



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
515/281-5834

FOR RELEASE

May 21, 2024

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$3,210,690 for the year ended June 30, 2022, a 15.1% decrease from the prior year. Disbursements for the year ended June 30, 2022 totaled \$2,335,391, a 26.5% decrease from the prior year. The significant decrease in receipts and disbursements is due primarily to the completion of the sewer plant project in FY22 and the grants and loans received for the project in the prior years.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and disbursement of taxpayer funds. They are found on pages 49 through 55 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, and disbursements exceeding budgeted amounts and a deficit fund balance. Sand provided the City with recommendations to address each of the findings.

Seven of the eight findings discussed above are repeated from the prior year. 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 MASSENA

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

JUNE 30, 2022

City of Massena



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Rob Sand
Auditor of State

April 24, 2024

Officials of the City of Massena
Massena, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Massena for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Massena

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Przychodzin	Mayor	Jan 2022
Jackson Bissell	Council Member	Jan 2022
Doug Venteicher	Council Member	Jan 2022
Micah Lee	Council Member	Jan 2024
Adam McCunn	Council Member	Jan 2024
Kevin McCunn	Council Member	Jan 2024
Shana Platt	City Clerk/Treasurer	(Resigned Oct 2021)
Leslie James (Hired Oct 2021)	City Clerk/Treasurer	Indefinite
Justin Hockenberry	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Przychodzin	Mayor	Jan 2026
Micah Lee	Council Member	Jan 2024
Adam McCunn	Council Member	Jan 2024
Kevin McCunn	Council Member	Jan 2024
Jackson Bissell	Council Member	Jan 2026
Doug Venteicher	Council Member	Jan 2026
Leslie James	City Clerk/Treasurer	Indefinite
Justin Hockenberry	Attorney	Indefinite

City of Massena



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Massena, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Massena as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

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

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Massena’s basic financial statements. We previously audited, in accordance with the standards referred to in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of this report, the financial statements for the one year ended June 30, 2021 (which is not presented herein) and expressed a modified opinion on those financial statements which were prepared on the cash basis of accounting. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 28 through 36 but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 24, 2024 on our consideration of the City of Massena’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Massena’s internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

April 24, 2024

City of Massena

Basic Financial Statements

City of Massena

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 45,106	187	76,882	-
Public works	122,212	45,572	38,051	-
Health and social services	2,400	-	-	-
Culture and recreation	69,618	-	20,808	-
Community and economic development	1,325	-	-	-
General government	74,538	1,869	-	-
Debt service	407,183	-	-	-
Capital projects	210,252	-	-	-
Total governmental activities	932,634	47,628	135,741	-
Business type activities:				
Water	132,425	124,673	-	-
Sewer	1,270,332	156,692	-	890,012
Total business type activities	1,402,757	281,365	-	890,012
Total	\$ 2,335,391	328,993	135,741	890,012

General Receipts:

Property and other city tax levied for:
 General purposes
 Tax increment financing
 Local option sales tax
 Commercial/industrial tax replacement
 American Rescue Plan Act
 Unrestricted interest on investments
 Note proceeds
 Miscellaneous
 Sale of capital assets
 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:
 Expendable:
 Capital projects
 Debt service
 Other purposes
 Unrestricted

Total cash basis net position

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
31,963	-	31,963
(38,589)	-	(38,589)
(2,400)	-	(2,400)
(48,810)	-	(48,810)
(1,325)	-	(1,325)
(72,669)	-	(72,669)
(407,183)	-	(407,183)
(210,252)	-	(210,252)
(749,265)	-	(749,265)
-	(7,752)	(7,752)
-	(223,628)	(223,628)
-	(231,380)	(231,380)
(749,265)	(231,380)	(980,645)
\$ 152,693	-	152,693
827,310	-	827,310
65,502	-	65,502
76,170	-	76,170
15,164	9,956	25,120
1,258	76	1,334
700,000	-	700,000
3,208	1,007	4,215
3,600	-	3,600
1,844,905	11,039	1,855,944
1,095,640	(220,341)	875,299
1,101,329	439,649	1,540,978
\$ 2,196,969	219,308	2,416,277
580,545	12,240	592,785
1,310,161	4,764	1,314,925
17,513	-	17,513
288,750	202,304	491,054
\$ 2,196,969	219,308	2,416,277

