



Financial Statements
December 31, 2016 and 2015

West Des Moines Water Works

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West Des Moines Water Works
Officials
Year Ended December 31, 2016

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Karen Novak Swalwell	Trustee	December 31, 2017
Gretchen H. Tegeler	Trustee	December 31, 2018
Brian P. Rickert	Trustee	December 31, 2020
Scott M. Brennan	Trustee	December 31, 2021
Jody E. Smith	Trustee	December 31, 2022
Diana J. Wilson	General Manager/Secretary	Indefinite
Paula R. Meyer	Finance Manager/Treasurer	Indefinite



Independent Auditor's Report

To the Board of Trustees
West Des Moines Water Works
West Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the West Des Moines Water Works (Water Works) as of and for the year ended December 31, 2016, and the related notes to the financial statements as 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 accounting principles generally accepted in the United States of America; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing 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 the 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 Water Works' 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Des Moines Water Works as of December 31, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of the West Des Moines Water Works as of December 31, 2015 were audited by other auditors, whose report dated June 1, 2016, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Des Moines Water Works' financial statements. The listing of officials, budgetary comparison of revenues, expenses, and changes in net position – actual to budget, notes to budgetary reporting, schedule of bond maturities and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of bond maturities are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of bond maturities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of officials, budgetary comparison of revenues, expenses, and changes in net position – actual to budget, notes to budgetary reporting, and statistical section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2017, on our consideration of the Water Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Water Works' internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa
May 25, 2017

West Des Moines Water Works (Water Works) provides this management's discussion and analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2016. Please consider this information in conjunction with the financial statements and the accompanying notes to the basic financial statements that follow this section.

OVERVIEW OF BUSINESS

The West Des Moines Water Works service area is the corporate limits of West Des Moines. The service area has expanded significantly since its governing Board of Trustees was established by election in 1950. The Water Works also provides billing and collection services on a contractual basis to the City of West Des Moines for sanitary sewer usage, storm water management, and solid waste collection.

As the Water Works' service area has expanded, so too has the need for water storage facilities, booster stations and additional treatment capacity to meet peak demand requirements. The most economical approach for the Water Works has involved requiring the land developers to install the water mains according to Water Works specifications after which the Water Works accepts ownership of the water facilities. Connection fee districts have also been established; developers and other new users are charged a per acre fee to cover core water mains, water towers, pumping stations and other required appurtenances for supplying water to customers.

The water sources for the Water Works are three wells drilled into the Jordan Aquifer and nineteen wells that draw water from the Raccoon River Alluvial Aquifer. In addition, some West Des Moines water is purchased from the Des Moines Water Works.

Governance of the Water Works is vested in a five-member Board appointed by the Mayor of West Des Moines with approval of the City Council. Trustees serve for six-year staggered terms. The Board has complete control of the Water Works' management, and employs 35 full-time employees.

FINANCIAL HIGHLIGHTS

West Des Moines Water Works' net position increased as a result of operations. At December 31, 2016, total assets and deferred outflows of resources were \$90,652,198 and total liabilities and deferred inflows of resources were \$23,253,675, resulting in net position of \$67,398,523.

Operating revenues increased 11.8% to \$13,032,729 while operating expenses increased 2.8% to \$10,381,139. During the year, the Water Works had an operating income of \$2,651,590 and an increase in net position of \$3,279,891.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows: MD&A serves as an introduction to the financial statements, and the MD&A represents management's examination and analysis of West Des Moines Water Works' financial condition and performance. The financial statements report information about the utility using full accrual accounting methods as utilized by similar entities in the private sector.

The statements of net position provide information about the Water Works' assets, deferred outflows, liabilities, deferred inflows and net position, thereby measuring the Water Works' liquidity and solvency. Liquidity is a measure of the Water Works' ability to meet current obligations (those due within one year). Solvency is a similar concept, but measures the ongoing ability to meet obligations over a longer term.

The statement of revenues, expenses, and changes in net position presents the results of the Water Works' revenues and expenses over the course of the year and provides information about the Water Works' recovery of costs. Water rates and other charges are established by the Board of Trustees and are based on Water Works' cost of service.

The statement of cash flows presents cash receipts, cash disbursements, and net changes in cash resulting from operations, capital and related financing activities, and investing activities. This statement details where cash resources come from and how they are used.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of data provided in the statements. The notes supplement the basic financial statements by presenting information about the Water Works' accounting policies, significant account balances and activities, material risks, obligations, and commitments.

In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information*, concerning the West Des Moines Water Works, including progress in funding its obligation to provide retiree healthcare, a budgetary comparison based on the West Des Moines Water Works' legal level of budgetary control, Schedule of West Des Moines Water Works' Proportionate Share of the Net Pension Liability and the Schedule of West Des Moines Water Works' Contributions.

Summary of Statements of Net Position at Year End

	2016	2015	2014
Current Unrestricted Assets	\$ 12,356,678	\$ 11,954,121	\$ 7,856,024
Current Restricted Assets	5,050,731	4,925,763	12,611,865
Noncurrent Assets	1,729,183	2,785,533	2,281,321
Capital Assets, Net	71,018,455	68,733,942	65,426,795
Deferred Outflows of Resources	497,151	27,774	200,662
	<u>\$ 90,652,198</u>	<u>\$ 88,427,133</u>	<u>\$ 88,376,667</u>
Total assets and deferred outflows of resources			
Current Liabilities	\$ 7,418,973	\$ 6,826,919	\$ 6,601,006
Noncurrent Liabilities	15,710,987	17,314,187	16,775,975
Deferred Inflows of Resources	123,715	167,395	2,953,854
	<u>23,253,675</u>	<u>24,308,501</u>	<u>26,330,835</u>
Total liabilities and deferred inflows of resources			
Net Investment in Capital Assets	55,643,594	51,812,194	46,329,731
Restricted	2,254,982	2,234,851	2,235,472
Unrestricted	9,499,947	10,071,587	13,480,629
Total net position	<u>67,398,523</u>	<u>64,118,632</u>	<u>62,045,832</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 90,652,198</u>	<u>\$ 88,427,133</u>	<u>\$ 88,376,667</u>

West Des Moines Water Works
Management's Discussion and Analysis
Year Ended December 31, 2016 and 2015

Summary of Revenues, Expenses and Changes in Net position for the Years Ended December 31,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Water Sales	\$ 10,613,491	\$ 9,052,362	\$ 8,957,068
Connection Fees	680,503	692,422	2,050,467
Other Sales and Services	1,738,735	1,908,866	1,663,564
Total operating revenue	<u>13,032,729</u>	<u>11,653,650</u>	<u>12,671,099</u>
Wages	2,741,034	2,660,582	2,663,673
Benefits	803,894	937,230	975,780
Purchased Water	1,714,379	1,158,843	1,083,829
Chemicals and Power	885,020	834,757	798,772
Insurance	123,052	129,289	132,199
Maintenance and Supplies	675,232	689,257	632,387
Depreciation	2,730,172	2,883,825	2,866,319
Other	708,356	805,476	670,989
Total operating expense	<u>10,381,139</u>	<u>10,099,259</u>	<u>9,823,948</u>
Operating income	<u>2,651,590</u>	<u>1,554,391</u>	<u>2,847,151</u>
Interest Income	62,764	65,070	31,347
Rental Income	148,383	141,990	171,864
Interest Expense	(299,761)	(353,768)	(405,957)
Gain on Disposal of Capital Asset	17,954	-	-
Total non-operating revenues (expenses)	<u>(70,660)</u>	<u>(146,708)</u>	<u>(202,746)</u>
Income before capital contributions	2,580,930	1,407,683	2,644,405
Capital Contributions	<u>698,961</u>	<u>665,117</u>	<u>362,374</u>
Change in net position	<u>3,279,891</u>	<u>2,072,800</u>	<u>3,006,779</u>
Net Position, Beginning of Year	<u>64,118,632</u>	<u>62,045,832</u>	<u>59,039,053</u>
Net Position, End of Year	<u>\$ 67,398,523</u>	<u>\$ 64,118,632</u>	<u>\$ 62,045,832</u>

Financial Analysis

Current unrestricted assets increased by 3.4% and current restricted assets increased by 2.5%. These increases in current assets are due to the Water Works holding more short term investments at the end of the year, compared to the prior year.

