



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006  
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**NEWS RELEASE**

**FOR RELEASE**

**March 14, 2024**

Contact: Brian Brustkern  
515/281-5834

Auditor of State Rob Sand today released an audit report on City of Massena, Iowa.

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$3,780,006 for the year ended June 30, 2021. Disbursements for the year ended June 30, 2021 totaled \$3,177,796.

**AUDIT FINDINGS:**

Sand reported thirteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 46 through 55 of this report. The findings address issues such as a lack of segregation of duties, the lack of review of monthly bank reconciliations, the lack of reconciliations of utility billings, collections and delinquent accounts, disbursements exceeding budgeted amounts and a deficit fund balance. Sand provided the City with recommendations to address each of the findings.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

###

**CITY OF MASSENA**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2021**

**City of Massena**



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Rob Sand  
Auditor of State

March 1, 2024

Officials of the City of Massena  
Massena, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Massena for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Massena throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand  
Auditor of State

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**City of Massena**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Przychodzin	Mayor	Jan 2022
Jackson Bissell	Council Member	Jan 2022
Doug Venteicher	Council Member	Jan 2022
Micah Lee	Council Member	Jan 2024
Adam McCunn	Council Member	Jan 2024
Kevin McCunn	Council Member	Jan 2024
Shana Platt	City Clerk/Treasurer	Indefinite
Justin Hockenberry	Attorney	Indefinite

**City of Massena**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Massena, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2020.

### Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2020, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Massena as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

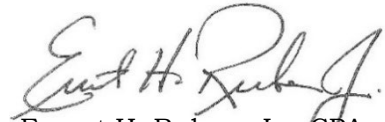
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Massena's basic financial statements in accordance with the standards referred to in the third paragraph of this report. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 38 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2024 on our consideration of the City of Massena'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'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 Massena's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA  
Chief Deputy Auditor of State

March 1, 2024

**City of Massena**

## **Basic Financial Statements**

City of Massena

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 38,377	1,678	73,035	-
Public works	129,042	46,502	52,630	-
Health and social services	2,400	-	-	-
Culture and recreation	50,662	-	19,878	-
Community and economic development	1,152	-	-	-
General government	95,044	417	734	-
Debt service	460,618	-	-	-
Capital projects	41,133	-	-	-
Total governmental activities	818,428	48,597	146,277	-
Business type activities:				
Water	117,160	121,466	-	-
Sewer	3,741,311	132,796	-	738,102
Total business type activities	3,858,471	254,262	-	738,102
Total	\$ 4,676,899	302,859	146,277	738,102

**General Receipts and Transfers:**

Property and other city tax levied for:  
 General purposes  
 Tax increment financing  
 Local option sales tax  
 Commercial/industrial tax replacement  
 Unrestricted interest on investments  
 Note proceeds  
 Miscellaneous  
 Transfers  
 Total general receipts and transfers  
 Change in cash basis net position  
 Cash basis net position beginning of year  
 Cash basis net position end of year

**Cash Basis Net Position**

Restricted:  
 Expendable:  
 Capital projects  
 Debt service  
 Other purposes  
 Unrestricted

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
36,336	-	36,336
(29,910)	-	(29,910)
(2,400)	-	(2,400)
(30,784)	-	(30,784)
(1,152)	-	(1,152)
(93,893)	-	(93,893)
(460,618)	-	(460,618)
(41,133)	-	(41,133)
(623,554)	-	(623,554)
-	4,306	4,306
-	(2,870,413)	(2,870,413)
-	(2,866,107)	(2,866,107)
(623,554)	(2,866,107)	(3,489,661)
144,008	-	144,008
822,391	-	822,391
56,734	-	56,734
76,925	-	76,925
1,858	109	1,967
-	2,970,000	2,970,000
11,208	8,638	19,846
20,470	(20,470)	-
1,133,594	2,958,277	4,091,871
510,040	92,170	602,210
591,289	347,479	938,768
\$ 1,101,329	439,649	1,540,978
77,096	6,120	83,216
816,412	397	816,809
10,540	-	10,540
197,281	433,132	630,413
\$ 1,101,329	439,649	1,540,978

