

**CITY OF MARION, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2023**

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# Officials

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Name	Title	Term Expires
<b>Elected Officials</b>		
Nicolas AbouAssaly	Mayor	December 31, 2023
Colette Atkins	Council Member - First Ward (resigned March 31, 2023)	December 31, 2023
Gage Miskimen	Council Member - First Ward (appointed April 6, 2023)	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
<b>Appointed Officials</b>		
Ryan Waller	City Manager	Indefinite
Lianne Cairy	Finance Director/City Treasurer	Indefinite
Rachel Bolender	City Clerk	Indefinite
Kara Bullerman	City Attorney	Indefinite
Terrell Hunter	IT Director	Indefinite
Mike Kitsmiller	Police Chief	Civil Service
Michael Barkalow	City Engineer	Indefinite
Jason Hansen	Interim Fire Chief (May 2, 2022 - July 31, 2022)	Civil Service
Forest Reeder	Interim Fire Chief (August 1, 2022 - September 29, 2022)	Civil Service
Tom Fagan	Fire Chief (appointed September 30, 2022)	Civil Service
Seth Staashelm	Director of Parks and Recreation	Indefinite
William Carroll	Library Director	Indefinite
Ryan Miller	Public Services Director	Indefinite
Kim Downs	Deputy City Manager (appointed September 6, 2022)	Indefinite
William A. Kling	Marion Municipal Water Department - Trustee - 2023 Chairperson	December 31, 2026
Amy Olson	Marion Municipal Water Department - Trustee - 2024 Chairperson	December 31, 2024
Terry Chew	Marion Municipal Water Department - Trustee	December 31, 2028
John D. McIntosh	Marion Municipal Water Department - Trustee	December 31, 2023
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, 2023, 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, 2023, 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, 2022 (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 18, 2024 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*

HOGAN - HANSEN

Cedar Rapids, Iowa  
January 18, 2024

## **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, 2023. 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, 2023 by \$228.6 million (net position).

The City's net position for governmental activities increased by \$15.8 million.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12 million, or 42.1%, of the total General Fund expenditures. For the purpose of these financial statements, the General Fund also includes the Equipment Reserve, Tax Stabilization, Hotel/Motel and Police Retirement Trust and Agency Funds.

Total general obligation debt increased by \$2,305,000 (excluding bond issuance premiums).

### **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 two 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.

	<b>Net Position at End of Year</b>					
	(in thousands)					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
		(As Restated)				(As Restated)
Current and other assets	\$ 132,503	\$ 107,940	\$ 14,071	\$ 13,289	\$ 146,574	\$ 121,229
Capital assets	<u>274,872</u>	<u>257,814</u>	<u>59,393</u>	<u>56,062</u>	<u>334,265</u>	<u>313,876</u>
<b>Total Assets</b>	<b><u>407,375</u></b>	<b><u>365,754</u></b>	<b><u>73,464</u></b>	<b><u>69,351</u></b>	<b><u>480,839</u></b>	<b><u>435,105</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>4,657</u></b>	<b><u>4,961</u></b>	<b><u>492</u></b>	<b><u>514</u></b>	<b><u>5,149</u></b>	<b><u>5,475</u></b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 412,032</u></b>	<b><u>\$ 370,715</u></b>	<b><u>\$ 73,956</u></b>	<b><u>\$ 69,865</u></b>	<b><u>\$ 485,988</u></b>	<b><u>\$ 440,580</u></b>
Long-term liabilities	\$ 119,366	\$ 99,636	\$ 6,068	\$ 5,334	\$ 125,434	\$ 104,970
Other liabilities	<u>21,708</u>	<u>14,465</u>	<u>935</u>	<u>1,228</u>	<u>22,643</u>	<u>15,693</u>
<b>Total Liabilities</b>	<b><u>141,074</u></b>	<b><u>114,101</u></b>	<b><u>7,003</u></b>	<b><u>6,562</u></b>	<b><u>148,077</u></b>	<b><u>120,663</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>42,387</u></b>	<b><u>43,852</u></b>	<b><u>127</u></b>	<b><u>1,368</u></b>	<b><u>42,514</u></b>	<b><u>45,220</u></b>
<b>Net Position</b>						
Net investment in capital assets	170,743	164,217	54,917	56,062	225,660	220,279
Restricted	62,893	47,409	—	—	62,893	47,409
Unrestricted	<u>(5,065)</u>	<u>1,136</u>	<u>11,909</u>	<u>5,873</u>	<u>6,844</u>	<u>7,009</u>
<b>Total Net Position</b>	<b><u>228,571</u></b>	<b><u>212,762</u></b>	<b><u>66,826</u></b>	<b><u>61,935</u></b>	<b><u>295,397</u></b>	<b><u>274,697</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>\$ 412,032</u></b>	<b><u>\$ 370,715</u></b>	<b><u>\$ 73,956</u></b>	<b><u>\$ 69,865</u></b>	<b><u>\$ 485,988</u></b>	<b><u>\$ 440,580</u></b>

Net position of governmental activities increased approximately \$15.8 million for the fiscal year 2023. Net position of business-type activities increased approximately \$4.9 million for the fiscal year 2023. 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 (\$5.1) million as of the end of this year for governmental activities and \$11.9 million for business-type activities.

A summary version of the statement of activities follows:

<b>Changes in Net Position for the Year Ended June 30,</b>						
(in thousands)						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Government</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Revenue</b>						
Program Revenue						
Charges for service	\$ 2,043	\$ 2,343	\$ 13,066	\$ 11,459	\$ 15,109	\$ 13,802
Operating grants and contributions	3,824	7,581	12	9	3,836	7,590
Capital grants and contributions	9,086	3,635	1,228	1,561	10,314	5,196
General Revenue						
Property tax and tax increment financing	31,854	30,699	—	—	31,854	30,699
Other city tax and special assessments	8,431	8,297	—	—	8,431	8,297
Local option sales tax	6,713	7,997	—	—	6,713	7,997
Unrestricted investment earnings	2,289	602	406	107	2,695	709
Miscellaneous	115	157	—	—	115	157
Gain on disposal of capital assets	(1,872)	23	—	98	(1,872)	121
<b>Total Revenue</b>	<b><u>62,483</u></b>	<b><u>61,334</u></b>	<b><u>14,712</u></b>	<b><u>13,234</u></b>	<b><u>77,195</u></b>	<b><u>74,568</u></b>
<b>Program Expenses</b>						
Public safety	16,583	3,301	—	—	16,583	3,301
Public works	9,564	14,229	—	—	9,564	14,229
Culture and recreation	8,662	16,832	—	—	8,662	16,832
Community and economic development	4,695	3,586	—	—	4,695	3,586
General government	4,051	3,995	—	—	4,051	3,995
Interest and other charges on long-term debt	2,776	2,157	—	—	2,776	2,157
Sewer	—	—	7,338	7,821	7,338	7,821
Solid waste	—	—	2,335	2,029	2,335	2,029
City communication and utility	—	—	3	70	3	70
Urban forest	—	—	488	519	488	519
<b>Total Expenses</b>	<b><u>46,331</u></b>	<b><u>44,100</u></b>	<b><u>10,164</u></b>	<b><u>10,439</u></b>	<b><u>56,495</u></b>	<b><u>54,539</u></b>
<b>Transfers</b>	<b><u>(343)</u></b>	<b><u>(297)</u></b>	<b><u>343</u></b>	<b><u>297</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Change in Net Position</b>	<b>15,809</b>	<b>16,937</b>	<b>4,891</b>	<b>3,092</b>	<b>20,700</b>	<b>20,029</b>
Net Position - Beginning of Year (As Restated)	<u>212,762</u>	<u>195,825</u>	<u>61,935</u>	<u>58,843</u>	<u>274,697</u>	<u>254,668</u>
<b>Net Position - End of Year</b>	<b><u>\$ 228,571</u></b>	<b><u>\$ 212,762</u></b>	<b><u>\$ 66,826</u></b>	<b><u>\$ 61,935</u></b>	<b><u>\$ 295,397</u></b>	<b><u>\$ 274,697</u></b>

## **Governmental Activities**

Charges for service make up 3.3% of governmental revenue. Operating and capital grants and contributions, primarily for street projects and building improvement projects, make up another 20.7% 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 88.8% of total revenue. Investment income accounts for an additional 2.8% 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 \$80,004,139 which is an increase from the \$64,175,930 total fund balance as of June 30, 2022. 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 increased to \$15,852,228. Revenue increased 4.6% over the prior year to \$22,553,257 and expenditures increased 9.4% to \$28,456,084. Net other financing sources totaled \$6,131,234.

The Special Revenue, Road Use Tax Fund is used to account for the maintenance of the City's infrastructure. This fund ended fiscal year 2023 with a balance of \$11,539,824, compared to the prior year ending balance of \$8,956,583.

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 \$456,173 as of June 30, 2022 to \$425,589 as of June 30, 2023.

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 2023 with a \$12,736,943 balance compared to the prior year ending fund balance of \$6,499,055. Local option sales tax revenue decreased \$1,284,349 from \$7,996,903 as of June 30, 2022 to \$6,712,554 as of June 30, 2023.

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 2023 with a \$525,463 balance compared to the prior year ending balance of \$682,305.

The Debt Service Fund ended fiscal year 2023 with a \$1,655,321 balance compared to the prior year ending balance of \$1,498,243. Property tax revenue increased \$171,368 from \$4,019,273 as of June 30, 2022 to \$4,190,641 as of June 30, 2023, while bond principal and interest payments increased \$3,627,743 from \$6,169,342 as of June 30, 2022 to \$9,797,085 as of June 30, 2023.

The Capital Projects Fund ended fiscal year 2023 with a \$35,993,468 balance compared to the prior year ending balance of \$29,258,168.

## **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 2023 with a net position balance of \$25,241,018 compared to the prior year ending net position balance of \$22,951,821.

The Enterprise, Storm Water Management Fund, which accounts for the operation and maintenance of the City's storm water management system, ended fiscal year 2023 with a \$31,531,334 net position balance compared to the prior year ending net position balance of \$30,454,165.

The Enterprise, Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection, ended fiscal year 2023 with a \$4,289,537 net position balance compared to the prior year ending net position balance of \$3,609,228.

## **Budgetary Highlights**

Over the course of the year, the City amended its budget once. The budgeted disbursements were increased due to overtime due to staff shortages, outsourcing of inspection work, contribution to county for emergency management radios, increased legal and recruitment costs, library construction delays and derecho clean up expenditures carried over from previous fiscal year.

## **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 \$274,872,056 (net of accumulated depreciation) as of June 30, 2023. Capital assets for business-type activities totaled \$59,392,557 (net of accumulated depreciation) as of June 30, 2023. See Note 3 to the financial statements for more information about the City's capital assets.

Construction in progress as of June 30, 2023 consists primarily of street projects, sewer projects, new public service facility and trail projects.

### **Long-Term Debt**

As of June 30, 2023, the City had \$81,405,000 of outstanding general obligation bonds, \$3,407,293 of outstanding tax increment revenue bonds, \$12,105,934 of outstanding revenue bonds and \$3,586,718 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 \$174 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 3.6%, which is 0.5% more than where it was the previous year and equals the national unemployment rate of 3.6%.

Retail sales are reported on a fiscal year, July 1 to June 30, basis. For fiscal year 2022, retail sales were \$485.9 million for Marion and \$4.36 billion for Linn County. For fiscal year 2021, retail sales were \$465.9 million for Marion and \$4.4 billion for Linn County.

The total value of building permits for fiscal year 2023 was approximately \$69.9 million, which is down from the fiscal year 2022 amount of \$72.1 million.

## **NEXT YEAR'S BUDGET AND RATES**

The adopted fiscal year 2023-2024 budget calls for an increase in tax receipts of 6.3% 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. An 8% 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 7.5% overall increase in collections is budgeted.

The total City tax levy rate for fiscal year 2023-2024 is 15.0339 per taxable valuation compared to 14.20203 for fiscal year 2022-2023. Net taxable valuation for fiscal year 2023-2024 is \$1,881.4 million, which was an increase of \$1.6 million from the fiscal year 2022-2023 level which was \$1,879.8 million.

