

**City of Cascade**

**Independent Auditor's Reports  
Basic Financial Statements  
Supplementary and Other Information  
Schedule of Findings and Responses**

**June 30, 2022**



**City of Cascade  
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**City of Cascade  
Officials  
June 30, 2022**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Knepper	Mayor	December 2023
Riley Rausch	Council Member	December 2025
Sue Knepper	Council Member	December 2023
Andy Kelchen	Council Member	December 2023
Megan Schell Oliphant	Council Member	December 2025
Mike Delaney	Council Member	December 2025
Lisa Kotter	Interim City Administrator	Indefinite
Danielle Hartke	City Clerk/Treasurer	Indefinite
Patrick O'Connell	Attorney	Indefinite

## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Cascade  
Cascade, Iowa

### **Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the discretely presented component unit of the City of Cascade, Iowa, as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the City's financial statements as listed in the Table of Contents.

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 governmental activities, business type activities, each major fund, and the discretely presented component unit of City of Cascade as of June 30, 2022, 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 for Opinions**

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

### **Management's Responsibility for the Basic Financial Statements**

The management of the City of Cascade 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.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **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**

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise City of Cascade's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the basic financial statements for the year ended June 30, 2021 (which are not presented herein) and expressed an unmodified opinion on those basic financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 and 2 and the 2016 through 2022 information in Schedule 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

### **Other Matters (Continued)**

Other auditors have previously audited, in accordance with the standards referred to in the third paragraph of this report, the basic financial statements for the three years ended June 30, 2015 (none of which is presented herein), and expressed unmodified opinions on those basic financial statements which were prepared on the basis of cash and receipts and disbursements. Those audits were conducted for purposes of forming an opinion on the financial states as a whole. Supplementary information in Schedule 3 for the three years ended June 30, 2015, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 through 2015 basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City and Utility's Proportionate Share of the Net Pension Liability, and the Schedule of City and 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, 2022, on our consideration of the City of Cascade's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 City of Cascade's internal control over financial reporting and compliance.

**BerganKDV, Ltd.**

Minneapolis, Minnesota  
November 18, 2022

## **BASIC FINANCIAL STATEMENTS**

**City of Cascade  
Statement of Activities  
Year Ended June 30, 2022**

Functions/Programs	Program Receipts			
	Disbursements	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 393,498	\$ 41,956	\$ 250	\$ -
Public safety	422,288	137,799	173,583	-
Public works	754,621	306,710	324,166	581
Culture and recreation	348,768	110,607	14,853	33,239
Community and economic development	122,212	9,591	8,052	-
Debt service	712,270	-	-	-
Total governmental activities	<u>2,753,657</u>	<u>606,663</u>	<u>520,904</u>	<u>33,820</u>
Business-type activities				
Water	674,238	340,676	-	-
Sewer	818,788	845,885	-	-
Total business-type activities	<u>1,493,026</u>	<u>1,186,561</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 4,246,683</u>	<u>\$ 1,793,224</u>	<u>\$ 520,904</u>	<u>\$ 33,820</u>
Discretely Presented Component Unit				
Cascade Municipal Utilities	<u>\$ 2,636,352</u>	<u>\$ 3,191,819</u>	<u>\$ 57,666</u>	<u>\$ -</u>

General Receipts, Transfers, and Debt Proceeds

- Property taxes
- Tax increment financing
- Local option sales tax
- Unrestricted grants
- Unrestricted interest on investments
- Miscellaneous
- Transfers
- Total general receipts, transfers, and debt proceeds

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year



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

Primary Government			Discretely Presented Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ (351,292)	\$ -	\$ (351,292)	\$ -
(110,906)	-	(110,906)	-
(123,164)	-	(123,164)	-
(190,069)	-	(190,069)	-
(104,569)	-	(104,569)	-
(712,270)	-	(712,270)	-
<u>(1,592,270)</u>	<u>-</u>	<u>(1,592,270)</u>	<u>-</u>
-	(333,562)	(333,562)	-
-	27,097	27,097	-
<u>-</u>	<u>(306,465)</u>	<u>(306,465)</u>	<u>-</u>
<u>(1,592,270)</u>	<u>(306,465)</u>	<u>(1,898,735)</u>	<u>-</u>
			<u>613,133</u>
913,243	-	913,243	-
314,463	-	314,463	-
401,692	-	401,692	-
31,401	-	31,401	-
14,224	1,442	15,666	19,024
7,780	11,605	19,385	36,349
10,000	(10,000)	-	-
<u>1,692,803</u>	<u>3,047</u>	<u>1,695,850</u>	<u>55,373</u>
100,533	(303,418)	(202,885)	668,506
<u>1,543,792</u>	<u>1,362,962</u>	<u>2,906,754</u>	<u>3,049,464</u>
<u>\$ 1,644,325</u>	<u>\$ 1,059,544</u>	<u>\$ 2,703,869</u>	<u>\$ 3,717,970</u>

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**City of Cascade**  
**Cash Basis Statement of Activities and Net Position**  
**Year Ended June 30, 2022**

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total	
<b>Cash Basis Net Position</b>				
Restricted				
Nonexpendable				
Utility deposits	\$ -	\$ 5,223	\$ 5,223	\$ 95,527
Expendable				
Streets	103,751	-	103,751	-
Future grant expenditures	97,464	-	97,464	-
Debt service	55,377	639,222	694,599	-
Capital projects	112,971	-	112,971	-
Other purposes	440,492	-	440,492	-
Unrestricted	834,270	415,099	1,249,369	3,622,443
Total cash basis net position	\$ 1,644,325	\$ 1,059,544	\$ 2,703,869	\$ 3,717,970

**City of Cascade**  
**Statement of Cash Receipts, Disbursements,**  
**and Changes in Cash Fund Balances -**  
**Governmental Funds**  
**Year Ended June 30, 2022**