City of Massena

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

As of and for the year ended June 30, 2021

	<u>Special Revenue</u>		
	General	Urban Renewal Tax Increment	Debt Service
Receipts:			
Property tax	\$ 97,683	-	-
Local option sales tax	39,714	-	-
Tax increment financing	-	822,391	-
Other city tax	2,531	-	-
Licenses and permits	417	-	-
Use of money and property	1,858	-	-
Intergovernmental	88,333	74,821	-
Charges for service	48,180	-	-
Miscellaneous	17,982	-	-
Total receipts	<u>296,698</u>	<u>897,212</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	38,096	-	-
Public works	40,293	-	-
Health and social services	2,400	-	-
Culture and recreation	36,483	-	-
Community and economic development	1,152	-	-
General government	84,656	-	-
Debt service	-	-	460,618
Capital projects	20,887	-	-
Total disbursements	<u>223,967</u>	<u>-</u>	<u>460,618</u>
Excess (deficiency) of receipts over (under) disbursements	<u>72,731</u>	<u>897,212</u>	<u>(460,618)</u>
Other financing sources (uses):			
Transfers in	35,470	-	460,618
Transfers out	(8,123)	(475,618)	-
Total other financing sources (uses)	<u>27,347</u>	<u>(475,618)</u>	<u>460,618</u>
Change in cash balances	100,078	421,594	-
Cash balances beginning of year	119,744	394,818	-
Cash balances end of year	<u>\$ 219,822</u>	<u>816,412</u>	<u>-</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Capital projects	\$ -	-	-
Debt service	-	816,412	-
Other purposes	-	-	-
Unassigned	219,822	-	-
Total cash basis fund balances	<u>\$ 219,822</u>	<u>816,412</u>	<u>-</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	42,678	140,361
17,020	-	56,734
-	-	822,391
-	1,116	3,647
-	-	417
-	-	1,858
-	53,274	216,428
-	-	48,180
-	-	17,982
<b>17,020</b>	<b>97,068</b>	<b>1,307,998</b>
-	281	38,377
-	88,749	129,042
-	-	2,400
-	14,179	50,662
-	-	1,152
-	10,388	95,044
-	-	460,618
20,246	-	41,133
<b>20,246</b>	<b>113,597</b>	<b>818,428</b>
<b>(3,226)</b>	<b>(16,529)</b>	<b>489,570</b>
-	16,123	512,211
(8,000)	-	(491,741)
<b>(8,000)</b>	<b>16,123</b>	<b>20,470</b>
(11,226)	(406)	510,040
88,322	(11,595)	591,289
<b>77,096</b>	<b>(12,001)</b>	<b>1,101,329</b>
77,096	-	77,096
-	-	816,412
-	10,540	10,540
-	(22,541)	197,281
<b>77,096</b>	<b>(12,001)</b>	<b>1,101,329</b>



**City of Massena**

City of Massena

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2021

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 121,466	132,796	254,262
Miscellaneous	8,638	-	8,638
Total operating receipts	130,104	132,796	262,900
Operating disbursements:			
Business type activities	117,160	71,888	189,048
Excess of operating receipts over operating disbursements	12,944	60,908	73,852
Non-operating receipts (disbursements):			
Community Development Block Grant	-	300,000	300,000
USDA grant	-	438,102	438,102
Interest on investments	109	-	109
Sewer revenue note proceeds	-	2,970,000	2,970,000
Debt service	-	(1,509,308)	(1,509,308)
Capital outlay	-	(2,160,115)	(2,160,115)
Net non-operating receipts (disbursements)	109	38,679	38,788
Excess of receipts over disbursements	13,053	99,587	112,640
Transfers out	-	(20,470)	(20,470)
Change in cash balances	13,053	79,117	92,170
Cash balances beginning of year	30,190	317,289	347,479
Cash balances end of year	\$ 43,243	396,406	439,649
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Capital improvements	\$ -	6,120	6,120
Debt services	-	397	397
Unrestricted	43,243	389,889	433,132
Total cash basis fund balances	\$ 43,243	396,406	439,649

See notes to financial statements.

City of Massena

Notes to Financial Statements

June 30, 2021

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

The City of Massena is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1887 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Massena 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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: Cass County Assessor's Conference Board, Cass County Environmental Control Agency, Cass County Emergency Management Commission, Cass County 911 Joint Service Board, and Cass County Public Safety Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

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

### C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net 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 receipts.

