867	913,445
2014.....	—	280,000	—	280,000	416,555	696,555
2015.....	4,000,000	295,000	—	4,295,000	403,255	4,698,255
2016-2020 .....	—	1,715,000	—	1,715,000	814,500	2,529,500
2021-2025 .....	—	<u>1,740,000</u>	—	<u>1,740,000</u>	<u>272,415</u>	<u>2,012,415</u>
Total .....	4,000,000	4,800,000	738,423	9,538,423	3,274,347	12,812,770
Less current maturities.....	—	<u>245,000</u>	<u>257,992</u>	<u>502,992</u>	<u>478,453</u>	<u>981,445</u>
<b>Total Long-Term Debt .....</b>	<b><u>\$ 4,000,000</u></b>	<b><u>\$ 4,555,000</u></b>	<b><u>\$ 480,431</u></b>	<b><u>\$ 9,035,431</u></b>	<b><u>\$ 2,795,894</u></b>	<b><u>\$ 11,831,325</u></b>

## Notes to the Financial Statements

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### (3) Long-Term Debt

A summary of changes in debt for the year ended June 30, 2010 follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Principal Payments</b>	<b>Ending Balance</b>
Hospital Revenue Notes, Series 2005.....	\$ 4,000,000	\$ —	\$ —	\$ 4,000,000
Hospital Revenue Notes, Series 2004.....	5,035,000	—	235,000	4,800,000
Note payable, equipment.....	<u>984,999</u>	<u>—</u>	<u>246,576</u>	<u>738,423</u>
<b>Totals .....</b>	<b><u>\$ 10,019,999</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 481,576</u></b>	<b><u>\$ 9,538,423</u></b>

### (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.3% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$38,096, \$36,763 and \$37,088, respectively, equal to the required contributions for each year.

### (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.

## Notes to the Financial Statements

### (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Employee Benefits	\$ 61,198
	Marengo Picnic in the Park	<u>4,766</u>
		<u>65,964</u>
Special Revenue	Special Revenue	
Road Use Tax	Employee Benefits	<u>17,630</u>
Debt Service	Special Revenue	
	Local Option Sales Tax	86,407
	Tax Increment Financing	190,108
	Capital Project	
	Central Business District Renovation	773,944
	Proprietary	
	Water	<u>29,732</u>
		<u>1,080,191</u>
Capital Project	Proprietary	
Central Business District Renovation	Water	<u>70,787</u>
Capital Project	Proprietary	
Tennis Court Project	Water	<u>11,319</u>
Capital Project	Special Revenue	
Roberts Avenue Project	Local Option Sales Tax	114,038
	Proprietary	
	Water	<u>83,658</u>
		<u>197,696</u>
Proprietary	Proprietary	
Water	Sanitary Sewer	2,000
	Capital Project	
	Roberts Avenue Project	<u>600</u>
		<u>2,600</u>
Proprietary	Proprietary	
Storm Sewer	Water	<u>2,000</u>
<b>Total</b>		<b><u>\$ 1,448,187</u></b>

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

### (7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$33,399 during the year ended June 30, 2010.

### (8) 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.

### (9) Construction and Other Commitments

The City Council approved engineering and construction contracts for the Central Business District Renovation (Phase 2) totaling approximately \$1,319,000. This project is primarily funded with general obligation bond proceeds. At June 30, 2010, outstanding construction commitments of approximately \$1,149,000 remain on this project.

The City Council also approved other repair projects which have as of June 30, 2010, outstanding commitments of approximately \$93,900.

### (10) Restatement of Governmental Cash Balances

The Marengo Picnic in the Park, a component unit, was added as a nonmajor governmental fund to more accurately reflect the activity and relationship of the entity with the City of Marengo. The changes to beginning cash balances are shown below.

	<b>General</b>	<b>Special Revenue</b>		<b>Capital Projects Central Business District Reno- vation</b>	<b>Debt Service</b>	<b>Nonmajor Govern- mental Funds</b>	<b>Total</b>
		<b>Local Option Tax</b>	<b>Tax Increment Financing</b>				
Cash Balance - Beginning of Year, as Previously Reported .....	\$ 335,961	\$ 127,197	\$ 222,098	\$ 157,841	\$ 19,477	\$ 196,331	\$ 1,058,905
Restatement for Marengo Picnic in the Park .....	—	—	—	—	—	11,904	11,904
<b>Cash Balances - Beginning of Year, as Restated .....</b>	<b><u>\$ 335,961</u></b>	<b><u>\$ 127,197</u></b>	<b><u>\$ 222,098</u></b>	<b><u>\$ 157,841</u></b>	<b><u>\$ 19,477</u></b>	<b><u>\$ 208,235</u></b>	<b><u>\$ 1,070,809</u></b>

