

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT
OSKALOOSA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2024

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CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tony Erwin	Chairman	July, 2028
Kevin Tacke	Secretary	July, 2024
Michael Fee	Trustee	July, 2024
Joel Struik	Trustee	July, 2026
Tom Walling	Trustee	July, 2028
Kelly Hefner	General Manager	Indefinite
Crystal Breuklander	Office Manager	Indefinite
Tammy Vos	Billings Clerk	Indefinite
Chanel Kauffman	Customer Service	Indefinite
Amy S. Beattie	Attorney	Indefinite

TERPSTRA HOKE and ASSOCIATES P.C.

CERTIFIED PUBLIC ACCOUNTANTS

RUSSELL S. TERPSTRA, CPA
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317 EAST ROBINSON
KNOXVILLE, IA 50138
641-842-3184 Fax 641-828-7404

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
City of Oskaloosa Municipal Water Department

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department, a component unit of the City of Oskaloosa, Iowa, as of and for the year ended June 30, 2024, and the related Notes to Financial Statements, which collectively comprise the Water Department's basic financial statements listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department as of June 30, 2024, and the respective changes in cash basis financial position for the year then ended in accordance with the cash 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), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Oskaloosa Municipal Water Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, 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.

Responsibilities of Management 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, and for 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, that raise substantial doubt about the Water Department'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 judgement 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 judgement 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 Water Department'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Department'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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the Water Department's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of Water Department Contributions on pages 26 through 32 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2024, on our consideration of the City of Oskaloosa Municipal Water Department'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 the Water Department's 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 City of Oskaloosa Municipal Water Department's internal control over financial reporting and compliance.

Knoxville, Iowa
October 23, 2024

Terpstra Hoke and Associates P.C.

Basic Financial Statements

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
As of and for the year ended June 30, 2024

	<u>Disbursements</u>	<u>Program Receipts Charges for Services</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>
Functions/Programs:			
Business Type Activities:			
Water operating	\$ 3,403,338	\$ 3,490,956	\$ 87,618
Debt service	386,740	-	(386,740)
	<u>\$ 3,790,078</u>	<u>\$ 3,490,956</u>	<u>\$ (299,122)</u>
General receipts:			
Unrestricted investment earnings			117,137
Rents collected			47,434
Miscellaneous			815,193
Note proceeds			51,756
Total general receipts			<u>1,031,520</u>
Change in cash basis net position			732,398
Cash basis net position beginning of year			<u>3,725,691</u>
Cash basis net position end of year			<u>\$ 4,458,089</u>
Cash basis net position:			
Restricted:			
Debt service			\$ 50,705
Unrestricted			<u>4,407,384</u>
Total cash basis net position			<u>\$ 4,458,089</u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2024

	Enterprise Funds		
	Water Utility Operating	Sinking Fund	Total
Operating receipts:			
Use of money and property:			
Meter rent	\$ 37,877	\$ -	\$ 37,877
House and land rent	4,360	-	4,360
Sprinkler and hydrant rent	5,197	-	5,197
	<u>47,434</u>	<u>-</u>	<u>47,434</u>
Charges for services:			
Meter water sales	3,175,612	-	3,175,612
Late and inspection fees	78,058	-	78,058
Labor charges	13,463	-	13,463
Sales tax collected	223,823	-	223,823
	<u>3,490,956</u>	<u>-</u>	<u>3,490,956</u>
Miscellaneous:			
Materials sold	7,738	-	7,738
Reimbursements/refunds	770,312	-	770,312
Tower rental	23,607	-	23,607
Miscellaneous	13,536	-	13,536
	<u>815,193</u>	<u>-</u>	<u>815,193</u>
Total operating receipts	<u>4,353,583</u>	<u>-</u>	<u>4,353,583</u>
Operating disbursements:			
Business type activities:			
Administration:			
Labor	276,473	-	276,473
Labor benefits	128,544	-	128,544
Publications	1,925	-	1,925
Audit fees	13,250	-	13,250
Computer expense	73,616	-	73,616
Insurance	79,046	-	79,046
Postage	40,038	-	40,038
Telephone	2,097	-	2,097
Dues and subscriptions	180	-	180
Building maintenance	475	-	475
Custodial expense	2,836	-	2,836
Legal expense	6,290	-	6,290
Office supplies	9,685	-	9,685

