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City of Cascade

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

June 30, 2023

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City of Cascade Officials June 30, 2023

Name	Title	Term Expires
Steven Knepper	Mayor	December 2023
Riley Rausch	Council Member	December 2025
Bill Hosch	Council Member	December 2023
Andy Kelchen	Council Member	December 2023
Megan Oliphant	Council Member	December 2025
Mike Delaney	Council Member	December 2025
Lisa Kotter	City Administrator	Indefinite
Kathy Goerdt	City Clerk/Treasurer	Indefinite
Patrick O'Connell	Attorney	Indefinite

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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, 2023, 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, 2023, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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, 2022 (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 2023 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 two 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 two 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 2014 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 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 December 13, 2023, 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.

Bergan KOV, Ltd.

Minneapolis, Minnesota December 13, 2023

BASIC FINANCIAL STATEMENTS

City of Cascade Statement of Activities Year Ended June 30, 2023

Functions/Programs	Dist	oursements	Charges for Service		Operating Grants and Contributions		Capital Grants and Contributions	
Governmental activities								
General government	\$	361,736	\$	55,919	\$	-	\$	-
Public safety		576,081		134,402		175,719		-
Public works		573,762		300,244		328,340		-
Culture and recreation		937,934		191,485		108,300		1,000
Community and economic development		140,671		9,151		-		-
Debt service		303,825		-		-		-
Total governmental activities		2,894,009		691,201		612,359		1,000
Business-type activities								
Water		382,240		337,847		-		-
Sewer		852,127		835,317		-		-
Total business-type activities		1,234,367		1,173,164		-		-
Total primary government	\$	4,128,376	\$	1,864,365	\$	612,359	\$	1,000
Discretely presented component unit								
Cascade Municipal Utilities	\$	2,852,434	\$	3,237,110	\$	-	\$	-

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

Program Receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

I						
Governmental Activities	51					
\$ (305,817)	\$-	\$ (305,817)	s -			
(265,960)		(265,960)	ф = -			
54,822	-	54,822	_			
(637,149)	-	(637,149)	-			
(131,520)	-	(131,520)	-			
(303,825)	-	(303,825)	-			
(1,589,449)		(1,589,449)				
(-,-,-,-,-,-)		(-,-,-,-,-,-,-,-,-,-,-,-,-,-,-,-,-,-,-,				
-	(44,393)	(44,393)	-			
	(16,810)	(16,810)				
	(61,203)	(61,203)				
(1,589,449)	(61,203)	(1,650,652)				
			384,676			
1,057,952	-	1,057,952	-			
90,308	-	90,308	-			
390,190	-	390,190	-			
25,120	-	25,120	-			
93,412	17,672	111,084	147,510			
26,243	3,807	30,050	81,826			
368,670	(368,670)					
2,051,895	(347,191)	1,704,704	229,336			
462,446	(408,394)	54,052	614,012			
1,644,325	1,059,544	2,703,869	3,717,970			
\$ 2,106,771	\$ 651,150	\$ 2,757,921	\$ 4,331,982			

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City of Cascade Cash Basis Statement of Activities and Net Position Year Ended June 30, 2023

	Primary Government						Discretely		
	Governmental Business Type Activities Activities Total				Presented Component Unit				
Cash Basis Net Position									
Restricted									
Nonexpendable									
Utility deposits	\$	-	\$	4,803	\$	4,803	\$	96,607	
Expendable									
Streets		196,229		-		196,229		-	
Future grant expenditures		63,379		-		63,379		-	
Debt service		55,395		640,229		695,624		-	
Capital projects		112,984		-		112,984		-	
Other purposes		437,899		-		437,899		-	
Unrestricted		1,240,885		6,118		1,247,003		4,235,375	
Total cash basis net position	\$	2,106,771	\$	651,150	\$	2,757,921	\$	4,331,982	

City of Cascade Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances -Governmental Funds Year Ended June 30, 2023

		Special Revenue			
	General Fund (001-028)	Road Use Tax (110)	Employee Benefit (112)		
Cash Basis Fund Balances					
Restricted for					
Streets	\$ -	\$ 196,229	\$ -		
Future grant expenditures	-	-	-		
Debt service	-	-	-		
Capital projects	-	-	-		
Other purposes	-	-	-		
Assigned for					
Police car	79,764	-	-		
Fire truck	366,530	-	-		
Riverview park wall	9,814	-	-		
Public works truck	43,682	-	-		
Partial self-funded					
health insurance	41,487	-	-		
Swimming pool	45,855	-	-		
Cable	6,674	-	-		
Parks/playground	21,330	-	-		
Street equipment	104,053	-	-		
Library	248,084	-	-		
First avenue	313,209	-	-		
Trail	44	-	-		
Siren	2,312	-	-		
Bicentennial	4,815	-	-		
Ambulance	178,895	-	-		
Unassigned	356,363		(798)		
Total cash fund balances	\$ 1,822,911	\$ 196,229	\$ (798)		

