



WEST DES MOINES WATER WORKS BOARD OF TRUSTEES MEETING COMMUNICATION

DATE: June 15, 2022

ITEM:

5. Recommendations from Committees
 - a. Finance and Audit
 1. Motion – Receive, File and Distribute the Independent Auditor’s Report of Financial Statements for the Year Ended December 31, 2021

FINANCIAL IMPACT:

The cost of the 2021 audit was \$16,500 as bid.

SUMMARY:

Total assets and deferred outflows of resources have increased to \$115 million, total liabilities and deferred inflows of resources have decreased to \$20 million, and total net position increased to \$95 million.

Operating revenues increased 23% to \$20,302,544 while operating expenses increased 3% to \$12,873,942 resulting in an operating income of \$7,428,602 and an increase in net position of \$8,489,638.

The audit identified one area of Significant Deficiency: Segregation of Duties - West Des Moines Water Works accounting staff and managers continue to separate duties and added additional reviews from management outside of the accounting department. All journal entries, bank statements, and bank reconciliations are reviewed by the general manager and all purchase invoices are reviewed by the Finance Manager prior to payment. These process changes were made to assist in preventing any misstatements. While segregation of duties continues to be a challenge with a finance team of two, the finance staff and general manager will continue to review and monitor processes and make any necessary changes to provide as much oversight as possible.

BACKGROUND:

A financial audit of the West Des Moines Water Works is required yearly. This year’s audit was completed by Eide Bailly.

RECOMMENDED ACTION BY THE BOARD OF TRUSTEES:

To concur with the recommendation of the Finance and Audit Committee and Receive, File and Distribute the Independent Auditor’s Report of Financial Statements for the Year Ended December 31, 2021.

Prepared by: Pat Mullenbach

Approved for Content by: Clara Murphy



May 31, 2022

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

We have audited the financial statements of West Des Moines Water Works (Water Works) as of and for the year ended December 31, 2021, and have issued our report thereon dated May 31, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated January 24, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Water Works solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated May 31, 2022.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

As stated in our auditor’s report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as “significant risks”. We have identified the following as significant risks.

Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls.

Revenue Recognition – The accounting standards related to revenue recognition are complex.

Segregation of Duties – We identified segregation of duties as a significant risk due to the limited number of personnel not being available to adequately segregate all accounting functions.

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Water Works is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management’s estimate of the net pension liability, pension related deferred outflows of resources and deferred inflows of resources, and pension expense are based on plan level actuarial reports, allocated to the Water Works using annual employer contributions. We evaluated the key factors and assumptions used to develop the pension related balances and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Water Works' financial statements relate to net pension liability.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Water Works' financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify and circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated May 31, 2022.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Water Works, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Water Works' auditors.

This report is intended solely for the information and use of the Board of Trustees and management of the Water Works, and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa



Financial Statements
December 31, 2021 and 2020

West Des Moines Water Works

West Des Moines Water Works

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December 31, 2021 and 2020

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West Des Moines Water Works
Officials
Year Ended December 31, 2021

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott M. Brennan	Chairperson	December 31, 2027
Jody E. Smith	Trustee	December 31, 2022
Mary Thomsen	Trustee	December 31, 2023
Gretchen H. Tegeler	Vice Chairperson	December 31, 2024
Erin Sheriff	Trustee	December 31, 2026



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the West Des Moines Water Works (Water Works) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Water Works, as of December 31, 2021 and 2020, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the West Des Moines Water Works' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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 is the responsibility of management and, 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 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Water Works' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the list of officials and schedule of water usage by month but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2022, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Water Works' 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 Water Works' internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned above the typed address and date.

Dubuque, Iowa
May 31, 2022

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 years ended December 31, 2021 and 2020. 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 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 four wells drilled into the Jordan Aquifer and seventeen wells that draw water from the Raccoon River Alluvial Aquifer. In addition, 38% of 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 39 full-time employees.

FINANCIAL HIGHLIGHTS

West Des Moines Water Works' net position increased as a result of operations. On December 31, 2021, total assets and deferred outflows of resources were \$115,319,898 and total liabilities and deferred inflows of resources were \$20,040,837, resulting in net position of \$95,279,061.

Operating revenues increased 23.1% to \$20,302,544 and operating expenses increased 3.1% to \$12,873,942.

During the year, the Water Works had an operating income of \$7,428,602 and an increase in net position of \$8,489,638.

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 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 utility's liquidity and solvency. Liquidity is a measure of the Water Works' ability to meet current obligation (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 the Schedule of Water Works' Proportionate Share of the Net Pension Liability and the Schedule of Water Works' Contributions to the Iowa Public Employees' Retirement System and the Schedule of Changes in the Water Work's Total OPEB Liability and Related Ratios.

West Des Moines Water Works
Management's Discussion and Analysis
Years Ended December 31, 2021 and 2020

Summary of Statements of Net Position at Year End

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Unrestricted Assets	\$ 19,594,163	\$ 17,409,906	\$ 18,744,201
Current Restricted Assets	5,387,186	6,423,809	4,780,464
Noncurrent Assets	-	335,444	335,444
Capital Assets, Net	90,022,806	88,329,427	87,391,506
Deferred Outflows of Resources	<u>315,743</u>	<u>544,698</u>	<u>397,595</u>
 Total assets and deferred outflows of resources	 <u>\$ 115,319,898</u>	 <u>\$ 113,043,284</u>	 <u>\$ 111,649,210</u>
Current Liabilities	\$ 6,938,456	\$ 9,039,902	\$ 10,168,098
Noncurrent Liabilities	11,105,074	17,101,957	19,008,922
Deferred Inflows of Resources	<u>1,997,307</u>	<u>112,002</u>	<u>395,150</u>
 Total liabilities and deferred inflows of resources	 <u>20,040,837</u>	 <u>26,253,861</u>	 <u>29,572,170</u>
Net Investment in Capital Assets	79,282,850	72,222,960	68,297,168
Restricted	73,271	1,949,856	1,946,538
Unrestricted	<u>15,922,940</u>	<u>12,616,607</u>	<u>11,833,334</u>
 Total net position	 <u>95,279,061</u>	 <u>86,789,423</u>	 <u>82,077,040</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 115,319,898</u>	 <u>\$ 113,043,284</u>	 <u>\$ 111,649,210</u>

