



Financial Statements
December 31, 2023 and 2022
West Des Moines Water Works

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West Des Moines Water Works

Officials

Year Ended December 31, 2023

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott M. Brennan	Chairperson	December 31, 2027
Jody E. Smith	Trustee	December 31, 2028
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

Opinion

We have audited the financial statements of the West Des Moines Water Works (Water Works) as of and for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 (*Government Auditing Standards*). 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 opinion.

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 opinion. 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 GAAS, 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 GAAS. 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 opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2024, 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".

Dubuque, Iowa
May 1, 2024

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, 2023 and 2022. 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 40 full-time employees.

FINANCIAL HIGHLIGHTS

West Des Moines Water Works' net position increased as a result of operations. On December 31, 2023, total assets and deferred outflows of resources were \$147,389,921 and total liabilities and deferred inflows of resources were \$27,236,049, resulting in net position of \$120,153,872.

Operating revenues increased 1.7% to \$20,056,795 and operating expenses increased 12.5% to \$15,910,525.

During the year, the Water Works had an operating income of \$4,146,270 and an increase in net position of \$10,727,715.

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 Other Postemployment Benefits (OPEB) Liability and Related Ratios.

West Des Moines Water Works
Management's Discussion and Analysis
Years Ended December 31, 2023 and 2022

Summary of Statements of Net Position at Year End

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Unrestricted Assets	\$ 26,805,778	\$ 24,087,469	\$ 19,658,944
Current Restricted Assets	6,327,688	5,692,086	5,387,186
Noncurrent Assets	413,681	511,876	865,587
Capital Assets, Net	113,226,460	103,758,680	90,022,806
Deferred Outflows of Resources	<u>616,314</u>	<u>341,448</u>	<u>315,743</u>
 Total assets and deferred outflows of resources	 <u>\$ 147,389,921</u>	 <u>\$ 134,391,559</u>	 <u>\$ 116,250,266</u>
Current Liabilities	\$ 8,431,951	\$ 7,489,770	\$ 6,938,456
Noncurrent Liabilities	18,167,031	16,556,666	11,105,074
Deferred Inflows of Resources	<u>637,067</u>	<u>918,966</u>	<u>2,927,675</u>
 Total liabilities and deferred inflows of resources	 <u>27,236,049</u>	 <u>24,965,402</u>	 <u>20,971,205</u>
Net Investment in Capital Assets	96,810,479	88,229,883	79,282,850
Restricted	75,361	74,569	73,271
Unrestricted	<u>23,268,032</u>	<u>21,121,705</u>	<u>15,922,940</u>
 Total net position	 <u>120,153,872</u>	 <u>109,426,157</u>	 <u>95,279,061</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 147,389,921</u>	 <u>\$ 134,391,559</u>	 <u>\$ 116,250,266</u>

West Des Moines Water Works
Management's Discussion and Analysis
Years Ended December 31, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water Sales	\$ 16,680,144	\$ 15,566,847	\$ 15,563,954
Connection Fees	1,119,354	1,892,460	2,370,398
Other Sales and Services	<u>2,257,297</u>	<u>2,256,996</u>	<u>2,368,192</u>
Total operating revenue	<u>20,056,795</u>	<u>19,716,303</u>	<u>20,302,544</u>
Wages	3,629,726	3,410,044	3,225,007
Benefits	1,116,838	913,888	571,278
Purchased Water	3,482,556	2,899,539	2,685,236
Chemicals and Power	1,615,220	1,325,351	1,149,089
Insurance	116,494	97,604	97,929
Maintenance and Supplies	839,145	849,157	833,795
Depreciation	4,035,234	3,783,265	3,485,220
Other	<u>1,075,312</u>	<u>861,108</u>	<u>826,388</u>
Total operating expense	<u>15,910,525</u>	<u>14,139,956</u>	<u>12,873,942</u>
Operating income	<u>4,146,270</u>	<u>5,576,347</u>	<u>7,428,602</u>
Interest Income	938,502	256,409	60,040
Rental Income	187,303	204,943	213,598
Federal Grants	-	-	177,801
Interest Expense	(39,937)	(47,771)	(121,056)
Gain on Refinancing	-	-	120,933
Gain on Disposal of Capital Asset	<u>15,641</u>	<u>7,100</u>	<u>13,500</u>
Total non-operating revenues (expenses)	<u>1,101,509</u>	<u>420,681</u>	<u>464,816</u>
Income before capital contributions	5,247,779	5,997,028	7,893,418
Capital Contributions	<u>5,479,936</u>	<u>8,150,068</u>	<u>596,220</u>
Change in net position	<u>10,727,715</u>	<u>14,147,096</u>	<u>8,489,638</u>
Net Position, Beginning of Year	<u>109,426,157</u>	<u>95,279,061</u>	<u>86,789,423</u>
Net Position, End of Year	<u><u>\$ 120,153,872</u></u>	<u><u>\$ 109,426,157</u></u>	<u><u>\$ 95,279,061</u></u>

FINANCIAL ANALYSIS

Total current assets increased 11.3% primarily due to an increase in cash and investments.