Special Revenue					Det	ot Service		Capital Projects					
	Local Option Sales Tax (121)		Urban Renewal Tax American Increment Rescue Plan (125) (111)		Renewal Tax Increment		al Tax American nent Rescue Plan Debt Service			Cap	ital Projects (300)	Go	Total overnmental Funds
\$	- - -	\$	- - -	\$	- 63,379 - -	\$	- 55,395 -	\$	- - 112,984	\$	196,229 63,379 55,395 112,984		
	437,899		-		-		-		-		437,899 79,764		
	-		- -		- -		- -		- -		366,530 9,814 43,682		
	- -		- -		- -		- -		- -		41,487 45,855 6,674		
	- - -		- - -		- - -		- - -		- - -		21,330 104,053 248,084		
	-		-		-		-		-		313,209 44 2,312 4,815		
	-		- (267,910)		-		-		(313,318)		178,895 (225,663)		
\$	437,899	\$	(267,910)	\$	63,379	\$	55,395	\$	(200,334)	\$	2,106,771		

City of Cascade Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances -Governmental Funds Year Ended June 30, 2023

		Special Revenue			
	General Fund (001-028)	Road Use Tax (110)	Employee Benefit (112)		
Receipts					
General property taxes	\$ 957,054	\$ -	\$ 880		
Tax increments	-	-	-		
Local option sales tax	-	-	-		
Licenses and permits	39,844	-	-		
Intergovernmental	59,327	328,340	-		
Charges for services	546,523	-	-		
Use of money and property	96,189	-	-		
Miscellaneous	184,953	-	-		
Total receipts	1,883,890	328,340	880		
Disbursements					
Current					
General government	353,810	-	-		
Public safety	324,781	-	-		
Public works	308,769	238,692	-		
Community and economic development	32,930	-	-		
Culture and recreation	399,001	-	-		
Debt service					
Principal and interest	-	-	-		
Capital outlay					
General government	7,926	-	-		
Public safety	43,096	-	-		
Public works	26,131	170	-		
Culture and recreation	214,739	_	-		
Total disbursements	1,711,183	238,862			
Excess of receipts over					
(under) disbursements	172,707	89,478	880		
Other Financing Sources (Uses)					
Transfers in	32,000	8,000	-		
Transfers out	<u> </u>	(5,000)	(25,000)		
Total other financing sources (uses)	32,000	3,000	(25,000)		
Net change in cash fund balances	204,707	92,478	(24,120)		
Cash Fund Balances					
Beginning of year	1,618,204	103,751	23,322		
End of year	\$ 1,822,911	\$ 196,229	\$ (798)		

	Special Revenue Debt Service Capital Projects								
cal Option s Tax (121)	Urban Renewal Tax Increment(125)		American escue Plan (111)	De	bt Service (200)	Capital Projects (300)		Go	Total overnmental Funds
\$ -	\$-	\$	-	\$	100,018	\$	-	\$	1,057,952
-	90,308		-		-		-		90,308
390,190	-		-		-		-		390,190
-	-		-		-		-		39,844
-	-		174,119		-		5,000		566,786
-	-		-		-		-		546,523
-	-		-		-		13		96,202
 -	9,151		-		-		5,876		199,980
 390,190	99,459		174,119		100,018		10,889		2,987,785
-	-		-		-		-		353,810
-	-		208,204		-		-		532,985
-	-		-		-		-		547,461
-	107,741		-		-		-		140,671
-	-		-		-		-		399,001
-	-		-		303,825		-		303,825
-	-		-		-		-		7,926
-	-		-		-		-		43,096
-	-		-		-		-		26,301
 -	-		-		-		324,194		538,933
 -	107,741		208,204		303,825		324,194		2,894,009
390,190	(8,282)		(34,085)		(203,807)		(313,305)		93,776
 - (369,461)	-		-		203,825		524,306		768,131 (399,461)
 (369,461)			-		203,825		524,306		368,670
20,729	(8,282)		(34,085)		18		211,001		462,446
 417,170	(259,628)		97,464		55,377		(411,335)		1,644,325
\$ 437,899	\$ (267,910)	\$	63,379	\$	55,395	\$	(200,334)	\$	2,106,771

