



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

Contact: Brian Brustkern
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FOR RELEASE

May 15, 2024

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

FINANCIAL HIGHLIGHTS:

The City's receipts and disbursements totaled \$5,433,903 and \$4,661,772, respectively, for the year ended June 30, 2021.

AUDIT FINDINGS:

Sand reported eleven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 46 through 57 of this report. The findings address issues such as a lack of segregation of duties, the lack of reconciliations of utility billings, collections and delinquent accounts, the lack of adequate review for journal entries, disbursements exceeding budgeted amounts, revenue note compliance, a deficit fund balance and commingling of financial activity between the Nashua Fire Department and Nashua Volunteer Firefighter's Association. 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](#).

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CITY OF NASHUA

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

JUNE 30, 2021

City of Nashua



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Rob Sand
Auditor of State

April 4, 2024

Officials of the City of Nashua
Nashua, 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 Nashua, Iowa, 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 Nashua 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".

Rob Sand
Auditor of State

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City of Nashua

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clinton Betsinger	Mayor	Jan 2022
Tom Johnson	Mayor Pro tem	Jan 2022
Scott Cerwinske	Council Member	Jan 2022
Charles Shelby	Council Member	(Resigned May 2017)
Ashley Ludemann (Appointed Jun 2021)	Council Member	Nov 2021
Alex Anthofer	Council Member	Jan 2024
Harold Kelleher	Council Member	Jan 2024
John Ott	City Clerk/Treasurer	Indefinite
Dave Skilton	Attorney	Indefinite

City of Nashua



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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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nashua, 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 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, the discretely present component unit, each major fund and the aggregate remaining fund information of the City of Nashua 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 Nashua'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 through 3, 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 36 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 April 4, 2024 on our consideration of the City of Nashua'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 Nashua's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

April 4, 2024

City of Nashua

Basic Financial Statements

City of Nashua

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 319,790	-	4,667	80,952
Public works	323,291	-	248,889	-
Health and social services	9,931	-	2,844	-
Culture and recreation	268,178	190,882	21,653	-
Community and economic development	104,465	30,403	92,573	-
General government	120,752	702	6,000	-
Debt service	1,613,067	-	-	-
Capital projects	1,219,245	-	-	1,146,322
Total governmental activities	3,978,719	221,987	376,626	1,227,274
Business type activities:				
Water	213,018	266,979	-	-
Sewer	395,678	387,514	-	-
Storm water	72,460	51,885	-	-
Utility deposits	1,897	4,050	-	-
Total business type activities	683,053	710,428	-	-
Total Primary Government	\$ 4,661,772	932,415	376,626	1,227,274
Component Unit:				
Nashua Volunteer Firefighter's Association	\$ 38,411	-	33,577	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Bank loan proceeds				
Miscellaneous				
Total general receipts				
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:				
Nonexpendable:				
City - Watson Estate				
Library - Watson Estate				
Library - Berrie Estate				
Expendable:				
Streets				
Capital projects				
Debt service				
Local option - Lake/dam				
Local option - Urban revisitation				
Employee benefits				
Asset forfeiture				
Customer deposits				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Nashua Volunteer Firefighter's Association
(234,171)	-	(234,171)	
(74,402)	-	(74,402)	
(7,087)	-	(7,087)	
(55,643)	-	(55,643)	
18,511	-	18,511	
(114,050)	-	(114,050)	
(1,613,067)	-	(1,613,067)	
(72,923)	-	(72,923)	
(2,152,832)	-	(2,152,832)	
-	53,961	53,961	
-	(8,164)	(8,164)	
-	(20,575)	(20,575)	
-	2,153	2,153	
-	27,375	27,375	
\$ (2,152,832)	27,375	(2,125,457)	
			(4,834)
\$ 569,620	-	569,620	-
109,742	-	109,742	-
45,818	-	45,818	-
215,336	-	215,336	-
8,289	-	8,289	-
20,622	436	21,058	-
1,704,933	-	1,704,933	-
126,000	-	126,000	-
96,792	-	96,792	-
2,897,152	436	2,897,588	-
744,320	27,811	772,131	(4,834)
2,161,509	257,828	2,419,337	28,073
\$ 2,905,829	285,639	3,191,468	23,239
\$ 857,051	-	857,051	-
150,451	-	150,451	-
25,156	-	25,156	-
134,638	-	134,638	-
210,321	-	210,321	-
497,303	26,084	523,387	-
240,205	-	240,205	-
446,276	-	446,276	-
126,131	-	126,131	-
2,270	-	2,270	-
-	12,869	12,869	-
216,027	246,686	462,713	23,239
\$ 2,905,829	285,639	3,191,468	23,239

