

**CITY OF MASSENA**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditors' Report		5-6
Management's Discussion and Analysis		7-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18
Notes to Financial Statements		19-24
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Required Supplementary Information – Budgetary Reporting		28
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Indebtedness	1	30-31
Bond and Note Maturities	2	32-33
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		34-35
Schedule of Findings		36-40

**City of Massena**

**Officials**

<u>Name</u>	<u>Title</u> <b>(Before January 2008)</b>	<u>Term Expires</u>
Linda Reineke	Mayor	January 2008
Coni Curry	Council Member	January 2008
TJ Marcsisak	Council Member	January 2008
Robyn McKee	Council Member	January 2008
Shirley Eshelman	Council Member	January 2010
Brad Foster	Council Member	January 2010

<u>Name</u>	<u>Title</u> <b>(After January 2008)</b>	<u>Term Expires</u>
Mike McCormack	Mayor	January 2010
Shirley Eshelman	Council Member	January 2010
Brad Foster	Council Member	January 2010
Lindsay Blaine	Council Member	January 2012
Dean Downer	Council Member	January 2012
Linda Reineke	Council Member	January 2012

Leree Gaukel	City Clerk	Resigned March 2008
Heather Schwartz	City Clerk	Appointed March 2008
Daniel Fiester	Attorney	Indefinite

**City of Massena**

January 7, 2009

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Massena's management. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, 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 balance at July 1, 2007.

In our opinion, except for the efforts of such adjustments, if any, as might have been determined necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Massena as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

Independent Auditors' Report  
City of Massena

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 7, 2009 on our consideration of the City of Massena's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Massena's basic financial statements. Other supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

---

## MANAGEMENT ' S DISCUSSION AND ANALYSIS

---

The City of Massena provides this Management ' s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities are for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City ' s financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparison will be more meaningful and will go further in explaining the City ' s financial position and results of operations.

### 2008 FINANCIAL HIGHLIGHTS

Receipts of the City ' s governmental activities were approximately \$257,000 in fiscal 2008, which includes, among other items, \$70,000 from property tax, and \$68,000 in intergovernmental receipts.

Disbursements were approximately \$270,000 in fiscal 2008. Public safety were \$45,020, public works were \$110,924, health and social services were \$2,000, culture and recreation disbursements were \$45,202, general government disbursements were \$53,753, and debt service was \$12,700.

The City ' s total cash basis net assets decreased 1.7% or \$5,129 from June 30, 2007, to June 30, 2008. Of this amount, the assets of the governmental activities decreased \$12,627 and the assets of the business type activities increased \$7,498.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management ' s Discussion and Analysis introduce the basic financial statements and provide an analytical overview of the City ' s financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City ' s finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City ' s operation in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary information further explains and supports the financial statements with a comparison of the City ' s budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

## **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. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY ' S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the city as a whole better off or worse off as a result of the year ' s activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City ' s net assets. Over time, increases or decreases in the City ' s net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City ' s basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, and 3) the Debt Service Fund. The governmental fund financial statements provided a detailed, short-term view of the City ' s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City ' s programs.

The required financial statements for government funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City ' s Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide separate information for the water, sewer, sewer construction and garbage funds, all considered major funds of the City.

The required financial statements for propriety funds include a statement of cash receipts, disbursements and changes in cash balances.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$275 thousand to \$262 thousand. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	
	<u>Yr Ended June 30, 2008</u>
Receipts	
Program Receipts:	
Charges for service	\$ 38
Operating grants, contributions and restricted interest	101
General receipts:	
Property tax	72
Local option sales tax	36
Grants and contributions not restricted to specific purposes	1
Unrestricted investment earnings	8
Other general receipts	<u>1</u>
Total receipts	257
Disbursements:	
Public safety	45
Public works	111
Health and social services	2
Culture and recreation	45
General government	54
Debt service	<u>13</u>
Total disbursements	<u>270</u>
Increase in cash basis net assets	(13)
Cash basis net assets beginning of year	<u>275</u>
Cash basis net assets end of year	\$ <u>262</u>

The City's total receipts for governmental activities were approximately \$257,000.