## **FINANCIAL INFORMATION CONTACT**

This financial report is designed to present our residents, 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**

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# Statement of Net Position

As of June 30, 2023

	Primary Government			Component Unit				
	Governmental Activities	Business-Type Activities	Total	Water	Friends	Library	Parks	Fire
<b>Assets and Deferred Outflows of Resources</b>								
<b>Assets</b>								
Cash.....	\$ 66,720,398	\$ 11,051,853	\$ 77,772,251	\$ 8,758,857	\$ 64,078	\$ 342,596	\$ 22,685	\$ 208,802
Pooled investments .....	11,479,055	872,776	12,351,831	—	60,374	1,091,677	—	219,516
Receivables								
Property Tax and Tax Increment Financing, Net of Allowance								
Current year delinquent.....	69,229	—	69,229	—	—	—	—	—
Succeeding year .....	33,812,283	—	33,812,283	—	—	—	—	—
Unbilled usage .....	—	1,063,264	1,063,264	560,188	—	—	—	—
Accounts .....	687,592	835,664	1,523,256	515,902	—	—	—	—
Due from primary government.....	—	—	—	360,000	—	—	—	—
Due from other governments .....	19,611,790	208	19,611,998	—	—	—	—	—
Internal loans - portion due within one year .....	(72,365)	72,365	—	—	—	—	—	—
Inventories.....	371,225	—	371,225	533,989	—	—	—	200
Internal loans - portion due after one year .....	(175,608)	175,608	—	—	—	—	—	—
Restricted Assets								
Cash and investments.....	—	—	—	169,861	—	—	—	905,637
Capital assets, net of accumulated depreciation.....	274,872,056	59,392,557	334,264,613	32,137,292	2,797	—	—	—
<b>Total Assets.....</b>	<b>407,375,655</b>	<b>73,464,295</b>	<b>480,839,950</b>	<b>43,036,089</b>	<b>127,249</b>	<b>1,434,273</b>	<b>22,685</b>	<b>1,334,155</b>
<b>Deferred Outflows of Resources</b>								
Pension-related deferred outflows .....	3,917,415	379,239	4,296,654	151,740	—	—	—	—
OPEB-related deferred outflows .....	739,122	112,824	851,946	—	—	—	—	—
<b>Total Deferred Outflows of Resources .....</b>	<b>4,656,537</b>	<b>492,063</b>	<b>5,148,600</b>	<b>151,740</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Assets and Deferred Outflows of Resources .....</b>	<b>\$ 412,032,192</b>	<b>\$ 73,956,358</b>	<b>\$ 485,988,550</b>	<b>\$ 43,187,829</b>	<b>\$ 127,249</b>	<b>\$ 1,434,273</b>	<b>\$ 22,685</b>	<b>\$ 1,334,155</b>



# Statement of Net Position

As of June 30, 2023

	Primary Government			Component Unit				
	Governmental Activities	Business-Type Activities	Total	Water	Friends	Library	Parks	Fire
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>								
<b>Liabilities</b>								
Accounts payable .....	\$ 9,100,299	\$ 570,944	\$ 9,671,243	\$ 526,996	\$ —	\$ —	\$ —	\$ —
Grant received in advance .....	4,394,597	—	4,394,597	—	—	—	—	—
Accrued interest payable .....	275,576	—	275,576	1,284	—	—	—	—
Salaries and benefits payable .....	921,945	51,945	973,890	76,182	—	—	—	—
Self-insured estimated claims .....	542,019	—	542,019	33,876	—	—	—	—
Reinsurance premiums payable .....	—	—	—	—	—	—	—	—
Payable from restricted assets .....	—	—	—	169,861	—	—	—	—
<b>Long-Term Liabilities</b>								
<b>Portion Due Within One Year</b>								
Revenue bonds .....	416,421	270,474	686,895	—	—	—	—	—
General obligation bonds .....	4,985,000	—	4,985,000	—	—	—	—	—
Tax increment revenue bonds .....	293,983	—	293,983	—	—	—	—	—
Unamortized premium on general obligation notes .....	332,187	—	332,187	—	—	—	—	—
Notes payable .....	85,474	—	85,474	—	—	—	—	—
Compensated absences .....	215,362	41,542	256,904	128,567	—	—	—	—
Nonbonded indebtedness .....	24,985	—	24,985	—	—	—	—	—
Due to component unit .....	120,000	—	120,000	—	—	—	—	—
SRF loan .....	—	—	—	153,000	—	—	—	—
<b>Portion Due or Payable After One Year</b>								
Revenue bonds .....	11,689,513	4,755,510	16,445,023	—	—	—	—	—
General obligation bonds .....	76,420,000	—	76,420,000	—	—	—	—	—
Tax increment revenue bonds .....	3,113,310	—	3,113,310	—	—	—	—	—
Unamortized premium on general obligation notes .....	2,817,961	—	2,817,961	—	—	—	—	—
Notes payable .....	3,501,244	—	3,501,244	—	—	—	—	—
Compensated absences .....	4,199,762	—	4,199,762	—	—	—	—	—
Nonbonded indebtedness .....	88,648	—	88,648	—	—	—	—	—
Due to component unit .....	240,000	—	240,000	—	—	—	—	—
SRF loan .....	—	—	—	1,221,000	—	—	—	—
Net pension liability .....	15,166,796	1,175,621	16,342,417	532,944	—	—	—	—
Total OPEB liability .....	2,128,771	137,264	2,266,035	113,588	—	—	—	—
<b>Total Liabilities</b> .....	<b>141,073,853</b>	<b>7,003,300</b>	<b>148,077,153</b>	<b>2,957,298</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Deferred Inflows of Resources</b>								
<b>Unavailable Revenue</b>								
Succeeding year property tax and tax increment financing .....	33,812,283	—	33,812,283	—	—	—	—	—
Pension-related deferred inflows .....	714,675	123,321	837,996	68,667	—	—	—	—
OPEB-related deferred inflows .....	29,362	3,340	32,702	13,444	—	—	—	—
Other .....	7,830,821	—	7,830,821	—	—	—	—	—
<b>Total Deferred Inflows of Resources</b> .....	<b>42,387,141</b>	<b>126,661</b>	<b>42,513,802</b>	<b>82,111</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Position</b>								
Net investment in capital assets .....	170,743,330	54,917,047	225,660,377	30,763,292	—	—	—	—
<b>Restricted for</b>								
Cemetery perpetual care .....	229,254	—	229,254	—	—	—	—	—
Benefits .....	425,589	—	425,589	—	—	—	—	—
Debt service .....	1,379,745	—	1,379,745	—	—	—	—	—
Capital projects .....	35,993,468	—	35,993,468	—	—	—	—	—
Economic development .....	62,817	—	62,817	—	—	—	—	—
Streets .....	11,539,824	—	11,539,824	—	—	—	—	—
Other purposes .....	13,262,406	—	13,262,406	—	—	—	—	—
Unrestricted .....	(5,065,235)	11,909,350	6,844,115	9,385,128	127,249	1,434,273	22,685	1,334,155
<b>Total Net Position</b> .....	<b>228,571,198</b>	<b>66,826,397</b>	<b>295,397,595</b>	<b>40,148,420</b>	<b>127,249</b>	<b>1,434,273</b>	<b>22,685</b>	<b>1,334,155</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> .....	<b>\$ 412,032,192</b>	<b>\$ 73,956,358</b>	<b>\$ 485,988,550</b>	<b>\$ 43,187,829</b>	<b>\$ 127,249</b>	<b>\$ 1,434,273</b>	<b>\$ 22,685</b>	<b>\$ 1,334,155</b>

See accompanying notes to the financial statements.

**Statement of Activities**

Year Ended June 30, 2023

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		
<b>Primary Government</b>														
<b>Governmental Activities</b>														
Public safety .....	\$ 16,583,467	\$ 316,563	\$ 221,838	\$ —	\$ (16,045,066)	\$ —	\$ (16,045,066)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Public works .....	9,563,620	25,210	1,315	1,181,671	(8,355,424)	—	(8,355,424)	—	—	—	—	—	—	—
Culture and recreation .....	8,661,577	569,358	1,907,845	836,423	(5,347,951)	—	(5,347,951)	—	—	—	—	—	—	—
Community and economic development .....	4,695,171	1,047,576	448	2,708,722	(938,425)	—	(938,425)	—	—	—	—	—	—	—
General government .....	4,051,084	84,643	1,692,189	4,359,109	2,084,857	—	2,084,857	—	—	—	—	—	—	—
Interest and other charges on long-term debt .....	2,775,800	—	—	—	(2,775,800)	—	(2,775,800)	—	—	—	—	—	—	—
<b>Total Governmental Activities ...</b>	<b>46,330,719</b>	<b>2,043,350</b>	<b>3,823,635</b>	<b>9,085,925</b>	<b>(31,377,809)</b>	<b>—</b>	<b>(31,377,809)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Business-Type Activities</b>														
Sewer .....	7,338,286	8,994,152	1,414	1,227,514	—	2,884,794	2,884,794	—	—	—	—	—	—	—
Solid waste .....	2,335,267	3,260,358	292	—	—	925,383	925,383	—	—	—	—	—	—	—
City communication and utility .....	2,745	19,350	—	—	—	16,605	16,605	—	—	—	—	—	—	—
Urban forest .....	487,425	792,300	10,000	—	—	314,875	314,875	—	—	—	—	—	—	—
<b>Total Business-Type Activities..</b>	<b>10,163,723</b>	<b>13,066,160</b>	<b>11,706</b>	<b>1,227,514</b>	<b>—</b>	<b>4,141,657</b>	<b>4,141,657</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Primary Government .....</b>	<b>\$ 56,494,442</b>	<b>\$ 15,109,510</b>	<b>\$ 3,835,341</b>	<b>\$ 10,313,439</b>	<b>(31,377,809)</b>	<b>4,141,657</b>	<b>(27,236,152)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Component Unit - Water .....</b>	<b>\$ 3,785,327</b>	<b>\$ 6,387,806</b>	<b>\$ —</b>	<b>\$ 1,070,158</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,672,637</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Component Unit - Friends .....</b>	<b>\$ 59,605</b>	<b>\$ —</b>	<b>\$ 49,274</b>	<b>\$ —</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Component Unit - Library .....</b>	<b>\$ 314,875</b>	<b>\$ —</b>	<b>\$ 446,097</b>	<b>\$ —</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Component Unit - Parks .....</b>	<b>\$ 7,191</b>	<b>\$ —</b>	<b>\$ 4,363</b>	<b>\$ —</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Component Unit - Fire .....</b>	<b>\$ 8,553</b>	<b>\$ —</b>	<b>\$ 22,875</b>	<b>\$ —</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>General Revenue (Expense)</b>														
Property Tax Levied for														
General purposes .....					23,265,691	—	23,265,691	—	—	—	—	—	—	—
Debt service .....					4,190,641	—	4,190,641	—	—	—	—	—	—	—
Tax increment financing .....					4,397,979	—	4,397,979	—	—	—	—	—	—	—
Other City Tax														
Cable television franchise .....					2,293,651	—	2,293,651	—	—	—	—	—	—	—
Hotel/motel .....					393,963	—	393,963	—	—	—	—	—	—	—
Road use tax .....					5,742,965	—	5,742,965	—	—	—	—	—	—	—
Local option sales tax .....					6,712,554	—	6,712,554	—	—	—	—	—	—	—
Unrestricted investment earnings (losses) .....					2,288,933	406,365	2,695,298	173,943	1,680	73,307	12	(51,009)	—	—
Special assessments .....					898	—	898	—	—	—	—	—	—	—
Miscellaneous .....					115,044	—	115,044	152,194	—	—	—	—	325,000	—
Loss on disposal of capital assets .....					(1,872,102)	—	(1,872,102)	(44,000)	—	—	—	—	—	—
<b>Total General Revenue .....</b>					<b>47,530,217</b>	<b>406,365</b>	<b>47,936,582</b>	<b>282,137</b>	<b>1,680</b>	<b>73,307</b>	<b>12</b>	<b>273,991</b>		
<b>Transfers .....</b>					<b>(342,923)</b>	<b>342,923</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Change in Net Position .....</b>					<b>15,809,485</b>	<b>4,890,945</b>	<b>20,700,430</b>	<b>3,954,774</b>	<b>(8,651)</b>	<b>204,529</b>	<b>(2,816)</b>	<b>288,313</b>		
Net Position - Beginning of Year (As Restated)					212,761,713	61,935,452	274,697,165	36,193,646	135,900	1,229,744	25,501	1,045,842		
<b>Net Position - End of Year .....</b>					<b>\$ 228,571,198</b>	<b>\$ 66,826,397</b>	<b>\$ 295,397,595</b>	<b>\$ 40,148,420</b>	<b>\$ 127,249</b>	<b>\$ 1,434,273</b>	<b>\$ 22,685</b>	<b>\$ 1,334,155</b>		

See accompanying notes to the financial statements.

