

**CASCADE MUNICIPAL UTILITIES  
(COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)**

**INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2013**

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CASCADE MUNICIPAL UTILITIES

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clay Gavin	Chairman	Mar 31, 2018
Merlin McDermott	Trustee	Mar 31, 2014
Alan Reiter	Trustee	Mar 31, 2016
Ron Benke	Utility Manager	Indefinite

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Cascade Municipal Utilities:

### Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and each major fund of Cascade Municipal Utilities (a component unit of the city of Cascade, Iowa), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities and each major fund of Cascade Municipal Utilities as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cascade Municipal Utilities' basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects to the basic financial statements taken as a whole.

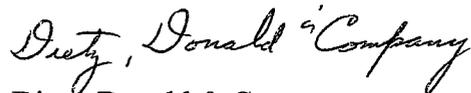
The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 11 and 22 through 23, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2013 on our consideration of Cascade Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cascade Municipal Utilities' internal control over financial reporting and compliance.

Elkader, Iowa

October 18, 2013



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

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# *CASCADE MUNICIPAL UTILITIES*

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Chairman: Clay Gavin  
Utilities Manager:  
Ron Benke

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P.O. Box 400  
Cascade, IA 52033  
Phone 563-852-3614  
Fax: 563-852-7554  
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Board of Trustees:  
Alan Reiter  
Merlin McDermott

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Cascade Municipal Utilities (the Utility) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Utility's financial statements which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Receipts of the Utility's business type activities increased 4.5%, or approximately \$ 121,000 from fiscal year 2012 to fiscal 2013.
- Disbursements of the Utility's business type activities increased 6.5%, or approximately \$ 171,000, in fiscal year 2013 from fiscal year 2012. Capital projects disbursements increased approximately \$ 75,000 and debt service disbursements increased approximately \$ 5,000.
- The Utility's total cash basis net position increased 8.1%, or approximately \$ 183,000 from June 30, 2012 to June 30, 2013.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Other Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Supplementary Information provides detailed information about the Utility's long-term debt.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE UTILITIES' FINANCIAL ACTIVITIES**

### Government-wide Financial Statement

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

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

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

### Fund Financial Statements

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The Utility's cash balance for business type activities increased from a year ago, increasing from approximately \$ 2.262 million to approximately \$ 2.445 million. The analysis that follows focuses on the changes in cash balances for business type activities.

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

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service:		
Electric	\$ 1,842	1,806
Gas	993	908
General receipts:		
Unrestricted interest on investments	20	25
Revenue note proceeds	0	0
Miscellaneous	149	51
Total receipts	<u>3,004</u>	<u>2,790</u>
Disbursements:		
Electric	2,105	1,983
Gas	<u>716</u>	<u>667</u>
Total disbursements	<u>2,821</u>	<u>2,650</u>
Change in cash basis net position	183	140
Cash basis net position beginning of year	<u>2,262</u>	<u>2,122</u>
Cash basis net position end of year	<u>\$ 2,445</u>	<u>2,262</u>

Total business type activities receipts for the fiscal year were approximately \$ 3.004 million compared to approximately \$ 2.790 million last year. This increase was primarily due to \$ 123,000 in patronage dividends received in 2013. The cash balance increased approximately \$ 183,000. Total disbursements for the fiscal year increased 6.5% to approximately \$ 2.821 million. This increase was the result of payment of bond principal and interest.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise, Electric Fund cash balance decreased \$ 116,897 to \$ 889,211, due to payment of bond principal and interest.

The Enterprise, Gas Fund cash balance increased \$ 299,937 to \$ 1,556,192, which approximates the \$ 261,311 increase from fiscal 2012.

#### **BUDGETARY HIGHLIGHTS**

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

The Utility's receipts were \$ 324,177 less than budgeted. Disbursements were \$ 307,638 less than budgeted.

#### **DEBT ADMINISTRATION**

At June 30, 2013, the Utility had \$ 1,880,000 in revenue notes outstanding as compared to \$ 2,015,000 last year.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Cascade Municipal Utilities' appointed officials and citizens considered many factors when setting the fiscal year 2014 budget and fees that will be charged for various Utility activities. One of those factors is the economy. Over the last 40 years, Cascade's population has increased 415 to 2159 and that trend is expected to continue. The local economy seems to be improving as sales tax receipts have increased slightly.

These indicators were taken into account when adopting the budget for fiscal year 2014. Disbursements are budgeted to increase \$ 185,955 from the final fiscal year 2013 budget.

If these estimates are realized, the Utility's budgeted cash balance is expected to increase approximately \$ 150,000 by the close of fiscal year 2014.