City of Cascade Statement of Net Cash Position Proprietary Funds June 30, 2023

		Enterprise Funds						
	W	ater (600)	Se	ewer (610)		Total		
Assets								
Cash	\$	119,826	\$	531,324	\$	651,150		
Net Cash Position								
Restricted								
Nonspendable								
Utility deposits	\$	4,803	\$	-	\$	4,803		
Expendable								
Debt service		73,093		567,136		640,229		
Unrestricted		41,930		(35,812)		6,118		
Total cash basis net position	\$	119,826	\$	531,324	\$	651,150		

City of Cascade Statement of Receipts, Disbursements, and Changes in Cash Balances -Proprietary Funds Year Ended June 30, 2023

		Enterprise Funds	
	Water (600)	Sewer (610)	Total
Operating Receipts			
Charges for services	\$ 337,847	\$ 835,317	\$ 1,173,164
Operating Disbursements			
Wages and salaries	112,129	111,104	223,233
Employee benefits	36,267	36,860	73,127
Materials and supplies	64,284	28,955	93,239
Professional services	35,617	46,811	82,428
Utilities	27,227	38,801	66,028
Repairs and maintenance	18,174	10,600	28,774
Insurance	13,542	29,553	43,095
Travel	-	818	818
Miscellaneous expenses	18,360	22,465	40,825
Total operating disbursements	325,600	325,967	651,567
Operating income (loss)	12,247	509,350	521,597
Nonoperating Receipts			
(Disbursements)			
Interest on investments	5,077	12,595	17,672
Water deposits refunded	(420)	-	(420)
Miscellaneous	3,807	-	3,807
Debt service	(56,220)	(526,160)	(582,380)
Total nonoperating			
receipts (disbursements)	(47,756)	(513,565)	(561,321)
Excess of reciepts under disbursements	(35,509)	(4,215)	(39,724)
Transfers out	(5,000)	(363,670)	(368,670)
Change in cash balances	(40,509)	(367,885)	(408,394)
Cash Balances			
Beginning of year	160,335	899,209	1,059,544
End of year	\$ 119,826	\$ 531,324	\$ 651,150

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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:

Component Unit

Cascade Municipal Utilities (CMU) Brief Description/Inclusion Criteria

Created to finance, develop, and operate the Municipal Utilities which provide gas and electric services to the Ciuty. 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 1st 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.

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, 2023, 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.

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 costreimbursement 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.

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, 2021, to compute the amounts which became liens on property on July 1, 2022. These taxes were due and payable in two installments on September 30, 2022 and March 31, 2023, 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.

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, 2023, 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 \$7,088,222 in checking and savings accounts at June 30, 2023.

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 \$1,681. 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, 2023, 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, 2023, 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* § 12B.10C, shall comply with all rules adopted pursuant to *Iowa Code* § 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.

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	G.O. Bonds	s and Notes	Revenue Bor	nds and Loans	То	tal
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
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	135,000	30,750	482,195	87,694	617,195	118,444
2029-2033	730,000	90,900	2,504,642	307,299	3,234,642	398,199
2034-2038	160,000	4,800	2,003,000	88,498	2,163,000	93,298
Total	\$ 1,915,000	\$ 309,000	\$ 6,828,297	\$ 916,180	\$ 8,743,297	\$ 1,225,180

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 \$526,160 and \$509,350, 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.

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 \$12,247 respectively.

NOTE 4 - PENSION PLAN

A. Plan Description

IPERS membership is mandatory for employees of the City and it's 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.

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 earlyretirement 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.

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 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.

NOTE 4 - PENSION PLAN (CONTINUED)

D. Contributions (Continued)

In fiscal year 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2023, totaled \$49,665. The Utility's contributions to IPERS for the year ended June 30, 2023, totaled \$29,474.

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

At June 30, 2023, the City's reported a liability of \$166,858, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contribution to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.00526%, which was a decrease of 0.000027% from its proportion measured as of June 30, 2021. At June 30, 2022, the City's Protection occupations proportion was 0.030436%, which was an increase of 0.008968% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled (\$5,155), \$71,942, and \$41,434, respectively.

At June 30, 2023, the Utility's liability for its proportionate share of the net pension liability totaled \$132,773. The collective net pension liability was measured as of June 30, 2022, 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, 2022, the Utility's proportion was 0.003345%, which was a decrease of 0.000345% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Utility's pension expense, deferred outflows of resources, and deferred inflows of resources totaled (\$1,906), \$35,473, and \$16,035, respectively.