Current liabilities increased 8.7% primarily due to an increase in customer deposits and current portion of long term debt.

Long-term liabilities decreased 9.3% primarily due to a decrease in long term water revenue bond debt which was due to bond principal payments made, offset by an increase in net pension liability.

Water sales in 2016 increased 17.2% compared to 2015.

Connection fees decreased 1.7% due to a slight decrease in South Area and Southwest Area Connection District revenue.

Other sales and services increased 8.9% for several reasons, including an increase in the number of water main taps, and water main inspections as development increased in 2016.

Chemical and power expenses increased 6.0% due to an increase in the volume of water treated, as well as an increase in costs.

Purchased water expense increased 47.9% for two reasons. Des Moines Water Works increased the price of purchased water by 10%, and a higher quantity of water was purchased due to a temporary shutdown of the water treatment plant for maintenance.

Cost of corporate insurance decreased 4.8%.

Maintenance and supplies expense decreased 2.1% primarily due to a decrease in equipment maintenance expense.

CAPITAL ASSETS

During 2016, net capital assets increased 3.3%. Projects included water main construction and replacement of unlined cast iron water mains, as well as a water meter replacement program which will eventually switch all water meters to read in one gallon increments instead of 1,000 gallon increments.

DEBT ADMINISTRATION

At December 31, 2016 the Water Works had \$12,759,337 in water revenue bonds outstanding, compared to \$14,843,171 at December 31, 2015 as shown below. In addition to the water revenue bonds, Water Works has a State Revolving Fund loan for engineering and design fees for a new deep well totaling \$133,000 at December 31, 2016.

Outstanding Debt at Year-End

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Water Revenue Bonds	\$ 12,759,337	\$ 14,843,171	\$ 16,856,458
Capital Loan Notes	133,000	-	-
Total	<u>\$ 12,892,337</u>	<u>\$ 14,843,171</u>	<u>\$ 16,856,458</u>

Principal payments on all outstanding debt, were made as scheduled. In 2013, Moody's assigned an Aa2 rating to the Water Revenue Bonds Series 2013, as well as to the outstanding Water Revenue parity debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees approved an operating budget with a 3.6% expense increase for 2017. Revenue and expense estimates for 2017 are conservative. Water rates were increased by approximately 2% for commodity water usage, and 10% for irrigation water usage as of January 1, 2017. Water rates are designed to cover the cost of water service to customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of West Des Moines Water Works' finances. If you have any questions or require additional information, please contact the General Manager at 4200 Mills Civic Parkway, Suite 1D, West Des Moines, IA 50265-2049.



Financial Statements
December 31, 2016 and 2015

West Des Moines Water Works

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	<u>2016</u>	<u>2015</u>
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	\$ 6,020,642	\$ 8,642,056
Investments	5,121,658	2,114,784
Accounts receivable	898,896	934,712
Inventories	207,352	180,201
Unexpired insurance	59,346	63,706
Accrued interest receivable	48,784	18,662
	<u>12,356,678</u>	<u>11,954,121</u>
Restricted Assets - Current		
Cash	2,534,047	2,628,672
Investments	1,408,500	1,408,500
Accounts receivable for City of West Des Moines	1,089,820	875,004
Accounts receivable	18,364	13,587
	<u>5,050,731</u>	<u>4,925,763</u>
Total current assets	<u>17,407,409</u>	<u>16,879,884</u>
Noncurrent Assets		
Investments	1,000,000	2,000,000
Deposit - Water Revenue Bond Fund	729,183	785,533
	<u>1,729,183</u>	<u>2,785,533</u>
Capital Assets		
Land	620,768	620,768
Building and structures	28,033,066	27,695,235
Machinery and equipment	11,421,761	11,192,985
Mains and hydrants - constructed by Water Works	32,550,665	29,359,036
Mains and hydrants - constructed by developers	24,186,291	23,487,330
Wells	4,495,373	4,495,373
Meters	4,736,443	3,941,935
Treatment plant capacity- Des Moines Water Works	10,619,125	10,619,125
Construction in progress	995,431	1,473,474
	<u>117,658,923</u>	<u>112,885,261</u>
Less accumulated depreciation	<u>(46,640,468)</u>	<u>(44,151,319)</u>
Net capital assets	<u>71,018,455</u>	<u>68,733,942</u>
Total Assets	<u>90,155,047</u>	<u>88,399,359</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>497,151</u>	<u>27,774</u>
Total assets and deferred outflows of resources	<u>\$ 90,652,198</u>	<u>\$ 88,427,133</u>

See Notes to Financial Statements

West Des Moines Water Works
Statements of Net Position
December 31, 2016 and 2015

	2016	2015
Current Liabilities		
Accounts payable	\$ 829,714	\$ 386,782
Accrued payroll	91,969	77,442
Accrued vacation	194,776	185,833
Accrued sick leave	29,564	27,254
Accrued sales tax	52,455	40,989
Accrued interest payable	19,602	21,971
Customer deposits	642,830	617,359
Current portion of long-term debt	2,072,548	2,083,834
	3,933,458	3,441,464
Payable from restricted assets		
Payable to City of West Des Moines	3,485,515	3,385,455
Total current liabilities	7,418,973	6,826,919
Noncurrent Liabilities		
Unearned revenue	1,578,265	1,618,733
Deposit - shared water tower	232,191	226,247
Revenue bonds	11,014,381	13,156,023
Capital loan notes	133,000	-
Accrued sick leave	207,461	207,145
Other post employment benefits	283,175	244,536
Net pension liability	2,262,514	1,861,503
Total noncurrent liabilities	15,710,987	17,314,187
Total Liabilities	23,129,960	24,141,106
Deferred Inflows of Resources		
Pension related deferred inflows	123,715	167,395
Total liabilities and deferred inflows of resources	23,253,675	24,308,501
Net Position		
Net investment in capital assets	55,643,594	51,812,194
Restricted for debt service	2,254,982	2,234,851
Unrestricted	9,499,947	10,071,587
Total net position	67,398,523	64,118,632
Total liabilities, deferred inflows and net position	\$ 90,652,198	\$ 88,427,133

West Des Moines Water Works
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2016 and 2015

