Roll Call Number

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Agenda Item Number
38

Date July 18, 2022

Receipt of the following reports from Des Moines Water Works:

1. Report to the Board of Water Work Trustees, June 15, 2022.

2. Financial Report, December 31, 2021 and 2020.

3. Statements of Cash Receipts and Disbursements, for years ended December 31, 2021 and 2020:

   a. Billing and Collection Agent for Sewer Service Charges.
   b. Billing and Collection Agent for Storm Water Management Charges.
   c. Billing and Collection Agent for Solid Waste Collection Charges.

Moved by ________________________ to receive and file. Second by ___________________.

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
BOESEN				
GATTO				
MANDELBAUM				
SHEUMAKER				
VOSS				
WESTERGAARD				
TOTAL				

MOTION CARRIED APPROVED

________________________ Mayor

CERTIFICATE

I, Laura Baumgartner, Acting City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

________________________ Acting City Clerk

RSM

June 15, 2022

RSM US LLP

400 Locust Street
Suite 640
Des Moines, IA 50309-2354

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www.rsmus.com

Board of Water Works Trustees
Des Moines Water Works
Des Moines, Iowa

Attention: Graham Gillette, Chairperson

This letter is to inform the Board of Trustees of Des Moines Water Works about significant matters related to the conduct of our audit as of and for the year ended December 31, 2021, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated January 12, 2022. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated March 29, 2022 regarding the planned scope and timing of our audit and identified significant risks. In addition to the net pension liability and actuarial assumptions identified in that letter, the OPEB liability and actuarial assumptions were also identified as significant risks.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

In our meeting with you, we will discuss our views about the qualitative aspects of the Water Works' significant accounting practices, including significant accounting policies, significant unusual transactions, accounting estimates and financial statement disclosures.

The following is a list of the matters that will be discussed, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

- Significant Estimates:
  - Depreciable Use Life of Capital Assets
  - Fair Value of Investments
  - Total Other Postemployment Benefit Plan (OPEB) Liability and Assumptions
  - Net Pension Liability (Asset) and Assumptions
  - Unbilled Revenue and Allowance for Doubtful Accounts
  - Accrued Sick Leave

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Internal Control Matters

We have separately communicated in a reporting package dated June 15, 2022 any significant deficiencies and material weaknesses in internal control over financial reporting and, major programs and applicable noncompliance identified during our audit of the basic financial statements and major programs, as required by *Government Auditing Standards* and *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* for Federal Awards at 2 CFR 22 (Uniform Guidance).

Consultation With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Management Representations

Attached is a copy of the management representation letter.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Des Moines Water Works.

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

RSM US LLP

June 15, 2022

RSM US LLP
400 Locust Street, Suite 640
Des Moines, IA 50309

This representation letter is provided in connection with your audits of the basic financial statements of Des Moines Water Works, Des Moines, Iowa (Water Works), as of and for the years ended December 31, 2021 and 2020 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of June 15, 2022:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 12, 2022, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. There are no events subsequent to the date of the financial statements for which U.S. GAAP requires adjustment or disclosure.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. The following have been properly recorded and/or disclosed in the financial statements:

    a. Arrangements with financial institutions involving restrictions on cash balances have been properly disclosed.

    b. Net position classifications.

    c. Revenues and expenses have been appropriately classified in the statement of revenues, expenses and change in net position.

d. Future changes in accounting pronouncements for GASB Statement No. 87, which has been issued, but has not yet been adopted. GASB Statement Nos. 94, 96 and 97 is not disclosed in the financial statements since the pending standards are not expected to significantly impact Water Works' financial statements.

e. We believe the implementation of GASB statement Nos. 91, 92, 93 and 98 are appropriate, and their effect, if any, is properly disclosed in the financial statements.

9. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.

10. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance.

11. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

12. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.

    b. Additional information that you have requested from us for the purpose of the audits.

    c. Unrestricted access to persons within Water Works from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the governing board and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

13. All transactions have been recorded in the accounting records and are reflected in the financial statements.

14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

15. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

16. We have no knowledge of allegations of fraud or suspected fraud affecting the Water Works' financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Water Works' financial statements received in communications from employees, former employees, analysts, regulators or others.

18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

19. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

20. We have disclosed to you the identity of all of the Water Works' related parties and all the related-party relationships and transactions of which we are aware.

21. We are aware of no significant deficiencies or material weaknesses in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data.

22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

23. We agree with the findings of the specialists in evaluating Water Works' investment valuations self-insurance liabilities, other postemployment benefits liability under GASB Statement No. 75, and pension related obligations and disclosures, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

24. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

25. With respect to management's discussion and analysis, pension, and other postemployment benefit (OPEB) information presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:

    a. We acknowledge our responsibility for the presentation of such information.

    b. We believe such information, including its form and content, is fairly presented in accordance with guidelines prescribed by U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

    d. The underlying significant assumptions or interpretations regarding the measurement or presentation of such information are the actuarial assumptions for the pension plans and the OPEB plan.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

26. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

27. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.

28. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.

29. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

30. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

31. Has a process to track the status of audit findings and recommendations, if any.

32. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.

33. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

34. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.

35. Management is responsible for understanding and complying with federal statutes, regulations, and the terms and conditions of federal awards related to each of its federal programs.

36. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal programs.

37. Management is responsible for the preparation of the schedule of expenditures of federal awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes have been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

38. Management will make the audited financial statements readily available to the intended users of the schedule no later than the issuance date by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.

39. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.

40. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.

41. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.

42. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was no such noncompliance.

43. Management believes that the auditee has complied with the direct and material compliance requirements.

44. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

45. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.

46. Management is aware of no communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

47. There are no findings and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

48. Management is responsible for taking corrective action on audit findings of the compliance audit that meets the requirements of the Uniform Guidance.

49. There are no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

50. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.

51. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

52. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

53. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

54. Management has charged costs to federal awards in accordance with applicable cost principles.

55. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be include by Uniform Guidance.

56. The reporting package does not contain protected personally identifiable information.

57. Management has accurately completed the appropriate sections of the data collection form.

Des Moines Water Works

DocuSigned by:
Ted Corrigan
4B4E9D5845224F2...
Ted Corrigan, CEO and General Manager

DocuSigned by:
Amy Kahler
5C0746FFA2E64AB...
Amy Kahler, Chief Financial Officer

DocuSigned by:
Michelle Holland
2EAD255EA8314CB...
Michelle Holland, Controller

June 15, 2022

RSM US LLP
400 Locust Street, Suite 640
Des Moines, IA 50309

This representation letter is provided in connection with your audits of the statements of cash receipts and disbursements (financial statements) of the Board of Water Works Trustees, Billing and Collection Agent for the Sewer Service Charges, Solid Waste Collection Charges and Storm Water Management Charges for the City of Des Moines, Iowa (Agent) for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the cash basis of accounting described in Note 2 to the financial statements.

We confirm, to the best of our knowledge and belief, that as of June 15, 2022:

Financial Statements

1. The financial statements referred to above are prepared on the cash basis of accounting, as described in Note 2 to the financial statements (hereafter, cash basis of accounting), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

2. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 12, 2022, for the preparation and fair presentation of the financial statements referred to above in accordance with the cash basis of accounting.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

5. Related-party relationships and transactions have been appropriately accounted for in accordance with the requirements of the cash basis of accounting and disclosed adequately to achieve fair presentation.

6. There are no events subsequent to the date of the financial statements for which disclosure is necessary for fair presentation.

7. The effects of all known actual or possible litigation and claims have been accounted for in accordance with the cash basis of accounting and disclosed adequately to achieve fair presentation, if any.

8. We have complied with all aspects of the contractual agreement with the City of Des Moines, Iowa that could have a material effect on the financial statements in the event of noncompliance.

9. With respect to drafting the financial statements services performed in the course of the audit:

    a. We have made all management decision and performed all management functions;

    b. We assigned an appropriate individual to oversee the services;

    c. We evaluated the adequacy and results of the services performed, and made an informed judgement on the results of the services performed;

    d. We have accepted the responsibility for the results of the services; and

    e. We have accepted responsibility for all significant judgements and decisions that were made.

10. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

11. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

    b. Additional information that you have requested from us for the purpose of the audits.

    c. Unrestricted access to persons within the Agent from whom you determined it necessary to obtain audit evidence.

    d. There are no minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared, other than those of the Des Moines Water Works' minutes which have been provided.

12. All transactions have been recorded in the accounting records and are reflected in the financial statements.

13. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

14. We have no knowledge of allegations of fraud or suspected fraud affecting the Agent's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agent's financial statements received in communications from employees, former employees, analysts, regulators or others.

16. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

17. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements. We have not consulted legal counsel concerning litigation or claims.

18. We have disclosed to you the identity of all of the Agent's related parties and all the related-party relationships and transactions of which we are aware.

19. We are aware of no significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Agent's ability to record, process, summarize and report financial data.

20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Des Moines Water Works

DocuSigned by:
Ted Corrigan
4B4E9D5845224F2...
Ted Corrigan, CEO and General Manager

DocuSigned by:
Amy Kahler
5C0746FFA2E64AB...
Amy Kahler, Chief Financial Officer

DocuSigned by:
Michelle Holland
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Michelle Holland, Controller

Des Moines Water Works

Financial Report
December 31, 2021 and 2020

Contents

Independent Auditor's Report

RSM US LLP

Board of Water Works Trustees
Des Moines Water Works

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Des Moines Water Works (Water Works), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Water Works' 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 business-type activities and fiduciary activities of the Des Moines Water Works, as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Water Works' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 the 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 the 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, other postemployment benefit plan schedules, and pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM US LLP

Des Moines, Iowa
June 15, 2022

Our Management's Discussion and Analysis (MD&A) of Des Moines Water Works' (Water Works or DMWW) financial performance provides an overview of the utility's financial activities for the years ended December 31, 2021 and 2020. Please consider this information in conjunction with the financial statements and the accompanying notes to basic financial statements that follow this section.

Overview of Business
The service area of the Water Works has expanded significantly since its emergence as a public water utility in 1919. In addition to serving customers within the city of Des Moines, Water Works provides wholesale water service based on long-term water contracts to surrounding municipalities and rural water districts as well as total water service to interested customers. Under a total service agreement, the customer retains ownership of their water system infrastructure and Water Works operates and maintains the water system according to the procedures, processes and standards used in the Water Works' direct service areas. Additionally, Water Works is responsible for distribution system operation and maintenance, customer service, water quality monitoring and reporting, rate setting, and capital improvement planning. Wholesale customers account for approximately 38% of total water revenues. Total service customers account for roughly 15% of total water revenues, leaving nearly 50% of revenues generated from Des Moines customers. This service area spans approximately 400 square miles, including most of Polk County and communities in eastern Dallas County and northern Warren County. The utility also provides billing and collection services on a contractual basis to total service customers and billing and collection services to the City of Des Moines for wastewater treatment, solid waste collection and the storm water utility.

As the utility's 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 utilizing these facilities to supply multiple customers. Contractual service users share in the cost of these joint-use facilities. Financial participation in the construction or improvement of these facilities includes initial cash contributions or payments of debt service, which then allows for some users to participate in lower purchased capacity water rates. Additionally, DMWW receives payments from these users of the shared use facilities for their portion of the operating and maintenance costs. Ownership of these facilities is maintained by the Water Works.

Water Works operates three surface-water treatment plants for the benefit of roughly 600,000 central Iowans. The source waters for these plants include the Raccoon River, the Des Moines River, and ground water sources that are under the direct influence of each of these rivers. Additionally, a number of off-river storage sites are used that allow water from the Raccoon River to be temporarily stored in ponds, lakes, and reservoirs. These sources are used to provide adequate supply to our customers in a manner that balances the factors of finished water quality, overall treatment expense, and regulatory compliance.

Governance of the Water Works is vested in a five-member Board appointed by the Mayor of the City of Des Moines with the approval of the City Council. Trustees serve for six-year staggered terms. The Board has complete control of Water Works' management and employs approximately 208 full-time and 14 part-time or seasonal employees.

The utility has adopted an annual activity-based budgeting methodology and performs an annual cost of service study to assist the Board in rate-setting policy.

Financial Highlights

- In 2021, operating revenues of $90,642,547 increased 16.92% over 2020 while operating expenses decreased by 3.03% to $55,256,513. Operating revenues of $77,522,417 in 2020 increased by 9.50% over 2019 and operating expenses increased by 4.52% to $56,980,404.
- During the year, Water Works had operating income of $35,386,034 and change in net position of $41,683,328. In 2020, operating income was $20,542,013 and change in net position was $25,775,533.

- Water Works' net position increased as a result of operations. As of December 31, 2021, and 2020, total assets were $444,985,706 and $430,979,652 , respectively; total liabilities were $33,366,261 and $76,447,789, respectively; deferred outflows of resources were $5,147,743 and $8,027,612, respectively; deferred inflows of resources were $19,846,543 and $7,322,158, respectively; resulting in net position of $396,920,646 and $355,237,317, respectively.

Overview of the Financial Statements

Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements and the MD&A represents management's examination and analysis of the Water Works' financial condition and performance. The financial statements report information about the utility using full accrual accounting methods as utilized by similar entities in the private sector.

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

The statement of revenues, expenses and changes in net position presents the results of the Water Works' revenues and expenses over the course of the fiscal year and provides information about the utility's recovery of costs. Water rates are established by the Board of Trustees and are based on the utility's annual Cost of Service Study. The Cost of Service Study estimates annual revenue requirements through an analysis of operational and maintenance expenses, debt service requirements, anticipated capital needs and return on capital. The Study provides a core of information not only for the Board of Trustees and staff at Des Moines Water Works, but also for the customers ultimately affected by our decisions.

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

The notes to basic 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, commitments and contingencies.

Condensed Financial Information

The following condensed financial information serves as key financial data and indicators for management, monitoring and planning.

