



Roll Call Number

Agenda Item Number

48

Date August 4, 2025

Receipt of the following reports from Des Moines Water Works:

1. Letter to the Board of Water Work Trustees, June 5, 2025.
2. Financial Report, December 31, 2024 and 2023.
3. Statements of Cash Receipts and Disbursements, for years ended December 31, 2024 and 2023:
 - 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
BOESEN				
SIMONSON				
VOSS				
COLEMAN				
WESTERGAARD				
MANDELBAUM				
GATTO				
TOTAL				
MOTION CARRIED		APPROVED		

CERTIFICATE

I, Laura Baumgartner, 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.

Mayor

City Clerk

- Significant estimates:
 - Depreciable useful lives of capital assets
 - Fair value of investments
 - Total other postemployment benefit plan (OPEB) liability and assumptions
 - Net pension liability and assumptions
 - Unbilled revenue and allowance for doubtful accounts
 - Compensated absences

Audit Adjustments and Uncorrected Misstatements

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

We identified the following uncorrected misstatements that management has concluded are not, individually or in the aggregate, material to the basic financial statements. We agree with management's conclusion in that regard. Uncorrected misstatements or matters underlying them could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Description	Effect—Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
Reversal of prior year misstatement					
Projected misstatements					
Reversal of prior year misstatement - Accounts Receivable was overstated at 12/31/2023	\$ -	\$ -	\$ (544,000)	\$ 544,000	\$ -
Totals					
Total uncorrected misstatements	\$ -	\$ -	-	\$ 544,000	\$ -
Increase in net income			544,000		
Cumulative effect on net position			\$ -		

Internal Control Matters and Compliance Findings

We have separately communicated internal control matters and compliance findings over financial reporting identified during our audit of the financial statements, as required by *Government Auditing Standards*. This communication is attached to this letter.

Other Matters

As previously mentioned, in the current year Water Works adopted GASB Statement No. 101, *Compensated Absences*. In light of this matter, we have included an emphasis of matter paragraph in the auditor's report. Below is a copy of the paragraph included in the auditor's report:

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Water Works adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, effective January 1, 2023 as a result of required retrospective implementation. Our opinions are not modified with respect to this matter.

Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Water Works Trustees, and RSM each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

The Water Works' Responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - Changes in the organizational structure or the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, component units or jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Water Works and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into arrangements of nonaudit services resulting in RSM being involved in making management decisions on behalf of the Water Works.
- Not entering into relationships resulting in close family members of RSM covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Water Works.

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 the Water Works.

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

RSM VS LLP



**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards**

RSM US LLP

Independent Auditor's Report

Board of Water Works Trustees
Des Moines Water Works

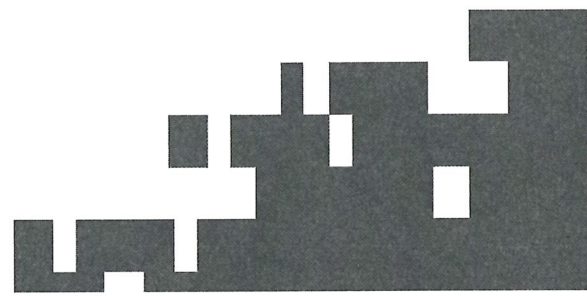
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of the Des Moines Water Works (the Water Works), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Water Works' basic financial statements, and have issued our report thereon dated June 5, 2025. Our report includes an emphasis of matter paragraph for the Water Works' implementation of GASB Statement No. 101, *Compensated Absences*. Our opinions were not modified with respect to this matter. The financial statements of the Water Works' pension trust fund were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Water Works' pension trust fund, a fiduciary component unit of the Water Works.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water Works' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the Water Works' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Kansas City, Missouri
June 5, 2025

June 5, 2025

RSM US LLP
4622 Pennsylvania Avenue, Suite 1100
Kansas City, MO 64112

This representation letter is provided in connection with your audits of the basic financial statements of Des Moines Water Works, Des Moines, Iowa (the Water Works), as of and for the years ended December 31, 2024 and 2023 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 5, 2025:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 22, 2025, 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 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 controls to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, 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. The methods, assumptions and data used to estimate the pension and other post-employment benefit (OPEB) liabilities are as follows, and result in an estimate that is appropriate for financial statement measurement and disclosure purposes and have been consistently selected and applied in making the estimate: the methods used in the measurement process, including the related assumptions and/or models used in determining the estimate described in the respective actuarial reports. Significant judgments made in making the estimate have taken into account all relevant information of which we are aware. Appropriate specialized skills or expertise has been applied in making the estimate. The assumptions listed above properly reflect our intent and ability to carry out the specific courses of actions previously communicated to you on behalf of the Water Works. We have also appropriately considered alternative assumptions or outcomes through evaluating alternative assumptions or outcomes with our actuaries. All disclosures related to the estimate, including disclosures describing estimation uncertainty, are complete and reasonable in the context of U.S. GAAP. No subsequent events have occurred that would require adjustment to the estimate and related disclosures included in the financial statements.