Total current liabilities increased 12.6% primarily due to an increase in accounts payable and accounts payable miscellaneous contracts and payables to the City of West Des Moines.

Long-term liabilities increased 9.7% primarily due to an increase in unearned revenue and accounts payable for miscellaneous contracts.

Total operating revenue increased 1.7% due to an increase in sales of water.

Benefits increased 22.2% due to the increase in health insurance costs and GASB 68 Pension Expense.

Purchased water increased 20.1% primarily due to a 10% rate increase and an increase in gallons purchased.

Chemical expenses increased 40% due to an overall increase in chemical costs in 2023.

Total operating income decreased 25.6% under 2022.

CAPITAL ASSETS

During 2023, net capital assets increased 9.1%. Projects included water main construction, Aerator Painting, South Area Elevated Water Storage Tower, Ashworth Road Project, Stillwater Tower & 39 St Reservoir Painting, Concrete Replacement, GPS Surveying equipment, Dewatering Air Compressors, Pump Replacement, and Microsoft Ginger project. See note 3 to the financial statements for more information about the Water Works' capital assets.

DEBT ADMINISTRATION

Water Works had a State Revolving Fund loan for construction fees totaling \$2,305,000 on December 31, 2023; compared with \$2,447,000 on December 31, 2022. This loan is for a new deep well near the Water Works Plant. Additional information about the Water Works' long-term debt is presented in note 4 to the financial statements.

Outstanding Debt at Year-End

	2023	2022	2021
Capital Loan Notes	\$ 2,305,000	\$ 2,447,000	\$ 2,586,000
Lease Liability	35,826	5,099	-
Total	\$ 2,340,826	\$ 2,452,099	\$ 2,586,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees approved an operating budget with a 11.7% expense increase for 2024. Water rates were increased by 3.0% for commodity water usage and 7% for irrigation water usage as of January 1, 2024. 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, 2023 and 2022

West Des Moines Water Works

West Des Moines Water Works

Statements of Net Position
December 31, 2023 and 2022

	2023	2022
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 2,821,754	\$ 5,450,829
Investments	17,605,111	15,510,667
Accounts receivable	5,671,955	2,571,678
Lease receivable	192,084	178,745
Inventories	220,434	167,419
Unexpired insurance and prepaid expenses	133,177	104,154
Accrued interest receivable	161,263	103,977
	26,805,778	24,087,469
Restricted Assets - Current		
Cash and cash equivalents	4,658,647	4,134,283
Accounts receivable for City of West Des Moines	1,651,771	1,539,973
Accounts receivable - customer deposits	17,270	17,830
	6,327,688	5,692,086
Total current assets	33,133,466	29,779,555
Noncurrent Assets		
Lease receivable	413,681	511,876
Capital Assets		
Land	914,866	914,866
Building and structures	41,747,755	32,981,577
Machinery and equipment	11,225,623	10,772,557
Leased equipment	34,803	4,934
Mains and hydrants - constructed by Water Works	47,886,268	46,342,661
Mains and hydrants - constructed by developers	32,055,960	29,055,446
Wells	8,133,646	8,133,646
Meters	7,222,528	7,128,109
Treatment plant capacity- Des Moines Water Works	10,619,125	10,619,125
Construction in progress	18,392,447	19,147,614
	178,233,021	165,100,535
Less accumulated depreciation	(65,006,561)	(61,341,855)
Net capital assets	113,226,460	103,758,680
Total Assets	146,773,607	134,050,111
Deferred Outflows of Resources		
Pension related deferred outflows	616,314	341,448
Total assets and deferred outflows of resources	\$ 147,389,921	\$ 134,391,559