City of Nashua

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

As of and for the year ended June 30, 2021

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 449,106	-	-
Local option sales tax	-	-	215,336
Tax increment financing	-	-	-
Other city tax	1,754	-	-
Licenses and permits	13,680	-	-
Use of money and property	59,263	-	-
Intergovernmental	128,322	248,889	-
Charges for service	156,131	-	-
Miscellaneous	86,575	6,061	-
Total receipts	<u>894,831</u>	<u>254,950</u>	<u>215,336</u>
Disbursements:			
Operating:			
Public safety	300,109	-	-
Public works	142,456	139,933	-
Health and social services	9,931	-	-
Culture and recreation	227,654	-	-
Community and economic development	87,411	-	-
General government	110,657	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>878,218</u>	<u>139,933</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>16,613</u>	<u>115,017</u>	<u>215,336</u>
Other financing sources (uses):			
General obligation note proceeds	-	-	-
General obligation refunding note proceeds	-	-	-
Bank loan proceeds	-	-	-
Transfers in	110,902	-	-
Transfers out	-	-	(215,336)
Total other financing sources (uses)	<u>110,902</u>	<u>-</u>	<u>(215,336)</u>
Change in cash balances	127,515	115,017	-
Cash balances beginning of year	774,993	19,621	-
Cash balances end of year	<u>\$ 902,508</u>	<u>134,638</u>	<u>-</u>
Cash Basis Fund Balances			
Nonspendable:			
City - Watson Estate	\$ -	-	-
Library - Watson Estate	-	-	-
Library - Berrier Estate	-	-	-
Restricted for:			
Streets	-	134,638	-
Capital projects	-	-	-
Debt service	-	-	-
Local option - Lake/dam	240,205	-	-
Local option - Urban revitalization	446,276	-	-
Employee benefits	-	-	-
Other purposes	-	-	-
Unassigned	216,027	-	-
Total cash basis fund balances	<u>\$ 902,508</u>	<u>134,638</u>	<u>-</u>

See notes to financial statements.

Debt Service	Capital Projects	Permanent		Total
		Watson Estate	Nonmajor	
109,742	-	-	117,745	676,593
-	-	-	-	215,336
-	-	-	45,818	45,818
482	-	-	533	2,769
-	-	-	-	13,680
-	-	14,591	1,132	74,986
1,442	1,227,274	-	6,262	1,612,189
-	-	-	-	156,131
-	-	-	1,968	94,604
111,666	1,227,274	14,591	173,458	2,892,106
-	-	-	19,681	319,790
-	-	-	40,902	323,291
-	-	-	-	9,931
-	-	7,810	32,714	268,178
-	-	-	17,054	104,465
-	-	-	10,095	120,752
1,613,067	-	-	-	1,613,067
-	1,219,245	-	-	1,219,245
1,613,067	1,219,245	7,810	120,446	3,978,719
(1,501,401)	8,029	6,781	53,012	(1,086,613)
-	950,000	-	-	950,000
754,933	-	-	-	754,933
126,000	-	-	-	126,000
855,376	-	-	-	966,278
(3,234)	(747,708)	-	-	(966,278)
1,733,075	202,292	-	-	1,830,933
231,674	210,321	6,781	53,012	744,320
110,505	-	1,000,721	255,669	2,161,509
342,179	210,321	1,007,502	308,681	2,905,829
-	-	857,051	-	857,051
-	-	150,451	-	150,451
-	-	-	25,156	25,156
-	-	-	-	134,638
-	210,321	-	-	210,321
342,179	-	-	155,124	497,303
-	-	-	-	240,205
-	-	-	-	446,276
-	-	-	126,131	126,131
-	-	-	2,270	2,270
-	-	-	-	216,027
342,179	210,321	1,007,502	308,681	2,905,829

City of Nashua

City of Nashua

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	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 266,979	387,514	55,935	710,428
Total operating receipts	266,979	387,514	55,935	710,428
Operating disbursements:				
Business type activities	213,018	252,178	74,357	539,553
Total operating disbursements	213,018	252,178	74,357	539,553
Excess (deficiency) of operating receipts over (under) operating disbursements	53,961	135,336	(18,422)	170,875
Non-operating receipts (disbursements):				
Interest on investments	-	436	-	436
Debt service	-	(143,500)	-	(143,500)
Net non-operating receipts (disbursements)	-	(143,064)	-	(143,064)
Change in cash balances	53,961	(7,728)	(18,422)	27,811
Cash balances beginning of year	138,352	119,968	(492)	257,828
Cash balances end of year	\$ 192,313	112,240	(18,914)	285,639
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	26,084	-	26,084
Customer deposits	-	-	12,869	12,869
Unrestricted	192,313	86,156	(31,783)	246,686
Total cash basis fund balances	\$ 192,313	112,240	(18,914)	285,639

See notes to financial statements.