West Des Moines Water Works
Management's Discussion and Analysis
Year Ended December 31, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Water Sales	\$ 15,563,954	\$ 13,546,502	\$ 11,710,860
Connection Fees	2,370,398	932,312	2,318,062
Other Sales and Services	<u>2,368,192</u>	<u>2,016,124</u>	<u>2,062,048</u>
Total operating revenue	<u>20,302,544</u>	<u>16,494,938</u>	<u>16,090,970</u>
Wages	3,225,007	3,119,416	2,982,877
Benefits	571,278	1,223,459	995,269
Purchased Water	2,685,236	2,171,987	1,703,443
Chemicals and Power	1,149,089	1,045,785	970,124
Insurance	97,929	95,271	117,333
Maintenance and Supplies	833,795	667,027	820,965
Depreciation	3,485,220	3,374,803	3,162,747
Other	<u>826,388</u>	<u>786,978</u>	<u>978,877</u>
Total operating expense	<u>12,873,942</u>	<u>12,484,726</u>	<u>11,731,635</u>
Operating income	<u>7,428,602</u>	<u>4,010,212</u>	<u>4,359,335</u>
Interest Income	60,040	151,750	301,506
Rental Income	213,598	210,836	201,350
Federal Grants	177,801	-	-
Interest Expense	(121,056)	(201,063)	(252,398)
Gain on Refinancing	120,933	-	-
Gain on Disposal of Capital Asset	<u>13,500</u>	<u>61</u>	<u>12,858</u>
Total non-operating revenues (expenses)	<u>464,816</u>	<u>161,584</u>	<u>263,316</u>
Income before capital contributions	7,893,418	4,171,796	4,622,651
Capital Contributions	<u>596,220</u>	<u>540,587</u>	<u>453,760</u>
Change in net position	<u>8,489,638</u>	<u>4,712,383</u>	<u>5,076,411</u>
Net Position, Beginning of Year	<u>86,789,423</u>	<u>82,077,040</u>	<u>77,000,629</u>
Net Position, End of Year	<u>\$ 95,279,061</u>	<u>\$ 86,789,423</u>	<u>\$ 82,077,040</u>

FINANCIAL ANALYSIS

Total current assets increased 4.82% primarily due to an increase in cash and investments.

Total current liabilities decreased 23.2% primarily due to a decrease in accounts payable and reduced debt.

Long-term liabilities decreased 35.1% due to a reduction in net pension liability, reduced debt, and a decrease in construction payables-Osmium.

Total operating revenue increased 23.1% due to an increase in Water Sales and Connection Fees. The Water Sales increased over the summer months due to dry weather causing an increase in irrigation and a 9.5% rate increase in 2021. Water Supply Connection Fees increased by 154.2% and Connection Fees District Fees increased mainly in the South and Southwest areas.

Benefits decreased 53.3% due to decline in Other Post-Employment Benefits and GASB 68 Pension Expense.

Property and casualty insurance increased 2.8% due to an increase in premiums.

Maintenance and supplies increased 25.0% in 2021.

Purchased water increased 23.6% primarily due to a 15% rate increase and more gallons purchased in 2021.

Chemical and power expenses increased 9.9% due to an overall increase in chemical costs in 2021.

Total operating income increased 85.2% over 2020.

CAPITAL ASSETS

During 2021, net capital assets increased 1.9%. Projects included water main construction, SCADA (Supervisory Control and Data Acquisition), Aerator Painting, and Ashworth Road Project. Detailed information regarding capital assets is presented in Note 3 of the financial statements.

DEBT ADMINISTRATION

On December 31, 2021, the Water Works had no water revenue bonds outstanding, compared to \$4,989,286 on December 31, 2020. Water Works had a State Revolving Fund loan for construction fees totaling \$2,586,000 on December 31, 2021; compared with \$2,722,000 on December 31, 2020. This loan is for a new deep well at the Water Works Plant. Detailed information regarding long term liabilities is presented in Note 4 of the financial statements.

Outstanding Debt at Year-End

	2021	2020	2019
Water Revenue Bonds	\$ -	\$ 4,989,286	\$ 6,856,068
Capital Loan Notes	2,586,000	2,722,000	2,855,644
Total	\$ 2,586,000	\$ 7,711,286	\$ 9,711,712

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees approved an operating budget with a 12.8% expense increase for 2021. Revenue and expense estimates for 2021 are conservative. Water rates were increased by 9.5% for commodity water usage and irrigation water usage as of January 1, 2021. 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 1505 Railroad Avenue, West Des Moines, IA 50265-2049.



Financial Statements
December 31, 2021 and 2020

West Des Moines Water Works

West Des Moines Water Works

Statements of Net Position

December 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	\$ 7,670,337	\$ 4,324,876
Investments	10,262,586	11,491,981
Accounts receivable	1,404,755	1,261,453
Inventories	162,487	266,145
Unexpired insurance and prepaid expenses	73,005	47,005
Accrued interest receivable	20,993	18,446
	19,594,163	17,409,906
Restricted Assets - Current		
Cash	3,796,184	3,777,344
Investments	-	1,427,256
Accounts receivable for City of West Des Moines	1,567,432	1,199,855
Accounts receivable - customer deposits	23,570	19,354
	5,387,186	6,423,809
Total current assets	24,981,349	23,833,715
Noncurrent Assets		
Deposit - Water Revenue Bond Fund	-	335,444
Total noncurrent assets	-	335,444
Capital Assets		
Land	914,866	914,866
Building and structures	32,462,616	31,869,296
Machinery and equipment	10,601,851	9,787,163
Mains and hydrants - constructed by Water Works	43,022,979	41,299,891
Mains and hydrants - constructed by developers	27,459,873	26,863,653
Wells	8,133,646	8,133,646
Meters	6,972,827	6,510,202
Treatment plant capacity- Des Moines Water Works	10,619,125	10,619,125
Construction in progress	7,699,015	6,754,871
	147,886,798	142,752,713
Less accumulated depreciation	(57,863,992)	(54,423,286)
Net capital assets	90,022,806	88,329,427
Total Assets	115,004,155	112,498,586
Deferred Outflows of Resources		
Pension related deferred outflows	315,743	544,698
Total assets and deferred outflows of resources	\$ 115,319,898	\$ 113,043,284