West Des Moines Water Works

Statements of Net Position
December 31, 2023 and 2022

	2023	2022
Current Liabilities		
Accounts payable	\$ 1,285,403	\$ 965,431
Accounts payable - miscellaneous contracts	589,875	-
Accounts payable - construction retainage	217,916	450,030
Accrued payroll	65,137	63,293
Accrued vacation	276,261	269,796
Accrued sick leave	146,924	184,454
Accrued sales tax and water excise tax	87,227	90,548
Accrued interest payable	1,066	3,569
Capital loan notes	144,000	142,000
Lease liability	6,244	1,180
	<u>2,820,053</u>	<u>2,170,301</u>
Payable from restricted assets		
Customer deposits outstanding	611,333	688,803
Payable to City of West Des Moines	5,000,565	4,630,666
	<u>5,611,898</u>	<u>5,319,469</u>
Total current liabilities	<u>8,431,951</u>	<u>7,489,770</u>
Noncurrent Liabilities		
Unearned revenue	2,011,144	1,335,457
Accounts payable - miscellaneous contracts	589,875	-
Deposit - shared water tower	296,066	270,661
Osmium and Ginger payable	10,818,208	10,774,681
Capital loan notes	2,161,000	2,305,000
Accrued sick leave	132,882	66,711
Other post employment benefits	282,188	272,804
Lease liability	29,582	3,919
Net pension liability	1,846,086	1,527,433
	<u>18,167,031</u>	<u>16,556,666</u>
Total noncurrent liabilities	<u>18,167,031</u>	<u>16,556,666</u>
Total Liabilities	<u>26,598,982</u>	<u>24,046,436</u>
Deferred Inflows of Resources		
Pension related deferred inflows	31,301	228,345
Lease related deferred inflows	605,766	690,621
	<u>637,067</u>	<u>918,966</u>
Total deferred inflows	<u>637,067</u>	<u>918,966</u>
Total liabilities and deferred inflows of resources	<u>27,236,049</u>	<u>24,965,402</u>
Net Position		
Net investment in capital assets	96,810,479	88,229,883
Restricted for debt service	75,361	74,569
Unrestricted	23,268,032	21,121,705
	<u>120,153,872</u>	<u>109,426,157</u>
Total net position	<u>120,153,872</u>	<u>109,426,157</u>
Total liabilities, deferred inflows and net position	<u>\$ 147,389,921</u>	<u>\$ 134,391,559</u>

See Notes to Financial Statements

West Des Moines Water Works
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues		
Sale of water	\$ 16,680,144	\$ 15,566,847
Basic service charge	1,689,843	1,578,233
Connection fees	1,119,354	1,892,460
Labor charges and construction observation fees	71,802	128,724
Sanitary sewer service collection fees	60,267	59,586
Solid waste service collection fees	53,215	52,731
Stormwater service collection fees	82,709	81,616
Late and non-payment charges	105,269	96,797
Sale of materials	76,227	176,517
Shared water tower revenue	40,468	40,468
Miscellaneous	77,497	42,324
	20,056,795	19,716,303
Operating Expenses		
Salaries	3,629,726	3,410,044
Retirement and employee benefits	1,116,838	913,888
Utilities	697,719	670,134
Chemicals	917,501	655,217
Purchased water	3,482,556	2,899,539
Maintenance	706,379	606,364
Lime residuals removal	184,223	171,019
Operation permit and water quality testing fees	22,980	20,066
Professional and consulting fees	281,206	140,681
Insurance	116,494	97,604
Supplies	132,766	242,793
Postage	119,085	112,002
Printing	33,550	13,284
Legal publications, memberships	52,467	42,668
Data processing	152,767	132,790
Bad debts	8,471	7,589
Lock box charges	53,286	54,553
Communications	19,224	21,917
Depreciation	4,035,234	3,783,265
Economic development expense	53,845	52,531
Miscellaneous	94,208	92,008
	15,910,525	14,139,956
Total operating expenses	15,910,525	14,139,956
Operating income	4,146,270	5,576,347

West Des Moines Water Works
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended December 31, 2023 and 2022

	2023	2022
Non-operating Revenues (Expenses)		
Interest revenue	\$ 938,502	\$ 256,409
Rental	187,303	204,943
Gain on disposal of capital asset	15,641	7,100
Interest expense	(39,937)	(47,771)
Total nonoperating revenue	1,101,509	420,681
Income before capital contributions	5,247,779	5,997,028
Capital Contributions	5,479,936	8,150,068
Change in Net Position	10,727,715	14,147,096
Net Position at Beginning of Year	109,426,157	95,279,061
Net Position at End of Year	\$ 120,153,872	\$ 109,426,157

West Des Moines Water Works
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Cash received from customers	\$ 19,435,940	\$ 19,516,376
Cash payments for goods and services	(6,867,212)	(5,896,223)
Cash payments to employees	(4,853,487)	(4,580,690)
Utility receipts on behalf of City of West Des Moines	19,909,074	18,815,755
Utility payments to City of West Des Moines	(19,342,143)	(18,766,923)
Net cash provided by operating activities	8,282,172	9,088,295
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(11,656,517)	(11,476,887)
Capital contributions	2,479,422	5,587,500
Proceeds from sale of assets	15,641	7,100
Deposits-shared water tower	(15,064)	(34,502)
Principal paid on government loan	(142,000)	(139,000)
Interest paid	(42,440)	(44,202)
Net cash used by capital and financing activities	(9,360,958)	(6,099,991)
Cash Flows from Investing Activities		
Interest received	881,216	173,425
Certificate of deposits redeemed	15,614,517	16,534,633
Rental income	187,303	204,943
Certificate of deposits purchased	(17,708,961)	(21,782,714)
Net cash used for investing activities	(1,025,925)	(4,869,713)
Net decrease in Cash and Cash Equivalents	(2,104,711)	(1,881,409)
Cash and Cash Equivalents Beginning of Year	9,585,112	11,466,521
Cash and Cash Equivalents End of Year	\$ 7,480,401	\$ 9,585,112
Cash and Cash Equivalents		
Unrestricted	\$ 2,821,754	\$ 5,450,829
Restricted	4,658,647	4,134,283
Total cash and cash equivalents	\$ 7,480,401	\$ 9,585,112