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2024

	Enterprise Funds		
	Water Utility Operating	Sinking Fund	Total
Operating disbursements (continued):			
Business type activities (continued):			
Administration (continued):			
Miscellaneous supplies	\$ 340	\$ -	\$ 340
Miscellaneous expense	4,053	-	4,053
Credit card fees	27,474	-	27,474
Capital outlay	4,955	-	4,955
	<u>671,277</u>	<u>-</u>	<u>671,277</u>
Plant operation and maintenance:			
Labor	159,840	-	159,840
Labor benefits	54,647	-	54,647
Lab expense	24,978	-	24,978
Maintenance:			
Buildings	12,405	-	12,405
Wells	5,133	-	5,133
Grounds	4,572	-	4,572
Machinery	61,022	-	61,022
Education/Seminars	7,024	-	7,024
Utilities	104,214	-	104,214
Miscellaneous supplies	10,213	-	10,213
Miscellaneous expense	1,280	-	1,280
Chemicals	312,486	-	312,486
Capital outlay	128,765	-	128,765
	<u>886,579</u>	<u>-</u>	<u>886,579</u>
Distribution operations:			
Labor	170,521	-	170,521
Labor benefits	75,639	-	75,639
Maintenance:			
Meters	75,902	-	75,902
Water system	82,144	-	82,144
Building and grounds	4,934	-	4,934
Machinery	4,922	-	4,922
Grounds	41,419	-	41,419
Gasoline	15,154	-	15,154
Truck expense	7,976	-	7,976
Education/Seminars	2,055	-	2,055
Utilities	7,807	-	7,807
Services	347	-	347

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2024

	Enterprise Funds		
	Water Utility Operating	Sinking Fund	Total
Operating disbursements (continued):			
Business type activities (continued):			
Distribution operations (continued):			
Small tools	\$ 2,329	\$ -	\$ 2,329
Miscellaneous supplies	1,851	-	1,851
Miscellaneous expense	24,327	-	24,327
Capital outlay and replacements	331,894	-	331,894
Debt service	-	386,740	386,740
	<u>849,221</u>	<u>386,740</u>	<u>1,235,961</u>
 Total water disbursements	 <u>2,407,077</u>	 <u>386,740</u>	 <u>2,793,817</u>
 Waste Water Treatment:			
Labor	122,072	-	122,072
Labor benefits	34,616	-	34,616
Miscellaneous	335	-	335
	<u>157,023</u>	<u>-</u>	<u>157,023</u>
 Waste Water Collections:			
Labor	415,764	-	415,764
Labor benefits	194,130	-	194,130
Miscellaneous	3,395	-	3,395
	<u>613,289</u>	<u>-</u>	<u>613,289</u>
 Total waste water disbursements	 <u>770,312</u>	 <u>-</u>	 <u>770,312</u>
 Other:			
Sales and excise tax remitted	<u>225,949</u>	<u>-</u>	<u>225,949</u>
 Total operating disbursements	 <u>3,403,338</u>	 <u>386,740</u>	 <u>3,790,078</u>
 Excess (deficiency) of operating receipts over (under) operating disbursements	 950,245	 (386,740)	 563,505

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2024

	Enterprise Funds		
	Water Utility Operating	Sinking Fund	Total
Non operating receipts:			
Interest on investments	\$ 117,137	\$ -	\$ 117,137
Excess (deficiency) of receipts over (under) disbursements	1,067,382	(386,740)	680,642
Other financing sources (uses):			
Note proceeds	51,756	-	51,756
Transfers in	-	401,234	401,234
Transfers out	(401,234)	-	(401,234)
Total other financing sources (uses)	(349,478)	401,234	51,756
Net change in cash balances	717,904	14,494	732,398
Cash balance beginning of year	3,689,480	36,211	3,725,691
Cash balance end of year	\$ 4,407,384	\$ 50,705	\$ 4,458,089
Cash basis fund balances:			
Restricted:			
Debt service	\$ -	\$ 50,705	\$ 50,705
Unrestricted	4,407,384	-	4,407,384
	\$ 4,407,384	\$ 50,705	\$ 4,458,089