**Balance Sheet - Governmental Funds**

As of June 30, 2023

	General	Special Revenue				Debt Service	Capital Projects	Nonmajor	Total
		Road Use Tax	Trust and Agency (Employee Benefits)	Local Option Sales Tax	Tax Increment Financing				
<b>Assets</b>									
Cash.....	\$ 15,067,182	\$ 11,267,515	\$ 413,489	\$ 11,905,609	\$ 652,155	\$ 1,646,476	\$ 20,372,989	\$ 1,275,303	\$ 62,600,718
Pooled investments .....	1,561,837	—	—	315,194	—	—	9,428,885	—	11,305,916
Receivables									
Property Tax									
Current year delinquent .....	33,631	—	13,596	—	13,157	8,845	—	—	69,229
Succeeding year.....	16,304,573	—	7,468,833	—	5,377,137	4,661,740	—	—	33,812,283
Accounts .....	480,513	—	—	—	—	—	129,163	—	609,676
Due from other governments.....	106,935	471,763	—	523,611	—	—	18,509,481	—	19,611,790
Inventories.....	371,225	—	—	—	—	—	—	—	371,225
<b>Total Assets .....</b>	<b>\$ 33,925,896</b>	<b>\$ 11,739,278</b>	<b>\$ 7,895,918</b>	<b>\$ 12,744,414</b>	<b>\$ 6,042,449</b>	<b>\$ 6,317,061</b>	<b>\$ 48,440,518</b>	<b>\$ 1,275,303</b>	<b>\$ 128,380,837</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>									
<b>Liabilities</b>									
Accounts payable .....	\$ 933,228	\$ 120,847	\$ 1,496	\$ —	\$ 58,267	\$ —	\$ 7,886,062	\$ —	\$ 8,999,900
Grants received in advance .....	—	—	—	—	—	—	4,394,597	—	4,394,597
Salaries and benefits payable.....	835,867	78,607	—	7,471	—	—	—	—	921,945
Interfund loan .....	—	—	—	—	81,582	—	166,391	—	247,973
<b>Total Liabilities.....</b>	<b>1,769,095</b>	<b>199,454</b>	<b>1,496</b>	<b>7,471</b>	<b>139,849</b>	<b>—</b>	<b>12,447,050</b>	<b>—</b>	<b>14,564,415</b>
<b>Deferred Inflows of Resources</b>									
Succeeding year property tax .....	<b>16,304,573</b>	<b>—</b>	<b>7,468,833</b>	<b>—</b>	<b>5,377,137</b>	<b>4,661,740</b>	<b>—</b>	<b>—</b>	<b>33,812,283</b>
<b>Fund Balances</b>									
<b>Nonspendable</b>									
Inventories .....	371,225	—	—	—	—	—	—	—	371,225
Cemetery perpetual care.....	—	—	—	—	—	—	—	229,254	229,254
<b>Restricted for</b>									
Benefits.....	—	—	425,589	—	—	—	—	—	425,589
Debt service.....	—	—	—	—	—	1,655,321	—	—	1,655,321
Capital projects .....	—	—	—	—	—	—	35,993,468	—	35,993,468
Streets .....	—	11,539,824	—	—	—	—	—	—	11,539,824
Economic development.....	—	—	—	—	—	—	—	62,817	62,817
Other purposes .....	—	—	—	12,736,943	525,463	—	—	—	13,262,406
<b>Committed to</b>									
Pension.....	613,250	—	—	—	—	—	—	—	613,250
Capital projects .....	—	—	—	—	—	—	—	538,608	538,608
<b>Assigned for</b>									
Equipment reserve.....	2,542,985	—	—	—	—	—	—	—	2,542,985
Tax stabilization .....	330,653	—	—	—	—	—	—	—	330,653
Capital projects .....	—	—	—	—	—	—	—	444,624	444,624
Unassigned .....	11,994,115	—	—	—	—	—	—	—	11,994,115
<b>Total Fund Balances.....</b>	<b>15,852,228</b>	<b>11,539,824</b>	<b>425,589</b>	<b>12,736,943</b>	<b>525,463</b>	<b>1,655,321</b>	<b>35,993,468</b>	<b>1,275,303</b>	<b>80,004,139</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances .....</b>	<b>\$ 33,925,896</b>	<b>\$ 11,739,278</b>	<b>\$ 7,895,918</b>	<b>\$ 12,744,414</b>	<b>\$ 6,042,449</b>	<b>\$ 6,317,061</b>	<b>\$ 48,440,518</b>	<b>\$ 1,275,303</b>	<b>\$ 128,380,837</b>

See accompanying notes to the financial statements.

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

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As of June 30, 2023

**Total Fund Balances for Governmental Funds (Page 16).....** **\$ 80,004,139**

**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 \$359,380,394 and the accumulated depreciation is \$84,508,338 ..... 274,872,056

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 ..... 3,728,317

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 ..... (275,576)

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds ..... (7,830,821)

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.....	\$ 3,917,415	
Deferred inflows of resources.....	(714,675)	
OPEB Related		
Deferred outflows of resources.....	739,122	
Deferred inflows of resources.....	<u>(29,362)</u>	3,912,500

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.....	\$ (81,405,000)	
Tax increment revenue bonds.....	(3,407,293)	
Unamortized premium on general obligation bonds.....	(3,150,148)	
Revenue bonds.....	(12,105,934)	
Note payable.....	(3,586,718)	
Compensated absences.....	(4,415,124)	
Nonbonded indebtedness.....	(113,633)	
Due to component unit.....	(360,000)	
Net pension liability.....	(15,166,796)	
Total OPEB liability.....	<u>(2,128,771)</u>	<u>(125,839,417)</u>

**Net Position of Governmental Activities (Page 14).....** **\$ 228,571,198**

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

Year Ended June 30, 2023

	<u>Special Revenue</u>								Total
	General	Road Use Tax	Trust and Agency (Employee Benefits)	Local Option Sales Tax	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	
<b>Revenue</b>									
Property tax.....	\$ 16,640,796	\$ —	\$ 6,624,895	\$ —	\$ —	\$ 4,190,641	\$ —	\$ —	\$ 27,456,332
Tax increment financing .....	—	—	—	—	4,397,979	—	—	—	4,397,979
Other city tax .....	2,687,614	—	—	—	—	—	—	—	2,687,614
Licenses and permits.....	725,969	—	—	—	—	—	—	—	725,969
Use of money and property .....	891,253	61,320	3,770	318,012	36,042	95,668	833,154	22,844	2,262,063
Intergovernmental .....	383,322	5,742,965	46,281	6,712,554	—	—	23,367,625	14,000	36,266,747
Charges for service .....	1,104,295	—	—	—	—	—	198,070	36,877	1,339,242
Special assessments.....	—	—	—	—	—	595	303	—	898
Miscellaneous.....	120,008	44,188	35,021	—	—	—	570,441	—	769,658
<b>Total Revenue</b> .....	<b><u>22,553,257</u></b>	<b><u>5,848,473</u></b>	<b><u>6,709,967</u></b>	<b><u>7,030,566</u></b>	<b><u>4,434,021</u></b>	<b><u>4,286,904</u></b>	<b><u>24,969,593</u></b>	<b><u>73,721</u></b>	<b><u>75,906,502</u></b>
<b>Expenditures</b>									
Operating									
Public safety .....	15,940,384	—	65,268	—	—	—	—	—	16,005,652
Public works.....	587,204	3,879,654	—	204,105	—	—	20,000	—	4,690,963
Culture and recreation.....	6,666,826	—	52,504	—	—	—	—	—	6,719,330
Community and economic development.....	1,700,564	—	—	—	1,661,206	—	1,640,000	—	5,001,770
General government .....	3,561,106	258,386	23,652	—	—	—	646	—	3,843,790
Debt Service									
Principal.....	—	224,953	—	—	285,596	7,365,000	—	—	7,875,549
Interest and other charges .....	—	126,857	—	—	117,868	2,432,085	158,739	—	2,835,549
Capital projects.....	—	—	—	—	45,000	—	30,742,133	—	30,787,133
<b>Total Expenditures</b> .....	<b><u>28,456,084</u></b>	<b><u>4,489,850</u></b>	<b><u>141,424</u></b>	<b><u>204,105</u></b>	<b><u>2,109,670</u></b>	<b><u>9,797,085</u></b>	<b><u>32,561,518</u></b>	<b><u>—</u></b>	<b><u>77,759,736</u></b>
<b>Revenue Over (Under) Expenditures</b> .....	<b><u>(5,902,827)</u></b>	<b><u>1,358,623</u></b>	<b><u>6,568,543</u></b>	<b><u>6,826,461</u></b>	<b><u>2,324,351</u></b>	<b><u>(5,510,181)</u></b>	<b><u>(7,591,925)</u></b>	<b><u>73,721</u></b>	<b><u>(1,853,234)</u></b>
<b>Other Financing Sources (Uses)</b>									
Operating transfers in .....	6,329,692	669,618	—	—	—	2,359,029	596,326	—	9,954,665
Operating transfers out.....	(264,143)	(185,000)	(6,599,127)	(588,573)	(2,481,193)	(40,000)	(575,105)	—	(10,733,141)
Sale of capital assets.....	65,685	—	—	—	—	—	—	—	65,685
Bond proceeds .....	—	740,000	—	—	—	3,092,339	13,212,661	—	17,045,000
Premium on bonds issued .....	—	—	—	—	—	255,891	1,093,343	—	1,349,234
<b>Total Other Financing Sources (Uses)</b> .....	<b><u>6,131,234</u></b>	<b><u>1,224,618</u></b>	<b><u>(6,599,127)</u></b>	<b><u>(588,573)</u></b>	<b><u>(2,481,193)</u></b>	<b><u>5,667,259</u></b>	<b><u>14,327,225</u></b>	<b><u>—</u></b>	<b><u>17,681,443</u></b>
<b>Net Change in Fund Balances</b> .....	<b>228,407</b>	<b>2,583,241</b>	<b>(30,584)</b>	<b>6,237,888</b>	<b>(156,842)</b>	<b>157,078</b>	<b>6,735,300</b>	<b>73,721</b>	<b>15,828,209</b>
Fund Balances - Beginning of Year (As Restated).....	15,623,821	8,956,583	456,173	6,499,055	682,305	1,498,243	29,258,168	1,201,582	64,175,930
<b>Fund Balances - End of Year</b> .....	<b><u>\$ 15,852,228</u></b>	<b><u>\$ 11,539,824</u></b>	<b><u>\$ 425,589</u></b>	<b><u>\$ 12,736,943</u></b>	<b><u>\$ 525,463</u></b>	<b><u>\$ 1,655,321</u></b>	<b><u>\$ 35,993,468</u></b>	<b><u>\$ 1,275,303</u></b>	<b><u>\$ 80,004,139</u></b>

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, 2023

**Change in Fund Balances - Total Governmental Funds (Page 18) \$ 15,828,209**

***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 .....	\$ 24,840,959	
Contributed capital assets .....	1,181,671	
Depreciation expense.....	<u>(7,026,472)</u>	18,996,158

The net book value of capital assets disposed of during the year.....		(1,937,787)
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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 .....		(55,772)
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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.....	\$ (17,555,000)	
Long-term debt principal repaid.....	8,033,881	
Increase in nonbonded indebtedness.....	(18,489)	
Repayment of nonbonded indebtedness .....	<u>25,000</u>	(9,514,608)

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 ....		(1,017,045)
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## Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2023

Some revenue will not be collected for several months after the City's year end, it is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.....		\$ (7,830,821)
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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 .....		2,452,585
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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.....	\$ 9,851		
Pension expense.....	(1,297,845)		
Other post-employment benefits.....	<u>(73,966)</u>		(1,361,960)

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>250,526</u>
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<b>Change in Net Position of Governmental Activities (Page 15)</b>		<b><u>\$ 15,809,485</u></b>
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# Statement of Net Position - Proprietary Funds

