

**Cascade Municipal Utilities
(Component Unit of the City of Cascade, Iowa)**

Basic Financial Statements

June 30, 2021



**Cascade Municipal Utilities
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**Cascade Municipal Utilities
Officials
June 30, 2021**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barbara Gross	Chair	March 31, 2026
Herb Manternach	Trustee	March 31, 2024
Greg VanderLugt	Trustee	March 31, 2026
Shontele Orr	Utility Manager	Indefinite

Independent Auditor's Report

The Board of Trustees
Cascade Municipal Utilities
Cascade, Iowa

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the business type activities and each major fund of Cascade Municipal Utilities (a component unit of the City of Cascade, Iowa), as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the Utility's financial statements as listed in the Table of Contents.

Management's Responsibility for the Basic Financial Statements

The management of Cascade Municipal Utilities is responsible for the preparation and fair presentation of these financial statements in accordance with cash basis of accounting discussed in Note 1. This includes 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective cash basis financial position of the business type activities, and each major fund of Cascade Municipal Utilities as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these basic financial statements were prepared on the basis of cash receipts and disbursements, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise Cascade Municipal Utilities basic financial statements.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Utility's Proportionate Share of the Net Pension Liability and the Schedule of Utility Contributions as listed in the Table of Contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of Cascade Municipal Utilities' 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 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 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 Cascade Municipal Utilities' internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
November 18, 2021

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Board Chair – Barb Gross
Trustees - Herb Manternach
Greg VanderLugt
Manager – Shontele Orr

Management's Discussion and Analysis

Cascade Municipal Utilities (the Utility) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the Utility's financial statements which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the Utility's business type activities decreased 1.7%, or \$51,548 from fiscal year 2020 to fiscal 2021.
- Disbursements of the Utility's business type activities decreased 14.7%, or \$445,583, in fiscal year 2021 from fiscal year 2020.
- The Utility's total cash basis net position increased 11.2%, or \$306,803 from June 30, 2020 to June 30, 2021.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

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

The Fund Financial Statement tells how government services were financed in the short term as well as what remains for future spending. The fund financial statement reports the Utility's operations in more detail than the government-wide statement by providing information about the Utility's most significant funds.

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

Cascade Municipal Utilities Management's Discussion and Analysis

USING THIS ANNUAL REPORT (CONTINUED)

Other Information further explains and supports the financial statements with a comparison of the Utility's budget for the year and the Utility's proportional share of the net pension liability and related contributions.

BASIS OF ACCOUNTING

The Utility maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Utility are prepared on that basis. The cash basis of accounting does not give effect to accounts receivables, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE UTILITIES' FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Cash Basis Statement of Activities and Net Position includes only business type activities. Business type activities include the electric works and the natural gas system. These activities are financed primarily by user charges.

Fund Financial Statements

The Utility has only proprietary funds. Proprietary funds are used to account for the Utility's Enterprise Funds. Enterprise Funds are used to report business type activities. The Utility maintains two Enterprise Funds to provide separate information for the Electric and Gas Funds, considered to be major funds of the Utility.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements, and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Cash basis net position may serve over time as a useful indicator of financial position. The Utility's cash balance for business type activities increased from a year ago, increasing from \$2,742,661 to \$3,049,464. The analysis that follows focuses on the changes in cash balances for business type activities.

**Cascade Municipal Utilities
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	<u>2021</u>	<u>2020</u>
Receipts		
Program receipts		
Charges for service		
Electric	\$ 1,824	\$ 1,817
Gas	915	878
Operating grants and contributions	69	72
General receipts		
Unrestricted interest on investments	28	44
Sale of capital assets	-	101
Miscellaneous	62	37
Total receipts	<u>2,898</u>	<u>2,949</u>
 Disbursements		
Electric	1,466	1,747
Gas	1,125	1,289
Total disbursements	<u>2,591</u>	<u>3,036</u>
 Change in cash basis net position	307	(87)
Cash basis net position beginning of year	<u>2,743</u>	<u>2,830</u>
 Cash basis net position end of year	<u>\$ 3,050</u>	<u>\$ 2,743</u>