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
CUSTODIAL FUNDS
Year ended June 30, 2024

	<u>Customer Deposits</u>	<u>Sewer Receipts</u>	<u>Total</u>
Receipts:			
Charges for services:			
Sanitary sewer receipts	\$ -	\$ 4,462,436	\$ 4,462,436
Stormwater receipts	-	271,993	271,993
Miscellaneous:			
Customer deposits	38,400	-	38,400
Total receipts	<u>38,400</u>	<u>4,734,429</u>	<u>4,772,829</u>
Disbursements:			
Business type activities:			
Customers' deposits refunded	42,175	-	42,175
Sanitary sewer receipts remitted to City	-	4,466,477	4,466,477
Stormwater receipts remitted to City	-	274,571	274,571
Total disbursements	<u>42,175</u>	<u>4,741,048</u>	<u>4,783,223</u>
Deficiency of receipts under disbursements	(3,775)	(6,619)	(10,394)
Cash balance beginning of year	<u>91,075</u>	<u>400,038</u>	<u>491,113</u>
Cash balance end of year	<u>\$ 87,300</u>	<u>\$ 393,419</u>	<u>\$ 480,719</u>

See notes to financial statements.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies

The City of Oskaloosa Municipal Water Department (Water Department) is an independent department and a component unit of the City of Oskaloosa, Iowa. The Water Department operates under an appointed Board of Trustees. The Water Department provides water service to the residents of Oskaloosa, Iowa located in Mahaska County.

A. Reporting Entity

For financial reporting purposes, the Municipal Water Department of the City of Oskaloosa, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The Water Department 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 Water Department are such that exclusion would cause the Water Department'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 Water Department 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 Water Department. The Water Department has no component units which meet the Governmental Accounting Standards Board criteria. These statements do not include any other City of Oskaloosa funds or transactions.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the Water Department. For the most part, the effect of interfund activity has been removed from this financial statement.

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are 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 category. 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. Other items not properly included among program receipts are reported instead as general receipts.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements – Separate financial statements are provided for proprietary and fiduciary funds. Major individual proprietary funds are reported as separate columns in the fund financial statements.

The Water Department reports the following major proprietary funds:

Water Utility Operating and Sinking Fund Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Additionally, the Water Department reports the following fiduciary funds:

Custodial Funds are utilized to account for monies and properties received and held by the City of Oskaloosa Municipal Water Department in a trustee capacity as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The Water Department maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Water Department 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 the 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 comparisons and related disclosures are reported as Other Information. During the year ended June 30, 2024, disbursements did not exceed the amount budgeted.

Note 2. Cash and Pooled Investments

The City of Oskaloosa Municipal Water Department's deposits in banks at June 30, 2024, 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 ensure there will be no loss of public funds.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 2. Cash and Pooled Investments (continued)

The Water Department is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City of Oskaloosa Municipal Water Department's Trustees; 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.

Interest rate risk – The Water Department'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 Water Department.

Credit risk - The Water Department's investments, held in financial depositories, are not subject to level of risk categorization.

The Water Department had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2024, is as follows:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>
Proprietary Enterprise: Water Utility Operating	Proprietary Enterprise: Sinking Fund	\$ <u>401,234</u>

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

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 4. Water Tower Lease Receivable

The Water Department owns a water tower. During the year ended June 30, 2008, the Water Department entered into a five-year lease for the use of space on the water tower. The lease includes options to renew for five additional five-year terms and an implicit interest rate of 3.00%.