Condensed Statement of Net Position Information

	2021	2020	2019	% Change 2020 to 2021	% Change 2019 to 2020
Current assets	$ 54,185,516	$ 43,377,888	$ 26,518,405	24.92%	63.58%
Capital assets, net	383,676,331	371,788,491	361,747,864	3.20	2.78
Other noncurrent assets	7,123,859	15,813,273	17,144,286	(54.95)	(7.76)
Total assets	444,985,706	430,979,652	405,410,555	3.25	6.31
Deferred outflow of resources	5,147,743	8,027,612	5,239,475	(35.87)	53.21
Current liabilities	13,804,241	23,268,317	19,983,745	(40.67)	16.44
Other noncurrent liabilities	19,562,020	39,526,447	36,451,676	(50.51)	8.44
Long-term debt, net	-	13,653,025	17,753,565	(100.00)	(23.10)
Total liabilities	33,366,261	76,447,789	74,188,986	(56.35)	3.04
Deferred inflows of resources	19,846,543	7,322,158	6,999,260	171.05	4.61
Net investment in capital assets	379,233,159	347,284,854	335,266,793	9.20	3.58
Restricted	160,143	6,036,307	5,393,894	(97.35)	11.91
Unrestricted	17,527,343	1,916,156	(11,198,903)	814.71	(117.11)
Total net position	$ 396,920,645	$ 355,237,317	$ 329,461,784	11.73	7.82

Condensed Revenues, Expenses and Changes in Net Position

	2021	2020	2019	% Change 2020 to 2021	% Change 2019 to 2020
Water sales	$ 74,242,595	$ 68,117,735	$ 62,544,762	8.99%	12.74%
Billing and collection services	1,981,894	1,892,792	1,837,002	4.71	3.04
Connection fees	718,658	879,667	1,239,437	(18.30)	(29.03)
Purchased capacity	10,993,228	3,112,611	713,825	253.18	0.70
Other sales and services	2,706,172	3,519,612	4,461,426	(23.11)	(8.62)
Total operating revenues	90,642,547	77,522,417	70,796,452	16.92	9.50
Investment income	15,922	166,563	419,071	(90.44)	(60.25)
Other	197,305	181,395	227,408	8.77	(20.23)
Grant revenue	978,043	-	-	-	(100.00)
Capital contributions	5,557,588	5,432,251	10,317,938	2.31	(47.35)
Gain (loss) on sale of fixed assets	6,200	46,000	18,692	(86.52)	146.09
Total revenues	97,397,605	83,348,626	81,779,561	16.86	1.92
Labor and benefits	19,687,884	23,400,614	23,262,162	(15.87)	0.60
Chemicals	5,082,185	4,988,278	4,615,123	1.88	8.09
Utilities	3,500,554	3,388,750	3,133,847	3.30	8.13
Corporate Insurance	1,074,697	1,333,313	1,182,730	(19.40)	12.73
Purchased services	8,915,900	9,196,415	8,089,213	(3.05)	13.69
Materials, supplies and equipment	3,824,210	4,035,196	3,859,838	(5.23)	4.54
Depreciation	12,834,785	10,392,827	10,086,782	23.50	3.03
Other	336,298	245,011	289,023	37.26	(15.23)
Total operating expenses	55,256,513	56,980,404	54,518,718	(3.03)	4.52
Interest expense	457,764	592,689	695,918	(22.76)	(14.83)
Total expenses	55,714,277	57,573,093	55,214,636	(3.23)	4.27
Change in net position	41,683,328	25,775,533	26,564,925	61.72	(2.97)
Net position, beginning of year	355,237,317	329,461,784	302,896,859	7.82	8.77
Net position, end of year	$ 396,920,645	$ 355,237,317	$ 329,461,784	11.73	7.82

Financial Analysis

Year ended December 31, 2021: On December 1, 2021, the 2012A Series and the 2012B Series Water Revenue Refunding Bonds were subject to optional early redemption. DMWW opted to redeem the 2012A Series bonds. DMWW and the wholesale participants to the bonds opted to redeem the 2012B Series bonds. This resulted in a decrease of approximately $16.6 million to bonds payable in 2021 made up of $3.8 million of scheduled debt service payments and $12.8 million for early redemption.

Additionally, there are other financial transactions as a result of this early redemption.

- In operating revenue, purchased capacity revenue is showing the additional amount received of approximately $5.6 million from the wholesale participants to fund their portion of redemption of the 2012B Series Bonds along with additional deferred revenue of $2.5 million being recognized in 2021 instead of continuing to be amortized over the term of the bonds, which were to mature in 2025.

- In current assets, DMWW was responsible for $1.9 million of scheduled debt service payments and approximately $3.0 million to redeem both the Series 2012A and Series 2012B bonds, which came from excess water revenue in 2020 or accumulated capital funds held on behalf of the total service customers.

- In non-current assets, $5.0 million held in the debt service reserve fund and the bond sinking was applied to the early redemption for both the Series 2012A and Series 2012B bonds and $600,000 set aside per bond covenants was reclassed to unrestricted current assets.

Current assets increased 24.92%, equating to an increase of nearly $10.8 million. The cash balance in the cash accounts and the cash position of the operating reserves are higher than the 2020 balances by $11.9 million. This cash balance in the general checking account can fluctuate widely from year to year due to timing of receiving customer payments and paying vendors and contractors. Water sales were strong in 2021 resulting in $6.1 million of additional revenue compared to 2020. DMWW received $963,000 from the State of Iowa CARES Act for reimbursement of Covid-19 expenses incurred in 2020. Offsetting these increases is the additional payment from DMWW funds of approximately $3.0 million to redeem the 2012 bonds. The cash balance of the operating reserves also fluctuates from year to year due to timing of investment maturities and purchases.

Other noncurrent assets decreased by 55.0% in 2021. This equates to approximately $8.7 million in lower investment balances. As previously stated, the cash position of operating reserve investments was higher at the end of 2021 compared to the end of 2020, which means the invested balance as of December 31, 2021, is lower. The balances of the debt service reserve fund and the bond sinking fund were applied to the early redemption of the bonds. Offsetting the decreases is that the net position for the DMWW Pension Plan changed from a net pension liability of $1.8 million in 2020 to a net pension asset of $478,000 in 2021.

Deferred outflows of resources decreased $2.9 million, or 35.9%, in 2021. There are deferred outflows relating to the DMWW Pension Plan, IPERS, DMWW's defined other post-employment benefits (OPEB) plan, and advanced refunding of bonds.

The deferred outflows for pensions show the effects of actuarial differences, changes in assumptions, differences between actual and projected earnings on plan investments, and changes in proportion between Water Works' contributions and proportionate share of contributions, which is specific only to the IPERS' plan.

For the DMWW Pension Plan, the deferred outflows decreased by approximately $1.1 million. The majority of the decrease is from the deferred outflows related to changes in assumptions. This balance went down due to the change in the long-term rate of return on assets going from 6.00% to 5.60% in 2020. This increased the balance of deferred outflows in 2020 and is now reducing the balance in 2021 as those outflows are being recognized to the income statement.

For IPERS, deferred outflows increased by approximately $1.4 million. Deferred outflows related to the differences between expected and actual experience increased by $216,000. Deferred outflows related to changes in assumptions decreased by roughly $600,000. The deferred outflows related to the change in proportionate share decreased by approximately $109,000. Each year, DMWW's proportionate share is updated based on the utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. This change in proportionate share changes the amounts DMWW needs to recognize on the financial statements for deferred inflows, deferred outflows and net pension liability. Finally, due to strong investment returns for the IPERS' fiscal year (July 2020 – June 2021), the net position related to investment results changed from a deferred outflow of nearly $900,000 to a deferred inflow of approximately $11.1 million. This results in a $900,000 reduction in deferred outflows relating to investment results but an overall change to the deferred position of roughly $12.0 million.

More information on the changes to deferred outflows and inflows related to pensions can be found in Note 5 of the financial statement, starting on page 35.

The deferred outflows for other post-employment benefits (OPEB) show the effects of differences between expected and actual experience and changes in assumptions. For DMWW's OPEB plan, deferred outflows related to changes in assumptions in the 12/31/2021 valuation resulted in an increase of $121,000. This is primarily due to the decrease in the discount rate used in valuing the OPEB liability.

The deferred outflows relating to bonds were written off in 2021 due to the early redemption of the 2012 bonds. This was the amortization of the difference between the reacquisition price and the net carrying amount of the 2006 bonds which were advanced refunded in 2012. The amount written off was nearly $516,000.

Current liabilities decreased 40.67%, or roughly $9.5 million. Construction payables were approximately $3.2 million lower. There were a few City of Des Moines projects which had components of water main replacement or alterations partially constructed prior to 2021. These projects were closed out and paid in 2021. Due to the redemption of the 2012 bonds, the current liability for long-term debt only includes payment for the 2003 SRF loan, a reduction of nearly $3.7 million. Accounts payable was nearly $1.2 million lower at the end of 2021. This balance can vary widely from year to year due to receipt of vendor invoices.

Other noncurrent liabilities decreased nearly $20.0 million in 2021. The net pension liability for both the DMWW Pension Plan and IPERS was approximately $17.6 million as of December 31, 2020. The net pension liability for IPERS was nearly $307,000 in 2021, down $15.4 million from 2020. The net position of the DMWW Pension Plan changed from a net pension liability of $1.8 million in 2020 to a net pension asset of $478,000 in 2021. This is a result of investment returns for both plans being higher than their respective assumptions. The OPEB liability decreased by nearly $300,000 due primarily to the favorable experience gains in 2021. The experience gains were as a result of lower medical premiums than assumed. Other noncurrent liabilities also include the remaining unearned revenue being amortized over the life of the 2012B bonds. Since the 2012B bonds were redeemed in 2021, this remaining unearned revenue of $2.5 million was recognized as income.

As of December 31, 2021, only outstanding debt is the Water Revenue Capital Loan Note, Series 2003 through the Drinking Water State Revolving Fund (SRF). This debt is scheduled to be paid off in 2022, the outstanding balance of $157,000 is shown in current liabilities. The 2012A and 2012B Series bonds were redeemed in 2021.

Deferred inflows of resources increased by approximately $12.5 million. There are deferred inflows relating to the DMWW Pension Plan, IPERS, and DMWW's defined other post-employment benefits (OPEB) plan.

The deferred inflows for pensions show the effects of actuarial differences, changes in assumptions, and differences between actual and projected earnings on plan investments.

For the DMWW Pension Plan, deferred inflows decreased by approximately $250,000. The biggest driver of this change is in the deferred inflows related to the difference between expected and actual income. This deferred balance increased by nearly $1.6 million due to favorable investment returns in 2021. Offsetting that increase is the recognition of these deferred inflows to the income statement in the amount of $1.8 million. Deferred inflows related to the difference between expected and actual income are recognized over a five-year period. The changes in deferred inflows relating to expected and actual experience was $50,000.
For IPERS, deferred inflows increased by roughly $11.3 million. Again, favorable investment returns drove the change in the deferred inflows related to expected and actual income. The deferred position related to investment earnings changed from a $900,000 deferred outflow to a $11.1 million deferred inflow. The investment performance for the IPERS' fiscal year (July 2020 – June 2021) offset by the recognition of these inflows and outflows to the income statement resulted in the change to the deferred position.

Deferred inflows related to DMWW's defined other post-employment benefits (OPEB) plan increased by approximately $1.4 million. The largest component causing the increase is the gain in the difference between expected and actual experience. This is due to medical premiums being lower than expected. For the OPEB valuation, the assumption was a 7.5% increase in premiums. There was no actual increase to the medical premiums for 1/1/2022 due to DMWW having an 18 month renewal beginning on 1/1/2021 to implement a new medical insurance renewal period of July 1 – June 30.

Water sales and capital improvement fees, both based on water consumption, along with water availability revenue increased by $6.1 million, an 8.99% increase from 2020. Consumption was approximately 2.0% higher in 2021 compared to 2020. This higher consumption, coupled with a moderate increase in water rates on April 1, 2021, contributed to the overall increase in revenue. Water rates are designed to cover the cost of water service to Water Works' various customer classes. In 2020, the $2.4 million of the scheduled amount of debt service payments from the wholesale participants of the 2012B bonds was included in water sales. Since those bonds were redeemed in 2021 prior to their maturity, the regular debt service payments along with the additional cash received from the wholesale customers to redeem the bonds is being shown on a separate line in 2021.

Revenue for billing and collection services was up 4.71%. This is mainly due to higher revenue from the City of Des Moines as their fees are based on a percentage of billed amounts. As their rates increase, so does the revenue for billing and collecting for those services.

Connection fees were down $161,000 compared to 2020. These fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Purchased capacity revenue and deferred revenue are much higher in 2021 as a result of the early redemption of the 2012 bonds. Approximately $5.6 million was received from the wholesale participants to fund their portion of the redemption of the 2012B bonds. This was in addition to the ongoing scheduled debt service payments from the wholesale participants of nearly $2.3 million prior to the redemption. Deferred revenue, which represents cash contributions funding the Saylorville Water Treatment Plant, the L.D. McMullen Water Treatment Plant, and projects to increase capacity in the overall core network, was written off due to the redemption of the bonds. These deferred balances were being amortized over the scheduled life of the 2012B bonds, which were to mature in 2025. A total of $3.2 million was recognized as revenue in 2021, which is made up of approximately $723,000 of the ongoing entry and $2.5 million which was recognized as revenue due to the early redemption of the bonds.

Revenue from other sales and services decreased 23.1% in 2021, which equates to $813,000. Included in this line are numerous revenue items in the utility including reconnect fees, credit card convenience fees, stop box repairs, distribution system repairs, operating and maintenance costs for shared-use facilities, lab testing, etc. Revenue from termination fees was down in 2021 by $429,000 due to temporarily suspending terminations and, later, increasing the dollar threshold for determining service termination eligibility. The handling of convenience fees for credit card processing changed from DMWW charging and collecting the convenience fee to our 3rd party payment processor charging and collecting the convenience fee. This revenue was $241,000 lower in 2021. As a result of this change, the payment processor also incurs the costs for credit card processing, which results in a reduction of purchased services expense shown below. Tap fees were lower in 2021 by $143,000. Similar to connection fees, tap fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Operating labor and benefits decreased by nearly 16.0%, equating to $3.7 million.

Operating labor expenses were up nearly 3.2% or $448,000. There was a moderate increase in wage rates along with several retirements in early 2021 when many employees became vested in IPERS. Retirees are paid accrued vacation balances and a portion of their sick leave balances. Offsetting the increases is a decrease in operating labor hours. This is primarily attributed to the 2020 action of sequestering employees during the first weeks of the Covid-19 pandemic to ensure the continuous production of safe, clean drinking water. Those employees were paid overtime in addition to their regular scheduled hours.

The cash outlay for benefits was also up nearly $143,000 over 2020. The increase in employer paid medical insurance premiums was just over $178,000. The required employer contributions to IPERS, the actuarial defined contribution to the DMWW Pension Plan, and the statutory amounts paid for Social Security and Medicare taxes decreased by approximately $35,000.

Finally, the entries for the balance sheet items related to pensions (both the DMWW Pension Plan and IPERS) and other post-employment benefits (OPEB); such as, deferred inflows or resources, deferred outflows of resources, net pension liability, and other post-employment benefits liability are reported as benefits expense. There was $3.2 million of net income related to changes in the balance sheet items in 2021, compared to $1.1 million of net expense in 2020. This is a reduction of expenses of nearly $4.3 million.

Chemical expenses were up nearly 2.0%. Higher pumpage in 2021 coupled with slightly higher chemical prices is offset by lower chemical usage, due in part to ever-changing raw water conditions and the allocation of production at the three treatments plants.

Utilities expense was up 3.3% in 2021. Higher pumpage in 2021 increased electric usage at the three treatment plants as well as the booster stations and ASR wells located throughout the utility's service area. This resulted in an increase of $64,000. Natural gas expense increased by $39,000. Telecommunication expenses were down in 2021 by nearly $30,000 while fuel costs for the fleet increased by $38,000 versus the prior year.

Corporate insurance was down 19% in 2021. Insurance premium expenses were $42,000 higher in 2021. Workers' compensation expense was roughly $300,000 lower in 2021 due to reserve balances at the end of 2021 being reduced as claims have been paid and estimates for some remaining reserves have been reduced.

Purchased services decreased $280,000, or 3.05% compared to 2020. As mentioned above, DMWW no longer bears the expense of processing credit card fees. The convenience fee in 2020 was approximately $540,000. The processing fees and the corresponding revenue are now incurred by our 3rd party electronic payment processor. Offsetting this decrease is an increase for the PILOT (payment in lieu of taxes) to the City of Des Moines of $128,000, overall residual removal expenses higher by $73,000, and approximately $100,000 in consulting fees to facilitate the development of a strategic plan.

Materials, supplies and equipment decreased by approximately 5.23% in 2021 which totals roughly $211,000. Included in this cost category are a multitude of items such as postage, inventory items and repair parts for the maintenance of the treatment facilities distribution system and fleet vehicles. Materials and supplies related to the Covid-19 pandemic resulted in approximately $160,000 of expenses in 2020 which was not repeated in 2021. This included supplies for sequestering employees, as well as barriers and materials to allow for better social distancing in the workspaces.

Other operating expenses increased 37.26%, which equates to roughly $91,000. This includes costs for casualty losses, bad debt write-off, and utility-wide training. Casualty losses and training expenses were up compared to 2020.