As of June 30, 2023

	Enterprise					Internal Service		
	Sewer Rental	Storm Water Management	Solid Waste	Nonmajor	Total	Employee Benefit	Health Insurance	Total
<b>Assets and Deferred Outflows of Resources</b>								
<b>Current Assets</b>								
Cash .....	\$ 1,373,141	\$ 1,718,963	\$ 3,000,554	\$ 4,959,195	\$ 11,051,853	\$ 485,870	\$ 3,633,810	\$ 4,119,680
Pooled investments .....	—	61,667	129,733	681,376	872,776	66,843	106,296	173,139
Receivables								
Unbilled usage .....	667,327	81,115	257,995	56,827	1,063,264	—	—	—
Accounts .....	513,235	72,326	193,373	56,730	835,664	—	77,916	77,916
Due from other governments .....	163	—	45	—	208	—	—	—
Interfund loan .....	—	—	—	72,365	72,365	—	—	—
<b>Total Current Assets .....</b>	<b>2,553,866</b>	<b>1,934,071</b>	<b>3,581,700</b>	<b>5,826,493</b>	<b>13,896,130</b>	<b>552,713</b>	<b>3,818,022</b>	<b>4,370,735</b>
<b>Noncurrent Assets</b>								
Interfund loan .....	—	—	—	175,608	175,608	—	—	—
Capital assets, net of accumulated depreciation .....	25,568,383	29,939,124	3,677,262	207,788	59,392,557	—	—	—
<b>Total Noncurrent Assets .....</b>	<b>25,568,383</b>	<b>29,939,124</b>	<b>3,677,262</b>	<b>383,396</b>	<b>59,568,165</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Assets .....</b>	<b>28,122,249</b>	<b>31,873,195</b>	<b>7,258,962</b>	<b>6,209,889</b>	<b>73,464,295</b>	<b>552,713</b>	<b>3,818,022</b>	<b>4,370,735</b>
<b>Deferred Outflows of Resources</b>								
Pension-related deferred outflows .....	126,442	84,461	149,858	18,478	379,239	—	—	—
OPEB-related deferred outflows .....	36,007	23,099	42,771	10,947	112,824	—	—	—
<b>Total Deferred Outflows of Resources .....</b>	<b>162,449</b>	<b>107,560</b>	<b>192,629</b>	<b>29,425</b>	<b>492,063</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Assets and Deferred Outflows of Resources .....</b>	<b>\$ 28,284,698</b>	<b>\$ 31,980,755</b>	<b>\$ 7,451,591</b>	<b>\$ 6,239,314</b>	<b>\$ 73,956,358</b>	<b>\$ 552,713</b>	<b>\$ 3,818,022</b>	<b>\$ 4,370,735</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>								
<b>Current Liabilities</b>								
Accounts payable .....	\$ 140,876	\$ 133,686	\$ 196,349	\$ 100,033	\$ 570,944	\$ —	\$ 100,399	\$ 100,399
Salaries and benefits payable .....	14,872	—	24,033	13,040	51,945	—	—	—
Self-insured estimated claims .....	—	—	—	—	—	—	542,019	542,019
Compensated absences .....	41,542	—	—	—	41,542	—	—	—
Current maturities of long-term debt .....	115,237	—	115,237	40,000	270,474	—	—	—
<b>Total Current Liabilities .....</b>	<b>312,527</b>	<b>133,686</b>	<b>335,619</b>	<b>153,073</b>	<b>934,905</b>	<b>—</b>	<b>642,418</b>	<b>642,418</b>
<b>Noncurrent Liabilities</b>								
Long-term debt .....	2,237,755	—	2,237,755	280,000	4,755,510	—	—	—
Net pension liability .....	405,754	275,963	474,802	19,102	1,175,621	—	—	—
Net OPEB liability .....	44,103	28,224	51,474	13,463	137,264	—	—	—
<b>Total Noncurrent Liabilities .....</b>	<b>2,687,612</b>	<b>304,187</b>	<b>2,764,031</b>	<b>312,565</b>	<b>6,068,395</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Liabilities .....</b>	<b>3,000,139</b>	<b>437,873</b>	<b>3,099,650</b>	<b>465,638</b>	<b>7,003,300</b>	<b>—</b>	<b>642,418</b>	<b>642,418</b>
<b>Deferred Inflows of Resources</b>								
Pension-related deferred inflows .....	42,514	10,875	61,066	8,866	123,321	—	—	—
OPEB-related deferred inflows .....	1,027	673	1,338	302	3,340	—	—	—
<b>Total Deferred Inflows of Resources .....</b>	<b>43,541</b>	<b>11,548</b>	<b>62,404</b>	<b>9,168</b>	<b>126,661</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Position</b>								
Net investment in capital assets .....	23,330,628	29,939,124	1,439,507	207,788	54,917,047	—	—	—
Unrestricted .....	1,910,390	1,592,210	2,850,030	5,556,720	11,909,350	552,713	3,175,604	3,728,317
<b>Total Net Position .....</b>	<b>25,241,018</b>	<b>31,531,334</b>	<b>4,289,537</b>	<b>5,764,508</b>	<b>66,826,397</b>	<b>552,713</b>	<b>3,175,604</b>	<b>3,728,317</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position .....</b>	<b>\$ 28,284,698</b>	<b>\$ 31,980,755</b>	<b>\$ 7,451,591</b>	<b>\$ 6,239,314</b>	<b>\$ 73,956,358</b>	<b>\$ 552,713</b>	<b>\$ 3,818,022</b>	<b>\$ 4,370,735</b>



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

Year Ended June 30, 2023

	Enterprise				Total	Internal Service		
	Sewer Rental	Storm Water Management	Solid Waste	Nonmajor		Employee Benefit	Health Insurance	Total
<b>Operating Revenue</b>								
Licenses and permits.....	\$ —	\$ —	\$ 1,140	\$ —	\$ 1,140	\$ —	\$ —	\$ —
Charges for service .....	7,346,872	1,187,850	3,257,898	1,176,543	12,969,163	—	—	—
Miscellaneous.....	18	—	1,320	94,519	95,857	—	103,214	103,214
<b>Total Operating Revenue.....</b>	<b>7,346,890</b>	<b>1,187,850</b>	<b>3,260,358</b>	<b>1,271,062</b>	<b>13,066,160</b>	<b>—</b>	<b>103,214</b>	<b>103,214</b>
<b>Operating Expenses</b>								
Personal services .....	1,078,965	713,553	1,277,804	311,827	3,382,149	—	—	—
Services and commodities.....	4,201,702	107,436	950,803	173,583	5,433,524	—	315,111	315,111
Depreciation .....	530,884	622,601	43,230	24,477	1,221,192	—	—	—
<b>Total Operating Expenses.....</b>	<b>5,811,551</b>	<b>1,443,590</b>	<b>2,271,837</b>	<b>509,887</b>	<b>10,036,865</b>	<b>—</b>	<b>315,111</b>	<b>315,111</b>
<b>Operating Income (Loss) .....</b>	<b>1,535,339</b>	<b>(255,740)</b>	<b>988,521</b>	<b>761,175</b>	<b>3,029,295</b>	<b>—</b>	<b>(211,897)</b>	<b>(211,897)</b>
<b>Nonoperating Revenue (Expenses)</b>								
Intergovernmental .....	1,414	—	292	10,000	11,706	—	—	—
Investment revenue .....	53,466	54,358	117,746	180,795	406,365	16,727	10,143	26,870
Capital contributions.....	449,068	778,446	—	—	1,227,514	—	—	—
Interest expense.....	(63,428)	—	(63,430)	—	(126,858)	—	—	—
<b>Total Nonoperating Revenue .....</b>	<b>440,520</b>	<b>832,804</b>	<b>54,608</b>	<b>190,795</b>	<b>1,518,727</b>	<b>16,727</b>	<b>10,143</b>	<b>26,870</b>
<b>Income (Loss) Before Transfers.....</b>	<b>1,975,859</b>	<b>577,064</b>	<b>1,043,129</b>	<b>951,970</b>	<b>4,548,022</b>	<b>16,727</b>	<b>(201,754)</b>	<b>(185,027)</b>
<b>Transfers</b>								
Transfers in .....	388,338	575,105	—	364,320	1,327,763	—	435,553	435,553
Transfers out .....	(75,000)	(75,000)	(362,820)	(472,020)	(984,840)	—	—	—
<b>Total Transfers .....</b>	<b>313,338</b>	<b>500,105</b>	<b>(362,820)</b>	<b>(107,700)</b>	<b>342,923</b>	<b>—</b>	<b>435,553</b>	<b>435,553</b>
<b>Changes in Net Position .....</b>	<b>2,289,197</b>	<b>1,077,169</b>	<b>680,309</b>	<b>844,270</b>	<b>4,890,945</b>	<b>16,727</b>	<b>233,799</b>	<b>250,526</b>
Net Position - Beginning 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
<b>Net Position - End of Year.....</b>	<b>\$ 25,241,018</b>	<b>\$ 31,531,334</b>	<b>\$ 4,289,537</b>	<b>\$ 5,764,508</b>	<b>\$ 66,826,397</b>	<b>\$ 552,713</b>	<b>\$ 3,175,604</b>	<b>\$ 3,728,317</b>

# Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2023

	Enterprise				Internal Service			
	Sewer Rental	Storm Water Management	Solid Waste	Nonmajor	Total	Employee Benefit	Health Insurance	Total
<b>Cash Flows From Operating Activities</b>								
Cash received from customers and users .....	\$ 7,156,773	\$ 1,189,060	\$ 3,232,421	\$ 1,240,957	\$ 12,819,211	\$ —	\$ 44,458	\$ 44,458
Cash paid to employees for services.....	(1,142,265)	(760,912)	(1,355,864)	(329,700)	(3,588,741)	—	—	—
Cash paid to suppliers for goods and services.....	(4,639,147)	13,691	(939,422)	(169,193)	(5,734,071)	—	(214,942)	(214,942)
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b>1,375,361</b>	<b>441,839</b>	<b>937,135</b>	<b>742,064</b>	<b>3,496,399</b>	<b>—</b>	<b>(170,484)</b>	<b>(170,484)</b>
<b>Cash Flows From Noncapital Financing Activities</b>								
Net transfers.....	313,338	500,105	(362,820)	(107,700)	342,923	—	435,553	435,553
State and federal grants received.....	1,406	—	319	10,000	11,725	—	—	—
<b>Net Cash Provided by (Used in) Noncapital Financing Activities .....</b>	<b>314,744</b>	<b>500,105</b>	<b>(362,501)</b>	<b>(97,700)</b>	<b>354,648</b>	<b>—</b>	<b>435,553</b>	<b>435,553</b>
<b>Cash Flows From Capital and Related Financing Activities</b>								
Decrease in interfund loan.....	—	31,557	—	70,600	102,157	—	—	—
Acquisition of capital assets .....	(1,408,953)	(805,889)	(1,080,468)	(54,621)	(3,349,931)	—	—	—
Disposal of capital assets .....	—	—	—	19,703	19,703	—	—	—
Repayment of debt.....	(112,477)	—	(112,477)	(40,000)	(264,954)	—	—	—
Payment of interest .....	(63,428)	—	(63,430)	—	(126,858)	—	—	—
<b>Net Cash Used in Capital and Related Financing Activities .....</b>	<b>(1,584,858)</b>	<b>(774,332)</b>	<b>(1,256,375)</b>	<b>(4,318)</b>	<b>(3,619,883)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Cash Flows From Investing Activities</b>								
Interest on investments .....	53,466	54,358	117,746	180,795	406,365	16,727	10,143	26,870
Purchase of investments .....	—	—	—	(29,073)	(29,073)	—	(53,545)	(53,545)
Proceeds from sale of investments .....	—	3,240	22,101	28,648	53,989	8,842	—	8,842
<b>Net Cash Provided by (Used in) Investing Activities.....</b>	<b>53,466</b>	<b>57,598</b>	<b>139,847</b>	<b>180,370</b>	<b>431,281</b>	<b>25,569</b>	<b>(43,402)</b>	<b>(17,833)</b>
<b>Net Increase (Decrease) in Cash.....</b>	<b>158,713</b>	<b>225,210</b>	<b>(541,894)</b>	<b>820,416</b>	<b>662,445</b>	<b>25,569</b>	<b>221,667</b>	<b>247,236</b>
Cash - Beginning 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
<b>Cash - End of Year .....</b>	<b>\$ 1,373,141</b>	<b>\$ 1,718,963</b>	<b>\$ 3,000,554</b>	<b>\$ 4,959,195</b>	<b>\$ 11,051,853</b>	<b>\$ 485,870</b>	<b>\$ 3,633,810</b>	<b>\$ 4,119,680</b>
<b>Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities</b>								
Income (loss) from operations .....	\$ 1,535,339	\$ (255,740)	\$ 988,521	\$ 761,175	\$ 3,029,295	\$ —	\$ (211,897)	\$ (211,897)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities								
Depreciation .....	530,884	622,601	43,230	24,477	1,221,192	—	—	—
Change in Assets and Liabilities								
(Increase) decrease in receivables .....	(190,117)	1,210	(27,937)	(30,105)	(246,949)	—	(58,756)	(58,756)
Decrease in deferred outflows of resources.....	9,971	2,392	5,236	3,895	21,494	—	100,169	100,169
Increase (decrease) in payables .....	(437,445)	121,127	11,381	4,390	(300,547)	—	—	—
Increase in salaries and benefits payable .....	1,917	—	3,049	790	5,756	—	—	—
Increase in compensated absences.....	3,120	—	—	—	3,120	—	—	—
Increase in net pension liability .....	331,292	210,524	365,311	95,485	1,002,612	—	—	—
Increase in total OPEB liability .....	715	468	793	220	2,196	—	—	—
Decrease in deferred inflows of resources .....	(410,315)	(260,743)	(452,449)	(118,263)	(1,241,770)	—	—	—
<b>Net Cash Provided by (Used in) Operating Activities .....</b>	<b>\$ 1,375,361</b>	<b>\$ 441,839</b>	<b>\$ 937,135</b>	<b>\$ 742,064</b>	<b>\$ 3,496,399</b>	<b>\$ —</b>	<b>\$ (170,484)</b>	<b>\$ (170,484)</b>

See accompanying notes to the financial statements.

## Notes to the Financial Statements

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

The City of 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, 2022.

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, 2022.

# Notes to the Financial Statements

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## (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, 2022.

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, 2022.

### 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

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## (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, 2023 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

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## (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, 2021 assessed property valuations, is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2022.

### **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, 2023, 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, 2023.

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

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
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, 2023. 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, 2023, 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

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## (2) Cash and Pooled Investments

### Primary Government

The City's deposits as of June 30, 2023 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, 2023 were as follows:

Cash.....	\$ 77,772,251
Money market accounts .....	25,000
U.S. Instrumentalities	
Original maturities 5 years or less .....	3,549,080
Original maturities 6 to 10 years.....	405,728
Original maturities 10+ years.....	<u>8,372,023</u>
<b>Total .....</b>	<b><u>\$ 90,124,082</u></b>

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 \$12,326,831 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, 2023 are rated Aaa or better by Moody's Investors service.

