

**CITY OF MARION, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

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Officials

Name	Title	Term Expires
Elected Officials (Before January 1, 2022)		
Nicolas AbouAssaly	Mayor	December 31, 2023
Colette Atkins	Council Member - First Ward	December 31, 2023
Steve Jensen	Council Member - Second Ward	December 31, 2021
Will Brandt	Council Member - Third Ward	December 31, 2023
Rene Gadelha	Council Member - Fourth Ward	December 31, 2021
Randy Strnad	Council Member - At-Large	December 31, 2021
Grant Harper	Council Member - At-Large	December 31, 2023

Elected Officials (After January 1, 2022)		
Nicolas AbouAssaly	Mayor	December 31, 2023
Colette Atkins	Council Member - First Ward	December 31, 2023
Steve Jensen	Council Member - Second Ward	December 31, 2025
Will Brandt	Council Member - Third Ward	December 31, 2023
Sara Mentzer	Council Member - Fourth Ward	December 31, 2025
Randy Strnad	Council Member - At-Large	December 31, 2025
Grant Harper	Council Member - At-Large	December 31, 2023

Appointed Officials		
Lon Pluckhahn	City Manager (resigned August 2, 2021)	Indefinite
Ryan Waller	City Manager (appointed November 29, 2021)	Indefinite
Lianne Cairy	Finance Director/City Treasurer	Indefinite
Rachel Bolender	City Clerk	Indefinite
Kara Bullerman	City Attorney	Indefinite
Terrell Hunter	IT Director	Indefinite
Tom Treharne	Community Development Director/Interim City Manager (August 2, 2021 - November 28, 2021)	Indefinite
Mike Kitsmiller	Police Chief	Civil Service
Michael Barkalow	City Engineer	Indefinite
Deb Krebill	Fire Chief (retired April 30, 2022)	Civil Service
Jason Hansen	Interim Fire Chief (appointed May 2, 2022)	Indefinite
Seth Staashelm	Director of Parks and Recreation	Indefinite
James Teahen	Acting Library Director (resigned July 26, 2021)	Indefinite
William Carroll	Library Director (appointed July 26, 2021)	Indefinite
Ryan Miller	Public Services Director	Indefinite
William A. Kling	Marion Municipal Water Department - Trustee - 2022 Chairperson	December 31, 2026
John C. Bender	Marion Municipal Water Department - Trustee - 2021 Chairperson	December 31, 2021
Terry Chew	Marion Municipal Water Department - Trustee	December 31, 2022
John D. McIntosh	Marion Municipal Water Department - Trustee	December 31, 2023
Amy Olson	Marion Municipal Water Department - Trustee	December 31, 2024
John C. Bender	Marion Municipal Water Department - Trustee	December 31, 2027
Todd Steigerwaldt	Marion Municipal Water Department - General Manager	Indefinite

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marion, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Marion's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marion, as of June 30, 2022, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of proportionate share of the net pension liability, the schedules of contributions and the schedule of changes in the City's total OPEB liability, related ratios and notes on pages 5 through 12 and 58 through 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marion's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements. The accompanying nonmajor governmental funds - combining balance sheet; nonmajor governmental funds - combining schedule of revenue, expenditures and changes in fund balances; nonmajor enterprise funds - combining schedule of net position; nonmajor enterprise funds - combining schedule of revenue, expenses and changes in fund net position; nonmajor enterprise funds - combining schedule of cash flows; schedule of revenue by source and expenditures by function - all governmental funds; and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor governmental funds - combining balance sheet; nonmajor governmental funds - combining schedule of revenue, expenditures and changes in fund balances; nonmajor enterprise funds - combining schedule of net position; nonmajor enterprise funds - combining schedule of revenue, expenses and changes in fund net position; nonmajor enterprise funds - combining schedule of cash flows; schedule of revenue by source and expenditures by function - all governmental funds; and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023 on our consideration of the City of Marion's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Marion's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marion's internal control over financial reporting and compliance.



HOGAN - HANSEN

Cedar Rapids, Iowa
January 26, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Marion, Iowa, we offer readers of the City of Marion's financial statements this narrative and analysis of the financial statements of the City of Marion for the fiscal year ended June 30, 2022. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business-type activities of the City.

FINANCIAL HIGHLIGHTS

The assets of the City of Marion's governmental activities exceeded its liabilities at the close of June 30, 2022 by \$215.8 million (net position).

The City's net position for governmental activities increased by \$19.95 million.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11.6 million, or 44.5%, of the total General Fund expenditures. For the purpose of these financial statements, the General Fund also includes the Equipment Replacement, Tax Stabilization and Police Retirement Trust and Agency Funds.

Total general obligation debt increased by \$9,210,000.

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.

Government-wide financial statements consist of a statement of net position and a statement of activities. These provide 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 were 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 financial statements 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, the City's proportionate share of the net pension liability and related contributions, as well as the schedule of changes in the City's total OPEB liability, related ratios and notes.

Supplementary information provides detailed information about the nonmajor governmental and enterprise funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the City.

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 or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

The statement of net position presents financial information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The statement of net position and the statement of activities report three kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, user charges and state and federal grants finance most of these activities.
- Business-type activities include solid waste management collection, the sanitary sewer system, city communication utility and urban forest. These activities are financed primarily by user charges.
- The component units include the activities of the Marion Water Department (Water), the Friends of the Marion Carnegie Library (Friends), the Marion Public Library Foundation (Library), the Marion Parks and Recreation Foundation, Inc. (Parks) and the Marion Firefighter's Association (Fire). The City is financially accountable for the component units and has included them in the financial statements and notes, although they are legally separate from the City.

Fund Financial Statements

The City has three kinds of funds:

1. Governmental Funds

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year end that are available for spending. Governmental funds include: (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, Tax Increment Financing and the Employee Benefits Fund, (3) the Debt Service Fund, (4) the Capital Projects Funds and (5) the Permanent Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

2. Proprietary Funds

Proprietary funds account for the City's enterprise and internal service funds. The enterprise funds report services for which the City charges customers for the service it provides. The internal service funds are used to account for health insurance and other employee benefits. Proprietary funds are reported in the same way all activities are reported in the statement of net position and the statement of activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Internal service funds are included in governmental activities in the statement of net position and statement of activities. The enterprise funds include the Sewer Rental Fund, Storm Water Management Fund and Solid Waste Fund which are considered to be major funds of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental and business-type activities.

	Net Position at End of Year					
	(in thousands)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 107,940	\$ 102,318	\$ 13,289	\$ 13,252	\$ 121,229	\$ 115,570
Capital assets	257,814	238,579	56,062	52,903	313,876	291,482
Total Assets	<u>365,754</u>	<u>340,897</u>	<u>69,351</u>	<u>66,155</u>	<u>435,105</u>	<u>407,052</u>
Deferred Outflows of Resources	<u>4,961</u>	<u>6,934</u>	<u>514</u>	<u>592</u>	<u>5,475</u>	<u>7,526</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 370,715</u>	<u>\$ 347,831</u>	<u>\$ 69,865</u>	<u>\$ 66,747</u>	<u>\$ 440,580</u>	<u>\$ 414,578</u>
Long-term liabilities	\$ 99,636	\$ 107,660	\$ 5,334	\$ 6,923	\$ 104,970	\$ 114,583
Other liabilities	11,448	12,476	1,228	935	12,676	13,411
Total Liabilities	<u>111,084</u>	<u>120,136</u>	<u>6,562</u>	<u>7,858</u>	<u>117,646</u>	<u>127,994</u>
Deferred Inflows of Resources	<u>43,852</u>	<u>31,870</u>	<u>1,368</u>	<u>46</u>	<u>45,220</u>	<u>31,916</u>
Net Position						
Net investment in capital assets	164,217	154,230	56,062	52,903	220,279	207,133
Restricted	50,426	44,306	—	—	50,426	44,306
Unrestricted	1,136	(2,711)	5,873	5,940	7,009	3,229
Total Net Position	<u>215,779</u>	<u>195,825</u>	<u>61,935</u>	<u>58,843</u>	<u>277,714</u>	<u>254,668</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 370,715</u>	<u>\$ 347,831</u>	<u>\$ 69,865</u>	<u>\$ 66,747</u>	<u>\$ 440,580</u>	<u>\$ 414,578</u>

Net position of governmental activities increased approximately \$19.95 million for the fiscal year 2022. Net position of business-type activities increased approximately \$3.1 million for the fiscal year 2022. The largest portion of the City's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$1.1 million as of the end of this year for governmental activities and \$5.9 million for business-type activities.

A summary version of the statement of activities follows:

Changes in Net Position for the Year Ended June 30,						
(in thousands)						
	Governmental Activities		Business-Type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Revenue						
Program Revenue						
Charges for service	\$ 2,343	\$ 2,005	\$ 11,459	\$ 10,543	\$ 13,802	\$ 12,548
Operating grants and contributions	7,581	2,988	9	16	7,590	3,004
Capital grants and contributions	6,652	2,906	1,561	1,031	8,213	3,937
General Revenue						
Property tax and tax increment financing	30,699	29,693	—	—	30,699	29,693
Other city tax and special assessments	8,297	8,003	—	—	8,297	8,003
Local option sales tax	7,997	6,185	—	—	7,997	6,185
Unrestricted investment earnings	602	682	107	139	709	821
Miscellaneous	157	175	—	—	157	175
Gain on disposal of capital assets	23	40	98	—	121	40
Total Revenue	<u>64,351</u>	<u>52,677</u>	<u>13,234</u>	<u>11,729</u>	<u>77,585</u>	<u>64,406</u>
Program Expenses						
Public safety	3,301	23,355	—	—	3,301	23,355
Public works	14,229	4,761	—	—	14,229	4,761
Culture and recreation	16,832	12,141	—	—	16,832	12,141
Community and economic development	3,586	2,954	—	—	3,586	2,954
General government	3,995	3,786	—	—	3,995	3,786
Interest and fiscal charges on long-term debt	2,157	2,206	—	—	2,157	2,206
Sewer	—	—	7,821	7,436	7,821	7,436
Solid waste	—	—	2,029	2,143	2,029	2,143
City communication and utility	—	—	70	2	70	2
Urban forest	—	—	519	413	519	413
Total Expenses	<u>44,100</u>	<u>49,203</u>	<u>10,439</u>	<u>9,994</u>	<u>54,539</u>	<u>59,197</u>
Transfers	<u>(297)</u>	<u>1,380</u>	<u>297</u>	<u>(1,380)</u>	<u>—</u>	<u>—</u>
Change in Net Position	19,954	4,854	3,092	355	23,046	5,209
Net Position - Beginning of Year	<u>195,825</u>	<u>190,971</u>	<u>58,843</u>	<u>58,488</u>	<u>254,668</u>	<u>249,459</u>
Net Position - End of Year	<u>\$ 215,779</u>	<u>\$ 195,825</u>	<u>\$ 61,935</u>	<u>\$ 58,843</u>	<u>\$ 277,714</u>	<u>\$ 254,668</u>

Governmental Activities

Charges for service make up 3.6% of governmental revenue. Operating and capital grants and contributions, primarily for street projects and building improvement projects, make up another 22.1% of governmental revenue. The remaining revenue comes from primarily property, road use and local option sales taxes.

Business-Type Activities

As expected, charges for service is the primary revenue source for business-type activities. Sanitary sewer, urban forest and solid waste fees are the primary charges for service that make up 86.6% of total revenue. Investment income accounts for an additional 0.1% of total revenue.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Marion completed the year, its governmental funds reported a combined fund balance of \$67,193,229 which is an increase from the \$61,197,771 total fund balance as of June 30, 2021. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund prior year fund balance of \$15,623,821 decreased to \$15,623,821. Revenue increased 0.1% over the prior year to \$21,548,445 and expenditures increased 6.7% to \$26,002,817. Net other financing sources totaled \$4,280,109.

The Special Revenue, Road Use Tax Fund is used to account for the maintenance of the City's infrastructure. This fund ended fiscal year 2022 with a balance of \$8,956,583, compared to the prior year ending balance of \$10,650,398.

The Special Revenue, Trust and Agency (Employee Benefits) Fund is required by the Code of Iowa to account for property tax levied for employee benefits. This fund showed a decrease in fund balance from \$495,518 as of June 30, 2021 to \$456,173 as of June 30, 2022.

The Special Revenue, Local Option Sales Tax Fund accounts for revenue from the tax authorized by referendum and used for capital improvements, equipment and community programs and services. This fund ended fiscal year 2022 with a \$6,499,055 balance compared to the prior year ending fund balance of \$2,581,607. Local option sales tax revenue increased \$1,811,860 from \$6,185,043 as of June 30, 2021 to \$7,996,903 as of June 30, 2022.

The Special Revenue, Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal year 2022 with a \$682,305 balance compared to the prior year ending balance of \$750,339.

The Debt Service Fund ended fiscal year 2022 with a \$1,498,243 balance compared to the prior year ending balance of \$1,290,155. Property tax revenue decreased \$113,461 from \$4,132,734 as of June 30, 2021 to \$4,019,273 as of June 30, 2022, while bond principal and interest payments decreased \$1,344,201 from \$7,513,543 as of June 30, 2021 to \$6,169,342 as of June 30, 2022.

The Capital Projects Fund ended fiscal year 2022 with a \$32,275,467 balance compared to the prior year ending balance of \$28,469,466.

Proprietary Fund Highlights

The Enterprise, Sewer Rental Fund, which accounts for the operation and maintenance of the City's sanitary sewer system, ended fiscal year 2022 with a net position balance of \$22,951,821 compared to the prior year ending net position balance of \$21,927,358.

The Enterprise, Storm Water Management Fund, which accounts for the operation and maintenance of the City's storm water management system, ended fiscal year 2022 with a \$30,454,165 net position balance compared to the prior year ending net position balance of \$29,255,227.

The Enterprise, Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection, ended fiscal year 2022 with a \$3,609,228 net position balance compared to the prior year ending net position balance of \$2,318,633.

Budgetary Highlights

Over the course of the year, the City amended its budget once. The budgeted disbursements were increased due to timing of vehicle and equipment purchases, timeline for strategic initiatives was moved forward and recruiting consulting services required that were unforeseen.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$257,813,682 (net of accumulated depreciation) as of June 30, 2022. Capital assets for business-type activities totaled \$56,062,113 (net of accumulated depreciation) as of June 30, 2022. See Note 3 to the financial statements for more information about the City's capital assets.

Construction in progress as of June 30, 2022 consists primarily of street projects, sewer projects, new library and new public service facility.