RSM US LLP
June 5, 2025
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6. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the Water Works include those with its fiduciary component unit:
7. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
8. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. Risk disclosures associated with deposit and investment securities are presented in accordance with GASB requirements.
11. Provisions for uncollectible receivables have been properly identified and recorded.
12. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.
13. The government properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.
14. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
15. The Water Works' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.
16. Leases have been properly identified, recorded and disclosed in accordance with GASB Statement No. 87, *Leases*.
17. Subscription-based technology information arrangements (SBITAs) have been properly identified, recorded and disclosed in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.
18. In the audit engagement letter dated January 22, 2025, we requested that you perform the nonaudit service of printing and binding of the financial statements.

With respect to this service:

- a. We have made all management decisions and performed all management functions;
- b. We assigned an appropriate individual to oversee the services;

RSM US LLP
June 5, 2025
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- c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
 - d. We have accepted responsibility for the results of the services; and
 - e. We have accepted responsibility for all significant judgments and decisions that were made.
19. 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.
20. 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. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
21. We believe the implementation of the GASB Statements listed below is appropriate:
- a. GASB Statement No. 100, *Accounting Changes and Error Corrections* – disclosures related to the implementation of GASB Statement No. 101.
 - b. GASB Statement No. 101, *Compensated Absences* – revised the estimated process around estimated liabilities for compensated absences.
22. We have informed you of all uncorrected misstatements.

As of and for the year ended December 31, 2024, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are quantitatively and qualitatively immaterial, both individually and in the aggregate, to the opinion units of the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Description	Effect—Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expense
Reversal of prior year misstatement					
Projected misstatements					
Reversal of prior year misstatement - Accounts Receivable was overstated at 12/31/2023	\$ -	\$ -	\$ (544,000)	\$ 544,000	\$ -
Totals					
Total uncorrected misstatements	\$ -	\$ -	-	\$ 544,000	\$ -
Increase in net income			544,000		
Cumulative effect on net position			\$ -		

RSM US LLP
June 5, 2025
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Information Provided

23. 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 basic 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 Water Works from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Trustees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
24. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.
25. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.
26. We have no knowledge of allegations of fraud or suspected fraud affecting the Water Works' basic 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 basic financial statements.
27. We have no knowledge of any allegations of fraud or suspected fraud affecting the Water Works' basic financial statements received in communications from employees, former employees, analysts, regulators, or others.
28. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
29. We have disclosed to you all known actual or possible litigation, claims or assessments; unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Government Accounting Standards Board (GASB) Codification Section C50, Claims and Judgments; or other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements.
- There are no other unasserted claims or assessments which are probable of assertion.
30. 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.
31. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Water Works' ability to record, process, summarize and report financial data.

RSM US LLP
June 5, 2025
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32. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
33. It is our responsibility to inform you of all current and potential affiliates of the Water Works as defined by the "State and Local Government Client Affiliates" interpretation (ET sec. 1.224.020). Financial interests in, and other relationships with, affiliates of the Water Works may create threats to independence. We have:
 - a. Provided you with all information we are aware of with respect to current and potential affiliates, including degree of influence assessments and materiality assessments.
 - b. Notified you of all changes to relevant considerations that may impact our determination of the existence of current or potential affiliates involving (i) changes in the determination of the materiality of an entity to the Water Works' financial statements as a whole, (ii) the level of influence the Water Works has over an entity's financial reporting process or (iii) the level of control or influence the Water Works or a potential or current affiliate has over an investee that is not trivial or clearly inconsequential, sufficiently in advance of their effective dates to enable the Water Works and RSM US LLP to identify and eliminate potential impermissible services and relationships between RSM US LLP or its associated entities and those potential affiliates, prior to the effective dates.
 - c. Made you aware, to the best of our knowledge and belief, of any nonaudit services that the Water Works or any of our affiliates has engaged RSM US LLP or any of its associated entities to perform.
34. We agree with the findings of the specialists in evaluating Water Works' investment valuations, other postemployment benefits liability under GASB Statement No. 75 and pension related obligations and disclosures under GASB Statement No. 68 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.
35. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary 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 plan's actuary.
36. We believe that the information obtained from the audited financial statements of and other participant information provided by Iowa Public Employees' Retirement System (IPERS) is appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the plan or its auditor 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 plan or its auditor.
37. 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.

RSM US LLP
June 5, 2025
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Required Supplementary Information

38. 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 required supplementary information.
 - b. We believe such required supplementary information is measured and 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:

- 39. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- 40. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
- 41. 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.
- 42. 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.
- 43. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
- 44. Has a process to track the status of audit findings and recommendations, if any.

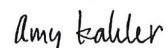
RSM US LLP
June 5, 2025
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45. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.