Year Ending June 30,	Amount
2025	\$ 13,688
2026	13,688
2027	13,688
2028	13,688
2029	15,741
2030-2034	81,066
2035-2037	<u>54,306</u>
Total	205,865
Less interest	<u>(37,531)</u>
Present value	<u>\$ 168,334</u>

Note 5. Indebtedness

A summary of changes in indebtedness for the year ended June 30, 2024, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business-type activities:					
Water Revenue Capital Loan					
Notes - Direct Borrowing	\$ <u>2,587,000</u>	\$ <u>51,756</u>	\$ <u>335,000</u>	\$ <u>2,303,756</u>	\$ <u>346,000</u>

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 5. Indebtedness (continued)

Water Revenue Capital Loan Notes - Direct Borrowing

On January 14, 2009, the Water Department authorized and the Iowa Finance Authority approved Water Revenue Capital Loan Notes issued through the State Revolving Fund not to exceed \$6,500,000. On May 11, 2012, the amount was finalized at \$6,095,000. On January 14, 2019, the State Revolving Fund approved a rate modification agreement which lowered the interest rate on the outstanding notes from 3.00% to 1.75% annually. The annual debt service requirements to maturity for the revenue capital loan notes are as follows:

Year Ending June 30,	Water Revenue Capital Loan Notes				
	Issued January 14, 2009				
	Interest Rate	Interest	Service Fee	Principal	Total
2025	1.75 %	\$ 39,410	\$ 5,630	\$ 346,000	\$ 391,040
2026	1.75	33,355	4,765	357,000	395,120
2027	1.75	27,108	3,872	369,000	399,980
2028	1.75	20,650	2,950	381,000	404,600
2029	1.75	13,982	1,997	393,000	408,979
2030	1.75	7,105	1,015	406,000	414,120
		<u>\$ 141,610</u>	<u>\$ 20,229</u>	<u>\$ 2,252,000</u>	<u>\$ 2,413,839</u>

On April 8, 2024, the Water Department authorized and the Iowa Finance Authority approved Water Revenue Capital Loan Notes not to exceed \$3,692,000. The Water Department borrowed \$51,756 during the year, with \$3,640,244 still available to borrow. The agreement includes 2.43% interest and is payable through June 1, 2044. A full amortization schedule will not be available until drawdowns on the notes have been completed.

The Water Department has pledged future water customer receipts, net of specified operating disbursements, (net revenues) to repay the \$6,095,000 water revenue capital loan notes issued in January 2009. The notes were issued to provide financing for water system improvements. The notes are payable solely from water customer net revenues and are payable through 2030. Annual principal, interest and service fee payments on the notes are expected to require approximately 27 percent of the net revenues. The total principal, interest, and service fees remaining to be paid on the notes is \$2,465,595. For the current year, principal, interest, and service fees of \$335,000, \$45,272, and \$6,468, respectively, were paid on the notes and total water customer net revenues were \$1,467,615.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 5. Indebtedness (continued)

Water Revenue Capital Loan Notes - Direct Borrowing (continued)

The resolution providing for the issuance of the revenue capital loan notes includes the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity.
- b) Sufficient monthly cash transfers shall be made to a sinking fund account for the purpose of making the capital loan note principal, interest, and service fee payments when due.
- c) On or before the beginning of each fiscal year, the governing body will adopt or continue in effect rates for all services rendered by the Water Department determined to be sufficient to produce net revenues for the next succeeding fiscal year which are (i) adequate to pay the principal and interest requirements thereof and to create or maintain the reserves as provided in this resolution, and (ii) not less than 110 percent of the principal and interest requirements of the next succeeding fiscal year.

Note 6. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Water Department. Employees of the Water Department 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 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.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age 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.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 6. Pension Plan (continued)

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

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.

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

In fiscal year 2024, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Water Department contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Water Department's contributions to IPERS for the year ended June 30, 2024, totaled \$103,983.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2024, the Water Department had a liability of \$535,728 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Department's proportion of the net pension liability was based on the Water Department's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2023, the Water Department's proportion was 0.011869 percent, which was a decrease of 0.000698 from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Water Department's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$45,522, \$94,938 and \$2,210, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 6. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of a quadriennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the June 30, 2023 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	21.0 %	4.56 %
International equity	16.5	6.22
Global smart beta equity	5.0	5.22
Core plus fixed income	23.0	2.69
Public credit	3.0	4.38
Cash	1.0	1.59
Private equity	17.0	10.44
Private real assets	9.0	3.88
Private credit	4.5	4.60
Total	<u>100 %</u>	

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 6. Pension Plan (continued)

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 Water Department 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.