Total business type activities receipts for the fiscal year were \$2,897,737 compared to \$2,949,285 in the prior year due to a decrease in usage. The cash balance increased \$306,803. Total disbursements for the fiscal year decreased 14.7% to \$2,590,934 due to the purchase of a generator in 2020.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Electric Fund cash balance increased from \$1,203,357 to \$1,664,650, due primarily to positive overall operations of \$440,257 and non-operating receipts of \$104,032. These positive operations were offset by the purchase of equipment for \$82,996 during the fiscal year.

The Enterprise, Gas Fund cash balance decreased from \$1,539,304 to \$1,384,814, due to negative overall operations of (\$191,917) due to a price spike caused by the polar vortex partially offset by non-operating receipts of \$55,075. These negative operations were further impacted by capital project costs with the purchase of equipment during the fiscal year for \$17,648 further decreasing the cash balance.

BUDGETARY HIGHLIGHTS

Over the course of the year the Utility did not amend its budget.

**Cascade Municipal Utilities
Management's Discussion and Analysis**

BUDGETARY HIGHLIGHTS (CONTINUED)

The Utility's receipts were \$66,245 less than budgeted. Disbursements were \$11,946 less than budgeted.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Cascade Municipal Utilities' appointed officials considered many factors when setting the fiscal year 2021 budget and fees that will be charged for various Utility activities. Over the last 40 years, Cascade's population has increased & this trend is expected to continue slightly.

Cascade Municipal Utilities is expecting increases in natural gas consumption due to onboarding a new customer that is expected to consume larger amounts of gas. The overall revenue for electricity should remain stable. No significant changes are expected.

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our customers and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact: Shontele Orr, Utility Manager; 320 1st Avenue West, PO Box 400; Cascade, Iowa 52033-0400.

BASIC FINANCIAL STATEMENTS

Cascade Municipal Utilities
Cash Basis Statement of Activities and Net Position
As of June 30, 2021

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position
Disbursements	Charges for Services	Operating Grants and Contributions	Business Type Activities	
Functions/Programs				
Business type activities				
Electric	\$ 1,466,313	\$ 1,823,574	\$ 69,459	\$ 426,720
Gas	1,124,621	915,056	-	(209,565)
Total business activities	\$ 2,590,934	\$ 2,738,630	\$ 69,459	217,155
General receipts				
Unrestricted interest on investments				27,638
Miscellaneous				62,010
Total general receipts				89,648
Change in cash basis net position				306,803
Cash basis net position beginning of year				2,742,661
Cash basis net position end of year				\$ 3,049,464
Cash Basis Net Position				
Restricted				
Nonexpendable				
Utility deposits				\$ 85,257
Unrestricted				2,964,207
Total cash basis net position				\$ 3,049,464

**Cascade Municipal Utilities
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances
Proprietary Funds
As of June 30, 2021**

	Proprietary Funds		
	Electric	Gas	Total
Operating Receipts			
Charges for service	\$ 1,823,574	\$ 915,056	\$ 2,738,630
Operating Disbursements			
Business type activities	<u>1,383,317</u>	<u>1,106,973</u>	<u>2,490,290</u>
Excess of operating receipts over operating disbursements	<u>440,257</u>	<u>(191,917)</u>	<u>248,340</u>
Non-Operating Receipts (Disbursements)			
Interest on investments	7,598	20,040	27,638
Miscellaneous	26,975	35,035	62,010
Operating grants and contribution	69,459	-	69,459
Capital projects	<u>(82,996)</u>	<u>(17,648)</u>	<u>(100,644)</u>
Net non-operating receipts (disbursements)	<u>21,036</u>	<u>37,427</u>	<u>58,463</u>
Net change in cash balances	461,293	(154,490)	306,803
Cash balances beginning of year	<u>1,203,357</u>	<u>1,539,304</u>	<u>2,742,661</u>
Cash balances end of year	<u>1,664,650</u>	<u>1,384,814</u>	<u>3,049,464</u>
Cash Basis Fund Balances			
Restricted			
Nonexpendable			
Utility deposits	53,252	32,005	85,257
Unrestricted	<u>1,611,398</u>	<u>1,352,809</u>	<u>2,964,207</u>
Total cash basis fund balances	<u>\$ 1,664,650</u>	<u>\$ 1,384,814</u>	<u>\$ 3,049,464</u>