City of Nashua

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The City of Nashua is a political subdivision of the State of Iowa located in Chickasaw and Floyd Counties. It was first incorporated in 1869 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 Nashua 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 Nashua (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Nashua Volunteer Firefighter's Association, Inc. was organized as a nonprofit entity under Chapter 504A of the Code of Iowa. The purpose of the Association is to promote fellowship and brotherhood among members and to provide and support community service activities. The Association is legally separate from the City but is financially accountable to the City, or the relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

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: Chickasaw County Assessor's Conference Board, Watershed Management Authority, Iowa Northland Regional Council of Governments, Floyd-Mitchell-Chickasaw Solid Waste Management Agency, Chickasaw County Emergency Management Commission, Floyd County Joint E911 Service Board and the Chickasaw County E911 Service Board.

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:

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or 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 and all remaining proprietary funds are aggregated and reported as nonmajor proprietary 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 Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the City's local option sales tax (LOST) receipts and related disbursements.

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 Permanent, Watson Estate Fund accounts for gifts made to the City required to be held perpetually with interest earnings to be used for general purposes and for the City's library.

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:

Nonspendable – Amounts which cannot be spent 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.

Unassigned – All amounts not included in the preceding classifications.

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 community and economic development, capital projects and debt service functions prior to a budget amendment and the culture and recreation function at year end.

(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 bond	\$ 472,000	-	53,000	419,000	55,000
General obligation refunding note	-	754,933	543,190	211,743	37,747
General obligation note - direct borrowing	-	950,000	950,000	-	-
Bank loan - direct borrowing	-	126,000	-	126,000	-
Governmental activities total	\$ 472,000	1,830,933	1,546,190	756,743	92,747
Business type activities:					
Sewer revenue bonds - direct borrowing	\$ 1,225,000	-	119,000	1,106,000	123,000
Business-type activities total	\$ 1,225,000	-	119,000	1,106,000	123,000

General Obligation Bond

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

Year	Sewer Improvement		
	Issued Jun 11, 2008		
Ending June 30,	Interest Rates	Principal	Interest
2022	1.75%	\$ 55,000	7,333
2023	1.75	56,000	6,370
2024	1.75	58,000	5,390
2025	1.75	60,000	4,375
2026	1.75	62,000	3,325
2027-2031	1.75	128,000	3,377
Total		\$ 419,000	30,170

On June 11, 2008, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of a \$1,000,000 general obligation sewer improvement bond with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay a portion of the cost of constructing improvements and extensions to the municipal sanitary sewer system. During the year ended June 30, 2021, the City paid principal of \$53,000 and interest of \$8,260 on the bonds. At June 30, 2021 the outstanding principal balance was \$419,000.

General Obligation Dam Improvement Note – Direct Borrowing

On November 17, 2020, the City entered into a loan agreement with First State Bank for a Dam Improvement Note to borrow up to \$1,000,000 to pay the costs of constructing dam repairs. During the year ended June 30, 2021, \$950,000 was drawn on the loan. The loan bears interest at 2.5% per annum and matures in nine annual installments ranging from \$100,457 to \$122,397, with a final maturity date of June 1, 2030. During the year ended June 30, 2021, the City paid principal of \$950,000 and interest of \$9,451 on the loan, paying off the loan in full.

General Obligation Refunding Note

On February 22, 2021, the City issued \$754,933 of general obligation refunding notes with an interest rate of 0% per annum. The notes were issued to pay the costs of constructing dam repairs and refunding all or a portion of the outstanding balance of the general obligation Dam Improvement Note. During the year ended June 30, 2021, the City paid \$543,190 of principal on the bonds. At June 30, 2021 the outstanding principal balance was \$211,743.

Year Ending June 30,	Dam Refunding Issued Feb 22, 2021	
	Interest Rates	Principal
2022	0.00%	\$ 37,747
2023	0.00	37,747
2024	0.00	37,747
2025	0.00	37,747
2026	0.00	37,747
2027	0.00	23,009 *
Total		<u>\$ 211,743</u>

* The City paid down the balance of the note in advance of the scheduled debt payments; therefore, reducing the future payments.

Bank Loan – Direct Borrowing

On June 30, 2021, the City entered into a loan agreement with First State Bank to borrow \$126,000 for a skid loader to be used by the municipal public works department. The agreement requires four annual principal payments with interest at 2.25% per annum paid semi-annually beginning December 1, 2022. For the year ended June 30, 2021, no principal or interest payments were made and the principal balance of the loan at June 30, 2021 was \$126,000.