West Des Moines Water Works

Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Current Liabilities		
Accounts payable	\$ 785,936	\$ 1,417,532
Accounts payable - construction retainage	77,275	52,309
Accrued payroll	48,383	33,278
Accrued vacation	262,368	241,265
Accrued sick leave	144,333	141,777
Accrued sales tax and water excise tax	78,371	53,598
Accrued interest payable	-	18,228
State income tax withheld	16,486	-
IPERS contribution withheld	58,314	-
Revenue bonds	-	1,949,757
Capital loan notes	139,000	136,000
	<u>1,610,466</u>	<u>4,043,744</u>
Payable from restricted assets		
Customer deposits outstanding	718,697	732,654
Payable to City of West Des Moines	4,609,293	4,263,504
	<u>5,327,990</u>	<u>4,996,158</u>
Total current liabilities	6,938,456	9,039,902
Noncurrent Liabilities		
Unearned revenue	1,375,925	1,416,393
Deposit - shared water tower	264,695	260,946
Osmium payable	6,700,756	6,779,646
Revenue bonds and premiums	-	3,168,134
Capital loan notes	2,447,000	2,586,000
Accrued sick leave	35,847	34,788
Other post employment benefits	228,596	214,138
Net pension liability	52,255	2,641,912
	<u>11,105,074</u>	<u>17,101,957</u>
Total noncurrent liabilities	11,105,074	17,101,957
Total Liabilities	18,043,530	26,141,859
Deferred Inflows of Resources		
Pension related deferred inflows	1,997,307	112,002
	<u>1,997,307</u>	<u>112,002</u>
Total deferred inflows	1,997,307	112,002
Total liabilities and deferred inflows of resources	20,040,837	26,253,861
Net Position		
Net investment in capital assets	79,282,850	72,222,960
Restricted for debt service	73,271	1,949,856
Unrestricted	15,922,940	12,616,607
	<u>95,279,061</u>	<u>86,789,423</u>
Total net position	95,279,061	86,789,423
Total liabilities, deferred inflows and net position	\$ 115,319,898	\$ 113,043,284

West Des Moines Water Works
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Sale of water	\$ 15,563,954	\$ 13,546,502
Basic service charge	1,544,998	1,474,262
Connection fees	2,370,398	932,312
Labor charges and construction observation fees	168,354	100,063
Sanitary sewer service collection fees	58,350	56,923
Solid waste service collection fees	52,013	51,973
Stormwater service collection fees	79,819	78,326
Late and non-payment charges	80,293	77,836
Sale of materials	251,910	103,559
Shared water tower revenue	40,468	40,468
Miscellaneous	91,987	32,714
	20,302,544	16,494,938
Operating Expenses		
Salaries	3,225,007	3,119,416
Retirement and employee benefits	571,278	1,223,459
Utilities	602,922	567,792
Chemicals	546,167	477,993
Purchased water	2,685,236	2,171,987
Maintenance	605,848	543,051
Lime residuals removal	161,427	151,169
Operation permit and water quality testing fees	13,898	16,970
Professional and consulting fees	166,685	133,839
Insurance	97,929	95,271
Supplies	227,947	123,976
Postage	80,265	80,534
Printing	43,084	35,809
Legal publications, memberships	22,048	27,332
Data processing	128,697	148,649
Bad debts	2,451	5,123
Lock box charges	56,409	57,700
Communications	21,861	23,658
Depreciation	3,485,220	3,374,803
Economic development expense	51,250	11,441
Miscellaneous	78,313	94,754
	12,873,942	12,484,726
Operating income	7,428,602	4,010,212

West Des Moines Water Works
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended December 31, 2021 and 2020

	2021	2020
Non-operating Revenues (Expenses)		
Interest revenue	\$ 60,040	\$ 151,750
Rental	213,598	210,836
Federal grants	177,801	-
Gain on disposal of capital asset	13,500	61
Gain on refinancing	120,933	-
Interest expense	(121,056)	(201,063)
Total nonoperating revenue	464,816	161,584
Income before capital contributions	7,893,418	4,171,796
Capital Contributions	596,220	540,587
Change in Net Position	8,489,638	4,712,383
Net Position at Beginning of Year	86,789,423	82,077,040
Net Position at End of Year	\$ 95,279,061	\$ 86,789,423

West Des Moines Water Works
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from customers	\$ 20,159,242	\$ 16,794,311
Cash payments for goods and services	(6,199,260)	(6,040,487)
Cash payments to employees	(4,142,601)	(4,136,616)
Utility receipts on behalf of City of West Des Moines	17,949,336	16,785,571
Utility payments to City of West Des Moines	(17,932,814)	(16,655,209)
Net cash provided by operating activities	9,833,903	6,747,570
Cash Flows from Noncapital Financing Activities		
Intergovernmental grant proceeds	177,801	-
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(4,622,800)	(4,304,542)
Proceeds from sale of assets	13,500	-
Deposits-shared water tower	(36,719)	4,385
Principal payments on revenue bonds	(4,653,842)	(1,866,782)
Principal paid on government loan	(136,000)	(133,644)
Interest paid	(139,284)	(243,236)
Net cash used by capital and financing activities	(9,575,145)	(6,543,819)
Cash Flows from Investing Activities		
Interest received	57,493	271,408
Certificate of deposits redeemed	13,415,763	2,420,100
Rental income	213,598	210,836
Purchase of investments	(500,000)	(533,040)
Certificate of deposits purchased	(10,259,112)	-
Net cash provided investing activities	2,927,742	2,369,304
Net Increase in Cash and Cash Equivalents	3,364,301	2,573,055
Cash and Cash Equivalents Beginning of Year	8,102,220	5,529,165
Cash and Cash Equivalents End of Year	\$ 11,466,521	\$ 8,102,220