The cost of all governmental activities this year was approximately \$270,000. However as shown in the Statement of Activities and Net Assets on pages 15 and 16, the amount taxpayers ultimately financed for these activities was approximately \$131,000 because some of the cost was paid by other governments and organizations that subsidized certain programs with grants contributions and restricted interest.

Approximately \$38 thousand was paid by those who directly benefited from the programs, and \$101,000 from operating grants. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$72 thousand in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities  
(Expressed in Thousands)

	Year Ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 66
Sewer	40
Operating grant	4
General receipts:	
Miscellaneous	<u>2</u>
Total receipts	112
Disbursements:	
Water	67
Sewer	<u>38</u>
Total Disbursements	<u>105</u>
Increase in cash balance	7
Cash basis net assets beginning of year	<u>18</u>
Cash basis net assets end of year	\$ <u><u>25</u></u>

Total business type activities receipts for the fiscal year was \$112 thousand. The cash balance increased by \$7,000.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Massena completed the year, its governmental funds report a combined fund balance of \$261,762, a decrease of more than \$12,000 above last year's total of \$274,389. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The General Fund cash balance increased \$7,709 from the prior year to \$73,511.

The Road Use Tax Fund cash balance decreased by \$34,661 to \$25,578 during the fiscal year due to a street project.

The Local Option Sales Tax Fund increased by \$14,355 to \$160,367 since there were no expenditures this year.

The Debt Service Fund decreased by \$30 to \$2,306 during the fiscal year.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased \$5,069 to \$31,829.

The Sewer Fund cash balance increased by \$2,429 to \$(6,622).

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget. The City budgeted to receive over \$700,000 in intergovernmental receipts during 2008 for a street project that was not subsequently awarded.

## DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$40,000 in general obligation bonds compared to approximately \$50,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)			
		<u>June 30</u>	
		<u>2008</u>	<u>2007</u>
General obligation bonds	\$	40	50

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$40,000 is significantly below its constitutional debt limit of \$434,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Massena's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for various City activities. Property tax and utility rate increases were considered to help defray expenses. The City has added no major new programs. The City continues to try to control spending.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Heather Schwartz, City Clerk, 100 Main Street, Massena, Iowa.

**City of Massena**

## **Basic Financial Statements**

City of Massena  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2008

	Disbursements	Charges for Service	Program Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 45,020	100	47,984
Public works	110,924	37,873	41,843
Health and social services	2,000	-	-
Culture and recreation	45,202	-	9,944
General government	53,753	306	938
Debt service	12,700	-	-
Total governmental activities	269,599	38,279	100,709
Business type activities:			
Water	67,172	66,243	3,600
Sewer	37,307	39,736	-
Total business type activities	104,479	105,979	3,600
Total	\$ 374,078	144,258	104,309
General Receipts:			
Property tax levied for:			
General purposes			
Employee benefits			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Grants and contributions not restricted to specific purpose			
Miscellaneous			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Streets			
Local option sales tax			
Debt service			
Meter deposits			
Unrestricted			
Total cash basis net assets			

See notes to financial statements

Net (Disbursement) Receipts  
and Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
3,064	-	3,064
(31,208)	-	(31,208)
(2,000)	-	(2,000)
(35,258)	-	(35,258)
(52,509)	-	(52,509)
(12,700)	-	(12,700)
(130,611)	-	(130,611)
-	2,671	2,671
-	2,429	2,429
-	5,100	5,100
(130,611)	5,100	(125,511)
\$ 51,273	-	51,273
8,037	-	8,037
12,670	-	12,670
35,597	-	35,597
7,713	-	7,713
815	-	815
1,879	2,398	4,277
117,984	2,398	120,382
(12,627)	7,498	(5,129)
274,389	17,709	292,098
\$ 261,762	25,207	286,969
\$ 25,578	-	25,578
160,367	-	160,367
2,306	-	2,306
-	8,370	8,370
73,511	16,837	90,348
\$ 261,762	25,207	286,969