	<u>Special Revenue</u>		
	<u>General Fund (001-028)</u>	<u>Road Use Tax (110)</u>	<u>Employee Benefit (112)</u>
<b>Cash Basis Fund Balances</b>			
Restricted for			
Streets	\$ -	\$ 103,751	\$ -
Future grant expenditures	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	23,322
Assigned for			
Police car	70,575	-	-
Fire truck	318,657	-	-
Riverview park wall	9,534	-	-
Public works truck	37,498	-	-
Partial self-funded health insurance	44,196	-	-
Swimming pool	39,494	-	-
Cable	6,483	-	-
Parks/playground	20,722	-	-
Street equipment	71,454	-	-
Library	148,285	-	-
First avenue	307,453	-	-
Trail	25	-	-
Siren	2,234	-	-
Bicentennial	3,386	-	-
Ambulance	154,687	-	-
Unassigned	383,521	-	-
	<u>\$ 1,618,204</u>	<u>\$ 103,751</u>	<u>\$ 23,322</u>
Total cash fund balances			

Local Option Sales Tax (121)	Special Revenue		Debt Service	Capital Projects	Total Governmental Funds
	Urban Renewal Tax Increment (125)	American Rescue Plan (111)	Debt Service (200)	Capital Projects (300)	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103,751
-	-	97,464	-	-	97,464
-	-	-	55,377	-	55,377
-	-	-	-	112,971	112,971
417,170	-	-	-	-	440,492
-	-	-	-	-	70,575
-	-	-	-	-	318,657
-	-	-	-	-	9,534
-	-	-	-	-	37,498
-	-	-	-	-	44,196
-	-	-	-	-	39,494
-	-	-	-	-	6,483
-	-	-	-	-	20,722
-	-	-	-	-	71,454
-	-	-	-	-	148,285
-	-	-	-	-	307,453
-	-	-	-	-	25
-	-	-	-	-	2,234
-	-	-	-	-	3,386
-	-	-	-	-	154,687
-	(259,628)	-	-	(524,306)	(400,413)
<u>\$ 417,170</u>	<u>\$ (259,628)</u>	<u>\$ 97,464</u>	<u>\$ 55,377</u>	<u>\$ (411,335)</u>	<u>\$ 1,644,325</u>

**City of Cascade**  
**Statement of Cash Receipts, Disbursements, and**  
**Changes in Cash Fund Balances -**  
**Governmental Funds**  
**Year Ended June 30, 2022**

	Special Revenue		
	General Fund (001-028)	Road Use Tax (110)	Employee Benefit (112)
<b>Receipts</b>			
General property taxes	\$ 815,288	\$ -	\$ 24,952
Tax increments	-	-	-
Local option sales tax	-	-	-
Licenses and permits	29,629	-	-
Intergovernmental	104,349	324,166	652
Charges for services	504,263	-	-
Use of money and property	15,609	(5)	-
Miscellaneous	43,556	-	-
Total receipts	1,512,694	324,161	25,604
<b>Disbursements</b>			
Current			
General government	346,795	-	-
Public safety	303,024	-	-
Public works	297,145	240,513	-
Community and economic development	29,397	-	-
Culture and recreation	286,054	-	-
Debt service			
Principal and interest	-	-	-
Capital outlay			
General government	46,703	-	-
Public safety	43,190	-	-
Public works	216,963	-	-
Culture and recreation	61,963	-	-
Total disbursements	1,631,234	240,513	-
Excess of receipts over (under) disbursements	(118,540)	83,648	25,604
<b>Other Financing Sources (Uses)</b>			
Transfers in	58,000	7,000	-
Transfers out	(45,998)	(30,000)	(25,000)
Total other financing sources (uses)	12,002	(23,000)	(25,000)
Net change in cash fund balances	(106,538)	60,648	604
<b>Cash Fund Balances</b>			
Beginning of year	1,724,742	43,103	22,718
End of year	\$ 1,618,204	\$ 103,751	\$ 23,322

Local Option Sales Tax (121)	Special Revenue		Debt Service	Capital Projects	Total Governmental Funds
	Urban Renewal Tax Increment(125)	American Rescue Plan (111)	Debt Service (200)	Capital Projects (300)	
\$ -	\$ -	\$ -	\$ 73,003	\$ -	\$ 913,243
-	314,463	-	-	-	314,463
401,692	-	-	-	-	401,692
-	-	-	-	-	29,629
-	7,553	173,538	1,891	-	612,149
-	-	-	-	-	504,263
-	-	-	-	-	15,604
-	9,591	-	-	-	53,147
<u>401,692</u>	<u>331,607</u>	<u>173,538</u>	<u>74,894</u>	<u>-</u>	<u>2,844,190</u>
-	-	-	-	-	346,795
-	-	76,074	-	-	379,098
-	-	-	-	-	537,658
-	92,815	-	-	-	122,212
-	-	-	-	-	286,054
-	-	-	712,270	-	712,270
-	-	-	-	-	46,703
-	-	-	-	-	43,190
-	-	-	-	-	216,963
-	-	-	-	751	62,714
<u>-</u>	<u>92,815</u>	<u>76,074</u>	<u>712,270</u>	<u>751</u>	<u>2,753,657</u>
401,692	238,792	97,464	(637,376)	(751)	90,533
-	-	-	640,385	15,168	720,553
<u>(232,725)</u>	<u>(376,830)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(710,553)</u>
<u>(232,725)</u>	<u>(376,830)</u>	<u>-</u>	<u>640,385</u>	<u>15,168</u>	<u>10,000</u>
168,967	(138,038)	97,464	3,009	14,417	100,533
248,203	(121,590)	-	52,368	(425,752)	1,543,792
<u>\$ 417,170</u>	<u>\$ (259,628)</u>	<u>\$ 97,464</u>	<u>\$ 55,377</u>	<u>\$ (411,335)</u>	<u>\$ 1,644,325</u>

**City of Cascade**  
**Statement of Net Cash Position**  
**Proprietary Funds**  
**June 30, 2022**

	Enterprise Funds		
	Water (600)	Sewer (610)	Total
<b>Assets</b>			
Cash	\$ 160,335	\$ 899,209	\$ 1,059,544
<b>Net Cash Position</b>			
Restricted			
Nonspendable			
Utility deposits	\$ 5,223	\$ -	\$ 5,223
Expendable			
Debt service	72,086	567,136	639,222
Unrestricted	83,026	332,073	415,099
Total cash basis net position	\$ 160,335	\$ 899,209	\$ 1,059,544