	2016	2015
Operating Revenues		
Sale of water	\$ 10,613,491	\$ 9,052,362
Basic service charge	1,255,248	1,180,145
Connection fees	680,503	692,422
EPA grant	-	193,813
Labor charges	60,024	46,201
Sanitary sewer service collection fees	52,854	51,683
Solid waste service collection fees	47,991	47,435
Stormwater service collection fees	74,048	72,712
Late and non-payment charges	99,216	100,818
Sale of materials	69,945	100,165
Shared water tower revenue	40,468	40,468
Miscellaneous	38,941	75,426
Total operating revenues	<u>13,032,729</u>	<u>11,653,650</u>
Operating Expenses		
Salaries	2,741,034	2,660,582
Retirement and employee benefits	803,894	937,230
Utilities	498,867	446,215
Chemicals	386,153	388,542
Purchased water	1,714,379	1,158,843
Maintenance	621,585	638,419
Lime residuals removal	149,679	172,176
Operation permit and water quality testing fees	14,213	21,214
Professional and consulting fees	58,918	73,692
Insurance	123,052	129,289
Supplies	53,647	50,838
Postage	82,002	86,123
Printing	47,248	41,706
Legal publications, memberships	41,772	48,533
Data processing	98,586	83,291
Bad debts	5,230	4,183
Lock box charges	45,250	48,060
Communications	22,071	24,172
Depreciation	2,730,172	2,883,825
Cost of material sold	43,216	69,024
Economic development expense	50,000	50,000
Miscellaneous	50,171	83,302
Total operating expenses	<u>10,381,139</u>	<u>10,099,259</u>
Operating income	<u>2,651,590</u>	<u>1,554,391</u>

West Des Moines Water Works
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended December 31, 2016 and 2015

	2016	2015
Non-operating Revenues (Expenses)		
Interest revenue	\$ 62,764	\$ 65,070
Rental	148,383	141,990
Gain on disposal of capital asset	17,954	-
Interest expense	(299,761)	(353,768)
Total nonoperating revenue (expense)	(70,660)	(146,708)
Income before capital contributions	2,580,930	1,407,683
Capital Contributions	698,961	665,117
Change in Net Position	3,279,891	2,072,800
Net Position at Beginning of Year	64,118,632	62,045,832
Net Position at End of Year	\$ 67,398,523	\$ 64,118,632

West Des Moines Water Works
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from customers	\$ 12,821,800	\$ 12,495,912
Cash payments for goods and services	(4,936,285)	(4,361,025)
Cash payments to employees	(2,688,806)	(2,641,841)
Net cash provided by operating activities	5,196,709	5,493,046
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(3,829,504)	(5,508,820)
Deposits-shared water tower	5,943	5,209
Principal payments on revenue bonds	(2,083,834)	(2,013,287)
Principal receipts on government loan	133,000	-
Water revenue bond fund deposit	56,350	(4,212)
Interest paid	(368,854)	(422,861)
Net cash used by capital and financing activities	(6,086,899)	(7,943,971)
Cash Flows from Investing Activities		
Interest received	32,643	56,706
Certificate of deposits redeemed	3,000,000	5,000,000
Rental income	148,383	141,990
Purchase of investments	(6,875)	(523,284)
Certificate of deposits purchased	(5,000,000)	(3,500,000)
Net cash provided by (used by) investing activities	(1,825,849)	1,175,412
Net Decrease in Cash and Cash Equivalents	(2,716,039)	(1,275,513)
Cash and Cash Equivalents Beginning of Year	11,270,728	12,546,241
Cash and Cash Equivalents End of Year	\$ 8,554,689	\$ 11,270,728

West Des Moines Water Works
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 2,651,590	\$ 1,554,391
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,730,172	2,883,825
Decrease (increase) in assets		
Accounts receivable	(183,776)	841,431
Inventory	(27,153)	831
Unexpired insurance	4,361	1,877
Increase (decrease) in liabilities		
Customer deposits	25,471	53,448
Accounts payable	31,888	71,462
Accrued payroll	14,528	9,283
Accrued vacation	8,943	9,458
Accrued sick leave	2,627	-
Other post employment benefits	38,639	35,182
Net pension liability and related deferred outflows and deferred inflows of resources	(112,046)	32,832
Accrued sales tax	11,465	(974)
Total adjustments	2,545,119	3,938,655
Net Cash Provided by Operating Activities	5,196,709	5,493,046
Schedule of noncash capital and related financing – Contributions of water mains from contractors for construction, and equipment contributions	\$ 698,961	\$ 665,117

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The West Des Moines Water Works was established by the City of West Des Moines, Iowa, to supply water to the City and its inhabitants. Since November 7, 1950, the Water Works has been under the management and control of a Board of Trustees and the accounts of the Water Works are maintained separately from those of the City of West Des Moines, Iowa. The Code of Iowa, Chapter 388, states that the Board of Trustees has the oversight responsibility for the management and control of the Water Works.

Water Works is exempt from federal income tax pursuant to Internal Revenue Code Section 115 which provides for exemption of divisions of state and local governments.

Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Operating revenues include revenues resulting from the sale of water and related services. Operating expenses include expenses for water treatment, distribution, depreciation, customer accounts, customer service and informational, sales, administrative and general. Nonoperating revenues and expenses include those derived from capital and related financing activities, noncapital financing activities, and investing activities. Revenues from the sale of water are based on billing rates, which are applied to customer's consumption of water.

The financial statements of the Water Works are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Standards and Interpretations), constitutes GAAP for governmental units.

Cash

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid with maturities of three months or less are considered to be cash equivalents.

Investments

The cash balances of the Water Works are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are valued at amortized cost.

Accounts Receivable

Accounts receivable and revenues are recorded at the time that service is billed. Unbilled revenues for service consumed between periodic scheduled billing dates are not considered to have a material effect on the financial statement.

Inventories

Inventories of materials and supplies are valued at the lower of cost (average cost) or market.

Capital Assets

Capital assets, which include property, equipment and vehicles, infrastructure, and intangibles, are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Water Works as assets with an initial, individual cost in excess \$500 and estimated useful lives in excess of two years. Capital assets of the Water Works are depreciated/amortized using the straight line method over estimated useful lives of five to fifty years.

Budget

In accordance with the Code of Iowa, the Water Works adopted a budget based upon anticipated expenditures by line item for operations. The budget was prepared on an accrual basis which is consistent with generally accepted accounting principles.

Sanitary Sewer, Solid Waste, and Stormwater Management Service

The West Des Moines Water Works bills and collects sanitary sewer service charges, solid waste charges, and stormwater management fees in accordance with the city ordinances for the City of West Des Moines, Iowa.

Remittances are due to the City within seventy-five days after the end of each billing period. The West Des Moines Water Works is reimbursed for a portion of the expense of billing and collecting the sanitary sewer service, solid waste charges, and stormwater management fees at rates agreed upon by the City of West Des Moines and West Des Moines Water Works.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Water Works' policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position, of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash, Cash Equivalents and Investments

The West Des Moines Water Works' deposits in financial institutions as of December 31, 2016 and through the year are covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C, Code of Iowa. This Chapter provides additional assessments against the depositories to ensure that there is no loss of public funds.

As of December 31, 2016, \$500,000 was invested in one fourteen month certificate of deposit at Veridian Credit Union. The amount of this deposit in excess of \$250,000 was collateralized with a letter of credit held by the Water Works in the amount of 110% or \$275,000.

As of December 31, 2016 and 2015 all monies of the West Des Moines Water Works were invested in lawful depositories of the Water Works.