West Des Moines Water Works
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 7,428,602	\$ 4,010,212
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,485,220	3,374,803
Change in assets		
Accounts receivable	(515,095)	286,062
Inventory	103,658	(33,615)
Unexpired insurance	(26,000)	4,840
Change in liabilities		
Customer deposits	(13,957)	40,629
Accounts payable	(306,982)	(1,102,815)
Accrued payroll	15,105	(81,361)
Accrued vacation	21,103	22,975
Accrued sick leave	3,615	8,847
State income tax withheld	16,486	-
IPERS contributions withheld	58,314	-
Other post employment benefits	14,458	104,941
Net pension liability and related deferred outflows and deferred inflows of resources	(475,397)	113,936
Accrued sales tax and water excise tax	24,773	(1,884)
	2,405,301	2,737,358
Net Cash Provided by Operating Activities	\$ 9,833,903	\$ 6,747,570
Schedule of Noncash Capital and Related Financing		
Contributions of water mains from contractors for construction and equipment contributions	\$ 596,220	\$ 540,587
Construction in progress directly financed with accounts payable and retainage payables	\$ 6,778,031	\$ 6,831,955

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 usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

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 of \$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.

OPEB

For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the Water Work's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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 unrecognized items not yet credited to pension expense.

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, 2021 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.

The West Des Moines Water Works' cash, cash equivalents and investments are as follows:

	2021	2020
Cash Deposits	\$ 11,464,877	\$ 8,100,311
Petty Cash	1,644	1,910
Iowa Public Agency Investment Trust	3,474	7,339,337
Certificates of Deposit	10,259,112	5,579,899
 Total Cash and Investments	 \$ 21,729,107	 \$ 21,021,457
 Cash and Investments on Financial Statements		
Current cash	\$ 7,670,337	\$ 4,324,876
Current investments	10,262,586	11,491,981
Current restricted cash	3,796,184	3,777,344
Current restricted investments	-	1,427,256
 Total Cash and Investments on Financial Statements	 \$ 21,729,107	 \$ 21,021,457

At December 31, 2021 and 2020, the Water Works had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost, 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, 2021 was as follows:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021
Capital Assets Not Being Depreciated				
Land	\$ 914,866	\$ -	\$ -	\$ 914,866
Construction in progress	6,754,871	1,068,343	(124,199)	7,699,015
Total capital assets not being depreciated	<u>7,669,737</u>	<u>1,068,343</u>	<u>(124,199)</u>	<u>8,613,881</u>
Capital Assets Being Depreciated				
Buildings and structures	31,869,296	593,320	-	32,462,616
Machinery and equipment	9,787,163	859,202	(44,514)	10,601,851
Mains and hydrants	41,299,891	1,723,088	-	43,022,979
Mains and hydrants - developers	26,863,653	596,220	-	27,459,873
Wells	8,133,646	-	-	8,133,646
Meters in service	6,510,202	462,625	-	6,972,827
DMWW plant capacity	10,619,125	-	-	10,619,125
Total capital assets being depreciated	<u>135,082,976</u>	<u>4,234,455</u>	<u>(44,514)</u>	<u>139,272,917</u>
Less Accumulated Depreciation for				
Buildings and structures	12,334,693	591,694	-	12,926,387
Machinery and equipment	7,284,881	447,497	(44,514)	7,687,864
Mains and hydrants	11,713,192	976,850	-	12,690,042
Mains and hydrants - developers	11,760,513	538,201	-	12,298,714
Wells	3,546,327	224,900	-	3,771,227
Meters in service	2,457,628	440,600	-	2,898,228
DMWW plant capacity	5,326,052	265,478	-	5,591,530
Total accumulated depreciation	<u>54,423,286</u>	<u>3,485,220</u>	<u>(44,514)</u>	<u>57,863,992</u>
Total capital assets being depreciated, net	<u>80,659,690</u>	<u>749,235</u>	<u>-</u>	<u>81,408,925</u>
Net capital assets	<u>\$88,329,427</u>	<u>\$ 1,817,578</u>	<u>\$ (124,199)</u>	<u>\$ 90,022,806</u>

West Des Moines Water Works
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

Capital assets activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Capital Assets Not Being Depreciated				
Land	\$ 914,866	\$ -	\$ -	\$ 914,866
Construction in progress	10,825,990	54,114	(4,125,233)	6,754,871
Total capital assets not being depreciated	<u>11,740,856</u>	<u>54,114</u>	<u>(4,125,233)</u>	<u>7,669,737</u>
Capital Assets Being Depreciated				
Buildings and structures	28,532,424	3,336,872	-	31,869,296
Machinery and equipment	12,772,893	500,088	(3,485,818)	9,787,163
Mains and hydrants	37,740,160	3,559,731	-	41,299,891
Mains and hydrants - developers	26,323,067	540,586	-	26,863,653
Wells	8,095,746	37,900	-	8,133,646
Meters in service	6,340,941	446,077	(276,816)	6,510,202
DMWW plant capacity	10,619,125	-	-	10,619,125
Total capital assets being depreciated	<u>130,424,356</u>	<u>8,421,254</u>	<u>(3,762,634)</u>	<u>135,082,976</u>
Less Accumulated Depreciation for				
Buildings and structures	11,786,173	548,520	-	12,334,693
Machinery and equipment	10,292,872	440,415	(3,448,406)	7,284,881
Mains and hydrants	10,767,578	945,614	-	11,713,192
Mains and hydrants - developers	11,234,244	526,269	-	11,760,513
Wells	3,319,647	226,680	-	3,546,327
Meters in service	2,312,617	421,827	(276,816)	2,457,628
DMWW plant capacity	5,060,574	265,478	-	5,326,052
Total accumulated depreciation	<u>54,773,705</u>	<u>3,374,803</u>	<u>(3,725,222)</u>	<u>54,423,286</u>
Total capital assets being depreciated, net	<u>75,650,651</u>	<u>5,046,451</u>	<u>(37,412)</u>	<u>80,659,690</u>
Net capital assets	<u>\$87,391,507</u>	<u>\$ 5,100,565</u>	<u>\$ (4,162,645)</u>	<u>\$88,329,427</u>