There were no non-employer contributing entities to IPERS

NOTE 4 - PENSION PLAN (CONTINUED)

F. Actuarial Assumptions

The total pension liability in the June 30, 2022, 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	3.25 to 16.25% average, including inflation
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage Growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of a quadrennial experience study covering the period of July 1, 2027 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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 %	3.57 %		
International equity	17.5	4.79		
Global smart beta equity	6.0	4.16		
Core plus fixed income	20.0	1.66		
Public credit	4.0	3.77		
Cash	1.0	0.77		
Private equity	13.0	7.57		
Private real assets	8.5	3.55		
Private credit	8.0	3.63		
Total	100.0 %			

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.

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.

Proportionate Share of the Net Pension Liability (Asset)	Dis	Decrease in count Rate (6.00%)	Dis	Current count Rate (7.00%)	Dis	Increase in count Rate 8.00%)
City Utility	\$	400,787 247,372	\$	166,858 132,773	\$	(39,033) 31,780

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 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 seven 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.

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 \$523.72 for single coverage and \$1,179 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2023, the City contributed \$84,059 and plan members contributed \$9,951. The most recent active member monthly premiums for the Utility and plan members are \$423 for single coverage and \$961 for family coverage. For the year ended June 30, 2023, the Utility contributed \$41,119 and plan members contributed \$2,976.

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, 2023, primarily relating to the General Fund for the City and Electric Fund for the Utility, are as follows:

		City	U	Jtility	
Type of Benefit	A	mount	A	Amount	
Vacation	\$	39,627	\$	6,620	

These liabilities have been computed based on rates of pay in effect at June 30, 2023.

NOTE 7 - INTERFUND TRANSFERS

Transfer To	Transfer From	Amount
General	Special Revenue	
	Road use tax	\$ 5,000
	Employee benefit	17,000
	Water	5,000
	Sewer	5,000
	Total general	32,000
Road and Use Tax	Special Revenue	
	Employee benefit	8,000
Debt Service	Special Revenue	
	Local option sales tax	203,825
Capital projects		
1 1 3	Special Revenue	
	Local option sales tax	165,636
	Sewer	358,670
	Total capital projects	524,306
	Total	\$ 768,131

The detail of interfund transfers for the year ended June 30, 2023, are as follows:

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 \$114,751 for gas, electric, and collection service for the fiscal year ended June 30, 2023.

The City received \$10,604 for shared supplies, repairs, and copier from the Utility for the fiscal year ended June 30, 2023.

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.

NOTE 10 - DEVELOPER AGREEMENTS

The City has entered into development agreements to assist various urban renewal projects.

With the Smart Communication 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, 2023, the City paid a total of \$3,981. This was the last payment.

With the Cheryl's Flour 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, 2023, the City paid a total of \$2,336, with a maximum balance remaining of \$37,239 under this agreement. During the year ended June 30, 2023, the City was paid a total of \$5,004.

With the Premium Plant Services 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, 2023, the City rebated \$14,537.56, with a maximum remaining balance of \$115,594.44. 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, 2023, the City paid a total of \$12,000, with a maximum remaining balance of \$24,000 under the agreement.

With the Callahan Construction 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, 2023, the City rebated \$38,849 with a maximum remaining balance of \$163,385.

NOTE 10 - DEVELOPER AGREEMENTS (CONTINUED)

With the AHECO agreement the developers would undertake the development and renovation of a downtown business on certain real property situated at 201 1st 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 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. The balance at June 30, 2022 is \$37,907. During the year ended June 30,2023 the City rebated \$1,760 with a maximum remaining balance of \$58,240.

With the Cascade Lumber agreement, the developer constructed a new distribution warehouse. Under the agreement, the City would provide 5 annual appropriation tax increment payments to the Company in a total not to exceed \$20,000. 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, 2023, the City paid a total of \$8,000, with a maximum remaining balance of \$12,000 under the agreement.

With the Centro agreement, the developer will redevelop and renovate an existing building for use in it plastics manufacturing business operations. Annual Appropriation Tax Increment Payments not to exceed \$60,000 for job incentive and \$275,000 for construction. The payments shall not constitute a general obligation and shall be subject to annual appropriation by the City Council. During the year ended June 30,2023 the City rebated \$461 and \$12,000 tax rebate payments were paid in the year ended June 30, 2023. The maximum remaining balance at June 30, 2023 is \$274,539, and \$48,000 respectively.

With the Iowa Main Street agreement, the developer will rehab and renovate a former brewery into a multiuse building, including commercial retail space and multiresidential units. The payments shall not constitute a general obligation and shall be subject to annual appropriation by the City Council. No rebate was paid in the year ending June 30, 2023, with a maximum remaining balance of \$70,000.