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Cascade Municipal Utilities Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cascade Municipal Utilities (the Utility) is a component unit of the City of Cascade, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utility is governed by a three member board of trustees appointed by the City Council. The Utility provides electric and gas utilities for the citizens of Cascade.

For financial reporting purposes, Cascade Municipal Utilities has included all funds, organizations, agencies, boards, commissions, and authorities. The Utility 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 Utility are such that exclusion would cause the Utility's basic 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 Utility 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 Utility. The Utility has no component units which meet the Governmental Accounting Standards Board criteria.

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 Utility. For the most part, the effect of interfund activities has been removed from this statement. Activities between the Utility and the primary government (City of Cascade) are reported as if they are external transactions and are classified separately from internal activities within the Utility.

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the Utility, including customer deposits.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances 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 given 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. Note proceeds and other items not properly included among program receipts are reported instead as general receipts.

Cascade Municipal Utilities
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Financial Statements

Major individual enterprise funds are reported as separate columns in the fund financial statement.

The Utility reports the following major proprietary funds:

The Enterprise, Electric Fund – This fund accounts for the operation and maintenance of the Utility's electric system.

The Enterprise, Gas Fund – This fund accounts for the operation and maintenance of the Utility's natural gas distribution system.

D. Measurement Focus and Basis of Accounting

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

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

Cash balances of the Utility's funds are combined (pooled) and invested to the extent available in various investments authorized by *Iowa Statutes*. Each fund's portion of this pool (or pools) is displayed in the basic financial statements as "cash balances". For purposes of identifying risk of investing public funds, the balances are summarized as follows.

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the Utility's deposits may not be returned to it. The Utility has a policy to only make deposits in the state of Iowa where deposits are covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Utility's deposits in banks at June 30, 2021, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The Utility had \$1,059,684 in certificates of deposit and \$1,988,353 in checking and savings accounts at June 30, 2021.

Cascade Municipal Utilities
Notes to Basic Financial Statements

NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

The Utility 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 Utilities Board; 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 Utility had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,427. There were no limitations or restrictions on withdrawals for the IPAIT investments. The Utility's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk: The Utility's investment policy states the Utility will diversify its investment to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. As of June 30, 2021, the Utility's investments follow the guidelines stated in its investment policy.

Credit Risk: The Utility's investment policy limits investments to those specified in the above statutes. As of June 30, 2021, the Utility did not have investments subject to credit ratings.

Interest Rate Risk: The Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

Custodial Credit Risk: Investments: For an investment, this is the risk in the event of the failure of the counterparty the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Utility's policy states all invested assets of the Utility involving the use of a public funds custodial agreement, as defined in Iowa Code section 12B.10C, shall comply with all rules adopted pursuant to Iowa Code section 12B.10C. All custodial agreements shall be in writing and shall contain a provision that all custodial services be provided in accordance with the laws of the state of Iowa.

NOTE 3 – PENSION PLAN

A. Plan Description

IPERS membership is mandatory for employees of the Utility, except for those covered by another retirement system. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

Cascade Municipal Utilities
Notes to Basic Financial Statements

NOTE 3 – PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

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.

B. Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 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 before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

C. 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.

**Cascade Municipal Utilities
Notes to Basic Financial Statements**

NOTE 3 – PENSION PLAN (CONTINUED)

D. Contributions

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

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

The Utility's contributions to IPERS for the year ended June 30, 2020, were \$26,388.