City of Massena

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

As of and for the year ended June 30, 2022

	<u>Special Revenue</u>		
	General	Urban Renewal Tax Increment	Debt Service
Receipts:			
Property tax	\$ 94,174	-	-
Local option sales tax	48,468	-	-
Tax increment financing	-	827,310	-
Other city tax	8,877	-	-
Licenses and permits	1,869	-	-
Use of money and property	1,258	-	-
Intergovernmental	114,691	73,622	-
Charges for service	45,759	-	-
Miscellaneous	3,208	-	-
Total receipts	<u>318,304</u>	<u>900,932</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	44,907	-	-
Public works	37,519	-	-
Health and social services	2,400	-	-
Culture and recreation	50,666	-	-
Community and economic development	1,325	-	-
General government	68,600	-	-
Debt service	-	-	407,183
Capital projects	667	-	-
Total disbursements	<u>206,084</u>	<u>-</u>	<u>407,183</u>
Excess (deficiency) of receipts over (under) disbursements	<u>112,220</u>	<u>900,932</u>	<u>(407,183)</u>
Other financing sources (uses):			
General obligation note proceeds	-	-	-
Sale of capital assets	1,100	-	-
Transfers in	-	-	407,183
Transfers out	(12,000)	(407,183)	-
Total other financing sources (uses)	<u>(10,900)</u>	<u>(407,183)</u>	<u>407,183</u>
Change in cash balances	101,320	493,749	-
Cash balances beginning of year	219,822	816,412	-
Cash balances end of year	<u>\$ 321,142</u>	<u>1,310,161</u>	<u>-</u>
Cash Basis Fund Balances			
Restricted for:			
Capital projects	-	-	-
Debt service	-	1,310,161	-
Other purposes	-	-	-
Unassigned	321,142	-	-
Total cash basis fund balances	<u>\$ 321,142</u>	<u>1,310,161</u>	<u>-</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	48,508	142,682
17,034	-	65,502
-	-	827,310
-	1,134	10,011
-	-	1,869
-	-	1,258
-	38,762	227,075
-	-	45,759
-	-	3,208
17,034	88,404	1,324,674
-	199	45,106
-	84,693	122,212
-	-	2,400
-	18,952	69,618
-	-	1,325
-	5,938	74,538
-	-	407,183
209,585	-	210,252
209,585	109,782	932,634
(192,551)	(21,378)	392,040
700,000	-	700,000
-	2,500	3,600
-	16,000	423,183
(4,000)	-	(423,183)
696,000	18,500	703,600
503,449	(2,878)	1,095,640
77,096	(12,001)	1,101,329
580,545	(14,879)	2,196,969
580,545	-	580,545
-	-	1,310,161
-	17,513	17,513
-	(32,392)	288,750
580,545	(14,879)	2,196,969

City of Massena

City of Massena

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

As of and for the year ended June 30, 2022

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 124,673	156,692	281,365
Miscellaneous	1,007	-	1,007
Total operating receipts	125,680	156,692	282,372
Operating disbursements:			
Business type activities	106,106	97,674	203,780
Excess of operating receipts over operating disbursements	19,574	59,018	78,592
Non-operating receipts (disbursements):			
USDA grant	-	890,012	890,012
American Rescue Plan Act	-	9,956	9,956
Interest on investments	76	-	76
Debt service	-	(10,065)	(10,065)
Capital outlay	(26,319)	(1,162,593)	(1,188,912)
Net non-operating receipts (disbursements)	(26,243)	(272,690)	(298,933)
Deficiency of receipts under disbursements	(6,669)	(213,672)	(220,341)
Cash balances beginning of year	43,243	396,406	439,649
Cash balances end of year	\$ 36,574	182,734	219,308
Cash Basis Fund Balances			
Restricted for:			
Capital improvements	\$ -	12,240	12,240
Debt services	-	4,764	4,764
Unrestricted	36,574	165,730	202,304
Total cash basis fund balances	\$ 36,574	182,734	219,308

See notes to financial statements.

City of Massena

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of Massena has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cass County Assessor's Conference Board, Cass County Environmental Control Agency, Cass County Emergency Management Commission, Cass County 911 Joint Service Board, and Cass County Public Safety Commission.