Des Moines Water Works

Signed by:

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Ted Corrigan,
Chief Executive Officer and General Manager

DocuSigned by:

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Amy Kahler,
Chief Financial Officer

Signed by:

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Michelle Holland,
Controller

June 5, 2025

RSM US LLP
4622 Pennsylvania Avenue, Suite 1100
Kansas City, MO 64112

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, 2024 and 2023, 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 5, 2025:

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 engagement letter dated January 22, 2025, 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 controls 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. All events subsequent to the date of the financial statements, and for which disclosure is necessary for fair presentation, have been disclosed.
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.
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.

RSM US LLP
June 5, 2025
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9. In the audit engagement letter dated January 22, 2025, we requested that you perform the nonaudit services of binding and printing of the financial statements. We acknowledge the request also includes you drafting the cash basis financial statements, consistent with previous years, though this was not specifically referenced in the engagement letter. With respect to this service:
 - 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.
11. We have requested an unsecured electronic copy of the auditor's report and financial statements and agree that the auditor's report and financial statements will not be modified in any manner.

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 the Agent from whom you determined it necessary to obtain audit evidence.
 - d. 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.
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. 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.

RSM US LLP

June 5, 2025

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16. 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, short sellers or others.
17. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
18. We are not aware of any pending or threatened litigation, claims or assessments; unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with Government Accounting Standards Board (GASB) Codification Section C50; Claims and Judgments ; and other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements. Neither we nor the Agent or others acting on behalf of the Agent have consulted a lawyer concerning litigation, claims, assessments or other matters affecting the Agent.


There are no other unasserted claims or assessments which are probable of assertion.

19. 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.
20. We are aware of no deficiencies in internal control over financial reporting, including 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.
21. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
22. We have:
 - a. Provided you with all information we are aware of with respect to current and potential affiliates, including ownership percentage and materiality assessments.
 - b. Notified you of all planned transactions involving (i) changes in control of the Agent or an investor obtaining a 20% or greater ownership in the Agent or representation on the Agent's Board of Trustees, or (ii) investments of 20% or greater in or acquisitions of other entities by the Agent, sufficiently in advance of their effective dates to enable the Agent and RSM US LLP to identify and eliminate potential impermissible services and relationships between RSM US LLP or its associated entities and those potential subsidiaries or equity-method investees, prior to the effective dates.
 - c. Made you aware, to the best of our knowledge and belief, of any nonaudit services that the Agent or any of our affiliates has engaged RSM US LLP or any of its associated entities to perform.

RSM US LLP
June 5, 2025
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23. 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

Signed by:

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Ted Corrigan, CEO and General Manager

DocuSigned by:

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Amy Kahler, Chief Financial Officer

Signed by:

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Michelle Holland, Controller

Des Moines Water Works

Financial Report
December 31, 2024 and 2023

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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, 2024 and 2023, 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 Des Moines Water Works, as of December 31, 2024 and 2023, 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 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 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Water Works adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, effective January 1, 2023 as a result of required retrospective implementation. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

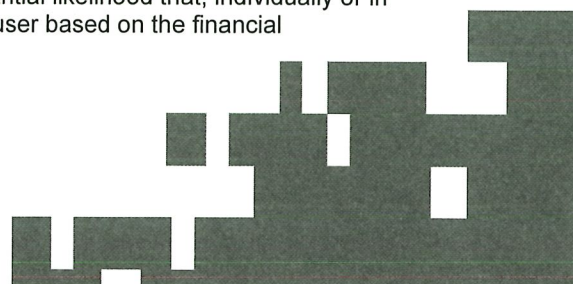
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation 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.

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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

Kansas City, Missouri
June 5, 2025

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

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, 2024 and 2023. 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 43% of total water revenues. Total service customers account for roughly 14% of total water revenues, leaving nearly 43% 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 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 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 219 full-time and 12 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.

Water Works has had an energy management program for over a decade. As the first U.S. water utility certified to ISO 50001 for Energy Management, DMWW continues to demonstrate commitment to environmental stewardship and cost efficiency through energy management and regular audits.

Des Moines Water Works was one of twelve founding agencies to form Central Iowa Water Works ("CIWW"), a regional production water authority formed under Iowa Code Chapter 28E and 28F, to oversee planning for the future growth of the drinking water system in the Des Moines Metropolitan area. These founding agencies include municipalities operating municipal water utilities, trustee-managed municipal water utilities, and rural water districts. A fully executed 28E/28F agreement was filed with the Iowa Secretary of State on April 11, 2024 ("Agreement").

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

Four of the founding agencies, including DMWW, are water producing members. The Agreement provides that CIWW will acquire water supply facilities from DMWW and the other water producing members when CIWW operations commence on January 1, 2025. DMWW and the other water producing members will contract with CIWW for a period of twenty years to operate their respective facilities acquired by CIWW.

DMWW is represented on the governing board of CIWW. CIWW will act as the exclusive wholesale supplier of water to members and establish wholesale rates charged to members, oversee planning and expansion of the water system, manage water resources and improve system resiliency, and ensure production costs are allocated equitably among members.