With the R & D Vaske, LLC agreement, the developer will undertake the construction of a new meat locker. The payments shall not constitute a general obligation and shall be subject to annual appropriation by the City Council. No rebate was paid in the year ending June 30, 2023, with a maximum remaining balance of \$40,000.

With the Triple B Properties, LLC agreement, the developer will rehab and renovate an existing building into multiuse building including commercial retail space and multiresidential units. The payments shall not constitute a general obligation and shall be subject to annual appropriation by the City Council. No rebate was paid in the year ending June 30, 2023, with a maximum remaining balance of \$50,000; and grant not to exceed \$20,000.

NOTE 10 - DEVELOPER AGREEMENTS (CONTINUED)

With the Eastern Iowa Excavating and Concrete, LLC agreement the developer will construct an addition to an existing facility to use for as office and shop space. The payments shall not constitute a general obligation and shall be subject to annual appropriation by the City Council. No rebate was paid in the year ending June 30, 2023, with a maximum remaining balance of \$60,000.

With the Beck Construction agreement, the developer will construct a new building for use in the business operations of Beck Construction Inc and Beck Construction Group LLC. Annual Appropriation Tax Increment Payments not to exceed \$90,000 with 7 semi annual payment with the first payment starting in December 2023. The payments shall not constitute a general obligation and shall be subject to annual appropriation by the City Council. No rebate was paid in the year ending June 30, 2023, with a maximum remaining balance of \$90,000.

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, 2023:

Fund

Urban renewal tax increment	\$ 267,910
Capital projects	200,334
Employee benefits	798

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

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, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Unit	Total
Receipts	* • • • • • • • • • • • • • • • • • • •	•	^	* * • • * • • *
Property tax	\$ 1,057,953	\$ -	\$ -	\$ 1,057,953
Tax increment financing	90,309	-	-	90,309
Other city tax	390,190	-	-	390,190
Licenses and permits	39,844	-	-	39,844
Use of money and property	96,185	17,672	147,510	261,367
Intergovernmental	566,786	-	-	566,786
Charges for services	547,135	1,173,164	3,237,110	4,957,409
Operating grants and contributions	-	-	42,346	42,346
Miscellaneous	199,368	3,807	39,480	242,655
Total receipts	2,987,770	1,194,643	3,466,446	7,648,859
Disbursements				
General government	353,810	-	-	353,810
Public safety	532,985	-	-	532,985
Public works	547,446	-	-	547,446
Culture and recreation	399,001	-	-	399,001
Community and economic development	140,671	-	-	140,671
Debt service	303,825	582,380	-	886,205
Capital outlay	616,256	-	-	616,256
Business type activities	-	651,987	2,852,434	3,504,421
Total disbursements	2,893,994	1,234,367	2,852,434	6,980,795
Excess (deficiency) of receipts over				
(under) disbursements	93,776	(39,724)	614,012	668,064
Other financing sources (uses), net	368,670	(368,670)		-
Excess (deficiency) of receipts and other		(****,****)		
financing sources over (under)				
disbursements and other financing uses	462,446	(408,394)	614,012	668,064
Balances beginning of year	1,644,325	1,059,544	3,717,970	6,421,839
Balances end of year	\$ 2,106,771	\$ 651,150	\$ 4,331,982	\$ 7,089,903

	Budgeted	ounts		Final to Total	
	Original	7 1110	Final		Variance
	Oligiliai		1 IIIdi		variance
\$	1,052,944	\$	1,055,174	\$	2,779
	106,798		106,798		(16,489)
	445,000		445,000		(54,810)
	8,400		17,400		22,444
	17,450		110,413		150,954
	742,621		763,113		(196,327)
	5,096,936		4,761,836		195,573
	-		-		42,346
	60,950		235,537		7,118
	7,531,099		7,495,271		153,588
					(
	350,413		429,592		(75,782)
	375,737		637,086		(104,101)
	773,089		789,489		(242,043)
	361,774		723,064		(324,063)
	340,798		358,798		(218,127)
	886,655		886,655		(450)
	20,000		521,800		94,456
	3,521,098		3,601,180		(96,759)
	6,629,564		7,947,664		(966,869)
	901,535		(452,393)		1,120,457
	-		-		-
¢	001 525	¢	(452,202)	¢	1 100 455
\$	901,535	\$	(452,393)	\$	1,120,457

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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, 2023, disbursements in the Capital Outlay function exceeded 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 Nine Years* Other Information (In Thousands) Year Ended June 30, 2023