Investment income decreased approximately $151,000 as a result of lower investment returns on matured investments, amortization of premiums on investments, recognition of the unrealized gain/loss, and the accrued interest as of December 31, 2021.

Interest expense decreased 22.76% due to decreasing interest payments on the outstanding debt for most of 2021.

Grant revenue of $978,000 is the reimbursement of 2020 Covid-19 expenses approved and paid by primarily the State of Iowa CARES Act and a small amount from FEMA.

Capital contributions were approximately $1.4 million in 2021. This is down $405,000 million from 2020. This account varies widely from year-to-year depending on the capital projects constructed that are funded by other entities. Water Works recognized roughly $600,000 for a booster station in the northwest part of the service area which was partially funded by Polk City and nearly $500,000 for a feeder main on Hwy G14, which was funded by Norwalk. And finally, approximately $4.2 million in capital contributions were recognized for water mains conveyed by contractors for new development in Water Works' service areas. The amount of conveyed water mains can also fluctuate widely from year to year.

The aforementioned fluctuations result in an overall increase in net position of 11.73%. This includes a 16.92% increase in operating revenues and a decrease in operating expenses of 3.03%.

Year ended December 31, 2020: Current assets increased 63.58%. The biggest driver of the increase is the cash balance in our general account, the cash position of our operating reserves, and a new account for invested operating cash. This balance can fluctuate widely from year to year due to timing of receiving customer payments and paying vendors and contractors. Specifically, in 2020, progress on capital projects were slower than anticipated, due in part to the Covid-19 pandemic. Additionally, there is a larger balance in construction payables to the City of Des Moines at the end of 2020. DMWW was a participant in these city-led projects that required water main replacement or water main alterations. The City sends DMWW an invoice for reimbursement of DMWW project costs at the end of the project, after the City has reconciled project quantities and change orders for the entire project. The larger balance in construction payables results in more cash on hand.

Other noncurrent assets decreased by 7.76% in 2020. This equates to approximately $1.3 million in lower investment balances. As previously stated, the cash position of investments was higher at the end of 2020 compared to the end of 2019, which means the invested balance as of December 31, 2020, was lower.

Deferred outflows of resources increased $2.8 million, or 53.21%, in 2020. There are deferred outflows relating to the DMWW Pension Plan, IPERS, DMWW's defined other post-employment benefits (OPEB) plan, and advanced refunding of bonds.

The deferred outflows for pensions show the effects of actuarial differences, changes in assumptions, differences between actual and projected earnings on plan investments, and changes in proportion between Water Works' contributions and proportionate share of contributions, which is specific only to the IPERS' plan.

For the DMWW Pension Plan, the deferred outflows increased by approximately $682,000. There was an increase in deferred outflows related to the differences between expected and actual experience of approximately $38,000. The deferred outflows related to changes assumptions resulted in an increase of approximately $720,000. This is due primarily to the change in the long-term rate of return on assets from 6.00% to 5.60%.

For IPERS, deferred outflows increased by approximately $205,000. Deferred outflows related to changes in assumptions decreased by roughly $580,000. The deferred outflows related to the change in proportionate share decreased by approximately $125,000. Each year, DMWW's proportionate share is updated based on the utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. This change in proportionate share changes the amounts DMWW needs to recognize on the financial statements for deferred inflows, deferred outflows and net pension liability. Finally, due to unfavorable investment returns for the IPERS' fiscal year (July 2019 – June 2020), the net position related to investment results changed from a deferred inflow of approximately $1.5 million to a deferred outflow of nearly $900,000, resulting in an overall change to the deferred position of approximately $2.5 million.

More information on the changes to deferred outflows and inflows related to pensions can be found in Note 5 of the financial statement, starting on page 35.

The deferred outflows for other post-employment benefits (OPEB) show the effects of differences between expected and actual experience and changes in assumptions. For DMWW's OPEB plan, deferred outflows related to changes in assumptions in the 12/31/2020 valuation resulted in an increase of $2.1 million. This is primarily due to the decrease in the discount rate used in valuing the OPEB liability.

The deferred outflows relating to bonds decreased by approximately $218,000. This is the amortization of the difference between the reacquisition price and the net carrying amount of the 2006 bonds which were advanced refunded in 2012.

Current liabilities increased 16.44%, or nearly $3.3 million. Construction payables were approximately $1.8 million higher. As mentioned, construction payables on City of Des Moines' projects were higher in 2020. Accounts payable was nearly $900,000 higher at the end of 2020. This balance can vary widely from year to year due to receipt of vendor invoices.

Other noncurrent liabilities increased nearly $3.1 million in 2020. The OPEB liability increased by nearly $3.3 million due to the reduction in the discount rate. The net pension liability for the DMWW Pension Plan decreased by approximately $2.2 million while the net pension liability for IPERS increased by nearly $2.8 million. Other noncurrent liabilities also include unearned revenue amortized over a period of 10 to 20 years. This liability decreased by approximately $700,000 as the unearned revenue is recognized as income.

Long-term debt decreased 23.10% in 2020 due to the reclassification of $3,832,000 of the scheduled 2021 debt service payments to short-term liabilities.

Deferred inflows of resources increased by approximately $323,000. There are deferred inflows relating to the DMWW Pension Plan, IPERS, and DMWW's defined other post-employment benefits (OPEB) plan.

The deferred inflows for pensions show the effects of actuarial differences, changes in assumptions, and differences between actual and projected earnings on plan investments.

For the DMWW Pension Plan, deferred inflows increased by approximately $1.9 million. Most of this change is due to favorable investment returns in 2020 which increased the deferred inflow on expected and net investment income. The changes in deferred inflows relating to expected and actual experience and changes in assumptions were minimal.

For IPERS, deferred inflows decreased by nearly $1.6 million. While deferred inflows related to differences between expected and actual experience accounted for approximately $92,000, the big change was on the deferred inflow related to expected and actual income. Due to lower-than-expected investment performance for the IPERS' fiscal year (July 2019 – June 2020), the deferred position related to investment earnings changed from a $1.5 million deferred inflow to a $900,000 deferred outflow. This resulted in a $1.5 million decrease in the deferred inflow related to investment earnings.

Water sales were up 12.74% in 2020. This equates to nearly $8.0 million in additional water revenue. Consumption was approximately 9% higher in 2020 compared to 2019. This higher consumption, coupled with a moderate increase in water rates on April 1, 2020, contributed to the overall increase in revenue. Water rates are designed to cover the cost of water service to Water Works' various customer classes.

Revenue for billing and collection services was up 3.04%. This is mainly due to higher revenue from the City of Des Moines as their fees are based on a percentage of billed amounts. As rates increase, so does the revenue for billing and collecting for those services.

Connection fees were down 29.03% or nearly $360,000 compared to 2019. These fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Purchased capacity revenue for 2020 increased by $2.4 million. This revenue in 2020 represents the continued amortization of unearned revenue and the scheduled debt service payments received by the wholesale participants of the 2012B bonds. The 2019 purchased capacity revenue only contains the amortization of unearned revenue. This unearned revenue represents cash contributions which funded the Saylorville Water Treatment Plant, the L.D. McMullen Water Treatment Plant, and projects to increase capacity in the overall core network. Financial participation in the construction of the plants allows users to participate in lower purchased capacity water rates. Unearned revenue balances are amortized to purchase capacity revenue over the length of the contract, generally 10 to 20 years.

Revenue from other sales and services decreased 8.62% in 2020. Included in this line are numerous revenue items in the utility including reconnect fees, credit card convenience fees, stop box repairs, distribution system repairs, operating and maintenance costs for shared-use facilities, lab testing, etc. Revenue from termination fees and stop box repairs decreased in 2020, as DMWW temporarily suspended collection cuts in response to the pandemic. In 2019, there was a refund of right-of-way fees from the City of Des Moines which did not occur in 2020. Offsetting these decreases in revenue are increases relating to the operations and maintenance costs for shared-use and suburban-owned/DMWW operated facilities. There were higher costs to operate and maintain these facilities which directly equates into additional revenue charged to the entities benefitting from the facilities. Finally, DMWW implemented a backflow late fee in 2020 for customers who do not submit backflow testing results in a timely manner.

Other operating income decreased $610,000 in 2020. In 2019, DMWW received a legal settlement from the contractor removing residuals from the McMullen Water Treatment Plant from 2013 to 2015.

Operating labor and benefits increased by less than 1.00%.

Operating labor expenses were up nearly 9.0%, equating to $1.2 million, over 2019. Modest increases in wage rates along with more hours charged to operating labor projects contributed to the increase. The increase in labor hours can primarily be attributed to groups of employees in the Water Production department being sequestered during the first weeks of the Covid-19 pandemic to ensure the continuous production of safe, clean drinking water. Those employees were paid overtime in addition to their regular scheduled hours. Finally, accrued leave expenses also increased as employees had higher vacation and sick leave balances at the end of 2020.

The cash outlay for benefits was also up nearly 9.0%, or approximately $645,000, over 2019. The increase in employer paid medical insurance premiums was just over $400,000. The required employer contributions to IPERS, the actuarial defined contribution to the DMWW Pension Plan, and the statutory amounts paid for Social Security and Medicare taxes increased by approximately $240,000.

Finally, the entries for the balance sheet items related to pensions (both the DMWW Pension Plan and IPERS) and other post-employment benefits (OPEB); such as, deferred inflows or resources, deferred outflows of resources, net pension liability, and other post-employment benefits liability are reported as benefits expense. There was $1.1 million of net expense related to amortization of the balance sheet items in 2020, compared to $2.8 million of net expense in 2019. This is a reduction of expenses of nearly $1.7 million.

Chemical expenses were up 8.09%, which equates to an increase of nearly $375,000, in 2020. Higher pumpage in 2020, coupled with slightly higher chemical prices, resulted in more chemical expense.

Utilities expense was up 8.13% in 2020. Higher pumpage in 2020 increased electric usage at the three treatment plants and the numerous booster stations located throughout the utility's service area. Telecommunication expenses remained flat while fuel costs for the fleet decreased versus the prior year.

Corporate insurance was up 12.73% in 2020. Insurance premium expenses were $222,000 higher in 2020 due to increases in property values and a tightening of the overall insurance market. Workers' compensation claims expensed in 2020 were roughly $71,000 lower.

Purchased services increased $1.1 million, or 13.69% compared to 2019. The main contributor of this increase is related to lime residual removal expenses. Removal expenses were up $695,000. Higher pumpage from the Fleur Drive Treatment Plant, which requires lime residual removal, accounted for approximately $170,000 of the increase. Removal efforts from the McMullen Treatment Plant focused on residual material being removed from the windrow storage areas to off-site storage or to end-users for land application. These efforts resulted in nearly $525,000 in higher costs compared to 2019. Services related to operations and maintenance of the treatment plants and remote sites increased by approximately $155,000. Expenses related to computer maintenance contracts were up approximately $400,000 due to increased costs relating to the new customer billing system, server support, and cyber-security.

Materials, supplies and equipment increased by approximately 4.54% in 2020 which totals roughly $175,000. Included in this cost category are a multitude of items such as postage, inventory items and repair parts for the maintenance of the treatment facilities distribution system and fleet vehicles. Materials and supplies related to the Covid-19 pandemic resulted in approximately $160,000 of additional expenses. This included supplies for sequestering employees, as well as barriers and materials to allow for better social distancing in the workspaces.

Other operating expenses decreased 15.23%, which equates to roughly $44,000. This includes costs for casualty losses, bad debt write-off, and utility-wide training. Casualty losses were up, bad debt write-off was flat, and training expenses were down significantly compared to 2019 due to the pandemic.

Investment income decreased approximately $253,000 as a result of amortization of premiums on investments, recognition of the unrealized gain/loss, and the accrued interest as of December 31, 2020.

Interest expense decreased 14.83% due to decreasing interest payments on outstanding debt. Capital contributions were approximately $5.4 million in 2020. This is down $4.9 million from 2019. This account varies widely from year-to-year depending on the capital projects constructed that are funded by other entities. Water Works recognized roughly $660,000 in capital contributions in 2020 from the DMWW Park Foundation for design and construction administration costs for park improvements. This is down approximately $2.1 million from 2019. The booster station in the southwest part of DMWW's service area for the benefit of Norwalk, West Des Moines, and Cumming was completed in early 2020. The contributed capital for this project was $312,000 in 2020, down from $1.4 million in 2019. A feeder main was finished in the northwest part of the service area, which was partially funded by Polk City, resulting in contributed capital of approximately $775,000 in 2020. And finally, approximately $3.7 million in capital contributions was recognized for water mains conveyed by contractors for new development in Water Works' service areas. The amount of conveyed water mains can also fluctuate widely from year to year.

The aforementioned fluctuations result in an overall increase in net position of 7.82%. This includes a 9.5% increase in operating revenues and an increase in operating expenses of 4.52%.

Capital Assets and Debt Administration

During 2021, net capital assets increased $11.9 million or 3.20%. In addition to replacing aged and deteriorating water mains, the utility continues to reinvest in water treatment, production, storage and capacity. A new booster station in the northwest part of the service area and a feeder main in the southwest part of the service area are being constructed. There are several large capital projects to replace, improve, and rehabilitate areas of the three treatment plants. Finally, a standpipe in Des Moines and a tank in Pleasant Hill were painted. There were no significant changes to the condition of infrastructure assets, nor were there any changes made to standard service lives of those assets.

As of December 31, 2021, the only outstanding debt is the Water Revenue Capital Loan Note, Series 2003 through the Drinking Water State Revolving Fund (SRF). This debt is scheduled to be paid off in 2022, the outstanding balance of $157,000 is shown in current liabilities.

During 2020, net capital assets increased $10,040,600 or 2.78%. In addition to replacing aged and deteriorating water mains, the utility continues to reinvest in water treatment, production, storage and capacity. A new customer information and billing system was implemented in November 2020. A new booster station in the southwest part of the service area and a feeder main in the northwest part of the service area were placed into service in 2020. Three out of four trains of the UF membrane system were replaced at the Saylorville Water Treatment Plant. Rehabilitation of the radial collector wells at the McMullen Water Treatment Plant was started. There were no significant changes to the condition of infrastructure assets, nor were there any changes made to standard service lives of those assets.

Water Works' long-term debt was $13,653,025 as of December 31, 2020. The decrease of approximately $4.1 million is due to scheduled principal payments.

Economic Factors

Due to the Water Works' large concentration of residential customers, weather impacts revenue to a greater degree than do economic cycles. Water Works budgets revenues and expenses based on anticipated consumption for a "normal" weather year. Most service areas received a modest water rate increase in 2021.

Requests for Information

If the reader has questions or would like additional information, please direct the request to: Amy Kahler, Chief Financial Officer, 2201 George Flagg Parkway, Des Moines, Iowa 50321-1190.

Des Moines Water Works

Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	$ 35,251,029	$ 19,364,271
Investments	1,590,900	4,947,393
Restricted assets, cash	1,001,627	907,277
Accounts receivable:		
Billed	7,644,204	8,576,726
Unbilled	2,613,898	2,451,278
Receivables for capital projects funded by other entities	574,049	2,351,588
Interest receivable	1,162	44,966
Inventory, materials and supplies	4,130,745	3,528,943
Prepaid expenses	1,377,902	1,205,446
Total current assets	54,185,516	43,377,888
Restricted assets, cash and investments:		
Cash	-	996,521
Water revenue bond reserve fund	-	4,439,786
Water revenue bond improvement fund	-	600,000
	-	6,036,307
Long-term investments, board designated funds	6,473,212	9,449,749
Capital assets:		
Land	8,208,369	8,208,369
Construction-in-progress	7,899,450	5,691,558
Buildings, equipment and machinery	206,719,368	202,951,563
Supply system	60,344,512	59,372,828
Distribution system	316,300,802	298,669,171
	599,472,501	574,893,489
Accumulated depreciation	(215,796,170)	(203,104,998)
Capital assets, net	383,676,331	371,788,491
Noncurrent assets:		
Net pension asset	477,996	-
Other assets	172,651	327,217
	650,647	327,217
Total assets	444,985,706	430,979,652
Deferred outflows of resources		
Deferred charge on refunding	-	515,916
Other postemployment benefit related amounts	3,266,160	3,144,974
Pension related amounts	1,881,583	4,366,722
	5,147,743	8,027,612
Total assets and deferred outflows of resources	$ 450,133,449	$ 439,007,264

See notes to basic financial statements.