Sensitivity of the Water Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Water Department's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Water Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Department's proportionate share of the net pension liability	\$ 1,139,076	\$ 535,728	\$ 30,111

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The City of Oskaloosa Municipal Water Department operates a benefit plan which provides medical/prescription drug and dental benefits for employees and their families. Group insurance benefits are established under Iowa Code Chapter 509A.13. The contribution requirements of plan members are established and may be amended by the Water Department. The Water Department currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2024, the Water Department contributed \$274,303 and plan members eligible for benefits contributed \$14,553 to the plan. At June 30, 2024, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Oskaloosa Municipal Water Department and are eligible to participate in the group health plan are eligible to continue health care benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug and dental benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement. At June 30, 2024, the following employees were covered by the benefit terms.

Active employees

15

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Note 8. Compensated Absences

Water Department employees accumulate a limited amount of earned but unused paid time off (PTO) and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the Water Department until used or paid. All vacation time previously accumulated by employees was converted to PTO effective July 1, 2022. Sick leave is only payable if the employee enters a bona fide retirement pursuant to IPERS. Sick leave is not payable for employees hired after December 31, 2015. The Water Department's approximate liability for earned compensated absences at June 30, 2024, is as follows:

<u>Type of Benefits</u>	<u>Amount</u>
Paid Time Off	\$ 76,087
Sick Leave	<u> 46,014</u>
Total	<u><u>\$ 122,101</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2024.

Note 9. Risk Management

The Oskaloosa Municipal Water Department 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 Water Department assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Sewer and Stormwater Receipts

The Water Department assesses and collects sewer and stormwater charges for the City of Oskaloosa, Iowa. The receipts from collections from customers and remittances to the City of Oskaloosa are accounted for in the Custodial - Sewer Receipts Fund.

Note 11. Construction Commitments

The Water Department has entered into contracts totaling \$4,041,222 for a well project, transmission main upgrades, and water system improvements. At June 30, 2024, work on the projects had not yet begun.

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Other Information

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) – PROPRIETARY FUNDS

Other Information
Year Ended June 30, 2024

		Budgeted Amounts		Final to
	Actual	Original	Final	Actual Variance
Receipts:				
Water:				
Use of money and property	\$ 164,571	\$ 37,360	\$ 105,360	\$ 59,211
Charges for services	3,490,956	3,964,775	3,891,000	(400,044)
Miscellaneous	815,193	34,500	39,500	775,693
	<u>4,470,720</u>	<u>4,036,635</u>	<u>4,035,860</u>	<u>434,860</u>
Disbursements:				
Business-type activities:				
Water	<u>3,790,078</u>	<u>6,125,544</u>	<u>6,197,605</u>	<u>2,407,527</u>
Excess (deficiency) of receipts over (under) disbursements	680,642	(2,088,909)	(2,161,745)	2,842,387
Other financing sources, net	<u>51,756</u>	<u>2,675,000</u>	<u>2,525,000</u>	<u>(2,473,244)</u>
Change in cash balances	732,398	<u>\$ 586,091</u>	<u>\$ 363,255</u>	<u>\$ 369,143</u>
Cash balances beginning of year	<u>3,725,691</u>			
Cash balances end of year	<u>\$ 4,458,089</u>			

See accompanying independent auditor's report.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2024

The budgetary comparison is presented in accordance with Government 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 Water Department's Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds, except Custodial 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. These 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 Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. During the year, the Water Department approved one budget amendment increasing budgeted disbursements by \$72,061.