## **CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT**

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

BASIC FINANCIAL STATEMENTS

CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
 As of and for the Year Ended June 30, 2013

	<u>Disbursements</u>	<u>Program Receipts Charges For Service</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position Business Type Activities</u>
Functions/Programs:			
Business type activities:			
Electric	\$ 2,105,124	1,841,868	(263,256)
Gas	<u>715,589</u>	<u>992,761</u>	<u>277,172</u>
Total business type activities	<u>\$ 2,820,713</u>	<u>2,834,629</u>	<u>13,916</u>
General Receipts:			
Unrestricted interest on investments			20,006
Miscellaneous			<u>149,118</u>
Total general receipts			<u>169,124</u>
Change in cash basis net position			183,040
Cash basis net position beginning of year			<u>2,262,363</u>
Cash basis net position end of year			<u>\$ 2,445,403</u>
Cash Basis Net Position:			
Restricted			
Nonexpendable:			
Utility deposits			\$ 55,870
Expendable:			
Debt service			230,444
Unrestricted			<u>2,159,089</u>
Total cash basis net position			<u>\$ 2,445,403</u>

See notes to financial statements.

CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 PROPRIETARY FUNDS  
 As of and for the Year Ended June 30, 2013

	Enterprise Funds		
	Electric	Gas	Total
Operating receipts:			
Charges for service	\$ 1,841,868	992,761	2,834,629
Disbursements:			
Business type activities	1,626,761	710,805	2,337,566
Excess of operating receipts over operating disbursements	215,107	281,956	497,063
Non-operating receipts (disbursements):			
Interest on investments	8,208	11,798	20,006
Miscellaneous	136,568	11,065	147,633
Meter deposits, net	1,583	(98)	1,485
Capital projects	(279,811)	(4,784)	(284,595)
Debt service	(198,552)	0	(198,552)
Net non-operating receipts (disbursements)	(332,004)	17,981	(314,023)
Net change in cash balances	(116,897)	299,937	183,040
Cash balances beginning of year	1,006,108	1,256,255	2,262,363
Cash balances end of year	\$ 889,211	1,556,192	2,445,403
Cash Basis Fund Balances			
Restricted:			
Nonexpendable:			
Utility deposits	\$ 30,175	25,695	55,870
Expendable:			
Debt service	230,444	0	230,444
Unrestricted	628,592	1,530,497	2,159,089
Total cash basis fund balances	\$ 889,211	1,556,192	2,445,403

See notes to financial statements.

**CASCADE MUNICIPAL UTILITIES  
(A COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the Utility. For the most part, the effect of interfund activities has been removed from this statement. Activities between the Utility and the primary government (City of Cascade) are reported as if they are external transactions and are classified separately from internal activities within the Utility.

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

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

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

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

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

Fund Financial Statements - Major individual enterprise funds are reported as separate columns in the fund financial statement.

The Utility reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The Utility's deposits in banks at June 30, 2013, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The Utility had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$ 979 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk - The Utility's investments in the Iowa Public Agency Investment Trust is unrated.

**(3) Notes Payable**

Annual debt service requirements to maturity for revenue notes are as follows:

Year Ended <u>June 30,</u>	<u>Electric Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 135,000	59,903
2015	140,000	57,540
2016	140,000	54,740
2017	145,000	51,660
2018	145,000	47,962
2019-2023	805,000	166,370
2024-2025	370,000	22,780
Total	<u>\$ 1,880,000</u>	<u>460,955</u>

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

- [a] The notes will only be redeemed from the future earnings of the electric utility and the note holders hold a lien on the future earnings of the utility. The notes are callable June 1, 2017 at par.
- [b] Sufficient monthly transfers shall be made to an electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- [c] Additionally, \$ 230,444 has been set aside from the note proceeds to create a principal and interest reserve account. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking account.

**4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the Utility is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Utility's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$ 25,093, \$ 23,532, and \$ 19,168,, respectively, equal to the required contributions for each year.

**5) Other Post-employment Benefits (OPEB)**

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active 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.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility.

The Utility finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$ 313 for single coverage and \$ 710 for family coverage. For the year ended June 30, 2013, the Utility contributed \$ 33,997 and plan members contributed \$ 5,623.

**6) Compensated Absences**

The Utility's employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utility until used or paid. The Utility's approximate liability for earned vacation termination payments payable to employees at June 30, 2013, primarily relating to the Electric Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 14,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**7) Related Party Transactions**

The Utility received \$ 101,981 for gas, electric and collection services from the City of Cascade for the fiscal year ended June 30, 2013.