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

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

### D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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

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.

Unassigned – All amounts not included in the preceding classification.

### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the public works, general government, debt service and business type activities functions.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Bonds and Notes Payable**

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 1,208,000	-	418,000	790,000	324,000
Business type activities:					
Direct borrowing:					
Sewer revenue bonds/notes	\$ 126,000	2,970,000	1,493,000	1,603,000	36,617

General Obligation Notes

A summary of the City’s June 30, 2021 general obligation notes payable is as follows:

Year Ending June 30,	Municipal works Issued Jul 25, 2018			Street Improvement Issued Jul 30, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.50%	\$ 103,000	3,605	3.50%	\$ 221,000	24,045
2023		-	-	3.50	229,000	16,310
2024		-	-	3.50	237,000	8,295
Total		\$ 103,000	3,605		\$ 687,000	48,650

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 324,000	27,650	351,650
2023	229,000	16,310	245,310
2024	237,000	8,295	245,295
Total	\$ 790,000	52,255	842,255

On March 30, 2017, the City issued \$400,000 of general obligation notes with an interest rate of 3.00% per annum. The notes were issued for street improvements. During the year ended June 30, 2021, the City paid the remaining \$105,000 of principal and \$3,150 of interest on the notes.

On July 25, 2018, the City issued \$500,000 of general obligation notes with interest rates of 3.50% per annum. The notes were issued for constructing street, storm water drainage and municipal sanitary sewer improvements. During the year ended June 30, 2021, the City paid \$100,000 of principal and \$7,105 of interest on the notes.

On July 30, 2019, the City issued \$900,000 of general obligation notes with an interest rate of 3.50% per annum. The notes were issued for constructing street, curb and gutter, storm water drainage system, municipal waterworks system and municipal sanitary sewer system improvements, constructing improvements to an existing municipal city park, and acquiring and demolishing abandoned, dilapidated, and dangerous structures and the abatement of nuisance. During the year ended June 30, 2021, the City paid \$213,000 of principal and \$31,500 of interest on the notes.

Direct Borrowing – Revenue Notes/Bonds

Year Ending June 30,	Sewer Bonds			Sewer Notes		
	Issued Aug 29, 2014			Issued Jun 3, 2021		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 8,000	2,065	1.375%	\$ 17,468	12,609
2023	1.75	8,000	1,925	1.375	17,710	12,367
2024	1.75	8,000	1,785	1.375	17,955	12,122
2025	1.75	9,000	1,645	1.375	18,203	11,874
2026	1.75	9,000	1,488	1.375	18,455	11,622
2027-2031	1.75	46,000	5,075	1.375	96,180	54,205
2032-2036	1.75	30,000	1,050	1.375	103,020	47,365
2037-2041	-	-	-	1.375	110,347	40,038
2042-2046	-	-	-	1.375	118,196	32,189
2047-2051	-	-	-	1.375	126,603	23,782
2052-2056	-	-	-	1.375	135,608	14,777
2057-2061	-	-	-	1.375	145,255	5,130
Total		\$ 118,000	15,033		\$ 925,000	278,080

Year Ending June 30,	Sewer Notes			Total		
	Issued Jun 3, 2021					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.125%	\$ 11,149	6,243	\$ 36,617	20,917	57,534
2023	1.125	11,275	6,117	36,985	20,409	57,394
2024	1.125	11,403	5,989	37,358	19,896	57,254
2025	1.125	11,532	5,860	38,735	19,379	58,114
2026	1.125	11,662	5,730	39,117	18,840	57,957
2027-2031	1.125	60,320	26,640	202,500	85,920	288,420
2032-2036	1.125	63,808	23,152	196,828	71,567	268,395
2037-2041	1.125	67,499	19,461	177,846	59,499	237,345
2042-2046	1.125	71,402	15,558	189,598	47,747	237,345
2047-2051	1.125	75,532	11,428	202,135	35,210	237,345
2052-2056	1.125	79,900	7,060	215,508	21,837	237,345
2057-2061	1.125	84,518	2,442	229,773	7,572	237,345
Total		\$ 560,000	135,680	\$ 1,603,000	428,793	2,031,793

On August 29, 2014, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance \$230,000 of sewer revenue bonds to provide financing for the construction of improvements to the sewer treatment plant. There were unused proceeds of \$58,052 and \$171,948 as borrowed funds. The bonds bear interest at 1.75% per annum and are payable through 2034. During the year ended June 30, 2021, the City paid principal of \$8,000 and interest of \$2,205 on the bonds.