Long-Term Debt

As of June 30, 2022, the City had \$79,100,000 of outstanding general obligation bonds, \$3,692,889 of outstanding tax increment revenue bonds, \$4,930,937 of outstanding revenue bonds and \$3,620,000 of other long-term debt for governmental activities. See Note 4 to the financial statements for more information about the City's long-term debt.

The City continues to carry a general obligation bond rating of Aa1 assigned by national rating agencies to the City's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$161 million. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The unemployment rate for Linn County is currently at 3.1%, which is 1.7% less than where it was the previous year and less than the national unemployment rate of 3.6%.

Retail sales are reported on a fiscal year, July 1 to June 30, basis. For fiscal year 2021, retail sales were \$465.9 million for Marion and \$4.4 billion for Linn County. For fiscal year 2020, retail sales for Marion were \$347.9 million and \$4.03 billion for Linn County.

The total value of building permits for fiscal year 2022 was approximately \$72.1 million, which is down from the fiscal year 2021 amount of \$89.3 million.

NEXT YEAR'S BUDGET AND RATES

The adopted fiscal year 2022-2023 budget calls for an increase in tax receipts of 4.5% and accomplishes all of the Council's long-standing objectives including maintaining the current level of services, maintaining adequate levels of cash reserves and complying with all of the City's financial policies.

Unlike many cities, Marion does not own or operate a wastewater treatment plant. Wastewater treatment is handled through a contract with the City of Cedar Rapids. A 31% overall increase in collections is budgeted.

Similarly, the recycling market has changed over the past couple of years, leading to increased costs in the United States and international markets. A 17% overall increase in collections is budgeted.

The total City tax levy rate for fiscal year 2022-2023 is 14.20203 per taxable valuation compared to 14.19976 for fiscal year 2021-2022. Net taxable valuation for fiscal year 2022-2023 is \$1,879.8 million, which was an increase of \$80.9 million from the fiscal year 2021-2022 level which was \$1,798.9 million.

FINANCIAL INFORMATION CONTACT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the Office of the Finance Director at 1225 - 6th Avenue, City Hall, Marion, Iowa 52302.

Basic Financial Statements

Statement of Net Position

As of June 30, 2022

	Primary Government			Component Unit				
	Governmental Activities	Business-Type Activities	Total	Water	Friends	Library	Parks	Fire
Assets and Deferred Outflows of Resources								
Assets								
Cash.....	\$ 60,827,271	\$ 10,389,408	\$ 71,216,679	\$ 7,432,663	\$ 70,140	\$ 206,211	\$ 25,501	\$ 140,005
Pooled investments	11,090,483	897,692	11,988,175	—	62,963	1,023,533	—	—
Receivables								
Property Tax and Tax Increment Financing, Net of Allowance								
Current year delinquent.....	93,057	—	93,057	—	—	—	—	—
Succeeding year	31,220,532	—	31,220,532	—	—	—	—	—
Unbilled usage	—	967,137	967,137	490,227	—	—	—	—
Accounts	611,664	684,842	1,296,506	430,247	—	—	—	—
Due from other governments	4,078,161	227	4,078,388	—	—	—	—	—
Internal loans - portion due within one year	(102,157)	102,157	—	—	—	—	—	—
Inventories.....	369,650	—	369,650	369,650	—	—	—	200
Internal loans - portion due after one year	(247,973)	247,973	—	—	—	—	—	—
Restricted Assets								
Cash and investments.....	—	—	—	158,916	—	—	—	905,637
Capital assets, net of accumulated depreciation.....	257,813,682	56,062,113	313,875,795	30,376,625	2,797	—	—	—
Total Assets.....	365,754,370	69,351,549	435,105,919	39,258,328	135,900	1,229,744	25,501	1,045,842
Deferred Outflows of Resources								
Pension-related deferred outflows	4,158,467	390,749	4,549,216	155,817	—	—	—	—
OPEB-related deferred outflows	802,038	122,808	924,846	—	—	—	—	—
Total Deferred Outflows of Resources	4,960,505	513,557	5,474,062	155,817	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 370,714,875	\$ 69,865,106	\$ 440,579,981	\$ 39,414,145	\$ 135,900	\$ 1,229,744	\$ 25,501	\$ 1,045,842

See accompanying notes to the financial statements.

Statement of Net Position

As of June 30, 2022

	Primary Government			Component Unit				
	Governmental Activities	Business-Type Activities	Total	Water	Friends	Library	Parks	Fire
Liabilities, Deferred Inflows of Resources and Net Position								
Liabilities								
Accounts payable	\$ 4,755,622	\$ 877,597	\$ 5,633,219	\$ 467,914	\$ —	\$ —	\$ —	\$ —
Accrued interest payable	219,804	—	219,804	1,423	—	—	—	—
Salaries and benefits payable.....	796,532	46,189	842,721	68,595	—	—	—	—
Self-insured estimated claims.....	496,982	—	496,982	31,341	—	—	—	—
Payable from restricted assets	—	—	—	158,916	—	—	—	—
Long-Term Liabilities								
Portion Due Within One Year								
Revenue bonds	224,947	264,946	489,893	—	—	—	—	—
General obligation bonds	4,340,000	—	4,340,000	—	—	—	—	—
Tax increment revenue bonds	284,793	—	284,793	—	—	—	—	—
Unamortized premium on general obligation notes.....	270,936	—	270,936	—	—	—	—	—
Notes payable	33,281	—	33,281	—	—	—	—	—
Compensated absences.....	—	38,422	38,422	129,106	—	—	—	—
Nonbonded indebtedness	24,993	—	24,993	—	—	—	—	—
SRF loan	—	—	—	148,000	—	—	—	—
Portion Due or Payable After One Year								
Revenue bonds	4,705,990	5,025,992	9,731,982	—	—	—	—	—
General obligation bonds	74,760,000	—	74,760,000	—	—	—	—	—
Tax increment revenue bonds	3,408,096	—	3,408,096	—	—	—	—	—
Unamortized premium on general obligation notes.....	1,862,167	—	1,862,167	—	—	—	—	—
Notes payable	3,586,719	—	3,586,719	—	—	—	—	—
Compensated absences.....	4,424,975	—	4,424,975	—	—	—	—	—
Nonbonded indebtedness	95,151	—	95,151	—	—	—	—	—
SRF loan	—	—	—	1,374,000	—	—	—	—
Net pension liability	4,677,480	173,009	4,850,489	18,878	—	—	—	—
Total OPEB liability	2,114,934	135,068	2,250,002	105,364	—	—	—	—
Total Liabilities	111,083,402	6,561,223	117,644,625	2,503,537	—	—	—	—
Deferred Inflows of Resources								
Unavailable Revenue								
Succeeding year property tax and tax increment financing....	31,220,532	—	31,220,532	—	—	—	—	—
Pension-related deferred inflows	12,599,780	1,364,650	13,964,430	702,254	—	—	—	—
OPEB-related deferred inflows	32,149	3,781	35,930	14,708	—	—	—	—
Total Deferred Inflows of Resources	43,852,461	1,368,431	45,220,892	716,962	—	—	—	—
Net Position								
Net investment in capital assets	164,216,609	56,062,113	220,278,722	28,854,625	—	—	—	—
Restricted for								
Cemetery perpetual care.....	215,254	—	215,254	—	—	—	—	—
Benefits.....	456,173	—	456,173	—	—	—	—	—
Debt service	1,278,439	—	1,278,439	—	—	—	—	—
Capital projects	32,275,467	—	32,275,467	—	—	—	—	—
Economic development.....	62,817	—	62,817	—	—	—	—	—
Streets	8,956,583	—	8,956,583	—	—	—	—	—
Other purposes	7,181,360	—	7,181,360	—	—	—	—	—
Unrestricted	1,136,310	5,873,339	7,009,649	7,339,021	135,900	1,229,744	25,501	1,045,842
Total Net Position	215,779,012	61,935,452	277,714,464	36,193,646	135,900	1,229,744	25,501	1,045,842
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 370,714,875	\$ 69,865,106	\$ 440,579,981	\$ 39,414,145	\$ 135,900	\$ 1,229,744	\$ 25,501	\$ 1,045,842

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position			Component Unit						
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	Water	Friends	Library	Parks	Fire		
Primary Government														
Governmental Activities														
Public safety	\$ 3,300,839	\$ 323,412	\$ 320,041	\$ 717,810	\$ (1,939,576)	\$ —	\$ (1,939,576)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Public works	14,229,503	88,894	1,719	1,898,764	(12,240,126)	—	(12,240,126)	—	—	—	—	—	—	—
Culture and recreation.....	16,832,004	486,749	4,145,064	1,728,314	(10,471,877)	—	(10,471,877)	—	—	—	—	—	—	—
Community and economic development.....	3,585,937	1,352,396	493	782,507	(1,450,541)	—	(1,450,541)	—	—	—	—	—	—	—
General government.....	3,995,187	91,961	3,113,703	1,524,634	735,111	—	735,111	—	—	—	—	—	—	—
Interest and other charges on long-term debt	2,156,972	—	—	—	(2,156,972)	—	(2,156,972)	—	—	—	—	—	—	—
Total Governmental Activities ...	44,100,442	2,343,412	7,581,020	6,652,029	(27,523,981)	—	(27,523,981)	—	—	—	—	—	—	—
Business-Type Activities														
Sewer	7,820,987	7,442,272	2,197	1,560,942	—	1,184,424	1,184,424	—	—	—	—	—	—	—
Solid waste	2,028,969	3,130,511	1,665	—	—	1,103,207	1,103,207	—	—	—	—	—	—	—
City communication and utility.....	70,142	19,650	—	—	—	(50,492)	(50,492)	—	—	—	—	—	—	—
Urban forest.....	518,737	867,959	5,000	—	—	354,222	354,222	—	—	—	—	—	—	—
Total Business-Type Activities..	10,438,835	11,460,392	8,862	1,560,942	—	2,591,361	2,591,361	—	—	—	—	—	—	—
Total Primary Government.....	\$ 54,539,277	\$ 13,803,804	\$ 7,589,882	\$ 8,212,971	(27,523,981)	2,591,361	(24,932,620)	—	—	—	—	—	—	—
Component Unit - Water.....	\$ 3,799,798	\$ 6,047,458	\$ —	\$ 328,007	—	—	—	2,575,667	—	—	—	—	—	—
Component Unit - Friends.....	\$ 194,067	\$ —	\$ 232,338	\$ —	—	—	—	—	38,271	—	—	—	—	—
Component Unit - Library.....	\$ 1,351,189	\$ —	\$ 431,158	\$ —	—	—	—	—	—	(920,031)	—	—	—	—
Component Unit - Parks.....	\$ 6,682	\$ —	\$ 10,210	\$ —	—	—	—	—	—	—	3,528	—	—	—
Component Unit - Fire.....	\$ 8,854	\$ —	\$ 7,460	\$ —	—	—	—	—	—	—	—	—	(1,394)	—
General Revenue (Expense)														
Property Tax Levied for														
General purposes.....					22,339,692	—	22,339,692	—	—	—	—	—	—	—
Debt service.....					4,019,273	—	4,019,273	—	—	—	—	—	—	—
Tax increment financing.....					4,337,135	—	4,337,135	—	—	—	—	—	—	—
Other City Tax														
Cable television franchise					2,449,403	—	2,449,403	—	—	—	—	—	—	—
Hotel/motel					349,240	—	349,240	—	—	—	—	—	—	—
Road use tax					5,498,692	—	5,498,692	—	—	—	—	—	—	—
Local option sales tax.....					7,996,903	—	7,996,903	—	—	—	—	—	—	—
Unrestricted investment earnings (losses)					602,199	106,885	709,084	23,743	1,916	(165,057)	9	(247,490)	—	—
Special assessments					1,464	—	1,464	—	—	—	—	—	—	—
Miscellaneous					157,279	—	157,279	99,789	—	—	—	—	—	—
Gain on disposal of capital assets					23,137	97,718	120,855	20,500	—	—	—	—	—	—
Total General Revenue.....					47,774,417	204,603	47,979,020	144,032	1,916	(165,057)	9	(247,490)	—	—
Transfers.....					(296,873)	296,873	—	—	—	—	—	—	—	—
Change in Net Position.....					19,953,563	3,092,837	23,046,400	2,719,699	40,187	(1,085,088)	3,537	(248,884)	—	—
Net Position - Beginning of Year.....					195,825,449	58,842,615	254,668,064	33,473,947	95,713	2,314,832	21,964	1,294,726	—	—
Net Position - End of Year.....					\$ 215,779,012	\$ 61,935,452	\$ 277,714,464	\$ 36,193,646	\$ 135,900	\$ 1,229,744	\$ 25,501	\$ 1,045,842	—	—

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2022

	General	Special Revenue				Debt Service	Capital Projects	Nonmajor	Total
		Road Use Tax	Trust and Agency (Employee Benefits)	Local Option Sales Tax	Tax Increment Financing				
Assets									
Cash.....	\$ 14,104,757	\$ 8,859,046	\$ 439,234	\$ 5,612,578	\$ 773,139	\$ 1,496,072	\$ 24,416,337	\$ 1,253,664	\$ 56,954,827
Pooled investments	1,718,496	—	—	325,257	—	—	8,918,294	—	10,962,047
Receivables									
Property Tax									
Current year delinquent	46,293	—	18,323	—	16,626	11,815	—	—	93,057
Succeeding year.....	16,213,047	—	6,454,349	—	4,467,913	4,085,223	—	—	31,220,532
Accounts	592,504	—	—	—	—	—	—	—	592,504
Due from other governments.....	106,370	440,203	—	567,056	—	—	2,964,532	—	4,078,161
Inventories.....	369,650	—	—	—	—	—	—	—	369,650
Total Assets	\$ 33,151,117	\$ 9,299,249	\$ 6,911,906	\$ 6,504,891	\$ 5,257,678	\$ 5,593,110	\$ 36,299,163	\$ 1,253,664	\$ 104,270,778
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts payable	\$ 599,968	\$ 266,251	\$ 1,384	\$ —	\$ —	\$ 9,644	\$ 3,781,026	\$ 52,082	\$ 4,710,355
Salaries and benefits payable.....	714,281	76,415	—	5,836	—	—	—	—	796,532
Interfund loan	—	—	—	—	107,460	—	242,670	—	350,130
Total Liabilities	1,314,249	342,666	1,384	5,836	107,460	9,644	4,023,696	52,082	5,857,017
Deferred Inflows of Resources									
Succeeding year property tax	16,213,047	—	6,454,349	—	4,467,913	4,085,223	—	—	31,220,532
Fund Balances									
Nonspendable									
Inventories	369,650	—	—	—	—	—	—	—	369,650
Cemetery perpetual care.....	—	—	—	—	—	—	—	215,254	215,254
Restricted for									
Benefits.....	—	—	456,173	—	—	—	—	—	456,173
Debt service.....	—	—	—	—	—	1,498,243	—	—	1,498,243
Capital projects	—	—	—	—	—	—	32,275,467	—	32,275,467
Streets	—	8,956,583	—	—	—	—	—	—	8,956,583
Economic development.....	—	—	—	—	—	—	—	62,817	62,817
Other purposes	—	—	—	6,499,055	682,305	—	—	—	7,181,360
Committed to									
Pension.....	618,957	—	—	—	—	—	—	—	618,957
Capital projects	—	—	—	—	—	—	—	502,585	502,585
Assigned for									
Equipment reserve.....	2,703,044	—	—	—	—	—	—	—	2,703,044
Tax stabilization	330,653	—	—	—	—	—	—	—	330,653
Capital projects	—	—	—	—	—	—	—	420,926	420,926
Unassigned	11,601,517	—	—	—	—	—	—	—	11,601,517
Total Fund Balances	15,623,821	8,956,583	456,173	6,499,055	682,305	1,498,243	32,275,467	1,201,582	67,193,229
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 33,151,117	\$ 9,299,249	\$ 6,911,906	\$ 6,504,891	\$ 5,257,678	\$ 5,593,110	\$ 36,299,163	\$ 1,253,664	\$ 104,270,778