**City of Cascade**  
**Statement of Receipts, Disbursements, and**  
**Changes in Cash Balances -**  
**Proprietary Funds**  
**Year Ended June 30, 2022**

	Enterprise Funds		
	Water (600)	Sewer (610)	Total
<b>Operating Receipts</b>			
Charges for services	\$ 340,676	\$ 845,885	\$ 1,186,561
<b>Operating Disbursements</b>			
Wages and salaries	96,784	105,077	201,861
Employee benefits	36,395	38,788	75,183
Materials and supplies	44,003	15,345	59,348
Professional services	48,855	38,559	87,414
Utilities	26,115	38,193	64,308
Repairs and maintenance	15,250	7,864	23,114
Insurance	11,039	27,017	38,056
Travel	-	105	105
Miscellaneous expenses	18,640	22,019	40,659
Total operating disbursements	<u>297,081</u>	<u>292,967</u>	<u>590,048</u>
Operating income (loss)	<u>43,595</u>	<u>552,918</u>	<u>596,513</u>
<b>Nonoperating Receipts</b>			
<b>(Disbursements)</b>			
Interest on investments	921	521	1,442
Capital projects	(278,588)	-	(278,588)
Water deposits refunded	(480)	-	(480)
Miscellaneous	11,605	-	11,605
Debt service	(98,089)	(525,821)	(623,910)
Total nonoperating receipts (disbursements)	<u>(364,631)</u>	<u>(525,300)</u>	<u>(889,931)</u>
Excess of receipts over (under) disbursements	(321,036)	27,618	(293,418)
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(10,000)</u>
Change in cash balances	(326,036)	22,618	(303,418)
<b>Cash Balances</b>			
Beginning of year	<u>486,371</u>	<u>876,591</u>	<u>1,362,962</u>
End of year	<u>\$ 160,335</u>	<u>\$ 899,209</u>	<u>\$ 1,059,544</u>

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**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Cascade is a political subdivision of the State of Iowa located in Dubuque and Jones Counties. It was first incorporated in 1858 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 and sewer utilities for its citizens.

The basic financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, boards, commissions, and authorities that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Cascade Municipal Utilities (CMU)	Created to finance, develop and operate the Municipal Utilities which provide gas and electric services to the City. The CMU governing body is composed of three members appointed by the City Council.

The Utility issues a publicly available audited financial report that includes basic financial statements and other supplementary information. The report may be obtained by writing to: Cascade Municipal Utilities; 320 1<sup>st</sup> Avenue West, PO Box 400; Cascade, Iowa 52033-0400.

*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: Dubuque and Jones County Assessor's Conference Boards, Dubuque and Jones County Emergency Management Commissions, and Dubuque and Jones County Joint E911 Service Boards.

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

The government-wide financial statements (i.e. the Cash Basis Statement of Activities and Net Position) reports information on all 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 service. Activities between the primary government (the City) and the discretely presented component unit (Cascade Municipal Utilities) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

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

*Non-Expendable Restricted Net Position* is subject to externally imposed stipulations which requires the cash balances to be maintained permanently by the City, including customer utility deposits.

*Expendable Restricted Net Position* results when constraints placed on the use of cash balances is either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

Fund Financial Statements - Separate basic 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. At June 30, 2022, the City did not report any nonmajor funds.

The City reports the following major governmental funds:

The General Fund – This 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 funds are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (Continued)**

Special Revenue:

The Road Use Tax Fund – This fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund – This fund is utilized to account for property tax to be used for nonproprietary payroll taxes and employee fringe benefits.

The Local Option Sales Tax Fund – This fund is to account for local option sales tax collections and to ensure that they are disbursed in accordance with the voter approved resolution.

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

The American Rescue Plan Fund – This fund is used to account for the activity for the American Rescue Plan grant received.

The Debt Service Fund – This fund is utilized to account for other receipts, such as Urban Renewal Tax Increment Fund transfers, to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund – This fund is used to account for major construction and improvement projects in the City.

The City reports the following major proprietary funds:

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

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

**C. Measurement Focus and Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the basic 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 basic financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally expected in the United States of America.

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

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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

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

**D. Governmental Cash Basis Fund Balances**

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

*Nonspendable* – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

*Assigned* – Amounts which the City Council intends to use for a specific purpose.

*Unassigned* – All amounts not included in the preceding classifications.

The City has a minimum fund balance policy to maintain an unrestricted fund balance in the General Fund of an amount not less than 20% of the next year's budgeted expenditures of the General Fund.

**E. Budgets and Budgetary Accounting**

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

**F. Property Tax and Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2020, to compute the amounts which became liens on property on July 1, 2021. These taxes were due and payable in two installments on September 30, 2021 and March 31, 2022, at the Dubuque County and Jones 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**

Cash balances of the City's and 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.

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)**

**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 City and Utility have 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 City's and Utility's deposits in banks at June 30, 2022, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the *Code of Iowa*. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The City and Utility \$6,420,406 in checking and savings accounts at June 30, 2022.

The City and Utility are 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 or Utility Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Account Standards Board Statement No. 72. However, the Utility had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,433. 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, 2022, 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, 2022, the Utility did not have investments subject to credit ratings.

**Interest Rate Risk:** The City's and 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. The City's and Utility's policy states that 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.

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 3 – BONDS, NOTES, AND LOANS PAYABLE**

Annual debt service requirements to maturity for general obligation notes, general obligation bonds, and revenue bonds of the City are as follows.