West Des Moines Water Works
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 4,146,270	\$ 5,576,347
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,035,234	3,783,265
Change in assets		
Accounts receivable	(165,937)	(166,728)
Inventory	(53,015)	(4,932)
Unexpired insurance and prepaid expenses	(29,023)	(31,149)
Change in liabilities		
Customer deposits	(77,470)	(29,894)
Accounts payable	536,357	205,967
Accrued payroll	1,844	14,910
Accrued vacation	6,465	7,428
Accrued sick leave	28,641	70,985
State income tax withheld	-	(16,486)
IPERS contributions withheld	-	(58,314)
Other post employment benefits	9,384	44,208
Net pension liability and related deferred outflows and deferred inflows of resources	(153,257)	(319,489)
Accrued sales tax and water excise tax	(3,321)	12,177
Total adjustments	4,135,902	3,511,948
Net Cash Provided by Operating Activities	\$ 8,282,172	\$ 9,088,295
Schedule of Noncash Capital and Related Financing		
Contributions of water mains from contractors for construction and other contributions	\$ 3,000,514	\$ 1,595,572
Construction in progress directly financed with accounts payable and retainage payables	\$ 12,215,874	\$ 11,188,498

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, leased assets, 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.

Other Postemployment Benefits (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 assets 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 assets 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 and lease related deferred inflows.

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.

Leases

A lessor should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

Note 2 - Cash, Cash Equivalents and Investments

The West Des Moines Water Works' deposits in financial institutions as of December 31, 2023 and 2022, and through the years 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:

	2023	2022
Cash Deposits	\$ 7,464,215	\$ 9,580,685
Petty Cash	16,186	4,427
Iowa Public Agency Investment Trust	321,680	3,520
Certificates of Deposit	17,283,431	15,507,147
Total Cash and Investments	\$ 25,085,512	\$ 25,095,779
Cash and Investments on Financial Statements		
Current cash	\$ 2,821,754	\$ 5,450,829
Current investments	17,605,111	15,510,667
Current restricted cash	4,658,647	4,134,283
Total Cash and Investments on Financial Statements	\$ 25,085,512	\$ 25,095,779

At December 31, 2023 and 2022, 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, 2023 was as follows:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023
Capital Assets Not Being Depreciated				
Land	\$ 914,866	\$ -	\$ -	\$ 914,866
Construction in progress	19,147,614	9,094,110	(9,849,277)	18,392,447
Total capital assets not being depreciated	<u>20,062,480</u>	<u>9,094,110</u>	<u>(9,849,277)</u>	<u>19,307,313</u>
Capital Assets Being Depreciated				
Buildings and structures	32,981,577	8,766,178	-	41,747,755
Machinery and equipment	10,772,557	578,213	(125,147)	11,225,623
Mains and hydrants	46,342,661	1,543,607	-	47,886,268
Mains and hydrants - developers	29,055,446	3,000,514	-	32,055,960
Wells	8,133,646	-	-	8,133,646
Meters in service	7,128,109	417,665	(323,246)	7,222,528
DMWW plant capacity	10,619,125	-	-	10,619,125
Leases	4,934	29,869	-	34,803
Total capital assets being depreciated	<u>145,038,055</u>	<u>14,336,046</u>	<u>(448,393)</u>	<u>158,925,708</u>
Less Accumulated Depreciation for				
Buildings and structures	13,563,526	813,776	-	14,377,302
Machinery and equipment	8,161,131	503,679	(47,281)	8,617,529
Mains and hydrants	13,811,523	1,131,217	-	14,942,740
Mains and hydrants - developers	12,868,827	607,981	-	13,476,808
Wells	3,998,764	227,537	-	4,226,301
Meters in service	3,079,854	477,410	(323,246)	3,234,018
DMWW plant capacity	5,857,008	265,478	-	6,122,486
Leases	1,222	8,155	-	9,377
Total accumulated depreciation	<u>61,341,855</u>	<u>4,035,233</u>	<u>(370,527)</u>	<u>65,006,561</u>
Total capital assets being depreciated, net	<u>83,696,200</u>	<u>10,300,813</u>	<u>(77,866)</u>	<u>93,919,147</u>
Net capital assets	<u>\$ 103,758,680</u>	<u>\$ 19,394,923</u>	<u>\$ (9,927,143)</u>	<u>\$ 113,226,460</u>

West Des Moines Water Works
Notes to Financial Statements
Years Ended December 31, 2023 and 2022