CIWW does not replace DMWW as a water utility. DMWW will continue to: (i) serve its retail customers, its existing total service customers, and certain existing wholesale customers; (ii) own, operate, and maintain its distribution system; (iii) set water rates for retail customers; (iv) maintain oversight of all customer-related activities, including metering, billing, and customer collections; and (v) otherwise continue to operate as a water utility, including employing production employees.

The other founding agencies of CIWW include two additional trustee-managed municipal water utilities (Urbandale Water Utility and West Des Moines Water Works), seven communities (Ankeny, Clive, Grimes, Johnston, Norwalk, Polk City, Waukee) and two rural water districts (Warren Water District and Xenia Rural Water District).

Financial Highlights

- In 2024:
 - Operating revenues of \$97,094,272 increased 2.75%, approximately \$2.6 million, from 2023.
 - Operating expenses of \$66,483,685 increased 2.20%, roughly \$1.4 million, over 2023.
 - Water Works' change in net position totaled approximately \$42.4 million in 2024, resulting in net position as of December 31, 2024 of \$507,806,731.
- In 2023 (as restated):
 - Operating revenues of \$94,493,415 increased 9.97%, approximately \$8.6 million, from 2022.
 - Operating expenses of \$65,050,008 increased 7.36%, roughly \$4.5 million, over 2022.
 - Water Works' change in net position totaled approximately \$37.4 million in 2023, resulting in net position as of December 31, 2023 of \$465,451,934.

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.

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

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

	2024	2023 as restated	2022 as restated	% Change 2023 to 2024	% Change 2022 to 2023
Current assets	\$ 91,494,137	\$ 86,103,345	\$ 66,179,420	6.26%	30.11%
Capital assets, net	459,932,590	415,884,391	399,697,746	10.59	4.05%
Other noncurrent assets	17,498,522	16,224,824	14,358,745	7.85	13.00%
Total assets	568,925,249	518,212,560	480,235,911	9.79	7.91%
Deferred outflow of resources	5,950,136	9,550,043	11,596,970	(37.70)	(17.65)%
Current liabilities	20,501,373	18,219,528	15,165,327	12.52	20.14%
Other noncurrent liabilities	31,892,905	35,549,339	37,440,297	(10.29)	(5.05)%
Long-term debt, net	6,748,558	230,799	-	-	-
Total liabilities	59,142,836	53,999,666	52,605,624	9.52	2.65%
Deferred inflows of resources	7,925,818	8,311,543	11,146,472	(4.64)	(25.43)%
Net investment in capital assets	442,852,762	408,111,232	394,260,028	8.51	3.51%
Restricted	-	-	-	-	-
Unrestricted	64,953,969	57,340,162	33,820,757	13.28	69.54%
Total net position	\$ 507,806,731	\$ 465,451,394	\$ 428,080,785	9.10	8.73%

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

Condensed Revenues, Expenses and Changes in Net Position

	2024	2023 as restated	2022 as restated	% Change 2023 to 2024	% Change 2022 to 2023
Water sales	\$ 89,480,013	\$ 87,666,374	\$ 79,234,317	2.07%	10.64%
Billing and collection services	2,241,051	2,158,175	2,066,729	3.84	4.42%
Connection fees	1,458,076	1,054,400	1,171,519	38.28	(10.00)%
Other sales and services	3,915,132	3,614,466	3,452,039	8.32	4.71%
Total operating revenues	97,094,272	94,493,415	85,924,604	2.75	9.97%
Investment income	3,477,998	2,487,038	238,472	39.84	942.91%
Other	235,655	217,090	219,968	8.55	(1.31)%
Grant revenue	-	-	268,412	-	(100.00)%
Capital contributions	9,053,033	5,112,824	8,156,064	77.07	(37.31)%
Gain (loss) on disposal of fixed assets	(1,033,708)	108,308	(498,209)	(1,054.42)	(121.74)%
Total revenues	108,827,250	102,418,675	94,309,311	6.26	8.60%
Labor and benefits	24,657,971	20,661,074	20,950,237	19.35	(1.38)%
Chemicals	7,961,423	8,512,265	6,455,257	(6.47)	31.87%
Utilities	3,976,669	4,111,436	3,911,261	(3.28)	5.12%
Corporate Insurance	1,612,072	1,957,219	1,921,618	(17.63)	1.85%
Purchased services	10,995,461	10,246,176	9,579,493	7.31	6.96%
Materials, supplies and equipment	5,082,932	5,165,931	4,382,474	(1.61)	17.88%
Depreciation	11,497,082	13,749,771	13,191,329	(16.38)	4.23%
Other	700,075	646,136	196,499	8.35	228.82%
Total operating expenses	66,483,685	65,050,008	60,588,168	2.20	7.36%
Interest (income) expense	(11,772)	(1,942)	(10,365)	506.18	(81.26)%
Total expenses	66,471,913	65,048,066	60,577,803	2.19	7.38%
Change in net position	42,355,337	37,370,609	33,731,508	13.34	10.79%
Net position, beginning of year	465,451,394	428,080,785	394,349,277	8.73	8.55%
Net position, end of year	\$ 507,806,731	\$ 465,451,394	\$ 428,080,785	9.10	8.73%

Financial Analysis

Year ended December 31, 2024: Current assets increased by 6.26%, or approximately \$5.0 million. Cash balances held in the Water Works' bank accounts for daily operations and capital expenditures totaled approximately \$14.4 million—down about \$4.3 million from 2023 levels. The cash balance in the general checking account can vary significantly from year to year due to the timing of customer payments and disbursements to vendors and contractors.