Year Ending June 30,	G.O. Bonds and Notes		Revenue Bonds and Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 240,000	\$ 62,725	\$ 437,620	\$ 127,865	\$ 677,620	\$ 190,590
2024	250,000	56,150	446,501	120,141	696,501	176,291
2025	250,000	49,300	454,399	112,261	704,399	161,561
2026	260,000	42,450	464,314	104,241	724,314	146,691
2027	130,000	34,650	473,246	96,046	603,246	130,696
2028-2032	710,000	112,200	2,510,837	351,611	3,220,837	463,811
2033-2037	315,000	14,250	2,479,000	131,880	2,794,000	146,130
Total	<u>\$ 2,155,000</u>	<u>\$ 371,725</u>	<u>\$ 7,265,917</u>	<u>\$ 1,044,045</u>	<u>\$ 9,420,917</u>	<u>\$ 1,415,770</u>

**A. Sewer Revenue Loans**

On May 20, 2016, the City financed \$8,600,788 of sewer revenue loans. For the purpose of financing, the eligible project costs of expanding the municipal sewer system. The aggregate principal amount of the loan disbursed and outstanding will bear interest and servicing fees collectively at the rate of 2.00% per annum accruing from and after the date of the Note, which is May 20, 2016, through the date on which no principal of the loan remains unpaid and all accrued interest and servicing fees thereon have been paid. Regular interest payments began on December 1, 2016, and are due every six months on a semi-annual basis. Principal payments began on June 1, 2018, and are due annually thereafter. For the current year, principal and interest paid and net operating receipts were \$507,968 and \$552,918, respectively.

**B. General Obligation Corporate Purpose Bonds**

In 2012, the City received \$3,200,000 from the issuance of G.O. Corporate Purpose Bond, Series 2012B. This disbursement is for the purpose of financing the eligible project costs of the street improvements and municipal waterworks system. The aggregate principal amount of the loan disbursed and outstanding will bear interest and servicing fees collectively at the rate of 1.00-2.00% per annum accruing from and after the date of the Note, which is December 1, 2012, through the date on which no principal of the loan remains unpaid and all accrued interest and servicing fees thereon have been paid.

Regular interest payments began on December 1, 2012, and are due every six months thereafter on a semi-annual basis.

In 2017, the City received \$1,110,000 from the issuance of G.O. Corporate Purpose Bond, Series 2017A. This disbursement was for the purpose of financing the eligible project costs of the Highway 136 Project. The aggregate principal amount of the loan disbursed and outstanding will bear interest and servicing fees collectively at the rate of 2.00-3.00% per annum accruing from and after the date of the Note, which is December 1, 2017, through the date on which no principal of the loan remains unpaid and all accrued interest and servicing fees thereon have been paid.



**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 3 – BONDS, NOTES, AND LOANS PAYABLE (CONTINUED)**

**B. General Obligation Corporate Purpose Bonds (Continued)**

Regular interest payments began on December 1, 2017, and are due every six months thereafter on a semi-annual basis.

In 2019, the City received \$1,965,000 from the issuance of G.O. Swimming Pool Bonds, Series 2019A. This disbursement is for the purpose of financing the eligible project costs of the swimming pool. The aggregate principal amount of the loan disbursed and outstanding will bear interest and servicing fees collectively at the rate of 3.00% per annum accruing from and after the date of the Note, which is June 13, 2019, through the date on which no principal of the loan remains unpaid and all accrued interest and servicing fees thereon have been paid.

There will then be a regular interest payment due December 1, 2019, and every six months thereafter on a semi-annual basis.

**C. Water Revenue Refunding Bonds**

On October 15, 2020, the City issued \$602,740 of water revenue refunding bonds. The proceeds and debt reserves were used to refund \$650,000 of the Series 2012A Water Revenue Bonds and to pay for issuance costs and interest. For the current year, principal and interest paid and net operating receipts (disbursements) were \$56,220 and 43,595 respectively.

**NOTE 4 - PENSION PLAN**

**A. Plan Description**

IPERS membership is mandatory for employees of the City and its discretely presented component unit (the Utility), except for those covered by another retirement system. Employees of the City and 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](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**B. Pension Benefits**

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 4 - PENSION PLAN (CONTINUED)**

**B. Pension Benefits (Continued)**

- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

The formula used to calculate protection occupation member's monthly IPERS benefits include:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but no more than 30 years of services.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned after 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 benefits 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.

**D. Contributions**

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that 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.

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 4 - PENSION PLAN (CONTINUED)**

**D. Contributions (Continued)**

In fiscal year 2022, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City and Utility contributed 9.44% of covered payroll for a total of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll for a total of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022, totaled \$53,815. The Utility's contributions to IPERS for the year ended June 30, 2022, totaled \$26,718.

**E. Net Pension Liabilities(Assets), Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the City's reported a liability of (\$66,534), for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability(asset) used to calculate the net pension liability(asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability(asset) was based on the City's share of contribution to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.005287%, which was a decrease of 0.000067% from its proportion measured as of June 30, 2020. At June 30, 2021, the City's Protection occupations proportion was 0.0021468%, which was a decrease of 0.005153% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled (\$33,046), \$70,701, and \$337,227, respectively.

At June 30, 2022, the Utility's liability for its proportionate share of the net pension liability totaled \$5,173. The collective net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the collective net pension liability was based on the Utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2021, the Utility's proportion was 0.003690%, which was an increase of 0.000143% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Utility's pension expense, deferred outflows of resources, and deferred inflows of resources totaled (\$17,984), \$34,037, and \$191,365, respectively.

There were no non-employer contributing entities to IPERS

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 4 - PENSION PLAN (CONTINUED)**

**F. Actuarial Assumptions**

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 4 - PENSION PLAN (CONTINUED)**

**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 City and 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 (asset).

**H. Sensitivity of the City's Proportionate Share of the Net Pension Liability (asset) to Changes in the Discount Rate**

The following presents the City's and Utility's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's and Utility's proportionate share of the net pension liability (asset) 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.

<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>1% Decrease in Discount Rate (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase in Discount Rate (8.00%)</u>
City	\$ 241,705	\$ (66,534)	\$ (324,784)
Utility	183,077	5,173	(143,922)

**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](http://www.ipers.org).

**NOTE 5 - OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**A. Plan Description**

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and spouses. There are eight active members and no retired members in the plan. 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 City and the Utility.

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 5 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**B. Funding Policy (Continued)**

The City and the Utility finance the retirement benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$647 for single coverage and \$1,142 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2022, the City contributed \$97,909 and plan members contributed \$17,278. The most recent active member monthly premiums for the Utility and plan members are \$364 for single coverage and \$827 for family coverage. For the year ended June 30, 2022, the Utility contributed \$57,758 and plan members contributed \$4,388.