	2021	2020
Liabilities		
Current liabilities:		
Accounts payable	**$ 2,404,257**	$ 3,603,854
Accrued wages and benefits	**1,044,215**	958,028
Compensated absences	**3,025,913**	3,312,881
Unearned revenue	**-**	722,580
Special deposits	**1,931,707**	1,904,902
Construction payables	**4,253,313**	7,486,462
Water revenue bonds interest payable	**841**	43,007
Current portion of long-term debt	**189,859**	3,880,066
Fees collected for other entities	**791,484**	907,277
Workers' compensation claims payable	**118,803**	449,260
Other current liabilities	**43,849**	-
Total current liabilities	**13,804,241**	23,268,317
Noncurrent liabilities:		
Long-term debt, less current installments	**-**	13,653,025
Compensated absences, less current portion	**760,586**	661,360
Net pension liability	**306,879**	17,568,986
Total other postemployment benefits liability	**18,494,555**	18,793,745
Unearned revenue	**-**	2,502,356
Total noncurrent liabilities	**19,562,020**	53,179,472
Total liabilities	**33,366,261**	76,447,789
Deferred inflows of resources		
Pension related amounts	**16,277,276**	5,199,586
Other postemployment benefit related amounts	**3,569,267**	2,122,572
	19,846,543	7,322,158
Net position		
Net investment in capital assets	**379,233,159**	347,284,854
Restricted, bond indentures	**160,143**	5,517,346
Unrestricted	**17,527,343**	2,435,117
Total net position	**396,920,645**	355,237,317
Total liabilities, deferred inflows of resources and net position	**$ 450,133,449**	$ 439,007,264

Des Moines Water Works

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating revenues:		
Water sales	$ 74,242,595	$ 68,117,735
Purchased capacity revenue	10,993,228	3,112,611
Other sales and services	4,688,066	5,412,404
Connection fees	718,658	879,667
Total operating revenues	90,642,547	77,522,417
Operating expenses:		
Labor	14,638,532	14,190,396
Group insurance	3,695,374	3,517,572
Retirement benefits (including social security)	1,353,978	5,692,646
Purchased services	8,915,900	9,196,415
Corporate insurance	1,074,697	1,333,313
Materials, supplies and equipment	3,824,210	4,035,196
Chemicals	5,082,185	4,988,278
Utilities	3,500,554	3,388,750
Depreciation	12,834,785	10,392,827
Other	336,298	245,011
Total operating expenses	55,256,513	56,980,404
Operating income	35,386,034	20,542,013
Nonoperating revenue (expense):		
Investment income	15,922	166,563
Interest and amortization expense	(457,764)	(592,689)
Land use income	194,661	178,586
Gain on sale of capital assets	6,200	46,000
Other	2,644	2,809
Total nonoperating expense, net	(238,337)	(198,731)
Income before capital contributions and grants	35,147,697	20,343,282
Other revenue:		
Capital contributions	5,557,588	5,432,251
Grant revenue	978,043	-
Total other revenue	6,535,631	5,432,251
Change in net position	41,683,328	25,775,533
Net position, beginning of year	355,237,317	329,461,784
Net position, end of year	$ 396,920,645	$ 355,237,317

See notes to basic financial statements.

Des Moines Water Works

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from customers	$ 88,253,091	$ 73,304,930
Cash paid to suppliers	(24,994,312)	(22,340,431)
Cash paid to employees and for payroll taxes	(22,940,393)	(21,483,491)
Net cash provided by operating activities	40,318,386	29,481,008
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(16,830,066)	(3,779,796)
Acquisition, construction and removal cost of capital assets	(23,761,813)	(14,925,877)
Contributions received	4,125,411	967,145
Interest paid	(497,180)	(604,633)
Net cash used in capital and related financing activities	(36,963,648)	(18,343,161)
Cash flows from investing activities:		
Proceeds from maturities of investments	17,384,666	22,102,007
Purchase of investments	(6,011,849)	(25,111,240)
Interest received	59,727	175,136
Land use income and other	197,305	181,395
Net cash provided by (used in) investing activities	11,629,849	(2,652,702)
Net increase in cash	14,984,587	8,485,145
Cash, beginning of year	21,268,069	12,782,924
Cash, end of year	$ 36,252,656	$ 21,268,069
Reconciliation of cash to the statements of net position:		
Cash	$ 35,251,029	$ 19,364,271
Restricted assets, cash current	1,001,627	907,277
Restricted assets, cash long term	-	996,521
Total cash, end of year	$ 36,252,656	$ 21,268,069

(Continued)

Des Moines Water Works

Statements of Cash Flows (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 35,386,034	$ 20,542,013
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	12,834,785	10,392,827
Change in:		
Accounts receivable, billed	932,522	(2,860,524)
Accounts receivable, unbilled	(162,620)	(220,807)
Inventory, materials and supplies	(601,802)	(218,535)
Prepaid expenses	(172,456)	62,081
Other assets	154,567	3,161
Accounts payable	(1,199,603)	875,814
Accrued wages and benefits and compensated absences	(101,554)	764,046
Pension related amounts	(4,177,274)	45,062
Total other postemployment benefit liability related amounts	1,026,319	1,108,015
Unearned revenue	(3,224,936)	(710,070)
Special deposits	26,805	100,478
Fees collected for other entities	(115,793)	(529,722)
Workers' compensation claims payable	(330,457)	127,169
Other current liabilities	43,849	-
Net cash provided by operating activities	$ 40,318,386	$ 29,481,008
Schedule of noncash capital and related financing activities:		
Acquisition of capital assets through capital contributions	$ 4,187,760	$ 3,657,064
Acquisition of capital assets through construction payables	$ 3,233,149	$ (1,804,514)
Trade-in value towards assets purchased	$ 6,200	$ 46,000
Schedule of noncash investing activities, net depreciation of the fair value of investments	$ 11,878	$ 2,213

See notes to basic financial statements.

Des Moines Water Works
Pension Plan

Statements of Plan Net Position
December 31, 2021 and 2020

	2021	2020
Assets		
Investments, contracts with insurance companies, pooled separate accounts	**$ 63,863,603**	$ 61,058,128
Liabilities, none	**-**	-
Net position held in trust restricted for pension benefits	**$ 63,863,603**	$ 61,058,128

See notes to basic financial statements.

Des Moines Water Works
Pension Plan

Statements of Changes in Plan Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Additions:		
Investment income:		
Investment income, including net appreciation in the fair value of pooled separate accounts, interest and dividends	$ 4,976,257	$ 6,804,238
Less investment expense	(26,243)	(24,205)
Net investment income	4,950,014	6,780,033
Employer contributions	1,483,159	1,457,910
Total additions	6,433,173	8,237,943
Deductions:		
Benefit payments	3,612,256	3,254,898
Administrative expenses	15,442	5,553
Total deductions	3,627,698	3,260,451
Net increase	2,805,475	4,977,492
Net position held in trust restricted for pension benefits:		
Beginning of year	61,058,128	56,080,636
End of year	$ 63,863,603	$ 61,058,128

See notes to basic financial statements.

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies

Nature of business: Des Moines Water Works (Water Works) is managed and controlled by the Board of Water Works Trustees of the City of Des Moines, Iowa (the Board), which exists under the provisions of Chapter 388 and other relevant statutes of the Code of Iowa. The five-member Board is appointed by the Mayor of Des Moines with the approval of the City Council. Trustees serve for six-year staggered terms.

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.

Water Works provides water and other services to retail and wholesale customers in the City of Des Moines (the City) and surrounding communities.

Reporting entity: Accounting principles generally accepted in the United States of America require the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Water Works has authority to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. Based on these criteria, the Water Works is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these financial statements.

Other organization: The Des Moines Water Works Park Foundation (Foundation) is a nonprofit organization formed in November 2013 to implement the Master Plan for Water Works Park. The Foundation is a separate entity, with its own Board of Directors and Advisory Council. The primary purpose of The Foundation is to raise awareness and funds to develop, maintain and operate Water Works Park for the benefit of the public in terms of recreation, education, and support of Water Works' mission to provide a steady supply of safe water to our customers.

Water Works does not provide any funding to the Foundation and the Foundation does not meet the financial benefit/burden criteria; therefore, the Foundation's financial statements are separate from Water Works' financial statements. Water Works provided engineering support and oversight for the planning and construction of the Master Plan to ensure that park improvements are consistent with Water Works' mission of providing safe water.

Significant accounting policies:

Basis of accounting and measurement focus: The Water Works accounts for its activities as an enterprise fund. The economic measurement focus and the accrual basis of accounting are used by the Water Works. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Water Works are included in the statement of net position.

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 (Statements and Interpretations), constitutes GAAP for governmental units.

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Fiduciary fund type: The Water Works also includes a pension trust fund, a fiduciary fund type. Pension trust funds are accounted for in essentially the same manner as the enterprise fund, using the same measurement focus and basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Pension Trust Fund accounts for the assets of the Des Moines Water Works Pension Plan. This plan is included in the reporting entity as the plan is administered through a pension trust fund and meets the criteria of a fiduciary component unit of Water Works.

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 amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and investments: For the purpose of the statement of cash flows, Water Works considers cash balances maintained in demand deposit and restricted accounts at financial institutions to be cash. Excess cash invested temporarily in financial institutions is considered an investing activity and is not considered to be cash.

Investments as of December 31, 2021 and 2020 were in U.S. government obligations and are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same – that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. Purchases and sales of securities are recorded on a trade-date basis. See Note 2 for additional information regarding fair value measures.

Revenue recognition: Customers served by Water Works are billed on a monthly cyclical basis based on usage. Water Works accrues estimated unbilled water revenues for services rendered from the last billing date through year-end.

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

Capital contributions: Water Works receives capital contributions under cost sharing arrangements made with area municipalities for capital projects and infrastructure improvements to the water system. These arrangements are formalized in 28E agreements executed and approved by the Board of Water Works Trustees. Revenue is recorded for the shared portion of the costs as progress on the related projects is completed. Water Works also receives capital contributions when real estate developers convey constructed water mains. The mains are conveyed by the contractor who constructed them and are approved by the Board of Water Works Trustees. The Water Works records revenue upon conveyance of the mains at their estimated acquisition value, based on an estimate of the cost it would have incurred to construct them internally.

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Transactions with the City of Des Moines: Water Works provides water service to the City without charge except for the Sewage Treatment Works, Des Moines International Airport and City golf courses. The value (computed at the commercial rate) of the service provided without charge was $1,246,031 and $1,138,444 in 2021 and 2020, respectively.

Water Works has an agreement to pay the City a Payment in Lieu of Taxes (PILOT). This amount was calculated in 2009 by applying the City millage rate for police and fire to the value of buildings and land operated and controlled by Water Works located within the City at that time. The total PILOT payment was $1,359,081 and $1,231,117 in 2021 and 2020, respectively and is included in the purchased services line in operating expenses.

Billings and collection agent services: Water Works serves as the billing and collection agent for fees related to sewage treatment, solid waste and storm water collection for certain political subdivisions (including the City). Separate accounting records are maintained by Water Works for these collection services. Fees collected not yet remitted by Water Works to the applicable entities totaled $791,484 and $907,277 as of December 31, 2021 and 2020, respectively. These fees have been reflected in Water Works' statement of net position and were remitted to the City, other political subdivisions and third-party provider of the Water Works' service line protection program subsequent to year-end. Processing fees billed to those entities for billing and collection services provided by Water Works totaled approximately $1,982,000 and $1,893,000 in 2021 and 2020, respectively. Water Works bears the total cost of meter reading, cash processing and statement preparation and mailing.

Inventories: Inventories are stated at the lower of average cost or market. The costs of these materials and supplies are recorded as an expense at the time they are relieved from inventory for use.

Board designated funds: These assets are reserves held for any contingencies.

Restricted assets, cash and investments: Water Works is required, under the water revenue bond resolutions, to reserve certain assets to provide for payment of the bonds and interest for protection of the bondholders, and for the improvement and extension of facilities. Disbursement of these assets is restricted by the purpose of the respective funds.

Capital assets: Capital assets are recorded at cost and depreciated utilizing the straight-line method over estimated useful lives as follows:

	Years
Buildings, equipment and machinery	3-85
Supply system	20-85
Distribution system	10-100

Expenses for maintenance, repairs and minor replacements are charged to operations. Expenses for major repairs and betterments are capitalized. Water Works' capitalization threshold is $1,000. When capital assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in the statement of revenues, expenses and changes in net position.

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Net position: Net position represents the difference between assets and deferred outflows of resources and 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 or liability used for acquisition, construction or improvement of those assets and increased by deferred outflows of resources for deferred charges on refundings and unspent bond proceeds. 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. As of December 31, 2021 and 2020, Water Works did not have unspent bond proceeds.

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.

Rates: The Board has full authority to establish rates. As part of the rate-setting process, Water Works performs an annual Cost of Service Study to determine the cost of operations. This Study is based on a standard water industry model. Based upon the Study, rates are set to fund future operations. Costs related to operations and maintenance, depreciation based on estimated replacement cost of capital assets (which differs from depreciation expense recorded for financial reporting purposes), debt service and return on capital are factored into the rate design as well as demand factors from various customer classes.

Unearned revenue: During 1996 and years subsequent, Water Works entered into contractual agreements with other political subdivisions to sell treatment capacity to these entities. In exchange for purchasing these amounts of capacity, the political subdivisions will be able to purchase water at a lower wholesale water rate. Purchasers were offered the option of cash payment or participating in issues of water revenue bonds. For entities choosing to pay cash in advance, Water Works recorded these amounts as unearned revenue and amortized the amounts into income over periods of 10 to 20 years which corresponded with debt service schedule for the 2012B bonds. For entities participating in the bond issues, Water Works recognized this revenue on a monthly basis as the entities were billed and as the principal and interest payments became due on the bonds. During the year ending December 31, 2021, Water Works paid off the 2012B bonds, and the remaining amount of unearned revenue was recognized during the year ending December 31, 2021. As of December 31, 2021, Water Works had no unearned revenue relating to contractual agreements and has recognized $3,216,181 of revenue during 2021. As of December 31, 2020, Water Works had $3,224,936 of unearned revenue relating to contractual agreements and has recognized $718,825 of revenue during 2020.

Compensated absences: Vacation is accrued as a liability as it is earned. Sick leave benefits do not vest; however, upon retirement, an employee may receive pay for 90% of his or her accumulated sick leave up to a maximum of 810 hours. The maximum payable to employees who are eligible for retirement has been recorded as a liability as well as an estimate for employees who are probable of becoming eligible in the future.

Bond premiums and discounts: Bond premiums and discounts are deferred and amortized over the terms of the related bonds utilizing a method which approximates the effective interest method. Debt issuance costs are expensed as incurred.