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2022

Total Fund Balances for Governmental Funds (Page 16).... **\$ 67,193,229**

***Amounts reported for governmental activities in the
statement of net position are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$340,047,959 and the accumulated depreciation is \$82,234,277 257,813,682

Internal service funds are used by management to charge the costs of employee benefits and the partially self-funded insurance plan to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statements of net position 3,477,791

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (219,804)

Pension and OPEB deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Pension Related		
Deferred outflows of resources.....	\$ 4,158,467	
Deferred inflows of resources.....	(12,599,780)	
OPEB Related		
Deferred outflows of resources.....	802,038	
Deferred inflows of resources.....	<u>(32,149)</u>	(7,671,424)

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds, as follows:

General obligation bonds	\$ (79,100,000)	
Tax increment revenue bonds	(3,692,889)	
Unamortized premium on general obligation bonds.....	(2,133,103)	
Revenue bonds	(4,930,937)	
Note payable	(3,620,000)	
Compensated absences.....	(4,424,975)	
Nonbonded indebtedness	(120,144)	
Net pension liability	(4,677,480)	
Total OPEB liability	<u>(2,114,934)</u>	<u>(104,814,462)</u>

Net Position of Governmental Activities (Page 14)..... **\$ 215,779,012**

**Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds**

Year Ended June 30, 2022

	<u>Special Revenue</u>								
	General	Road Use Tax	Trust and Agency (Employee Benefits)	Local Option Sales Tax	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
Revenue									
Property tax.....	\$ 16,000,936	\$ —	\$ 6,338,756	\$ —	\$ —	\$ 4,019,273	\$ —	\$ —	\$ 26,358,965
Tax increment financing	—	—	—	—	4,337,135	—	—	—	4,337,135
Other city tax	2,798,643	—	—	—	—	—	—	—	2,798,643
Licenses and permits.....	929,118	—	—	—	—	—	—	—	929,118
Use of money and property	180,560	7,882	512	43,021	7,117	15,219	337,237	3,981	595,529
Intergovernmental	477,949	5,500,197	58,251	7,996,903	—	—	7,913,130	10,600	21,957,030
Charges for service	1,027,670	—	—	—	—	—	341,505	76,879	1,446,054
Special assessments.....	—	—	—	—	—	1,047	417	—	1,464
Miscellaneous.....	133,569	75,542	32,000	—	—	—	2,232,212	—	2,473,323
Total Revenue	21,548,445	5,583,621	6,429,519	8,039,924	4,344,252	4,035,539	10,824,501	91,460	60,897,261
Expenditures									
Operating									
Public safety	14,753,638	—	31,519	—	—	—	—	—	14,785,157
Public works.....	903,149	3,808,251	—	197,476	—	—	—	—	4,908,876
Culture and recreation.....	5,087,112	—	37,126	—	—	—	—	—	5,124,238
Community and economic development.....	1,603,104	—	—	—	1,546,458	—	—	—	3,149,562
General government	3,655,814	243,918	37,398	—	—	—	—	—	3,937,130
Debt Service									
Principal.....	—	219,558	—	—	276,726	4,120,000	—	—	4,616,284
Interest and other charges	—	122,722	—	—	127,369	2,049,342	106,710	—	2,406,143
Capital projects.....	—	—	—	—	—	—	29,181,584	52,082	29,233,666
Total Expenditures	26,002,817	4,394,449	106,043	197,476	1,950,553	6,169,342	29,288,294	52,082	68,161,056
Revenue Over (Under) Expenditures	(4,454,372)	1,189,172	6,323,476	7,842,448	2,393,699	(2,133,803)	(18,463,793)	39,378	(7,263,795)
Other Financing Sources (Uses)									
Operating transfers in	6,546,972	237,138	—	—	—	2,341,891	9,234,360	—	18,360,361
Operating transfers out.....	(2,293,957)	(3,120,125)	(6,362,821)	(3,925,000)	(2,461,733)	—	(1,074,455)	—	(19,238,091)
Sale of capital assets.....	27,094	—	—	—	—	—	—	—	27,094
Insurance proceeds.....	—	—	—	—	—	—	414	—	414
Bond proceeds	—	—	—	—	—	—	13,305,000	—	13,305,000
Loan proceeds.....	—	—	—	—	—	—	460,554	—	460,554
Premium on bonds issued	—	—	—	—	—	—	343,921	—	343,921
Total Other Financing Sources (Uses)	4,280,109	(2,882,987)	(6,362,821)	(3,925,000)	(2,461,733)	2,341,891	22,269,794	—	13,259,253
Net Change in Fund Balances	(174,263)	(1,693,815)	(39,345)	3,917,448	(68,034)	208,088	3,806,001	39,378	5,995,458
Fund Balances - Beginning of Year	15,798,084	10,650,398	495,518	2,581,607	750,339	1,290,155	28,469,466	1,162,204	61,197,771
Fund Balances - End of Year	\$ 15,623,821	\$ 8,956,583	\$ 456,173	\$ 6,499,055	\$ 682,305	\$ 1,498,243	\$ 32,275,467	\$ 1,201,582	\$ 67,193,229

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2022

Change in Fund Balances - Total Governmental Funds (Page 18) \$ 5,995,458

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Capital outlay	\$ 23,981,957	
Contributed capital assets	1,898,764	
Depreciation expense.....	<u>(6,642,595)</u>	19,238,126

The net book value of capital assets disposed of during the year..... (3,957)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due..... (21,764)

Deferred revenue recognized in the current year in the government-wide financial statements. 1,524,634

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of the long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year issuances exceeded repayments as follows:

Long-term debt issued.....	\$ (13,765,554)	
Long-term debt principal repaid.....	4,591,284	
Increase in nonbonded indebtedness.....	(25,000)	
Repayment of nonbonded indebtedness	<u>25,000</u>	(9,174,270)

Amortization of premiums on bonds payable does not provide current financial resources to governmental funds, but it decreases liabilities in the statement of net position (72,985)

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2022

The current year City employer share of IPERS and MFPRSI contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position

	\$	2,560,332
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences.....	\$	255,420	
Pension expense.....		(33,010)	
Other post-employment benefits.....		<u>(91,765)</u>	130,645

Internal service funds are used by management to charge the costs of employee benefits and the partially self-funded insurance plan to individual funds. The change in net position of the internal service funds is reported with governmental activities in the statement of activities.....

		<u>(222,656)</u>
--	--	------------------

Change in Net Position of Governmental Activities (Page 15) \$ 19,953,563

Statement of Net Position - Proprietary Funds

As of June 30, 2022

	Enterprise					Internal Service		
	Sewer Rental	Storm Water Management	Solid Waste	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Assets and Deferred Outflows of Resources								
Current Assets								
Cash	\$ 1,214,428	\$ 1,493,753	\$ 3,542,448	\$ 4,138,779	\$ 10,389,408	\$ 460,301	\$ 3,412,143	\$ 3,872,444
Pooled investments	—	64,907	151,834	680,951	897,692	75,685	52,751	128,436
Receivables								
Unbilled usage	600,404	80,167	238,680	47,886	967,137	—	—	—
Accounts	390,041	74,484	184,751	35,566	684,842	—	19,160	19,160
Due from other governments	155	—	72	—	227	—	—	—
Interfund loan	—	31,557	—	70,600	102,157	—	—	—
Total Current Assets	2,205,028	1,744,868	4,117,785	4,973,782	13,041,463	535,986	3,484,054	4,020,040
Noncurrent Assets								
Interfund loan	—	—	—	247,973	247,973	—	—	—
Capital assets, net of accumulated depreciation	24,241,246	28,977,390	2,694,862	148,615	56,062,113	—	—	—
Total Noncurrent Assets	24,241,246	28,977,390	2,694,862	396,588	56,310,086	—	—	—
Total Assets	26,446,274	30,722,258	6,812,647	5,370,370	69,351,549	535,986	3,484,054	4,020,040
Deferred Outflows of Resources								
Pension-related deferred outflows	133,163	84,725	151,487	21,374	390,749	—	—	—
OPEB-related deferred outflows	39,257	25,227	46,378	11,946	122,808	—	—	—
Total Deferred Outflows of Resources	172,420	109,952	197,865	33,320	513,557	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 26,618,694	\$ 30,832,210	\$ 7,010,512	\$ 5,403,690	\$ 69,865,106	\$ 535,986	\$ 3,484,054	\$ 4,020,040
Liabilities, Deferred Inflows of Resources and Net Position								
Current Liabilities								
Accounts payable	\$ 578,321	\$ 12,559	\$ 239,806	\$ 46,911	\$ 877,597	\$ —	\$ 45,267	\$ 45,267
Salaries and benefits payable	12,955	—	20,984	12,250	46,189	—	—	—
Self-insured estimated claims	—	—	—	—	—	—	496,982	496,982
Compensated absences	38,422	—	—	—	38,422	—	—	—
Current maturities of long-term debt	112,473	—	112,473	40,000	264,946	—	—	—
Total Current Liabilities	742,171	12,559	373,263	99,161	1,227,154	—	542,249	542,249
Noncurrent Liabilities								
Long-term debt	2,352,996	—	2,352,996	320,000	5,025,992	—	—	—
Net pension liability	74,462	65,439	109,491	(76,383)	173,009	—	—	—
Net OPEB liability	43,388	27,756	50,681	13,243	135,068	—	—	—
Total Noncurrent Liabilities	2,470,846	93,195	2,513,168	256,860	5,334,069	—	—	—
Total Liabilities	3,213,017	105,754	2,886,431	356,021	6,561,223	—	542,249	542,249
Deferred Inflows of Resources								
Pension-related deferred inflows	452,685	271,524	513,356	127,085	1,364,650	—	—	—
OPEB-related deferred inflows	1,171	767	1,497	346	3,781	—	—	—
Total Deferred Inflows of Resources	453,856	272,291	514,853	127,431	1,368,431	—	—	—
Net Position								
Net investment in capital assets	24,241,246	28,977,390	2,694,862	148,615	56,062,113	—	—	—
Unrestricted	(1,289,425)	1,476,775	914,366	4,771,623	5,873,339	535,986	2,941,805	3,477,791
Total Net Position	22,951,821	30,454,165	3,609,228	4,920,238	61,935,452	535,986	2,941,805	3,477,791
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 26,618,694	\$ 30,832,210	\$ 7,010,512	\$ 5,403,690	\$ 69,865,106	\$ 535,986	\$ 3,484,054	\$ 4,020,040

**Statement of Revenue, Expenses and Changes in Fund Net Position -
Proprietary Funds**

Year Ended June 30, 2022

	Enterprise				Total	Internal Service		
	Sewer Rental	Storm Water Management	Solid Waste	Nonmajor		Employee Benefit	Health Insurance	Total
Operating Revenue								
Licenses and permits.....	\$ —	\$ —	\$ 885	\$ —	\$ 885	\$ —	\$ —	\$ —
Charges for service	5,825,697	1,167,744	3,128,430	1,004,644	11,126,515	—	—	—
Miscellaneous.....	—	—	1,196	331,796	332,992	—	78,181	78,181
Total Operating Revenue.....	5,825,697	1,167,744	3,130,511	1,336,440	11,460,392	—	78,181	78,181
Operating Expenses								
Personal services	964,749	603,986	1,069,247	284,656	2,922,638	147,520	—	147,520
Services and commodities.....	4,970,611	94,281	781,184	303,276	6,149,352	133,451	607,393	740,844
Depreciation	518,188	605,811	97,061	21,063	1,242,123	—	—	—
Total Operating Expenses	6,453,548	1,304,078	1,947,492	608,995	10,314,113	280,971	607,393	888,364
Operating Income (Loss)	(627,851)	(136,334)	1,183,019	727,445	1,146,279	(280,971)	(529,212)	(810,183)
Nonoperating Revenue (Expenses)								
Intergovernmental	2,197	—	1,665	5,000	8,862	—	—	—
Investment revenue	7,952	12,237	27,715	58,981	106,885	4,227	2,443	6,670
Capital contributions.....	568,135	992,807	—	—	1,560,942	—	—	—
Bond issuance cost	(2,000)	—	—	—	(2,000)	—	—	—
Interest expense.....	(61,361)	—	(61,361)	—	(122,722)	—	—	—
Sale of capital assets.....	—	—	97,718	—	97,718	—	—	—
Total Nonoperating Revenue.....	514,923	1,005,044	65,737	63,981	1,649,685	4,227	2,443	6,670
Income (Loss) Before Transfers.....	(112,928)	868,710	1,248,756	791,426	2,795,964	(276,744)	(526,769)	(803,513)
Transfers								
Transfers in	1,212,391	905,228	116,839	41,209	2,275,667	211,368	369,489	580,857
Transfers out	(75,000)	(575,000)	(75,000)	(1,253,794)	(1,978,794)	—	—	—
Total Transfers	1,137,391	330,228	41,839	(1,212,585)	296,873	211,368	369,489	580,857
Changes in Net Position	1,024,463	1,198,938	1,290,595	(421,159)	3,092,837	(65,376)	(157,280)	(222,656)
Net Position - Beginning of Year.....	21,927,358	29,255,227	2,318,633	5,341,397	58,842,615	601,362	3,099,085	3,700,447
Net Position - End of Year.....	\$ 22,951,821	\$ 30,454,165	\$ 3,609,228	\$ 4,920,238	\$ 61,935,452	\$ 535,986	\$ 2,941,805	\$ 3,477,791