**Required Supplementary Information**

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

Year Ended June 30, 2010

	Governmental Funds - Actual	Enterprise Funds Actual	Less Funds Not Required to be Budgeted	Total	Budget Original and Final	Over (Under) Final Budget
<b>Receipts</b>						
Property tax.....	\$ 716,162	\$ —	\$ —	\$ 716,162	\$ 687,448	\$ 28,714
T.I.F. collections.....	189,854	—	—	189,854	186,000	3,854
Other city tax.....	284,167	—	—	284,167	261,704	22,463
Licenses and permits.....	10,382	—	—	10,382	5,300	5,082
Use of money and property	10,182	4,456	—	14,638	9,700	4,938
Intergovernmental.....	279,566	—	—	279,566	281,400	(1,834)
Charges for service.....	126,824	719,535	—	846,359	917,600	(71,241)
Miscellaneous.....	177,924	25,657	(81,633)	121,948	20,200	101,748
<b>Total Receipts.....</b>	<b><u>1,795,061</u></b>	<b><u>749,648</u></b>	<b><u>(81,633)</u></b>	<b><u>2,463,076</u></b>	<b><u>2,369,352</u></b>	<b><u>93,724</u></b>
<b>Disbursements</b>						
Public safety.....	306,174	—	—	306,174	347,300	(41,126)
Public works.....	272,971	—	—	272,971	252,800	20,171
Health and social services	53,378	—	—	53,378	51,800	1,578
Culture and recreation.....	251,003	—	—	251,003	218,700	32,303
Community and economic development.....	106,472	—	(86,765)	19,707	10,000	9,707
General government.....	149,795	—	—	149,795	166,900	(17,105)
Debt service.....	1,244,142	—	—	1,244,142	473,000	771,142
Capital projects.....	567,989	—	—	567,989	1,347,000	(779,011)
Business-type activities....	—	816,414	—	816,414	929,800	(113,386)
<b>Total Disbursements...</b>	<b><u>2,951,924</u></b>	<b><u>816,414</u></b>	<b><u>(86,765)</u></b>	<b><u>3,681,573</u></b>	<b><u>3,797,300</u></b>	<b><u>(115,727)</u></b>
<b>Receipts Over (Under)</b>						
<b>Disbursements.....</b>	<b><u>(1,156,863)</u></b>	<b><u>(66,766)</u></b>	<b><u>5,132</u></b>	<b><u>(1,218,497)</u></b>	<b><u>(1,427,948)</u></b>	<b><u>209,451</u></b>
<b>Other Financing Sources (Uses)</b>						
Debt proceeds.....	2,070,000	254,439	—	2,324,439	1,301,500	1,022,939
Transfers in.....	1,443,587	4,600	(4,766)	1,443,421	439,300	1,004,121
Transfers out.....	(1,248,691)	(199,496)	4,766	(1,443,421)	(439,300)	(1,004,121)
<b>Other Financing Sources, Net.....</b>	<b><u>2,264,896</u></b>	<b><u>59,543</u></b>	<b><u>—</u></b>	<b><u>2,324,439</u></b>	<b><u>1,301,500</u></b>	<b><u>1,022,939</u></b>
<b>Receipts and Other Financing Sources Over (Under)</b>						
<b>Disbursements and Other Financing Uses ..</b>	<b>1,108,033</b>	<b>(7,223)</b>	<b>5,132</b>	<b>1,105,942</b>	<b>(126,448)</b>	<b>1,232,390</b>
Balances - Beginning of Year, as Restated.....	<u>1,070,809</u>	<u>430,378</u>	<u>(11,904)</u>	<u>1,489,283</u>	<u>1,086,703</u>	<u>402,580</u>
<b>Balances - End of Year ..</b>	<b><u>\$ 2,178,842</u></b>	<b><u>\$ 423,155</u></b>	<b><u>\$ (6,772)</u></b>	<b><u>\$ 2,595,225</u></b>	<b><u>\$ 960,255</u></b>	<b><u>\$ 1,634,970</u></b>

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

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Year Ended June 30, 2010

The budgetary comparison is presented as required supplementary information 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.

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 proprietary 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, there were no budget amendments.

During the year ended June 30, 2010, disbursements exceeded amounts budgeted in Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development and Debt Service.