## 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, 2022 consist of mutual funds and other investments with a fair value of \$60,374.

The Marion Public Library Foundation's investments as of December 31, 2022 consist of mutual funds and other investments with a fair value of \$1,091,677.

The Marion Firefighter's Association's investments as of December 31, 2022 consist of mutual funds and other investments with a fair value of \$219,516.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land.....	\$ 88,431,222	\$ 1,477,244	\$ —	\$ 89,908,466
Construction in progress .....	<u>40,093,266</u>	<u>22,945,441</u>	<u>26,643,454</u>	<u>36,395,253</u>
Total Capital Assets Not Being Depreciated.....	<u>128,524,488</u>	<u>24,422,685</u>	<u>26,643,454</u>	<u>126,303,719</u>
Capital Assets Being Depreciated				
Buildings .....	41,060,347	15,723,438	3,052,624	53,731,161
Improvements other than buildings.....	149,903,512	9,386,597	48,685	159,241,424
Equipment.....	<u>20,559,612</u>	<u>3,133,367</u>	<u>3,588,889</u>	<u>20,104,090</u>
Total Capital Assets Being Depreciated.....	<u>211,523,471</u>	<u>28,243,402</u>	<u>6,690,198</u>	<u>233,076,675</u>
Less Accumulated Depreciation for				
Buildings .....	10,736,782	1,112,731	1,333,873	10,515,640
Improvements other than buildings.....	55,961,260	4,642,887	46,692	60,557,455
Equipment.....	<u>15,536,235</u>	<u>1,270,854</u>	<u>3,371,846</u>	<u>13,435,243</u>
Total Accumulated Depreciation .....	<u>82,234,277</u>	<u>7,026,472</u>	<u>4,752,411</u>	<u>84,508,338</u>
Net Capital Assets Being Depreciated.....	<u>129,289,194</u>	<u>21,216,930</u>	<u>1,937,787</u>	<u>148,568,337</u>
<b>Net Governmental Activities Capital Assets .....</b>	<b><u>\$ 257,813,682</u></b>	<b><u>\$ 45,639,615</u></b>	<b><u>\$ 28,581,241</u></b>	<b><u>\$ 274,872,056</u></b>

## Notes to the Financial Statements

### (3) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land.....	\$ 841,650	\$ 35,800	\$ —	\$ 877,450
Construction in progress .....	<u>4,233,685</u>	<u>2,694,395</u>	<u>502,806</u>	<u>6,425,274</u>
Total Capital Assets Not Being Depreciated.....	<u>5,075,335</u>	<u>2,730,195</u>	<u>502,806</u>	<u>7,302,724</u>
Capital Assets Being Depreciated				
Buildings .....	20,300	—	—	20,300
Equipment.....	3,729,699	54,622	—	3,784,321
Distribution system.....	37,573,926	837,406	—	38,411,332
Storm sewer system.....	39,867,356	1,432,219	—	41,299,575
Communication system.....	<u>533,558</u>	<u>—</u>	<u>—</u>	<u>533,558</u>
Total Capital Assets Being Depreciated.....	<u>81,724,839</u>	<u>2,324,247</u>	<u>—</u>	<u>84,049,086</u>
Less Accumulated Depreciation for				
Buildings .....	12,244	1,532	—	13,776
Equipment.....	3,277,525	81,769	—	3,359,294
Distribution system.....	15,704,226	518,851	—	16,223,077
Storm sewer system.....	11,210,508	619,040	—	11,829,548
Communication system.....	<u>533,558</u>	<u>—</u>	<u>—</u>	<u>533,558</u>
Total Accumulated Depreciation .....	<u>30,738,061</u>	<u>1,221,192</u>	<u>—</u>	<u>31,959,253</u>
Net Capital Assets Being Depreciated.....	<u>50,986,778</u>	<u>1,103,055</u>	<u>—</u>	<u>52,089,833</u>
<b>Net Business-Type Activities</b>				
Capital Assets .....	<u>\$ 56,062,113</u>	<u>\$ 3,833,250</u>	<u>\$ 502,806</u>	<u>\$ 59,392,557</u>

Depreciation expense was charged to functions of the primary government as follows for the year ended June 30, 2023:

#### Governmental Activities

Public safety .....	\$ 1,289,910
Public works .....	4,317,601
Culture and recreation .....	1,215,313
Community and economic development .....	24,054
General government.....	<u>179,594</u>
<b>Total Depreciation Expense - Governmental Activities .....</b>	<b><u>\$ 7,026,472</u></b>

#### Business-Type Activities

Sewer rental .....	\$ 530,884
Solid waste .....	43,230
Storm water management .....	622,601
Urban forest utility .....	<u>24,477</u>
<b>Total Depreciation Expense - Business-Type Activities .....</b>	<b><u>\$ 1,221,192</u></b>

## 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, 2023:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year	Due Within One Year	Range of Interest Rates
<b>Governmental Activities</b>						
General obligation bonds	\$ 76,100,000	\$ 9,645,000	\$ 4,340,000	\$ 81,405,000	\$ 4,985,000	1.00% - 5.00%
General obligation disaster recovery bond.....	3,000,000	—	3,000,000	—	—	N/A
Unamortized premium on general obligation bonds	2,133,103	1,349,234	332,189	3,150,148	332,187	N/A
Revenue bonds	4,930,937	7,400,000	225,003	12,105,934	416,421	2.43 - 5.00
Tax increment revenue bonds.....	3,692,889	—	285,596	3,407,293	293,983	4.17
Other long-term debt .....	3,620,000	—	33,282	3,586,718	85,474	6.00
Compensated absences	4,424,975	322,175	332,026	4,415,124	215,362	N/A
Nonbonded indebtedness	120,144	18,482	24,993	113,633	24,985	N/A
Net pension liability .....	4,677,480	10,489,316	—	15,166,796	—	N/A
Total OPEB liability.....	2,114,934	13,837	—	2,128,771	—	N/A
Due to component unit ....	—	510,000	150,000	360,000	120,000	N/A
<b>Total.....</b>	<b>\$ 104,814,462</b>	<b>\$ 29,748,044</b>	<b>\$ 8,723,089</b>	<b>\$ 125,839,417</b>	<b>\$ 6,473,412</b>	
<b>Business-Type Activities</b>						
Promissory note .....	\$ 360,000	\$ —	\$ 40,000	\$ 320,000	\$ 40,000	N/A
Revenue bonds .....	4,930,938	—	224,954	4,705,984	230,474	2.43
Compensated absences	38,422	3,120	—	41,542	41,542	N/A
Net pension liability .....	173,009	1,002,612	—	1,175,621	—	N/A
Total OPEB liability.....	135,068	2,196	—	137,264	—	N/A
<b>Total.....</b>	<b>\$ 5,637,437</b>	<b>\$ 1,007,928</b>	<b>\$ 264,954</b>	<b>\$ 6,380,411</b>	<b>\$ 312,016</b>	

#### Governmental Activities General Obligation Bonds

Sixteen issues of unmatured general obligation bonds totaling \$81,405,000 were outstanding as of June 30, 2023. General obligation bonds bear interest at rates ranging from 1% to 5% per annum and mature in varying annual amounts ranging from \$55,000 to \$3,060,000, with the final maturities due in the year ending June 30, 2043.

Details of the City's general obligation bonds payable as of June 30, 2023 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding 6-30-23
<b>Governmental Activities</b>						
Corporate purpose .....	2-3-15	3.000%	6-1-34	\$615,000 - \$ 800,000	\$12,180,000	\$ 7,715,000
Corporate purpose .....	2-3-15	2.500% - 2.900	6-1-27	225,000 - 245,000	2,565,000	945,000
Corporate purpose .....	9-6-17	2.000 - 3.000	6-1-37	325,000 - 450,000	6,840,000	5,315,000
Refunding corporate purpose.....	10-10-17	4.000	6-1-25	460,000 - 480,000	4,205,000	940,000
Corporate purpose .....	4-30-18	3.000	6-1-31	260,000 - 310,000	3,235,000	2,265,000
Corporate purpose .....	5-30-18	3.000	6-1-37	200,000 - 465,000	5,430,000	5,130,000
Corporate purpose .....	5-30-18	3.000	6-1-37	170,000 - 255,000	3,365,000	2,885,000
Refunding corporate purpose.....	5-30-18	3.000	6-1-33	615,000 - 1,000,000	9,570,000	7,780,000
Refunding corporate purpose.....	8-29-19	2.000 - 2.500	6-1-37	100,000 - 540,000	6,385,000	5,985,000
Corporate purpose .....	6-2-20	2.000 - 2.500	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 6-30-23
Refunding corporate purpose.....	6-2-20	5.000%	6-1-29	\$480,000 - \$1,090,000	\$ 9,345,000	\$ 5,575,000
Corporate purpose .....	4-1-21	1.000% - 1.800	6-1-40	395,000 - 480,000	7,410,000	7,310,000
Refunding corporate purpose.....	4-1-21	2.000	6-1-30	155,000 - 175,000	1,450,000	1,155,000
Corporate purpose .....	5-10-22	3.000 - 5.000	6-1-41	395,000 - 1,525,000	10,305,000	10,305,000
Corporate purpose .....	6-1-23	5.000	6-1-43	55,000 - 530,000	6,585,000	6,585,000
Refunding corporate purpose.....	6-1-23	4.395	6-1-26	3,060,000	3,060,000	<u>3,060,000</u>
						<b><u>\$ 81,405,000</u></b>

#### 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, 2023, there was no outstanding balance as it was paid off with a refunding corporate purpose general obligation bond.

#### 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 2043 with an interest rate of 2.43% and 5.00%. The total principal and interest remaining to be paid on the notes is \$17,584,442. For the current year, principal and interest paid and total road use taxes received were \$351,810 and \$5,742,965, 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.

## Notes to the Financial Statements

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### (4) Long-Term Liabilities

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, 2023, there was an outstanding balance of \$3,407,293 with an interest rate of 4.17%. Annual principal and interest payments started December 1, 2019 and continue through June, 2033.

#### 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, 2023, there was an outstanding balance of \$3,586,718 with an interest rate of 6%. Annual principal and interest payments started December 1, 2022 and will continue through December 1, 2034.

#### Business-Type Activities

As of June 30, 2023, 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 \$2,866,643. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation) was \$175,905 and \$2,066,223, 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 \$2,866,643. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation) was \$175,907 and \$1,031,751, 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 ended June 30, 2022 and continuing in the same amount until the entire amount is paid in full. As of June 30, 2023, there was an outstanding balance of \$320,000 with an interest rate of 0%.



# Notes to the Financial Statements

## (4) Long-Term Liabilities

### Due To Component Unit

During the year ended June 30, 2023, the Marion Water Department purchased 19.94 acres of land. Of the land purchased, 17 acres shall be dedicated to parkland for the City and the remainder shall be dedicated to a future elevated water tower for the Marion Water Department. The City shall pay the Marion Water Department \$30,000 per acre for the 17 acres of dedicated parkland for a total of \$510,000.

During the year ended June 30, 2023, the City paid the Marion Water Department \$150,000. In the statement of net position, \$120,000 is recorded as the current portion of due to component unit and \$240,000 is recorded as noncurrent.

### Year Ending June 30,

2024 .....	\$ 120,000
2025 .....	120,000
2026 .....	120,000
<b>Total .....</b>	<b><u>\$ 360,000</u></b>

### Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds, tax increment revenue bonds, revenue bonds and due to component unit as of June 30, 2023 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
2024 .....	\$ 4,985,000	\$ 2,569,891	\$ 293,983	\$ 106,795	\$ 416,421	\$ 518,424
2025 .....	5,205,000	2,404,266	303,469	97,309	470,904	463,941
2026 .....	8,575,000	2,229,156	313,261	87,517	488,592	446,254
2027 .....	5,710,000	1,916,389	323,369	77,408	507,023	427,822
2028 .....	5,640,000	1,737,709	333,803	66,974	526,233	408,612
2029-2033 ...	26,915,000	6,212,223	1,839,408	166,183	2,949,139	1,725,086
2034-2038 ...	18,765,000	2,695,085	—	—	3,568,736	1,105,490
2039-2043 ...	5,610,000	577,955	—	—	3,178,886	382,879
Net unamor- tized bond...	81,405,000	20,342,674	3,407,293	602,186	12,105,934	5,478,508
Premium .....	3,150,418	—	—	—	—	—
<b>Net .....</b>	<b><u>\$ 84,555,418</u></b>	<b><u>\$ 20,342,674</u></b>	<b><u>\$ 3,407,293</u></b>	<b><u>\$ 602,186</u></b>	<b><u>\$ 12,105,934</u></b>	<b><u>\$ 5,478,508</u></b>
Year Ending June 30,	Governmental Activities Due to Component Unit		Business Type Activities			
	Due to Component Unit		Promissory Note		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2024 .....	\$ 120,000	\$ —	\$ 40,000	\$ —	\$ 230,474	\$ 111,806
2025 .....	120,000	—	40,000	—	236,138	106,143
2026 .....	120,000	—	40,000	—	241,940	100,340
2027 .....	—	—	40,000	—	247,885	94,395
2028 .....	—	—	40,000	—	253,984	88,296
2029-2033 ...	—	—	120,000	—	1,366,658	344,746
2034-2038 ...	—	—	—	—	1,543,026	168,378
2039-2043 ...	—	—	—	—	585,879	13,198
Net unamor- tized bond...	360,000	—	320,000	—	4,705,984	1,027,302
Premium .....	—	—	—	—	—	—
<b>Net .....</b>	<b><u>\$ 360,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 320,000</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 4,705,984</u></b>	<b><u>\$ 1,027,302</u></b>

# Notes to the Financial Statements

## (4) Long-Term Liabilities

Year Ending June 30,	Total	
	Principal	Interest
2024 .....	\$ 6,085,878	\$ 3,306,916
2025 .....	6,375,511	3,071,659
2026 .....	9,778,793	2,863,267
2027 .....	6,828,277	2,516,014
2028 .....	6,794,020	2,301,591
2029-2033 .....	33,190,205	8,448,238
2034-2038 .....	23,876,762	3,968,953
2039-2043 .....	<u>9,374,765</u>	<u>974,032</u>
Net unamortized bond.....	102,304,211	27,450,670
Premium.....	3,150,418	—
<b>Net.....</b>	<b><u>\$ 105,454,629</u></b>	<b><u>\$ 27,450,670</u></b>

Interest expense and other charges recorded in the governmental funds types totaled \$2.8 million for the year ended June 30, 2023. Interest expense and other charges in the proprietary fund types totaled \$127,000.