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2022

	Enterprise					Internal Service		
	Sewer Rental	Storm Water Management	Solid Waste	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Cash Flows From Operating Activities								
Cash received from customers and users	\$ 5,719,524	\$ 1,165,277	\$ 3,119,627	\$ 1,331,204	\$ 11,335,632	\$ —	\$ 74,665	\$ 74,665
Cash paid to employees for services.....	(1,061,756)	(662,562)	(1,172,150)	(313,067)	(3,209,535)	—	—	—
Cash paid to suppliers for goods and services.....	(4,851,214)	(84,472)	(696,662)	(306,687)	(5,939,035)	(280,971)	(530,211)	(811,182)
Net Cash Provided by (Used in) Operating Activities	(193,446)	418,243	1,250,815	711,450	2,187,062	(280,971)	(455,546)	(736,517)
Cash Flows From Noncapital Financing Activities								
Net transfers.....	1,137,391	330,228	41,839	(1,212,585)	296,873	211,368	369,489	580,857
State and federal grants received.....	2,342	—	1,679	5,000	9,021	—	—	—
Net Cash Provided by (Used in) Noncapital Financing Activities	1,139,733	330,228	43,518	(1,207,585)	305,894	211,368	369,489	580,857
Cash Flows From Capital and Related Financing Activities								
Decrease in interfund loan.....	—	30,943	—	68,878	99,821	—	—	—
Proceeds from debt.....	—	—	—	360,000	360,000	—	—	—
Acquisition of capital assets	(1,271,256)	(1,014,166)	(515,793)	10	(2,801,205)	—	—	—
Disposal of capital assets.....	—	—	97,718	—	97,718	—	—	—
Repayment of debt.....	(109,779)	—	(109,779)	—	(219,558)	—	—	—
Payment of interest	(63,361)	—	(61,361)	—	(124,722)	—	—	—
Net Cash Provided by (Used in) Capital and Related Financing Activities	(1,444,396)	(983,223)	(589,215)	428,888	(2,587,946)	—	—	—
Cash Flows From Investing Activities								
Interest on investments	7,952	12,479	28,544	61,708	110,683	4,400	2,650	7,050
Proceeds from sale of investments	367,304	17,371	40,809	98,896	524,380	32,035	80,762	112,797
Net Cash Provided by Investing Activities.....	375,256	29,850	69,353	160,604	635,063	36,435	83,412	119,847
Net Increase (Decrease) in Cash.....	(122,853)	(204,902)	774,471	93,357	540,073	(33,168)	(2,645)	(35,813)
Cash - Beginning of Year	1,337,281	1,698,655	2,767,977	4,045,422	9,849,335	493,469	3,414,788	3,908,257
Cash - End of Year	\$ 1,214,428	\$ 1,493,753	\$ 3,542,448	\$ 4,138,779	\$ 10,389,408	\$ 460,301	\$ 3,412,143	\$ 3,872,444
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities								
Income (loss) from operations	\$ (627,851)	\$ (136,334)	\$ 1,183,019	\$ 727,445	\$ 1,146,279	\$ (280,971)	\$ (529,212)	\$ (810,183)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities								
Depreciation	518,188	605,811	97,061	21,063	1,242,123	—	—	—
Change in Assets and Liabilities								
Increase in receivables	(106,173)	(2,467)	(10,884)	(5,236)	(124,760)	—	(3,516)	(3,516)
(Increase) decrease in deferred outflows of resources	25,910	12,310	32,030	7,975	78,225	—	—	—
(Increase) decrease in payables	119,397	9,809	84,522	(7,427)	206,301	—	77,182	77,182
Increase in salaries and benefits payable	2,161	—	1,444	2,794	6,399	—	—	—
Decrease in compensated absences	(5,337)	—	—	—	(5,337)	—	—	—
Decrease in net pension liability.....	(581,227)	(348,409)	(659,322)	(172,421)	(1,761,379)	—	—	—
Increase in total OPEB liability	25,337	16,084	28,192	7,876	77,489	—	—	—
Increase in deferred inflows of resources.....	436,149	261,439	494,753	129,381	1,321,722	—	—	—
Net Cash Provided by (Used in) Operating Activities	\$ (193,446)	\$ 418,243	\$ 1,250,815	\$ 711,450	\$ 2,187,062	\$ (280,971)	\$ (455,546)	\$ (736,517)

See accompanying notes to the financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Marion, Iowa, (City) is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1865 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager 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, culture and recreation, community and economic development and general government services. It also provides sewer and sanitation services.

The financial statements of the City of Marion have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the City has included 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 Marion (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Certain disclosures about the Marion Water Department (Water) are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Units

The Water Department is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Water Department is governed by a five-member board appointed by the City Council and the Water Department's operating budget is subject to the approval of the City Council.

The Friends of Marion Carnegie Library (Friends) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Friends is a nonprofit organization founded to promote the use of the Library and provide financial assistance for various programs. The Organization has a year end of December 31. Accordingly, the Organization's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2021.

The Marion Public Library Foundation (Library) is presented in a separate column to emphasize that it is legally separate from the City, but is financial accountable to the City. Its relationship is such that exclusion would cause the City financial statements to be misleading or incomplete. Library is a nonprofit organization founded to raise private funds to support the mission of the Marion Public Library. The Foundation has a year end of December 31. Accordingly, the Foundation's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2021.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The Marion Parks and Recreation Foundation, Inc. (Parks) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Parks Foundation is a nonprofit organization founded to develop parks and recreation facilities within the City and provide financial assistance for various programs. The Parks Foundation has a year end of December 31. Accordingly, the Parks Foundation's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2021.

The Marion Firefighter's Association (Fire) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Fire Association is a nonprofit organization founded to provide a structural way for volunteers and full-time firefighters to coordinate, encourage, promote and participate and to develop and implement programs aimed at meeting the needs of the City. The Fire Association has a year end of December 31. Accordingly, the Fire association's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2021.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or 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: Iowa League of Cities, Linn County Emergency Management Agency, Marion Economic Development Company (MEDCO) and Regional Planning Commission.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

(1) Summary of Significant Accounting Policies

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those clearly identifiable with a specific function. Program revenue includes: (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 and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds and all internal service funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental and enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenue from general and emergency levies and other revenue 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 expenditures, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for the maintenance of the City's infrastructure, such as streets, bridges and storm sewers. The revenue of the Road Use Tax Fund is primarily derived from state taxes. The expenditures primarily relate to the upkeep of the City's infrastructure.

The Special Revenue, Trust and Agency (Employee Benefits) Fund is required by the Code of Iowa to account for property tax levied for employee benefits. This fund either pays benefits as expenditures (primarily police and fire pension costs) or transfers cash to the General Fund to reimburse allowable benefits paid therefrom.

The Special Revenue, Local Option Sales Tax Fund is used to account for the revenue from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The Special Revenue, Tax Increment Financing Fund is used to account for revenue from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation bonds and other indebtedness incurred for urban renewal projects.

The Debt Service Fund is used to account for property tax and other revenue to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City reports the following major proprietary funds:

The Enterprise, Sewer Rental Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Enterprise, Storm Water Management Fund is used to account for the operation and maintenance of the City's storm water management system.

The Enterprise, Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection system.

The City also reports the following additional proprietary funds:

Internal Service Funds are utilized to account for health insurance and other employee benefits provided to other departments on a cost-reimbursement basis.

Measurement Focus and Basis of Accounting

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

(1) Summary of Significant Accounting Policies

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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 revenue.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds is user fees and charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments

The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and nonnegotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City as of June 30, 2022 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1-1/2% per month penalty for delinquent payments, is based on January 1, 2020 assessed property valuations, is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2021.

Unbilled Usage

Accounts receivable are recorded in the enterprise funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due to Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2022, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets

Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position and in the proprietary funds statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$3,000 for all items except for intangible assets which are \$5,000. The City had no intangible assets as of June 30, 2022.

Capital assets of the City are depreciated/amortized using the straight-line method over the following estimated useful lives.

Asset Class	Estimated Useful Lives
Buildings	40 - 50 Years
Improvements other than buildings	5 - 50 Years
Equipment.....	2 - 20 Years
Infrastructure (distribution and storm sewer system)	5 - 80 Years
Intangibles.....	50 Years

(1) Summary of Significant Accounting Policies

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension or OPEB expense and contributions from the City after the measurement date but before the end of the City's reporting period.

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours and personal leave and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2022. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Road Use Tax and Sewer Rental Funds. Also see Note 10.

Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the statement of net position and the proprietary fund statement of net position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and the Municipal Fire and Police Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the City of Marion GAAP City's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

(1) Summary of Significant Accounting Policies

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax and tax increment financing receivable not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which it is levied and the unrecognized items not yet charged to pension or OPEB expense.

Fund Balances

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

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

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

Unassigned - All amounts not included in the preceding classifications.

Tax Stabilization

The City Council has established the Tax Stabilization Fund to provide a funding mechanism to reduce future property tax impacts. In an unusual budget year, this reserve can be used to smooth spikes in property tax. The Tax Stabilization Fund is presented as part of the General Fund in the financial statements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2022, disbursements did not exceed the amounts budgeted.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

(2) Cash and Pooled Investments

Primary Government

The City's deposits as of June 30, 2022 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's cash and investments as of June 30, 2022 were as follows:

Cash.....	\$ 71,216,679
Money market accounts	24,998
U.S. Instrumentalities	
Original maturities 5 years or less	2,606,955
Original maturities 6 to 10 years.....	17,891
Original maturities 10+ years.....	<u>9,338,331</u>
Total	<u>\$ 83,204,854</u>

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

The recurring fair value measurement for the U.S. instrumentalities of \$11,963,177 is valued using the last reported sales price at current exchange rates. (Level 1 inputs)

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

Interest Rate Risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in 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 U.S. Instrumentalities investments as of June 30, 2022 are rated Aaa or better by Moody's Investors service. The investment in the Iowa Public Agency Investment Trust is unrated.

Notes to the Financial Statements

(2) Cash and Pooled Investments

Discretely Presented Component Units

The Friends of Marion Carnegie Library's investments as of December 31, 2021 consist of mutual funds and other investments with a fair value of \$62,963.

The Marion Public Library Foundation's investments as of December 31, 2021 consist of mutual funds and other investments with a fair value of \$1,023,533.

The Marion Firefighter's Association's investments as of December 31, 2021 consist of mutual funds and other investments with a fair value of \$905,637.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 83,215,418	\$ 5,215,804	\$ —	\$ 88,431,222
Construction in progress	<u>41,561,332</u>	<u>23,940,560</u>	<u>25,408,626</u>	<u>40,093,266</u>
Total Capital Assets Not Being Depreciated.....	<u>124,776,750</u>	<u>29,156,364</u>	<u>25,408,626</u>	<u>128,524,488</u>
Capital Assets Being Depreciated				
Buildings	31,182,634	9,877,713	—	41,060,347
Improvements other than buildings.....	138,596,128	11,307,384	—	149,903,512
Equipment.....	<u>19,796,975</u>	<u>947,886</u>	<u>185,249</u>	<u>20,559,612</u>
Total Capital Assets Being Depreciated.....	<u>189,575,737</u>	<u>22,132,983</u>	<u>185,249</u>	<u>211,523,471</u>
Less Accumulated Depreciation for				
Buildings	9,802,348	934,434	—	10,736,782
Improvements other than buildings.....	51,520,586	4,440,674	—	55,961,260
Equipment.....	<u>14,450,040</u>	<u>1,267,487</u>	<u>181,292</u>	<u>15,536,235</u>
Total Accumulated Depreciation	<u>75,772,974</u>	<u>6,642,595</u>	<u>181,292</u>	<u>82,234,277</u>
Net Capital Assets Being Depreciated.....	<u>113,802,763</u>	<u>15,490,388</u>	<u>3,957</u>	<u>129,289,194</u>
Net Governmental Activities Capital Assets	<u>\$ 238,579,513</u>	<u>\$ 44,646,752</u>	<u>\$ 25,412,583</u>	<u>\$ 257,813,682</u>

Notes to the Financial Statements

(3) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 710,344	\$ 131,306	\$ —	\$ 841,650
Construction in progress	<u>3,396,302</u>	<u>1,634,150</u>	<u>796,767</u>	<u>4,233,685</u>
Total Capital Assets Not Being Depreciated.....	<u>4,106,646</u>	<u>1,765,456</u>	<u>796,767</u>	<u>5,075,335</u>
Capital Assets Being Depreciated				
Buildings	20,300	—	—	20,300
Equipment.....	3,675,208	127,943	73,452	3,729,699
Distribution system.....	36,154,697	1,419,229	—	37,573,926
Storm sewer system.....	37,981,587	1,885,769	—	39,867,356
Communication system.....	<u>533,558</u>	<u>—</u>	<u>—</u>	<u>533,558</u>
Total Capital Assets Being Depreciated.....	<u>78,365,350</u>	<u>3,432,941</u>	<u>73,452</u>	<u>81,724,839</u>
Less Accumulated Depreciation for				
Buildings	10,712	1,532	—	12,244
Equipment.....	3,213,076	137,901	73,452	3,277,525
Distribution system.....	15,263,408	440,818	—	15,704,226
Storm sewer system.....	10,548,636	661,872	—	11,210,508
Communication system.....	<u>533,558</u>	<u>—</u>	<u>—</u>	<u>533,558</u>
Total Accumulated Depreciation	<u>29,569,390</u>	<u>1,242,123</u>	<u>73,452</u>	<u>30,738,061</u>
Net Capital Assets Being Depreciated.....	<u>48,795,960</u>	<u>2,190,818</u>	<u>—</u>	<u>50,986,778</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 52,902,606</u>	<u>\$ 3,956,274</u>	<u>\$ 796,767</u>	<u>\$ 56,062,113</u>

Depreciation expense was charged to functions of the primary government as follows for the year ended June 30, 2022:

Governmental Activities	
Public safety	\$ 1,162,814
Public works	4,203,524
Culture and recreation	1,066,883
Community and economic development	24,848
General government.....	<u>184,526</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,642,595</u>
Business-Type Activities	
Sewer rental	\$ 518,188
Solid waste.....	97,061
Storm water management	605,811
Urban forest utility	<u>21,063</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,242,123</u>

Notes to the Financial Statements

(4) Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2022:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year	Due Within One Year	Range of Interest Rates
Governmental Activities						
General obligation bonds	\$ 69,890,000	\$ 10,305,000	\$ 4,095,000	\$ 76,100,000	\$ 4,340,000	1.00% - 5.00%
General obligation disaster recovery bond.....	—	3,000,000	—	3,000,000	—	10.00
Unamortized premium on general obligation bonds	2,060,118	343,921	270,936	2,133,103	270,936	N/A
Revenue bonds	5,150,495	—	219,558	4,930,937	224,947	2.43
Tax increment revenue bonds.....	3,969,615	—	276,726	3,692,889	284,793	3.18
Other long-term debt	3,159,446	460,554	—	3,620,000	33,281	6.00
Compensated absences	4,680,396	25,549	280,970	4,424,975	—	N/A
Nonbonded indebtedness	120,144	25,000	25,000	120,144	24,993	N/A
Net pension liability	21,932,824	—	17,255,344	4,677,480	—	N/A
Total OPEB liability.....	1,603,968	510,966	—	2,114,934	—	N/A
Total.....	\$ 112,567,006	\$ 14,670,990	\$ 22,423,534	\$ 104,814,462	\$ 5,178,950	
Business-Type Activities						
Promissory note	\$ —	\$ 360,000	\$ —	\$ 360,000	\$ 40,000	N/A
Revenue bonds	5,150,496	—	219,558	4,930,938	224,946	2.43
Compensated absences	43,759	—	5,337	38,422	38,422	N/A
Net pension liability	1,934,388	—	1,761,379	173,009	—	N/A
Total OPEB liability.....	57,579	77,489	—	135,068	—	N/A
Total.....	\$ 7,186,222	\$ 437,489	\$ 1,986,274	\$ 5,637,437	\$ 303,368	

Governmental Activities General Obligation Bonds

Fourteen issues of unmatured general obligation bonds totaling \$76,100,000 were outstanding as of June 30, 2022. General obligation bonds bear interest at rates ranging from 1% to 5% per annum and mature in varying annual amounts ranging from \$100,000 to \$1,525,000, with the final maturities due in the year ending June 30, 2040.