The West Des Moines Water Works' cash, cash equivalents and investments at December 31, 2016 and 2015 are as follows:

	2016	2015
Cash Deposits	\$ 8,549,586	\$ 11,269,828
Petty Cash	5,103	900
Iowa Public Agency Investment Trust	530,158	523,284
Certificates of Deposit	7,000,000	5,000,000
Total Cash and Investments	\$ 16,084,847	\$ 16,794,012
Cash and Investments on Financial Statements		
Current Cash	\$ 6,020,642	\$ 8,642,056
Current Investments	5,121,658	2,114,784
Current Restricted Cash	2,534,047	2,628,672
Current Restricted Investments	1,408,500	1,408,500
Noncurrent investments	1,000,000	2,000,000
Total Cash and Investments on Financial Statements	\$ 16,084,847	\$ 16,794,012

At December 31, 2016 and 2015, the Water Works had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$530,158 and \$523,284, respectively, pursuant to rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The Water Work's investment in IPAIT is unrated.

The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

The West Des Moines Water Works had no investments meeting the disclosure requirement of Government Accounting Standards Board Statement No. 72.

Interest Rate Risk

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of investments. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the West Des Moines Water Works' investment policy, the Water Works minimizes the market value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirement for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Water Works investment in IPAIT is unrated.

Note 3 - Capital Assets

Capital assets activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
Capital Assets Not Being Depreciated				
Land	\$ 620,768	\$ -	\$ -	\$ 620,768
Construction in progress	1,473,474	2,523,518	(3,001,561)	995,431
Total capital assets not being depreciated	<u>2,094,242</u>	<u>2,523,518</u>	<u>(3,001,561)</u>	<u>1,616,199</u>
Capital Assets Being Depreciated				
Buildings and structures	27,695,235	337,831	-	28,033,066
Machinery and equipment	11,192,985	309,200	(80,424)	11,421,761
Mains and hydrants	29,359,036	3,191,629	-	32,550,665
Mains and hydrants - developers	23,487,330	698,961	-	24,186,291
Wells	4,495,373	-	-	4,495,373
Meters in service	3,941,935	955,107	(160,599)	4,736,443
DMWW plant capacity	10,619,125	-	-	10,619,125
Total capital assets being depreciated	<u>110,791,019</u>	<u>5,492,728</u>	<u>(241,023)</u>	<u>116,042,724</u>
Less Accumulated Depreciation for				
Buildings and structures	9,767,341	589,962	-	10,357,303
Machinery and equipment	8,913,724	432,932	(80,424)	9,266,232
Mains and hydrants	8,071,672	610,891	-	8,682,563
Mains and hydrants - developers	9,265,132	471,020	-	9,736,152
Wells	2,621,695	115,570	-	2,737,265
Meters in service	1,513,095	244,319	(160,599)	1,596,815
DMWW plant capacity	3,998,660	265,478	-	4,264,138
Total accumulated depreciation	<u>44,151,319</u>	<u>2,730,172</u>	<u>(241,023)</u>	<u>46,640,468</u>
Total capital assets being depreciated, net	<u>66,639,700</u>	<u>2,762,556</u>	<u>-</u>	<u>69,402,256</u>
Net capital assets	<u>\$ 68,733,942</u>	<u>\$ 5,286,074</u>	<u>\$ (3,001,561)</u>	<u>\$ 71,018,455</u>

West Des Moines Water Works
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Capital assets activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
Capital Assets Not Being Depreciated				
Land	\$ 620,768	\$ -	\$ -	\$ 620,768
Construction in progress	1,305,958	167,516	-	1,473,474
Total capital assets not being depreciated	<u>1,926,726</u>	<u>167,516</u>	<u>-</u>	<u>2,094,242</u>
Capital Assets Being Depreciated				
Buildings and structures	26,294,750	1,400,485	-	27,695,235
Machinery and equipment	10,257,229	972,820	(37,064)	11,192,985
Mains and hydrants	27,311,712	2,047,324	-	29,359,036
Mains and hydrants - developers	22,822,213	665,117	-	23,487,330
Wells	4,495,373	-	-	4,495,373
Meters in service	3,298,094	937,710	(293,869)	3,941,935
DMWW plant capacity	10,619,125	-	-	10,619,125
Total capital assets being depreciated	<u>105,098,496</u>	<u>6,023,456</u>	<u>(330,933)</u>	<u>110,791,019</u>
Less Accumulated Depreciation for				
Buildings and structures	9,192,177	575,164	-	9,767,341
Machinery and equipment	8,377,190	573,597	(37,063)	8,913,724
Mains and hydrants	7,494,635	577,037	-	8,071,672
Mains and hydrants - developers	8,795,127	470,005	-	9,265,132
Wells	2,496,083	125,612	-	2,621,695
Meters in service	1,510,033	296,932	(293,870)	1,513,095
DMWW plant capacity	3,733,182	265,478	-	3,998,660
Total accumulated depreciation	<u>41,598,427</u>	<u>2,883,825</u>	<u>(330,933)</u>	<u>44,151,319</u>
Total capital assets being depreciated, net	<u>63,500,069</u>	<u>3,139,631</u>	<u>-</u>	<u>66,639,700</u>
Net capital assets	<u>\$ 65,426,795</u>	<u>\$ 3,307,147</u>	<u>\$ -</u>	<u>\$ 68,733,942</u>

Note 4 - Long Term Liabilities

A summary of the changes in long-term liabilities for the year ended December 31, 2016 is as follows:

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016	Due Within One Year
Water Revenue Bonds	\$ 14,843,171	\$ -	\$ (2,083,834)	\$ 12,759,337	\$ 2,072,548
Bond Premium	396,686	-	(69,094)	327,592	-
Capital Loan Notes	-	133,000	-	133,000	-
Sick Pay Liability	234,399	2,626	-	237,025	29,564
Net OPEB Liability	244,536	38,639	-	283,175	-
Net Pension Liability	1,861,503	401,011	-	2,262,514	-
Total	<u>\$ 17,580,295</u>	<u>\$ 575,276</u>	<u>\$ (2,152,928)</u>	<u>\$ 16,002,643</u>	<u>\$ 2,102,112</u>

A summary of the changes in long-term liabilities for the year ended December 31, 2015 is as follows:

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015	Due Within One Year
Water Revenue Bonds	\$ 16,856,458	\$ -	\$ (2,013,287)	\$ 14,843,171	\$ 2,083,834
Bond Premium	465,780	-	(69,094)	396,686	-
Sick Pay Liability	234,399	-	-	234,399	27,254
Net OPEB Liability	209,354	35,182	-	244,536	-
Net Pension Liability	1,561,119	300,384	-	1,861,503	-
Total	<u>\$ 19,327,110</u>	<u>\$ 335,566</u>	<u>\$ (2,082,381)</u>	<u>\$ 17,580,295</u>	<u>\$ 2,111,088</u>

Purchase of Water Treatment Plant Capacity

The West Des Moines Water Works entered into agreements with the Des Moines Water Works for the purchase of five million gallons per day, and 1.323 million gallons per day of water treatment plant capacity in two separate purchases. Per the Water Treatment Plant Purchased Capacity Master Agreement dated July 23, 1996, the West Des Moines Water Works' proportionate share of the Des Moines Water Works Bonds Series 1997 issued by the Des Moines Water Works were \$5,640,000 and \$1,819,125 respectively. Series 1997 bonds have been replaced by the Refunding Water Revenues Bonds Series 2004B, which have now been replaced by the Refunding Water Revenues Bonds Series 2011. The interest rate on the 2011 bonds is a flat 3% from now through maturity. The remaining balance on the bonds is \$408,122 as of December 31, 2016.