Annual principal and interest on the bank loan is as follows:

Year Ending June 30,	Skid Loader		
	Interest Rates	Principal	Interest
2022	2.25%	\$ -	2,646
2023	2.25	30,000	2,835
2024	2.25	31,000	2,160
2025	2.25	32,000	1,463
2026	2.25	33,000	743
		<u>\$ 126,000</u>	<u>9,847</u>

Sewer Revenue Bonds – Direct Borrowing

A summary of the City’s June 30, 2021 sewer revenue bonds payable is as follows:

Year Ending June 30,	Sewer		
	Issued Aug 6, 2008		
	Interest Rates	Principal	Interest
2022	3.00%	\$ 123,000	19,355
2023	3.00	127,000	17,203
2024	3.00	132,000	14,980
2025	3.00	136,000	12,670
2026	3.00	140,000	10,290
2027-2031	3.00	448,000	15,837
Total		\$ 1,106,000	90,335

On August 6, 2008, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of \$2,318,000 of sewer revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the sewer system. During the year ended June 30, 2021, the City paid principal of \$119,000 and interest of \$21,438. At June 30, 2021, the outstanding principal balance was \$1,106,000.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,318,000 of sewer revenue bonds issued in August 2008. Proceeds from the bonds provided financing for constructing improvements and extensions to the sewer utility. The bonds are payable solely and only out of the net earnings of the sewer utility system and are payable through 2029. Annual principal and interest payments on the bonds are expected to require approximately 104% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,196,335. For the current year, principal and interest paid and total customer net receipts were \$140,438 and \$135,336, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sewer rates shall be established at a level which produces net receipts at a level not less than 110% of the amount of principal and interest due on the bonds in the same year.
- (c) Sufficient monthly transfers shall be made to a sewer sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (d) A surplus account shall be established and maintained into which there shall be set apart and paid all the net receipts remaining after first making the required payments into the sinking account. All money credited to the surplus account shall be transferred and credited to the sinking account whenever necessary to prevent or remedy a default in the payment of principal or interest on the bonds.

The City’s sewer net receipts for the year ended June 30, 2021 were less than the required 110% of principal and interest due on the bonds.

(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.

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.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month 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%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City’s contributions to IPERS for the year ended June 30, 2021 totaled \$22,994.

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 \$200,614 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 0.002856%, which was an increase of 0.000196% 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 \$36,093, \$46,444 and \$24,767, 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	3.0	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	\$ 360,241	200,614	66,802

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.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and personal day 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, sick leave and personal day 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	\$ 6,587
Sick leave	6,779
Personal	<u>603</u>
Total	<u>\$ 13,969</u>

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

(6) 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:	
	Local Option Sales Tax	\$ 107,668
	Debt Service	<u>3,234</u>
		<u>110,902</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	107,668
	Capital Projects	<u>747,708</u>
		<u>855,376</u>
Total		<u>\$ 966,278</u>

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

(7) 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 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage form 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 property 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 Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$38,869.

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

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 the loss was incurred. As of June 30, 2021, 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.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$1,000,000. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Development Agreement

The City has entered into a development agreement with Cedar Hill Development of Nashua (developer) for the construction of public infrastructure improvements in the urban renewal area. The City agreed to reimburse the developer from TIF collections for a portion of the costs of the public infrastructure improvements once work is completed, up to \$250,000. The agreement also requires a Low and Moderate Income (LMI) assistance set aside. During the year ended June 30, 2021, the City rebated \$17,054 of incremental property tax to the developer. At June 30, 2021, the remaining balance to be paid on the agreement was \$123,000.

(9) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts 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 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, 2021, \$7,264 of property tax was diverted from the City under the urban renewal and economic development agreements.

(10) 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 Nashua, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Nashua. 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 Nashua.

(11) 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.

Other Information

City of Nashua
 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	\$ 676,593	-	676,593
Tax increment financing	45,818	-	45,818
Other city tax	218,105	-	218,105
Licenses and permits	13,680	-	13,680
Use of money and property	74,986	436	75,422
Intergovernmental	1,612,189	-	1,612,189
Charges for service	156,131	710,428	866,559
Miscellaneous	94,604	-	94,604
Total receipts	2,892,106	710,864	3,602,970
Disbursements:			
Public safety	319,790	-	319,790
Public works	323,291	-	323,291
Health and social services	9,931	-	9,931
Culture and recreation	268,178	-	268,178
Community and economic development	104,465	-	104,465
General government	120,752	-	120,752
Debt service	1,613,067	-	1,613,067
Capital projects	1,219,245	-	1,219,245
Business type activities	-	683,053	683,053
Total disbursements	3,978,719	683,053	4,661,772
Excess (deficiency) of receipts over (under) disbursements	(1,086,613)	27,811	(1,058,802)
Other financing sources, net	1,830,933	-	1,830,933
Change in balances	744,320	27,811	772,131
Balances beginning of year	2,161,509	257,828	2,419,337
Balances end of year	\$ 2,905,829	285,639	3,191,468