Details of the City's general obligation bonds payable as of June 30, 2022 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding 6-30-22
Governmental Activities						
Corporate purpose	2-3-15	3.00%	6-1-34	\$605,000 - \$ 800,000	\$12,180,000	\$ 8,320,000
Corporate purpose	2-3-15	2.50% - 2.90	6-1-27	220,000 - 245,000	2,565,000	1,165,000
Corporate purpose	9-6-17	2.00 - 3.00	6-1-37	315,000 - 450,000	6,840,000	5,630,000
Refunding corporate purpose.....	10-10-17	3.00 - 4.00	6-1-25	445,000 - 480,000	4,205,000	1,385,000
Corporate purpose	4-30-18	3.00	6-1-31	250,000 - 310,000	3,235,000	2,515,000
Corporate purpose	5-30-18	3.00	6-1-37	100,000 - 465,000	5,430,000	5,230,000
Corporate purpose	5-30-18	3.00	6-1-37	165,000 - 255,000	3,365,000	3,050,000
Refunding corporate purpose.....	5-30-18	3.00	6-1-33	570,000 - 1,000,000	9,570,000	8,350,000
Refunding corporate purpose.....	8-29-19	2.00 - 2.50	6-1-37	100,000 - 540,000	6,385,000	6,085,000
Corporate purpose	6-2-20	2.00 - 2.50	6-1-38	100,000 - 840,000	8,455,000	8,455,000

Notes to the Financial Statements

(4) Long-Term Liabilities

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding 6-30-22
Refunding corporate purpose.....	6-2-20	5.00%	6-1-29	\$480,000 - \$1,320,000	\$ 9,345,000	\$ 6,895,000
Corporate purpose	4-1-21	1.00% - 1.80	6-1-40	100,000 - 480,000	7,410,000	7,410,000
Refunding corporate purpose.....	4-1-21	2.00	6-1-30	150,000 - 175,000	1,450,000	1,305,000
Corporate purpose	5-10-22	3.00 - 5.00	6-1-41	395,000 1,525,000	10,305,000	10,305,000
						<u>\$ 76,100,000</u>

General Obligation Disaster Recovery Bond

During the year ended June 30, 2021, the City entered into a general obligation disaster recovery loan agreement with a bank to borrow up to \$40 million which is being used to finance the City's capital projects related to derecho damage including the removal and disposition of structural and vegetative debris from the City's right-of-way and waterways and to repair damaged infrastructure. The City has four years from the closing date to draw on the loan. As of June 30, 2022, there was an outstanding balance of \$3,000,000 with an interest rate of 10%.

Road Use Tax Revenue Bond

The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

The City has pledged future road use taxes to repay a road use tax revenue note. Proceeds from the notes provided financing for the construction of a public service maintenance facility and related land improvements. The notes are payable solely from road use taxes received and are payable through 2030 with an interest rate of 2.43%. The total principal and interest remaining to be paid on the notes is \$6,075,621. For the current year, principal and interest paid and total road use taxes received were \$342,280 and \$5,500,197, respectively.

Tax Increment Revenue Bonds

The City has issued urban renewal tax increment revenue bonds for the purpose of defraying portions of the cost of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the Tax Increment Financing (TIF) special revenue funds and the taxes are to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. Debt service is paid primarily from the General Obligation Debt Service Fund. Transfers are made from the TIF funds for the TIF taxes being used for debt service. The proceeds of the urban renewal tax increment revenue bonds are to be expended only for purposes which are consistent with the City's urban renewal area plans. The bonds are not a general obligation of the City; however, most of the debt is subject to the constitutional debt limitation of the City and have been issued as General Obligation Urban Renewal Bonds. The debt that is not subject to the constitutional debt limit includes principal and interest due later than one year from the balance sheet date for certain annual appropriation notes.

During the year ended June 30, 2018, the City entered into a development agreement and issued a draw down Tax Increment Revenue Bond in a principal amount not to exceed \$4,500,000 to fund the agreement. As of June 30, 2022, there was an outstanding balance of \$3,692,889 with an interest rate of 3.18%. Annual principal and interest payments started December 1, 2019 and continue through June, 2033.

Notes to the Financial Statements

(4) Long-Term Liabilities

Other Long-Term Debt

During the year ended June 30, 2021, the City entered into a development agreement and issued a draw down loan in a principal amount not to exceed \$3,620,000 to fund the agreement. Interest only on the unpaid outstanding balance shall be payable on December 1, 2021 and June 1, 2022. As of June 30, 2022, there was an outstanding balance of \$3,620,000 with an interest rate of 6%. Annual principal and interest payments will start December 1, 2022 and continue through December 1, 2034.

Business-Type Activities

As of June 30, 2022, there were the following outstanding enterprise fund revenue bonds outstanding:

Fund	Number of Bonds Outstanding	Interest Rate	Principal and Interest Payments Due Through
Sewer	1	2.43%	March, 2030
Solid Waste	1	2.43	March, 2030

Revenue Bonds

The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

The City has pledged future sewer customer revenue, net of specified operating expenses, to repay sewer revenue notes. Proceeds from the notes provided financing for the construction of a public service maintenance facility and related land improvements. The notes are payable solely from sewer customer net revenue and are payable through 2030. Net revenue is required to be at least 125% of the current year debt service. The total principal and interest remaining to be paid on the notes is \$3,037,810. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation) was \$171,140 and (\$109,663), respectively.

The City has pledged future solid waste customer revenue, net of specified operating expenses, to repay solid waste revenue notes. Proceeds from the notes provided financing for the construction of a public service maintenance facility and related land improvements. The notes are payable solely from solid waste customer net revenue and are payable through 2030. Net revenue is required to be at least 125% of the current year debt service. The total principal and interest remaining to be paid on the notes is \$3,037,810. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation) was \$171,140 and \$1,280,080, respectively.

Promissory Note

During the year ended June 30, 2022, the City entered into a loan agreement with the Linn County Rural Electric Cooperative to borrow \$360,000. The loan will be repaid with equal annual principal payments in the amount of \$40,000, commencing in the year ending June 30, 2023 and continuing in the same amount until the entire amount is paid in full. As of June 30, 2022, there was an outstanding balance of \$360,000 with an interest rate of 0%.

Notes to the Financial Statements

(4) Long-Term Liabilities

Annual debt service requirements to maturity for general obligation bonds, tax increment revenue bonds and revenue bonds as of June 30, 2022 were as follows:

Year Ending June 30,	Governmental Activities					
	General Obligation Bonds		Tax Increment Revenue Bonds		Road Use Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 4,340,000	\$ 2,278,093	\$ 284,793	\$ 124,887	\$ 224,947	\$ 117,334
2024	4,985,000	2,106,154	293,983	115,984	230,474	111,806
2025	8,150,000	1,940,529	303,469	106,795	236,138	106,143
2026	5,285,000	1,768,169	313,261	97,309	241,940	100,340
2027	5,465,000	1,601,389	323,369	87,517	247,885	94,395
2028-2032 ...	25,745,000	5,631,046	1,780,260	301,036	1,333,842	377,561
2033-2037 ...	20,770,000	2,507,720	393,754	9,529	1,505,976	205,427
2038-2041 ...	4,360,000	203,705	—	—	909,735	31,678
Net unamor- tized bond...	79,100,000	18,036,805	3,692,889	843,057	4,930,937	1,144,684
Premium	2,133,103	—	—	—	—	—
Net.....	\$ 81,233,103	\$ 18,036,805	\$ 3,692,889	\$ 843,057	\$ 4,930,937	\$ 1,144,684

Year Ending June 30,	Business Type Activities					
	Promissory Note		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 40,000	\$ —	\$ 224,947	\$ 117,334	\$ 5,114,687	\$ 2,637,648
2024	40,000	—	230,474	111,806	5,779,931	2,445,750
2025	40,000	—	236,138	106,143	8,965,745	2,259,610
2026	40,000	—	241,940	100,340	6,122,141	2,066,158
2027	40,000	—	247,885	94,395	6,324,139	1,877,696
2028-2032 ...	160,000	—	1,333,842	377,561	30,352,944	6,687,204
2033-2037 ...	—	—	1,505,975	205,427	24,175,705	2,928,103
2038-2041 ...	—	—	909,737	31,678	6,179,472	267,061
Net unamor- tized bond...	360,000	—	4,930,938	1,144,684	93,014,764	21,169,230
Premium	—	—	—	—	2,133,103	—
Net.....	\$ 360,000	\$ —	\$ 4,930,938	\$ 1,144,684	\$ 95,147,867	\$ 21,169,230

Interest expense and other charges recorded in the governmental funds types totaled \$2.4 million for the year ended June 30, 2022. Interest expense and other charges in the proprietary fund types totaled \$125,000.

Revenue Bond Resolution Requirements

The governmental and business-type activities revenue bond resolutions contain significant limitations and restrictions on annual debt service requirements, require minimum amounts to be maintained in various restricted accounts to provide for payment of principal and interest and require minimum revenue bond coverage. As of June 30, 2022, the City was in compliance with these covenants, except receipts were not at least 125% of the bond principal and interest payment in the same year in the Sewer Fund.

Notes to the Financial Statements

(4) Long-Term Liabilities

Interfund Loans

In March, 2014, the City approved an interfund loan from the Enterprise - Sewer Rental Replacement Fund to the Special Revenue - Tax Increment Financing Fund for a period not to exceed ten years at 2.5% annual interest. This loan was used to fund an economic development incentive payment to PDS Investments, LLC. The City has begun making repayments.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-22
Enterprise - Sewer Rental Replacement	Special Revenue - Tax Increment Financing	\$250,000	\$107,460

In June, 2014, the City approved an interfund loan from the Enterprise - Sewer Rental Replacement Fund to the Capital Projects Fund for a period not to exceed 20 years at 2.5% annual interest. This loan was used to fund an economic development incentive payment to Capital Commercial Division, LLC. The City will use TIF funds to repay this loan once the TIF district has the funds.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-22
Enterprise - Sewer Rental Replacement	Capital Projects	\$300,000	\$211,113

In October, 2020, the City approved an interfund loan up to \$62,500 from the Storm Water Management Fund to the Capital Projects Fund for a period not to exceed two years at 1% annual interest. The loan was used for economic development activities.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-22
Enterprise - Storm Water Management	Capital Projects	\$62,500	\$31,557

(5) Summary of Nonbonded Indebtedness

During the year ended June 30, 2001, the City entered into an agreement with a donor to pay an annuity of \$25,000 each year for as long as the donor lives in exchange for a gift of 180 acres of land to be used for park purposes. Using an estimated life span based on annuity tables and discounted at the City's estimated incremental borrowing rate of 2%, an estimated liability of \$120,144 was calculated. This annuity liability is revalued annually based upon changes in life expectancy and discount rates.

Since the development of this land for park purposes is not expected to be fully completed for many years, the agreement with the donors allows the City to lease this land or any part of it for farming purposes pending full development. In October, 2012, the City entered into a one-year agreement to lease 66 acres of cropland at \$250 per acre per year subject to proportionate reduction as land is developed. In September, 2013, October, 2014, September, 2015, November, 2016, November, 2017, November, 2018, November, 2019, December, 2020 and December, 2021, a one-year extension of the lease was approved.

Notes to the Financial Statements

(6) Right of Use Assets and Lease Obligations

Government Accounting Standards Statement 87, *Leases*, requires that an asset and liability be recorded in the government-wide financial statements for property and equipment under leases. The City has determined that the effects of the accounting standard are not material to the government-wide financial statements and continues to expense lease payments as incurred.