The West Des Moines Water Works entered into the Wholesale Water Service Master Agreement with the Des Moines Water Works on June 13, 2005, agreeing to purchase an additional two million gallons per day of water treatment plant capacity. West Des Moines Water Works' proportionate share in the Des Moines Water Works 2006 Water Revenue Bonds was \$4,105,000. Series 2006 bonds have been replaced by the Refunding Water Revenue Bonds Series 2012. The interest rate is a flat 3% from now through maturity. The remaining balance on the bonds is \$2,326,215 as of December 31, 2016.

Plant and Distribution Capital Improvements

The Series 2004 Water Revenue Refunding Bonds were issued by the West Des Moines Water Works, under resolutions of the Board of Trustees of the Water Works. The balance of the 2004 Water Revenue Refunding Bonds in the amount of \$2,795,000 was paid out of the 2012 Water Revenue Bonds. Additionally, the 2012 bonds were used to expand the system infrastructure to new areas in the City of West Des Moines. Series 1998A and 1998B were redeemed by the 2007 Water Revenue Refunding bonds on June 1, 2007. The balance of the 2007 Water Revenue Refunding Bonds in the amount of \$4,575,000 was paid out of the 2013 Water Revenue Bonds. Additionally, the 2013 bonds are being used to expand the system infrastructure.

Interest is payable on the first day of June and December.

Bonds and interest are payable from the future net earnings of the Water Works and the net earnings of the Water Works are pledged to the payment of the bonds and interest. The total principal and interest remaining to be paid on the bonds is \$14,098,022. For the current year, principal and interest paid and total customer net receipts were \$2,452,688 and \$5,381,762.

The required amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding Bonds and Parity Bonds plus 1/12th of the installment of principal coming due on such Bonds on the next succeeding principal payment date until the full amount of such installment is on hand. The balance at December 31, 2016 and 2015 is \$138,352 and \$118,221, respectively.

The Bond Resolution requires that the Debt Service Reserve Fund be maintained in an amount equal to at least the lesser of the maximum annual debt service on the Bonds and the Parity Bonds, or 10% of the stated principal amount of the Bonds and Parity Bonds. The balance at December 31, 2016 and 2015 is at the maximum of \$1,408,500 and \$1,408,500, respectively.

West Des Moines Water Works
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Details of the revenue bonds payable at December 31, 2016 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2016
Series 2012	10/23/12	3.0 - 3.0%	12/01/23	\$25,000-\$1,000,000	\$ 7,570,000	\$ 4,800,000
Series 2013	12/02/13	1.5 - 2.3 %	12/01/21	\$435,000-\$1,780,000	6,515,000	5,225,000
Series 2011 (DMWW)	02/23/11	3.0 - 3.0%	12/01/17	\$408,122-\$703,584	4,357,547	408,122
Series 2012 (DMWW)	10/30/12	3.0 - 3.0%	12/01/25	\$180,005-\$294,823	3,132,119	2,326,215
						\$ 12,759,337

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2016 is as follows:

Year Ending Dec. 31	Principal	Interest	Total
2017	\$ 2,072,548	\$ 317,254	\$ 2,389,802
2018	2,053,718	276,079	2,329,797
2019	1,777,003	241,167	2,018,170
2020	1,866,782	195,557	2,062,339
2021	1,949,757	144,954	2,094,711
2022-2025	3,039,529	163,674	3,203,203
Totals	\$ 12,759,337	\$ 1,338,685	\$ 14,098,022

West Des Moines Water Works
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

Details of the revenue bonds payable at December 31, 2015 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2015
Series 2012	10/23/12	3.0 - 3.0%	12/01/23	\$25,000-\$1,000,000	\$ 7,570,000	\$ 5,540,000
Series 2013	12/02/13	1.5 - 2.3 %	12/01/21	\$435,000-\$1,780,000	6,515,000	5,640,000
Series 2011 (DMWW)	02/23/11	3.0 - 3.0%	12/01/17	\$408,122-\$703,584	4,357,547	1,111,706
Series 2012 (DMWW)	10/30/12	3.0 - 3.0%	12/01/25	\$180,005-\$294,823	3,132,119	2,551,465
						\$ 14,843,171

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2015 is as follows:

Year Ending Dec. 31	Principal	Interest	Total
2016	\$ 2,083,834	\$ 373,545	\$ 2,457,379
2017	2,072,548	317,254	2,389,802
2018	2,053,718	276,079	2,329,797
2019	1,777,003	241,167	2,018,170
2020	1,866,782	195,557	2,062,339
2021-2025	4,989,286	308,628	5,297,914
Totals	\$ 14,843,171	\$ 1,712,230	\$ 16,555,401

Capital Loan Notes. Revenue capital loans notes have been issued for the planning and construction of water capital projects through the State of Iowa State Revolving Loan Funds. The Utility pledged income derived from the acquired or constructed assets to pay debt service. Capital loan note of \$133,000 is payable at December 31, 2016.

Note 5 - Restricted Assets

The West Des Moines Water Works' restricted assets are composed of customer deposits, deposits on bond issuance, and collection for sanitary sewer service, solid waste service, stormwater management fees, and human services donations for the City of West Des Moines.

Note 6 - Pension and Retirement Benefits

Plan Description

IPERS membership is mandatory for employees of the Water Works. Employees of the Water Works are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9177, 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 early-retirement reductions. 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used 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 the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability 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 benefits 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. 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 years 2016 and 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Water Works contributed 8.93 percent for a total rate of 14.88 percent.

The Water Works contributions' to IPERS for the year ended December 31, 2016 and 2015 were \$237,955 and \$228,449 respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to Pensions

At December 31, 2016 and 2015, the Water Works reported a liability of \$2,262,514 and \$1,861,503 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the Water Works' collective proportion was 0.0359511 percent, which was a decrease of 0.001727 percent from its proportion measured as of June 30, 2015 of 0.0376786 percent.

For the year ended December 31, 2016 and 2015, the Water Works recognized pension expense of \$125,909 and \$261,281 respectively. At December 31, 2016 and 2015, the Water Works reported deferred outflows of resources and deferred inflows of resources relation to pensions from the following sources:

West Des Moines Water Works
Notes to Financial Statements
Years Ended December 31, 2016 and 2015

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 19,996	\$ 27,002
Change of assumptions	34,519	-
Net difference between projected and actual earnings on pension plan investments	322,336	-
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	-	96,713
Water Works contributions subsequent to the measurement date	120,300	-
Total	\$ 497,151	\$ 123,715

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	106,297
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	-	61,098
Water Works contributions subsequent to the measurement date	27,774	-
Total	\$ 27,774	\$ 167,395

Deferred outflows of resources of \$120,300 related to pensions resulting from the Water Works contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	2016	2015
12/31/2016	na	\$ (38,793)
12/31/2017	\$ 16,868	(38,793)
12/31/2018	16,868	(38,793)
12/31/2019	145,369	(38,793)
12/31/2020	79,783	(12,223)
12/31/2021	(5,752)	-
	<u>\$ 253,136</u>	<u>\$ (167,395)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investments rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00 percent annum based on 3.00 percent inflation and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2016 and 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	1.90
Domestic Equity	24	5.85
International equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	-0.26
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Water Works will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's 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 pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

Sensitivity of the Water Works' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Water Works' proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Water Works proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Water Works' proportionate share of the net pension liability at June 30, 2016	\$ 3,660,441	\$ 2,262,514	\$ 1,082,645

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At December 31, 2016 and 2015, the Water Works had no payables to the defined benefit pension plan for legally required employer contributions or legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7 - Other Postemployment Benefits

Plan Description

The Water Works sponsors a single-employer health care plan that provides certain postretirement health care benefits for retirees and their spouses. There are 35 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with insurance premiums paid to the City of West Des Moines who self insures to their selected stop loss limits and buys stop loss insurance from a third party. The plan is administered by Wellmark.