### 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, 2023, the City was in compliance with these covenants.

### 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 6-30-23
Enterprise - Sewer Rental Replacement	Special Revenue - Tax Increment Financing	\$250,000	\$81,582

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 6-30-23
Enterprise - Sewer Rental Replacement	Capital Projects	\$300,000	\$166,391

## Notes to the Financial Statements

### (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 \$113,633 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, December, 2021 and December, 2022, a one-year extension of the lease was approved.

### (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)	\$ 5,755,599
	Road Use Tax	75,000
	Tax Increment Financing	258,464
	Enterprise	
	Sewer Rental	75,000
	Solid Waste	75,000
	Urban Forest Utility	15,629
	Storm Water Management	<u>75,000</u>
		<u>6,329,692</u>
Special Revenue	Special Revenue	
Road Use Tax	Trust and Agency (Employee Benefits)	664,618
	Enterprise	
	Urban Forest Utility	<u>5,000</u>
		<u>669,618</u>

## Notes to the Financial Statements

### (7) Interfund Transfers

Transfer to	Transfer From	Amount
Capital Projects	Special Revenue	
	Local Option Sales Tax	\$ 388,573
	Road Use Tax	110,000
	Tax Increment Financing	81,873
	Enterprise	
	Sewer Rental Replacement	<u>15,880</u>
		<u>596,326</u>
Debt Service	General	7,500
	Special Revenue	
	Local Option Sales Tax	200,000
	Tax Increment Financing	2,140,856
	Enterprise	
	Urban Forest Utility	<u>10,673</u>
		<u>2,359,029</u>
Enterprise		
Sewer Rental	Enterprise	
	Sewer Rental Replacement	<u>388,338</u>
Enterprise		
Storm Water Management	Capital Projects	<u>575,105</u>
Enterprise		
Sewer Rental Replacement	Debt Service	<u>40,000</u>
Enterprise	Enterprise	
Solid Waste Replacement	Solid Waste	<u>287,820</u>
Enterprise		
Urban Forest Replacement	Urban Forest Utility	<u>36,500</u>
Internal Service		
Health Insurance	General	256,643
	Special Revenue	
	Trust and Agency (Employee Benefits)	<u>178,910</u>
		<u>435,553</u>
		<u>\$ 11,717,981</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](http://www.ipers.org).

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

##### **Pension Benefits**

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

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

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

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

#### Disability and Death Benefits

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

#### Contributions

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

In fiscal year 2023 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 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2023 were \$984,544.

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

As of June 30, 2023, the City reported a liability of \$4,524,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the City's proportion was 0.119763% which was an increase of 0.167340% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$40,995. As of June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience .....	\$ 200,584	\$ 61,980
Changes of assumptions .....	3,839	108
Net difference between projected and actual earnings on IPERS' investments .....	—	484,366
Changes in proportion and differences between City contributions and proportionate share of contributions .....	262,913	136,327
City contributions subsequent to the measurement date .....	984,544	—
<b>Total</b> .....	<b><u>\$ 1,451,880</u></b>	<b><u>\$ 682,781</u></b>

## Notes to the Financial Statements

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### (8) Pension and Retirement Benefits

\$984,544 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	
2024 .....	\$ (336,181)
2025 .....	(270,757)
2026 .....	(578,850)
2027 .....	972,871
2028 .....	(2,454)
<b>Total</b> .....	<b><u>\$ (215,371)</u></b>

There were no nonemployer contributing entities to IPERS.

#### Actuarial Assumptions

The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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:

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
<b>Total</b>	<b><u>100.0%</u></b>	

#### 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 .....	\$8,430,260	\$4,524,807	\$1,083,030

#### 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](http://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, 2023.



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

#### **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](http://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.

##### **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.

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

#### **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.

#### **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, 2023.

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 23.90% for the year ended June 30, 2023.

The City's contributions to MFPRSI for the year ended June 30, 2023 were \$1,704,668.

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, 2023.

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

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

As of June 30, 2023, the City reported a liability of \$11,817,610 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was 2.104386% which was an increase of 0.017662% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$1,266,273. As of June 30, 2023, 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 .....	\$ 733,846	\$ 15,196
Changes of assumptions .....	33,150	—
Net difference between projected and actual earnings on MFPRSI's investments .....	—	140,018
Changes in proportion and differences between City contributions and proportionate share of contributions .....	373,109	—
City contributions subsequent to the measurement date .....	<u>1,704,668</u>	<u>—</u>
<b>Total</b> .....	<b><u>\$ 2,844,773</u></b>	<b><u>\$ 155,214</u></b>

\$1,704,668 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	
2024 .....	\$ 146,860
2025 .....	(142,064)
2026 .....	(714,248)
2027 .....	1,663,039
2028 .....	<u>31,303</u>
<b>Total</b> .....	<b><u>\$ 984,890</u></b>

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

#### Actuarial Assumptions

The total pension liability in the June 30, 2022 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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2010 through June 30, 2020.

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.

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
Broad Fixed Income .....	3.5%
Broad U.S. Equity .....	6.7
Global Equity .....	6.8
Broad Non-US Equity .....	7.0
Managed Futures .....	5.1
Emerging Market .....	7.2
Real Estate - Core .....	6.4
Opportunistic Real Estate .....	11.0
Global Infrastructure .....	6.8
Private Credit.....	8.6
Private Equity .....	12.0

#### 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.

## Notes to the Financial Statements

### (8) Pension and Retirement Benefits

#### 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 .....	\$21,387,672	\$11,817,610	\$3,888,684

#### 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](http://www.mfprsi.org).

#### 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, 2023.

### (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, 2023, 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, 2023, the following employees were covered by the benefit terms:

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

## Notes to the Financial Statements

### (9) Other Postemployment Benefits (OPEB)

#### Total OPEB Liability

The City's total OPEB liability of \$2,266,035 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 level percentage of pay 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).....	6.00% 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.

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

	<b>Total OPEB Liability</b>
Total OPEB Liability - Beginning of Year .....	<u>\$ 2,250,002</u>
Changes for the Year	
Service cost .....	101,215
Interest.....	48,882
Benefit payments .....	<u>(134,064)</u>
Net Changes .....	16,033
<b>Total OPEB Liability - End of Year .....</b>	<b><u>\$ 2,266,035</u></b>

## Notes to the Financial Statements

### (9) Other Postemployment Benefits (OPEB)

#### 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.....	\$2,479,464	\$2,266,035	\$2,073,081

#### 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 (5.00%) or one percentage point higher (7.00%) than the current healthcare cost trend rate.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability.....	\$2,033,015	\$2,266,035	\$2,538,831

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$219,768. As of June 30, 2023, 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 .....	\$ (32,702)
Changes of assumptions .....	851,946
<b>Total</b> .....	<b><u>\$ 819,244</u></b>

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
2024 .....	\$ 69,672
2025 .....	69,672
2026 .....	69,672
2027 .....	69,672
2028 .....	69,672
Thereafter.....	470,884
<b>Total</b> .....	<b><u>\$ 819,244</u></b>

# Notes to the Financial Statements

## (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:

Type of Benefit	Amount 6-30-23
<b>Primary Government</b>	
Sick leave.....	\$ 1,019,504
Vacation and personal leave .....	1,900,254
Compensatory time .....	1,536,908
	<u><b>\$ 4,456,666</b></u>

The above liabilities have been computed based on rates of pay as of June 30, 2023.

## (11) Employee Health Care Plan

The City self-funds for health insurance claims to a stop-loss insured amount of \$50,000 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, 2023:

	Primary Government	Discretely Presented Component Unit - Marion Water Department	Total
Claims paid during the year .....	\$ 4,209,013	\$ 113,600	\$ 4,322,613
Estimated claims incurred but unpaid at June 30, 2023 .....	542,019	33,876	575,895

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 \$683 per month single or \$1,707 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.



### (12) 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, 2023, the Marion Water Department collected and remitted to the City \$8,643,253 for sewer, \$2,955,636 for garbage and \$677,660 for urban forest services. Fees paid to the Water Department by the City during the year to pay for this service totaled \$173,430, of which \$15,726 was payable as of June 30, 2023.

### (13) 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 800 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, employment practices liability, public officials liability, cyber liability and property. 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, 2023 were \$367,324.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber 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.

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.

### **(13) Risk Management**

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, 2023, no liability has been recorded in the City's financial statements. As of June 30, 2023, 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, 2023 were \$74,938.

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.

### **(14) 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.

## Notes to the Financial Statements

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### **(14) Development Agreements**

The total amount rebated during the year ended June 30, 2023 was \$1,352,940. The estimated outstanding balance of the agreements as of June 30, 2023 was approximately \$27 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 \$27 million which requires an annual appropriation by the City Council.

### **(15) 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, 2023, the City abated \$1,352,940 of property tax under the urban renewal and economic development projects.

### **(16) 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 13. 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.

## Notes to the Financial Statements

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### **(17) Construction Commitments and Subsequent Events**

As of June 30, 2023, the City had entered into several construction contracts and agreements to purchase equipment and supplies totaling approximately \$25.5 million.

Management has evaluated subsequent events through January 18, 2024, the date which the financial statements were available to be issued.

Subsequent to June 30, 2023, the City entered into the following transactions:

Approved several construction contracts and agreements to purchase equipment. These agreements totaled approximately \$6 million.

Issued \$7,220,000 of solid waste revenue bonds and \$7,145,000 of sewer revenue bonds.

### **(18) Prior Period Adjustment**

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

The City corrected an error related to grants received in advance that decreased the beginning governmental net position by \$3,017,299.

#### **Fund Statements**

The City corrected an error related to grants received in advance that decreased the beginning fund balance for the Capital Projects Fund by \$3,017,299.