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the culture and recreation, general government, debt service, capital projects and business type activities functions.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to 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 evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchases 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, 2022 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 790,000	700,000	324,000	1,166,000	340,000
Business type activities:					
Direct borrowing:					
Sewer revenue bonds/notes	\$ 1,603,000	-	36,617	1,566,383	36,985

General Obligation Notes

A summary of the City’s June 30, 2022 general obligation notes payable is as follows:

Year	Street Improvement			Waterworks		
	Ending June 30,	Issued Jul 30, 2019		Issued Nov 23, 2021		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	3.50%	\$ 229,000	16,310	2.00%	\$ 70,000	8,820
2024	3.50	237,000	8,295	2.00	71,000	7,420
2025		-	-	2.00	73,000	6,000
2026		-	-	2.00	74,000	4,540
2027		-	-	2.00	76,000	3,060
2028		-	-	2.00	77,000	1,540
Total		\$ 466,000	24,605		\$ 441,000	31,380

Year	Nuisance Abatement			Total		
	Ending June 30,	Issued Nov 23, 2021		Principal	Interest	Total
	Interest Rates	Principal	Interest			
2023	2.25%	\$ 41,000	5,827	\$ 340,000	30,957	370,957
2024	2.25	42,000	4,905	350,000	20,620	370,620
2025	2.25	43,000	3,960	116,000	9,960	125,960
2026	2.25	44,000	2,993	118,000	7,533	125,533
2027	2.25	44,000	2,003	120,000	5,063	125,063
2028	2.25	45,000	1,012	122,000	2,552	124,552
Total		\$ 259,000	20,700	\$ 1,166,000	76,685	1,242,685

On July 30, 2019, the City issued \$900,000 of general obligation notes with an interest rate of 3.50% per annum. The notes were issued for constructing street, curb and gutter, storm water drainage system, municipal waterworks system and municipal sanitary sewer system improvements, constructing improvements to an existing municipal city park, and acquiring and demolishing abandoned, dilapidated, and dangerous structures and the abatement of nuisance. During the year ended June 30, 2022, the City paid \$221,000 of principal and \$24,045 of interest on the notes.

On November 23, 2021, the City issued \$441,000 of general obligation notes with an interest rate of 2% per annum. The notes were issued for constructing improvements to the municipal waterworks utility system. During the year ended June 30, 2022, the City paid \$4,606 of interest on the notes.

On November 23, 2021, the City issued \$259,000 of general obligation notes with an interest rate of 2.25% per annum. The notes were issued for undertaking nuisance abatement and/or acquisition, demolition and restoration of dangerous and dilapidated buildings. During the year ended June 30, 2022, the City paid \$3,043 of interest on the notes.

Direct Borrowing – Revenue Notes/Bonds

Year Ending June 30,	Sewer			Sewer		
	Issued Aug 29, 2014			Issued Jun 3, 2021		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	1.75%	\$ 8,000	1,925	1.375%	\$ 17,710	12,367
2024	1.75	8,000	1,785	1.375	17,955	12,122
2025	1.75	9,000	1,645	1.375	18,203	11,874
2026	1.75	9,000	1,488	1.375	18,455	11,622
2027	1.75	9,000	1,330	1.375	18,711	11,366
2028-2032	1.75	47,000	4,270	1.375	97,510	52,875
2033-2037	1.75	20,000	525	1.375	104,445	45,940
2038-2042	-	-	-	1.375	111,874	38,511
2043-2047	-	-	-	1.375	119,831	30,554
2048-2052	-	-	-	1.375	128,355	22,030
2053-2057	-	-	-	1.375	137,484	12,901
2058-2061	-	-	-	1.375	116,999	3,309
Total		\$ 110,000	12,968		\$ 907,532	265,471