On October 20, 2020, the City entered into an agreement with FNB Bank for a project anticipation note for \$1,485,000 with interest at 2.50% per annum. The note was issued as interim financing to pay construction costs of a waste sewer treatment plant and will be repaid from the proceeds of future revenue notes. The note is due on or before December 1, 2021. During the year ended June 30, 2021, the City paid principal of \$1,485,000 and interest of \$14,103 on the note.

On June 3, 2021, the City entered into a loan agreement with the United States Department of Agriculture – Rural Development for the issuance of \$925,000 of sewer revenue notes to redeem the project anticipation note previously issued to pay the costs of a waste sewer treatment plant. The notes bear interest at a rate of 1.375%, per annum, and mature in 2061. During the year ended June 30, 2021, no payments were made on the notes.

On June 3, 2021, the City entered into a loan agreement with the United States Department of Agriculture – Rural Development for the issuance of \$560,000 of sewer revenue notes to redeem the project anticipation note previously issued to pay the costs of a waste sewer treatment plant. The notes bear interest at a rate of 1.125%, per annum, and mature in 2061. During the year ended June 30, 2021, no payments were made on the notes.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,485,000 of sewer revenue notes and \$230,000 of sewer revenue notes and bonds issued in June 2021 and August 2014, respectively. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the bonds/notes are expected to require 17% of net receipts. The total principal and interest remaining to be paid on the bonds/notes is \$2,031,793. For the current year, principal and interest paid and total customer net receipts were \$10,205 and \$60,908, respectively.

The resolutions providing for the issuance of the water and sewer revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the bond/note principal and interest payments when due.
- (c) Additionally annual transfer of \$6,120 shall be made to a sewer revenue reserve account within the Enterprise Funds until specific minimum balances have been accumulated in the account. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.



#### **(4) Pension Plan**

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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO 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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-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 the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

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

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

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$13,929.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$115,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.001640%, which was an increase of 0.000011% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$17,678, \$21,992 and \$12,205, respectively.

There were no non-employer contributing entities to IPERS.

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

Rate of inflation (effective June 30, 2017)	2.60% per annum.
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, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

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

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

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

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 employee contributions will be made at the contractually required rate and 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 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 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability	\$ 192,128	115,225	50,743

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).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$45,957 and plan members eligible for benefits contributed \$6,441 to the plan. At June 30, 2021, 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 Massena 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.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>3</u>
Total	<u>3</u>

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 12,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

**(7) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing	\$ 15,000
	Enterprise:	
	Sewer	<u>20,470</u>
		35,470
Special Revenue:		
Road Use Tax	General	8,123
	Capital Projects	<u>8,000</u>
		16,123
Debt Service	Special Revenue:	
	Tax Increment Financing	<u>460,618</u>
Total		<u>\$ 512,211</u>

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

**(8) Interfund Loans**

During the year ended June 30, 2021, the General Fund loaned the Special Revenue, Urban Renewal Tax Increment Fund \$15,000 at no interest. Payments are to be made on the loan in one annual installment due on or before June 1, 2022 to the extent there are incremental tax receipts available which have been allocated to or accrued in the Special Revenue, Urban Renewal Tax Increment Fund. Principal repaid during the year ended June 30, 2021 was \$15,000. The balance of the loan at June 30, 2021 was \$0.

**(9) 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. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Construction Commitments**

The City has entered into a contract with Story Construction in July 2020 for work on the sewer rehabilitation project totaling \$2,744,100. Payments were made of \$1,915,715 as of June 30, 2021. The balance of \$828,385 will be paid as work on the project progresses.

**(11) Deficit Balance**

At June 30, 2021, the Special Revenue, Road Use Tax Fund had a deficit balance of \$22,541. The deficit will be eliminated through future road use tax receipts.