**Required Supplementary Information**

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## 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, 2023

			Actual		Budgeted Amounts		Over (Under) Budget
	Governmental Funds	Enterprise Funds	Total	Original	Final		
<b>Receipts</b>							
Property tax.....	\$ 27,071,601	\$ —	\$ 27,071,601	\$ 26,752,619	\$ 26,752,619	\$ 318,982	
Tax increment financing...	4,401,448	—	4,401,448	4,467,913	4,467,913	(66,465)	
Other city tax .....	9,524,309	—	9,524,309	8,992,657	8,992,657	531,652	
Licenses and permits .....	756,736	3,220	759,956	733,811	733,811	26,145	
Use of money and property	2,343,801	444,305	2,788,106	533,259	533,259	2,254,847	
Intergovernmental .....	15,794,177	10,000	15,804,177	12,574,092	12,574,092	3,230,085	
Charges for service .....	922,406	19,873,431	20,795,837	20,074,949	20,074,949	720,888	
Special assessments .....	898	—	898	—	—	898	
Miscellaneous .....	897,550	190,934	1,088,484	1,457,059	1,457,059	(368,575)	
<b>Total Receipts .....</b>	<b><u>61,712,926</u></b>	<b><u>20,521,890</u></b>	<b><u>82,234,816</u></b>	<b><u>75,586,359</u></b>	<b><u>75,586,359</u></b>	<b><u>6,648,457</u></b>	
<b>Disbursements</b>							
Public safety.....	15,592,111	—	15,592,111	16,322,568	16,767,239	(1,175,128)	
Public works .....	5,228,319	—	5,228,319	10,678,346	10,678,346	(5,450,027)	
Health and social services	471,211	—	471,211	531,952	531,952	(60,741)	
Culture and recreation .....	6,288,976	—	6,288,976	6,409,823	6,663,823	(374,847)	
Community and economic development.....	3,350,918	—	3,350,918	3,620,329	3,620,329	(269,411)	
General government .....	3,368,984	—	3,368,984	3,463,134	3,723,134	(354,150)	
Debt service .....	10,589,787	—	10,589,787	7,399,118	18,199,118	(7,609,331)	
Capital projects .....	29,148,809	—	29,148,809	28,523,334	35,479,334	(6,330,525)	
Business-type activities....	—	18,197,875	18,197,875	23,520,113	23,520,113	(5,322,238)	
<b>Total Disbursements ..</b>	<b><u>74,039,115</u></b>	<b><u>18,197,875</u></b>	<b><u>92,236,990</u></b>	<b><u>100,468,717</u></b>	<b><u>119,183,388</u></b>	<b><u>(26,946,398)</u></b>	
<b>Receipts Over (Under) Disbursements.....</b>	<b>(12,326,189)</b>	<b>2,324,015</b>	<b>(10,002,174)</b>	<b>(24,882,358)</b>	<b>(43,597,029)</b>	<b>33,594,855</b>	
<b>Other Financing Sources, Net.....</b>	<b><u>18,303,870</u></b>	<b><u>273,808</u></b>	<b><u>18,577,678</u></b>	<b><u>17,822,000</u></b>	<b><u>28,622,000</u></b>	<b><u>(10,044,322)</u></b>	
<b>Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>5,977,681</b>	<b>2,597,823</b>	<b>8,575,504</b>	<b>(7,060,358)</b>	<b>(14,975,029)</b>	<b>23,550,533</b>	
Balances - Beginning of Year .....	67,910,781	22,677,187	90,587,968	71,425,930	71,425,930	19,162,038	
<b>Balances - End of Year ..</b>	<b><u>\$ 73,888,462</u></b>	<b><u>\$ 25,275,010</u></b>	<b><u>\$ 99,163,472</u></b>	<b><u>\$ 64,365,572</u></b>	<b><u>\$ 56,450,901</u></b>	<b><u>\$ 42,712,571</u></b>	

# Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2023

	<b>Governmental Funds</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>GAAP Basis</b>
Revenue.....	\$ 61,712,926	\$ 14,193,576	\$ 75,906,502
Expenditures .....	<u>74,039,115</u>	<u>3,720,621</u>	<u>77,759,736</u>
Net .....	(12,326,189)	10,472,955	(1,853,234)
Other financing sources (uses), net.....	18,303,870	(622,427)	17,681,443
Beginning fund balances .....	<u>67,910,781</u>	<u>(3,734,851)</u>	<u>64,175,930</u>
<b>Ending Fund Balances.....</b>	<b><u>\$ 73,888,462</u></b>	<b><u>\$ 6,115,677</u></b>	<b><u>\$ 80,004,139</u></b>

	<b>Proprietary Funds</b>			<b>GAAP Basis</b>
	<b>Cash Basis</b>	<b>Adjustment for Component Unit</b>	<b>Accrual Adjustments</b>	
Revenue.....	\$ 20,521,890	\$ (7,171,667)	\$ 1,361,522	\$ 14,711,745
Expenditures .....	<u>18,197,875</u>	<u>(6,037,384)</u>	<u>(1,996,768)</u>	<u>10,163,723</u>
Net .....	2,324,015	(1,134,283)	3,358,290	4,548,022
Other financing sources (uses), net.....	273,808	—	69,115	342,923
Beginning fund balances .....	<u>22,677,187</u>	<u>(2,850,900)</u>	<u>42,109,165</u>	<u>61,935,452</u>
<b>Ending Fund Balances.....</b>	<b><u>\$ 25,275,010</u></b>	<b><u>\$ (3,985,183)</u></b>	<b><u>\$ 45,536,570</u></b>	<b><u>\$ 66,826,397</u></b>

## Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2023

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 \$18,714,671. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements did not exceed the amounts budgeted.



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

Last Nine Years\*

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability .....	0.119763%	(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 .....	\$4,524,807	\$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 .....	\$9,646,000	\$9,509,000	\$9,041,000	\$8,667,000	\$7,921,000	\$7,827,000	\$7,200,000	\$6,778,000	\$6,458,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll.....	46.91%	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	91.41%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution .....	\$ 984,544	\$ 910,554	\$ 897,641	\$ 853,459	\$ 818,224	\$ 707,409	\$ 698,972	\$ 642,963	\$ 605,312	\$ 576,709
Contributions in relation to the statutorily required contributions.....	<u>(984,544)</u>	<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>
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 .....	\$ 10,429,000	\$ 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
Contributions as a percentage of covered-employee payroll .....	9.44%	9.44%	9.44%	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

# Notes to Required Supplementary Information - Pension Liability

## Iowa Public Employees' Retirement System

Year Ended June 30, 2023

### Changes of Benefit Terms

There were no significant changes in benefit terms.

### Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for regular members
- Lowered disability rates for regular members.
- Adjusted termination rates for all membership groups.

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

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

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

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

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 Nine Years\*

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability .....	2.104386%	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 .....	\$11,817,610	\$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 .....	\$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
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll.....	166.42%	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	84.62%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution .....	\$ 1,704,668	\$ 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
Contributions in relation to the statutorily required contributions.....	<u>(1,704,668)</u>	<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>
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 .....	\$ 7,133,000	\$ 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
Contributions as a percentage of covered-employee payroll .....	23.90%	26.18%	25.31%	24.41%	26.02%	25.68%	25.92%	27.78%	30.41%	30.12%

## Notes to Required Supplementary Information - Pension Liability ---

### Municipal Fire and Police Retirement System of Iowa

Year Ended June 30, 2023

#### **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

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For the Last Six Years

	2023	2022	2021	2020	2019	2018
Service cost.....	\$ 101,214	\$ 98,266	\$ 67,653	\$ 65,683	\$ 42,442	\$ 42,440
Interest .....	48,882	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>(134,063)</u>	<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 .....	16,033	588,455	8,924	506,164	(69,423)	(81,455)
Total OPEB Liability - Beginning 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>	<u>1,297,337</u>
<b>Total OPEB Liability - End of Year .....</b>	<b><u>\$ 2,266,035</u></b>	<b><u>\$ 2,250,002</u></b>	<b><u>\$ 1,661,547</u></b>	<b><u>\$ 1,652,623</u></b>	<b><u>\$ 1,146,459</u></b>	<b><u>\$ 1,215,882</u></b>
<b>Covered-Employee Payroll.....</b>	<b><u>\$ 16,140,049</u></b>	<b><u>\$ 15,669,950</u></b>	<b><u>\$ 14,803,000</u></b>	<b><u>\$ 14,837,000</u></b>	<b><u>\$ 14,645,000</u></b>	<b><u>\$ 13,425,000</u></b>
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll.....</b>	<b>14.0%</b>	<b>14.4%</b>	<b>11.2%</b>	<b>11.1%</b>	<b>7.8%</b>	<b>9.0%</b>

### 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

There were no significant changes in assumptions.

**Supplementary Information**

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# Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2023

	<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	
<b>Assets</b>						
<b>Current Assets</b>						
Cash .....	<u>\$ 62,817</u>	<u>\$ 190,882</u>	<u>\$ 538,608</u>	<u>\$ 253,742</u>	<u>\$ 229,254</u>	<u>\$ 1,275,303</u>
<b>Fund Balances</b>						
Nonspendable						
Cemetery perpetual care .....	—	—	—	—	229,254	229,254
Restricted for						
Economic development .....	62,817	—	—	—	—	62,817
Committed for						
Capital projects .....	—	—	538,608	—	—	538,608
Assigned for						
Capital projects .....	—	190,882	—	253,742	—	444,624
<b>Total Fund Balances .....</b>	<b><u>\$ 62,817</u></b>	<b><u>\$ 190,882</u></b>	<b><u>\$ 538,608</u></b>	<b><u>\$ 253,742</u></b>	<b><u>\$ 229,254</u></b>	<b><u>\$ 1,275,303</u></b>

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

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Year Ended June 30, 2023

	Special Revenue	Capital Projects			Permanent	
	Community Develop- ment Block Grant	Park Develop- ment	Main- tenance Bond	Subdivision Develop- ment	Cemetery Perpetual Care	Total
<b>Revenue</b>						
Use of money and property .....	\$ —	\$ 6,022	\$ 16,822	\$ —	\$ —	\$ 22,844
Intergovernmental .....	—	—	—	—	14,000	14,000
Charges for service .....	—	—	19,201	17,676	—	36,877
<b>Total Revenue</b> .....	<b>—</b>	<b>6,022</b>	<b>36,023</b>	<b>17,676</b>	<b>14,000</b>	<b>73,721</b>
 Fund Balances - Beginning 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>
 <b>Fund Balances - End of Year</b> .....	 <b><u>\$ 62,817</u></b>	 <b><u>\$ 190,882</u></b>	 <b><u>\$ 538,608</u></b>	 <b><u>\$ 253,742</u></b>	 <b><u>\$ 229,254</u></b>	 <b><u>\$ 1,275,303</u></b>

# Combining Schedule of Net Position - Nonmajor Enterprise Funds

As of June 30, 2023

	Sewer Rental Replace- ment	City Communi- cation and Utility	Solid Waste Replace- ment	Urban Forest Utility	Urban Forest Replace- ment	Total
<b>Assets and Deferred Outflows of Resources</b>						
<b>Current Assets</b>						
Cash.....	\$ 1,093,274	\$ 567,644	\$ 2,113,129	\$ 1,046,061	\$ 139,087	\$ 4,959,195
Pooled investments .....	538,898	—	118,952	23,526	—	681,376
Receivables						
Unbilled usage.....	—	—	—	56,827	—	56,827
Accounts.....	391	—	—	56,339	—	56,730
Interfund loan .....	72,365	—	—	—	—	72,365
<b>Total Current Assets</b>	<b><u>1,704,928</u></b>	<b><u>567,644</u></b>	<b><u>2,232,081</u></b>	<b><u>1,182,753</u></b>	<b><u>139,087</u></b>	<b><u>5,826,493</u></b>
<b>Noncurrent Assets</b>						
Interfund loan .....	175,608	—	—	—	—	175,608
Capital assets, net of accumulated depreciation	68,512	—	—	139,276	—	207,788
<b>Total Noncurrent Assets</b>	<b><u>244,120</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>139,276</u></b>	<b><u>—</u></b>	<b><u>383,396</u></b>
<b>Total Assets</b>	<b><u>1,949,048</u></b>	<b><u>567,644</u></b>	<b><u>2,232,081</u></b>	<b><u>1,322,029</u></b>	<b><u>139,087</u></b>	<b><u>6,209,889</u></b>
<b>Deferred Outflows of Resources</b>						
Pension-related deferred outflows .....	—	—	—	18,478	—	18,478
OPEB-related deferred outflows .....	—	—	—	10,947	—	10,947
<b>Total Outflows of Resources</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>29,425</u></b>	<b><u>—</u></b>	<b><u>29,425</u></b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 1,949,048</u></b>	<b><u>\$ 567,644</u></b>	<b><u>\$ 2,232,081</u></b>	<b><u>\$ 1,351,454</u></b>	<b><u>\$ 139,087</u></b>	<b><u>\$ 6,239,314</u></b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>						
<b>Current Liabilities</b>						
Accounts payable .....	\$ 88,215	\$ 257	\$ —	\$ 11,373	\$ 188	\$ 100,033
Salaries and benefits payable .....	—	—	—	13,040	—	13,040
Current maturities of long-term debt .....	40,000	—	—	—	—	40,000
<b>Total Current Liabilities</b>	<b><u>128,215</u></b>	<b><u>257</u></b>	<b><u>—</u></b>	<b><u>24,413</u></b>	<b><u>188</u></b>	<b><u>153,073</u></b>
<b>Noncurrent Liabilities</b>						
Long-term debt .....	280,000	—	—	—	—	280,000
Net pension liability .....	—	—	—	19,102	—	19,102
Net OPEB liability .....	—	—	—	13,463	—	13,463
<b>Total Noncurrent Liabilities</b>	<b><u>280,000</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>32,565</u></b>	<b><u>—</u></b>	<b><u>312,565</u></b>
<b>Total Liabilities</b>	<b><u>408,215</u></b>	<b><u>257</u></b>	<b><u>—</u></b>	<b><u>56,978</u></b>	<b><u>188</u></b>	<b><u>465,638</u></b>
<b>Deferred Inflows of Resources</b>						
Pension-related deferred inflows.....	—	—	—	8,866	—	8,866
OPEB-related deferred inflows.....	—	—	—	302	—	302
<b>Total Inflows of Resources</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>9,168</u></b>	<b><u>—</u></b>	<b><u>9,168</u></b>
<b>Net Position</b>						
Net investment in capital assets .....	68,512	—	—	139,276	—	207,788
Unrestricted .....	1,472,321	567,387	2,232,081	1,146,032	138,899	5,556,720
<b>Total Net Position</b>	<b><u>1,540,833</u></b>	<b><u>567,387</u></b>	<b><u>2,232,081</u></b>	<b><u>1,285,308</u></b>	<b><u>138,899</u></b>	<b><u>5,764,508</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>\$ 1,949,048</u></b>	<b><u>\$ 567,644</u></b>	<b><u>\$ 2,232,081</u></b>	<b><u>\$ 1,351,454</u></b>	<b><u>\$ 139,087</u></b>	<b><u>\$ 6,239,314</u></b>