	2023				2022			
	Go	Discretely Presented Primary Component Government Unit (City) (Utility)		Primary Government (City)			Discretely Presented Component Unit (Utility)	
Proportion of the net pension liability (asset) Regular Protective occupation		.005260 % .030436 %		0.003345 %		0.005287 % 0.214680 %		0.003690 %
Proportionate share of the net pension liability (asset) Regular Protective occupation	\$	209 (42)	\$	133	\$	7 (74)	\$	5
Covered employee payroll Regular Protective occupation		391 137		312		445 127		283
Proportionate share of the net pension liability (asset) as a percentage of covered payroll Regular Protective occupation		53.45 % (30.66) %		42.63 %		1.57 % (58.27) %		1.67 %
Plan fiduciary net position as a percentage of the total pension liability		91.41 %		91.41 %		100.81 %		99.65 %

* 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 presented in this table. However, until a full ten year trend is complied, the City will present information for those years for which information is available.

	2021				20	20		2019				
G	Primary Co Government		Discretely Presented omponent Unit		Primary overnment	l C	Discretely Presented omponent Unit	Go	Primary vernment		Discretely Presented Component Unit	
	(City) 0.005354 % 0.026621 %		(Utility) 0.003547 % -		(City) 0.005420 % 0.032307 %		(Utility) 0.004109 % -	0	(City) 0.005346 % 0.025618 %		(Utility) 0.004528 %	
\$	373 (9)	\$	247	\$	316 (10)	\$	240	\$	338	\$	286	
	422 105		280		415 118		315		402 90		340	
	88.52 % (8.29) %		88.52 %		76.09 % (8.34) %		76.09 % -		84.20 % (0.51) %		84.20 %	
	82.90 %		82.90 %		85.45 %		85.45 %		83.62 %		83.62 %	

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 Nine Years* Other Information (In Thousands) Year Ended June 30, 2023

	2018				2017			
		Primary Government (City)		Discretely Presented Component Unit (Utility)		Primary Government (City)		scretely esented nponent Unit Jtility)
Proportion of the net pension liability (asset) Regular Protective occupation		.004884 % .029899 %	0.003876 %		0.004873 % 0.031406 %		(0.003911 % -
Proportionate share of the net pension liability (asset) Regular Protective occupation	\$	322 5	\$	256	\$	304 6	\$	244
Covered employee payroll Regular Protective occupation		361 105		287		347 105		278
Proportionate share of the net pension liability (asset) as a percentage of covered payroll Regular Protective occupation		89.24 % 5.15 %		89.24 % -		87.69 % 6.09 %		87.70 % -
Plan fiduciary net position as a percentage of the total pension liability		82.21 %		82.21 %		81.82 %		81.82 %

	20	16		2015						
G	Primary Government (City)		cretely esented nponent Unit (tility)		Primary overnment (City)	Discretely Presented Component Unit (Utility)				
	0.004764 % 0.026480 %	C	0.004518 % -		0.004296 % 0.026069 %	C	0.004518 % -			
\$	237 (12)	\$	225	\$	174 (20)	\$	183			
	328 89		311		328 87		302			
	62.71 % (10.98) %		80.76 %		52.94 % (23.5) %		60.61 % -			
	85.19 %		85.19 %		87.61 %		87.61 %			

City of Cascade Schedule of the Primary Government's and Discretely Presented Component Unit's Schedule of City Contributions to the Iowa Public Employees' Retirement System Last Ten Fiscal Years (In Thousands) Other Information

Drimary government (aity)	2023		2022		2021		2020	
Primary government (city) Statutorily required contribution	\$	50	\$	54	\$	49	\$	50
Contributions in relation to the statutorily required contribution		(50)		(54)		(49)		(50)
Contribution deficiency (excess)	\$	_	\$		\$	-	\$	-
City's covered employee payroll	\$	527	\$	572	\$	521	\$	527
Contributions as a percentage of covered employee payroll		9.49%		9.44%		9.40%		9.49%
Discretely presented component unit (utility) Statutorily required contribution	\$	29	\$	27	\$	28	\$	26
Contributions in relation to the statutorily required contributions		(29)		(27)		(28)		(26)
Contribution deficiency (excess)	\$	-	\$	_	\$	-	\$	-
Utility's covered employee payroll	\$	312	\$	284	\$	309	\$	279
Contributions as a percentage of covered employee payroll		9.44%		9.44%		9.44%		9.44%