Year Ending June 30,	Sewer			Totals		
	Issued Jun 3, 2021					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	1.125%	\$ 11,275	6,117	\$ 36,985	20,409	57,394
2024	1.125	11,403	5,989	37,358	19,896	57,254
2025	1.125	11,532	5,860	38,735	19,379	58,114
2026	1.125	11,662	5,730	39,117	18,840	57,957
2027	1.125	11,794	5,598	39,505	18,294	57,799
2028-2032	1.125	61,002	25,958	205,512	83,103	288,615
2033-2037	1.125	64,530	22,430	188,975	68,895	257,870
2038-2042	1.125	68,262	18,698	180,136	57,209	237,345
2043-2047	1.125	72,210	14,750	192,041	45,304	237,345
2048-2052	1.125	76,386	10,574	204,741	32,604	237,345
2053-2057	1.125	80,803	6,157	218,287	19,058	237,345
2058-2061	1.125	67,992	1,576	184,991	4,885	189,876
		<u>\$ 548,851</u>	<u>129,437</u>	<u>\$ 1,566,383</u>	<u>407,876</u>	<u>1,974,259</u>

On August 29, 2014, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$230,000 of sewer revenue bonds to provide financing for the construction of improvements to the sewer treatment plant. There were unused proceeds of \$58,052 and \$171,948 as borrowed funds. The bonds bear interest at 1.75% per annum and are payable through 2034. During the year ended June 30, 2022, the City paid principal of \$8,000 and interest of \$2,065 on the bonds.

On June 3, 2021, the City entered into a loan agreement with the United States Department of Agriculture – Rural Development for the issuance of \$925,000 of sewer revenue notes to redeem the project anticipation note previously issued to pay the costs of a waste sewer treatment plant. The notes bear interest at a rate of 1.375%, per annum, and mature in 2061. During the year ended June 30, 2022, the City paid principal of \$17,468 and interest of \$12,609 on the notes.

On June 3, 2021, the City entered into a loan agreement with the United States Department of Agriculture – Rural Development for the issuance of \$560,000 of sewer revenue notes to redeem the project anticipation note previously issued to pay the costs of a waste sewer treatment plant. The notes bear interest at a rate of 1.125%, per annum, and mature in 2061. During the year ended June 30, 2022, the City paid principal of \$11,149 and interest of \$6,243 on the notes.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,485,000 of sewer revenue notes and \$230,000 of sewer revenue notes and bonds issued in June 2021 and August 2014, respectively. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the bonds/notes are expected to require 97.5% of net receipts. The total principal and interest remaining to be paid on the bonds/notes is \$1,974,259. For the current year, principal and interest paid and total customer net receipts were \$57,534 and \$59,018, respectively.

The resolution providing for the issuance of the sewer revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the bond/note principal and interest payments when due.
- (c) Additionally annual transfer of \$6,120 shall be made to a sewer revenue reserve account within the Enterprise Funds until specific minimum balances have been accumulated in the account. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

(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.

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 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City’s contributions to IPERS for the year ended June 30, 2022 totaled \$14,513.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$2,549 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City’s proportion of the overall plan net pension asset was (0.000738%), which was a decrease of 0.002378% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(8,861), \$16,773 and \$107,455, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

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

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

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

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 (asset).

Sensitivity of City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) 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.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 90,205	2,549	(70,913)

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) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$41,713 and the plan members eligible for benefits contributed \$5,807 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2022, the following employees were covered by the benefit terms:

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

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2022, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 4,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Road Use Tax	General	\$ 12,000
	Capital Projects	4,000
		<u>16,000</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>407,183</u>
Total		<u>\$ 423,183</u>

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

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Deficit Balance

At June 30, 2022, the Special Revenue, Road Use Tax Fund had a deficit balance of \$32,392. The deficit will be eliminated through future road use tax receipts.

(10) Subsequent Events

In November 2022, the City approved Resolution 22-22 whereas, the City will use up to \$112,000 of unspent proceeds from the City's prior issuance of \$1,485,000 Taxable Sewer Revenue Notes, Series 2021, dated June 3, 2021 to refund the remaining Sewer Revenue Bond, SRF Series 2014, dated August 29, 2014. The City has authorized the repurposing of the Bond Proceeds for the refunding of debt.