**(12) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Massena, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Massena. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Massena.

**(13) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

**City of Massena**

## **Other Information**



City of Massena  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 140,361	-	140,361
Tax increment financing	822,391	-	822,391
Other city tax	60,381	-	60,381
Licenses and permits	417	-	417
Use of money and property	1,858	109	1,967
Intergovernmental	216,428	738,102	954,530
Charges for service	48,180	254,262	302,442
Miscellaneous	17,982	8,638	26,620
Total receipts	1,307,998	1,001,111	2,309,109
Disbursements:			
Public safety	38,377	-	38,377
Public works	129,042	-	129,042
Health and social services	2,400	-	2,400
Culture and recreation	50,662	-	50,662
Community and economic development	1,152	-	1,152
General government	95,044	-	95,044
Debt service	460,618	-	460,618
Capital projects	41,133	-	41,133
Business type activities	-	3,858,471	3,858,471
Total disbursements	818,428	3,858,471	4,676,899
Excess of receipts over (under) disbursements	489,570	(2,857,360)	(2,367,790)
Other financing sources, net	20,470	2,949,530	2,970,000
Change in balances	510,040	92,170	602,210
Balances beginning of year	591,289	347,479	938,768
Balances end of year	\$ 1,101,329	439,649	1,540,978

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total
		Variance
140,823	202,823	(62,462)
880,725	880,725	(58,334)
41,798	41,798	18,583
1,000	100	317
-	-	1,967
123,919	361,919	592,611
249,498	257,598	44,844
900	26,400	220
<u>1,438,663</u>	<u>1,771,363</u>	<u>537,746</u>
53,840	53,840	15,463
118,265	118,265	(10,777)
2,400	2,400	-
62,880	62,880	12,218
2,695	2,099,695	2,098,543
70,837	70,837	(24,207)
459,825	459,825	(793)
-	165,000	123,867
<u>212,231</u>	<u>212,231</u>	<u>(3,646,240)</u>
<u>982,973</u>	<u>3,244,973</u>	<u>(1,431,926)</u>
455,690	(1,473,610)	(894,180)
-	1,581,537	1,388,463
455,690	107,927	494,283
94,252	1,033,019	(94,251)
<u>549,942</u>	<u>1,140,946</u>	<u>400,032</u>

**City of Massena**

City of Massena

Notes to Other Information – Budgetary Reporting

June 30, 2021

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. 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 activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the 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 \$2,262,000. The budget amendment is reflected in the final budgeted amounts.

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

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City of Massena

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Seven Years\*  
(In Thousands)

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.001640%	0.001630%	0.001628%	0.001168%
City's proportionate share of the net pension liability	\$ 115	94	103	78
City's covered payroll	\$ 134	123	122	90
City's proportionate share of the net pension liability as a percentage of its covered payroll	85.82%	76.42%	84.43%	86.67%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

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2017	2016	2015
0.001186%	0.001244%	0.001265%
75	61	50
85	85	83
88.24%	71.76%	60.24%
81.82%	85.19%	87.61%

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City of Massena

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 14	13	12	11
Contributions in relation to the statutorily required contribution	<u>(14)</u>	<u>(13)</u>	<u>(12)</u>	<u>(11)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 148	134	123	122
Contributions as a percentage of covered payroll*	9.46%	9.70%	9.76%	9.02%

\* Amounts reported do not agree with the calculated amounts due to rounding required contributions and covered payroll to the nearest thousandth.

See accompanying independent auditor's report.

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2017	2016	2015	2014	2013	2012
8	8	8	7	7	6
(8)	(8)	(8)	(7)	(7)	(6)
-	-	-	-	-	-
90	85	85	83	75	74
8.89%	9.41%	9.41%	8.43%	9.33%	8.11%