**Other Supplementary Information** 

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

As of and for the Year Ended June 30, 2010

	General	Insurance	Police Reserve	Library Miscellaneous	Capital Reserve	Memorial Building	Total
<b>Receipts</b>							
Property taxes .....	\$ 408,175	\$ 6,159	\$ —	\$ —	\$ —	\$ 40,067	\$ 454,401
Licenses and permits.....	10,382	—	—	—	—	—	10,382
Use of money and property .....	2,837	—	—	2,216	—	79	5,132
Intergovernmental.....	44,365	—	—	—	—	—	44,365
Charges for services.....	124,930	—	—	—	—	—	124,930
Miscellaneous.....	77,358	—	—	2,406	923	—	80,687
<b>Total Receipts .....</b>	<b>668,047</b>	<b>6,159</b>	<b>—</b>	<b>4,622</b>	<b>923</b>	<b>40,146</b>	<b>719,897</b>
<b>Disbursements</b>							
Public safety .....	306,174	—	—	—	—	—	306,174
Public works .....	47,657	—	—	—	—	—	47,657
Health and social services.....	13,548	—	—	—	—	39,830	53,378
Culture and recreation .....	246,280	—	—	4,723	—	—	251,003
Community and economic development .....	9,473	—	—	—	—	—	9,473
General government.....	84,752	33,839	—	—	—	—	118,591
<b>Total Disbursements .....</b>	<b>707,884</b>	<b>33,839</b>	<b>—</b>	<b>4,723</b>	<b>—</b>	<b>39,830</b>	<b>786,276</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>(39,837)</b>	<b>(27,680)</b>	<b>—</b>	<b>(101)</b>	<b>923</b>	<b>316</b>	<b>(66,379)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in.....	56,933	9,031	—	—	—	—	65,964
Intrafund transfers (net) .....	(12,261)	—	—	—	12,261	—	—
<b>Total Other Financing Sources (Uses) .....</b>	<b>44,672</b>	<b>9,031</b>	<b>—</b>	<b>—</b>	<b>12,261</b>	<b>—</b>	<b>65,964</b>
<b>Increase (Decrease) in Cash Balances.....</b>	<b>4,835</b>	<b>(18,649)</b>	<b>—</b>	<b>(101)</b>	<b>13,184</b>	<b>316</b>	<b>(415)</b>
Cash Balances - Beginning of Year.....	107,341	18,420	293	147,976	60,720	1,211	335,961
<b>Cash Balances - End of Year .....</b>	<b>\$ 112,176</b>	<b>\$ (229)</b>	<b>\$ 293</b>	<b>\$ 147,875</b>	<b>\$ 73,904</b>	<b>\$ 1,527</b>	<b>\$ 335,546</b>
<b>Cash Basis Fund Balances</b>							
Reserved							
Expendable							
Other purpose.....	\$ —	\$ —	\$ 293	\$ 147,875	\$ —	\$ 1,527	\$ 149,695
Unreserved							
General Fund.....	112,176	(229)	—	—	73,904	—	185,851
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 112,176</b>	<b>\$ (229)</b>	<b>\$ 293</b>	<b>\$ 147,875</b>	<b>\$ 73,904</b>	<b>\$ 1,527</b>	<b>\$ 335,546</b>

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

As of and for the Year Ended June 30, 2010

	Special Revenue			Capital Projects				Permanent	Total
	Road Use Tax	Employee Benefits	Marengo Picnic in the Park	Library Renovation	Roberts Avenue Project	Horse Shoe Courts	Tennis Court Project	Pool Renovation	
<b>Receipts</b>									
Property taxes .....	\$ —	\$ 113,746	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 113,746
Use of money and property .....	—	542	—	—	—	—	—	—	542
Intergovernmental.....	235,201	—	—	—	—	—	—	—	235,201
Charges for services.....	—	—	—	—	—	—	—	1,894	1,894
Miscellaneous.....	—	—	96,633	—	—	—	129	475	97,237
<b>Total Receipts.....</b>	<b>235,201</b>	<b>114,288</b>	<b>96,633</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>129</b>	<b>475</b>	<b>448,620</b>
<b>Disbursements</b>									
Public works .....	195,384	—	—	—	—	—	—	—	195,384
Community and economic development .....	—	—	96,999	—	—	—	—	—	96,999
General government.....	29,654	—	—	—	—	—	—	—	29,654
Capital projects.....	—	—	—	—	197,096	737	55,195	—	253,028
<b>Total Disbursements.....</b>	<b>225,038</b>	<b>—</b>	<b>96,999</b>	<b>—</b>	<b>197,096</b>	<b>737</b>	<b>55,195</b>	<b>—</b>	<b>575,065</b>
<b>Receipts Over (Under) Disbursements.....</b>	<b>10,163</b>	<b>114,288</b>	<b>(366)</b>	<b>—</b>	<b>(197,096)</b>	<b>(737)</b>	<b>(55,066)</b>	<b>475</b>	<b>(126,445)</b>
<b>Other Financing Sources (Uses)</b>									
Transfers in.....	17,630	—	—	—	197,696	—	11,319	—	226,645
Transfers out .....	—	(78,828)	(4,766)	—	(600)	—	—	—	(84,194)
<b>Total Other Financing Sources (Uses)</b>	<b>17,630</b>	<b>(78,828)</b>	<b>(4,766)</b>	<b>—</b>	<b>197,096</b>	<b>—</b>	<b>11,319</b>	<b>—</b>	<b>142,451</b>
<b>Increase (Decrease) in Cash Balances.....</b>	<b>27,793</b>	<b>35,460</b>	<b>(5,132)</b>	<b>—</b>	<b>—</b>	<b>(737)</b>	<b>(43,747)</b>	<b>475</b>	<b>16,006</b>
Cash Balances - Beginning of Year, as Previously Reported.....	23,791	13,911	—	1,221	—	739	95,316	8,079	196,331
Restatement (Note 11) .....	—	—	11,904	—	—	—	—	—	11,904
Cash Balances - Beginning of Year, as Restated.....	23,791	13,911	11,904	1,221	—	739	95,316	8,079	208,235
<b>Cash Balances - End of Year.....</b>	<b>\$ 51,584</b>	<b>\$ 49,371</b>	<b>\$ 6,772</b>	<b>\$ 1,221</b>	<b>\$ —</b>	<b>\$ 2</b>	<b>\$ 51,569</b>	<b>\$ 8,554</b>	<b>\$ 224,241</b>
<b>Cash Basis Fund Balances</b>									
Unreserved									
Special Revenue Funds .....	\$ 51,584	\$ 49,371	\$ 6,772	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 107,727
Capital Project Funds.....	—	—	—	1,221	—	2	51,569	8,554	61,346
Permanent Fund .....	—	—	—	—	—	—	—	55,168	55,168
<b>Total Cash Basis Fund Balances .....</b>	<b>\$ 51,584</b>	<b>\$ 49,371</b>	<b>\$ 6,772</b>	<b>\$ 1,221</b>	<b>\$ —</b>	<b>\$ 2</b>	<b>\$ 51,569</b>	<b>\$ 8,554</b>	<b>\$ 224,241</b>