(11) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. The statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

Other Information

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

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 142,682	-	142,682
Tax increment financing	827,310	-	827,310
Other city tax	75,513	-	75,513
Licenses and permits	1,869	-	1,869
Use of money and property	1,258	76	1,334
Intergovernmental	227,075	899,968	1,127,043
Charges for service	45,759	281,365	327,124
Miscellaneous	3,208	1,007	4,215
Total receipts	1,324,674	1,182,416	2,507,090
Disbursements:			
Public safety	45,106	-	45,106
Public works	122,212	-	122,212
Health and social services	2,400	-	2,400
Culture and recreation	69,618	-	69,618
Community and economic development	1,325	-	1,325
General government	74,538	-	74,538
Debt service	407,183	-	407,183
Capital projects	210,252	-	210,252
Business type activities	-	1,402,757	1,402,757
Total disbursements	932,634	1,402,757	2,335,391
Excess (deficiency) of receipts over (under) disbursements	392,040	(220,341)	171,699
Other financing sources, net	703,600	-	703,600
Change in balances	1,095,640	(220,341)	875,299
Balances beginning of year	1,101,329	439,649	1,540,978
Balances end of year	\$ 2,196,969	219,308	2,416,277

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>	Final to
<u>Original/Final</u>	<u>Total</u>
	<u>Variance</u>
141,111	1,571
822,402	4,908
52,056	23,457
500	1,369
11,044	(9,710)
154,533	972,510
257,689	69,435
900	3,315
<u>1,440,235</u>	<u>1,066,855</u>
49,512	4,406
123,947	1,735
2,400	-
65,381	(4,237)
825,231	823,906
73,756	(782)
-	(407,183)
-	(210,252)
<u>212,418</u>	<u>(1,190,339)</u>
<u>1,352,645</u>	<u>(982,746)</u>
87,590	84,109
<u>900,000</u>	<u>(196,400)</u>
987,590	(112,291)
<u>1,388,957</u>	<u>152,021</u>
<u>2,376,547</u>	<u>39,730</u>

City of Massena

City of Massena

Notes to Other Information – Budgetary Reporting

June 30, 2022

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. 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, 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 ended June 30, 2022, disbursements exceeded the amounts budgeted in the culture and recreation, general government, debt service, capital projects and business type functions.

City of Massena

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability (asset)	(0.000738)% **	0.001640%	0.001630%	0.001628%
City's proportionate share of the net pension liability (asset)	\$ 3	115	94	103
City's covered payroll	\$ 148	134	123	122
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	2.03%	85.82%	76.42%	84.43%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%	83.62%

* 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.

** Overall plan net pension asset.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.001168%	0.001186%	0.001244%	0.001265%
78	75	61	50
90	85	85	83
86.67%	88.24%	71.76%	60.24%
82.21%	81.82%	85.19%	87.61%

City of Massena

Schedule of City Contributions

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

Other Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 15	14	13	12
Contributions in relation to the statutorily required contribution	<u>(15)</u>	<u>(14)</u>	<u>(13)</u>	<u>(12)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 135	148	134	123
Contributions as a percentage of covered payroll *	11.11%	9.46%	9.70%	9.76%

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

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
11	8	8	8	7	7
(11)	(8)	(8)	(8)	(7)	(7)
-	-	-	-	-	-
122	90	85	85	83	75
9.02%	8.89%	9.41%	9.41%	8.43%	9.33%

City of Massena

Notes to Other Information – Pension Liability (Asset)

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Supplementary Information

Schedule 1

City of Massena

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

As of and for the year ended June 30, 2022

	Special Revenue		Total
	Road Use Tax	Employee Benefits	
Receipts:			
Property tax	\$ -	48,508	48,508
Other city tax	-	1,134	1,134
Intergovernmental	38,051	711	38,762
Total receipts	38,051	50,353	88,404
Disbursements:			
Operating:			
Public safety	-	199	199
Public works	66,402	18,291	84,693
Cultures and recreation	-	18,952	18,952
General government	-	5,938	5,938
Total disbursements	66,402	43,380	109,782
Excess (deficiency) of receipts over (under) disbursements	(28,351)	6,973	(21,378)
Other financing sources:			
Sale of capital assets	2,500	-	2,500
Transfers in	16,000	-	16,000
Total other financing sources	18,500	-	18,500
Change in cash balances	(9,851)	6,973	(2,878)
Cash balances beginning of year	(22,541)	10,540	(12,001)
Cash balances end of year	\$ (32,392)	17,513	(14,879)
Cash Basis Fund Balances			
Restricted for:			
Other purposes	\$ -	17,513	17,513
Unassigned	(32,392)	-	(32,392)
Total cash basis fund balances	\$ (32,392)	17,513	(14,879)

See accompanying independent auditor's report.