Note 4 - Long Term Liabilities

A summary of the changes in long-term liabilities for the year ended December 31, 2021 is as follows:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021	Due Within One Year
Water Revenue Bonds	\$ 4,989,286	\$ -	\$ (4,989,286)	\$ -	\$ -
Bond Premium	128,605	-	(128,605)	-	-
Capital Loan Notes	<u>2,722,000</u>	<u>-</u>	<u>(136,000)</u>	<u>2,586,000</u>	<u>139,000</u>
Total	<u>\$ 7,839,891</u>	<u>\$ -</u>	<u>\$ (5,253,891)</u>	<u>\$ 2,586,000</u>	<u>\$ 139,000</u>

A summary of the changes in long-term liabilities for the year ended December 31, 2020 is as follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Due Within One Year
Water Revenue Bonds	\$ 6,856,068	\$ -	\$ (1,866,782)	\$ 4,989,286	\$ 1,949,757
Bond Premium	171,903	-	(43,298)	128,605	-
Capital Loan Notes	<u>2,855,644</u>	<u>-</u>	<u>(133,644)</u>	<u>2,722,000</u>	<u>136,000</u>
Total	<u>\$ 9,883,615</u>	<u>\$ -</u>	<u>\$ (2,043,724)</u>	<u>\$ 7,839,891</u>	<u>\$ 2,085,757</u>

Capital Loan Notes

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 capital loan notes is \$2,967,064. For the current year, principal and interest paid and total customer net receipts were \$189,080 and \$10,913,822.

The required amount to be deposited in the Sinking Fund for the capital loan notes 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 notes plus 1/12th of the installment of principal coming due on such notes on the next succeeding principal payment date until the full amount of such installment is on hand. The balance at December 31, 2021 and 2020 is \$73,271 and \$80,432, respectively.

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

Revenue capital loans notes have been issued for the planning and construction of water capital projects through the State of Iowa Revolving Loan Funds. The Water Works pledged income derived from the acquired or constructed assets to pay debt service.

Details of the capital loan notes at December 31, 2021 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2021
2016 Capital Loan Note	02/10/17	1.75%	06/01/37	\$136,000-\$187,000	\$ 3,144,644	\$ 2,586,000

A summary of the annual capital loan note principal and interest requirements to maturity as of December 31, 2021 is as follows:

Year Ending December 31	Principal	Interest	Total
2022	\$ 139,000	\$ 44,039	\$ 183,039
2023	142,000	41,580	183,580
2024	144,000	39,078	183,078
2025	147,000	36,531	183,531
2026	150,000	33,933	183,933
2027-2031	797,000	128,806	925,806
2032-2036	880,000	55,460	935,460
2037	187,000	1,636	188,636
Totals	<u>\$ 2,586,000</u>	<u>\$ 381,063</u>	<u>\$ 2,967,063</u>

Note 5 - Restricted Assets

The West Des Moines Water Works' restricted assets are composed of customer deposits, 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% 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% 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.

Pursuant to the required rate, regular members contributed 6.29% of pay and the Water Works contributed 9.44% for a total rate of 15.73% from January 1, 2020 to December 31, 2021.

The Water Works contributions' to IPERS for the year ended December 31, 2021 and 2020 were \$296,367 and \$294,718, respectively.

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

At December 31, 2021 and 2020, the Water Works reported a liability of \$52,255 and \$2,641,912 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021, the Water Works' collective proportion was 0.037274%, which was a decrease of (0.000599%) from its proportion measured as of June 30, 2020 of 0.037873%.

West Des Moines Water Works
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

For the years ended December 31, 2021 and 2020, the Water Works recognized pension expense (reduction of pension expense) of (\$178,582) and \$408,654 respectively. At December 31, 2021 and 2020, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 39,759	\$ 39,920
Change of Assumptions	34,179	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,893,273
Changes in Proportion and Differences Between Water Works Contributions and Proportionate Share of Contributions	79,705	64,114
Water Works Contributions Subsequent to the Measurement Date	<u>162,100</u>	<u>-</u>
Total	<u>\$ 315,743</u>	<u>\$ 1,997,307</u>
	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 2,919	\$ 62,620
Change of Assumptions	135,608	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	148,518	-
Changes in Proportion and Differences Between Water Works Contributions and Proportionate Share of Contributions	110,366	49,382
Water Works Contributions Subsequent to the Measurement Date	<u>147,287</u>	<u>-</u>
Total	<u>\$ 544,698</u>	<u>\$ 112,002</u>

Deferred outflows of resources of \$162,100 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, 2022. 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	2021	2020
December 31, 2021	n/a	\$ 50,432
December 31, 2022	\$ (451,575)	68,347
December 31, 2023	(460,534)	59,346
December 31, 2024	(421,992)	98,436
December 31, 2025	(510,220)	8,848
December 31, 2026	657	-
	<u>\$ (1,843,664)</u>	<u>\$ 285,409</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the December 31, 2021 and 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investments rate of return (effective June 30, 2017)	7.0%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% annum based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience study dated June 28, 2018.

Mortality rates were based on the RP-2014 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2017.

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>
Domestic Equity	22%	4.43%
International Equity	17.5	6.01
Global Smart Beta Equity	6.0	5.10
Core Plus Fixed Income	26.0	0.29
Public Credit	4.0	2.08
Cash	1.0	-0.25
Private Equity	13.0	9.51
Private Real Assets	7.5	4.63
Private Credit	3.0	2.87
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed 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 7.00%, 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% lower (6.0%) or 1% higher (8.0 percent) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Water Works' Proportionate Share of the Net Pension Liability (Asset) at June 30, 2021	\$ 1,849,465	\$ 52,255	\$ (1,453,922)
Pension Liability at June 30, 2020	4,405,164	2,641,912	1,163,451

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, 2021 and 2020, 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 operates a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses and dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue a stand-alone financial report. The healthcare benefit plans are self-insured and are administered by a third party.

OPEB Benefits

Individuals who are employed by the Water Works and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay 102% of the full active employee premium rates. This results in an implicit subsidy and an OPEB liability. 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.