Capital assets activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
Capital Assets Not Being Depreciated				
Land	\$ 914,866	\$ -	\$ -	\$ 914,866
Construction in progress	7,699,015	12,935,494	(1,486,895)	19,147,614
Total capital assets not being depreciated	<u>8,613,881</u>	<u>12,935,494</u>	<u>(1,486,895)</u>	<u>20,062,480</u>
Capital Assets Being Depreciated				
Buildings and structures	32,462,616	518,961	-	32,981,577
Machinery and equipment	10,601,851	198,383	(27,677)	10,772,557
Mains and hydrants	43,022,979	3,319,682	-	46,342,661
Mains and hydrants - developers	27,459,873	1,595,573	-	29,055,446
Wells	8,133,646	-	-	8,133,646
Meters in service	6,972,827	433,007	(277,725)	7,128,109
DMWW plant capacity	10,619,125	-	-	10,619,125
Leases	-	4,934	-	4,934
Total capital assets being depreciated	<u>139,272,917</u>	<u>6,070,540</u>	<u>(305,402)</u>	<u>145,038,055</u>
Less Accumulated Depreciation for				
Buildings and structures	12,926,387	637,139	-	13,563,526
Machinery and equipment	7,687,865	500,943	(27,677)	8,161,131
Mains and hydrants	12,690,042	1,121,481	-	13,811,523
Mains and hydrants - developers	12,298,714	570,113	-	12,868,827
Wells	3,771,227	227,537	-	3,998,764
Meters in service	2,898,227	459,352	(277,725)	3,079,854
DMWW plant capacity	5,591,530	265,478	-	5,857,008
Leases	-	1,222	-	1,222
Total accumulated depreciation	<u>57,863,992</u>	<u>3,783,265</u>	<u>(305,402)</u>	<u>61,341,855</u>
Total capital assets being depreciated, net	<u>81,408,925</u>	<u>2,287,275</u>	<u>-</u>	<u>83,696,200</u>
Net capital assets	<u>\$ 90,022,806</u>	<u>\$15,222,769</u>	<u>\$ (1,486,895)</u>	<u>\$ 103,758,680</u>

Note 4 - Long Term Liabilities

A summary of the changes in long-term liabilities for the year ended December 31, 2023 is as follows:

	Balance January 1, 2023	Increases	Decreases	Balance December 31, 2023	Due Within One Year
Capital Loan Notes	\$ 2,447,000	\$ -	\$ (142,000)	\$ 2,305,000	\$ 144,000

A summary of the changes in long-term liabilities for the year ended December 31, 2022 is as follows:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022	Due Within One Year
Capital Loan Notes	\$ 2,586,000	\$ -	\$ (139,000)	\$ 2,447,000	\$ 142,000

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 \$2,600,444. For the current year, principal and interest paid and total customer net receipts were \$189,520 and \$8,181,504.

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, 2023 and 2022 is \$75,361 and \$74,569, 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, 2023 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2023
2016 Capital Loan Note	02/10/17	1.75%	06/01/37	\$144,000-\$187,000	\$ 3,144,644	\$ 2,305,000

A summary of the annual capital loan note principal and interest requirements to maturity as of December 31, 2023 is as follows:

Year Ending December 31	Principal	Interest	Total
2024	\$ 144,000	\$ 39,078	\$ 183,078
2025	147,000	36,531	183,531
2026	150,000	33,933	183,933
2027	153,000	31,281	184,281
2028	156,000	28,577	184,577
2029-2033	830,000	100,344	930,344
2034-2037	<u>725,000</u>	<u>25,700</u>	<u>750,700</u>
Totals	<u>\$ 2,305,000</u>	<u>\$ 295,444</u>	<u>\$ 2,600,444</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, 2022 to December 31, 2023.

The Water Works contributions' to IPERS for the year ended December 31, 2023 and 2022 were \$339,349 and \$316,820, respectively.

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

At December 31, 2023 and 2022, the Water Works reported a liability of \$1,846,086 and \$1,527,433 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, 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, 2023, the Water Works' collective proportion was 0.0408999%, which was an increase of 0.0004718% from its proportion measured as of June 30, 2022 of 0.0404281%.

For the years ended December 31, 2023 and 2022, the Water Works recognized pension expense (reduction of pension expense) of \$184,287 and (\$2,669) respectively. At December 31, 2023 and 2022, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 156,181	\$ 7,588
Change of Assumptions	-	29
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	170,970	-
Changes in Proportion and Differences Between Water Works Contributions and Proportionate Share of Contributions	121,656	23,684
Water Works Contributions Subsequent to the Measurement Date	167,507	-
Total	\$ 616,314	\$ 31,301

West Des Moines Water Works
Notes to Financial Statements
Years Ended December 31, 2023 and 2022

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 67,711	\$ 20,922
Change of Assumptions	1,293	36
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	163,506
Changes in Proportion and Differences Between Water Works Contributions and Proportionate Share of Contributions	100,899	43,881
Water Works Contributions Subsequent to the Measurement Date	171,545	-
Total	<u>\$ 341,448</u>	<u>\$ 228,345</u>

Deferred outflows of resources of \$167,507 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, 2024. 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	2023	2022
December 31, 2023	n/a	\$ (132,718)
December 31, 2024	(15,519)	(93,071)
December 31, 2025	(109,955)	(184,043)
December 31, 2026	438,787	343,575
December 31, 2027	89,875	7,815
December 31, 2028	14,318	-
	<u>\$ 417,506</u>	<u>\$ (58,442)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the December 31, 2023 and 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
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, 2023 valuation were based on the results of actuarial experience study dated June 16, 2022.