City of Massena

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

**Supplementary Information**

**Schedule 1**

## City of Massena

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

As of and for the year ended June 30, 2021

	Special Revenue		Total
	Road Use Tax	Employee Benefits	
Receipts:			
Property tax	\$ -	42,678	42,678
Other city tax	-	1,116	1,116
Intergovernmental	52,630	644	53,274
Total receipts	52,630	44,438	97,068
Disbursements:			
Operating:			
Public safety	-	281	281
Public works	75,008	13,741	88,749
Culture and recreation	-	14,179	14,179
General government	-	10,388	10,388
Total disbursements	75,008	38,589	113,597
Excess (deficiency) of receipts over (under) disbursements	(22,378)	5,849	(16,529)
Other financing uses:			
Transfer In	16,123	-	16,123
Change in cash balances	(6,255)	5,849	(406)
Cash balances beginning of year	(16,286)	4,691	(11,595)
Cash balances end of year	\$ (22,541)	10,540	(12,001)
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Other purposes	\$ -	10,540	10,540
Unassigned	(22,541)	-	(22,541)
Total cash basis fund balances	\$ (22,541)	10,540	(12,001)

See accompanying independent auditor's report.

City of Massena  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2021

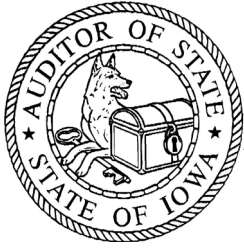
Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 1,682,540
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.218		<u>300,000</u>
Total			<u>\$ 1,982,540</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Massena under programs of the federal government for the year ended June 30, 2021. 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 Massena, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Massena.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – The City of Massena has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Massena, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 1, 2024. Our report expressed modified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Massena's internal control over financial reporting 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 Massena's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Massena's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Massena's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-21 through II-C-21 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-21 and II-E-21 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Massena's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

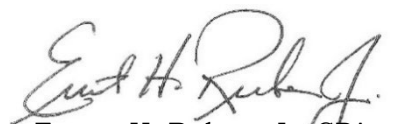
### City of Massena's Responses to the Findings

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

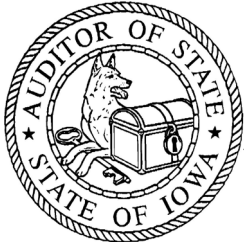
### Purpose of this Report

The purpose of this report 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Massena during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Ernest H. Ruben, Jr., CPA  
Chief Deputy Auditor of State

March 1, 2024



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Auditor of State

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

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Massena, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Massena's major federal program for the year ended June 30, 2021. The City of Massena's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Massena's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Massena's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Massena's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Massena complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.


## Report on Internal Control Over Compliance

The management of the City of Massena is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Massena's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Massena's internal control over compliance.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. 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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

  
Ernest H. Ruben, Jr., CPA  
Chief Deputy Auditor of State

March 1, 2024



City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Part I: Summary of the Independent Auditor's Results:**

- (a) Modified opinions were issued on the governmental activities, the business type activities, and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listings Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Massena did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-21 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 – Generally, one individual has control over the following areas for which no compensating controls exist:

- (1) Cash – handling, reconciling and recording.
- (2) Debt – record keeping, compliance and debt payment processing.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Disbursements – access to credit card, purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Financial reporting – preparing and reconciling.
- (8) Journal entries – preparing and recording.

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 – 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.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – We will review internal controls and implement actions.

Conclusion – Response accepted.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

II-B-21 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances monthly.

Condition – Although bank reconciliations are performed monthly, there is no evidence of independent review of bank reconciliations.

Cause – Policies and procedures do not exist to ensure bank reconciliation reviews are evidenced.

Effect – The lack of review by an independent person could result in undetected errors or unauthorized activity.

Recommendation – An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

Response – We will implement a review of monthly bank reconciliations and sign and have the reviewer sign and date the reconciliation.

Conclusion – Response accepted.

II-C-21 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared monthly.

Cause – Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent accounts.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

Response – We will implement a review of monthly delinquent accounts.

Conclusion – Response acknowledged. The review should be documented by the signature or initials of the reviewer and the date of the review.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

II-D-21 Commercial/Industrial Replacement Tax

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are in integral part of ensuring the reliability and accuracy of the City’s financial statements.

Condition – The City recorded commercial/industrial replacement tax as property tax rather than intergovernmental receipts per the Uniform Chart of Accounts (COA) recommended by the City Finance Committee.

Cause – City procedures have not been established to help ensure receipts are correctly recorded according to the recommended Uniform Chart of Accounts for Iowa City Governments.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and adjustments to the City’s financial statements were necessary.