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

At June 30, 2021, the Utility reported a liability of \$247,434 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to IPERS relative to the contributions of all IPERS participating employees. At June 30, 2020, the Utility's proportion was .003547%, which was a decrease of 0.000562% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Utility's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$37,962, \$26,884, and \$5,865, respectively.

There were no non-employer contributing entities to IPERS.

F. Actuarial Assumptions

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

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25 % per annum, based on 2.6% inflation and 0.65% real wage inflation.

Cascade Municipal Utilities
Notes to Basic Financial Statements

NOTE 3 – PENSION PLAN (CONTINUED)

F. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

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

G. 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 Utility 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.

**Cascade Municipal Utilities
Notes to Basic Financial Statements**

NOTE 3 – PENSION PLAN (CONTINUED)

H. Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.00%) or 1 percent higher (8.00%) than the current rate.

	1% Decrease in Discount Rate <u>(6.00)%</u>	Current Discount Rate <u>(7.00)%</u>	1% Increase in Discount Rate <u>(8.00)%</u>
Utility's proportionate share of the net pension liability	\$ 412,576	\$ 247,434	\$ 108,966

I. IPERS' Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The Utility operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are five active members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

B. Funding Policy

The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$537 for single coverage and \$1,219 for family coverage. For the year ended June 30, 2021, the Utility contributed \$60,122 and plan members eligible for benefits contributed \$4,875 to the plan.

NOTE 5 – COMPENSATED ABSENCES

Utility 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 Utility until used or paid. The Utility's approximate liability for earned vacation leave payable to employees at June 30, 2021, primarily relating to the Electric Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 3,388</u>

Cascade Municipal Utilities
Notes to Basic Financial Statements

NOTE 5 – COMPENSATED ABSENCES (CONTINUED)

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

NOTE 6 – RELATED PARTY TRANSACTIONS

The Utility received \$107,834 for gas, electric, and collection serviced from the City of Cascade for the fiscal year ended June 30, 2021.

The Utility paid \$4,553 for shared supplies, repairs, and copier to the City of Cascade for the fiscal year ended June 30, 2021.

NOTE 7 – RISK MANAGEMENT

Cascade Municipal Utilities 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 Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage in any of the past three fiscal years

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Utility grants credit to its customers, all of whom are located in the municipal service area.

OTHER INFORMATION

**Cascade Municipal Utilities
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis)
 All Proprietary Funds
 As of June 30, 2021**

	Proprietary Funds Actual	Budgeted Amounts Original and Final	Actual Variance
Receipts			
Use of money and property	\$ 27,638	\$ 12,000	\$ 15,638
Charges for service	2,738,630	2,922,232	(183,602)
Operating grants and contribution	69,459	-	69,459
Miscellaneous	62,010	29,750	32,260
Total receipts	<u>2,897,737</u>	<u>2,963,982</u>	<u>(66,245)</u>
Disbursements			
Business type activities	<u>2,590,934</u>	<u>2,602,880</u>	<u>(11,946)</u>
Excess of receipts over disbursements	306,803	361,102	(54,299)
Balances beginning of year	<u>2,742,661</u>	<u>2,742,661</u>	<u>-</u>
Balances end of year	<u>\$ 3,049,464</u>	<u>\$ 3,103,763</u>	<u>\$ (54,299)</u>

**Cascade Municipal Utilities
Notes to Other Information
Budgetary Reporting
Year Ended June 30, 2021**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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. The 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.

Cascade Municipal Utilities
Schedule of the Utility's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Five Years*
Other Information
(In Thousands)
As of June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability	0.003547 %	0.004109 %	0.004528 %	0.003876 %	0.003911 %	0.004518 %	0.004518 %
Utility's proportionate share of the net pension liability	\$ 247	\$ 240	\$ 286	\$ 256	\$ 244	\$ 225	\$ 183
Utility's covered-employee payroll	280	315	333	340.20157	287	278	311
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.52 %	76.09 %	84.20 %	89.24 %	87.70 %	80.76 %	60.61 %
Plan fiduciary net position as a percentage of the total pension liability	82.90 %	85.45 %	83.62 %	82.21 %	81.82 %	85.19 %	87.61 %

* 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.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the City will present information for those years for which information is available.