**Combining Statement of Cash Receipts, Disbursements and Changes  
in Cash Balances - Water Major Enterprise Fund**

As of and for the Year Ended June 30, 2010

	Water	Water Bond Sinking	System Improvements	Water Deposits	Water Revolving	Total
<b>Operating Receipt</b>						
Charges for service .....	\$ 479,121	\$ —	\$ —	\$ —	\$ —	\$ 479,121
Miscellaneous .....	19,964	—	—	4,342	—	24,306
<b>Total Operating Receipts</b> .....	<b>499,085</b>	<b>—</b>	<b>—</b>	<b>4,342</b>	<b>—</b>	<b>503,427</b>
<b>Operating Disbursements</b>						
Business-type activities .....	<b>266,381</b>	<b>—</b>	<b>—</b>	<b>3,987</b>	<b>—</b>	<b>270,368</b>
<b>Operating Receipts Over Operating Disbursements</b> .....	<b>232,704</b>	<b>—</b>	<b>—</b>	<b>355</b>	<b>—</b>	<b>233,059</b>
<b>Nonoperating Receipts (Disbursements)</b>						
Interest on investments .....	290	—	—	—	2,358	2,648
Debt service .....	—	(270,394)	—	—	—	(270,394)
<b>Total Nonoperating Receipts (Disbursements)</b> .....	<b>290</b>	<b>(270,394)</b>	<b>—</b>	<b>—</b>	<b>2,358</b>	<b>(267,746)</b>
<b>Receipts Over (Under) Disbursements</b> .....	<b>232,994</b>	<b>(270,394)</b>	<b>—</b>	<b>355</b>	<b>2,358</b>	<b>(34,687)</b>
<b>Other Financing Sources (Uses)</b>						
Debt proceeds .....	—	—	254,439	—	—	254,439
Transfers in .....	2,000	—	600	—	—	2,600
Transfers out .....	—	—	(195,496)	—	(2,000)	(197,496)
Intrafund transfers (net) .....	(269,878)	264,878	—	—	5,000	—
<b>Total Other Financing Sources (Uses)</b> .....	<b>(267,878)</b>	<b>264,878</b>	<b>59,543</b>	<b>—</b>	<b>3,000</b>	<b>59,543</b>
<b>Increase (Decrease) in Cash Balances</b> .....	<b>(34,884)</b>	<b>(5,516)</b>	<b>59,543</b>	<b>355</b>	<b>5,358</b>	<b>24,856</b>
Cash Balances - Beginning of Year .....	32,414	25,725	40,008	39,889	96,955	234,991
<b>Cash Balances - End of Year</b> .....	<b>\$ (2,470)</b>	<b>\$ 20,209</b>	<b>\$ 99,551</b>	<b>\$ 40,244</b>	<b>\$ 102,313</b>	<b>\$ 259,847</b>
<b>Cash Basis Fund Balance</b>						
Reserved						
Expendable						
Debt service .....	\$ —	\$ 20,209	\$ —	\$ —	\$ —	\$ 20,209
Customer deposits .....	—	—	—	40,244	—	40,244
Unreserved .....	(2,470)	—	99,551	—	102,313	199,394
<b>Total Cash Basis Fund Balances</b> .....	<b>\$ (2,470)</b>	<b>\$ 20,209</b>	<b>\$ 99,551</b>	<b>\$ 40,244</b>	<b>\$ 102,313</b>	<b>\$ 259,847</b>