Additionally, Water Works maintains accounts—both an interest-bearing cash account and a related investment account—that contain excess operating funds. The amount of excess cash and investments increased nearly \$7.2 million to \$50.6 million in 2024. The increase reflects consistently strong water sales over several years compared to the respective annual budgets, along with delayed cash outlays for capital projects. These accumulated surplus operating funds are available to support future capital investments in the water system.

Accounts receivable increased by \$1.8 million in 2024. This balance can fluctuate significantly from year to year depending on the timing of customer payments, as well as the composition of year-end receivables—particularly between ongoing water sales and miscellaneous billings such as shared costs for booster stations and capital contributions.

Other noncurrent assets increased by 7.85% in 2024, equating to approximately \$1.3 million. The increase in board designated operating reserve investments accounts for \$800,000 of the increase. Additionally, Water Works entered into a new lease agreement for the use of communications equipment at one of our tower sites. The lease has a 40-year term, resulting in a \$600,000 increase in the lease receivable.

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

Deferred outflows of resources decreased \$3.6 million in 2024. There are deferred outflows relating to the DMWW Pension Plan, IPERS, and DMWW's defined other post-employment benefits (OPEB) plan.

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 proportionate share between Water Works' contributions and employee contributions, the latter of which is specific only to the IPERS' plan. Deferred outflows associated with the DMWW Pension Plan amount to approximately \$2.1 million, a decrease of \$1.9 million from 2023. Those related to IPERS total \$1.9 million, down \$800,000 from the previous year.

More information on the changes to deferred outflows and inflows related to pensions can be found in Note 5 of the financial statements, starting on page 37.

Deferred outflows for other post-employment benefits (OPEB) reflect the impact of changes in assumptions and differences between expected and actual experience. Deferred outflows decreased by approximately \$890,000 to \$2.0 million at the end of 2024. More information on the changes to deferred outflows and inflows related to OPEB can be found in Note 6 of the financial statements, starting on page 47.

Current liabilities rose by 12.25%, or roughly \$2.3 million. This increase is largely due to a \$3.0 million rise in construction payables, driven by several major water main replacement projects currently underway. In contrast, the year-end balance of accounts payable decreased by about \$1.0 million.

Other noncurrent liabilities decreased \$3.7 million in 2024.

In 2024, the net pension liability for the DMWW Pension Plan decreased by approximately \$1.8 million, bringing the total to \$4.3 million. The net pension liability related to IPERS also declined by \$1.7 million, bringing the total to \$7.8 million.

In 2024, Water Works had State Revolving Fund (SRF) debt of nearly \$231,000 for a Planning and Design (P&D) loan to fund the design of an Aquifer Storage and Recover (ASR) well. These P&D costs are expected to be rolled over into an SRF construction loan to construct the ASR well.

Additionally, Water Works carried approximately \$6.5 million in State Revolving Fund (SRF) debt related to the design of a 10-million-gallon-per-day treatment expansion and raw water supply at the Saylorville Water Treatment Plant, as well as the construction of two transmission main improvement projects essential for conveying increased flows and volumes tied to the expansion. This debt was acquired by Central Iowa Water Works on January 3, 2025. More information related to this debt acquisition by Central Iowa Water Works subsequent to year-end can be found in Note 10 of the financial statements, starting on page 56.

In 2024, the net pension liability for the DMWW Pension Plan decreased by approximately \$1.8 million, resulting in a balance of \$4.3 million. The net pension liability for IPERS also declined by \$1.7 million, bringing the balance to nearly \$7.8 million. These decreases were primarily driven by favorable investment returns during the year.

Deferred inflows of resources decreased by approximately \$400,000. There are deferred inflows relating to the DMWW Pension Plan, IPERS, DMWW's defined other post-employment benefits (OPEB) plan, and leases.

The deferred inflows for pensions show the effects of actuarial differences, changes in assumptions, differences between actual and projected earnings on plan investments, and changes in proportionate share between Water Works' contributions and employee contributions, the latter of which is specific only to the IPERS' plan. More information on the changes to deferred outflows and inflows related to pensions can be found in Note 5 of the financial statements, starting on page 37.

The deferred inflows for other post-employment benefits (OPEB) show the effects of differences between expected and actual experience and changes in assumptions. More information on the changes to deferred outflows and inflows related to OPEB can be found in Note 6 of the financial statements, starting on page 47.