(7) Interfund Transfers

Transfer to	Transfer From	Amount
General	Special Revenue	
	Trust and Agency (Employee Benefits)	\$ 6,036,283
	Road Use Tax	75,000
	Tax Increment Financing	195,060
	Enterprise	
	Sewer Rental	75,000
	Solid Waste	75,000
	Urban Forest Utility	15,629
	Storm Water Management	<u>75,000</u>
		<u>6,546,972</u>
Special Revenue Road Use Tax	Special Revenue	
	Trust and Agency (Employee Benefits)	232,138
	Enterprise	
	Urban Forest Utility	<u>5,000</u>
	<u>237,138</u>	
Capital Projects	General	1,800,000
	Special Revenue	
	Local Option Sales Tax	3,725,000
	Road Use Tax	3,045,125
	Tax Increment Financing	132,000
	Enterprise	
	Sewer Rental Replacement	32,235
	Storm Water Management	<u>500,000</u>
	<u>9,234,360</u>	
Debt Service	General	7,500
	Special Revenue	
	Local Option Sales Tax	200,000
	Tax Increment Financing	2,123,718
	Enterprise	
	Urban Forest Utility	<u>10,673</u>
	<u>2,341,891</u>	
Enterprise Sewer Rental	Capital Projects	169,227
	Enterprise	
	Sewer Rental Replacement	<u>1,043,164</u>
	<u>1,212,391</u>	

Notes to the Financial Statements

(7) Interfund Transfers

Transfer to	Transfer From	Amount
Enterprise Sewer Rental Replacement	Special Revenue Tax Increment Financing	\$ <u>10,955</u>
Enterprise Urban Forest Replacement	Urban Forest Utility	<u>30,254</u>
Enterprise Storm Water Management	Capital Projects	<u>905,228</u>
Enterprise Solid Waste	Enterprise Solid Waste Replacement	<u>116,839</u>
Internal Service Employee Benefits	General	<u>211,368</u>
Internal Service Health Insurance	General	275,089
	Special Revenue	
	Trust and Agency (Employee Benefits)	<u>94,400</u>
		<u>369,489</u>
		<u>\$ 21,216,885</u>

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

(8) Pension and Retirement Benefits

The City offers City employees the following retirement plans:

IPERS

Plan Description

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

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

Pension Benefits

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

(8) Pension and Retirement Benefits

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

Protection occupation members may retire at normal retirement age which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

Disability and Death Benefits

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

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to one percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

Notes to the Financial Statements

(8) Pension and Retirement Benefits

In fiscal year 2022, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protective occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2022 were \$910,554.

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

As of June 30, 2022, the City reported a liability of \$164,247 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2021, the City's proportion was (0.047577%) which was a decrease of 0.161479% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of (\$393,746). As of June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,969	\$ 125,477
Changes of assumptions	107,432	—
Net difference between projected and actual earnings on IPERS' investments	—	5,950,950
Changes in proportion and differences between City contributions and proportionate share of contributions	403,589	5,127
City contributions subsequent to the measurement date	910,554	—
Total	<u>\$ 1,546,544</u>	<u>\$ 6,081,554</u>

\$910,554 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2023	\$ (1,307,905)
2024	(1,326,863)
2025	(1,258,549)
2026	(1,573,815)
2027	21,649
Total	<u>\$ (5,445,483)</u>

There were no nonemployer contributing entities to IPERS.

Notes to the Financial Statements

(8) Pension and Retirement Benefits

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

(8) Pension and Retirement Benefits

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$5,813,253	\$164,247	(\$4,569,978)

IPERS' Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS

All legally required employer contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to IPERS by June 30, 2022.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description

MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, IA 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

(8) Pension and Retirement Benefits

Pension Benefits

Members with four or more years of service are entitled to pension benefits beginning at age 55. Full-service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than four years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest three years of compensation. The average of these three years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of eight years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a three, four or five year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits

Disability benefits may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with five or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than five years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

(8) Pension and Retirement Benefits

Contributions

Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2022.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 26.18% for the year ended June 30, 2022.

The City's contributions to MFPRSI for the year ended June 30, 2022 were \$1,859,140.

If approved by the state legislature, state appropriations may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67).

There were no state appropriations to MFPRSI during the year ended June 30, 2022.

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

As of June 30, 2022, the City reported a liability of \$4,686,242 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. As of June 30, 2021, the City's proportion was 2.086724% which was an increase of 0.097519% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$338,264. As of June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements

(8) Pension and Retirement Benefits

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 543,593	\$ 52,739
Changes of assumptions	176,495	—
Net difference between projected and actual earnings on MFPRSI's investments	—	7,830,138
Changes in proportion and differences between City contributions and proportionate share of contributions	423,444	—
City contributions subsequent to the measurement date	<u>1,859,140</u>	<u>—</u>
Total	<u>\$ 3,002,672</u>	<u>\$ 7,882,877</u>

\$1,859,140 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2023	\$ (1,302,336)
2024	(1,449,965)
2025	(1,736,528)
2026	(2,303,636)
2027	53,119
Total	<u>\$ (6,739,346)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00%.
Salary increases	3.75% to 15.11%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 to June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male-only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

Notes to the Financial Statements

(8) Pension and Retirement Benefits

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

Asset Class	Long-Term Expected Real Rate of Return
Large Cap	7.4%
Small Cap.....	8.1
International Large Cap	7.2
Emerging Markets	7.9
Global Infrastructure	7.5
Private Non-Core Real Estate	11.5
Private Credit.....	6.4
Private Equity	10.8
Core Plus Fixed Income	4.0
Private Core Real Estate	7.2

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$13,867,574	\$4,686,242	(\$2,933,732)

MFPRSI's Fiduciary Net Position

Detailed information about MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

Notes to the Financial Statements

(8) Pension and Retirement Benefits

Payables to MFPRSI

All legally required employer contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to MFPRSI by June 30, 2022.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. As of June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

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

Retired participants must be age 55 or older at retirement, been a full-time employee for at least 12 years and completed 15 years of continuous service to the City. As of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Active employees	<u>216</u>
Total	<u>231</u>

Total OPEB Liability

The City's total OPEB liability of \$2,250,002 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurements.

Rate of inflation (effective June 30, 2022).....	2.50% per year.
Rates of salary increase (effective June 30, 2022)	3.00% per year.
Discount rate (effective June 30, 2022)	2.14% compounded annually.
Healthcare cost trend rate (effective June 30, 2022).....	6.25% per year.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.14% which reflects the bond buyer index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

Mortality rates are from the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2021 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Changes in Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability - Beginning of Year	<u>\$ 1,661,547</u>
Changes for the Year	
Service cost	98,266
Interest.....	48,300
Differences between expected and actual experience.....	298,457
Changes of assumptions.....	253,987
Benefit payments	<u>(110,555)</u>
Net Changes	<u>588,455</u>
Total OPEB Liability - End of Year	<u>\$ 2,250,002</u>

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.14%) or one percentage point higher (3.14%) than the current discount rate.

	1% Decrease (1.14%)	Discount Rate (2.14%)	1% Increase (3.14%)
Total OPEB Liability.....	\$2,461,921	\$2,250,002	\$2,058,413

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current healthcare cost trend rate.

	1% Decrease (5.25%)	Healthcare Cost Trend Rate (6.25%)	1% Increase (7.25%)
Total OPEB Liability.....	\$2,018,631	\$2,250,002	\$2,520,868

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

OPEB Expense and Deferred (Inflows) and Outflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$216,238. As of June 30, 2022, the City reported deferred (inflows) and outflows of resources related to OPEB from the following sources:

	Deferred (Inflows) Outflows of Resources
Differences between expected and actual experience	\$ (35,930)
Changes of assumptions	<u>924,846</u>
Total	<u>\$ 888,916</u>

The amount reported as deferred (inflows) and outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2023	\$ 69,672
2024	69,672
2025	69,672
2026	69,672
2027	69,672
Thereafter.....	<u>540,556</u>
Total	<u>\$ 888,916</u>

(10) Compensated Absences

City employees accumulate vacation hours for subsequent use or for payment upon termination, retirement or death. Employees covered under the International Association of Firefighters contract are also eligible for compensation at normal retirement of accumulated sick leave in excess of 90 days, to a maximum payment of 60 days. Employees covered under the Marion Policeman's Protective Association contract are eligible for compensation at normal retirement of 50% of their sick leave accumulated, to a maximum of 60 days. For employees covered under the AFSCME contract, Marion Water Department employees and all other nonunion City employees, sick leave can be accumulated but is payable only when used. City employees may also accumulate compensatory hours for overtime worked to be used subsequently or paid out upon termination, retirement or death. The City's approximate maximum liability for earned compensated absences payable to employees, including related tax and fringe amounts, is as follows:

Notes to the Financial Statements

(10) Compensated Absences

Type of Benefit	Amount 6-30-22
Primary Government	
Sick leave	\$ 1,075,752
Vacation and personal leave	1,945,935
Compensatory time	1,441,710
	<u>\$ 4,463,397</u>

The above liabilities have been computed based on rates of pay as of June 30, 2022.

(11) Conduit Debt

The City has issued a total of \$8,675,000 of industrial development revenue and health care facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$2,894,869 is outstanding as of June 30, 2022. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

(12) Employee Health Care Plan

The City self-funds for health insurance claims to a stop-loss insured amount of \$30,000 per participant and a 125% aggregate stop-loss amount based on the "pure premiums" amount multiplied by the number of single and family contracts covered during the contract year. The following is a summary of claims paid during the year and an estimate of the claims incurred, but not reported as of June 30, 2022:

	Primary Government	Discretely Presented Component Unit - Marion Water Department	Total
Claims paid during the year	\$ 4,272,651	\$ 131,100	\$ 4,403,751
Estimated claims incurred but unpaid at June 30, 2022	496,982	31,341	528,323

The City has chosen to establish a risk financing fund for risks associated with the employees' health insurance plan. The risk financing is accounted for as an internal service fund where assets are set aside for claim settlements. The cost of these benefits is charged to each department and fund based upon the number of employees whose salary is charged to the department and fund and the type of plan (single or family) chosen by the employee. Amounts charged are \$546 per month single or \$1,414 per month family which is an actuarially determined amount with a reasonable provision for future unexpected claims. Employees pay a set amount per month based on coverage and other factors. The amount charged will be adjusted over a reasonable period of time so that the internal service fund receipts and disbursements are approximately equal.

(13) Related Party Transactions

The Marion Water Department bills and collects for sewer, garbage and urban forest services provided for the City of Marion to its residents. During the year ended June 30, 2022, the Marion Water Department collected and remitted to the City \$7,033,759 for sewer, \$2,775,115 for garbage service and \$529,614 for urban forest services. Fees paid to the Water Department by the City during the year to pay for this service totaled \$151,651, of which \$13,422 was payable as of June 30, 2022.

(14) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 794 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2022 were \$321,139.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

(14) Risk Management

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or loss was incurred.

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2022, no liability has been recorded in the City's financial statements. As of June 30, 2022, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

Iowa Municipalities Workers' Compensation Association

The City is a member of the Iowa Municipalities Workers' Compensation Association (Association). The Association is a local government risk-sharing pool whose approximately 500 members include various municipal and county governments throughout the State of Iowa. The Pool was formed in July, 1981 to formulate, develop and administer, on behalf of the member governments, a program of joint self-insurance to stabilize costs related to members' workers' compensation liabilities. Program components include claims management, member education and loss control services. There have been no reductions in insurance coverage from prior years.

Each member pays annual premiums determined by using applicable standard rates for the exposure to risk and applicable experience modification factors of the National Council on Compensation Insurance. Each member may be subject to additional premiums to pay its pro rata share of claims which exceeds the Association's resources available to pay such claims. A distribution to members may also be made if the Association has excess monies remaining after payment of claims and expenses.

The City's premium contributions to the Association are recorded as expenditures from its operating funds at the time of payment to the risk pool. Premiums paid to the Association for the year ended June 30, 2022 were \$76,433.

The Association uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. Claims exceeding \$750,000 are reinsured in an amount not to exceed \$2,000,000 per occurrence.

Members may withdraw from the Association at any time provided they provide assets for settlement of all pending claims.

(15) Development Agreements

The City has entered into various development agreements to assist in certain urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction of buildings and certain improvements by the developers. Certain agreements also require the developer to certify specific employment requirements are met.

The total amount rebated during the year ended June 30, 2022 was \$1,293,779. The estimated outstanding balance of the agreements as of June 30, 2022 was approximately \$29.5 million.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City, except for approximately \$29.5 million which requires an annual appropriation by the City Council.

(16) Tax Abatements

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

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2022, the City abated \$1,293,779 of property tax under the urban renewal and economic development projects.

(17) Commitments and Contingencies

Risk Management

The City 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. See Note 14. Settled claims from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

Contingencies

The City is involved in various lawsuits in the normal course of business. The City's management cannot predict the outcome of the lawsuits. Management believes that losses resulting from these matters, if any, would be primarily covered under the City's insurance policies and would not have a material effect on the financial position of the City.

(18) Construction Commitments and Subsequent Events

As of June 30, 2022, the City had entered into several construction contracts and agreements to purchase equipment and supplies totaling approximately \$14 million.

Management has evaluated subsequent events through January 26, 2023, the date which the financial statements were available to be issued.

Subsequent to June 30, 2022, the City entered into the following transactions:

Approved several construction contracts, agreements to purchase equipment and a compensation study. These agreements totaled approximately \$31 million.

Required Supplementary Information



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

Year Ended June 30, 2022

	Actual			Budgeted Amounts		Over (Under) Budget
	Governmental Funds	Enterprise Funds	Total	Original	Final	
Receipts						
Property tax.....	\$ 25,862,771	\$ —	\$ 25,862,771	\$ 25,600,761	\$ 25,600,761	\$ 262,010
Tax increment financing...	4,330,110	—	4,330,110	4,447,853	4,447,853	(117,743)
Other city tax	10,633,448	—	10,633,448	7,886,294	7,886,294	2,747,154
Licenses and permits	960,414	5,435	965,849	709,174	709,174	256,675
Use of money and property	720,283	126,538	846,821	663,932	663,932	182,889
Intergovernmental	22,040,727	6,347	22,047,074	12,975,319	12,975,319	9,071,755
Charges for service	1,034,373	17,192,057	18,226,430	17,569,037	17,569,037	657,393
Special assessments	1,591	—	1,591	—	—	1,591
Miscellaneous	2,194,272	414,016	2,608,288	5,540,282	5,561,433	(2,953,145)
Total Receipts	<u>67,777,989</u>	<u>17,744,393</u>	<u>85,522,382</u>	<u>75,392,652</u>	<u>75,413,803</u>	<u>10,108,579</u>
Disbursements						
Public safety.....	14,805,819	—	14,805,819	15,513,434	15,977,438	(1,171,619)
Public works	5,081,948	—	5,081,948	10,653,243	10,653,243	(5,571,295)
Culture and recreation	5,333,327	—	5,333,327	5,944,287	5,944,287	(610,960)
Community and economic development.....	3,141,280	—	3,141,280	3,324,063	3,324,063	(182,783)
General government	3,437,632	—	3,437,632	3,827,238	3,954,684	(517,052)
Debt service	6,902,757	—	6,902,757	7,299,723	7,299,723	(396,966)
Capital projects	31,619,157	—	31,619,157	43,504,415	43,504,415	(11,885,258)
Business-type activities....	—	18,756,979	18,756,979	22,541,938	22,541,938	(3,784,959)
Total Disbursements ..	<u>70,321,920</u>	<u>18,756,979</u>	<u>89,078,899</u>	<u>112,608,341</u>	<u>113,199,791</u>	<u>(24,120,892)</u>
Receipts Over (Under) Disbursements.....	(2,543,931)	(1,012,586)	(3,556,517)	(37,215,689)	(37,785,988)	34,229,471
Other Financing Sources (Uses), Net	<u>13,760,597</u>	<u>371,558</u>	<u>14,132,155</u>	<u>10,553,000</u>	<u>10,553,000</u>	<u>3,579,155</u>
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	11,216,666	(641,028)	10,575,638	(26,662,689)	(27,232,988)	37,808,626
Balances - Beginning of Year	56,694,115	23,318,215	80,012,330	78,312,090	78,312,090	1,700,240
Balances - End of Year ..	<u>\$ 67,910,781</u>	<u>\$ 22,677,187</u>	<u>\$ 90,587,968</u>	<u>\$ 51,649,401</u>	<u>\$ 51,079,102</u>	<u>\$ 39,508,866</u>