Retired participants must be age 55 or older at retirement. At January 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	29
Total	29

Total OPEB Liability

The Water Work’s total OPEB liability of \$228,596 as of December 31, 2021 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2020. The Water Work’s total OPEB liability of \$214,138 as of December 31, 2020 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective December 31, 2020)	3.00% per annum
Rates of salary increases (effective December 31, 2020)	4.00% per annum, including inflation
Discount rate (effective December 31, 2020)	2.74% compounded annually, including inflation
Healthcare cost trend rate (effective December 31, 2020)	5.00% per annum

Discount Rate

The discount rate used to measure the total OPEB liability was 2.74% which reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the 2016 United States Life Tables. Annual retirement and termination probabilities were developed by the actuary, as listed in Appendix B of the Actuary Report.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	2021	2020
Total OPEB Liability Beginning of Year	\$ 214,138	\$ 103,924
Changes for the year:		
Service cost	10,716	104,503
Interest	6,128	5,711
Benefits	(2,386)	-
Total OPEB Liability End of Year	<u>\$ 228,596</u>	<u>\$ 214,138</u>

Sensitivity of the Water Work’s Total OPEB liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Water Works, as well as what the Water Work’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate.

	1% Decrease 1.74%	Discount Rate 2.74%	1% Increase 3.74%
Total OPEB Liability December 31, 2021	\$ 262,974	\$ 228,596	\$ 199,713
Total OPEB Liability December 31, 2020	246,341	214,138	187,081

Sensitivity of the Water Work’s Total OPEB liability to Changes in the Healthcare Cost Rate

	1% Decrease 4.00%	Healthcare Rate 5.00%	1% Increase 6.00%
Total OPEB Liability December 31, 2021	\$ 211,253	\$ 228,596	\$ 244,009
Total OPEB Liability December 31, 2020	197,892	214,138	228,576

OPEB Expense

For the years ended December 31, 2021 and 2020, the Water Works recognized OPEB expense of \$14,458 and \$110,214. The Water Works utilizes the alternative measurement method for purposes of measuring OPEB in 2020. Therefore, deferred outflows and inflows are not reported. The alternative measurement method (AMM) valuation was used in accordance with GASB Statement No. 75. Under the AMM, deferred inflows and deferred outflows are recognized immediately.

Note 8 - Intergovernmental Agreements

On May 14, 1993 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with 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, 2010 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' capital 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. This agreement expires November 1, 2053.

On May 15, 2015 the 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. This agreement was amended and adopted February 19, 2020. 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. This agreement expires January 1, 2030.

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. This agreement will terminate upon mutual written notice. The retail value of water provided to the City in 2021 and 2020 was \$142,031 and \$83,657 respectively. This agreement was amended and adopted February 19, 2020 and expires January 1, 2030.

An agreement between the City of West Des Moines and West Des Moines Water Works was established on February 19, 2019. The Board of Trustees adopted a Resolution establishing the Racoon River Water Connection Fee District in 2017. The City of West Des Moines agreed to pay the entirety of costs associated with water improvements associated with Microsoft Project Osmium and receive reimbursement by West Des Moines Water Works for the design and construction costs associated with the certain water infrastructure noted in the agreement. Reimbursement for design and engineering services shall be based on the prorated share of eligible water infrastructure over the total project cost. Upon receipt from the City of West Des Moines of the net balance of reimbursable project expenses, West Des Moines Water Works shall convert the amount to an equivalent number of developable acres based on the per acre fee in effect at the time the Project Osmium work is completed and the net balance of project expenses is calculated. The date for each individual project will be the date of acceptance by the City Council. West Des Moines Water Works shall be responsible to pay the City of West Des Moines. In January of each year West Des Moines Water Works will calculate the total Racoon River Water Connection Fee District acres developed the previous calendar year and shall pass 50% of the fees collected at the rate in effect at the time the fee was collected to the City of West Des Moines.

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.

West Des Moines Water Works
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

The following is a summary of the related party cash transactions for the years-ended:

	2021	2020
Received from the City of West Des Moines		
Sanitary sewer service collection fees	\$ 58,350	\$ 56,923
Solid waste service collection fees	52,013	51,973
Stormwater service collection fees	79,819	78,326
Payments to the City of West Des Moines		
Sanitary sewer service	10,899,135	10,237,927
Solid waste service	2,277,844	2,224,707
Sewer availability fee	957,910	916,131
Stormwater services	3,988,115	3,463,647
Health and dental insurance premiums	557,318	490,239
General insurance premiums	101,908	92,579
Donations collected	9,937	11,970
88th Street Reconstruction	88,418	-
Street Reconstruction	183,710	-
Booneville Rd	-	234,932
ADA Ramp Replacements	8,400	-
8300 Mills Civic Parkway	907	-
Site Application Fee	282	-
Penta Partners/Background Check	195	-
Water Main Replacement 20th St to 11th St	90,092	-
Water Main Project EP True 7th St to S 32nd Ct	88,949	-
Annual Osmium Reimbursement	79,111	408,257
Ashworth Rd	361,323	292,092
Alluvion Booster Station	-	495,567
2018 Sewer Rehab Program	-	5,436
Walnut Creek Outfall Phase 1	-	10,428
Valley West Drive Storm Sewer	-	1,037
S 81st St & Cascade Ave Widening	-	12,052
2019 St Reconstruction Project	-	9,136
27th & Vine St Culvert Replacement	-	4,451
Hidden Point Park Improvements	-	30,284
50th St Water Tower Lighting	-	85
ES Stormwater Inspection	-	50
Sign Permit	-	119
Refunds	-	311
Amounts Receivable for the City of West Des Moines		
Sanitary sewer charges	894,840	707,736
Sewer availability fees	75,758	62,539
Stormwater management fees	418,141	284,392
Solid waste charges	178,693	145,188
Amounts Payable to the City of West Des Moines		
Sanitary sewer charges	2,630,321	2,465,843
Sewer availability fees	247,360	238,535
Stormwater management fees	1,140,490	993,553
Solid waste charges	589,742	564,086
Donations to Human Services	1,380	1,487
Osmium payable	6,700,756	6,779,646

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 794 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, 2021 and 2020 were \$101,908 and \$92,579 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 \$500,000 per claim. Claims exceeding \$500,000 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, 2021 and 2020, no liability has been recorded in the Water Works financial statements. As of December 31, 2021, 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 T-Mobile, United States Cellular Wireless Communications, Sprint / Nextel, Nexstar (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 are as follows: T-Mobile (50th St Tower), U.S. Cellular, Nexstar, AT & T, and Verizon are in their fifth, five-year contract. The City of Des Moines and the City of Waukee are in their third, five-year contract. T-Mobile (88th St & 98th St Towers) is in their second, five-year contract.