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
661,929	661,929	14,664
45,000	45,000	818
171,069	211,069	7,036
11,950	11,950	1,730
46,680	61,680	13,742
599,379	1,558,379	53,810
726,350	836,350	30,209
48,300	48,300	46,304
<u>2,310,657</u>	<u>3,434,657</u>	<u>168,313</u>
432,224	801,724	481,934
385,805	450,805	127,514
10,500	10,500	569
249,051	250,296	(17,882)
35,890	175,160	70,695
162,947	162,947	42,195
112,426	1,826,810	213,743
350,000	1,365,000	145,755
707,537	818,537	135,484
<u>2,446,380</u>	<u>5,861,779</u>	<u>1,200,007</u>
(135,723)	(2,427,122)	1,368,320
-	1,754,933	76,000
(135,723)	(672,189)	1,444,320
<u>2,008,285</u>	<u>2,389,277</u>	<u>30,060</u>
<u>1,872,562</u>	<u>1,717,088</u>	<u>1,474,380</u>

City of Nashua

City of Nashua

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, three budget amendments increased budgeted disbursements by \$3,415,399. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the community and economic development, capital projects and debt service functions prior to a budget amendment and the culture and recreation function at year end.

City of Nashua

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

Iowa Public Employees' Retirement System
For the Last Year*
(In Thousands)

Other Information

	<u>2021</u>
City's proportion of the net pension liability	0.002856%
City's proportionate share of the net pension liability	\$ 201
City's covered payroll	\$ 269
City's proportionate share of the net pension liability as a percentage of its covered payroll	74.72%
IPERS' net position as a percentage of the total pension liability	82.90%

* 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.

City of Nashua

Schedule of City Contributions

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

Other Information

	<u>2021</u>
Statutorily required contribution	\$ 23
Contributions in relation to the statutorily required contribution	<u>(23)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered payroll	241
Contributions as a percentage of covered payroll	9.54%
See accompanying independent auditor's report.	

City of Nashua

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 Nashua

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			Permanent	Total
	Employee Benefits	Tax Increment Financing	Asset Forfeiture	Library Berrier Estate	
Receipts:					
Property tax	\$ 117,745	-	-	-	117,745
Tax increment financing	-	45,818	-	-	45,818
Other city tax	533	-	-	-	533
Use of money and property	-	606	-	526	1,132
Intergovernmental	6,262	-	-	-	6,262
Miscellaneous	1,968	-	-	-	1,968
Total receipts	126,508	46,424	-	526	173,458
Disbursements:					
Operating:					
Public safety	19,681	-	-	-	19,681
Public works	40,902	-	-	-	40,902
Culture and recreation	32,266	-	-	448	32,714
Community and economic development	-	17,054	-	-	17,054
General government	10,095	-	-	-	10,095
Total disbursements	102,944	17,054	-	448	120,446
Change in cash balances	23,564	29,370	-	78	53,012
Cash balances beginning of year	102,567	125,754	2,270	25,078	255,669
Cash balances end of year	\$ 126,131	155,124	2,270	25,156	308,681
Cash Basis Fund Balances					
Nonspendable - Library Berrier Estate	\$ -	-	-	25,156	25,156
Restricted for:					
Employee benefits	126,131	-	-	-	126,131
Debt service	-	155,124	-	-	155,124
Other purposes	-	-	2,270	-	2,270
Total cash basis fund balances	\$ 126,131	155,124	2,270	25,156	308,681

See accompanying independent auditor's report.

City of Nashua

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

As of and for the year ended June 30, 2021

	Enterprise		
	Utility Deposit	Storm Water	Total
Operating receipts:			
Charges for service	\$ 4,050	51,885	55,935
Operating disbursements:			
Business type activities	1,897	72,460	74,357
Change in cash balances	2,153	(20,575)	(18,422)
Cash balances beginning of year	10,716	(11,208)	(492)
Cash balances end of year	<u>\$ 12,869</u>	<u>(31,783)</u>	<u>(18,914)</u>
Cash Basis Fund Balances			
Restricted for:			
Customer deposits	12,869	-	12,869
Unrestricted	-	(31,783)	(31,783)
Total cash basis fund balances	<u>\$ 12,869</u>	<u>(31,783)</u>	<u>(18,914)</u>

See accompanying independent auditor's report.

City of Nashua

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

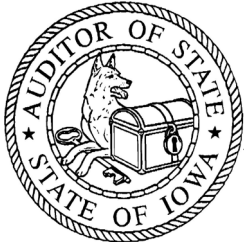
Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Homeland Security Assistance to Firefighters Grant	97.044	EMW-2018-FV-00210	\$ 80,952
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-OT-056	\$ 4,987
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	18-HSG-018	<u>83,729</u>
			88,716
U.S. Department of Treasury:			
Iowa Department of Revenue:			
COVID-19, Coronavirus Relief Fund	21.019		37,765
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4289-DRIA	<u>1,011,460</u>
Total indirect			<u>1,137,941</u>
Total			<u>\$ 1,218,893</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Nashua 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 Nashua, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Nashua.