City of Massena

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Two Years

	2022	2021
Receipts:		
Property tax	\$ 142,682	140,361
Local option sales tax	65,502	56,734
Tax increment financing	827,310	822,391
Other city tax	10,011	3,647
Licenses and permits	1,869	417
Use of money and property	1,258	1,858
Intergovernmental	227,075	216,428
Charges for service	45,759	48,180
Miscellaneous	3,208	17,982
Total	<u>\$ 1,324,674</u>	<u>1,307,998</u>
Disbursements:		
Operating:		
Public safety	\$ 45,106	38,377
Public works	122,212	129,042
Health and social services	2,400	2,400
Culture and recreation	69,618	50,662
Community and economic development	1,325	1,152
General government	74,538	95,044
Debt service	407,183	460,618
Capital projects	210,252	41,133
Total	<u>\$ 932,634</u>	<u>818,428</u>

See accompanying independent auditor's report.

City of Massena

City of Massena

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 1,130,575
Total U.S. Department of Housing and Urban Development			<u>1,130,575</u>
U.S. Department of the Treasury:			
COVID-19, Coronavirus State and Local Fiscal Recovery Funds	21.027	FY2022	9,956
Total U.S. Department of the Treasury			<u>9,956</u>
Total			<u>\$ 1,140,531</u>

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

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

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Massena, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24, 2024. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control that 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 that a material misstatement of the City'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 2022-001 and 2022-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompany Schedule of Findings and Questioned Costs as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Massena's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters 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, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Massena's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Massena's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Massena's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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



Brian R. Brustkern, CPA
Deputy Auditor of State

April 24, 2024

City of Massena



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

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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

Opinion on Each Major Federal Program

We have audited the City of Massena, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Massena's major federal program for the year ended June 30, 2022. The City of Massena's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, Government Auditing Standards and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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 24, 2024

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

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

Condition – Generally, one individual has control over the following areas for which no compensating controls exist:

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

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

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

Recommendation – 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 report. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – We will review internal controls and implement actions.

Conclusion – Response accepted.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

2022-002 Reconciliation of Utility Billings, Collections and Delinquent Accounts

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

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

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

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

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

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

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

2022-003 Commercial/Industrial Replacement Tax

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are in integral part of ensuring the reliability and accuracy of the City's financial statements.

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

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

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

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part IV: Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the culture and recreation, general government, debt service, capital projects and business type activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

2022-B Questionable Disbursements – No disbursements we believe may not met the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kevin McCunn, Council Member, Shareholder, AgriVision	Parts and supplies	\$ 4,447
Drew Williams, Fire Chief, Part Owner of Lefty's Pump and Plumbing	Plumbing	317

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

2022-E 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.

2022-F Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Published meeting minutes did not include total disbursements from each fund or a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. Also, for the year ended June 30, 2022, City Council meeting minutes have not been signed by the City Clerk or the Mayor as required by Chapter 380.7 of the Code of Iowa.

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

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

Conclusion – Response accepted.

2022-H Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2022-I Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

2022-J Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1, 2021.

2022-K Tax Increment Financing (TIF) – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

2022-L Interfund Transfers – Section 545-2 of the Iowa Administrative Code City Finance Committee rules requires “A Fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred.” During the period July 1, 2021 through June 30, 2022, two transfers were not approved by resolution as required.

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

Response – We will comply.

Conclusion – Response accepted.

City of Massena

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

2022-M Deficit Balance – At June 30, 2022 the City had a deficit balance of \$32,392 in the Special Revenue, Road Use Tax fund.

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

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

Conclusion – Response accepted.

2022-N Refuse Collection Rates – Chapter 384.84 of the Code of Iowa requires utility rates to be established by City ordinance. The City ordinance for refuse collection is \$23.03 per month. However, for the year ended June 30, 2022 the City billed at a rate of \$24.03 per month.

Recommendation – The City should ensure the new refuse collection rates are established by City ordinance and ensure all ordinances are retained, as required.

Response – The City will update the Refuse Collection Rate billing ordinance.

Conclusion – Response accepted.

City of Massena

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Ryan J. Pithan, CPA, Manager
Erin J. Sietstra, Senior Auditor
Tristan J. Swiggum, Senior Auditor
Miranda L. Hoch, Staff Auditor