Future minimum rents under these leases at December 31, 2021 are as follows:

Years	Amount
2022	\$ 228,523
2023	230,944
2024	232,109

Total rental income for 2021 and 2020 were \$213,598 and \$210,836, respectively.

Note 12 - Commitments

The West Des Moines Water Works had \$196,125 and \$622,459 of uncompleted contracts at December 31, 2021 and 2020, respectively.

Note 13 - Contingencies

The Coronavirus pandemic has stricken the United States of America. The Water Works is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Water Works' financial position is not known.

Note 14 - Subsequent Events

Microsoft and West Des Moines Water Works agreement for Ginger West and Ginger East

Microsoft has proposed a multi-year large-scale project that will include multiple buildings with the use of one or more data centers and/or other facilities. This large-scale project will require adequate and reliable potable water. Certain improvements will be constructed to expand the water system provided by the West Des Moines Water Works, thereby, enhancing the water services that will be provided to this project and other West Des Moines Water Works customers.

West Des Moines Water Works has agreed to construct a 2MG Water System Elevated Storage Tank to be in service prior to peak loading for Ginger East no later than July 2023. The cost of the Elevated Storage Tank is estimated to be \$7.45 million with an additional 25% cap should construction prices come in higher due to the volatile steel market. Microsoft has agreed to pay for this construction as follows: 50% within 30 days following notice that construction has commenced, 25% within 30 days following notice that construction is 50% completed, and the remaining 25% within 30 days following notice of the 100% construction completion. Microsoft will not be obligated to pay more than \$9.31 million for the Elevated Storage Tank construction. Any additional charges above this amount are the responsibility of West Des Moines Water Works. Ownership of the Elevated Storage Tank remains with West Des Moines Water Works.

City of West Des Moines and West Des Moines Water Works Finance Agreement for work associated with the Microsoft Project Ginger East and West

To meet the objective to provide necessary water service, certain improvements including water main, metering pit, and a throttling valve within the West Des Moines Water Works and Des Moines Water Works system must be constructed and a future Aquifer Storage and Recovery well must be identified, and a site provided. The City of West Des Moines agreed to pay the entirety of costs associated with the water improvements associated with the Microsoft Project Ginger East and West and receive reimbursement by West Des Moines Water Works for the design and construction costs associated with the certain water infrastructure noted in the agreement. Reimbursement for design and engineering services shall be based on the prorated share of eligible water infrastructure over the total project cost. Upon receipt from the City of West Des Moines of the net balance of reimbursable project expenses, West Des Moines Water Works shall convert the amount to an equivalent number of developable acres based on the per acre fee in effect at the time the Project Ginger work is completed, and the net balance of project expenses is calculated. The date for each individual project will be the date of acceptance by the City Council.

West Des Moines Water Works shall be responsible to pay the City of West Des Moines. West Des Moines Water Works will contribute the Southwest Water Fee District Fees from the Ginger West site towards certain water main improvements to the City of West Des Moines. In addition, in December of each year West Des Moines Water Works will calculate the total Southwest Fee District Fees developed during the calendar year and shall pass 50% of the fees collected at the rate in effect at time the fee was collected to the City of West Des Moines until the balance is paid.

West Des Moines Water Works Participation in Further Discussions and Exploration Concerning the Establishment of Central Iowa Water Works

In planning for the future water supply needs for West Des Moines, extensive review of the future water supply options were undertaken including a new west regional plant and full regionalization of water production. Staff engaged in negotiations that resulted in an Outcomes document or framework for a proposed full regionalization. With the recommendation by the subcommittee to the full board to move to full regionalization, the West Des Moines Water Works Board of Trustees held seven public meetings to obtain public input and provided information to the public by posting on the website, numerous press releases and media interviews, posting to the City's Facebook page, and shared in the Water Works' service line newsletter.

On January 26, 2022, the West Des Moines Water Works Board of Trustees adopted a Resolution approving West Des Moines Water Works participation in further discussions and exploration concerning the establishment of Central Iowa Water Works. The proposed structure allows West Des Moines Water Works to retain staff and operate the existing plant as a contracted operator, continue to own and maintain its distribution system and control water pricing for its customers while having a vote in all decisions regarding source water, new treatment plant construction, and wholesale pricing. The negotiation of a 28E agreement is currently taking place.



Required Supplementary Information
December 31, 2021 and 2020

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 Eight Fiscal Years Ended December 31, 2021

Fiscal Year Ended	Water Works' proportionate share of the net pension liability (asset)	Water Works' proportion of the net pension liability (asset)	Water Works' covered payroll	Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.0372740%	\$ 52,255	\$ 3,025,222	1.73%	101.81%
2020	0.0378730%	2,641,912	2,984,703	88.52%	82.90%
2019	0.0360750%	2,102,998	2,763,867	76.09%	85.45%
2018	0.0373320%	2,361,697	2,851,030	82.84%	83.62%
2017	0.0362931%	2,417,580	2,694,284	89.73%	82.21%
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 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.

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Water Works' Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 296,367	\$ 296,367	-	\$ 3,139,481	9.44%
2020	294,718	294,718	-	3,122,013	9.44%
2019	263,889	263,889	-	2,795,434	9.44%
2018	258,619	258,619	-	2,815,667	9.18%
2017	244,858	244,858	-	2,741,971	8.93%
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%

Changes of benefits terms

There are no significant changes in benefit terms.