Mortality rates were based on the Pub G-2010 Employee and Healthy Annuitant Tables, using MP-2021 generational adjustments.

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	21%	4.56%
International Equity	16.5	6.22
Global Smart Beta Equity	5.0	5.22
Core Plus Fixed Income	23.0	2.69
Public Credit	3.0	4.38
Cash	1.0	1.59
Private Equity	17.0	10.44
Private Real Assets	9.0	3.88
Private Credit	4.5	4.60
Total	<u>100%</u>	

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.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Water Works' Proportionate Share of the Net Pension Liability (Asset) at June 30, 2023	\$ 3,925,191	\$ 1,846,086	\$ 103,762
Pension Liability (Asset) at June 30, 2022	2,845,791	1,527,433	365,597

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, 2023 and 2022, 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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>37</u>
Total	<u><u>37</u></u>

Total OPEB Liability

The Water Work’s total OPEB liability of \$282,188 as of December 31, 2023 was measured as of December 31, 2023 and was determined by an actuarial valuation as of January 1, 2022. The Water Work’s total OPEB liability of \$272,804 as of December 31, 2022 was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions

The total OPEB liability in the January 1, 2022 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, 2022)	3.00% per annum
Rates of salary increases (effective December 31, 2022)	4.00% per annum, including inflation
Discount rate (effective December 31, 2022)	2.06% compounded annually, including inflation
Healthcare cost trend rate (effective December 31, 2022)	5.00% per annum

Discount Rate

The discount rate used to measure the total OPEB liability was 2.06% 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 2020 United States Life Tables.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	2023	2022
Total OPEB Liability Beginning of Year	\$ 272,804	\$ 228,596
Changes for the year		
Service cost	16,414	15,783
Interest	5,825	5,581
Change in assumptions	-	11,295
Change in experience	-	18,986
Benefits	(12,855)	(7,437)
Total OPEB Liability End of Year	\$ 282,188	\$ 272,804

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 1.06%	Discount Rate 2.06%	1% Increase 3.06%
Total OPEB Liability December 31, 2023	\$ 296,317	\$ 282,188	\$ 263,885
Total OPEB Liability December 31, 2022	286,463	272,804	255,110

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, 2023	\$ 247,616	\$ 282,188	\$ 323,469
Total OPEB Liability December 31, 2022	239,382	272,804	312,712

OPEB Expense

For the years ended December 31, 2023 and 2022, the Water Works recognized OPEB expense of \$9,384 and \$44,208. The Water Works utilizes the alternative measurement method for purposes of measuring OPEB in 2022. 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.

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 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 re-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 2023 and 2022 was \$179,574 and \$160,323 respectively. This agreement was amended and re-adopted February 19, 2020 and expires January 1, 2030.

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 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.

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, 2023 and 2022

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

	2023	2022
Received from the City of West Des Moines		
Sanitary sewer service collection fees	\$ 60,267	\$ 59,586
Solid waste service collection fees	53,215	52,731
Stormwater service collection fees	82,709	81,616
Payments to the City of West Des Moines		
Sanitary sewer service	11,142,603	11,031,585
Solid waste service	2,431,623	2,367,635
Sewer availability fee	1,012,742	993,446
Stormwater services	4,951,921	4,423,079
Health and dental insurance premiums	659,179	601,658
General insurance premiums	130,553	107,446
Donations collected	9,665	10,063
West Ginger Reimbursement	63,528	583,339
Background Checks	121	42
Economic Development Annual Payment	53,845	52,531
Osmium Reimbursement	2,406	15,742
Reimbursement - Payment made in error to WDMWW	150	-
Reimbursement for increased cost in throttling valve	800,000	-
88th Street Reconstruction	2,918	-
8th Street Reconstruction (Center St to Clegg Rd)	119,757	-
Blue Creek Stormwater	76,952	-
Fairmeadows Creek Stabilization	27,045	-
2023 PCC Reconstruction (Vine St & 8th St)	18,964	-
88th Street ASR Well-Pro-rata share of lights	15,574	-
Inspection Fees-3rd & 4th Qtr 2022-Adams St Storage	-	204
2022 Water Main Replacement Ped Ramps	-	4,200
Background Check & Physical	-	25
PCC Reconstruction-Vine St	-	8,645
NE Basin-Storm Sewer	-	7,702
Grand Ave 1st to 4th Project	-	84,252
Morningstar @ Jordan Creek	-	1,941
Reimburse Stormwater ERU Payment	-	59,271
2020 Citizen Survey	-	2,000
AED Defibrillator Pads	-	53
Amounts Receivable for the City of West Des Moines		
Sanitary sewer charges	873,883	902,457
Sewer availability fees	83,429	77,880
Stormwater management fees	458,422	377,362
Solid waste charges	236,037	182,274
Amounts Payable to the City of West Des Moines		
Sanitary sewer charges	2,681,990	2,628,464
Sewer availability fees	255,911	251,386
Stormwater management fees	1,333,102	1,155,752
Solid waste charges	729,259	594,088
Donations to Human Services	303	976
Fuel Costs	2,521	3,420
Osmium and Ginger payable	10,818,208	10,774,681

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, 2023 and 2022 were \$130,553 and \$101,556 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, 2023 and 2022, no liability has been recorded in the Water Works financial statements. As of December 31, 2023, 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, cybersecurity, 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.