Retirees under age 65 pay 102% of the full active employee premium rates, which results in an implicit subsidy and an OPEB liability.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Water Works. The Water Works currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The Water Works' annual OPEB cost is calculated based on the annual required contribution (ARC) of the Water Works, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Water Works' annual OPEB cost for the year ended December 31, 2016 and 2015, the amount actually contributed to the plan and changes in the Water Works' net OPEB obligation:

	2016	2015
Annual Required Contribution (ARC)	\$ 43,879	\$ 40,969
Interest on net OPEB obligation	6,113	5,234
Adjustment to annual required contribution	(11,353)	(11,021)
Annual OPEB cost	38,639	35,182
Contributions made	-	-
Increase in net OPEB obligation	38,639	35,182
Net OPEB obligation Beginning of the year	244,536	209,354
Net OPEB obligation end of the year	\$ 283,175	\$ 244,536

For calculation of the net OPEB obligation, the actuary has set the transition day as January 1, 2014. The end of the year Net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended December 31, 2016.

For the year ended December 31, 2016 and 2015, the Water Works contributed \$-0- to the medical plan. Plan members eligible for benefits contributed \$-0- of the premium costs. No West Des Moines Water Works retirees are currently in the retirement benefit plan.

The Water Works's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the next OPEB obligation as of December 31, 2016 are summarized as follows:

<u>Years Ended</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 34,063	0%	\$ 209,354
December 31, 2015	\$ 35,182	0%	\$ 244,536
December 31, 2016	\$ 38,639	0%	\$ 283,175

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date for the period January 1, 2014 through December 31, 2016, the actuarial accrued liability was \$352,867, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$352,867 at December 31, 2016, and \$341,729 at December 31, 2015. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,712,277 and \$2,660,582, and the ratio of the UAAL to covered payroll was 13.0% and 12.8% for 2016 and 2015, respectively. As of December 31, 2016 and 2015 there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities and benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the January 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the Water Works' funding policy. The health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were developed by the actuary, as listed in Appendix B of the Actuary Report.

Note 8 - Intergovernmental Agreements

On May 14, 2001 the Water Works approved the first amendment to intergovernmental agreement for the joint occupation of municipal offices (Chapter 28E of the Code of Iowa) with the City of West Des Moines for joint occupancy in a new City Hall facility. The West Des Moines Water Works' total cost is \$546,761, of which \$546,761 has been paid.

On May 14, 1993 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) when the City of West Des Moines and the Park Board of Commissioners of the West Des Moines Parks and Recreation Department. Under the agreement, they jointly developed a parcel of land (58 acres) owned by the City to provide recreation resources and water resources for residents. The Water Works constructed eight shallow wells and one deep well on the site. The Water Works has paid the City \$450,000 for the use of the land. This agreement is for ninety-nine years and expires on May 14, 2092.

On April 17, 2001 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) creating the Central Iowa Regional Drinking Water Commission Master Agreement. The purposes of this agreement are to (1) enable the Parties to jointly plan and coordinate implementation for water supply, treatment, distribution and storage facilities for the benefits of the Parties and their respective customers, to (2) enable the Parties to jointly provide services in a cost-effective manner to each other and to (3) enable the Parties to undertake joint or coordinate procurement of goods and services. The Commission is governed by a Board of Directors consisting of one representative of each of the Parties. On October 18, 2011 an amended and restated 28E Agreement with the Central Iowa Regional Drinking Water Commission (CIRDWC) was adopted. The changes include adding source water issues as a purpose of CIRDWC, distinguishing between Governing Members and Non-Governing Members, and establishing dues at a rate of \$100 plus one cent per Member retail account.

On November 20, 2003 the Water Works entered into an Agreement for Shared Use of Water Tower Capacity (this is not a 28E agreement) with the City of Clive, the City of Waukee and the Des Moines Water Works. On November 1, 2005 the water tower was put into service. The cities of Clive and Waukee paid 40% and 20% respectively, of the total project cost to West Des Moines Water Works for shared capacity of the water tower. The water tower is recorded at cost on West Des Moines Water Works' fixed asset schedule, and the payments made by Clive and Waukee are recorded as unearned revenues to be recognized over the 50 year life of the water tower. This agreement will remain in effect through the useful life of the water tower plus one year. A shared water tower fund has been created into which Clive, Waukee and West Des Moines Water Works contribute annually for property insurance and future painting of the tower.

On May 15, 2015 Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines and the Board of Water Works Trustees of City of Des Moines. The agreement details the responsibilities for design, construction, maintenance and operation of an Aquifer Storage and Recovery well and supporting infrastructure to serve current and future development within the South Area of West Des Moines. This agreement shall terminate on March 31, 2045, the termination date of the Wholesale Water Service Master Agreement. If the term of the Wholesale Water Service Master Agreement is at any time or from time to time extended beyond March 31, 2045, then the term of the Agreement shall be extended automatically. From June 15th through September 15th of each year when the ASR facility is presumed to be in production mode, it is understood that West Des Moines Water Works' consumption of up to 3.0 MGD in the South Pressure Zone will be considered a "Regional Capacity Credit" and as such, shall be excluded for purposes of calculating "Consumption Above Purchased Capacity" as defined in Section 18 and 19 of the Wholesale Water Service Master Agreement.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines for the placement of radio antenna and related equipment on/in water towers in West Des Moines. The term of this agreement shall be for a period of ten years. The annual charge to the City for locating and operating transmitting and receiving equipment on a tower shall be one dollar per year payable in advance on the first business day of each year.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines to provide the city with water at no cost to the City for city-owned public buildings, facilities and landscaped medians. Unless otherwise extended or amended by mutual written agreement of the parties, this agreement will expire ten years from July 20, 2009. The retail value of water provided to the City in 2016 and 2015 were \$105,609 and \$80,124 respectively.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines for the sharing of fiber optic and computer related technologies for the betterment for the services provided to the public by each entity. The purpose of the Agreement is for the City of West Des Moines to provide West Des Moines Water Works with internet connectivity and land-line phone services. Unless otherwise extended or amended by mutual written agreement of the parties, this agreement will expire ten years from July 20, 2009. For the 2015-16 fiscal year of the City of West Des Moines, the Water Works paid the City a fee of \$12,000. Further adjustments to the fee may occur if annual maintenance agreements with third-parties change due to upgrades within the system. Notification of such an adjustment will be provided at least 30 days in advance of any fee adjustment and documentation of the change will be provided.