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

As of and for the Year Ended June 30, 2010

	Sewer Rental	Sewer Sinking	Sewer Replace- ment	Sewer Revolving	Total
<b>Operating Receipts</b>					
Charges for service .....	\$ 221,365	\$ —	\$ —	\$ —	\$ 221,365
Miscellaneous.....	<u>1,351</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,351</u>
<b>Total Operating Receipts</b>	<b><u>222,716</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>222,716</u></b>
<b>Operating Disbursements</b>					
Business-type activities .....	<u>230,504</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>230,504</u>
<b>Operating Receipts Under Operating Disbursements</b>					
	<u>(7,788)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,788)</u>
<b>Nonoperating Receipts (Disbursements)</b>					
Interest on investments .....	733	—	—	—	733
Debt service.....	<u>—</u>	<u>(25,988)</u>	<u>—</u>	<u>—</u>	<u>(25,988)</u>
<b>Total Nonoperating Receipts (Disburse- ments)</b> .....	<b><u>733</u></b>	<b><u>(25,988)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(25,255)</u></b>
<b>Receipts Under Disbursements</b> .....					
	<u>(7,055)</u>	<u>(25,988)</u>	<u>—</u>	<u>—</u>	<u>(33,043)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in.....	—	—	—	2,000	2,000
Transfers out .....	—	—	—	(2,000)	(2,000)
Intrafund transfers (net) .....	<u>(44,201)</u>	<u>26,201</u>	<u>—</u>	<u>18,000</u>	<u>—</u>
<b>Total Other Financing Sources (Uses)</b> .....	<b><u>(44,201)</u></b>	<b><u>26,201</u></b>	<b><u>—</u></b>	<b><u>18,000</u></b>	<b><u>—</u></b>
<b>Increase (Decrease) in Cash Balances</b> .....					
	<b>(51,256)</b>	<b>213</b>	<b>—</b>	<b>18,000</b>	<b>(33,043)</b>
Cash Balances - Beginning of Year .....	<u>104,262</u>	<u>14,331</u>	<u>9,266</u>	<u>22,281</u>	<u>150,140</u>
<b>Cash Balances - End of Year</b> .....	<b><u>\$ 53,006</u></b>	<b><u>\$ 14,544</u></b>	<b><u>\$ 9,266</u></b>	<b><u>\$ 40,281</u></b>	<b><u>\$ 117,097</u></b>
<b>Cash Basis Fund Balance</b>					
Reserved					
Expendable					
Debt service .....	\$ —	\$ 14,544	\$ —	\$ —	\$ 14,544
Unreserved .....	<u>53,006</u>	<u>—</u>	<u>9,266</u>	<u>40,281</u>	<u>102,553</u>
<b>Total Cash Basis Fund Balance</b> .....	<b><u>\$ 53,006</u></b>	<b><u>\$ 14,544</u></b>	<b><u>\$ 9,266</u></b>	<b><u>\$ 40,281</u></b>	<b><u>\$ 117,097</u></b>

## Schedule of Indebtedness

Year Ended June 30, 2010

	Amount Originally Issued	Date of Issue	Interest Rates	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>								
Library renovation.....	\$ 800,000	4-15-06	3.80 - 4.50%	\$ 620,000	\$ —	\$ 50,000	\$ 570,000	\$ 25,805
Refunding .....	620,000	12-15-04	3.35 - 3.85	310,000	—	310,000	—	10,126
Corporate purpose.....	1,250,000	5-15-08	2.65 - 4.15	1,185,000	—	70,000	1,115,000	43,130
Corporate purpose and refunding.....	2,070,000	4-15-10	2.00 - 4.00	—	2,070,000	—	2,070,000	—
<b>General Obligation Notes</b>								
Equipment .....	200,000	8-23-07	4.67	69,000	—	69,000	—	1,611
Corporate purpose.....	1,000,000	6-1-05	3.45 - 4.00	<u>640,000</u>	<u>—</u>	<u>640,000</u>	<u>—</u>	<u>23,870</u>
<b>Total General Obligation.....</b>				<b><u>\$ 2,824,000</u></b>	<b><u>\$ 2,070,000</u></b>	<b><u>\$ 1,139,000</u></b>	<b><u>\$ 3,755,000</u></b>	<b><u>\$ 104,542</u></b>
<b>Water Revenue Bonds .....</b>	<b>\$ 3,200,000*</b>	<b>6-1-07</b>	<b>3.00%</b>	<b><u>\$ 2,572,748</u></b>	<b><u>\$ 254,440</u></b>	<b><u>\$ 183,000</u></b>	<b><u>\$ 2,644,188</u></b>	<b><u>\$ 79,394</u></b>
<b>Sewer Revenue Bonds.....</b>	<b>\$ 360,000</b>	<b>10-15-91</b>	<b>3.00%</b>	<b><u>\$ 77,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 24,000</u></b>	<b><u>\$ 53,000</u></b>	<b><u>\$ 1,950</u></b>

\*Maximum available. Drawn to date is \$3,176,188.

## Schedule of Bond and Note Maturities

At June 30, 2010

General Obligation Bonds and Notes								
Library Renovation		Corporate Purpose				Corporate Purpose		Total
Issued 4-15-06		and Refunding		Issued 5-15-08				
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount			
2011	3.85%	\$ 50,000	2.00%	\$ 190,000	2.85%	\$ 70,000	\$ 310,000	
2012	3.90	50,000	2.00	185,000	3.00	70,000	305,000	
2013	3.95	50,000	2.00	185,000	3.15	75,000	310,000	
2014	4.05	55,000	2.00	205,000	3.30	75,000	335,000	
2015	4.10	55,000	2.30	205,000	3.45	80,000	340,000	
2016	4.20	55,000	2.30	95,000	3.60	80,000	230,000	
2017	4.30	60,000	3.00	95,000	3.75	85,000	240,000	
2018	4.40	60,000	3.00	100,000	3.90	90,000	250,000	
2019	4.45	65,000	3.30	105,000	4.00	90,000	260,000	
2020	4.50	70,000	3.30	105,000	4.05	95,000	270,000	
2021		—	3.60	110,000	4.10	100,000	210,000	
2022		—	3.60	115,000	4.10	100,000	215,000	
2023		—	3.60	120,000	4.15	105,000	225,000	
2024		—	3.60	125,000		—	125,000	
2025		—	4.00	130,000		—	130,000	
<b>Total</b>		<b>\$ 570,000</b>		<b>\$ 2,070,000</b>		<b>\$ 1,115,000</b>	<b>\$ 3,755,000</b>	