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬▬▬

Year Ended June 30, 2022

	Governmental Funds		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 67,777,989	\$ (6,880,728)	\$ 60,897,261
Expenditures	<u>70,321,920</u>	<u>(2,160,864)</u>	<u>68,161,056</u>
Net	(2,543,931)	(4,719,864)	(7,263,795)
Other financing sources (uses), net.....	13,760,597	(501,344)	13,259,253
Beginning fund balances	<u>56,694,115</u>	<u>4,503,656</u>	<u>61,197,771</u>
Ending Fund Balances.....	<u>\$ 67,910,781</u>	<u>\$ (717,552)</u>	<u>\$ 67,193,229</u>

	Proprietary Funds			
	Cash Basis	Adjustment for Component Unit	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 17,744,393	\$ (6,205,723)	\$ 1,696,129	\$ 13,234,799
Expenditures	<u>18,756,979</u>	<u>(8,128,125)</u>	<u>(190,019)</u>	<u>10,438,835</u>
Net	(1,012,586)	1,922,402	1,886,148	2,795,964
Other financing sources (uses), net.....	371,558	—	(74,685)	296,873
Beginning fund balances	<u>23,318,215</u>	<u>(4,773,302)</u>	<u>40,297,702</u>	<u>58,842,615</u>
Ending Fund Balances.....	<u>\$ 22,677,187</u>	<u>\$ (2,850,900)</u>	<u>\$ 42,109,165</u>	<u>\$ 61,935,452</u>

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2022

The budgetary comparison is presented as required supplementary information in accordance with Government 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, except for the internal service, trust fund and component units. 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. 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. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$591,450. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements did not exceed the amounts budgeted.

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

Last Eight Years*

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	(0.047577)%	0.113902%	0.113830%	0.105347%	0.104809%	0.100281%	0.098894%	0.098683%
City's proportionate share of the net pension liability	\$164,247	\$8,001,307	\$6,591,484	\$6,666,639	\$6,981,586	\$6,311,031	\$4,885,852	\$3,913,656
City's covered-employee payroll	(\$9,509,000)	\$9,041,000	\$8,667,000	\$7,921,000	\$7,827,000	\$7,200,000	\$6,778,000	\$6,458,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll.....	1.73%	88.50%	76.05%	84.16%	89.20%	87.65%	72.08%	60.60%
Plan fiduciary net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 910,554	\$ 897,641	\$ 853,459	\$ 818,224	\$ 707,409	\$ 698,972	\$ 642,963	\$ 605,312	\$ 576,709	\$ 511,969
Contributions in relation to the statutorily required contributions.....	<u>(910,554)</u>	<u>(897,641)</u>	<u>(853,459)</u>	<u>(818,224)</u>	<u>(707,409)</u>	<u>(698,972)</u>	<u>(642,963)</u>	<u>(605,312)</u>	<u>(576,709)</u>	<u>(511,969)</u>
Contribution Deficiency (Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$ 9,646,000	\$ 9,509,000	\$ 9,041,000	\$ 8,667,000	\$ 7,921,000	\$ 7,827,000	\$ 7,200,000	\$ 6,778,000	\$ 6,458,000	\$ 5,905,000
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%

Notes to Required Supplementary Information - Pension Liability

Iowa Public Employees' Retirement System

Year Ended June 30, 2022

Changes of Benefit Terms

There were no significant changes in benefit terms.

Changes of Assumptions

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

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

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

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

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

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

**Schedule of Proportionate Share of the Net Pension Liability
Municipal Fire and Police Retirement System of Iowa**

Last Eight Years*

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	2.086724%	1.989205%	2.031844%	2.033115%	2.010125%	1.899570%	1.858084%	1.839468%
City's proportionate share of the net pension liability	\$4,686,242	\$15,865,905	\$13,327,405	\$12,105,238	\$11,788,882	\$11,877,269	\$8,729,543	\$6,668,039
City's covered-employee payroll	\$6,781,000	\$6,320,000	\$6,151,000	\$5,855,000	\$5,693,000	\$5,148,000	\$4,873,000	\$4,697,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll.....	69.11%	251.04%	216.67%	206.75%	207.08%	230.72%	179.14%	141.96%
Plan fiduciary net position as a percentage of the total pension liability	93.62%	76.47%	79.94%	81.07%	80.60%	78.20%	83.04%	86.27%

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

Schedule of Contributions
Municipal Fire and Police Retirement System of Iowa

Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 1,859,140	\$ 1,716,244	\$ 1,542,658	\$ 1,600,403	\$ 1,503,683	\$ 1,475,656	\$ 1,429,516	\$ 1,481,801	\$ 1,414,872	\$ 1,184,641
Contributions in relation to the statutorily required contributions.....	<u>(1,859,140)</u>	<u>(1,716,244)</u>	<u>(1,542,658)</u>	<u>(1,600,403)</u>	<u>(1,503,683)</u>	<u>(1,475,656)</u>	<u>(1,429,516)</u>	<u>(1,481,801)</u>	<u>(1,414,872)</u>	<u>(1,184,641)</u>
Contribution Deficiency (Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$ 7,101,000	\$ 6,781,000	\$ 6,320,000	\$ 6,151,000	\$ 5,855,000	\$ 5,693,000	\$ 5,148,000	\$ 4,873,000	\$ 4,697,000	\$ 4,535,000
Contributions as a percentage of covered-employee payroll	26.18%	25.31%	24.41%	26.02%	25.68%	25.92%	27.78%	30.41%	30.12%	26.12%

Notes to Required Supplementary Information - Pension Liability ---

Municipal Fire and Police Retirement System of Iowa

Year Ended June 30, 2022

Changes of Benefit Terms

There were no significant changes of benefit terms.

Changes of Assumptions

The 2018 valuation changed postretirement mortality rates were based on the RP-2014 Blue Collar Healthy Annuity Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

Schedule of Changes in the City's Total OPEB Liability, Related Ratios and Notes

For the Last Five Years

	2022	2021	2020	2019	2018
Service cost.....	\$ 98,266	\$ 67,653	\$ 65,683	\$ 42,442	\$ 42,440
Interest	48,300	58,164	57,626	44,193	47,187
Differences between expected and actual experience	298,457	—	(29,652)	(15,965)	(12,596)
Changes of assumptions	253,987	—	515,428	—	—
Benefit payments	<u>(110,555)</u>	<u>(116,893)</u>	<u>(102,921)</u>	<u>(140,093)</u>	<u>(158,486)</u>
Net Change in Total OPEB Liability.....	588,455	8,924	506,164	(69,423)	(81,455)
Total OPEB Liability - Beginning of Year.....	<u>1,661,547</u>	<u>1,652,623</u>	<u>1,146,459</u>	<u>1,215,882</u>	<u>1,297,337</u>
Total OPEB Liability - End of Year	<u>\$ 2,250,002</u>	<u>\$ 1,661,547</u>	<u>\$ 1,652,623</u>	<u>\$ 1,146,459</u>	<u>\$ 1,215,882</u>
Covered-Employee Payroll	<u>\$ 15,669,950</u>	<u>\$ 14,803,000</u>	<u>\$ 14,837,000</u>	<u>\$ 14,645,000</u>	<u>\$ 13,425,000</u>
Total OPEB Liability as a Percentage of Covered- Employee Payroll	14.4%	11.2%	11.1%	7.8%	9.0%

Notes to Schedule of Changes in the City's Total OPEB Liability and Related Ratios

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes of Benefit Terms

There were no significant changes in benefit terms.

Changes of Assumptions

The 2022 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2022:

- The discount rate was changed from 3.50 to 2.14%.
- The mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2021 generational projection of future mortality improvement.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2022

	<u>Special Revenue</u>	<u>Capital Projects</u>			<u>Permanent</u>	Total
	Community Develop- ment Block Grant	Park Develop- ment	Main- tenance Bond	Subdivision Develop- ment	Cemetery Perpetual Care	
Assets						
Current Assets						
Cash	<u>\$ 62,817</u>	<u>\$ 184,860</u>	<u>\$ 502,585</u>	<u>\$ 288,148</u>	<u>\$ 215,254</u>	<u>\$ 1,253,664</u>
Liabilities						
Accounts payable	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 52,082</u>	<u>\$ —</u>	<u>\$ 52,082</u>
Fund Balances						
Nonspendable						
Cemetery perpetual care	—	—	—	—	215,254	215,254
Restricted for						
Economic development	62,817	—	—	—	—	62,817
Committed for						
Capital projects	—	—	502,585	—	—	502,585
Assigned for						
Capital projects	—	184,860	—	236,066	—	420,926
Total Fund Balances	<u>62,817</u>	<u>184,860</u>	<u>502,585</u>	<u>236,066</u>	<u>215,254</u>	<u>1,201,582</u>
Total Liabilities and Fund Balances ...	<u>\$ 62,817</u>	<u>\$ 184,860</u>	<u>\$ 502,585</u>	<u>\$ 288,148</u>	<u>\$ 215,254</u>	<u>\$ 1,253,664</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2022

	Special Revenue	Community Develop- ment Block Grant	Capital Projects			Permanent Cemetery Perpetual Care	Total
		Park Develop- ment	Main- tenance Bond	Subdivision Develop- ment			
Revenue							
Use of money and property	\$ —	\$ 1,078	\$ 2,903	\$ —	\$ —	\$ 3,981	
Intergovernmental	—	—	—	—	10,600	10,600	
Charges for service	—	—	15,437	61,442	—	76,879	
Total Revenue	—	1,078	18,340	61,442	10,600	91,460	
Expenditures							
Capital projects.....	—	—	—	52,082	—	52,082	
Net Changes in Fund Balances	—	1,078	18,340	9,360	10,600	39,378	
Fund Balances - Beginning of Year	62,817	183,782	484,245	226,706	204,654	1,162,204	
Fund Balances - End of Year	<u>\$ 62,817</u>	<u>\$ 184,860</u>	<u>\$ 502,585</u>	<u>\$ 236,066</u>	<u>\$ 215,254</u>	<u>\$ 1,201,582</u>	

Combining Schedule of Net Position - Nonmajor Enterprise Funds

As of June 30, 2022

	Sewer Rental Replace- ment	City Communi- cation and Utility	Solid Waste Replace- ment	Urban Forest Utility	Urban Forest Replace- ment	Total
Assets and Deferred Outflows of Resources						
Current Assets						
Cash.....	\$ 908,631	\$ 535,794	\$ 1,730,031	\$ 865,593	\$ 98,730	\$ 4,138,779
Pooled investments.....	541,528	—	144,970	(5,547)	—	680,951
Receivables						
Unbilled usage.....	—	—	—	47,886	—	47,886
Accounts.....	400	—	—	35,166	—	35,566
Interfund loan.....	70,600	—	—	—	—	70,600
Total Current Assets	<u>1,521,159</u>	<u>535,794</u>	<u>1,875,001</u>	<u>943,098</u>	<u>98,730</u>	<u>4,973,782</u>
Noncurrent Assets						
Interfund loan.....	247,973	—	—	—	—	247,973
Capital assets, net of accumulated depreciation	39,483	—	—	109,132	—	148,615
Total Noncurrent Assets	<u>287,456</u>	<u>—</u>	<u>—</u>	<u>109,132</u>	<u>—</u>	<u>396,588</u>
Total Assets	<u>1,808,615</u>	<u>535,794</u>	<u>1,875,001</u>	<u>1,052,230</u>	<u>98,730</u>	<u>5,370,370</u>
Deferred Outflows of Resources						
Pension-related deferred outflows.....	—	—	—	21,374	—	21,374
OPEB-related deferred outflows.....	—	—	—	11,946	—	11,946
Total Outflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>33,320</u>	<u>—</u>	<u>33,320</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,808,615</u>	<u>\$ 535,794</u>	<u>\$ 1,875,001</u>	<u>\$ 1,085,550</u>	<u>\$ 98,730</u>	<u>\$ 5,403,690</u>
Liabilities, Deferred Inflows of Resources and Net Position						
Current Liabilities						
Accounts payable.....	\$ 39,483	\$ 2,941	\$ —	\$ 4,299	\$ 188	\$ 46,911
Salaries and benefits payable.....	—	—	—	12,250	—	12,250
Current maturities of long-term debt.....	40,000	—	—	—	—	40,000
Total Current Liabilities	<u>79,483</u>	<u>2,941</u>	<u>—</u>	<u>16,549</u>	<u>188</u>	<u>99,161</u>
Noncurrent Liabilities						
Long-term debt.....	320,000	—	—	—	—	320,000
Net pension liability.....	—	—	—	(76,383)	—	(76,383)
Net OPEB liability.....	—	—	—	13,243	—	13,243
Total Noncurrent Liabilities	<u>320,000</u>	<u>—</u>	<u>—</u>	<u>(63,140)</u>	<u>—</u>	<u>256,860</u>
Total Liabilities	<u>399,483</u>	<u>2,941</u>	<u>—</u>	<u>(46,591)</u>	<u>188</u>	<u>356,021</u>
Deferred Inflows of Resources						
Pension-related deferred inflows.....	—	—	—	127,085	—	127,085
OPEB-related deferred inflows.....	—	—	—	346	—	346
Total Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>127,431</u>	<u>—</u>	<u>127,431</u>
Net Position						
Net investment in capital assets.....	39,483	—	—	109,132	—	148,615
Unrestricted.....	1,369,649	532,853	1,875,001	895,578	98,542	4,771,623
Total Net Position	<u>1,409,132</u>	<u>532,853</u>	<u>1,875,001</u>	<u>1,004,710</u>	<u>98,542</u>	<u>4,920,238</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,808,615</u>	<u>\$ 535,794</u>	<u>\$ 1,875,001</u>	<u>\$ 1,085,550</u>	<u>\$ 98,730</u>	<u>\$ 5,403,690</u>

Combining Schedule of Revenue, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds

Year Ended June 30, 2022

	Sewer Rental Replace- ment	City Communi- cation and Utility	Solid Waste Replace- ment	Urban Forest Utility	Urban Forest Replace- ment	Total
Operating Revenue						
Charges for service	\$ 448,831	\$ 19,650	\$ —	\$ 536,163	\$ —	\$ 1,004,644
Miscellaneous.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>331,796</u>	<u>—</u>	<u>331,796</u>
Total Operating Revenue	<u>448,831</u>	<u>19,650</u>	<u>—</u>	<u>867,959</u>	<u>—</u>	<u>1,336,440</u>
Operating Expenses						
Personal services	—	—	—	284,656	—	284,656
Services and commodities	—	70,142	20,116	209,002	4,016	303,276
Depreciation	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,063</u>	<u>—</u>	<u>21,063</u>
Total Operating Expenses	<u>—</u>	<u>70,142</u>	<u>20,116</u>	<u>514,721</u>	<u>4,016</u>	<u>608,995</u>
Operating Income (Loss)	<u>448,831</u>	<u>(50,492)</u>	<u>(20,116)</u>	<u>353,238</u>	<u>(4,016)</u>	<u>727,445</u>
Nonoperating Revenue						
Intergovernmental	—	—	—	5,000	—	5,000
Investment revenue	<u>31,048</u>	<u>3,259</u>	<u>17,969</u>	<u>6,185</u>	<u>520</u>	<u>58,981</u>
Total Nonoperating Revenue	<u>31,048</u>	<u>3,259</u>	<u>17,969</u>	<u>11,185</u>	<u>520</u>	<u>63,981</u>
Income (Loss)						
Before Transfers	<u>479,879</u>	<u>(47,233)</u>	<u>(2,147)</u>	<u>364,423</u>	<u>(3,496)</u>	<u>791,426</u>
Other Financing Sources (Uses)						
Transfers in	10,955	—	—	—	30,254	41,209
Transfers out	<u>(1,075,399)</u>	<u>—</u>	<u>(116,839)</u>	<u>(61,556)</u>	<u>—</u>	<u>(1,253,794)</u>
Total Transfers	<u>(1,064,444)</u>	<u>—</u>	<u>(116,839)</u>	<u>(61,556)</u>	<u>30,254</u>	<u>(1,212,585)</u>
Changes in Net Position	(584,565)	(47,233)	(118,986)	302,867	26,758	(421,159)
Net Position - Beginning of Year	<u>1,993,697</u>	<u>580,086</u>	<u>1,993,987</u>	<u>701,843</u>	<u>71,784</u>	<u>5,341,397</u>
Net Position - End of Year	<u>\$ 1,409,132</u>	<u>\$ 532,853</u>	<u>\$ 1,875,001</u>	<u>\$ 1,004,710</u>	<u>\$ 98,542</u>	<u>\$ 4,920,238</u>

Combining Schedule of Cash Flows - Nonmajor Enterprise Funds

Year Ended June 30, 2022

	Sewer Rental Replace- ment	City Communi- cation and Utility	Solid Waste Replace- ment	Urban Forest Utility	Urban Forest Replace- ment	Total
Cash Flows From Operating Activities						
Cash received from customers and users	\$ 448,808	\$ 19,650	\$ —	\$ 862,746	\$ —	\$ 1,331,204
Cash paid to employees for services	—	—	—	(309,051)	(4,016)	(313,067)
Cash paid to suppliers for goods and services	—	(67,757)	(20,116)	(218,814)	—	(306,687)
Net Cash Provided by Operating Activities.....	<u>448,808</u>	<u>(48,107)</u>	<u>(20,116)</u>	<u>334,881</u>	<u>(4,016)</u>	<u>711,450</u>
Cash Flows From Noncapital Financing Activities						
Net transfers.....	(1,064,444)	—	(116,839)	(61,556)	30,254	(1,212,585)
State and federal grants received	—	—	—	5,000	—	5,000
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>(1,064,444)</u>	<u>—</u>	<u>(116,839)</u>	<u>(56,556)</u>	<u>30,254</u>	<u>(1,207,585)</u>
Cash Flows From Capital and Related Financing Activities						
Decrease in interfund loan..	68,878	—	—	—	—	68,878
Proceeds from debt.....	360,000	—	—	—	—	360,000
Acquisition of capital assets	10	—	—	—	—	10
Net Cash Provided by Capital and Related Financing Activities	<u>428,888</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>428,888</u>
Cash Flows From Investing Activities						
Interest on investments	32,843	3,259	18,728	6,358	520	61,708
Sale of investments	64,966	—	27,872	6,058	—	98,896
Net Cash Provided by Investing Activities.....	<u>97,809</u>	<u>3,259</u>	<u>46,600</u>	<u>12,416</u>	<u>520</u>	<u>160,604</u>
Net Increase (Decrease) in Cash.....	<u>(88,939)</u>	<u>(44,848)</u>	<u>(90,355)</u>	<u>290,741</u>	<u>26,758</u>	<u>93,357</u>
Cash - Beginning of Year	997,570	580,642	1,820,386	574,852	71,972	4,045,422
Cash - End of Year	<u>\$ 908,631</u>	<u>\$ 535,794</u>	<u>\$ 1,730,031</u>	<u>\$ 865,593</u>	<u>\$ 98,730</u>	<u>\$ 4,138,779</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities						
Income (loss) from operations	\$ 448,831	\$ (50,492)	\$ (20,116)	\$ 353,238	\$ (4,016)	\$ 727,445
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities						
Depreciation	—	—	—	21,063	—	21,063
Change in Assets and Liabilities						
Increase in receivables	(23)	—	—	(5,213)	—	(5,236)
Increase in deferred outflows of resources	—	—	—	7,975	—	7,975
Increase (decrease) in payables	—	2,385	—	(9,812)	—	(7,427)
Increase in salaries and benefits payable	—	—	—	2,794	—	2,794
Decrease in net pension liability	—	—	—	(172,421)	—	(172,421)
Increase in total OPEB liability.....	—	—	—	7,876	—	7,876
Increase in deferred inflows of resources..	—	—	—	129,381	—	129,381
Net Cash Provided by (Used in) Operating Activities	<u>\$ 448,808</u>	<u>\$ (48,107)</u>	<u>\$ (20,116)</u>	<u>\$ 334,881</u>	<u>\$ (4,016)</u>	<u>\$ 711,450</u>

**Schedule of Revenue by Source and Expenditures by Function -
All Governmental Funds**

Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenue										
Property tax	\$ 26,358,965	\$ 25,651,401	\$ 23,815,236	\$ 22,722,170	\$ 21,528,026	\$ 19,965,855	\$ 19,390,867	\$ 18,279,551	\$ 17,400,856	\$ 16,925,535
Tax increment financing and other city tax	7,135,778	6,396,558	5,847,105	4,184,692	3,388,231	3,792,850	3,131,594	2,374,264	6,411,541	6,506,192
Licenses and permits.....	929,118	1,074,515	800,499	690,171	709,629	706,589	732,894	680,770	546,547	512,372
Use of money and property	595,529	660,656	1,346,391	1,523,614	1,041,963	684,358	578,032	546,900	524,526	641,024
Intergovernmental	21,957,030	32,399,342	12,208,798	10,908,911	10,544,302	11,558,481	10,065,390	8,389,101	5,209,702	4,906,177
Charges for service	1,446,054	932,747	1,383,692	1,352,525	1,100,117	1,475,946	1,180,883	1,131,847	1,014,752	747,635
Special assessments.....	1,464	1,681	9,977	6,789	8,736	4,197	556	11,754	12,159	17,085
Miscellaneous.....	<u>2,473,323</u>	<u>592,655</u>	<u>376,521</u>	<u>259,061</u>	<u>117,359</u>	<u>441,346</u>	<u>161,179</u>	<u>486,160</u>	<u>14,973</u>	<u>10,815</u>
Total Revenue	<u>\$ 60,897,261</u>	<u>\$ 67,709,555</u>	<u>\$ 45,788,219</u>	<u>\$ 41,647,933</u>	<u>\$ 38,438,363</u>	<u>\$ 38,629,622</u>	<u>\$ 35,241,395</u>	<u>\$ 31,900,347</u>	<u>\$ 31,135,056</u>	<u>\$ 30,266,835</u>
Expenditures										
Operating										
Public safety	\$ 14,785,157	\$ 13,844,076	\$ 12,606,792	\$ 12,391,556	\$ 11,947,367	\$ 12,250,645	\$ 9,480,056	\$ 9,628,508	\$ 9,241,883	\$ 8,632,337
Public works.....	4,908,876	4,412,501	4,456,500	4,225,505	3,801,859	3,867,715	3,321,888	3,591,277	3,168,323	2,697,064
Culture and recreation.....	5,124,238	4,763,642	4,526,161	4,533,593	4,460,863	4,259,120	3,822,840	3,861,382	3,879,457	3,477,272
Community and economic development...	3,149,562	2,731,877	2,302,056	2,262,484	2,075,225	2,089,286	1,962,244	2,242,743	2,515,424	1,832,185
General government	3,937,130	3,416,795	3,104,911	3,053,383	2,823,564	2,458,668	2,263,973	2,310,282	1,976,493	1,670,946
Debt service	7,022,427	8,454,148	18,717,542	15,553,024	10,103,064	5,772,530	5,764,400	6,261,762	3,965,993	6,257,258
Capital projects.....	<u>29,233,666</u>	<u>52,114,290</u>	<u>21,894,323</u>	<u>11,968,151</u>	<u>6,390,784</u>	<u>15,724,032</u>	<u>14,575,014</u>	<u>16,847,966</u>	<u>18,176,800</u>	<u>10,727,089</u>
Total Expenditures	<u>\$ 68,161,056</u>	<u>\$ 89,737,329</u>	<u>\$ 67,608,285</u>	<u>\$ 53,987,696</u>	<u>\$ 41,602,726</u>	<u>\$ 46,421,996</u>	<u>\$ 41,190,415</u>	<u>\$ 44,743,920</u>	<u>\$ 42,924,373</u>	<u>\$ 35,294,151</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Transportation				
Indirect				
Pass-Through Iowa Department of Transportation				
Highway Planning and Construction	20.205	STP-U-4775(631)-70-57	\$ —	\$ 285,792
Highway Planning and Construction	20.205	TAP-U-4775(630)-8I-57	—	3,495
Highway Planning and Construction	20.205	TAP-U-4775(635)-8I-57	—	1,824,597
Highway Planning and Construction	20.205	TAP-U-4775(636)-8I-57	—	70,000
Highway Planning and Construction	20.205	TAP-U-4775(638)-8I-57	—	1,215,712
Total U.S. Department of Transportation			—	<u>3,399,596</u>
U.S. Department of Treasury				
Direct				
Equitable Sharing Program	16.922		—	<u>8,293</u>
Total Expenditures of Federal Awards			<u>\$ —</u>	<u>\$ 3,407,889</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the City of Marion under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Marion, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Marion.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Marion has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Indirect Cost Rate

The City of Marion has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Subrecipients

There were no amounts provided to subrecipients from the City's federal award programs.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marion, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Marion's basic financial statements, and have issued our report thereon dated January 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 22-II-R-1 and 22-II-R-2 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marion's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Marion's Response to Findings

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

Purpose of This Report

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

HOGAN - HANSEN

HOGAN - HANSEN

Cedar Rapids, Iowa
January 26, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Marion's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Marion's major federal programs for the year ended June 30, 2022. The City of Marion's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Marion complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Marion and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Marion's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Marion's federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Marion’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Marion’s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Marion’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Marion’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Marion’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

To the Honorable Mayor and
Members of the City Council
City of Marion, Iowa
Page 3

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 22-III-IC-1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the City of Marion's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Marion's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Cedar Rapids, Iowa
January 26, 2023

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Part I: Summary of Independent Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes no

Significant deficiency identified not considered to be material weakness? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of the Uniform Guidance? yes no

Identification of major programs:

Assistance Listing Number or Cluster

Name of Federal Program

20.205

Highway Planning and Construction Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

22-II-R-1 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

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

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

Identification of Repeat Finding - 22-II-R-1.

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

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

Auditor's Conclusion - Response accepted.

22-II-R-2 Financial Statement Preparation

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

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

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

Effect or Potential Effect - The financial statements and related disclosures may not be prepared in accordance with the generally accepted accounting principles.

Identification of Repeat Finding - 22-II-R-2.

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

Views of Responsible Officials and Planned Corrective Action - The City staff will research available educational courses regarding financial statement preparation as well as continue to attend the work session held annually by the League of Cities.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All programs displayed on the schedule of expenditures of federal awards.

22-III-IC-1 Segregation of Duties Over Federal Revenue and Expenditures

(2022-001) Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 22-II-R-1 for additional information.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Part IV: Findings Related to Statutory Reporting

22-IV-A Certified Budget - Disbursements during the year ended June 30, 2022 did not exceed the amounts in the amended budget.

22-IV-B Questionable Expenditures - Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Various	Flower arrangements	\$76

According to an Attorney General's opinion, it is possible for such expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Auditor's Recommendation - The City Council should determine and document the public purpose served by these expenditures before authorizing any further payments.

City's Response - The City Council has reviewed these types of expenditures and feels that they do serve a public purpose and have passed policies addressing these for staff to follow.

Auditor's Conclusion - Response accepted.

22-IV-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

22-IV-D Business Transactions - No business transactions were noted between the City and City officials or employees.

22-IV-E Restricted Donor Activity - No transactions were noted between the City, City officials or City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

22-IV-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

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

22-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2022

22-IV-I Revenue Bonds

Finding - Section 6 of the sewer revenue bond agreement requires sewer rates to be established which are sufficient “to produce and maintain Net Revenues at a level not less than 125% of the amount of principal and interest on the Revenue Bond and any other obligations secured by a pledge of the Net Revenues falling due in the same year”. During fiscal year 2022, net revenue in the Enterprise, Sewer Rental Fund was (\$109,663) while principal and interest payments were \$171,140.

Auditor’s Recommendation - The City Council should ensure that net operating revenue for the Enterprise, Sewer Rental Fund is sufficient to make required debt service payments and comply with the sewer revenue bond resolution.

City’s Response - The City is reviewing sewer notes to ensure that net operating revenue for the Sewer Fund is sufficient to comply with the sewer revenue bond resolution. Staff will routinely conduct rate analyses to ensure compliance going forward.

Auditor’s Conclusion - Response accepted.

22-IV-J Annual Urban Renewal Report - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

22-IV-K Annual Financial Report - The City completed and filed its June 30, 2022 Annual Financial Report by December 1 as required by Chapter 384.22 of the Code of Iowa.