Note 9 - Related Organization

The West Des Moines Water Works uses services of the City of West Des Moines and also provides billing and collection services to the City in connection with the City's Sewer, Solid Waste, and Stormwater Management Enterprise Funds. The following is a summary of the related party cash transactions for the year ended December 31, 2016 and 2015:

	2016	2015
Received from the City of West Des Moines		
Miscellaneous	\$ -	\$ 525
Sanitary sewer service collection fees	52,854	51,683
Solid waste service collection fees	47,991	47,436
Stormwater service collection fees	74,048	72,712
Payments to the City of West Des Moines		
Sanitary sewer service	9,418,906	8,882,470
Solid waste service	1,834,844	1,811,554
Sewer availability fee	772,459	734,932
City capital fee	-	10,234
Stormwater services	2,272,157	2,235,459
Health and dental insurance premiums	457,643	448,887
General insurance premiums	120,107	128,741
Gasoline	21,986	21,469
Utilities	10,994	11,702
Miscellaneous	7,322	3,545
Donations collected	5,897	6,697
Janitorial services	13,373	10,999
Information services	12,000	12,000
West Des Moines Magazine and City Survey	2,000	4,500
Economic development	50,000	50,000
Alluvion project	1,171,385	1,500,000
88th St Trail Connection	26,645	-
Amounts receivable for the City of West Des Moines		
Sanitary sewer charges	711,741	550,195
Sewer availability fees	58,890	48,589
Stormwater management fees	181,193	161,850
Solid waste charges	137,996	114,370
Amounts payable to the City of West Des Moines		
Sanitary sewer charges	2,243,860	2,179,447
Sewer availability fees	199,813	190,514
Stormwater management fees	574,718	557,970
Solid waste charges	466,547	456,874
Donations to Human Services	577	650

Note 10 - Risk Management

The Water Works, through the City of West Des Moines, is a member of the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 740 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses, and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Water Works' property and casualty contribution to the Pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Water Works' contribution to the Pool for the year ended December 31, 2016 and 2015 were \$40,537 and \$36,011 respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Water Works' risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Water Works' risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Water Works does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at December 31, 2016 and 2015, no liability has been recorded in the Water Works financial statements. As of December 31, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Water Works also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, and employee blanket bonds. The Water Works assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11 - Tower Lease Agreements

The Water Works has entered into agreements with I Wireless, United States Cellular Wireless Communications, Sprint/Nextel, Capital Communications Co. Inc. (WOI-TV), AT & T Wireless, Verizon Wireless, the City of Des Moines and the City of Waukee for the rental of space on four elevated water storage facilities located in the City of West Des Moines. The agreements are for a period of five years with renewal options of five additional five-year terms. The agreements with I Wireless (50th St Tower), U.S. Cellular, Sprint/Nextel, WOI-TV and AT & T are in their fourth, five-year contract. Verizon is in their third, five-year contract. The City of Des Moines is in their second, five-year contract and the City of Waukee and I Wireless (88th St Tower) are in their first, five-year contract.

Future minimum rents under these leases at December 31, 2016 are as follows:

Years	Amount
2017	\$ 161,896
2018	170,242
2019	172,255
2020	175,075
2021	179,974

Total rental income for 2016 and 2015 were \$148,383 and \$141,990, respectively.

Note 12 - Commitments

The West Des Moines Water Works has entered into construction contracts totaling \$3,186,247 at December 31, 2016 and \$3,302,573 at December 31, 2015 for various capital projects. There were \$2,183,694 and \$253,916 of uncompleted contracts at December 31, 2016 and 2015 respectively.

Note 13 - Subsequent Events

On February 16, 2016 a Resolution Instituting Proceedings to Take Additional Action for the Authorization of a Loan and Disbursement Agreement and the Issuance of Not to Exceed \$8,500,000 Water Revenue Capital Loan Notes was adopted. Since December 31, 2016, the West Des Moines Water Works has received \$2,153,961 from the Iowa Finance Authority in loan disbursements, in addition to \$133,000 received in 2016.

The Water Works has evaluated all subsequent events through May 25, 2017, the date the financial statements were available.



Required Supplementary Information
December 31, 2016

West Des Moines Water Works

West Des Moines Water Works
Schedule of Water Works' Proportionate Share of the Net Pension Liability and Schedule of Water Works
Contributions to the Iowa Public Employees' Retirement System
Last Three Fiscal Years Ended December 31, 2016 and 2015

Fiscal Year Ended	Water Work's proportionate share of the net pension liability (asset)	Water Work's proportion of the net pension liability (asset)	Water Work's covered-employee payroll	Water Work's proportionate share of the net pension liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.0359511%	\$ 2,262,514	\$ 2,579,981	87.69%	81.82%
2015	0.0376786%	1,861,503	2,581,323	72.11%	85.19%
2014	0.0393635%	1,561,119	2,575,777	60.61%	87.61%

The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying notes to required supplementary information

Note: GASB Statement No. 68 requires ten years to be presented in this table.
However, until a full 10-year trend is compiled, the Water Works will present
information for those years for which information is available.

In accordance with GASB No 68 the amounts presented for each fiscal year
were determined as of December 31st of the preceding year.

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Utility's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 237,955	\$ 237,955	-	\$ 2,664,671	8.93%
2015	228,449	228,449	-	2,558,217	8.93%
2014	232,431	232,431	-	2,602,820	8.93%
2013	220,607	220,607	-	2,506,754	8.80%
2012	217,361	217,361	-	2,599,482	8.36%
2011	193,853	193,853	-	2,566,242	7.55%
2010	172,667	172,667	-	2,534,032	6.81%
2009	158,571	158,571	-	2,436,337	6.51%
2008	138,642	138,642	-	2,235,572	6.20%
2007	124,499	124,499	-	2,109,450	5.90%

Changes of benefits terms

Legislation passed in 2010 modified benefits terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups—emergency medical service providers, county jailors, county attorney investigators, and National Guard installation security officers—from Regular membership to the protection occupation group for future service only.

Benefits provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increase the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payment the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

West Des Moines Water Works
Schedule of Funding Progress for the Retiree Health Plan
December 31, 2016 and 2015

Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a percentage of Covered Payroll ((b-a)/c)
2014	Jan 1, 2014	-	\$ 347,561	\$ 347,561	0%	\$ 2,663,673	13.0%
2015	Jan 1, 2014	-	\$ 341,729	\$ 341,729	0%	\$ 2,660,582	12.8%
2016	Jan 1, 2014	-	\$ 352,867	\$ 352,867	0%	\$ 2,712,277	13.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.



Supplementary Information
December 31, 2016

West Des Moines Water Works

West Des Moines Water Works
 Budgetary Comparison of Revenues, Expenses and Changes in Net Position – Actual to Budget
 Years Ended December 31, 2016 and 2015

	Actual	Budget	Variance Positive (Negative)
Total Revenues	\$ 13,960,791	\$ 13,873,770	\$ 87,021
Total Expenses	10,680,900	11,810,476	1,129,576
Net	3,279,891	2,063,294	\$ 1,216,597
Net Position Beginning of the Year	64,118,632	64,879,287	
Net Position End of Year	\$ 67,398,523	\$ 66,942,581	

In accordance with the Code of Iowa, the Water Work's Board of Trustees adopts a budget on the accrual basis consistent with U.S. generally accepted accounting principles following required public notice and hearing. The formal and legal level of control is at the total expense level. The Board of Trustees reviews the proposed budget and grant final approval. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

In 2016 there were no budget amendments and disbursements did not exceed the amount budgeted.