Recommendation – The City should implement procedures to ensure all receipts are properly recorded.

Response – We will review receipts for proper coding in the future.

Conclusion – Response accepted.

II-E-21 Monthly City Clerk’s Report

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management to effectively perform their fiduciary responsibilities related to City financial management.

Condition – Monthly City Clerk’s reports, including a summary of receipts, disbursements and beginning and ending balances by fund, were not prepared and provided to the City Council for review and approval. In addition, the City Council was not provided a monthly comparison of actual disbursements to the certified budget by function.

Cause – Policies have not been established and procedures have not been implemented to require the City Clerk’s report to the City Council include a summary of receipts, disbursements and beginning and ending balances for each fund and a comparison of total disbursements to the certified budget by function.

Effect – The City Council may not have effective control over budgeted disbursements and the ability to amend the budget on a timely basis. In addition, City Council is not provided the information, including fund balances, needed to make informed financial decisions.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Recommendation – Monthly City Clerk’s reports, including a summary of receipts, disbursements and beginning and ending balances by fund, should be prepared and provided to the City Council for approval. To provide better control over budgeted disbursements and the opportunity for timely amendment to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons of actual disbursements to the certified budget by function.

Response – We will comply and provide appropriate monthly clerk’s reports in the future.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters noted.

**INTERNAL CONTROL DEFICIENCY:**

No material weaknesses in internal controls over compliance were noted.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public works, general government, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will monitor the budget in relation to actual expenses and amend the budget as necessary.

Conclusion – Response accepted.

IV-B-21 Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Iowa Dept. of Commerce, Alcoholic Beverage Division	Liquor license for the Fire Department for a fundraiser	\$ 936

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

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

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

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

IV-D-21 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin McCunn, Council Member, Shareholder, AgriVision	Parts and supplies	\$ 5,102
Drew Williams, Fire Chief, Part Owner of Lefty's Pump and Plumbing	Plumbing work	1,070

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$6,000 during the fiscal year.

IV-E-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-F-21 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.

IV-G-21 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, published meeting minutes did not include total disbursements from each fund or a summary of all receipts.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes, including total disbursements from each fund and a summary of all receipts, within fifteen days of the meeting, as required.

Response – We will comply with the Code of Iowa regarding publications.

Conclusion – Response accepted.

IV-H-21 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted. Although, a resolution naming official depositories was adopted by the City Council, the maximum approved amount was exceeded by \$552,102 during the fiscal year.

Recommendation – The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.



City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Response – The City will approve amounts sufficient to cover anticipated balances in the future.

Conclusion – Response accepted.

IV-I-21 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

IV-J-21 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. The City understated the amount reported as TIF debt outstanding on the fiscal year 2020 Annual Urban Renewal Report (AURR) Levy Authority Summary. A \$1,006,489 TIF bond was excluded from the AURR Levy Authority Summary. In addition, expenditures and the ending fund balance for the Special Revenue, Tax Increment Financing Fund did not agree to City records.

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with City records.

Response – We will comply.

Conclusion – Response accepted.

IV-K-21 Tax Increment Financing (TIF) – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

IV-L-21 Interfund Transfers – Section 545-2 of the Iowa Administrative Code City Finance Committee rules requires “A Fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred.” During the period July 1, 2020 through June 30, 2021, three transfers totaling \$62,342 were not approved by resolution as required.

Recommendation – Interfund transfers should be approved by a resolution as required by Section 545-2 of the Iowa Administrative Code City Finance Committee Rules.

Response – We will comply.

Conclusion – Response accepted.

IV-M-21 Deficit Balance – At June 30, 2021, the City had a deficit balance of \$22,541 in the Special Revenue, Road Use Tax fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – We will work to eliminate the deficit fund balance.

Conclusion – Response accepted.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

IV-N-21 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

Response – We will comply.

Conclusion – Response accepted.

City of Massena

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Chief Deputy  
Ryan J. Pithan, CPA, Manager  
April R. Davenport, Senior Auditor  
Erin J. Sietstra, Senior Auditor  
Maria R. Collins, Staff Auditor  
Kathryn L. Blumer, Staff Auditor  
Kendall L. Miller, Assistant Auditor