Note 1. Nature of Business, Reporting Entity and Significant Accounting Policies (Continued)

Pensions: The net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and the Des Moines Water Works Pension Plan and additions to/deductions from these fiduciary net positions have been determined on the same basis as they are reported by IPERS and the Des Moines Water Works Pension Plan. 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 outflow of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods(s) and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding reported in the statement of net position qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources for pension and OPEB related amounts consist of unrecognized items not yet charged to pension and OPEB expense and pension contributions from Water Works after the measurement date but before the end of Water Works' reporting period.

Deferred inflows of resources: Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected in the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. The statement of net position includes pension and OPEB related amounts as a deferred inflow of resources. The pension and OPEB related amounts consist of unrecognized items not yet charged against pension and OPEB expense.

Reclassifications: Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no effect on ending net positions of changes in net position.

Risks and uncertainties: The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of business and people throughout the United States. The Water Works continues to monitor the latest information and guidance from the Centers for Disease Control and Prevention (CDC) and the Iowa Department of Public Health (IDPH). Customer demand for water service did not decline as a result of COVID-19. The Water Works had additional expenses related to COVID-19 of approximately $1.0 million in 2020. Most of these expenses were labor costs to sequester operational employees at the three treatment plants during the uncertain, initial weeks of COVID-19 in order to ensure a continuous supply of safe drinking water was provided to the community. Most of these costs were recovered by CARES federal grant funding. The extent to which the coronavirus will impact the Water Works' results will depend on future developments, which continue to remain uncertain and cannot be predicted.

Note 2. Cash and Investments

GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* requires state and local governments to disclose certain risks. The disclosures required by GASB Statement No. 40 provide readers with information concerning the credit and interest risks associated with the Water Works' deposits and investments.

Authorized investments: Water Works is authorized to invest in obligations of the U.S. government, its agencies and instrumentalities; certificates of deposit at federally insured Iowa depository institutions approved by the Code of Iowa, Chapter 12C; and repurchase agreements if the underlying collateral consists of obligations of the US government, its agencies and instrumentalities. The Water Works' investment policy prohibits investments in reverse repurchase agreements and futures and options contracts. In addition, investing pursuant to the following investment practices is prohibited: trading of securities for speculation of the realization of short-term trading gains; a contract providing for the compensation of an agent or fiduciary based upon the performance of the invested assets; or if a fiduciary or third party has failed to produce requested records within a reasonable time.

Fair value measurements: The Water Works categorizes its assets and liabilities measured at fair value within the hierarchy established by GAAP. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input: Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access at the measurement date.

Level 2 input: Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input: Inputs that are unobservable for the asset or liability which are typically based upon the Water Works' own assumptions as there is little, if any, related market activity.

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs: If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

As of December 31, 2021 and 2020, Water Works held $8,064,112 and $19,436,928 of U.S. Treasury securities reported at fair value, respectively. The Water Works utilized Level 1 inputs to measure the fair value of its investments as of both December 31, 2021 and 2020.

U.S. Treasury securities: U.S. Treasury securities are reported at fair value based on quoted market prices obtained from exchanges.

The Water Works has no assets reported at fair value on a nonrecurring basis and no other investments meeting the fair value disclosure requirements of GASB Statement No. 72.

Note 2. Cash and Investments (Continued)

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In an effort to limit exposure to fair value losses arising from interest rate risk, the Water Works' investment policy places maturity limitations on both operating funds and nonoperating funds. Operating funds are defined as those that are reasonably expected to be expended during the current budget year or within 15 months. Operating funds may only be invested in authorized instruments that mature within 397 days. Funds not identified as operating may be invested in investments with maturities longer than 397 days, but less than 1,726 days. All investments, however, shall have maturities that are consistent with the needs and uses of the Water Works.

Information about the sensitivity of the fair value of the Water Works' investments to market interest rate fluctuations is provided by the tables below for December 31, 2021 and 2020:

Type	Fair Value December 31, 2021	Within 3 Months	Within 6 Months	Within 9 Months	Within 12 Months	Over 12 Months
U.S. Treasury Note Bonds	$ 8,064,112	$ -	$ -	$ 1,997,340	$ 4,040,306	$ 2,026,466

Type	Fair Value December 31, 2020	Within 3 Months	Within 6 Months	Within 9 Months	Within 12 Months	Over 12 Months
U.S. Treasury Note Bonds	$ 19,436,928	$ 4,946,678	$ -	$ 2,013,125	$ 8,477,438	$ 3,999,687

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 policy does not formally address credit risk.

None of the Water Works' investments held as of December 31, 2021 and 2020 were subject to credit risk as they were explicitly guaranteed by the U.S. Government.

Concentration of credit risk: The policy defines diversification requirements for the Water Works' investments. Invested assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of security. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Liquidity practices shall be followed to ensure that funds required for the next disbursement date and next payroll date are covered through maturity investments, marketable U.S. Treasury bills or cash on hand. Risks of market price volatility shall be controlled through maturity diversification so that aggregate price losses on investments with maturities approaching one year shall not be greater than coupon interest and investment income received from the balance of the portfolio.

Investments issued or explicitly guaranteed by the U.S. Government are not subject to concentration of credit risk. All of Water Works' investments as of December 31, 2021 and 2020, were issued by the U.S. government.

The Water Works' investments during the year did not vary substantially from those at year-end in amounts or level or risk.

Note 2. Cash and Investments (Continued)

Custodial credit risk: The custodial credit risk for deposits and investments is the risk that, in the event of the failure of a depository financial institution or counterparty (for example, broker-dealer) to a transaction, a government will not be able to recover deposits or will not be able to recover collateral securities or the value of investments that are in the possession of an outside party. Deposits in financial institutions as of December 31, 2021 and 2020, and throughout the year are covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C, Code of Iowa. This Chapter provides additional assessments against the depositories to ensure there is no loss of public funds. Water Works' bank balances and book balances of deposits were $36,866,053 and $36,252,656, respectively, as of December 31, 2021. Water Works' bank balances and book balances of deposits were $21,478,778 and $21,268,069, respectively, as of December 31, 2020. Water Works' investments were not exposed to custodial credit risk as of December 31, 2021 or 2020.

Pension Plan Deposits and Investments

Deposits: As of December 31, 2021 and 2020, the Plan held no deposits.

Investments: The Plan's investments in pooled separate accounts are stated at net asset value based on the estimated fair value of the investments held in each account. Purchases and sales of securities are recorded on a trade date basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold, as well as, held during the year.

Authorized investments: The Des Moines Water Works Pension Plan's investment policy permits the named fiduciary to consider all asset classes allowed by Employee Retirement Income Security Act of 1974 (ERISA) as acceptable investment options and to select one or more customized investment portfolios and retain an investment manager to manage the assets of each such portfolio. The following assets classes are permitted for Plan investment options: Stable Value, Domestic Fixed Income, International or Foreign Fixed Income, Real Estate, Domestic Stock, International or Foreign Stock and Balanced/Asset allocation.

GASB Statement No. 40 requires plan investments to disclose an indication of the level of credit risk, concentration of credit risk and interest rate risk assumed by the Plan. These risk disclosures only pertain to fixed income investments. As of December 31, 2021 and 2020, the Plan had investments listed in the table below. Amounts are shown in dollars. Effective duration is shown in years.

Investments held by the Plan were not subject to custodial credit risk or foreign currency risk.

	2021		2020	
	Fair Value	Effective Duration	Fair Value	Effective Duration
Fixed income investments:				
Principal Core Fixed Income Account	$ 21,540,864	5.92	$ 20,926,821	6.13
Principal Bond Market Index Account	6,583,916	6.53	6,969,733	6.00
Principal High Yield I Account	2,532,418	4.16	2,434,418	4.15
Total fixed income investments	30,657,198		30,330,972	
Other investments, non-fixed income investments	33,206,405		30,727,156	
Total investments	$ 63,863,603		$ 61,058,128	

Note 2. Cash and Investments (Continued)

Asset allocation strategy: The Des Moines Water Works Pension Plan's named fiduciary asset allocation strategy shall identify target allocations to eligible asset classes and, where appropriate, suitable ranges within which each asset class can fluctuate as a percentage of the total fund. Each asset class is to remain suitably invested at all times in either cash (or cash equivalents) or permitted securities within each class. The assets classes may be rebalanced from time to time to take advantage of tactical misvaluations across major asset classes or investment styles, or to align the current asset mix with strategic targets.

The target allocations and long-term expected arithmetic and geometric rates of return for each major asset class as of December 31, 2021, are as follows:

Asset Class	Target Allocation	Expected Arithmetic Return	Expected Geometric Return
U.S. Equity–Large Cap	29%	7.70%	6.20%
U.S. Equity–Mid Cap	3	8.00	6.20
U.S. Equity–Small Cap	2	8.55	6.20
Non–U.S. Equity	17	8.00	6.20
REITs	-	7.30	5.65
TIPS	-	2.35	2.15
Core Bond	45	2.70	2.55
High Yield	4	4.65	4.20

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Note 2. Cash and Investments (Continued)

Credit risk and concentration of credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The pooled separate accounts held by the Plan are commingled pools, rather than individual securities. As a result, these investments are not rated. The Plan had the following investments as of December 31, 2021 and 2020:

	2021	2020
Principal pooled separate accounts:		
Fixed income:		
Core Fixed Income Account	$ 21,540,864	$ 20,926,821
Bond Market Index Account	6,583,916	6,969,733
Other fixed income	2,532,418	2,434,418
International equity:		
Overseas Account	2,352,617	2,666,330
Diversified International Account	5,597,781	4,069,158
Other international equity	2,967,187	3,585,455
Large U.S. equity:		
Large-Cap Growth I Account	7,222,302	6,696,765
Equity Income Account	7,381,045	6,706,117
Large-Cap S&P 500 Index	4,528,714	4,049,150
Small/Mid U.S. equity	3,156,759	2,954,181
	$ 63,863,603	$ 61,058,128

Investments measured at net asset value: The following table summarizes investments for which fair value is measured using the net asset value (NAV) per share practical expedient as of December 31, 2021 and 2020, respectively. There are no participant redemption restrictions for these investments.

Investment	2021 Value	2020 Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fixed income	$ 30,657,198	$ 30,330,972	$ -	Immediate	None
International equity	10,917,585	10,320,943	-	Immediate	None
Large U.S. equity	19,132,061	17,452,032	-	Immediate	None
Small/Mid U.S. equity	3,156,759	2,954,181	-	Immediate	None
Total investments measured at NAV	$ 63,863,603	$ 61,058,128	$ -		

Note 3. Capital Assets

Capital assets activity for the year ended December 31, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 8,208,369	$ -	$ -	$ 8,208,369
Construction-in-progress	5,691,558	20,528,664	18,320,772	7,899,450
Total capital assets not being depreciated	13,899,927	20,528,664	18,320,772	16,107,819
Capital assets being depreciated:				
Buildings, equipment and machinery	202,951,563	3,911,418	143,613	206,719,368
Supply system	59,372,828	971,684	-	60,344,512
Distribution system	298,669,171	17,631,631	-	316,300,802
Total capital assets being depreciated	560,993,562	22,514,733	143,613	583,364,682
Less accumulated depreciation for:				
Buildings, equipment and machinery	103,088,814	7,467,972	143,613	110,413,173
Supply system	21,719,078	631,875	-	22,350,953
Distribution system	78,297,106	4,734,938	-	83,032,044
Total accumulated depreciation	203,104,998	12,834,785	143,613	215,796,170
Total capital assets being depreciated, net	357,888,564	9,679,948	-	367,568,512
Net capital assets	$ 371,788,491	$ 30,208,612	$ 18,320,772	$ 383,676,331

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 8,208,369	$ -	$ -	$ 8,208,369
Construction-in-progress	14,716,100	16,776,391	25,800,933	5,691,558
Total capital assets not being depreciated	22,924,469	16,776,391	25,800,933	13,899,927
Capital assets being depreciated:				
Buildings, equipment and machinery	196,691,781	14,173,378	7,913,596	202,951,563
Supply system	58,571,610	801,218	-	59,372,828
Distribution system	284,185,771	14,483,400	-	298,669,171
Total capital assets being depreciated	539,449,162	29,457,996	7,913,596	560,993,562
Less accumulated depreciation for:				
Buildings, equipment and machinery	105,883,085	5,119,325	7,913,596	103,088,814
Supply system	20,956,709	762,369	-	21,719,078
Distribution system	73,785,973	4,511,133	-	78,297,106
Total accumulated depreciation	200,625,767	10,392,827	7,913,596	203,104,998
Total capital assets being depreciated, net	338,823,395	19,065,169	-	357,888,564
Net capital assets	$ 361,747,864	$ 35,841,560	$ 25,800,933	$ 371,788,491

Note 4. Noncurrent Liabilities

As of December 31, 2021, Water Works' debt consists of only Water Revenue Capital Loan Note, Series 2003 (through the Drinking Water State Revolving Fund (SRF)) as the Water Revenue Refunding Bonds Series 2012A and Series 2012B were paid off in 2021. Interest on the SRF note is payable semiannually on June 1 and December 1, with principal payable on December 1. The Series 2003 note matures on December 1, 2022. The bonds and note are redeemable at the option of Water Works prior to their maturity in whole or, from time to time, in part, in any order of maturity and within a maturity by lot, at a price of par plus accrued interest to call date.

Changes in long-term obligations for the years ended December 31, 2021 and 2020, are as follows:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Bonds:					
Series 2012 A & B	$ 16,630,000	$ -	$ 16,630,000	$ -	$ -
Water Revenue Capital Bond, Series 2003	309,000	-	152,000	157,000	157,000
Unamortized Bond Premium	513,166	-	513,166	-	-
Net pension liability (Note 5)	17,568,986	-	17,262,107	306,879	-
Total other postemployment benefits liability (Note 6)	18,793,745	-	299,190	18,494,555	-
Capital lease payable	80,925	-	48,066	32,859	32,859
Compensated absences	3,974,241	3,786,499	3,974,241	3,786,499	3,025,913
	$ 57,870,063	$ 3,786,499	$ 38,878,770	$ 22,777,792	$ 3,215,772

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Bonds:					
Series 2012 A & B	$ 20,195,000	$ -	$ 3,565,000	$ 16,630,000	$ 3,680,000
Water Revenue Capital Bond, Series 2003	457,000	-	148,000	309,000	152,000
Unamortized Bond Premium	733,640	-	220,474	513,166	-
Net pension liability (Note 5)	17,017,214	551,772	-	17,568,986	-
Total other postemployment benefits liability (Note 6)	15,508,879	3,284,866	-	18,793,745	-
Capital lease payable	147,721	-	66,796	80,925	48,066
Compensated absences	3,481,154	3,974,240	3,481,153	3,974,241	3,312,881
	$ 57,540,608	$ 7,810,878	$ 7,481,423	$ 57,870,063	$ 7,192,947

All bonds are secured by substantially all assets held by Water Works.

A summary of the aggregate principal and interest requirements outstanding for the Water Revenue Capital Loan Note is as follows:

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2022	1.75%	$ 157,000	$ 2,748	$ 159,748
		$ 157,000	$ 2,748	$ 159,748

Note 4. Noncurrent Liabilities (Continued)

The water revenue bond and water revenue capital loan bond resolutions (Resolutions) provide that future water customer revenues, net of specified operating expenses of Water Works, are pledged for the purpose of paying Series 2012 bonds. Proceeds from the bonds were used to provide additional infrastructure needs. The bonds are payable solely from customer net revenues. The Resolutions further require that sufficient monies be set aside to meet current expenses of Water Works. All remaining monies are to be segregated and restricted in separate special reserves. These special reserves are reflected as restricted assets on the statement of net position. The Resolutions also require the issuer maintain insurance coverage of a kind and in an amount, which usually would be carried by private companies engaged in a similar kind of business. Water Works maintains fire and extended coverage insurance in the amount of $419,359,116 on building and contents; in addition, liability insurance is maintained.