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 Nashua has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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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, the discretely presented component unit, each major fund and the aggregate remaining fund information of Nashua, 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 April 4, 2024. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than the U.S. generally accepted accounting principles. Our report expressed modified opinions on governmental activities, business type activities, the discretely presented component unit, 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 Nashua'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 Nashua's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Nashua'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 Nashua'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 through II-F-21 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nashua'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 Nashua's Responses to the Findings

The City of Nashua's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Nashua'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

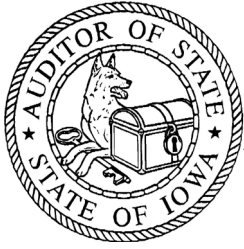
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance 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 Nashua 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

April 4, 2024



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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 Nashua, 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 Nashua's major federal program for the year ended June 30, 2021. The City of Nashua'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 Nashua'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 Nashua'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 Nashua's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Nashua 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 Nashua 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 Nashua’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 Nashua’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.



Brian R. Brustkern, CPA
Deputy Auditor of State

April 4, 2024

City of Nashua

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, the discretely presented component unit, each major fund 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 any 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 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Nashua did not qualify as a low-risk auditee.

City of Nashua

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 or two individuals have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performing all accounting functions, including journal entries and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement functions, handling and recording cash and reconciling.
- (3) Investments – custody and recordkeeping.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Receipts – collecting, depositing, recording, reconciling and posting.
- (6) Utility receipts – billing, collecting, depositing and posting.
- (7) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (8) Payroll – recordkeeping, preparing and distributing.
- (9) Financial reporting – preparing, reconciling and distributing.
- (10) Incoming mail is opened by employees authorized to make entries to accounting records and no initial listing is prepared.
- (11) Restrictive endorsement is not placed on incoming checks until deposit preparation.

For the Water Over the Dam Committee and Nashua Volunteer Firefighter’s Association, one individual has control over each of the following areas:

- (1) Cash and investments – handling and recording cash and investing.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – posting, reconciling and check writing.

For the Welcome Center, one individual has access to cash and records sales transactions.

City of Nashua

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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 – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of financial transactions, reconciliations and financial reports. The independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

City and Water Over the Dam Committee – The City started requiring two people to review transactions and reports. The Water Over the Dam Committee’s transactions and bank statements are now brought to the City for review and reconciliation. We are working on building our processes to improve our segregation and financial controls.

Nashua Volunteer Firefighter’s Association – The Association will use a rotation of two association members each month to review transactions and initial invoices. This is like the City Mayor/Council review of transactions.

Welcome Center – Various volunteers are responsible for handling and balancing cash, tracking vendor sales, recording and reconciling receipts and making deposits. Processes will be reviewed to obtain maximum segregation of duties.

Conclusion – Responses accepted.

II-B-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 – Although the City prepares a monthly reconciliation of utility billings, collections and delinquent accounts, there was no evidence the reconciliations were reviewed by an independent person.

Cause – Policies have not been established and procedures have not been implemented to ensure reconciliations of utility billings, collections and delinquent accounts are reviewed by an independent person.

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

City of Nashua

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Recommendation – Procedures should be established to ensure the reconciliations of utility billings, collections and delinquent accounts are reviewed by an independent person. The review should be documented by the signature or initials of the reviewer and the date of the review.

Response – We are working on implementing processes and procedures to correct this deficiency. We will be presenting this information to the Mayor and/or Council monthly.

Conclusion – Response accepted.

II-C-21 Journal Entries

Criteria – Supporting documentation for all journal entries supports the accuracy of the entries by employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Eight of ten journal entries tested did not have evidence of independent review.

Cause – The City has a limited number of employees and procedures have not been designed to document the review and approval ensure the review and approval of journal entries is clearly documented.

Effect – Lack of independent approval of transactions 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 – To strengthen controls, support for journal entries should be provided to the reviewer for approval by an independent person.

Response – These eight journal entries were errors and corrections and in the past I didn't know how to get the information, but we are working on resolving the issue. Every month I print off an errors and corrections report along with the supporting documents and present it to the Mayor and/or Council for review.

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

II-D-21 Water Over the Dam Committee and Nashua Volunteer Firefighter's Association – Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly bank statements to the book balance to ensure the accuracy of the book balance.

Condition – Bank reconciliations were not prepared during the year ended June 30, 2021.

Cause – Policies have not been established and procedures have not been implemented to reconcile monthly bank statements to ensure the accuracy of the book balance.

City of Nashua

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Effect – Lack of monthly bank to book reconciliations can result unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – To improve financial accountability and control, the Water Over the Dam Committee and the Nashua Volunteer Firefighter’s Association should ensure monthly bank reconciliations are prepared, retained and reviewed by an independent person and the review is documented by the signature or initials of the reviewer and the date of the review.

Responses -

Water Over the Dam Committee – The City of Nashua started reconciling the monthly bank statements in July 2022 for the Water Over the Dam Committee (Nashua Civic League).

Nashua Volunteer Firefighter’s Association – The Association will use a third party to reconcile monthly bank statements. The third party will sign off on the reconciliation.