City of Massena  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2008

	Special Revenue		
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 50,016	-	7,838
Other city tax	1,257	-	199
Licenses and permits	306	-	-
Use of money and property	7,838	-	-
Intergovernmental	26,765	40,819	-
Charges for service	37,973	-	-
Miscellaneous	35,694	-	-
	159,849	40,819	8,037
Disbursements:			
Operating:			
Public safety	45,020	-	-
Public works	35,444	75,480	-
Health and social services	2,000	-	-
Culture and recreation	45,202	-	-
General government	53,753	-	-
Debt service	-	-	-
Total disbursements	181,419	75,480	-
Excess (deficiency) of receipts over (under) disbursements	(21,570)	(34,661)	8,037
Other financing sources (uses):			
Operating transfers in	29,279	-	-
Operating transfers out	-	-	(8,037)
Total other financing sources (uses)	29,279	-	(8,037)
Net change in cash balances	7,709	(34,661)	-
Cash balances beginning of year	65,802	60,239	-
Cash balances end of year	\$ 73,511	25,578	-
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	73,511	-	-
Special revenue funds	-	25,578	-
Total cash basis fund balances	\$ 73,511	25,578	-

See notes to financial statements

<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Total</u>
-	12,358	70,212
35,597	312	37,365
-	-	306
-	-	7,838
-	-	67,584
-	-	37,973
-	-	35,694
<u>35,597</u>	<u>12,670</u>	<u>256,972</u>
-	-	45,020
-	-	110,924
-	-	2,000
-	-	45,202
-	-	53,753
-	12,700	12,700
<u>-</u>	<u>12,700</u>	<u>269,599</u>
35,597	(30)	(12,627)
-	-	29,279
<u>(21,242)</u>	<u>-</u>	<u>(29,279)</u>
<u>(21,242)</u>	<u>-</u>	<u>-</u>
14,355	(30)	(12,627)
<u>146,012</u>	<u>2,336</u>	<u>274,389</u>
<u>160,367</u>	<u>2,306</u>	<u>261,762</u>
-	2,306	2,306
-	-	73,511
<u>160,367</u>	<u>-</u>	<u>185,945</u>
<u>160,367</u>	<u>2,306</u>	<u>261,762</u>

City of Massena  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2008

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 66,243	39,736	105,979
Operating disbursements:			
Business type activities	67,172	37,307	104,479
Excess (deficiency) of operating receipts over (under) operating disbursements	(929)	2,429	1,500
Non-operating receipts:			
Intergovernmental	3,600	-	3,600
Miscellaneous	2,398	-	2,398
Total non-operating receipts	5,998	-	5,998
Net change in cash balances	5,069	2,429	7,498
Cash balances beginning of year	26,760	(9,051)	17,709
Cash balances end of year	\$ 31,829	(6,622)	25,207
 <b>Cash Basis Fund Balances</b>			
Reserved for meter deposits	\$ 8,370	-	8,370
Unreserved	23,459	(6,622)	16,837
Total cash basis fund balances	\$ 31,829	(6,622)	25,207

See notes to financial statements

City of Massena  
Notes to Financial Statements  
June 30, 2008

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

The City of Massena is a political subdivision of the State of Iowa located in Massena County. It was first incorporated in 1886 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, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and garbage 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 Landfill Commission, and the Cass County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets 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 revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

City of Massena  
Notes to Financial Statements  
June 30, 2008

**NOTE (1) Summary of Significant Accounting Policies - Continued**

B. Basis of Presentation - Continued

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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 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 that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for property taxes levied to pay employee benefits.

The Local Option Sales Tax Fund is used to account for receipts from tax authorized by referendum to be used for street improvements.

City of Massena  
Notes to Financial Statements  
June 30, 2008

**NOTE (1) Summary of Significant Accounting Policies - Continued**

B. Basis of Presentation - Continued

The Debt Service Fund is utilized to account for the payment of principal and interest on the City's long term debt.

The City reports the following major proprietary funds:

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

The 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 of Massena 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-reimbursed grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety and culture and recreation functions.

City of Massena  
Notes to Financial Statements  
June 30, 2008

**NOTE (1) Summary of Significant Accounting Policies - Continued**

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2006, to compute the amounts which became liens on property on July 1, 2007. These taxes were due and payable in two installments on September 30, 2007 and March 31, 2008, at the Cass County Treasurer's Offices. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and a certificate of deposit, totaled \$283,395 at June 30, 2008.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,574, pursuant to Rule 2A-7 under the Investment Company Act of 1940.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board No. 3, as amended by Statement No. 40.