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

Year Ended June 30, 2023

	Sewer Rental Replace- ment	City Communi- cation and Utility	Solid Waste Replace- ment	Urban Forest Utility	Urban Forest Replace- ment	Total
<b>Operating Revenue</b>						
Charges for service .....	\$ 459,412	\$ 19,350	\$ —	\$ 697,781	\$ —	\$ 1,176,543
Miscellaneous.....	—	—	—	94,519	—	94,519
<b>Total Operating Revenue</b>	<b><u>459,412</u></b>	<b><u>19,350</u></b>	<b><u>—</u></b>	<b><u>792,300</u></b>	<b><u>—</u></b>	<b><u>1,271,062</u></b>
<b>Operating Expenses</b>						
Personal services .....	—	—	—	311,827	—	311,827
Services and commodities	19,717	2,745	—	151,121	—	173,583
Depreciation .....	—	—	—	24,477	—	24,477
<b>Total Operating Expenses</b>	<b><u>19,717</u></b>	<b><u>2,745</u></b>	<b><u>—</u></b>	<b><u>487,425</u></b>	<b><u>—</u></b>	<b><u>509,887</u></b>
<b>Operating Income</b> .....	<b><u>439,695</u></b>	<b><u>16,605</u></b>	<b><u>—</u></b>	<b><u>304,875</u></b>	<b><u>—</u></b>	<b><u>761,175</u></b>
<b>Nonoperating Revenue</b>						
Intergovernmental .....	—	—	—	10,000	—	10,000
Investment revenue .....	56,224	17,929	69,260	33,525	3,857	180,795
<b>Total Nonoperating Revenue</b> .....	<b><u>56,224</u></b>	<b><u>17,929</u></b>	<b><u>69,260</u></b>	<b><u>43,525</u></b>	<b><u>3,857</u></b>	<b><u>190,795</u></b>
<b>Income Before Transfers</b>	<b><u>495,919</u></b>	<b><u>34,534</u></b>	<b><u>69,260</u></b>	<b><u>348,400</u></b>	<b><u>3,857</u></b>	<b><u>951,970</u></b>
<b>Other Financing Sources (Uses)</b>						
Transfers in .....	40,000	—	287,820	—	36,500	364,320
Transfers out .....	(404,218)	—	—	(67,802)	—	(472,020)
<b>Total Transfers</b> .....	<b><u>(364,218)</u></b>	<b><u>—</u></b>	<b><u>287,820</u></b>	<b><u>(67,802)</u></b>	<b><u>36,500</u></b>	<b><u>(107,700)</u></b>
<b>Changes in Net Position</b>	<b>131,701</b>	<b>34,534</b>	<b>357,080</b>	<b>280,598</b>	<b>40,357</b>	<b>844,270</b>
Net Position - Beginning 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>
<b>Net Position - End of Year</b>	<b><u>\$ 1,540,833</u></b>	<b><u>\$ 567,387</u></b>	<b><u>\$ 2,232,081</u></b>	<b><u>\$ 1,285,308</u></b>	<b><u>\$ 138,899</u></b>	<b><u>\$ 5,764,508</u></b>

# Combining Schedule of Cash Flows - Nonmajor Enterprise Funds

Year Ended June 30, 2023

	Sewer Rental Replace- ment	City Communi- cation and Utility	Solid Waste Replace- ment	Urban Forest Utility	Urban Forest Replace- ment	Total
<b>Cash Flows From Operating Activities</b>						
Cash received from customers and users .....	\$ 459,421	\$ 19,350	\$ —	\$ 762,186	\$ —	\$ 1,240,957
Cash paid to employees for services .....	—	—	—	(329,700)	—	(329,700)
Cash paid to suppliers for goods and services .....	(19,717)	(5,429)	—	(144,047)	—	(169,193)
<b>Net Cash Provided by Operating Activities.....</b>	<b><u>439,704</u></b>	<b><u>13,921</u></b>	<b><u>—</u></b>	<b><u>288,439</u></b>	<b><u>—</u></b>	<b><u>742,064</u></b>
<b>Cash Flows From Noncapital Financing Activities</b>						
Net transfers.....	(364,218)	—	287,820	(67,802)	36,500	(107,700)
State and federal grants received .....	—	—	—	10,000	—	10,000
Decrease in due to other funds .....	—	—	—	—	—	—
<b>Net Cash Provided by (Used in) Noncapital Financing Activities.....</b>	<b><u>(364,218)</u></b>	<b><u>—</u></b>	<b><u>287,820</u></b>	<b><u>(57,802)</u></b>	<b><u>36,500</u></b>	<b><u>(97,700)</u></b>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Decrease in interfund loan..	70,600	—	—	—	—	70,600
Acquisition of capital assets	—	—	—	(54,621)	—	(54,621)
Disposal of capital assets ...	19,703	—	—	—	—	19,703
Repayment of debt .....	(40,000)	—	—	—	—	(40,000)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities .....</b>	<b><u>50,303</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(54,621)</u></b>	<b><u>—</u></b>	<b><u>(4,318)</u></b>
<b>Cash Flows From Investing Activities</b>						
Interest on investments .....	56,224	17,929	69,260	33,525	3,857	180,795
Purchase of investments .....	—	—	—	(29,073)	—	(29,073)
Sale of investments .....	2,630	—	26,018	—	—	28,648
<b>Net Cash Provided by Investing Activities.....</b>	<b><u>58,854</u></b>	<b><u>17,929</u></b>	<b><u>95,278</u></b>	<b><u>4,452</u></b>	<b><u>3,857</u></b>	<b><u>180,370</u></b>
<b>Net Increase in Cash .....</b>	<b>184,643</b>	<b>31,850</b>	<b>383,098</b>	<b>180,468</b>	<b>40,357</b>	<b>820,416</b>
Cash - Beginning of Year .....	908,631	535,794	1,730,031	865,593	98,730	4,138,779
<b>Cash - End of Year .....</b>	<b><u>\$ 1,093,274</u></b>	<b><u>\$ 567,644</u></b>	<b><u>\$ 2,113,129</u></b>	<b><u>\$ 1,046,061</u></b>	<b><u>\$ 139,087</u></b>	<b><u>\$ 4,959,195</u></b>
<b>Reconciliation of Income From Operations to Net Cash Provided by Operating Activities</b>						
Income from operations.....	\$ 439,695	\$ 16,605	\$ —	\$ 304,875	\$ —	\$ 761,175
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities						
Depreciation .....	—	—	—	24,477	—	24,477
Change in Assets and Liabilities						
(Increase) decrease in receivables .....	9	—	—	(30,114)	—	(30,105)
Decrease in deferred outflows of resources	—	—	—	3,895	—	3,895
Increase (decrease) in payables .....	—	(2,684)	—	7,074	—	4,390
Increase in salaries and benefits payable	—	—	—	790	—	790
Increase in net pension liability .....	—	—	—	95,485	—	95,485
Increase in total OPEB liability.....	—	—	—	220	—	220
Decrease in deferred inflows of resources..	—	—	—	(118,263)	—	(118,263)
<b>Net Cash Provided by Operating Activities.....</b>	<b><u>\$ 439,704</u></b>	<b><u>\$ 13,921</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 288,439</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 742,064</u></b>

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

Last Ten Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Revenue</b>										
Property tax .....	\$ 27,456,332	\$ 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
Tax increment financing and other city tax .....	7,085,593	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
Licenses and permits.....	725,969	929,118	1,074,515	800,499	690,171	709,629	706,589	732,894	680,770	546,547
Use of money and property .....	2,262,063	595,529	660,656	1,346,391	1,523,614	1,041,963	684,358	578,032	546,900	524,526
Intergovernmental .....	36,266,747	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
Charges for service .....	1,339,242	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
Special assessments.....	898	1,464	1,681	9,977	6,789	8,736	4,197	556	11,754	12,159
Miscellaneous.....	<u>769,658</u>	<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>
<b>Total Revenue .....</b>	<b><u>\$ 75,906,502</u></b>	<b><u>\$ 60,897,261</u></b>	<b><u>\$ 67,709,555</u></b>	<b><u>\$ 45,788,219</u></b>	<b><u>\$ 41,647,933</u></b>	<b><u>\$ 38,438,363</u></b>	<b><u>\$ 38,629,622</u></b>	<b><u>\$ 35,241,395</u></b>	<b><u>\$ 31,900,347</u></b>	<b><u>\$ 31,135,056</u></b>
<b>Expenditures</b>										
Operating										
Public safety .....	\$ 16,005,652	\$ 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
Public works.....	4,690,963	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
Culture and recreation.....	6,719,330	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
Community and economic development...	5,001,770	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
General government .....	3,843,790	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
Debt service .....	10,711,098	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
Capital projects.....	<u>30,787,133</u>	<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>
<b>Total Expenditures .....</b>	<b><u>\$ 77,759,736</u></b>	<b><u>\$ 68,161,056</u></b>	<b><u>\$ 89,737,329</u></b>	<b><u>\$ 67,608,285</u></b>	<b><u>\$ 53,987,696</u></b>	<b><u>\$ 41,602,726</u></b>	<b><u>\$ 46,421,996</u></b>	<b><u>\$ 41,190,415</u></b>	<b><u>\$ 44,743,920</u></b>	<b><u>\$ 42,924,373</u></b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<b>U.S. Department of Transportation</b>				
Indirect				
Pass-Through Iowa Department of Transportation				
Highway Planning and Construction .....	20.205	STP-U-4775(631)-70-57	\$ —	\$ 1,070,018
Highway Planning and Construction .....	20.205	TAP-U-4775(630)-8I-57	—	13,989
Highway Planning and Construction .....	20.205	TAP-U-4775(635)-8I-57	—	347,241
Highway Planning and Construction .....	20.205	TAP-U-4775(637)-8I-57	—	192,000
Highway Planning and Construction .....	20.205	TAP-U-4775(638)-8I-57	—	92,054
<b>Total U.S. Department of Transportation .....</b>			<b>—</b>	<b><u>1,715,302</u></b>
<b>U.S. Department of Treasury</b>				
Direct				
Equitable Sharing Program .....	16.922		—	40,162
Coronavirus State and Local Fiscal Recovery Funds.....	21.027		—	1,640,000
Indirect				
Pass-Through Iowa Economic Development Authority				
Coronavirus State and Local Fiscal Recovery Funds .....	21.027		—	93,707
<b>Total U.S. Department of Treasury ....</b>			<b>—</b>	<b><u>1,773,869</u></b>
<b>U.S. Department of Homeland Security</b>				
Indirect				
Pass-Through Iowa Department of Homeland Security and Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) .....	97.036	Various	—	4,454,992
<b>Total Expenditures of Federal Awards .....</b>			<b><u>\$ —</u></b>	<b><u>\$ 7,944,163</u></b>

## 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, 2023. 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.

## Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2023

### **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**

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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, 2023, 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 18, 2024.

**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 23-II-R-1 and 23-II-R-2 that we consider to be material weaknesses.

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

### **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*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2023 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 18, 2024

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Certified Public Accountants and Consultants

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

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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, 2023. 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, 2023.

#### ***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  
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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 23-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 18, 2024

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

## 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
21.027	Coronavirus State and Local Fiscal Recovery Funds
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

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Year Ended June 30, 2023

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

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

#### **23-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.

#### **23-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, 2023

**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** - City staff will research available educational courses regarding financial statement preparation and attend the Iowa Governmental Roundtable hosted by the Iowa Society of CPAs annually.

**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.

#### **23-III-IC-1 Segregation of Duties Over Federal Revenue and Expenditures**

**(2023-001)** 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 23-II-R-1 for additional information.



## Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2023

### Part IV: Findings Related to Statutory Reporting

- 23-IV-A Certified Budget** - Disbursements during the year ended June 30, 2023 did not exceed the amounts in the amended budget.
- 23-IV-B Questionable Expenditures** - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 23-IV-C Travel Expense** - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 23-IV-D Business Transactions** - No business transactions were noted between the City and City officials or employees.
- 23-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.
- 23-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.
- 23-IV-G City Council Minutes** - No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 23-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.
- 23-IV-I Revenue Bonds** - No instances of noncompliance with the provisions of the sewer and solid waste revenue bonds were noted.
- 23-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 as required by Chapter 384.22(2)(a) of the Code of Iowa, and no exceptions were noted.
- 23-IV-K Annual Financial Report** - The City completed and filed its June 30, 2023 Annual Financial Report by December 1 as required by Chapter 384.22 of the Code of Iowa.