The Utility paid \$ 5,218 for shared supplies, repairs and copier to the City of Cascade for the fiscal year ended June 30, 2013.

**(8) Risk Management**

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

**(9) Concentration of Credit Risk**

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

OTHER INFORMATION

CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 BUDGETARY COMPARISON SCHEDULE  
 OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES  
 BUDGET AND ACTUAL (CASH BASIS) -  
 ALL PROPRIETARY FUNDS  
 OTHER INFORMATION  
 Year Ended June 30, 2013

	Proprietary Funds <u>Actual</u>	Budgeted Amounts	Budgeted to Actual <u>Variance</u>
Receipts:			
Use of money and property	\$ 20,006	22,000	(1,994)
Charges for service	2,834,629	2,935,860	(101,231)
Miscellaneous	<u>149,118</u>	<u>30,000</u>	<u>119,118</u>
Total receipts	3,003,753	2,987,860	15,893
Disbursements:			
Business type activities	<u>2,820,713</u>	<u>3,128,351</u>	<u>307,638</u>
Excess (deficiency) of receipts over (under) disbursements			
	183,040	(140,491)	323,531
Other financing sources	<u>0</u>	<u>340,000</u>	<u>(340,000)</u>
Excess of receipts and other financing sources over disbursements			
	183,040	199,509	(16,469)
Balances beginning of year	<u>2,262,363</u>	<u>1,505,013</u>	<u>757,350</u>
Balances end of year	<u>\$ 2,445,403</u>	<u>1,704,522</u>	<u>740,881</u>

See accompanying independent auditor's report and notes to other information - budgetary reporting.

**CASCADE MUNICIPAL UTILITIES  
(A COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)**

**NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING  
Year Ended June 30, 2013**

The budgetary comparison is presented as Other Information 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 Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The approved budget is then presented to the Cascade City Council for final approval. 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 or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent 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.

SUPPLEMENTARY INFORMATION

CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 STATEMENT OF INDEBTEDNESS  
 Year Ended June 30, 2013

<u>Obligation</u>	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year
Revenue note:				
Electric	Jan. 27, 2011	1.40 - 4.10%	\$ 2,275,000	<u>2,015,000</u>

	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Revenue note: (continued)				
Electric (continued)	\$ 0	135,000	1,880,000	<u>61,793</u>

See accompanying independent auditor's report.

CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 NOTE MATURITIES  
 June 30, 2013

Year Ending June 30,	Revenue notes	
	Electric	
	Issued Jan. 27, 2011	
	Interest Rates	Amount
2014	1.75%	\$ 135,000
2015	2.00	140,000
2016	2.20	140,000
2017	2.55	145,000
2018	2.90	145,000
2019	3.15	150,000
2020	3.40	155,000
2021	3.60	160,000
2022	3.75	165,000
2023	3.90	175,000
2024	4.00	180,000
2025	4.10	190,000
Total		<u>\$ 1,880,000</u>

See accompanying independent auditor's report.

STEVEN S. CLAUSEN, CPA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of the  
Cascade Municipal Utilities:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business type activities and each major fund of Cascade Municipal Utilities, component unit of the City of Cascade, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Utility's basic financial statements, and have issued our report thereon dated October 18, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cascade Municipal Utilities' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cascade Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Cascade Municipal Utilities' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cascade Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utility's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Cascade Municipal Utilities' Responses to Findings

Cascade Municipal Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings. Cascade Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of This Report

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

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

Elkader, Iowa

October 18, 2013



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

CASCADE MUNICIPAL UTILITIES  
(COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CASCADE MUNICIPAL UTILITIES  
(COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-13 Certified Budget - Disbursements for the year ended June 30, 2013 did not exceed the amount budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbers except under an annual or continuing appropriation.
- II-B-13 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-13 Travel Expense - No disbursements of Utility money for travel expenses of spouses of Utility officials or employees were noted. No travel advances to Utility officials or employees were noted.
- II-D-13 Business Transactions - No business transactions between the Utility and Utility officials were noted.
- II-E-13 Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-13 Board Minutes - No transactions were found that we believe should have been approved in the board minutes but were not.
- II-G-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy were noted.
- II-H-13 Revenue Notes - No instances of non-compliance with the revenue note resolutions were noted.

CASCADE MUNICIPAL UTILITIES  
(COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
SCHEDULES OF FINDINGS AND RESPONSES  
Year Ended June 30, 2013

II-I-13 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the Utility to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Utility does not receive an image of the back of each cancelled check.

Recommendation - The Utility should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response - We will contact the bank to begin doing this.

Conclusion - Response accepted.