A summary of the outstanding debt, principal and interest requirements are as follows as of and for the year ended December 31, 2021:

	Issue Date	Year Maturing	Principal and Interest Remaining	Principal and Interest Paid in 2021	Annual Payments as a Percentage of Net Revenues
Water Revenue Bonds:					
Series 2012 A	10/30/2012	N/A	$ -	$ 1,106,825	2.30%
Series 2012 B	10/30/2012	N/A	-	16,011,350	33.20%
Water Revenue Capital Bond, Series 2003	4/16/2003	2022	159,748	157,407	0.33%
			$ 159,748	$ 17,275,582	35.83%

Total customer net revenues were $48,420,819. Annual principal and interest payments on the bonds are approximately 36% of net revenues.

The Water Works has financed the acquisition of certain equipment by means of capital leases; therefore, the leases were recorded at the inception date as a liability at the present value of the future minimum lease payments. The future minimum lease payments and the present value of the remaining minimum lease payments as of December 31, 2021, are as follows:

Maturing During Year Ending December 31:	Interest Rate	Total Annual Payment
2022	3.50%	$ 34,015
Total minimum lease payments		34,015
Less amount representing interest		1,156
Present value of future minimum lease payments		$ 32,859

Equipment as of December 31, 2021 includes the following assets under capital lease:

Equipment	$ 191,310
Less accumulated depreciation	(86,572)
Total	$ 104,738

Note 5. Retirement Plans

Plan information is as follows:

Below is a summary of amounts reported by the Water Works as of and for the year ended December 31, 2021:

	Des Moines Water Works Pension Plan	IPERS	Total
Net pension asset	$ 477,996	$ -	$ 477,996
Net pension liability		306,879	306,879
Deferred outflows of resources	430,428	1,451,155	1,881,583
Deferred inflows of resources	4,557,598	11,719,678	16,277,276
Pension expense (credit)	14,380	(1,047,474)	(1,033,094)

Below is a summary of amounts reported by the Water Works as of and for the year ended December 31, 2020:

	Des Moines Water Works Pension Plan	IPERS	Total
Net pension liability	$ 1,824,127	$ 15,744,859	$ 17,568,986
Deferred outflows of resources	1,514,059	2,852,663	4,366,722
Deferred inflows of resources	4,807,885	391,701	5,199,586
Pension expense	469,731	2,754,542	3,224,273

Note 5. Retirement Plans (Continued)

Des Moines Water Works Pension Plan:

Plan description: Water Works has a frozen noncontributory defined benefit single employer pension plan, established by the Board, called the Des Moines Water Works Pension Plan (the Plan). Benefits vest after five years of continuous service and normal retirement is allowed at or after age 65. Early retirement is allowed without a reduction in benefits beginning at age 55 if the employee's combined years of service and age are 85 or greater and is allowed with reduced benefits for vested employees with less than 30 years of service beginning at age 55. The Plan was restated effective December 31, 2013. After that date, accrued plan benefits were frozen and will not increase due to any changes in average compensation or continuous service after such date. The pension benefit formula is based upon a% of average compensation and the number of years of service with Water Works. A participant's monthly accrued benefit is equal to 1.5% of their average monthly compensation times their years of continuous service with Water Works. Average monthly compensation is determined by taking the average monthly pay for the 60 consecutive full calendar months out of the 120 calendar months prior to December 31, 2013, which gives the highest average. Subsequent to December 31, 2013, an active participant's retirement benefit on his or her retirement date shall be equal to their accrued benefit at December 31, 2013, increased by 5.5% per year from the later of a) December 31, 2013 or b) earlier of Normal Retirement date or when they meet the rule of 85. The Plan also provides death and disability benefits to vested employees. The Plan Administrator is the Board of Trustees of Des Moines Water Works. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to or calling the Water Works.

Basis of accounting: The Plan records are maintained on the accrual basis of accounting. Employer contributions to the Plan are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Membership data at December 31, 2021 and 2020 included:

	2021	2020
Active plan members	100	116
Inactive plan members entitled to but not yet receiving benefits	42	43
Disabled plan members entitled to but not yet receiving benefits	4	4
Retired plan members or beneficiaries currently receiving benefits	193	179
	339	342

Contributions: The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The Plan's funding policy provides for periodic employer contributions at rates that are sufficient to accumulate assets to pay benefits to Plan participants. Amounts contributed to the Plan from Water Works are determined by the Board of Trustees of Des Moines Water Works. However, as the Plan is exempt from ERISA funding requirements, any amount may be contributed to the Plan.

Rate of return: For the years ended December 31, 2021 and 2020, the annual money weighted rate of return on Plan investments, net of investment expense was 8.29% and 12.35%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 5. Retirement Plans (Continued)

Net pension liability: The total pension liability was determined using an actuarial valuation date of December 31, 2021 using generally accepted actuarial principles and methods. Water Works is utilizing December 31, 2021 as its measurement date for reporting its net pension liability and related deferred inflows/outflows of resources in their financial statements.

A schedule of the Plan's changes in its net pension liability for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Total pension liability		
Service cost	$ 481,077	$ 463,625
Interest	3,441,223	3,532,653
Benefit payments	(3,612,256)	(3,254,898)
Difference between expected and actual experience	77,689	(118,020)
Change in assumptions	115,619	2,108,486
Net change in total pension liability	503,352	2,731,846
Total pension liability—beginning of year	62,882,255	60,150,409
Total pension liability—end of year	$ 63,385,607	$ 62,882,255
Plan fiduciary net position		
Contributions—employer	$ 1,483,159	$ 1,457,910
Investment income (loss), net of investment expenses 2021 $26,243; 2020 $24,205	4,950,014	6,780,033
Benefit payments	(3,612,256)	(3,254,898)
Administrative expenses	(15,442)	(5,553)
Net change in plan fiduciary net position	2,805,475	4,977,492
Total plan fiduciary net position, beginning of year	61,058,128	56,080,636
Total plan fiduciary net position, end of year	$ 63,863,603	$ 61,058,128
Net pension liability (asset)	$ (477,996)	$ 1,824,127
Plan fiduciary net position as a percentage of the total pension liability	100.75%	93.23%

Change in assumptions: In the December 31, 2021, actuary valuation, the only update was the annual update to the Mortality Improvement Scale from Scale MP-2020 to MP-2021.

In the December 31, 2020, actuary valuation, the long-term rate of return on assets decreased from 6.00% to 5.60%.

In the December 31, 2020, actuary valuation, the mortality improvement scale was updated from the MP-2019 to the MP-2020.

Note 5. Retirement Plans (Continued)

Actuarial assumptions for the years ended December 31, 2021 and 2020 are as shown in the tables below:

	December 31, 2021
Actuarial valuation:	
Frequency	Annual
Cost method	Entry age normal
Assumptions:	
Long-term rate of return	5.60% per year
Salary increases	N/A—Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages through retirement. The projected inflation rate of 2.25% has been used in place of the projected rate of change in salary.
Retirement age	Retirement Age Based Tables as follows:

Active participants:

Age	Rate
55-57	5%
58-59	10
60	15
61	20
62	25
63	10
64	5
65 and older	100

Inactive participants

Age	Rate
55-61	10%
62	20
63-64	15
65 and older	100

Mortality	PubG-2010 Mortality Tables with Scale MP-2021, general employee, general disabled retiree and contingent survivor, male and female.
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.
Rate of withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.30.

Note 5. Retirement Plans (Continued)

	December 31, 2020
Actuarial valuation:	
Frequency	Annual
Cost method	Entry age normal
Assumptions:	
Long-term rate of return	5.60% per year
Salary increases	N/A—Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages through retirement. The projected inflation rate of 2.25% has been used in place of the projected rate of change in salary.
Retirement age	Retirement Age Based Tables as follows:

Active participants:

Age	Rate
55-57	5%
58-59	10
60	15
61	20
62	25
63	10
64	5
65 and older	100

Inactive participants

Age	Rate
55-61	10%
62	20
63-64	15
65 and older	100

Mortality	PubG-2010 Employee, male and female Retirees-PubG-2010 Healthy Retiree base table, male and female Mortality Improvement - MP-2020.
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.
Rate of withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.30.

Discount rate: The discount rate used to measure the total pension liability as of December 31, 2021 and 2020, was 5.60%. The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2021 to 2103, and 2020 to 2102, respectively. Benefit payments after 2103 are projected to be none. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 5. Retirement Plans (Continued)

Sensitivity of the Plan's net pension liability (asset) to changes in the discount rate: The following presents the Plan's net pension liability (asset) calculated as of December 31, 2021 and 2020, using the single discount rate of 5.60%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (4.60)%	Current Discount Rate (5.60)%	1% Increase (6.60)%
2021	$ 6,176,783	$ (477,996)	$ (6,169,526)

	1% Decrease (4.60)%	Current Discount Rate (5.60)%	1% Increase (6.60)%
2020	$ 8,492,443	$ 1,824,127	$ (3,882,859)

Pension expense and deferred outflows and inflows of resources related to pensions: For the years ended December 31, 2021 and 2020, Water Works recognized pension expense for the Plan of $14,380 and $469,731, respectively. At December 31, Water Works reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 40,694	$ 18,426	$ 20,675	$ 68,223
Effects of changes in assumptions	389,734	-	1,493,384	-
Net differences between expected and actual net investment income	-	4,539,172	-	4,739,662
	$ 430,428	$ 4,557,598	$ 1,514,059	$ 4,807,885

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended December 31:	
2022	$ (625,092)
2023	(2,161,925)
2024	(1,018,827)
2025	(321,326)
	$ (4,127,170)

Deferred outflows and inflows of resources for differences between expected and actual plan experience and effects of changes in assumptions will be recognized over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested, terminated, and retirees) as of the beginning of the measurement period. Deferred outflows and inflows of resources for differences between projected and actual earnings on pension plan investments will be recognized over a closed five-year period.

Note 5. Retirement Plans (Continued)

Iowa Public Employees' Retirement System (IPERS):

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 issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules there under. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension benefits: A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first (these qualifications must be met on the member's first month of entitlement to benefits). Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (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 .25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is .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 benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Note 5. Retirement Plans (Continued)

Contributions: Effective July 1, 2012, because of a 2010 law change, the 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% point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In 2021 and 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Water Works contributed 9.44% of covered payroll for a total rate of 15.73%.

The Water Works' contributions to IPERS for the years ended December 31, 2021 and 2020, were $1,661,021 and $1,721,301, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At December 31, 2021, the Water Works reported a liability of $306,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 participating governments. At June 30, 2021, the Water Works' proportion was 0.218900%, which was a decrease of 0.006808% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021 the Water Works recognized pension credit for IPERS of $1,047,474 and for the year ended December 31, 2020 the Water Works recognized pension expense for IPERS of $2,754,542. At December 31, the Water Works reported deferred outflows of resources and deferred inflows of resources related to the IPERS pension from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 233,492	$ 234,440	$ 17,394	$ 373,193
Changes of assumptions	200,725	-	808,178	-
Net difference between projected and actual investment earnings on pension plan investments	-	11,118,726	885,112	-
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	191,322	366,512	300,236	18,508
Water Works contributions subsequent to the measurement date	825,616	-	841,743	-
	$ 1,451,155	$ 11,719,678	$ 2,852,663	$ 391,701

Note 5. Retirement Plans (Continued)

The $825,616 reported as deferred outflows of resources related to pensions resulting from Water Works' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended December 31:	
2022	$ (2,718,833)
2023	(2,743,517)
2024	(2,548,074)
2025	(3,072,718)
2026	(10,997)
	$ (11,094,139)

Deferred outflows and inflows of resources for differences between expected and actual plan experience, changes in assumptions and changes in proportion will be recognized over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested, terminated and retirees) as of the beginning of the measurement period. Deferred outflows and inflows of resources for differences between projected and actual earnings on pension plan investments will be recognized over a closed five-year period.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2021. The following actuarial assumptions used in the June 30, 2021 and 2020 valuation are as follows:

Inflation	2.60%
Salary increases	3.25% to 16.25%, including inflation Rates vary by membership group
Long-term rate of return	7.00% compounded annually, net of investment expense and including inflation

Mortality rates were based on the mortality RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The demographic actuarial assumptions used in the June 30, 2021 and 2020, valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2017.

At the Investment Board's direction, the experience study of IPERS economic assumptions, including the long-term rate of return, was accelerated a year resulting in a full review of the economic assumptions in early 2017. The findings of the experience study on economic assumptions, along with the resulting recommendations, were included in a report dated March 24, 2017.

Note 5. Retirement Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method on which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and including 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 as of December 31, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22%	4.43%
International equity	18	6.01
Global smart beta equity	6	5.10
Core—plus fixed income	26	0.29
Public credit	4	2.08
Cash	1	(0.25)
Private equity	13	9.51
Private real assets	7	4.63
Private credit	3	2.87
	100%	

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2021 and 2020 was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer and employee contributions will be made at the contractually required rates, which are set by the Contribution Rate Funding Policy and derived from the actuarial valuation. 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 benefit 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 as of June 30, 2021 and 2020, using the discount rate of 7.00% as well as what the Water Works' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2021	$ 10,861,452	$ 306,879	$ (8,538,524)
2020	26,253,223	15,744,859	6,933,756

Note 5. Retirement Plans (Continued)

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 can be located at www.ipers.org.

Payables to the pension plan: At December 31, 2021 and 2020, respectively, the Water Works reported payables to the defined benefit pension plan of $127,388 and $133,312, for legally required employer contributions and $84,880 and $88,828 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 6. Other Postemployment Benefits (OPEB)

Plan description: The Water Works' defined benefit OPEB plan is a single-employer health care plan that provides certain postretirement health care benefits, in accordance with the policy established by the Board, to all employees who retire from Water Works after attaining age 55 with 5 years of service. The OPEB plan is administered by Water Works' staff and the Board has the authority to establish or amend the plan provisions or contribution requirements. 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.

Benefits provided: Water Works provides a Medicare supplement or equivalent amount to all employees who retire after attaining age 55, if the sum of their age and years of service are at least 85 or for those who retire after attaining age 65 regardless of length of service. Employees who retire prior to attaining age 65 with the sum of their age and years of service less than 85 receive a discounted benefit as provided by the plan document.

Contributions: The Water Works contributes an amount equal to the single premium rate for the Medicare Supplemental II post-65 health plan for retirees. Surviving spouse and spouses of active employees eligible for retirement may continue coverage under the Plan by paying the full cost of coverage. Retirees are not allowed to elect family coverage. If a spouse would like coverage, the retiree and the spouse must both elect separate plans with single coverage. Covered spouses are responsible for 100% of the cost.

Employees covered by benefit terms: At January 1, the following participants were covered by the benefit terms:

	2021	2020
Inactive participants currently receiving benefits	127	118
Active employees	194	207
	321	325

Total OPEB liability: The Water Works' total OPEB liability of $18,494,555 was measured as of December 31, 2021. The actuarial valuation was done as of December 31, 2021.