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

The deferred inflows for leases reflect the present value of future lease revenue and is amortized throughout the life of the lease. Water Works has entered into several lease agreements as a lessor for the use of portions of its real property.

Water sales and capital improvement fees, both based on water consumption, along with water availability revenue, increased by approximately \$1.8 million in 2024. Although consumption was slightly lower due to higher summer rainfall compared to 2023, a moderate water rate increase on April 1, 2024, helped drive the overall rise 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 3.84%. 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 up \$400,000 compared to 2023. These fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Revenue from other sales and services increased 8.32% in 2024, which equates to approximately \$300,000. Included in this line are numerous revenue items in the utility including termination fees, credit card convenience fees, stop box repairs, distribution system repairs, operating and maintenance costs for shared-use facilities, lab testing, etc.

Operating labor and benefits increased nearly \$4.0 million in 2024.

The cash outlay for labor and benefits, which includes payroll expenses, employer paid medical premiums, the actuarial defined contribution (ADC) to the DMWW Pension Plan, the required employer contributions to IPERS, and the statutory amounts paid for Social Security and Medicare (FICA) taxes reflect a moderate increase from 2024. The increase is primarily based on annual wage adjustments, increased expenses for Water Works' contribution to employee medical insurance premiums, and an increase in the ADC for the DMWW Pension Plan.

Operating labor expenses in 2024 were up roughly \$1.0 million. Increases in labor expenses directly correlate to increases for employer contributions to IPERS and the amounts paid for Social Security and Medicare taxes. Employer paid medical premium costs were up just over \$300,000. The ADC on the DMWW Pension Plan increased approximately \$430,000.

The balance sheet items related to leave accruals, pensions (including both the DMWW Pension Plan and IPERS), and other post-employment benefits (OPEB)—such as deferred inflows and outflows of resources, net pension liability, and OPEB liability—are recorded as benefits expense. In 2024, net expenses associated with the two pension plans increased by \$1.5 million, while net expense for the OPEB plan rose by \$400,000.

Chemical expenses were down approximately 6.47%, equating to a difference of nearly \$550,000. Chemical prices leveled off and overall pumpage was down in 2024 compared to 2023.

Utilities expense was down 3.28%, or \$134,000, in 2024. The majority of expenses are related to electric usage in the water treatment process.

Corporate insurance was down \$345,000 in 2024. Insurance premium expenses showed a slight increase in 2024, while Workers Compensation expenses were down \$460,000 compared to 2023.

Purchased services increased \$750,000 compared to 2023. The utility has purchased a myriad of services across all departments to support water and business operations.

A cash payment of \$875,900 was paid to Central Iowa Water Works as Water Works' initial contribution for the commencement of start-up activities in 2024.

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

In its second year, the lead service line replacement pilot project continued with the goal of replacing 100 lead water service lines within the Des Moines water system at no cost to customers. In 2024, project-related expenses totaled approximately \$900,000, an increase of nearly \$500,000 compared to 2023. As water service lines in Des Moines are wholly owned by the property owner, these pilot program expenses have been recorded as an operational expense in the period incurred.

Offsetting those two significant increases over the prior year, expenses related to residual removal were approximately \$900,000 lower in 2024.

Materials, supplies and equipment remained relatively unchanged from 2023. 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.

Investment income increased approximately \$1.0 million in 2024. Most investment purchases of US Treasury Notes and Bills were acquired at a price below their face value. The amortization of that difference—the discount—is recognized monthly from purchase to maturity. Additionally, yields on US Treasury Bonds have been trending upwards in 2024.

Capital contributions were approximately \$9.1 million in 2024. This is up \$3.9 million from 2023. Contributions vary widely from year-to-year depending on the capital projects constructed that are funded by other entities and the amount recognized for water mains conveyed by contractors for new development in Water Works' service areas. Water Works recognized roughly \$3.4 million of cash contributions for capital projects and approximately \$5.6 million of conveyed water mains.

The aforementioned fluctuations result in an overall increase in net position of 9.10%. This includes a 2.75% increase in operating revenues and an increase in operating expenses of 2.20%.

Year ended December 31, 2023: Current assets increased 30.11%, equating to roughly \$19.9 million. The cash balances in the Water Works' bank accounts related to daily operations and capital expenditures are approximately \$18.7 million. This is down nearly \$4.4 million from 2022 balances. The 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.

Additionally, the Water Works maintains accounts—both a cash account and a related investment account—that contain excess operating funds. The amount of excess cash and investments increased in 2023 to \$58.6 million. This is an increase of \$22.3 million and is the largest contributor to the increase in current assets. The amounts in these accounts are as a result of continued increasing water sales over the last few years as well as a delayed cash outlay for capital projects. These excess operating funds are available to fund future capital investments in the water system.

Other noncurrent assets increased by 13.00% in 2023. This equates to approximately \$1.9 million, nearly all of which is related to the increase in operating reserve investments.

Deferred outflows of resources decreased \$2.0 million in 2023. There are deferred outflows relating to the DMWW Pension Plan, IPERS, and DMWW's defined other post-employment benefits (OPEB) plan.