**NOTE 6 – VACATION**

The City and Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use.

These accumulations are not recognized as disbursements until used. The City's and Utility's approximate liability for earned compensated absences payable to employees at June 30, 2022, primarily relating to the General Fund for the City and Electric Fund for the Utility, are as follows:

Type of Benefit	City Amount	Utility Amount
Vacation	\$ 26,925	\$ 5,850

These liabilities have been computed based on rates of pay in effect at June 30, 2022.

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 7 - INTERFUND TRANSFERS**

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

Transfer To	Transfer From	Amount
General	Special Revenue	
	Road use tax	\$ 30,000
	Employee benefit	18,000
	Water	5,000
	Sewer	5,000
	Total general	<u>58,000</u>
Road and Use Tax	Special Revenue	
	Employee benefit	<u>7,000</u>
Debt Service	Special Revenue	
	Local option sales tax	232,725
	Urban renewal tax increment	376,830
	General	30,830
	Total debt service	<u>640,385</u>
Capital projects	General	<u>15,168</u>
	Total	<u>\$ 720,553</u>

Transfers above move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources or to assist in the funding of capital assets.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

The City paid the Utility \$116,312 for gas, electric, and collection service for the fiscal year ended June 30, 2022.

The City received \$3,100 for shared supplies, repairs, and copier from the Utility for the fiscal year ended June 30, 2022.

**NOTE 9 - RISK MANAGEMENT**

The City and Utility are 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 and Utility assume liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance in any of the past three fiscal years.

**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 10 - DEVELOPER AGREEMENTS**

The City has six active development agreements to assist various urban renewal projects.

With this agreement the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of a corporate office, gas station, and convenience store on land located within the Cascade Urban Renewal Area and creation of 18 employment positions by the developer. The incremental tax to be received by the City under Chapter 403.19 of the *Code of Iowa* will be rebated for a period of ten years beginning with December 1, 2013, and continuing through and including June 1, 2023, or until such earlier date upon which payments equal to \$135,000 have been made. The payments shall not constitute a general obligation and shall be subject to annual appropriation by the City Council. During the year ended June 30, 2022, the City rebated \$14,099 under this agreement. The maximum remaining balance at June 30, 2022, was \$21,184.

With this agreement the Company would undertake the acquisition of an existing building for use in its business operations and the creation of jobs. The Company agrees to have a workforce of at least ten employees and maintain that base work force throughout the term of the agreement. The Company is to submit documentation to the satisfaction of the City no later than October 15 of each year to demonstrate that the Employment Requirements are being met by the Company. Under the agreement the City would provide five annual appropriation tax increment payments to the Company in a total amount not exceeding \$20,000. During the year ended June 30, 2022, the City paid a total of \$3,981, with a maximum balance remaining of \$4,076 under this agreement.

With this agreement the Developers would undertake the development and construction of a bakery and coffee bar on certain real property situated at 126 1st Ave W in the Urban Renewal Area, including the demolition of existing building, the construction of a new building and the renovation of an existing building. The City is to provide financial incentive to the Developers in the form of an interest-free loan in the principal amount of \$50,000 and annual appropriation tax increment payments in a total amount not exceeding \$70,000. Principal of the loan shall be repaid in 119 equal monthly installments in the amount of \$417 each, commencing on the 15th day of the month that the Promissory Note is executed and delivered to the City, and continuing on the 15th day of each month thereafter, with all remaining principal of the loan due at final maturity of the Promissory Note, which shall be 10 years from the date of issuance. During the year ended June 30, 2022, the City paid a total of \$468, with a maximum balance remaining of \$39,575 under this agreement.

With this agreement the Developers would undertake the construction of a warehouse and office building on certain real property situated at 133 Industrial Street SE in the Urban Renewal Area. The City is to provide financial incentive to the Developers in the form of annual appropriation tax increment payments in a total not to exceed \$160,000 and maintain fifteen jobs for ten years. During the year ended June 30, 2022, the City rebated \$14,479, with a maximum remaining balance of \$130,232. There is also a business incentive agreement with this Company. The Company agrees to add eight jobs and maintain for five years. The Company is to submit documentation to the satisfaction of the City no later than October 15 of each year to demonstrate that the Employment Requirements are being met by the Company. Under the agreement, the City would provide 5 annual appropriation tax increment payments to the Company in a total not to exceed \$60,000. During the year ended June 30, 2022, the City paid a total of \$12,000, with a maximum remaining balance of \$36,000 under the agreement.



**City of Cascade**  
**Notes to Basic Financial Statements**

**NOTE 10 - DEVELOPER AGREEMENTS (CONTINUED)**

With this agreement the developers would undertake the development of an expansion of a commercial eldercare facility in the urban renewal area located at 813 Tyler Street SE. The City is to provide financial incentives to the developer in the form of annual appropriation tax increment payments over 7 years in a total not to exceed \$280,000. During the year ended June 30, 2022, the City rebated \$38,691 with a maximum remaining balance of \$202,234.

With this agreement the developers would undertake the development and renovation of a downtown business on certain real property situated at 201 1<sup>st</sup> Ave W in the Urban Renewal Area. The City is to provide financial incentives to the Developer in the form of an interest free loan in the principal amount of \$50,000 and annual appropriation tax increment payments in a total not to exceed \$60,000. Principal of the loan shall be repaid in 119 equal monthly installments in the amount of \$417 each, commencing on the 15<sup>th</sup> day of the month that the Promissory Note is executed and delivered to the City, and continuing on the 15<sup>th</sup> day of each month thereafter, with all remaining principal of the loan due at final maturity of the Promissory Note, which shall be 10 years from the date of issuance. The balance at June 30, 2022 is \$42,494. No tax rebate payment was paid in the year ended June 30, 2022. The maximum remaining balance at June 30, 2022 is \$60,000.