City of Massena  
Notes to Financial Statements  
June 30, 2008

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2009	\$ 10,000	1,860
2010	10,000	1,410
2011	10,000	950
2012	10,000	480
	\$ 40,000	4,700

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$434,000 which was not exceeded during the year ended June 30, 2008.

**NOTE (4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2008 was \$3,767, equal to the required contribution for the year.

**NOTE (5) 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 termination payments payable to employees at June 30, 2008, primarily relating to the General Fund was \$1,961. This liability has been computed based on rates of pay in effect at June 30, 2008.

City of Massena  
Notes to Financial Statements  
June 30, 2008

**NOTE (6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 8,037
	Local Option Sales Tax	<u>21,242</u>
		<u>\$ 29,279</u>

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

**NOTE (7) 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.

**NOTE (8) Commitments**

Sanitation Contract – The City has contracted for solid waste disposal through September 30, 2008, for approximately \$2,800 a month.

**NOTE (9) Deficit Fund Balance**

The Enterprise Fund, Sewer Account had a deficit balance of \$6,622. The deficit will be eliminated with an increase in sewer rental rates.

**Required Supplementary Information**

City of Massena  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts			
Property tax	\$ 70,212	-	70,212
Other city tax	37,365	-	37,365
Licenses and permits	306	-	306
Use of money and property	7,838	-	7,838
Intergovernmental	67,584	3,600	71,184
Charges for service	37,973	105,979	143,952
Miscellaneous	35,694	2,398	38,092
Total receipts	<u>256,972</u>	<u>111,977</u>	<u>368,949</u>
Disbursements			
Public safety	45,020	-	45,020
Public works	110,924	-	110,924
Health and social services	2,000	-	2,000
Culture and recreation	45,202	-	45,202
Community and economic development	-	-	-
General government	53,753	-	53,753
Debt service	12,700	-	12,700
Business type activities	-	104,479	104,479
Total disbursements	<u>269,599</u>	<u>104,479</u>	<u>374,078</u>
Excess (deficiency) of receipts over (under) disbursements	(12,627)	7,498	(5,129)
Balances beginning of year	<u>274,389</u>	<u>17,709</u>	<u>292,098</u>
Balances end of year	<u>\$ 261,762</u>	<u>25,207</u>	<u>286,969</u>

See accompanying independent auditors' report

Budgeted Amounts Original	Original to Total Variance
68,606	1,606
34,574	2,791
1,200	(894)
9,400	(1,562)
992,562	(921,378)
123,413	20,539
7,000	31,092
<u>1,236,755</u>	<u>(867,806)</u>
26,500	(18,520)
880,357	769,433
2,000	-
28,523	(16,679)
2,500	2,500
57,100	3,347
12,700	-
227,075	122,596
<u>1,236,755</u>	<u>862,677</u>
-	(5,129)
<u>273,308</u>	<u>18,790</u>
<u><u>273,308</u></u>	<u><u>13,661</u></u>

City of Massena  
Notes to Required Supplementary Information – Budgetary Reporting  
June 30, 2008

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 major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The City did not amend its budget during the year.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety and culture and recreation functions.

**Other Supplementary Information**

City of Massena  
Schedule of Indebtedness  
Year ended June 30, 2008

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds: Water improvements	Oct 1, 2001	4.50 - 4.80 %	\$ 100,000

See accompanying independent auditors' report

**Schedule 1**

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>50,000</u>	<u>-</u>	<u>10,000</u>	<u>40,000</u>	<u>2,300</u>	<u>-</u>

**Schedule 2**

City of Massena  
Bond and Note Maturities  
June 30, 2008

Year Ending June 30,	<b>General Obligation Bonds</b>	
	Water Improvements	
	Issued Oct 1, 2001	
	Interest Rates	Amount
2009	4.50 %	\$ 10,000
2010	4.60 %	10,000
2011	4.70 %	10,000
2012	4.80 %	10,000
		<u>\$ 40,000</u>

See accompanying independent auditors' report

**City of Massena**

January 7, 2009

Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit Performed  
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund of the City of Massena, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 7, 2009. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditors' Report, 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of significant deficiencies, that adversely affects the City of Massena's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of

Continued...