 2019	 2018	 2017	 2016	 2015		2014
\$ 51	\$ 45	\$ 43	\$ 41	\$ 38	\$	34
 (51)	 (45)	 (43)	 (41)	 (38)		(34)
\$ -	\$ -	\$ -	\$ _	\$ 	\$	-
\$ 563	\$ 491	\$ 466	\$ 452	\$ 417	\$	415
9.13%	9.10%	9.13%	9.14%	9.18%		9.20%
\$ 30	\$ 30	\$ 25	\$ 25	\$ 28	\$	27
 (30)	 (30)	 (25)	 (25)	 (28)		(27)
\$ -	\$ -	\$ 	\$ 	\$ _	\$	-
\$ 333	\$ 340	\$ 287	\$ 278	\$ 311	\$	302
8.93%	8.93%	8.93%	8.93%	8.93%		8.93%

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 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL 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, 2023

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of year
Primary government				
General obligation bonds	- //-			*
Corporate purposes	Feb 27, 2017	2.00-3.00%	\$ 1,115,244	\$ 520,000
Swimming pool 2019A	Jun 13, 2019	3.00%	1,965,000	1,635,000
Total				\$ 2,155,000
Revenue bonds				
Water - refunding	Oct 15, 2020	1.89%	602,740	\$ 507,917
Sewer	May 20, 2016	1.75%	756,229	6,758,000
Total				\$ 7,265,917

Issued During Year		edeemed During Year	 Balance End of year	Interest Paid			
\$ -	\$	125,000 115,000	\$ 395,000 1,520,000	\$	13,674 49,050		
\$ 	\$	240,000	\$ 1,915,000	\$	62,724		
\$ -	\$	46,620 391,000	\$ 461,297 6,367,000	\$	9,600 118,265		
\$ -	\$	437,620	\$ 6,828,297	\$	127,865		

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City of Cascade Schedule 2 Bond and Note Maturities Year Ended June 30, 2023

						Primary G	overnment							
	Revenue R	efundin	g Bonds	General O	bligat	tion Bond	Reve	enue B	onds	General C	General Obligation Bond			
		Water		Corpor	rate P	urpose		Sewer		Swimming Pool				
Year	Issued	Oct 15, 2	2020	Issued 1	Feb 27	7, 2017	Issued 1	May 2	0, 2016	Issued	Jun 5, 2019			
Ending	Interest			Interest			Interest			Interest				
June 30,	Rates	Ar	nount	Rates		Amount	Rates		Amount	Rates	Amount			
2024	1.89	\$	47,501	2.50	\$	130,000	1.75	\$	399,000	3.00	\$	120,000		
2025	1.89		48,399	2.50		130,000	1.75		406,000	3.00		120,000		
2026	1.89		49,314	3.00		135,000	1.75		415,000	3.00		125,000		
2027	1.89		50,246			-	1.75		423,000	3.00		130,000		
2028	1.89		51,195			-	1.75		431,000	3.00		135,000		
2029	1.89		52,163			-	1.75		440,000	3.00		140,000		
2030	1.89		53,149			-	1.75		449,000	3.00		140,000		
2031	1.89		54,153			-	1.75		458,000	3.00		145,000		
2032	1.89		55,177			-	1.75		467,000	3.00		150,000		
2033			-			-	1.75		476,000	3.00		155,000		
2034			-			-	1.75		486,000	3.00		160,000		
2035			-			-	1.75		496,000			-		
2036			-			-	1.75		505,000			-		
2037			-				1.75		516,000			-		
Total		\$ 4	461,297		\$	395,000		\$	6,367,000		\$	1,520,000		

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

	 2023	 2022	2021		 2020	 2019
Receipts						
Property tax	\$ 1,057,952	\$ 913,243	\$	913,682	\$ 871,086	\$ 813,886
Tax increment financing	90,308	314,463		300,919	267,298	326,808
Other city tax	390,190	401,692		337,063	287,029	265,538
Licenses and permits	39,844	29,629		23,567	26,810	28,663
Use of money and						
property	96,202	15,604		19,852	68,431	72,781
Intergovernmental	566,786	612,149		595,158	735,313	572,361
Charges for services	546,523	504,263		403,341	396,708	345,529
Special assessments	-	-		5,496	-	2,173
Miscellaneous	 199,980	 53,147		45,371	 477,015	 67,211
Total	\$ 2,987,785	\$ 2,844,190	\$	2,644,449	\$ 3,129,690	\$ 2,494,950
Disbursements						
Operating						
General government	\$ 353,810	\$ 346,795	\$	275,212	\$ 270,632	\$ 297,857
Public safety	532,985	379,098		269,310	262,520	289,647
Public works	547,461	537,658		500,849	576,069	544,023
Culture and recreation	399,001	286,054		191,591	181,684	183,542
Community and						
economic development	140,671	122,212		305,568	175,053	210,029
Debt service	303,825	712,270		721,361	727,530	587,249
Capital outlay	 616,256	 369,570		898,368	 2,906,365	 1,180,656
Total	\$ 2,894,009	\$ 2,753,657	\$	3,162,259	\$ 5,099,853	\$ 3,293,003