**NOTE 11 - CONCENTRATION OF CREDIT RISK**

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

**NOTE 12 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balances**

The following Funds had deficit fund balances at June 30, 2022:

<u>Fund</u>		
Urban Renewal Tax Increment	\$	259,628
Capital Projects		411,335

The deficits will be eliminated by transfers received from other funds.

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## **OTHER INFORMATION**

**City of Cascade**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances-**  
**Budget and Actual (Cash basis) - All Governmental Funds, Proprietary Funds,**  
**and Discretely Presented Component Unit**  
**Year Ended June 30, 2022**

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Unit	Total
<b>Receipts</b>				
Property tax	\$ 913,243	\$ -	\$ -	\$ 913,243
Tax increment financing	314,463	-	-	314,463
Other city tax	401,692	-	-	401,692
Licenses and permits	29,629	-	-	29,629
Use of money and property	15,604	1,442	19,024	36,070
Intergovernmental	612,149	-	-	612,149
Charges for services	504,263	1,186,561	3,191,819	4,882,643
Operating grants and contributions	-	-	57,666	57,666
Miscellaneous	53,147	11,605	36,349	101,101
Total receipts	<u>2,844,190</u>	<u>1,199,608</u>	<u>3,304,858</u>	<u>7,348,656</u>
<b>Disbursements</b>				
General government	346,795	-	-	346,795
Public safety	379,098	-	-	379,098
Public works	537,658	-	-	537,658
Culture and recreation	286,054	-	-	286,054
Community and economic development	122,212	-	-	122,212
Debt service	712,270	623,910	-	1,336,180
Capital outlay	369,570	-	-	369,570
Business type activities	-	869,116	2,636,352	3,505,468
Total disbursements	<u>2,753,657</u>	<u>1,493,026</u>	<u>2,636,352</u>	<u>6,883,035</u>
Excess (deficiency) of receipts over (under) disbursements	90,533	(293,418)	668,506	465,621
Other financing sources (uses), net	10,000	(10,000)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>100,533</u>	<u>(303,418)</u>	<u>668,506</u>	<u>465,621</u>
Balances beginning of year	<u>1,543,792</u>	<u>1,362,962</u>	<u>3,049,464</u>	<u>5,956,218</u>
Balances end of year	<u>\$ 1,644,325</u>	<u>\$ 1,059,544</u>	<u>\$ 3,717,970</u>	<u>\$ 6,421,839</u>

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 914,701	\$ 914,701	\$ (1,458)
324,237	324,237	(9,774)
420,700	420,700	(19,008)
8,250	8,250	21,379
31,000	31,000	5,070
361,160	534,698	77,451
4,539,943	4,684,943	197,700
-	-	57,666
56,313	70,313	30,788
<u>6,656,304</u>	<u>6,988,842</u>	<u>359,814</u>
299,461	352,461	(5,666)
411,516	351,786	27,312
686,427	571,927	(34,269)
286,502	332,502	(46,448)
140,689	140,689	(18,477)
1,336,766	1,336,766	(586)
20,000	405,230	(35,660)
3,224,936	3,619,936	(114,468)
<u>6,406,297</u>	<u>7,111,297</u>	<u>(228,262)</u>
250,007	(122,455)	588,076
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 250,007</u>	<u>\$ (122,455)</u>	<u>\$ 588,076</u>

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**City of Cascade**  
**Notes to Other Information – Budgetary Reporting**

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.

During the year ended June 30, 2022, disbursements in the Public Safety function exceed the amounts budgeted.

**City of Cascade**  
**Schedule of the Primary Government's and Discretely**  
**Presented Component Unit's Proportionate Share**  
**of the Net Pension Liability**  
**Iowa Public Employees' Retirement System**  
**For the Last Eight Years\***  
**Other Information**  
**(In Thousands)**  
**Year Ended June 30, 2022**

	2022		2021	
	Primary Government (City)	Discretely Presented Component Unit (Utility)	Primary Government (City)	Discretely Presented Component Unit (Utility)
Proportion of the net pension liability (asset)				
Regular	0.005287 %	0.003690 %	0.005354 %	0.003547 %
Protective occupation	0.214680 %		0.026621 %	
Proportionate share of the net pension liability (asset)				
Regular	\$ 7	\$ 5	\$ 373	\$ 247
Protective occupation	(74)	-	(9)	-
Covered employee payroll				
Regular	445	399	422	280
Protective occupation	127	-	105	-
Proportionate share of the net pension liability (asset) as a percentage of covered payroll				
Regular	1.57 %	1.67 %	88.52 %	88.52 %
Protective occupation	(58.27) %	-	(8.29) %	-
Plan fiduciary net position as a percentage of the total pension liability	100.81 %	99.65 %	82.90 %	82.90 %

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

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.



2020		2019		2018	
Primary Government (City)	Discretely Presented Component Unit (Utility)	Primary Government (City)	Discretely Presented Component Unit (Utility)	Primary Government (City)	Discretely Presented Component Unit (Utility)
0.005420 % 0.032307 %	0.004109 %	0.005346 % 0.025618 %	0.004528 %	0.004884 % 0.029899 %	0.003876 %
\$ 316 (10)	\$ 240 -	\$ 338 -	\$ 286 -	\$ 322 5	\$ 256 -
415 118	315 -	402 90	340 -	361 105	287 -
76.09 % (8.34) %	76.09 % -	84.20 % (0.51) %	84.20 % -	89.24 % 5.15 %	89.24 % -
85.45 %	85.45 %	83.62 %	83.62 %	82.21 %	82.21 %

**City of Cascade**  
**Schedule of the Primary Government's and Discretely**  
**Presented Component Unit's Proportionate Share**  
**of the Net Pension Liability**  
**Iowa Public Employees' Retirement System**  
**For the Last Eight Years\***  
**Other Information**  
**(In Thousands)**  
**Year Ended June 30, 2022**