Note 6. Other Postemployment Benefits (OPEB) (Continued)

***Actuarial methods and assumptions*:** The total OPEB liability in the December 31, 2021 and 2020, actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation

Frequency	Biennial
Cost method	Entry age normal, level % of salary
Assumptions:	
Discount rate	2021: 2.25% 2020: 2.12%
Payroll growth	2021 & 2020: Based on the rates for general employees used in the IPERS valuation as of June 30, 2019. The rates include general wage inflation of 3.25% and merit/productivity increases as follows:

Years of Service	Rate
1	11.0%
5	4.5
10	2.3
15	1.2
20	0.6
25	0.4
30	0.1
35+	-

Inflation rate	2.60% per year

Note 6. Other Postemployment Benefits (OPEB) (Continued)

Health care trend rates

2021:

FYE	Pre-65	Post-65
2022	7.5%	6.50%
2023	7.0	6.25
2024	6.5	6.00
2025	6.0	5.75
2026	5.5	5.50
2027	5.0	5.25
2028	4.5	5.50
2029	4.5	4.75
2030+	4.5	4.50

2020:

FYE	Pre-65	Post-65
2021	7.5%	4.75%
2022	7.0	4.50
2023	6.5	4.50
2024	6.0	4.50
2025	5.5	4.50
2026	5.0	4.50
2027+	4.5	4.50

Mortality

2021: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 for actives and retirees

2020: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for actives and retirees

2021: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 for surviving spouses

2020: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses

The discount rate was based on the yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The discount rate was based on a range of indices using the highest rate from this range, rates were provided by S&P Municipal Bond 20-Year High Grade Rate Index and Bond Buyer 20-Bond General Obligation Index for the years ended December 31, 2021 and 2020, respectively.

Note 6. Other Postemployment Benefits (OPEB) (Continued)

Changes in the total OPEB liability:

	Total OPEB Liability
Balance as of December 31, 2019	$ 15,508,879
Changes for the year:	
Service cost	817,019
Interest	528,665
Changes in assumptions or other inputs	2,712,218
Differences between expected and actual experience	(552,889)
Contributions and payments made	(220,147)
Net changes	3,284,866
Balance as of December 31, 2020	18,793,745
Changes for the year:	
Service cost	1,087,723
Interest	418,967
Changes in assumptions or other inputs	832,650
Differences between expected and actual experience	(2,399,519)
Contributions and payments made	(239,011)
Net changes	(299,190)
Balance as of December 31, 2021	$ 18,494,555

The discount rate used to measure the total OPEB liability as of December 31, 2021 and 2020 was 2.25% and 2.12%, respectively.

Sensitivity of the 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 Works' approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current discount rate:

		2021	
	1% Decrease 1.25%	Discount Rate 2.25%	1% Increase 3.25%
Total OPEB liability	$ 21,511,975	$ 18,494,555	$ 16,057,028

		2020	
	1% Decrease 1.12%	Discount Rate 2.12%	1% Increase 3.12%
Total OPEB liability	$ 21,779,922	$ 18,793,745	$ 16,381,502

Note 6. Other Postemployment Benefits (OPEB) (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the Water Works, as well as what the Water Works' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50% decreasing to 3.50%) or 1-percentage-point higher (8.50% decreasing to 5.50%) than the current healthcare cost trend rates:

	2021		
	(6.50% Decreasing to 3.50%)	Health Care Cost Trend Rates (7.50% Decreasing to 4.50%)	(8.50% Decreasing to 5.50%)
Total OPEB liability	$ 15,591,980	$ 18,494,555	$ 22,249,940

	2020		
	(6.50% Decreasing to 3.50%)	Health Care Cost Trend Rates (7.50% Decreasing to 4.50%)	(8.50% Decreasing to 5.50%)
Total OPEB liability	$ 15,722,698	$ 18,793,745	$ 22,791,356

OPEB expense and deferred outflows and inflows of resources related to OPEB: For the years ended December 31, 2021 and 2020, the Water Works recognized OPEB expense of $1,265,330 and $1,328,162, respectively. At December 31, 2021 and 2020, the Water Works reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,735,299	$ -	$ 871,619
Changes of assumptions or other inputs	3,266,160	833,968	3,144,974	1,250,953
	$ 3,266,160	$ 3,569,267	$ 3,144,974	$ 2,122,572

Note 6. Other Postemployment Benefits (OPEB) (Continued)

Amounts reported as the deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense over the average remaining service lives of plan participants (actives and retirees) as follows:

Years ending December 31:		
2022	$	(241,360)
2023		(241,355)
2024		234,176
2025		84,638
2026		84,635
Thereafter		(223,841)
	$	(303,107)

Note 7. Risk Management

Water Works is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, natural disasters and malpractice.

Water Works purchases commercial insurance for property and casualty, employee health, life and long-term disability insurance. During the last three years, settled claims have not exceeded insurance coverage.

Beginning in 2014, Water Works became self-insured for workers' compensation claims and utilizes a third party administrator to process claims and payments. A stop loss policy limits claims losses to $4,052,368 per coverage year in the aggregate. The annual aggregate loss limit is a function of the estimated normal premium.

The claims liability of $118,803 and $449,260 as of December 31, 2021 and 2020, respectively, is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information indicates that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR) which represent estimates of the eventual loss on claims arising prior to year-end. Changes in the balance of claims liability during the year ended December 31, 2021 and 2020, is as follows:

		2021		2020
Unpaid claims, beginning of year	$	449,260	$	322,087
Current year claims and changes in estimates		(48,325)		252,237
Claim payments		(282,132)		(125,064)
Unpaid claims, end of year	$	118,803	$	449,260

Note 8. Commitments

Approximately $4,588,000 related to 2021 contracts has been formally committed as of December 31, 2021. In addition, the Board has approved approximately $45,932,000 of expenditures for capital acquisitions and improvements, all of which are expected to be expended in 2022. Approximately $16,000,000 of those capital acquisitions and improvements are budgeted to be funded through the Drinking Water State Revolving Fund (SRF) loans.

In 1983, Water Works determined additional water resources would be required for future customer needs. As a result, the Board has contracted with the United States of America—Army Corps of Engineers, through the state of Iowa, for water supply storage in the Saylorville Reservoir Project continuing through the life of the project. Under the contract, Water Works is required to pay a portion of future major renovation costs of the project. Water Works also pays a portion of the annual operation and maintenance costs of the project. Water Works portion of the operation and maintenance costs was approximately $133,000 in both 2021 and 2020.

On January 1, 2013, the Water Works and the Greater Des Moines Botanical Gardens (GDMBG) entered into an agreement for Water Works to provide for $200,000 of in-kind services to be performed for the GDMBG every year for ten years. For the year ended December 31, 2021 and 2020, Water Works provided in-kind services valued at approximately $195,000 and $208,000, respectively.

Note 9. New Governmental Accounting Standards Board (GASB) Statements

As of December 31, 2021, the GASB had issued the following Statement not yet implemented by the Water Works.

- GASB Statement No. 87**,** *Leases,* issued June 2017, will be effective for the Water Works beginning with its fiscal year ending December 31, 2022. Statement No 87. Is designed to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Water Works' management has not yet determined the effect this Statement will have on the Water Works' financial statements.

Des Moines Water Works

Required Supplementary Information
Schedule of Changes in Des Moines Water Works' Total OPEB Liability and Related Ratios

	2021	2020	2019	2018
Total OPEB liability				
Service cost	**$ 1,087,723**	$ 817,019	$ 485,096	$ 596,560
Interest	**418,967**	528,665	581,186	575,062
Differences between expected and actual experience	**(2,399,519)**	(552,889)	(333,106)	(351,291)
Changes of assumptions or other inputs	**832,650**	2,712,218	1,230,324	(2,501,908)
Benefit payments	**(239,011)**	(220,147)	(218,418)	(221,067)
Net change in total OPEB liability	**(299,190)**	3,284,866	1,745,082	(1,902,644)
Total OPEB liability—beginning	**18,793,745**	15,508,879	13,763,797	15,666,441
Total OPEB liability—ending	**$ 18,494,555**	$ 18,793,745	$ 15,508,879	$ 13,763,797
Covered payroll	**$ 17,595,555**	$ 18,234,117	$ 17,084,137	$ 16,881,645
Total OPEB liability as a percentage of covered payroll	**105.11%**	103.07%	90.78%	81.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of benefit terms: None

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2021	2.25%
2020	2.12
2019	3.26
2018	4.11

2021: The mortality rate updated from the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for actives and retirees and the SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses to the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 for actives and retirees and the SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 for surviving spouses.

2019: The mortality rate updated from the SOA RPH 2017 Total Dataset Mortality table fully generational using Scale MP-2017 to the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for actives and retirees and the SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 for surviving spouses.

See note to required supplementary information.

Des Moines Water Works

Required Supplementary Information
Schedule of Changes in Net Pension Liability
For the Years Ended December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014
Des Moines Water Works Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	**$ 481,077**	$ 463,625	$ 485,304	$ 465,354	$ 490,401	$ 523,384	$ 580,106	$ -
Interest	**3,441,223**	3,532,653	3,412,125	3,397,770	3,427,064	3,423,314	3,342,170	3,449,503
Benefit payments	**(3,612,256)**	(3,254,898)	(3,232,522)	(3,255,624)	(3,174,948)	(3,000,082)	(2,826,683)	(2,696,531)
Difference between expected and actual experience	**77,689**	(118,020)	95,861	(121,340)	(33,428)	441,617	320,599	305,961
Changes in assumptions	**115,619**	2,108,486	1,272,937	(257,396)	1,135,050	905,072	-	542,112
Net change in total pension liability	**503,352**	2,731,846	2,033,705	228,764	1,844,139	2,293,305	1,416,192	1,601,045
Total pension liability, beginning of year	**62,882,255**	60,150,409	58,116,704	57,887,940	56,043,801	53,750,496	52,334,304	54,637,659
Total pension liability, end of year	**$ 63,385,607**	$ 62,882,255	$ 60,150,409	$ 58,116,704	$ 57,887,940	$ 56,043,801	$ 53,750,496	$ 56,238,704
Plan fiduciary net position:								
Contributions—employer	**$ 1,483,159**	$ 1,457,910	$ 1,377,486	$ 1,236,796	$ 1,228,734	$ 597,434	$ 911,175	$ 906,542
Investment income (loss), net of investment expenses 2021, $26,243; 2020 $24,205; 2019 $23,849; 2018 $24,033; 2017 $23,425; 2016 $21,585; 2015 $22,091; 2014 $22,219	**4,950,014**	6,780,033	8,645,950	(2,559,058)	6,884,235	3,274,380	(629,997)	2,680,610
Benefit payments	**(3,612,256)**	(3,254,898)	(3,232,522)	(3,255,624)	(3,174,948)	(3,000,082)	(2,826,683)	(2,696,531)
Administrative expenses	**(15,442)**	(5,553)	(8,831)	(9,942)	(31,506)	(16,126)	(4,676)	(4,442)
Net change in plan fiduciary net position	**2,805,475**	4,977,492	6,782,083	(4,587,828)	4,906,515	855,606	(2,550,181)	886,179
Total plan fiduciary net position, beginning of year	**61,058,128**	56,080,636	49,298,553	53,886,381	48,979,866	48,124,260	50,674,441	49,788,262
Total plan fiduciary net position, end of year	**$ 63,863,603**	$ 61,058,128	$ 56,080,636	$ 49,298,553	$ 53,886,381	$ 48,979,866	$ 48,124,260	$ 50,674,441
Net pension liability (asset)	**$ (477,996)**	$ 1,824,127	$ 4,069,773	$ 8,818,151	$ 4,001,559	$ 7,063,935	$ 5,626,236	$ 5,564,263

Ultimately 10 fiscal years will be displayed. Information for years prior to 2014 is unavailable.

Change in assumptions: In the December 31, 2020, actuary valuation, the discount rate was reduced from 6.00% to 5.60%. In the December 31, 2017, actuary valuation, the discount rate was reduced from 6.25% to 6.00%. In the December 31, 2016, actuary valuation, the discount rate was reduced from 6.50% to 6.25%.

In the December 31, 2018, actuary valuation, the inflation rate increased from 2.00% to 2.25%.

In the December 31, 2021, actuary valuation, the mortality improvement scale was updated from the MP-2020 Improvement to the MP-2021 Improvement.

In the December 31, 2020, actuary valuation, the mortality improvement scale was updated from the MP-2019 Improvement to the MP-2020 Improvement.

In the December 31, 2019, actuary valuation, the mortality table was updated from the RP-2014 baseline mortality with MP-2018 Improvement to the Pub-2010 baseline with MP-2019 Improvement. The rate of withdrawal was updated to the 2003 Society of Actuaries Small Plan Age Table, multiplied by 0.45 to the 2003 Society of Actuaries Small Plan Age Table, multiplied by 0.30. The retirement age percentages by age group were also updated.

See note to required supplementary information.

Des Moines Water Works

Required Supplementary Information
Schedule of Net Pension Liability and Related Ratio
For the Years Ended December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014
Des Moines Water Works Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability, end of year	$ **63,385,607**	$ 62,882,255	$ 60,150,409	$ 58,116,704	$ 57,887,940	$ 56,043,801	$ 53,750,496	$ 56,238,704
Plan net position, end of year	**63,863,603**	61,058,128	56,080,636	49,298,553	53,886,381	48,979,866	48,124,260	50,674,441
Net pension liability	$ **(477,996)**	$ 1,824,127	$ 4,069,773	$ 8,818,151	$ 4,001,559	$ 7,063,935	$ 5,626,236	$ 5,564,263
Plan net position as a percentage of the total pension liability	**100.8%**	97.1%	93.2%	84.8%	93.1%	87.4%	89.5%	90.1%
Covered payroll	*	*	*	*	*	*	*	*
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Ultimately 10 fiscal years will be displayed. Information for years prior to 2014 is unavailable.

* As the Plan was frozen to future benefit accruals effective December 31, 2013, there was no covered payroll for the years ended December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

See note to required supplementary information.

Des Moines Water Works

Required Supplementary Information
Schedule of Investment Returns
For the Years Ended December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014
Des Moines Water Works Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	**8.29%**	12.35%	17.98%	(4.87)%	14.40%	7.00%	(1.27)%	5.51%

Ultimately 10 fiscal years will be displayed. Information for years prior to 2014 is unavailable.

See note to required supplementary information.

Des Moines Water Works

Required Supplementary Information
Schedule of Contributions from the Employer
Last Ten Fiscal Years
Des Moines Water Works Pension Plan

Plan Year Ended December 31:	Annual Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percent of Covered Payroll
2012	$ 2,782,486	$ 2,782,486	$ -	$ 12,186,884	0.00%
2013	2,915,710	2,915,710	-	11,453,783	25.46
2014	906,542	906,542	-	*	N/A
2015	911,175	911,175	-	*	N/A
2016	796,578	597,434	199,144	*	N/A
2017	1,029,590	1,228,734	(199,144)	*	N/A
2018	1,236,796	1,236,796	-	*	N/A
2019	1,377,486	1,377,486	-	*	N/A
2020	1,457,910	1,457,910	-	*	N/A
2021	**1,483,159**	**1,483,159**	**-**	*	**N/A**

The final contribution for the plan year ended December 31, 2016, was made by Water Works prior to year-end. However, the contribution was received by the Plan in January 2017.

* As the Plan was frozen to future benefit accruals effective December 31, 2013, there was no covered payroll for the years ended December 31, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

See note to required supplementary information.

Des Moines Water Works

Note to Required Supplementary Information
Des Moines Water Works Pension Plan

The information presented in the schedule of contributions from employer was determined as part of the annual actuarial valuations using the assumptions summarized below:

Actuarial valuation:	
Frequency	Annual
Cost method	Entry age normal
Amortization	The amortization method used is Level Dollar Over a Closed Period. The weighted average remaining period is 15 years.
Assumptions:	
Long-term rate of return	2020-2021-5.60% per year; 2017-2019-6.00% per year; 2016-6.25% per year; 2015-2014-6.50% per year.
Salary increases	N/A—Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages through retirement. The projected inflation rate of 2.25% for 2021, 2020, 2019 and 2018 and 2.00% for 2017, 2016, 2015 and 2014 has been used in place of the projected rate of change in salary.
Retirement age	Retirement Age Based Tables as follows:

Age	Rate
55-57	5%
58-59	10
60	15
61	20
62	25
63	10
64	5
65 and older	100

Mortality	PubG-2010 Mortality Tables with Scale MP-2021, general employee, general disabled retiree and contingent survivor, male and female.
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.
Rate of withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.30.