	2018		2017		2016		2015	2014		
\$	776,674	\$	617,676	\$	568,284	\$	562,450	\$	535,497	
	311,802		628,984		660,322		590,521		548,073	
	255,144		283,877		274,583		252,779		244,047	
	27,996		28,884		28,779		27,754		25,252	
	47,760		32,690		16,389		14,836		20,555	
	981,220		559,309		512,899		257,814		245,229	
	330,933		348,627		332,205		308,389		203,067	
	2,322		2,804		2,639		6,303		2,372	
	15,099		51,997		38,397		19,739		27,004	
\$	2,748,950	\$	2,554,848	\$	2,434,497	\$	2,040,585	\$	1,851,096	
\$	493,387	\$	306,374	\$	238,691	\$	220,705	\$	223,022	
	228,229		300,736		257,114		447,732		239,492	
	450,420		497,756		418,854		422,755		346,394	
	189,033		197,023		217,648		195,190		176,181	
	54,046		59,373		25,899		50,399		120,812	
	594,311		421,157		423,426		426,924		559,764	
	2,525,404		7,149,464		1,196,530		769,004		1,635,242	
\$	4,534,830	\$	8,931,883	\$	2,778,162	\$	2,532,709	\$	3,300,907	
¢	4,334,030	¢	0,951,005	φ	2,778,102	φ	2,332,709	Φ	5,500,907	

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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, 2023, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 13, 2023. 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 such that there are 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-23 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, 2023, 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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and 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 the response.

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.

Bergan KOV, Ltd.

Minneapolis, Minnesota December 13, 2023

City of Cascade Schedule of Findings and Responses

PART I: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS:

I-A-23 Lack of Segregation of Accounting Duties

During the year ended June 30, 2023, 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.

City of Cascade Schedule of Findings and Responses

PART I: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS: (CONTINUED)

I-A-23 Lack of Segregation of Accounting Duties (Continued)

Response Agrees with finding.

Conclusion Response accepted.

PART II: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

II-A-23 Certified Budget

Disbursements for the year ended June 30, 2023, exceeded the amounts budgeted in the Capital outlay function. Chapter 384.20 of the *Code of Iowa* states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation

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

<u>Response</u>

The budget will be amended in the future, if applicable.

Conclusion Response accepted

II-B-23 Questionable Disbursements

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-23 <u>Travel Expense</u> No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-23Business TransactionsNo business transactions between City and City officials or employees were noted.

II-E-23 Restricted Donor Activity

No transactions were noted between the City, City officials City employees and restricted donors in compliance with Chapter 68B of the *Code of Iowa*.

II-F-23 Bond Coverage

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

City of Cascade Schedule of Findings and Responses

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

II-G-23 <u>Council Minutes</u> No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-23 <u>Deposits and Investments</u> 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-23 <u>Revenue Bonds and Notes</u> No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-J-23 <u>Tax Increment Financing</u> 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-23 <u>Annual Urban Renewal Report</u> 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.

II-L-23 Financial Condition

The Government Funds, Employee Benefit Fund had a deficit balance of \$798 at June 30, 2023. Urban Renewal Tax Increment Fund had a deficit balance of \$267,910 at June 30, 2023. Capital Project Fund had a deficit balance of \$200,334 at June 30, 2023.

Recommendation

The City should investigate alternatives to eliminate this deficit and return the Funds to a sound financial condition.

Response

The deficit in the Employee Benefit fund will be eliminated through future property tax levies. The deficit balance in the Urban Renewal Tax Increment Fund is due to expenditures that exceeded increment over the past few years. The City has worked with Dubuque County to create a two-year plan in future years to certify and collect enough TIF increment to pay the annual expenses planned in future years and recover the current deficit balance. The deficit balance in the Capital project Fund is due to having added expenses in the current year due to the beginning phases of construction for a new Public Library and Community Center. The revenues to pay for this deficit are going to be covered by donations currently held at the Community Foundation of Greater Dubuque, or Grant Funding and City Debt that will come in the next fiscal year.

Conclusion Response accepted.