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 proportionate share between Water Works' contributions and employee contributions, the latter of which is specific only to the IPERS' plan. Deferred outflows related to the DMWW Pension Plan total nearly \$4.0 million, which is \$3.7 million lower than in 2022. Deferred outflows related to IPERS are \$2.7 million, up \$1.3 million from 2022.

More information on the changes to deferred outflows and inflows related to pensions can be found in Note 5 of the financial statements, starting on page 36.

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

The deferred outflows for other post-employment benefits (OPEB) show the effects of changes in assumptions and changes between expected and actual experience. Deferred outflows have increased by approximately \$334,000 to nearly \$2.9 million at the end of 2023. More information on the changes to deferred outflows and inflows related to OPEB can be found in Note 6 of the financial statements, starting on page 46.

Current liabilities increased 20.14%, or roughly \$3.0 million. Construction payables were approximately \$1.8 million higher in 2023. Fees collected for other entities as of December 31, 2023 were up approximately \$450,000. These funds were remitted to the associated entities shortly after the first of the year.

Other noncurrent liabilities decreased \$1.8 million in 2023.

In 2023, Water Works had State Revolving Fund (SRF) debt of nearly \$231,000. This is a Planning and Design (P&D) loan to fund the design of an Aquifer Storage and Recover (ASR) well. These P&D costs are expected to be rolled over into an SRF construction loan to construct the ASR well.

The net pension liability for the DMWW Pension Plan decreased in 2023 by approximately \$3.8 million, resulting in a balance of \$6.1 million. The decrease in the pension liability for the DMWW Pension Plan is as a result of favorable investment returns. The net pension liability for IPERS increased \$1.2 million, resulting in a balance of nearly \$9.6 million. The OPEB liability increased approximately \$680,000. The increase in the OPEB liability is partially caused by the reduction of the discount rate used for the valuation. As of December 31, 2023, the discount rate is 4.00%, compared to 4.31% as of December 31, 2022. Deferred inflows of resources decreased by approximately \$2.8 million. There are deferred inflows relating to the DMWW Pension Plan, IPERS, DMWW's defined other post-employment benefits (OPEB) plan, and leases.

The deferred inflows for pensions show the effects of actuarial differences, changes in assumptions, differences between actual and projected earnings on plan investments, and changes in proportionate share between Water Works' contributions and employee contributions, the latter of which is specific only to the IPERS' plan. More information on the changes to deferred outflows and inflows related to pensions can be found in Note 5 of the financial statements, starting on page 36.

The deferred inflows for other post-employment benefits (OPEB) show the effects of differences between expected and actual experience and changes in assumptions. More information on the changes to deferred outflows and inflows related to OPEB can be found in Note 6 of the financial statements, starting on page 46.

The deferred inflows for leases reflect the present value of future lease revenue and is amortized throughout the life of the lease. Water Works has entered into several lease agreements as a lessor for real the use of portions of its real property.

Water sales and capital improvement fees, both based on water consumption, along with water availability revenue, increased by nearly \$8.4 million in 2023. Consumption was nearly 5.0% higher in 2023 compared to 2022. This higher consumption, coupled with a moderate increase in water rates on April 1, 2023, 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 4.42%. 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 \$117,000 compared to 2022. These fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

Revenue from other sales and services increased 4.71% in 2023, which equates to approximately \$162,000. Included in this line are numerous revenue items in the utility including termination fees, credit card convenience fees, stop box repairs, distribution system repairs, operating and maintenance costs for shared-use facilities, lab testing, etc.

Operating labor and benefits decreased by 1.38%, equating to nearly \$254,000.

The cash outlay for labor and benefits, which includes payroll expenses, employer paid medical premiums, the actuarial defined contribution (ADC) to the DMWW Pension Plan, the required employer contributions to IPERS, and the statutory amounts paid for Social Security and Medicare (FICA) taxes reflect a moderate increase from 2023. The increase is primarily based on annual wage adjustments and increased expenses for Water Works' contribution for employee medical insurance premiums.

Operating labor expenses in 2023 were up roughly 2.9% due to annual wage increases. Increases in labor expenses directly correlate to increases for employer contributions to IPERS and the amounts paid for Social Security and Medicare taxes. Employer paid medical premium costs were up just over \$170,000. Offsetting the increases is a reduction of the ADC on the DMWW Pension Plan of approximately \$314,000.

The entries for the balance sheet items related to pensions (both the DMWW Pension Plan and IPERS) and other post-employment benefits (OPEB), including deferred inflows or resources, deferred outflows of resources, net pension liability, and other post-employment benefits liability, are reported as benefits expense. There was \$2.5 million of net income related to changes in the balance sheet items in 2023, compared to \$1.8 million in 2022. This represents an income increase of roughly \$700,000, which makes up most of the variance.