Conclusion – Responses accepted.

II-E-21 Water Over the Dam Committee – Debit Card

Criteria – Internal controls over safeguarding assets constitutes a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The Water Over the Dam Committee has a debit card available for use for Committee business. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. Significant risks exist with the mishandling or theft of debit cards as they provide no additional safeguards or audit trail for purchases.

Cause – Officials have been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

Recommendation – The City Council should prohibit the use of a debit card for City purchases.

Response – The City has talked to the Water Over the Dam Committee about the issue. The Committee will get rid of their debit card and switch to a credit card.

Conclusion – Response acknowledged. A formal written policy should be adopted to regulate the use of credit cards and procedures should be established for the proper accounting of credit card charges.

City of Nashua

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

II-F-21 Nashua Volunteer Firefighter's Association - Disbursements

Criteria – Disbursements should be properly supported by invoices or other supporting documentation. Supporting documentation should be cancelled to prevent reuse.

Condition – Of five disbursements tested, three disbursements were not properly supported by invoices or other supporting documentation. In addition, for four of five disbursements tested, the supporting documentation was not cancelled to prevent reuse.

Cause – The Nashua Volunteer Firefighter's Association policies and procedures do not require proper documentation to be maintained for disbursements or invoices to be cancelled upon payment.

Effect – Lack of supporting documentation for all disbursements could result in unauthorized and unsupported transactions and the opportunity for misappropriation. Lack of cancellation could lead to invoices being paid more than once.

Recommendation – The Nashua Volunteer Firefighter's Association should maintain support for all disbursements in the future. Supporting documentation should be cancelled to prevent reuse.

Response – When an invoice is paid the Association will keep invoices with "PAID" written on them as supporting documentation and ensure invoices are not paid twice or reused.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Nashua

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major federal program were noted.

City of Nashua

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 amount budgeted in the culture and recreation function. Also, disbursements exceeded the amounts budgeted in the community and economic development, capital projects and debt service functions prior to a budget amendment.

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 – The City will continue to improve its processes to ensure that public monies are not spent without appropriation. The City will continue to work on procedures to remove these deficiencies.

Conclusion – Response accepted.

IV-B-21 Questionable Disbursements – No disbursement we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 were noted.

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

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
Clinton Betsigner, Mayor, Owner Nashua Plumbing & Heating	Plumbing and heating	\$ 2,611

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Mayor do not appear to represent a conflict of interest since the total transactions 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.

City of Nashua

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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.

IV-I-21 Revenue Notes – The sewer revenue bond resolution requires sewer user rates be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year. During the year ended June 30, 2021, the City was not in compliance with the net receipt requirement of the sewer revenue bond resolution.

Recommendation – The City should ensure sewer user rates are established at a level which produces net receipts of 110% of the annual principal and interest payments on the bonds.

Response – Speer Financial ran a pro forma for the City when we were looking at doing a street, water, sewer, project and she concluded that based on our current service fees we should not run into the issue of not having operating receipts to be sufficient for revenue and compliance.

Conclusion – Response acknowledged. The City should ensure net operating receipts for the Enterprise, Sewer Fund, are sufficient to make required debt service payments and comply with the revenue note resolution.

IV-J-21 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.

IV-K-21 Financial Condition – At June 30, 2021, the City had a deficit balance of \$31,784 in the Enterprise, Storm Water Utility Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response – The Enterprise, Storm Water Utility Fund was recently started and so it did not have any funds, so it had a negative balance due to expenses. We will work to put processes and procedures in place so that we do not have a deficient balance.

Conclusion – Response accepted.

IV-L-21 Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The Water Over the Dam Committee maintains bank accounts for fundraiser and donation activity separate from the City Clerk’s accounting records. While this Committee is part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

City of Nashua

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account's receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Water Over the Dam Committee separate accounts should be integrated with the City's accounting records in the City Clerk's office. The financial activity should be included in the City Clerk's accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City's budget process. Also, a summary of each account's receipts, total disbursements and listing of claims allowed each month should be published, as required.

Response – We have been working on this process to link the Water Over the Dam Committee funds with the cities and include it in with the City budget. For fiscal year 2021 we started verifying transactions and reconciling bank statements monthly and for fiscal year 2022 the Committee's funds were incorporated into the City budget.

Conclusion – Response accepted.

IV-M-21 Nashua Volunteer Firefighter's Association

Background:

Chapter 364.16 of the Code of Iowa requires the City to provide for the protection of life and property against fire. This section also states in part, "A City has the same governmental immunity outside its corporate limits when providing fire protection as when operating within the corporate limits." The City has established a City Fire Department under the City's Code of Ordinances and has appointed a Fire Chief to head this Department.