**Cascade Municipal Utilities
Schedule of Utility Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)
Other Information**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 28	\$ 26	\$ 30	\$ 28	\$ 25	\$ 25	\$ 28	\$ 27	\$ 25	\$ 24
Contributions in relation to the statutorily required contribution	(28)	(26)	(30)	(28)	(25)	(25)	(28)	(27)	(25)	(24)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Utility's covered payroll	309	280	333	340	287	278	311	302	289	292
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

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Cascade Municipal Utilities
Notes to Other Information - Pension Liability

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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Basic Financial
Statements Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

To the Board of Trustees of the
Cascade Municipal Utilities

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the business type activities and each major fund of Cascade Municipal Utilities, component unit of the City of Cascade, Iowa, as of and for the year ending June 30, 2021, and the related notes to basic financial statements, which collectively comprise the Utility's basic financial statements and have issued our report thereon dated November 18, 2021. Our report expressed unmodified opinions on the basic financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than US generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Utility'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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Utility's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in Part I in the accompanying Schedule of Findings and Responses as item I-A-21 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's basic 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 basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the utilities operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the utility. 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.

Cascade Municipal Utilities' Response to the Findings

The Utility's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Utility's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the Utility'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 Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

Minneapolis, Minnesota
November 18, 2021

**Cascade Municipal Utilities
Schedule of Findings and Responses**

PART I: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS:

I-A-21 Lack of Segregation of Accounting Duties

During the year ended June 30, 2021, Cascade Municipal Utilities had a lack of segregation of accounting duties due to a limited number of office employees. The lack of segregation of accounting duties could adversely affect Cascade Municipal Utilities ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements. Adequate segregation of accounting duties is in place when the following four areas of a transaction have been separated: authorization, custody, recording, and reconciliation. Examples of functions within Cascade Municipal Utilities that demonstrate this lack of segregation of accounting duties include, but are not limited to, the following:

- Cash Disbursements – The Utility Manager inputs the purchases into the system, prints the checks, and reconciles the bank account.
- Cash Receipts – The Utility Manager is responsible for collecting receipts, recording receipts, making bank deposits, and preparing the bank reconciliations.
- Utility Billing Process – The Utility Manager imports the meter readings in customer accounts, creates, sends and tracks the bills, and receives payments. The Utility Manager also has access to make adjustments to the billing system.
- Payroll – The Utility Manager is responsible for entering the time and pay rate information into the payroll system and processes payroll. The Utility Manager is also responsible for the bank reconciliation and making the related payroll deduction payments.
- Financial Reporting – The Utility Manager is responsible for month-end and year-end reconciliations and reporting and has full access to the accounting system including the ability to make adjustments.

Management and the Board of Trustees are aware of this condition and have taken certain steps to compensate for the lack of segregation. However, due to the number of staff needed to properly segregate all of the accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the Board of Trustees must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Recommendation	The Utility should continue to monitor duties and further segregate accounting duties where practical.
Response	Agrees with finding.
Conclusion	Response accepted.

Cascade Municipal Utilities
Schedule of Findings and Responses

PART II: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- II-A-21 Certified Budget
Disbursements for the year ended June 30, 2021, did not exceed the amounts budgeted.
- II-B-21 Questionable Disbursements
No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- II-C-21 Travel Expense
No disbursements of Utility money for travel expenses of spouses of Utility officials or employees were noted. No travel advances to Utility officials or employees were noted.
- II-D-21 Business Transactions
No business transactions between the Utility and Utility officials were noted.
- II-E-21 Bond Coverage
Surety bond coverage of Utility 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.
- II-F-21 Board Minutes
No transactions were found that we believe should have been approved in the board minutes but were not.
- II-G-21 Deposits and Investments
No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy were noted.