	2017		2016	
	Primary Government (City)	Discretely Presented Component Unit (Utility)	Primary Government (City)	Discretely Presented Component Unit (Utility)
Proportion of the net pension liability (asset)				
Regular	0.004873 %	0.003911 %	0.004764 %	0.004518 %
Protective occupation	0.031406 %		0.026480 %	
Proportionate share of the net pension liability (asset)				
Regular	\$ 304	\$ 244	\$ 237	\$ 225
Protective occupation	6	-	(12)	-
Covered employee payroll				
Regular	347	278	328	311
Protective occupation	105	-	89	-
Proportionate share of the net pension liability (asset) as a percentage of covered payroll				
Regular	87.69 %	87.70 %	62.71 %	80.76 %
Protective occupation	6.09 %	-	(10.98) %	-
Plan fiduciary net position as a percentage of the total pension liability	81.82 %	81.82 %	85.19 %	85.19 %

2015	
Primary Government (City)	Discretely Presented Component Unit (Utility)
0.004296 % 0.026069 %	0.004518 %
\$ 174 (20)	\$ 183 -
328 87	302 -
52.94 % (23.5) %	60.61 % -
87.61 %	87.61 %

**City of Cascade**  
**Schedule of the Primary Government's and Discretely**  
**Presented Component Unit's Proportionate Share**  
**of the Net Pension Liability**  
**Iowa Public Employees' Retirement System**  
**Last Ten Fiscal Years**  
**(In Thousands)**  
**Other Information**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Primary government (city)					
Statutorily required contribution	\$ 54	\$ 49	\$ 50	\$ 51	\$ 45
Contributions in relation to the statutorily required contribution	<u>(54)</u>	<u>(49)</u>	<u>(50)</u>	<u>(51)</u>	<u>(45)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 572	\$ 521	\$ 527	\$ 563	\$ 491
Contributions as a percentage of covered employee payroll	9.44%	9.40%	9.49%	9.13%	9.10%
Discretely presented component unit (utility)					
Statutorily required contribution	\$ 27	\$ 28	\$ 26	\$ 30	\$ 30
Contributions in relation to the statutorily required contributions	<u>(27)</u>	<u>(28)</u>	<u>(26)</u>	<u>(30)</u>	<u>(30)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered employee payroll	\$ 284	\$ 309	\$ 279	\$ 333	\$ 340
Contributions as a percentage of covered employee payroll	9.44%	9.44%	9.44%	8.93%	8.93%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 43	\$ 41	\$ 38	\$ 34	\$ 32
<u>(43)</u>	<u>(41)</u>	<u>(38)</u>	<u>(34)</u>	<u>(32)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 466	\$ 452	\$ 417	\$ 415	\$ 350
9.13%	9.14%	9.18%	9.20%	9.09%
\$ 25	\$ 25	\$ 28	\$ 27	\$ 25
<u>(25)</u>	<u>(25)</u>	<u>(28)</u>	<u>(27)</u>	<u>(25)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 287	\$ 278	\$ 311	\$ 302	\$ 289
8.93%	8.93%	8.93%	8.93%	8.67%

**City of Cascade**  
**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.

**SUPPLEMENTARY INFORMATION**

**City of Cascade  
Schedule 1  
Schedule of Indebtedness  
Year Ended June 30, 2022**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of year
Primary government				
General obligation notes				
Ambulance acquisition	Oct 31, 2012	2.21%	\$ 400,000	\$ 30,163
General obligation bonds				
Corporate purposes	Jul 1, 2012	1.00-2.00%	\$ 3,200,000	\$ 410,000
Corporate purposes	Feb 27, 2017	2.00-3.00%	1,115,244	645,000
Swimming pool 2019A	Jun 13, 2019	3.00%	1,965,000	1,745,000
Total				\$ 2,800,000
Revenue bonds				
Water - refunding	Oct 15, 2020	1.89%	602,740	\$ 553,672
Sewer	May 20, 2016	1.75%	756,229	7,141,000
Total				\$ 7,694,672



Issued During Year	Redeemed During Year	Balance End of year	Interest Paid
\$ -	\$ 30,163	\$ -	\$ 667
\$ -	\$ 410,000	\$ -	\$ 8,200
-	125,000	520,000	16,175
-	110,000	1,635,000	52,350
\$ -	\$ 645,000	\$ 2,155,000	\$ 76,725
\$ -	\$ 45,755	\$ 507,917	\$ 10,464
-	383,000	6,758,000	124,968
\$ -	\$ 428,755	\$ 7,265,917	\$ 135,432

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**City of Cascade  
Schedule 2  
Bond and Note Maturities  
Year Ended June 30, 2022**

Year Ending June 30,	Primary Government							
	Revenue Refunding Bonds		General Obligation Bond		Revenue Bonds		General Obligation Bond	
	Water		Corporate Purpose		Sewer		Swimming Pool	
	Issued Oct 15, 2020		Issued Feb 27, 2017		Issued May 20, 2016		Issued Jun 5, 2019	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2023	1.89	\$ 46,620	2.50	\$ 125,000	2.80	\$ 391,000	3.00	\$ 115,000
2024	1.89	47,501	2.50	130,000	2.80	399,000	3.00	120,000
2025	1.89	48,399	2.50	130,000	2.80	406,000	3.00	120,000
2026	1.89	49,314	3.00	135,000	3.00	415,000	3.00	125,000
2027	1.89	50,246	-	-	3.00	423,000	3.00	130,000
2028	1.89	51,195	-	-	3.20	431,000	3.00	135,000
2029	1.89	52,163	-	-	3.40	440,000	3.00	140,000
2030	1.89	53,149	-	-	3.40	449,000	3.00	140,000
2031	1.89	54,153	-	-	3.60	458,000	3.00	145,000
2032	1.89	55,177	-	-	3.60	467,000	3.00	150,000
2033	-	-	-	-	-	476,000	3.00	155,000
2034	-	-	-	-	-	486,000	3.00	160,000
2035	-	-	-	-	-	496,000	-	-
2036	-	-	-	-	-	505,000	-	-
2037	-	-	-	-	-	516,000	-	-
Total		<u>\$ 507,917</u>		<u>\$ 520,000</u>		<u>\$ 6,758,000</u>		<u>\$ 1,635,000</u>