During the year ended June 30, 2024, disbursements did not exceed the amount budgeted.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

Schedule of the Water Department's Proportionate Share of the Net Pension Liability (Asset)

Iowa Public Employees' Retirement System
For the Last Ten Years*

Other Information

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water Department's proportion of the net pension liability (asset)	0.011869%	0.012567%	(0.004988)%	0.009819%
Water Department's proportionate share of the net pension liability (asset)	\$ 535,728	\$ 474,789	\$ 17,220	\$ 689,777
Water Department's covered payroll	\$ 1,042,338	\$ 1,012,128	\$ 996,928	\$ 779,276
Water Department's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.40%	46.91%	1.73%	88.51%
IPERS' net position as a percentage of the total pension liability (asset)	90.13%	91.40%	100.81%	82.90%

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

See accompanying independent auditor's report.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	0.010647%	0.010554%	0.010176%	0.008830%	0.007497%	0.008877%
\$	616,508	\$ 667,907	\$ 677,862	\$ 555,669	\$ 370,369	\$ 352,056
\$	810,246	\$ 786,766	\$ 759,604	\$ 633,639	\$ 508,235	\$ 580,877
	76.09%	84.89%	89.24%	87.70%	72.87%	60.61%
	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

Schedule of Water Department Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years

Other Information

	<u>2024</u>		<u>2023</u>		<u>2022</u>		<u>2021</u>
Statutorily required contribution	\$ 103,983	\$	98,397	\$	95,545	\$	94,110
Contributions in relation to the statutorily required contribution	<u>(103,983)</u>		<u>(98,397)</u>		<u>(95,545)</u>		<u>(94,110)</u>
Contribution deficiency (excess)	<u>\$ -</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>
Water Department's covered payroll	\$ 1,101,511	\$	1,042,338	\$	1,012,128	\$	996,928
Contributions as a percentage of covered payroll	9.44%		9.44%		9.44%		9.44%

See accompanying independent auditor's report.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 73,564	\$ 76,487	\$ 70,258	\$ 67,833	\$ 56,584	\$ 45,385
<u>(73,564)</u>	<u>(76,487)</u>	<u>(70,258)</u>	<u>(67,833)</u>	<u>(56,584)</u>	<u>(45,385)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 779,276	\$ 810,246	\$ 786,766	\$ 759,604	\$ 633,639	\$ 508,235
9.44%	9.44%	8.93%	8.93%	8.93%	8.93%

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

Notes to Other Information – Pension Liability

Year Ended June 30, 2024

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%.

TERPSTRA HOKE and ASSOCIATES P.C.

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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
City of Oskaloosa Municipal Water Department

We have audited, in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of Oskaloosa Municipal Water Department, a component unit of the City of Oskaloosa, Iowa, as of and for the year ended June 30, 2024, and the related Notes to Financial Statements, which collectively comprise the Water Department's basic financial statements, and have issued our report thereon dated October 23, 2024. 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oskaloosa Municipal Water Department'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oskaloosa Municipal Water Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Oskaloosa Municipal Water Department'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 Oskaloosa Municipal Water Department'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oskaloosa Municipal Water Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

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 Water Department'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 Water Department'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 City of Oskaloosa Municipal Water Department 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.

Terpstra Hoke and Associates P.C.

Knoxville, Iowa
October 23, 2024

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS

Year Ended June 30, 2024

Part I: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

CITY OF OSKALOOSA
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS

Year Ended June 30, 2024

Part II: Other Findings Related to Required Statutory Reporting:

- 2024-A Certified Budget - Disbursements during the year ended June 30, 2024, did not exceed the amount budgeted in the business-type activities function.
- 2024-B Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- 2024-C Travel Expense - No disbursements of the Water Department's money for travel expenses of spouses of Water Department officials or employees were noted.
- 2024-D Business Transactions - No business transactions between the Water Department and the Water Department's officials or employees were noted.
- 2024-E Restricted Donor Activity—No transactions were noted between the Water Department, Water Department officials, Water Department employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2024-F Bond Coverage - Surety bond coverage of Water Department 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.
- 2024-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 2024-H Deposits and Investments - No instances of non-compliance with deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Water Department's investment policy were noted.
- 2024-I Revenue Notes - No instances of non-compliance with the revenue note resolutions were noted.