The leases are non-cancelable for initial periods of five years, with five renewal periods ranging from three to five years. The agreements allow for increases at renewals. The interest rate on the leases was 2.82%. The Water Works recognized the following amounts during fiscal year 2023 and 2022, respectively:

	2023	2022
Lease receivables	\$ 605,765	\$ 690,621
Deferred inflows	605,766	690,621
Interest revenue	18,644	15,763
Principal revenue	191,751	172,985

Note 12 - Commitments

The West Des Moines Water Works had \$1,132,228 and \$308,222 of uncompleted contracts at December 31, 2023 and 2022, respectively.

Note 13 - Ongoing Projects with City of West Des Moines and Microsoft

A finance agreement between the City of West Des Moines and West Des Moines Water Works was established in June 2021 for Ginger East and Ginger West data center projects. The agreement contains several projects.

Water Main

The City of West Des Moines agreed to coordinate design and construction of necessary water main infrastructure within planned sewer, fiber, and road projects to provide timely service to Microsoft Project Ginger. West Des Moines Water Works provided construction inspection and concurred with the City of West Des Moines to project acceptance and issuance of final contract payments. The majority of these projects were completed by the end of 2023. The following projects are still awaiting acceptance primarily due to permanent seeding establishment:

0510-009-2021 – Grand Avenue - S 88th St to South Grand Prairie Parkway
0510-014-2021 – S Grand Prairie Parkway - Grand to Raccoon River

Adams Street Elevated Storage Tower

The design and construction of the Adams Street Elevated Storage Tower was led by the West Des Moines Water Works with coordination from the City of West Des Moines. The construction of the Elevated Storage Tank was funded entirely by Microsoft Inc. through a specific agreement between West Des Moines Water Works and Microsoft Inc. This project was completed December 20, 2023.

Throttling Valve

The design and construction of the throttling valve has been led by Des Moines Water Works and will be reimbursed directly by the City of West Des Moines with a cap of cost to be reimbursed at \$1,400,000. West Des Moines Water Works agreed to pay the City of West Des Moines \$800,000 towards the debt remaining on the Osmium Data Center project which was completed in 2023.

Metering Pit

This project is complete. The City of West Des Moines paid for the installation cost and will not be reimbursed.

Reimbursement Guidelines

Upon receipt from the City of West Des Moines the net balance of reimbursable project expenses, West Des Moines Water Works shall convert the amount to an equivalent number of developable acres. West Des Moines Water Works contributed towards the water main improvements for the City the Southwest Fee District Fees from the Ginger West site upon execution of the finance agreement. In addition, each December, West Des Moines Water Works will calculate the Southwest 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 by the West Des Moines Water Works.

ASR

A finance agreement was executed for the Aquifer, Storage and Recovery (ASR) Well in 2024. This agreement is between the West Des Moines Water Works and Microsoft, Inc. to support a sixth data center in the City of West Des Moines called Project Ruthenium.

In this agreement, Microsoft will reimburse the West Des Moines Water Works for up to \$13 million for the installation of a 3 million gallon per day (MGD) ASR well to be used to support the water system in West Des Moines. 50% of the expected project costs will be due at the time construction commences. 25% at the halfway point of construction and the remaining 25% at substantial completion. This includes all costs for design, permitting, and construction.

Note 14 - Subsequent Events

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 28E/28F agreement was approved by the WDMWW Board in December 2023 and twelve entities (WDMWW, Des Moines Water Works, Urbandale Water Utility, Clive, Waukee, Ankeny, Johnston, Grimes, Polk City, Norwalk, Xenia Rural Water District and Warren Rural Water District) are participating. A 28E Organization was initiated with the State of Iowa on April 11, 2024, and the board was seated April 24, 2024. It is currently anticipated that the operational commencement date will be January 1, 2025, and water production assets will transfer to CIWW on the operational commencement date.



Required Supplementary Information
December 31, 2023 and 2022

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 Ten Fiscal Years Ended December 31, 2023

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
2023	0.0408999%	\$ 1,846,086	\$ 3,594,799	51.35%	90.13%
2022	0.0404281%	1,527,433	3,256,081	46.91%	91.41%
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

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
2023	\$ 337,580	\$ 337,580	-	\$ 3,576,059	9.44%
2022	316,820	316,820	-	3,356,144	9.44%
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%

Changes of benefits terms

There are no significant changes in benefit terms.