  

Revenue Bonds			
Water Revenue		Sewer Revenue	
Issued 6-1-07		Issued 10-15-91	
Interest Rates	Amount*	Interest Rates	Amount
2011	3.00% \$ 188,000	3.00%	\$ 26,000
2012	3.00 194,000	3.00	27,000
2013	3.00 199,000		—
2014	3.00 205,000		—
2015	3.00 212,000		—
2016	3.00 218,000		—
2017	3.00 225,000		—
2018	3.00 231,000		—
2019	3.00 238,000		—
2020	3.00 245,000		—
2021	3.00 253,000		—
2022	3.00 260,000		—
2023	—		—
<b>Total</b>	<b>\$ 2,668,000</b>		<b>\$ 53,000</b>

\* Subject to a maximum draw down of \$3,200,000. At June 30, 2009, \$3,176,188 had been drawn down and \$23,812 was outstanding.

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

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Years Ended June 30, 2007 Through 2010

	2010	2009	2008	2007
<b>Receipts</b>				
Property tax .....	\$ 716,162	\$ 743,470	\$ 695,512	\$ 704,943
T.I.F. collections .....	189,854	170,743	197,031	203,582
Other city tax .....	284,167	307,806	295,825	303,514
Licenses and permits.....	10,382	10,350	5,624	3,674
Use of money and property .....	10,182	16,506	23,131	41,626
Intergovernmental.....	279,566	543,660	307,431	641,212
Charges for service .....	126,824	120,084	125,221	107,170
Miscellaneous.....	<u>177,924</u>	<u>289,851</u>	<u>101,644</u>	<u>706,924</u>
<b>Total Receipts .....</b>	<b><u>\$ 1,795,061</u></b>	<b><u>\$ 2,202,470</u></b>	<b><u>\$ 1,751,419</u></b>	<b><u>\$ 2,712,645</u></b>
<b>Disbursements</b>				
Operating				
Public safety.....	\$ 306,174	\$ 310,702	\$ 445,906	\$ 320,710
Public works.....	272,971	304,143	354,275	271,406
Health and social services .....	53,378	74,817	68,617	58,982
Culture and recreation .....	251,003	240,267	306,399	220,982
Community and economic development.....	106,472	10,064	2,302	—
General government .....	149,795	147,180	155,447	157,281
Debt service.....	1,244,142	478,930	361,598	308,371
Capital projects.....	<u>567,989</u>	<u>1,277,134</u>	<u>804,132</u>	<u>1,796,718</u>
<b>Total Disbursements .....</b>	<b><u>\$ 2,951,924</u></b>	<b><u>\$ 2,843,237</u></b>	<b><u>\$ 2,498,676</u></b>	<b><u>\$ 3,134,450</u></b>

## Schedule of Sanitary Sewer System Rates

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Year Ended June 30, 2010

Approximately 1,100 customers at June 30, 2010.

### Rates for

Basic monthly charge for residences or businesses within the corporate limits of the City	\$5.10
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Each additional 1,000 gallons water used	\$3.00
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### Surcharges/Additional Charges

Wastewater with strength greater than normal domestic sewage	\$0.12/lb of BOD
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User discharging toxic pollutants which cause increased treatment costs	Each subject to Council determination
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Special conditions	Each subject to Council determination
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### Users with Private Water Systems

#### Residential

One person	\$ 6.00
Two persons	8.40
Three persons	10.80
Four persons	13.20
Five persons	15.60
Six persons	18.00

#### Businesses

One person, nonpublic	10.50
Businesses with less than 5 employees	15.50
Businesses with 5 to 15 employees	25.00
Businesses with more than 15 employees	50.50
Water intensive businesses	50.50

Monthly sewer maintenance and improvement fee	1.50
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## Schedule of Insurance

Year Ended June 30, 2010

Policy	Coverage Dates	Amount of Coverage
Property		
Blanket (including certified acts of terrorism)	4/1/10 - 4/1/11	\$6,732,363
Liability		
Products/completed operations	4/1/10 - 4/1/11	5,000,000
General aggregate	4/1/10 - 4/1/11	5,000,000
Personal/advertising injury	4/1/10 - 4/1/11	1,000,000
Each occurrence	4/1/10 - 4/1/11	1,000,000
Damage to premises	4/1/10 - 4/1/11	100,000
Medical expense	4/1/10 - 4/1/11	5,000
Employment practices (occurrence and aggregate deductible \$2,500 per claim)	4/1/10 - 4/1/11	1,000,000
Crime		
Public employee dishonesty	4/1/10 - 4/1/11	1,000,000
Inland Marine		
Contractors equipment	4/1/10 - 4/1/11	363,464
Scheduled property floater (miscellaneous)	4/1/10 - 4/1/11	109,800
Automobile		
Liability	4/1/10 - 4/1/11	1,000,000
Uninsured	4/1/10 - 4/1/11	50,000
Underinsured	4/1/10 - 4/1/11	50,000
Physical damage	4/1/10 - 4/1/11	Loss less deductible
Comprehensive	4/1/10 - 4/1/11	Loss less deductible
Collision	4/1/10 - 4/1/11	Loss less deductible
Medical	4/1/10 - 4/1/11	5,000
Workers' Compensation		
Bodily injury by accident/accident	4/1/10 - 4/1/11	500,000
Bodily injury by disease/employee	4/1/10 - 4/1/11	500,000
Bodily injury by disease/limit	4/1/10 - 4/1/11	500,000
Umbrella		
Occurrence	4/1/10 - 4/1/11	2,000,000
Aggregate	4/1/10 - 4/1/11	2,000,000
Products completed aggregated	4/1/10 - 4/1/11	2,000,000
Bodily injury by disease aggregate	4/1/10 - 4/1/11	2,000,000
Public Official Error and Omissions		
Occurrence	4/1/10 - 4/1/11	1,000,000
Aggregate	4/1/10 - 4/1/11	5,000,000
Insured's deductible per loss	4/1/10 - 4/1/11	1,000