**City of Cascade**  
**Schedule 3**  
**Schedule of Receipts by Source**  
**and Disbursements by Function - All Governmental Funds**  
**For the Last Ten Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Receipts</b>					
Property tax	\$ 913,243	\$ 913,682	\$ 871,086	\$ 813,886	\$ 776,674
Tax increment financing	314,463	300,919	267,298	326,808	311,802
Other city tax	401,692	337,063	287,029	265,538	255,144
Licenses and permits	29,629	23,567	26,810	28,663	27,996
Use of money and property	15,604	19,852	68,431	72,781	47,760
Intergovernmental	612,149	595,158	735,313	572,361	981,220
Charges for services	504,263	403,341	396,708	345,529	330,933
Special assessments	-	5,496	-	2,173	2,322
Miscellaneous	53,147	45,371	477,015	67,211	15,099
<b>Total</b>	<b><u>\$ 2,844,190</u></b>	<b><u>\$ 2,644,449</u></b>	<b><u>\$ 3,129,690</u></b>	<b><u>\$ 2,494,950</u></b>	<b><u>\$ 2,748,950</u></b>
<b>Disbursements</b>					
<b>Operating</b>					
General government	\$ 346,795	\$ 275,212	\$ 270,632	\$ 297,857	\$ 493,387
Public safety	379,098	269,310	262,520	289,647	228,229
Public works	537,658	500,849	576,069	544,023	450,420
Culture and recreation	286,054	191,591	181,684	183,542	189,033
Community and economic development	122,212	305,568	175,053	210,029	54,046
Debt service	712,270	721,361	727,530	587,249	594,311
Capital outlay	369,570	898,368	2,906,365	1,180,656	2,525,404
<b>Total</b>	<b><u>\$ 2,753,657</u></b>	<b><u>\$ 3,162,259</u></b>	<b><u>\$ 5,099,853</u></b>	<b><u>\$ 3,293,003</u></b>	<b><u>\$ 4,534,830</u></b>

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$	617,676	\$ 568,284	\$ 562,450	\$ 535,497	\$ 521,631
	628,984	660,322	590,521	548,073	550,307
	283,877	274,583	252,779	244,047	258,214
	28,884	28,779	27,754	25,252	7,151
	32,690	16,389	14,836	20,555	30,569
	559,309	512,899	257,814	245,229	464,596
	348,627	332,205	308,389	203,067	172,214
	2,804	2,639	6,303	2,372	7,127
	51,997	38,397	19,739	27,004	86,027
	<u>\$ 2,554,848</u>	<u>\$ 2,434,497</u>	<u>\$ 2,040,585</u>	<u>\$ 1,851,096</u>	<u>\$ 2,097,836</u>
\$	306,374	\$ 238,691	\$ 220,705	\$ 223,022	\$ 219,344
	300,736	257,114	447,732	239,492	542,882
	497,756	418,854	422,755	346,394	330,323
	197,023	217,648	195,190	176,181	157,292
	59,373	25,899	50,399	120,812	213,342
	421,157	423,426	426,924	559,764	371,110
	7,149,464	1,196,530	769,004	1,635,242	3,070,245
	<u>\$ 8,931,883</u>	<u>\$ 2,778,162</u>	<u>\$ 2,532,709</u>	<u>\$ 3,300,907</u>	<u>\$ 4,904,538</u>

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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 Honorable Mayor and Members of the City Council:

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 governmental activities, business type activities, the discretely presented component unit and each major fund, of the City of Cascade, Iowa, as of and for the year ending June 30, 2022, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2022. 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 generally accepted accounting principles.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 certain deficiency in internal control, described in Part I in the accompanying Schedule of Findings and Responses as item I-A-22 that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 determination of basic 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of these statutes.

## **City's Response to the Findings**

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City'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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BerganKDV, Ltd.**

Minneapolis, Minnesota  
November 18, 2022



**City of Cascade  
Schedule of Findings and Responses**

**PART I: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS:**

**I-A-22 Lack of Segregation of Accounting Duties**

During the year ended June 30, 2022, the City and Utility 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 City's and Utility's 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 the City and Utility that demonstrate this lack of segregation of accounting duties include, but are not limited to, the following:

- Cash Disbursements – The City Clerk and Utility Manager input purchases into the system, print the checks, and reconcile the bank accounts. The City Administrator initials the bank reconciliations for the City.
- Cash Receipts – The City Clerk and Utility Manager are responsible for collecting receipts, recording receipts, making bank deposits, and preparing the bank reconciliations. For pool receipts, there are instances where the pool manager initiates sales, records attendance, and count the deposits. The City Administrator initials the bank reconciliations for the City.
- Utility Billing Process – The Utility Manager imports the meter readings in customer accounts, creates, sends and tracks the bills and receives payments. The Utility Clerk also has access to make adjustments to the billing system.
- Payroll – The City Clerk and Utility Manager are responsible for entering the time and pay rate information into the payroll system. The City and Utility include payroll deduction disbursements in the listings provided to City Council and the Board of Trustees. The City Clerk and Utility Manager are also responsible for the bank reconciliation. The City administrator initials the payroll registers for the City.
- Financial Reporting – The City Clerk and Utility Manager are responsible for month-end and year-end reconciliations and reporting and have full access to the accounting system including the ability to make adjustments. We did not note any inappropriate journal entries as part of our audit.

Management, City Council, and the Board of Trustees are aware of this condition and have taken certain steps to compensate for the lack of segregation. City management has implemented certain compensating controls to help mitigate the risk of lack of segregation of accounting duties including review of bank reconciliations by the City Administrator, Council review of disbursement listings, and review of payroll reports by the City Administrator. 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, City Council, and the Board of Trustees must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Recommendation	The City and Utility should continue to monitor duties and further segregate accounting duties where practical.
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**City of Cascade**  
**Schedule of Findings and Responses**

**PART II: OTHER FINDINGS RELATED TO STATUTORY REPORTING (CONTINUED):**

II-G-22 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-22 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 City's investment policy were noted.

II-I-22 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

II-J-22 Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the Sample City properly completed the Tax Increment Debt Certificate Forms to request TIF properly taxes.

II-K-22 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 as required by Chapter 384.22(2)(a) of the Code of Iowa and no exceptions were noted.