City of Massena  
Independent Auditors' Report on  
Internal Control and Compliance

Massena's financial statements that is more than inconsequential will not be prevented or detected by the City of Massena's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Massena's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08, I-B-08, I-C-08, and I-D-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Massena's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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 identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Massena's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Massena and other parties to whom the City of Massena may report including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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.

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

**SIGNIFICANT DEFICIENCIES:**

I-A-08 Segregation of Duties

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one employee is responsible for check writing, receipting, posting and reconciling. Checking accounts only require the Mayor's signature for payment of claims.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. Two signatures should be required on all claims paid.

Response - We will review alternative procedures. The City Council reviews all claims for payment and the monthly financial reports.

Conclusion - Response acknowledged.

I-B-08 Financial Reporting

Comment - During the audit, we identified a bank account and a certificate of deposit totaling \$2,998 were not included in the Clerk's report. In addition, a year to date summary of transactions for the fiscal year was not compiled.

Recommendation - The City should implement procedures to ensure all accounts and year to date transactions are properly recorded in the City's financial statements.

Response - We have implemented procedures as suggested.

Conclusion - Response accepted.

I-C-08 Reconciliation of Utility Billings, Collections and Delinquencies

Comment - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response - We will implement procedures.

Conclusion - Response accepted.

City of Massena  
Schedule of Findings  
Year ended June 30, 2008

**Part I: Findings Related to the Financial Statements - Continued:**

**SIGNIFICANT DEFICIENCIES:**

I-D-08 Support Documentation

Comment – We noted certain transactions tested were missing support documentation.

Recommendation – The City should review support documentation before payment of claims and the support documentation should be properly filed.

Response – We will do this.

Conclusion – Response accepted.

I-E-08 Personnel Manual

Comment – The City has not documented in its personnel manual its policy regarding payment of benefits upon termination.

Recommendation – The City should update all of its personnel policies and distribute a copy to all employees. An office copy should be accessible for reference.

Response – We will do this.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Massena  
Schedule of Findings  
Year ended June 30, 2008

**Part II: Other Findings Related to Statutory Reporting:**

II-A-08 Certified Budget

Comment – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety and culture and recreation functions. Chapter 384.20 of the Code of Iowa states in part that “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 do this in the future.

Conclusion – Response accepted.

II-B-08 Entertainment Expense – We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-08 Business Transactions – No business transactions were noted between the City and City officials or employees.

II-E-08 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 insure that the coverage is adequate for current operations.

II-F-08 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not. However, we noted certain transactions were missing support documentation.

The City did not publish annual gross salaries in accordance with an Attorney General’s opinion dated April 12, 1978.

Recommendation – We recommend that all payments be properly supported and support documentation be properly filed. Salaries paid should be published as required.

Response – We will do this.

Conclusion – Response accepted.

City of Massena  
Schedule of Findings  
Year ended June 30, 2008

**Part II: Other Findings Related to Statutory Reporting- Continued:**

II-G-08 Deposits and Investments

Comment – We noted no instances of noncompliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa. However, the City has not adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, a depository resolution naming official depositories and the maximum deposit amounts authorized could not be located.

Recommendation – The City should adopt a written investment policy that complies with the Code of Iowa, and should adopt a depository resolution to include all depositories used by the City, and the maximum deposit amounts authorized.

Response – We will adopt an investment policy and a depository resolution.

Conclusion – Response accepted.

II-H-08 Revenue Notes – The City has no revenue debt.

II-I-08 Financial Condition

Comment – The Enterprise Fund, Sewer Account, had a deficit balance of \$6,622 at June 30, 2008.

Recommendation – The City should monitor activity in this fund in order to eliminate the deficit.

Response – We will do this.

Conclusion – Response accepted.

II-J-08 Excess Balances

Comment – The cash balances in the Special Revenue Fund, Local Option Sales Tax Account at June 30, 2008 was in excess of the disbursements made from the fund during the year.