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# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marengo, Iowa, as of and for the year ended June 30, 2010, which, along with the discretely presented component unit, collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2010. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Marengo's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of the City of Marengo's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Marengo's internal control over financial reporting.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility 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 10-IC-1 through 10-IC-5 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying schedule of findings related to the financial statements as items 10-IC-6 through 10-IC-9 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 that are described in the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 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.

The City of Marengo's responses to findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Marengo's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and the use of the officials, employees and citizens of the City of Marengo and other parties to whom the City of Marengo may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
December 9, 2010

# Schedule of Findings

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## Part I: Findings Related to the Financial Statements

### 10-IC-1 Segregation of Duties

**Prior Year Finding and Recommendation** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated. For example, we noted that the same person who prepares and records cash receipts and disbursements also is preparing the monthly bank reconciliation and makes adjusting journal entries to the City's general ledger. We recognize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances, segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports. One suggestion is that a member of management review the monthly bank statements and reconciliations to search for large or unusual transactions, amounts or transfers. We further recommend that the member of management review the adjusting journal entries made for the month along with the documentation supporting the need for the entry.

**Current Year Finding** - We found that due to staffing changes during the year, monthly bank statements and reconciliations were not reviewed, support for journal entries could not always be located and journal entries were not reviewed.

**Auditor's Recommendation** - We reiterate our prior year recommendations.

**City's Response** - The City Council is aware of the condition. We have established a central file for all journal entries and will implement review processes of the bank statements and reconciliations and the journal entries. We will continue to review procedures and make changes when appropriate.

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

### 10-IC-2 Bank Reconciliations

**Current Year Finding** - Due to staffing changing in the current year, bank reconciliations were not timely completed.

**Auditor's Recommendation** - We recommend that procedures be established to ensure that bank reconciliations are done timely, even with staffing changes.

**City's Response** - The City Council was aware of this issue. We have been working on cross training the small staff, to prevent this issue in the future.

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

## Schedule of Findings

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### 10-IC-3 General Ledger Reconciliation

**Current Year Finding** - While the receipts and check journals were balanced to the bank statements, they were not balanced to the revenue and expenditures on the City's general ledger. This allowed some items to be incorrectly posted and not corrected until discovered during the audit.

**Auditor's Recommendation** - We recommend that the monthly bank reconciliation process includes balancing the month's total revenue and expenditures to the City's general ledger.

**City's Response** - We have implemented this procedure.

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

### 10-IC-4 Component Unit

**Current Year Finding** - Marengo Picnic in the Park, Inc., is an Iowa nonprofit corporation organized in 2006. When it was originally formed, this organization was not under the control of the City, but due to changes in the board, the accounting and control of the funds became under the control of the City. During the period of July 1, 2009 through June 30, 2010, bank reconciliations had not been done and it was also determined that tax returns had not been filed for the years ending in 2006, 2007 and 2008.

**Auditor's Recommendation** - We recommend that the appropriate governing board be re-established for this organization and that the Articles of Incorporation be reviewed to ensure the organization is in compliance with them. Additionally, procedures should be established for the financial accounting for this organization, including timely bank reconciliations and tax filings.

**City's Response** - We will review and ensure compliance with the Articles of Incorporation. All checks that were issued required two signatures. We have completed monthly bank reconciliations, and all tax returns have been filed.

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

### 10-IC-5 Interest Income and Investments

**Current Year Finding** - We noted that interest earned on a certificate of deposit was not recorded.

**Auditor's Recommendation** - The City should establish procedures to ensure timely recording of interest and reconciliation of certificates held by the City.

**City's Response** - We will establish procedures to ensure interest is recorded timely and that certificates held by the City are periodically reconciled.

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

## Schedule of Findings

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### 10-IC-6 Financial Statement Preparation

**Current Year Finding** - 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. As is inherent in many organizations 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 cash basis accounting principles in preparing the financial statements and the related disclosures.

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

**City's Response** - The City will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

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

### 10-IC-7 Grant Reporting

**Current Year Finding** - There was no evidence of a grant report being filed, and another grant report was filed late due to a question regarding allowable expenses.

**Auditor's Recommendation** - The City should establish a tracking system to ensure grant reports are filed timely and that copies of these reports are maintained.

**City's Response** - We will implement a tracking system to timely file reports and to ensure we have copies of these reports.