West Des Moines Water Works
Schedule of Bond Maturities
Year Ended December 31, 2016

Series 2012 Water Revenue Bonds: Series 2012 Water Revenue Bonds were issued under Resolutions adopted by the Board of Trustees.

The 2012 Bonds were issued to refund all of the Water Work’s outstanding Water Revenue Bonds Series 2004 (the “Refunded Bonds”), and to finance a pumping station and water mains to supply water to the south area of West Des Moines, as well as water main extensions to the west side of West Des Moines.

The proceeds of the original Bonds were used to finance certain capital improvements to the System (the “Project”) and to pay costs of issuing the Bonds. The Project included: (i) the construction and/or purchase of water supply and distribution facilities and the land for such facilities, (ii) the construction of additional water treatment capacity, (iii) the construction facilities for handling water treatment plant residues, (iv) improvements to the electrical distribution system of the water treatment plant, (v) improvements to the electronic control system of the Water Works and (vi) construction of new and replacement water mains (See Note 4).

The following is a summary of the debt obligations of the West Des Moines Water Works:

<u>Maturing December 1</u>	<u>West Des Moines Water Works</u>	
	<u>Series 2012 Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 25,000	\$ 144,000
2018	25,000	143,250
2019	750,000	142,500
2020	1,000,000	120,000
2021	1,000,000	90,000
2022	1,000,000	60,000
2023	1,000,000	30,000
	<u>\$ 4,800,000</u>	<u>\$ 729,750</u>

West Des Moines Water Works
 Schedule of Bond Maturities
 Year Ended December 31, 2016

Series 2013 Water Revenue Bonds: Series 2013 Water Revenue Bonds were issued under Resolutions adopted by the Board of Trustees.

The 2013 bonds were issued to refund all of the Water Works' outstanding Water Revenue Bonds Series 2007 (the "Refunded Bonds"), and to finance a pumping station upgrade and water mains on the west side of West Des Moines.

The proceeds of the original Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Series 2007 Bonds. The project included: (i) upgrades to the Water Works' water treatment plant and water storage facilities and (ii) construction of a new pumping station.

The following is a summary of the debt obligation of the West Des Moines Water Works:

<u>Maturing December 1</u>	<u>West Des Moines Water Works</u>	
	<u>Series 2013 Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,400,000	\$ 91,225
2018	1,780,000	70,225
2019	770,000	43,525
2020	600,000	28,125
2021	675,000	15,525
	<u>\$ 5,225,000</u>	<u>\$ 248,625</u>

West Des Moines Water Works
 Schedule of Bond Maturities
 Year Ended December 31, 2016

Proportionate share of Series 2011 Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per Water Treatment Plant Purchases Capacity Master Agreement dated July 23, 1996 (See Note 4).

The following is a summary of the debt obligations to the Des Moines Water Works:

	West Des Moines Water Works	
	Series 2011 Water Revenue Bonds	
Maturing December 1	Principal	Interest
2017	\$ 408,122	\$ 12,243
	\$ 408,122	\$ 12,243

West Des Moines Water Works
Schedule of Bond Maturities
Year Ended December 31, 2016

Proportionate share of Series 2012 Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per the Wholesale Water Service Master Agreement signed June 13, 2005 (See Note 4).

West Des Moines Water Works		
Series 2012 Water Revenue Refunding Bonds		
Maturing December 1	Principal	Interest
2017	\$ 239,426	\$ 69,786
2018	248,718	62,604
2019	257,003	55,142
2020	266,782	47,432
2021	274,757	39,429
2022	278,106	31,186
2023	286,595	22,843
2024	294,823	14,245
2025	180,005	5,400
	\$ 2,326,215	\$ 348,067



Statistical Section
(Unaudited)

December 31, 2016 and 2015

West Des Moines Water Works

West Des Moines Water Works
Schedule of Water Usage by Month (Unaudited)
Year Ended December 31, 2016

<u>Month</u>	<u>Accounts With Water Service</u>	<u>Dollar Amount of Water Billings</u>	<u>Gallons of Water Billed</u>	<u>Gallons of Water Pumped</u>
January	24,556	\$ 732,960	155,015,105	167,529,000
February	24,590	568,053	120,252,839	156,836,000
March	24,613	593,484	125,800,992	164,576,000
April	24,645	756,677	158,337,086	173,256,000
May	24,691	692,754	145,486,267	206,775,000
June	24,735	1,089,165	225,364,227	351,865,000
July	24,778	1,672,795	343,070,290	320,464,000
August	24,815	1,194,373	246,749,547	274,916,000
September	24,856	1,202,829	248,380,561	231,114,000
October	24,899	768,880	159,240,358	189,391,000
November	24,941	697,163	147,064,737	162,380,000
December	24,982	<u>644,357</u>	<u>135,931,213</u>	<u>166,490,000</u>
		10,613,490	2,210,693,222	2,565,592,000
ADD: Meter water for City (\$0.00)			21,499,690	
Other non-billed water/nonpumped water			<u>16,161,430</u>	
Totals		<u>\$ 10,613,490</u>	<u>2,248,354,342</u>	<u>2,565,592,000</u>

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
West Des Moines Water Works
West Des Moines, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the West Des Moines Water Works as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise West Des Moines Water Works' basic financial statements, and have issued our report thereon dated May 25, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Des Moines Water Works' internal control over financial reporting (internal control) 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 West Des Moines Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of West Des Moines Water Works' 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2016-A, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Water Works' operations for the year ended December 31, 2016, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Works. 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.

West Des Moines Water Works' Response to Findings

West Des Moines Water Works' response to the findings identified in our audit are described in the accompanying schedule of findings and responses. West Des Moines Water Works' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa
May 25, 2017

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY

2016-A **Segregation of Duties**

Criteria – Properly designed segregation of duties allow entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. The Water Works has a limited number of people having responsibility for certain accounting and financial duties.

Cause/Effect – With a limited number of office employees, segregation of duties is difficult. As a result, some of those aspects of internal control which rely upon an adequate segregation of duties are missing and misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – We recognize that with a limited number of office employees, segregation of duties is difficult, and it may not be cost effective to employ additional persons for the purpose of segregating duties. However, the Water Works should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Response – The Water Works is aware of the situation and will try to segregate duties as much as possible when assigning duties.

Part II: Other Findings Related to Statutory Reporting:

2016-IA-A **Certified Budget** – Expenses during the year ended December 31, 2016, did not exceed the amount budgeted.

2016-IA-B **Questionable Expenditures** - We noted no expenditures that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

2016-IA-C **Travel Expense** - No expenditures of Water Work’s money for travel expenses of spouses of Utility officials or employees were noted.

2016-IA-D **Business Transactions** - No business transactions between the Water Works and its officials or employees were noted.

2016-IA-E **Bond Coverage** - Surety bond coverage of Water Works officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Part II: Other Findings Related to Statutory Reporting: (continued)

- 2016-IA-F **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2016-IA-G **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Water Work's investment policy were noted.
- 2016-IA-H **Revenue Notes** – No instances of non-compliance with the revenue note provisions were noted.