Changes of assumptions:

The 2021 valuation implemented the following refinements:

- The mortality assumption was updated to use the PubG-2010 Mortality Tables with Scale MP-2021 from the PubG-2010 Mortality Tables with Scale MP-2020.

The 2020 valuation implemented the following refinements:

- The expected long-term rate of return assumption was decreased from 6.00% to 5.60%.
- The mortality assumption was updated to use the PubG-2010 Mortality Tables with Scale MP-2020 from the PubG-2010 Mortality Tables with Scale MP-2019.

The 2019 valuation implemented the following refinements:

- The mortality assumption rate was updated to PubG-2010 General base rate mortality table with scale MP-2019, based on data published by the SOA in October 2019.
- The withdrawal rate was updated to use the 2003 Society of Actuaries Basic Plan Age Table, multiplied by 0.30 from the 2003 Society of Actuaries Basic Plan Age Table, multiplied by 0.45.
- The retiree age based table was updated as follows:

Year Ended December 31, 2019	
Age	Rate
55-57	5%
58-59	10
60	15
61	20
62	25
63	10
64	5
65 and older	100

The 2018 valuation implemented the following refinements:

- Increased the inflation rate from 2.00% to 2.25%.
- The mortality assumption rate was updated to adjusted RP-2014 mortality with scale MP-2018, based on data published by the SOA in 2018 from adjusted RP-2014 mortality with scale MP-2017, based on data published by the SOA in 2017.

The 2017 valuation implemented the following refinements:

- Decreased the expected long-term rate of return assumption from 6.25% and 6.00%.
- The mortality assumption rate was updated to adjusted RP-2014 mortality with scale MP-2017, based on data published by the SOA in 2017 from adjusted RP-2014 mortality with scale MP-2016, based on data published by the SOA in 2016.

The 2016 valuation implemented the following refinements:

- Decreased the liability interest rate and asset return from 6.50% and 6.25%.
- The mortality assumption rate was updated to adjusted RP-2014 mortality with scale MP-2016, based on data published by the SOA in 2016 from adjusted RP-2014 mortality with scale MP-2015, based on data published by the SOA in 2015.
- The retirement age based table was updated as follows:

Year Ended December 31, 2016	
Age	Rate
55	25%
56-61	15
62	20
63	5
64	10
65 and older	100

The 2015 valuation implemented the following refinements:

- The mortality assumption rate was updated to adjusted RP-2014 mortality with scale MP-2015, based on data published by the SOA in 2015 from adjusted RP-2014 mortality with scale MP-2014.
- The retirement age based table was updated as follows:

Year Ended December 31, 2015	
Age	Rate
55	25%
56	15
57-61	5
62	20
63	5
64	10
65 and older	100

Des Moines Water Works

Required Supplementary Information
Schedule of the Water Works' Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System

Year ending December 31:	**2021**	2020	2019	2018	2017	2016	2015	2014
Measurement date	**June 30, 2021**	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Water Works' proportion of the net pension liability	**0.218900%**	0.225708%	0.223592%	0.220673%	0.219512%	0.214469%	0.216317%	0.130958%
Water Works' proportionate share of the net pension liability	**$ 306,879**	$ 15,744,859	$ 12,947,441	$ 13,964,723	$ 14,622,270	$ 13,497,195	$ 10,687,114	$ 5,193,679
Water Works' covered payroll	**$ 17,595,555**	$ 18,234,117	$ 17,084,137	$ 16,881,645	$ 16,072,005	$ 15,391,075	$ 14,819,686	$ 8,569,339
Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	**1.74%**	86.35%	75.79%	82.72%	90.98%	87.69%	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	**100.81**	82.90%	84.38%	83.62%	82.21%	81.82%	85.19%	87.61%

Ultimately 10 fiscal years will be displayed. Information for years prior to 2014 is unavailable.

See note to required supplementary information.

Des Moines Water Works

Required Supplementary Information
Schedule of Contributions from the Employer
Last Ten Fiscal Years
Iowa Public Employees' Retirement System

Year Ended December 31:	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2012	$ 123,421	$ 123,421	$ -	N/A	N/A
2013	196,544	196,544	-	N/A	N/A
2014	1,297,307	1,297,307	-	N/A	N/A
2015	1,404,619	1,404,619	-	$ 15,729,212	8.93%
2016	1,401,116	1,401,116	-	15,689,986	8.93
2017	1,435,230	1,435,230	-	16,072,005	8.93
2018	1,550,376	1,550,376	-	16,881,645	9.18
2019	1,612,743	1,612,743	-	17,084,137	9.44
2020	1,721,301	1,721,301	-	18,234,117	9.44
2021	**1,661,021**	**1,661,021**	**-**	**17,595,555**	**9.44**

N/A - Not available.

See note to required supplementary information.

Note to Required Supplementary Information—IPERS Pension Liability
Iowa Public Employees' Retirement System

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

Changes of assumptions:

2021 valuation
- None

2020 valuation
- None

2019 valuation
- None

2018 valuation:
- Mortality assumption was changed to the family of RP-2014 Mortality Tables for all groups, with mortality improvements modeled using Scale MP-2017.
- Retirement rates for Regular members were lowered to better reflect actual experience. For the Sheriffs and Deputies, the retirement assumption was modified to reflect lower retirement rates at the younger ages. For the Protection Occupation group, the retirement rates were modified both higher and lower across the age ranges.
- Disability rates were lowered for all groups to better reflect the actual experience.
- Termination rates for Regular members were adjusted to better reflect actual experience. Separate termination assumptions were adopted for the two Special Service groups and the assumptions were changed to be service-based rather than age-based.
- The probability of a vested member electing to receive a deferred benefit was adjusted for Regular members to better reflect actual experience.
- The merit component of the salary increase assumption was adjusted to better reflect actual salary increases.

2017 valuation:
- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

2014 valuation:
- Decreased the inflation 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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Board of Water Works Trustees, Billing and Collection Agent for the Sewer Service Charges for the City of Des Moines, Iowa

Statements of Cash Receipts and Cash Disbursements
Years Ended December 31, 2021 and 2020
(With Independent Auditor's Report Thereon)

RSM

Independent Auditor's Report

RSM US LLP

Board of Water Works Trustees,
Billing and Collection Agent for the
Sewer Service Charges for the
City of Des Moines, Iowa

Opinion

We have audited the financial statements of Board of Water Works Trustees, Billing and Collection Agent for the Sewer Service Charges for the City of Des Moines, Iowa (the Agent), which comprise the statements of cash receipts and cash disbursements for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts collected and cash disbursements paid arising from cash transactions of Billing and Collection Agent for the Sewer Service Charges for the City of Des Moines, Iowa, during the years ended December 31, 2021 and 2020 in accordance with the cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Billing and Collection Agent for the Sewer Service Charges for the City of Des Moines and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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, 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 Billing and Collection Agent for the Sewer Service Charges for the City of Des Moines, Iowa's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Billing and Collection Agent for the Sewer Service Charges for the City of Des Moines, Iowa's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Des Moines, Iowa
June 15, 2022

Board of Water Works Trustees, Billing and Collection Agent
For the Sewer Service Charges for the City of Des Moines, Iowa

Statements of Cash Receipts and Cash Disbursements
Years Ended December 31, 2021 and 2020

	2021	2020
Cash receipts, sewer service charges	$ 44,653,900	$ 42,370,554
Cash disbursements:		
Remittances to the City of Des Moines	43,956,717	41,885,081
Billing and collection services	795,407	761,873
Total cash disbursements	44,752,124	42,646,954
Cash receipts under cash disbursements	(98,224)	(276,400)
Cash receipts balance, beginning of year	221,564	497,964
Cash receipts balance, end of year	$ 123,340	$ 221,564

See notes to statements of cash receipts and cash disbursements.

Note 1. Reporting Entity and Nature of Business

The statements of cash receipts and cash disbursements included in this report reflect only the cash receipts and disbursements related to the agreement with the Des Moines Water Works and the City of Des Moines, Iowa for billing and collection agent service charges for sewer.

The Des Moines Water Works serves as the billing and collection agent for the sewer service charges for the City of Des Moines, Iowa. Billings are prepared monthly in conjunction with water bills and are billed subsequent to the service period covered.

As part of the agreement with the City of Des Moines, Des Moines Water Works bears the total cost of meter reading, cash processing and statement preparation and mailing. And in exchange for these services performed, Des Moines Water Works charges the entities processing fees for these billing and collection services provided. The current agreement with the City of Des Moines is effective through June 30, 2029, with Des Moines Water Works charging a flat 1.76% billing service fee on billed amounts. Either party may cancel their commitment with one-year advance notice to the other party.

Note 2. Basis of Accounting

These statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the liability is incurred. Therefore, uncollected billings for sewer service charges of $3,726,161 and $3,937,980 as of December 31, 2021 and 2020, respectively, are not reflected in the statements of cash receipts and disbursements.

Board of Water Works Trustees, Billing and Collection Agent for the Storm Water Management Charges for the City of Des Moines, Iowa

Statements of Cash Receipts and Cash Disbursements
Years Ended December 31, 2021 and 2020
(With Independent Auditor's Report Thereon)

RSM

Independent Auditor's Report

RSM US LLP

Board of Water Works Trustees,
Billing and Collection Agent for the
Storm Water Management Charges for the
City of Des Moines, Iowa

Opinion
We have audited the financial statements of Board of Water Works Trustees, Billing and Collection Agent for the Storm Water Management Charges for the City of Des Moines, Iowa (the Agent), which comprise the statements of cash receipts and cash disbursements for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts collected and cash disbursements paid arising from cash transactions of Billing and Collection Agent for the Storm Water Management Charges for the City of Des Moines, Iowa, during the years ended December 31, 2021 and 2020 in accordance with the cash basis of accounting described in Note 2.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Billing and Collection Agent for the Storm Water Management Charges for the City of Des Moines, Iowa and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter—Basis of Accounting
We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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, 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 Billing and Collection Agent for the Storm Water Management Charges for the City of Des Moines, Iowa's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Billing and Collection Agent for the Storm Water Management Charges for the City of Des Moines, Iowa's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Des Moines, Iowa
June 15, 2022

Board of Water Works Trustees, Billing and Collection Agent
For the Storm Water Management Charges for the City of Des Moines, Iowa

Statements of Cash Receipts and Cash Disbursements
Years Ended December 31, 2021 and 2020

	2021	2020
Cash receipts, storm water management charges	**$ 30,072,031**	$ 27,727,395
Cash disbursements:		
Remittances to the City of Des Moines	**29,612,078**	27,318,222
Billing and collection services	**539,904**	495,604
Total cash disbursements	**30,151,982**	27,813,826
Cash receipts under cash disbursements	**(79,951)**	(86,431)
Cash receipts balance, beginning of year	**163,868**	250,299
Cash receipts balance, end of year	**$ 83,917**	$ 163,868

See notes to statements of cash receipts and cash disbursements.

Notes to Statements of Cash Receipts and Cash Disbursements

Note 1. Reporting Entity and Nature of Business

The statements of cash receipts and cash disbursements included in this report reflect only the cash receipts and disbursements related to the agreement with the Des Moines Water Works and the City of Des Moines, Iowa for billing and collection agent service charges for storm water.

The Des Moines Water Works serves as the billing and collection agent for the storm water management charges for the City of Des Moines, Iowa. Billings are prepared monthly in conjunction with water bills and are billed subsequent to the service period covered.

As part of the agreement with the City of Des Moines, Des Moines Water Works bears the total cost of meter reading, cash processing and statement preparation and mailing. And in exchange for these services performed, Des Moines Water Works charges the entities processing fees for these billing and collection services provided. The current agreement with the City of Des Moines is effective through June 30, 2029, with Des Moines Water Works charging a flat 1.76% billing service fee on billed amounts. Either party may cancel their commitment with one-year advance notice to the other party.

Note 2. Basis of Accounting

These statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the liability is incurred. Therefore, uncollected billings for storm water management charges of $2,758,050 and $2,477,037 as of December 31, 2021 and 2020, respectively, are not reflected in the statements of cash receipts and disbursements.

Board of Water Works Trustees, Billing and Collection Agent for the Solid Waste Collection Charges for the City of Des Moines, Iowa

Statements of Cash Receipts and Cash Disbursements
Years Ended December 31, 2021 and 2020
(With Independent Auditor's Report Thereon)

RSM

Independent Auditor's Report

RSM US LLP

Board of Water Works Trustees
Billing and Collection Agent for the
Solid Waste Collection Charges for the
City of Des Moines, Iowa

Opinion

We have audited the financial statements of Board of Water Works Trustees, Billing and Collection Agent for the Solid Waste Collection Charges for the City of Des Moines, Iowa (the Agent), which comprise the statements of cash receipts and cash disbursements for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts collected and cash disbursements paid arising from cash transactions of Billing and Collection Agent for the Solid Waste Collection Charges for the City of Des Moines, Iowa, during the years ended December 31, 2021 and 2020 in accordance with the cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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, Billing and Collection Agent for the Solid Waste Collection Charges for the City of Des Moines, Iowa and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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, 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 Billings and Collection Agent for the Solid Waste Collection Charges for the City of Des Moines, Iowa's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Billings and Collection Agent for the Solid Waste Collection Charges for the City of Des Moines, Iowa's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Des Moines, Iowa
June 15, 2022

Board of Water Works Trustees, Billing and Collection Agent
For the Solid Waste Collection Charges for the City of Des Moines, Iowa

Statements of Cash Receipts and Cash Disbursements
Years Ended December 31, 2021 and 2020

	2021	2020
Cash receipts, solid waste collection charges	$ 14,713,239	$ 13,766,293
Cash disbursements:		
Remittances to the City of Des Moines	14,480,904	13,561,746
Billing and collection services	265,599	248,867
Total cash disbursements	14,746,503	13,810,613
Cash receipts under cash disbursements	(33,264)	(44,320)
Cash receipts balance, beginning of year	87,820	132,140
Cash receipts balance, end of year	$ 54,556	$ 87,820

See notes to statements of cash receipts and cash disbursements.

Notes to Statements of Cash Receipts and Cash Disbursements

Note 1. Reporting Entity and Nature of Business

The statements of cash receipts and cash disbursements included in this report reflect only the cash receipts and disbursements related to the agreement with the Des Moines Water Works and the City of Des Moines, Iowa for billing and collection agent service charges for solid waste collection (which includes yard waste).

The Des Moines Water Works serves as the billing and collection agent for the solid waste collection charges for the City of Des Moines, Iowa. Billings are prepared monthly in conjunction with water bills and are billed in advance of the service period covered.

As part of the agreement with the City of Des Moines, Des Moines Water Works bears the total cost of meter reading, cash processing and statement preparation and mailing. And in exchange for these services performed, Des Moines Water Works charges the entities processing fees for these billing and collection services provided. The current agreement with the City of Des Moines is effective through June 30, 2029, with Des Moines Water Works charging a flat 1.76% billing service fee on billed amounts. Either party may cancel their commitment with one-year advance notice to the other party.

Note 2. Basis of Accounting

These statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the liability is incurred. Therefore, uncollected billings for solid waste collection charges of $1,752,122 and $1,474,303 as of December 31, 2021 and 2020, respectively, are not reflected in the statements of cash receipts and disbursements.