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

### 10-IC-8 Unsupported Cost Allocations

**Prior Year Finding and Recommendation** - The City is recording portions of the City Administrator/Clerk and the Finance Manager/Treasurer compensation and benefits (General Fund, General Government Function) direct to the Water Fund (Business-Type Activities), Sanitary Sewer Fund (Business-Type Activities) and Road Use Tax Fund (Public Works Function) without documentation, such as time sheets clearly indicating the amount of time and work performed, which support the direct charges.

Charges to funds and functions should be supported by adequate documentation. Job descriptions indicate that the City Administrator/Clerk and Finance Manager/Treasurer positions are administrative in nature and city-wide in scope. Documentation does exist that supports compensation and benefits for the positions to be recorded in the General Fund as General Government Function disbursements.

## Schedule of Findings

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In order to support charges to funds and functions, we recommend that documentation supporting direct disbursements charged to funds and functions be maintained on file. In order to ensure that each enterprise fund report all costs as if it were a separate business, we recommend that the City develop documentation to support indirect cost allocations for all costs in the General Fund, General Government Function which should be charged to each enterprise fund and for each enterprise fund that should be charged to other funds. Based on the documentation, develop an indirect cost plan to charge a percentage of monthly direct disbursements as indirect costs to each enterprise fund and the General Fund. Establish receipt and disbursement accounts within the General Fund, General Government Function and each enterprise fund and record monthly entries to each account for applicable amounts.

**Current Year Finding** - We found that there was not a review of cost allocations.

**Auditor's Recommendation** - We reiterate our prior year recommendation.

**City's Response** - Management will ensure that this review is completed this year.

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

### 10-IC-9 Service Agreements

**Current Year Finding** - The City provides fire protection with several townships. It was not aware that a service agreement had expired with one of the townships and had not timely billed for these services.

**Auditor's Recommendation** - A monitoring system should be established to ensure that service agreements are renewed timely and to ensure bills are sent for these services.

**City's Response** - We have obtained a new service agreement and have billed and received payment from the township. We have established procedures to ensure service agreements are kept current as well as timely billings for services.

**Auditor's Conclusion** - Response accepted

## **Part II: Compliance and Other Matters**

**10-C-1 Certified Budget** - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development and Debt Service Functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

**Auditor's Recommendation** - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**City's Response** - The budget will be amended in the future, if applicable.

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

## Schedule of Findings

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**10-C-2 Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion.

**10-C-3 Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**10-C-4 Business Transactions** - Business transactions between the City of Marengo and City officials and employees which we believe appear to be conflicts of interest are as follows:

<b>Name, Title and Business Connection</b>	<b>Transaction Description</b>	<b>Amount</b>
Travis Schlabach, Fireman Owner of S & S Plumbing	Equipment rental, parts and repairs	\$ 5,185
Dan Wirtanen, Fireman Owner of Wirtanen Concrete	New benches and park walks	13,394
Mark Swift, Fireman Owner of Brown's Hardware	Supplies	2,292
John Smith, Fireman Owner of Marengo Outdoor Power	Equipment and repairs	9,401
Denny Roberts, Fireman Owner of Computer Solutions	Technology and repairs	1,627
Jamie Lillie, Council Member	Pool management	1,500

In accordance with Chapter 362.5 of the Code of Iowa, the above transactions, except for the transactions with Fireman Wirtanen, may represent conflicts of interest since a competitive bidding process was not utilized and they were in excess of \$1,500. The transactions with Fireman Wirtanen do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

**Auditor's Recommendation** - The City should use a competitive bidding process in the future or consider alternatives for the services noted above.

**City's Response** - The transactions were normal expenses (repairs, supply costs, equipment rental and computer services). 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.

**10-C-5 Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

## Schedule of Findings

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### 10-C-6 Council Minutes

**Current Year Finding** - Minutes for the period of September through June did not include the summary of monthly revenue. Additionally, the minutes did not document the results of the vote to go into closed session nor the specific exemption which allowed the closed session under Section 21.5 of the Code of Iowa.

**Auditor's Recommendation** - Code of Iowa Section 21.5 should be reviewed to ensure that all requirements are met.

**City's Response** - We will review the Code requirements and properly include all items required in the minutes.

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

### 10-C-7 Revenue Bonds and Notes

- The City did not meet audit completion deadlines dates for which a waiver was obtained. However, the City did not comply with the requirement of setting sufficient rates to cause net revenue to equal 110% of bond and interest payments due in the fiscal year for the water and sewer revenue bonds.

**Auditor's Recommendation** - In order to meet the compliance terms of the debt resolution and to ensure revenue generates cash sufficient to make debt principal and interest payments when due, we recommend that the City increase water and sewer rates to provide net revenue at least equal to 110% of debt service. In addition, we recommend insurance coverage be reviewed by a member of management annually to ensure the City's assets are appropriately insured.

**City's Response** - The City is reviewing rates and will increase rates if necessary to meet debt resolution requirements.

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

### 10-C-8 Unclaimed Property

**Current Year Finding** - Checks outstanding for more than three years were not properly reported and turned over to the State of Iowa.

**Auditor's Recommendation** - Procedures should be established to comply with State requirements.

**City's Response** - We have established procedures to properly report outstanding checks as required by the State of Iowa.

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