Recommendation – The City should consider the necessity of maintaining the excess balance.

Response – We will review this further.

Conclusion – Response accepted.

City of Massena  
Schedule of Findings  
Year ended June 30, 2008

**Part II: Other Findings Related to Statutory Reporting- Continued:**

II-K-08 Public Property

Comment – The City Council has not established a policy of vehicle usage for other than City purposes. Private use of public property is prohibited by Article III Section 31 of the constitution of the State of Iowa which states in part, “...no public money or property shall be appropriated for local or private purpose.”

Recommendation – The City should establish a policy prohibiting private usage of public vehicles.

Response – We will consider adopting a policy.

Conclusion – Response acknowledged.

II-L-08 City Code

Comment – In accordance with Chapter 380.8(2) of the Code of Iowa, at least once every five years a City shall compile a City Code containing all of the city ordinances in effect except trade, bond, and zoning ordinances, and ordinances vacating streets and alleys. The City has not re-codified its City Ordinances in more than five years.

Recommendation – The City should re-codify the City Ordinances.

Response – We will do this.

Conclusion – Response accepted.

# **NEWS RELEASE**

SCHROER & ASSOCIATES, P.C. today released an audit report on the City of Massena, Iowa.

The City's receipts totaled \$368,949 for the year ended June 30, 2008. The receipts included \$71,980 in property tax, \$35,597 in local option sales tax, \$144,258 from charges for service, \$104,309 from operating grants, contributions and restricted interest, \$7,713 from unrestricted investment earnings and \$5,092 from other general receipts.

Disbursements for the year totaled \$374,078, and included \$110,924 for public works, \$53,753 for general government, and \$45,202 culture and recreation, and \$104,479 for business type activities.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

January 7, 2009

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Massena, Iowa, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 3, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated January 7, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Massena. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of City of Massena's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 7, 2009.

Continued...

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Massena are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

There were no significant accounting estimates since the financial statements were prepared on the cash basis of accounting. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or to the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 7, 2009.

Continued...

City of Massena  
Communication with Those Charged with Governance

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultation has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to the retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Massena, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

SCHROER & ASSOCIATES, P.C.

January 7, 2009

Heather Schwartz  
City of Massena  
100 Main Street  
Massena, IA 50853

Dear Heather:

Enclosed are draft copies of the audit for the City of Massena. Please review and let me know if we need to make any changes. In particular, please look at page 11 and edit “economic factors and next year’s budgets and rates” – do agree or would like to add or change what we have written there. And one page 19 do we have all the jointly governed organizations properly listed? Please call me – Diane – 712-322-8734 – so we can discuss.

Also, enclosed is a management representation letter needed for our file. Please sign and have the mayor sign and return to me in the envelope provided.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/jb  
Enc.

January 7, 2009

David Vaudt  
Office of State Auditor  
State Capitol Building, Room 111  
1007 East Grand Avenue  
Des Moines, IA 50319

Dear Sir:

We have enclosed for your records the following information regarding the audit of the City of Massena for the year ended June 30, 2008.

- 1 copy of the audit report
- 1 copy of the news release
- 1 copy of the number of hours worked
- 1 copy of the invoice

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh  
Enc.

January 8, 2009

Heather Schwartz  
City of Massena  
100 Main Street  
Massena, IA 50853

Dear Heather:

We have filed the required copies of your audit report with the Office of Auditor of State. A filing fee is required to be paid based on your final amended budget according to the following schedule:

<u>Budgeted Expenditures (In millions of dollars)</u>	<u>Fee Amount</u>
Under 1	\$100.00
At least 1, but less than 3	\$175.00
At least 3, but less than 5	\$250.00
At least 5, but less than 10	\$425.00
At least 10, but less than 25	\$625.00
25 and over	\$850.00

You are required to send the appropriate filing fee. The check should be made payable to "Auditor of State" and mailed to Office of Auditor of State, PO Box 333, Des Moines, IA 50302-0333.

If you have any questions, please do not hesitate to call me at 712-322-8734.

Sincerely,

SCHROER & ASSOCIATES, P.C.

Diane McGrain  
Shareholder

DM/sh

City of Massena

Hours Worked: 79.25