Chapter 35 of the City's Code of Ordinances establishes a volunteer Fire Department (Nashua Fire and Rescue) within the City. The ordinance establishes the Fire Chief, including his/her duties, and such other personnel as may be authorized by the City Council.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private nonprofit corporations or using public property for private purposes. Article III, Section 31 of the Constitution of the State of Iowa states "... no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly."

City of Nashua

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Year ended June 30, 2021

The Nashua Volunteer Firefighter's Association (Association) is a private nonprofit organization established as a 501(c)(3) nonprofit corporation whose purpose, as set out in its articles of incorporation, is to further charitable, educational, religious or scientific pursuits.

We noted the following regarding the blending of operations and commingling of financial activity:

- (1) The City's appointed Fire Department Chief is in charge of the City Volunteer firefighters and is the President of the Association, making the lines of separation between the government (City) and the private Association unclear.
- (2) Organizations established as 501(c)(3) nonprofit corporations are typically created to further charitable pursuits, not to provide a service or act as a vendor in providing a service such as fire protection. Legally separate nonprofit organizations typically exist to support a City government in carrying out its responsibility to provide fire protection. These nonprofit organizations provide this support by holding various fund raisers and collecting donations to help provide funds to purchase equipment and other items needed by the City to carry out its duties. Funds in these situations flow from the nonprofit organization to the City in compliance with the Iowa Constitution. In some cases, it appears the Association has replaced or supplanted duties typically carried out by the City Fire Department. While it is appropriate for the Association to support the City Fire Department's operations, it should not replace or supplant those duties.
- (3) Nashua Fire Department, Nashua Fire and Rescue and Nashua Volunteer Firefighter's Association are used interchangeably in regards to fundraising, advertising, grants and donations/bequests, causing the commingling of financial activity. For example:
 - a. Various checks from the Nashua Rural Fire Company were written out to the Nashua Fire Department and deposited by the Association for grant writing fees, reimbursement of a 5% grant match and the purchase of new equipment.
 - b. An insurance reimbursement for the repairs of two damaged boats and replacement of damaged equipment used for fire protection services was written out to the City and deposited by the Association.
 - c. The Nashua Fire Department logo is used for fundraising advertisements with donations being directed toward the Association.
 - d. The Association has applied for and received various grants in the name of the Fire Department, in one case using City equipment as collateral.
 - e. A bequest made to the Nashua Fire Department was deposited by the Association.
 - f. The City is paying an annual stipend of \$200.00 per firefighter to the Association, which is then allocated to each firefighter based on the number of calls they attend. Payments to the volunteer firefighters should be paid by the Fire Department.

City of Nashua

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

- g. The City entered into a contract with Nashua Rural Fire Company for the mutual benefit and fire protection of several townships. Per the contract, “the Rural Fire Company shall pay the Nashua Volunteer Fire Department for each rural fire said Department is summoned to and attends in the rural district”. Once a year the Company is paying \$200.00 per fire call to the Association, not the Fire Department.

Recommendation – The Association should support or supplement the Fire Department’s operations rather than replace or supplant those duties. Specifically, the operations of the Fire Department should be consistently distinct from those of the Association. The Fire Department and Nashua Volunteer Firefighter’s Association should take the necessary steps to ensure their operations and financial activity are not commingled with each other. Controls should also be established which provide assurance City and/or Fire Department collections are properly deposited by the Department in the future and not the Association.

Responses –

City – In February of 2022, the Mayor and City Council put together a Corrective Action Plan for the Fire Department and Fire Association to further delineate between the two entities and to work towards better communication, checks and balances, and record transparency. This corrective action plan and the responses have been provided to the State of Iowa Auditor’s Office for review. The City has asked for banking information from the Nashua Volunteer Firefighter’s Association to be shared with the City of Nashua for better checks and balances and transparency; however, we received a response from the Association’s attorney stating that the Association is a separate entity and has no responsibility to file any bank reconciliation, statements, or so forth with the City of Nashua. The Attorney also requested, to the extent that you have specific and applicable legal authority with either respect to the Code of Iowa or case(s) decided by the State of Iowa Supreme Court stating otherwise, we would ask that you forward them to us for further review and discussion with our client. The response from the Association’s attorney has also been shared with the State of Iowa Auditor’s Office.

Nashua Volunteer Firefighter’s Association – The Association has changed our fundraiser advertising, using Nashua Volunteer Firefighter’s Association. The City of Nashua and the Nashua Rural Fire Company 28E agreement says the Company will pay the City of Nashua \$200 per incident. All stipends to the volunteer firefighters will come through the fire department overseen by the City of Nashua. The revised 28E Agreement between the City of Nashua and the Company addresses future payments from the Company to the City. Donations given and written to the Nashua Fire Department will be brought to the City of Nashua for deposit. Future grants written for the City of Nashua will be discussed and approved by the City’s Mayor/Council. Future bequests that are written to the fire department will be given to the City of Nashua for deposit and administration.

Conclusion – Responses accepted.

City of Nashua

Staff

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