Changes of assumptions

The 2022 valuation implemented the following refinements after a demographic assumption study:

- Mortality assumption was changed to the family of PubG-2010 Mortality Tables for all groups, with age setbacks and set forwards, as well as other adjustments. Future mortality improvements are modeled using Scale MP-2021.
- Retirement rates were adjusted to partially reflect observed experience for Regular members only.
- Disability rates were lowered for Regular members only.
- Termination rates were adjusted to partially reflect observed experience for all groups.

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, 2023

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
2023	\$ 16,414	\$ 5,825	\$ -	\$ -	\$ (12,855)	9,384	\$ 272,804	282,188	\$ 3,334,524	8.46%
2022	15,783	5,581	18,986	11,295	(7,437)	44,208	228,596	272,804	3,206,273	8.51%
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, 2023

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, 2023

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
Total Revenues	\$ 26,678,177	\$ 23,631,048	\$ 3,047,129
Total Expenses	<u>15,950,462</u>	<u>16,854,451</u>	<u>903,989</u>
Net	10,727,715	6,776,597	<u>\$ 3,951,118</u>
Net Position Beginning of the Year	<u>109,426,157</u>	<u>102,988,354</u>	
Net Position End of Year	<u>\$ 120,153,872</u>	<u>\$ 109,764,951</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 2023 there were three budget amendments on February 15, 2023, April 19, 2023, and October 16, 2023. Disbursements did not exceed the amended budget.

West Des Moines Water Works

Schedule of Bond Maturities

Year Ended December 31, 2023

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
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
	\$ 2,305,000	\$ 295,444



Statistical Section
(Unaudited)
December 31, 2023

West Des Moines Water Works

West Des Moines Water Works
Schedule of Water Usage by Month (Unaudited)
Year Ended December 31, 2023

<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	27,616	\$ 908,526	135,365,809	161,451,000
February	27,672	865,211	136,156,492	145,997,000
March	27,720	902,559	140,096,276	161,079,000
April	27,770	912,679	141,757,019	168,292,000
May	27,818	1,079,992	164,296,823	233,985,000
June	27,873	2,059,159	297,471,323	318,153,000
July	27,910	2,168,881	310,331,489	342,951,000
August	27,959	2,449,697	351,153,220	343,971,000
September	27,979	2,049,127	293,374,730	291,658,000
October	28,054	1,391,411	204,809,218	209,068,000
November	28,084	1,011,231	158,807,295	164,296,000
December	28,128	889,320	138,350,987	166,679,000
		<u>16,687,793</u>	<u>2,471,970,681</u>	<u>2,707,580,000</u>
SUBTRACT:				
WDM Customers on DM Main			(851,218)	
ADD:				
Metered water for City (\$0.00)			25,672,937	
Metered Water for WW			690,989	
Hydrant Meters not invoiced			212,193	
Main Breaks			4,652,300	
Water Main Construction			3,546,048	
Flushing & Other Misc.			20,771,960	
Fire Hydrant Bleeders			288,000	
Public Works			409,200	
Fire Department			299,150	
Totals		<u>\$ 16,687,793</u>	<u>2,527,662,240</u>	<u>2,707,580,000</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 (*Government Auditing Standards*), the financial statements of the West Des Moines Water Works (Water Works), as of and for the year ended December 31, 2023, 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 1, 2024.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2023-002 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, 2023, 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' Responses to the Findings

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

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 1, 2024

Part I: Findings Related to the Financial Statements:

MATERIAL WEAKNESS

2023-001 Preparation of Financial Statements and Adjusting Journal Entry

Criteria – A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition – As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition because of cost or other considerations. We also proposed an adjusting journal entry as part of our audit procedures.

Cause – We recognize that with a limited number of office employees and complexity of multiple contracts, preparation of the financial statements is difficult.

Effect – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, a noteworthy journal entry was proposed as part of the financial statement process.

Recommendation – We recommend that Water Works staff continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

Response – The West Des Moines Water Works staff will continue to review existing and new contracts and funding sources. Year end meeting will be held between the principal engineers, General Manager, and Financial Manager to discuss contract agreements and funding sources and payment deadlines to determine if additional end of year adjustments/entries are needed.

Part I: Findings Related to the Financial Statements (continued):

SIGNIFICANT DEFICIENCY

2023-002 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 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.

The accounting manager continues to move daily duties from her desk to the accounting staff. This process slowed down due to turnover in the department, but is still moving forward.

Part II: Other Findings Related to Statutory Reporting:

- 2023-IA-A** **Certified Budget** – Expenses during the year ended December 31, 2023, did not exceed the amount budgeted.
- 2023-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.
- 2023-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.
- 2023-IA-D** **Business Transactions** - No business transactions between the Water Works and its officials or employees were noted.
- 2023-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.
- 2023-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.
- 2023-IA-G** **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2023-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.
- 2023-IA-I** **Revenue Notes** – No instances of non-compliance with the revenue note provisions were noted.