Changes of assumptions

The 2018 valuation implemented the following refinements after a demographic assumption study:

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

The 2017 valuation implemented the following refinements as a result of a quadrennial experience study:

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

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

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

West Des Moines Water Works
 Schedule of Changes in the Water Work's Total OPEB Liability and Related Ratios
 Year Ended December 31, 2021

Year	Service cost	Interest cost	Difference between expected and actual	Changes in assumptions	Benefit payments	Net change in total OPEB liability	Total OPEB liability beginning of year,	Total OPEB liability end of year	Covered employee payroll	Total OPEB liability as a % of covered-employee payroll
2021	\$ 10,716	\$ 6,128	\$ -	\$ -	\$ (2,386)	14,458	\$ 214,138	228,596	\$ 2,030,349	11.26%
2020	104,503	5,711	-	-	-	110,214	103,924	214,138	1,952,259	10.97%
2019	5,387	4,136	(3,769)	-	(1,494)	4,260	99,664	103,924	2,934,966	3.54%
2018	5,387	3,909	(2,230)	-	(1,165)	5,901	93,763	99,664	2,849,482	3.50%

Notes to Schedule of Changes in the Water Works Total OPEB Liability and Related Ratios:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

There were no significant changes in assumptions.

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the Water Works will present information for the years for which information is available.



Supplementary Information
December 31, 2021

West Des Moines Water Works

West Des Moines Water Works
 Budgetary Comparison of Revenues, Expenses and Changes in Net Position – Actual to Budget
 Year Ended December 31, 2021

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
Total Revenues	\$ 21,484,636	\$ 17,983,113	\$ 3,501,523
Total Expenses	<u>12,994,998</u>	<u>14,021,195</u>	<u>1,026,197</u>
Net	8,489,638	3,961,918	<u>\$ 4,527,720</u>
Net Position Beginning of the Year	<u>86,789,423</u>	<u>82,077,040</u>	
Net Position End of Year	<u>\$ 95,279,061</u>	<u>\$ 86,038,958</u>	

In accordance with the Code of Iowa, the Water Works' 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 2021 there was one budget amendment on February 17, 2021. Disbursements did not exceed the amended budget.

West Des Moines Water Works

Schedule of Bond Maturities
Year Ended December 31, 2021

Series 2016 Water Revenue Capital Loan Notes were issued under Resolutions adopted by the Board of Trustees.

The 2016 Water Revenue Capital Loan Notes were issued to finance certain capital improvements to the System (the "Project"). The project includes specific construction activities designed to provide safe drinking water.

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

West Des Moines Water Works		
Series 2016 Water Revenue Capital Loan Notes		
Maturing June 1	Principal	Interest
2022	\$ 139,000	\$ 44,039
2023	142,000	41,580
2024	144,000	39,078
2025	147,000	36,531
2026	150,000	33,933
2027	153,000	31,281
2028	156,000	28,577
2029	159,000	25,821
2030	163,000	23,004
2031	166,000	20,123
2032	169,000	17,194
2033	173,000	14,202
2034	176,000	11,148
2035	179,000	8,042
2036	183,000	4,874
2037	187,000	1,636
	\$ 2,586,000	\$ 381,063



Statistical Section
(Unaudited)
December 31, 2021

West Des Moines Water Works

West Des Moines Water Works
Schedule of Water Usage by Month (Unaudited)
Year Ended December 31, 2021

<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	26,894	\$660,547	142,709,318	155,181,000
February	26,925	790,692	130,427,868	145,169,000
March	26,969	805,971	134,807,642	157,528,000
April	27,046	936,063	153,643,587	174,407,000
May	27,100	1,182,239	188,380,721	221,832,000
June	27,160	1,847,339	284,822,180	332,207,000
July	27,227	2,006,743	308,733,951	325,815,000
August	27,287	2,078,855	316,828,493	320,704,000
September	27,334	1,927,725	298,208,156	281,481,000
October	27,372	1,342,277	210,644,291	202,488,000
November	27,415	818,141	135,698,263	150,638,000
December	27,451	<u>1,167,528</u>	<u>149,500,435</u>	<u>155,860,000</u>
		15,564,120	2,454,404,905	2,623,310,000
SUBTRACT:				
WDM Customers on DM Main			(1,284,459)	
ADD:				
Metered water for City (\$0.00)			21,948,207	
Metered Water for WW			1,518,747	
Hydrant Meters not invoiced			665,421	
Main Breaks			5,333,470	
Water Main Construction			3,041,223	
Flushing & Other Misc.			16,955,345	
Fire Hydrant Bleeders			534,000	
Public Works			466,900	
Fire Department			351,313	
Totals		<u>\$ 15,564,120</u>	<u>2,503,935,072</u>	<u>2,623,310,000</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 (Water Works), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Water Works' basic financial statements and have issued our report thereon dated May 31, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Works' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2021-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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, 2021, 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 the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Water Works' response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Water Works' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 31, 2022

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY

2021-001 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 – The Water Works should continue to monitor duties among accounting and management personnel.

Response – West Des Moines Water Works accounting staff and managers continue to separate duties and added additional reviews from management outside of the accounting department.

All journal entries, bank statements, and bank reconciliations are reviewed by the general manager and all purchase invoices are reviewed by the Finance Manager prior to payment. These process changes were made to assist in preventing any misstatements.

While segregation of duties will be a challenge with a finance team of two, the finance staff and general manager will continue to review and monitor processes and make any necessary changes if needed to provide as much oversight as possible.

Part II: Other Findings Related to Statutory Reporting:

- 2021-IA-A Certified Budget** – Expenses during the year ended December 31, 2021, did not exceed the amount budgeted.
- 2021-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.
- 2021-IA-C Travel Expense** - No expenditures of Water Work’s money for travel expenses of spouses or Water Work’s officials or employees were noted.
- 2021-IA-D Business Transactions** - No business transactions between the Water Works and its officials or employees were noted.
- 2021-IA-E Restricted Donor Activity** – No transactions were noted between the Water Works and Water Works officials, Water Works employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2021-IA-F 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.
- 2021-IA-G Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2021-IA-H 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.
- 2021-IA-I Revenue Notes** – No instances of non-compliance with the revenue note provisions were noted.