Chemical expenses were up approximately 31.87%, equating to a difference of nearly \$2.1 million. Chemical prices are continuing to see larger increases than in prior years. Shortages of raw materials and logistics costs are factors in the higher prices. Additionally, higher chemical usage due to higher pumpage in 2023 and ever-changing raw water conditions are also driving up the expenses.

Utilities expense was up 5.12%, or \$200,000, in 2023. Electricity expenses were higher in 2023 by \$292,000. The majority of electric costs are from the water treatment process. Increased pumpage in 2023 and moderate increases in electrical rates account for the higher cost. Gasoline and fuel costs for the fleet decreased roughly \$109,000.

Corporate insurance remained relatively unchanged from 2022 to 2023. Insurance premium expenses were \$32,000 higher in 2022, while Workers Compensation expenses stayed nearly constant with a \$4,000 increase in 2023.

Purchased services increased \$667,000 compared to 2022. The utility has a myriad of services provided across all departments. In 2023, a pilot project was launched to replace 100 lead water service lines within the Des Moines water system at no cost to the customer. Expenses of nearly \$400,000 were incurred for procuring a map-based lead service line management tool and for replacing 32 lead service lines as part of the pilot project. This pilot project will provide valuable information to facilitate future lead service line replacement projects.

Materials, supplies and equipment increased by \$780,000 in 2023. 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. A true-up of aggregate inventory (rock, roadstone, sand) of approximately \$521,000 was done in 2023. Inventory and material costs for maintaining the three treatment plants, booster stations, and towers increased by \$200,000.

Other operating expenses increased \$450,000. This includes costs for casualty losses, bad debt write-off, and utility-wide training. All these categories increased over 2022 levels.

Des Moines Water Works

Management's Discussion and Analysis—Unaudited Year Ended December 31, 2024

Investment income increased approximately \$2.2 million in 2023. Most investment purchases of US Treasury Notes and Bills were acquired at a price below their face value. The amortization of that difference—the discount—is recognized monthly from purchase to maturity. Additionally, recognition of unrealized gain/loss and accrued interest are included in investment income.

Capital contributions were approximately \$5.1 million in 2023. This is down \$3.0 million from 2022. Contributions vary widely from year-to-year depending on the capital projects constructed that are funded by other entities and the amount recognized for water mains conveyed by contractors for new development in Water Works' service areas. Water Works recognized roughly \$700,000 of cash contributions for capital projects and approximately \$4.4 million of conveyed water mains. The aforementioned fluctuations result in an overall increase in net position of 8.67%. This includes a 9.97% increase in operating revenues and an increase in operating expenses of 7.42%.

Capital Assets and Debt Administration

In 2024, net capital assets increased by \$44.0 million. In addition to ongoing replacement of aging and deteriorating water mains, the utility continues to reinvest in key areas such as water treatment, production, storage, and system capacity. Several major capital projects are in progress to replace, upgrade, and rehabilitate infrastructure at all three treatment plants. Projects are also underway to expand source and treatment capacity by 10 million gallons per day, accompanied by transmission system improvements to support the increased volume. There were no significant changes to the condition of infrastructure assets, and no revisions were made to the standard service lives of those assets.

As of December 31, 2024, outstanding debt totals \$6.7 million, all related to State Revolving Fund (SRF) loans. This includes \$231,000 for a Planning and Design loan to support the design of an Aquifer Storage and Recovery well, \$593,000 for a Planning and Design loan for the design of a 10 million-gallon-per-day expansion, and \$5.9 million for the construction of two transmission main improvement projects.

During 2023, net capital assets increased \$16.2 million. In addition to replacing aged and deteriorating water mains, the utility continues to reinvest in water treatment, production, storage and capacity. There are several large capital projects to replace, improve, and rehabilitate areas of the three treatment plants. 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, 2023, the outstanding debt consists of State Revolving Fund (SRF) debt of nearly \$231,000. This is a Planning and Design loan to fund the design of an Aquifer Storage and Recover well.

Economic Factors

Due to the Water Works' large concentration of residential customers, weather impacts revenue to a greater degree than do economic cycles. The 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 2024.

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, 2024 and 2023

	2024	2023, as restated
Assets		
Current assets:		
Cash	\$ 32,434,660	\$ 19,437,758
Investments	32,571,448	42,830,471
Restricted assets, cash	1,593,598	1,663,890
Accounts receivable:		
Billed	12,806,906	9,840,644
Unbilled	1,967,954	3,163,862
Receivables for capital projects funded by other entities	135,723	751,491
Lease receivable	160,976	173,673
Interest receivable	207,838	180,466
Inventory, materials and supplies	5,280,727	4,765,984
Prepaid expenses	4,334,307	3,295,106
Total current assets	91,494,137	86,103,345
Long-term investments, board designated funds	15,986,183	15,206,275
Capital assets:		
Land	8,208,369	8,208,369
Construction-in-progress	34,243,978	17,474,531
Buildings, equipment and machinery	228,323,764	220,788,145
Supply system	64,107,570	63,945,821
Distribution system	376,432,099	345,901,187
Right-to-use asset	133,037	247,437
IT subscription asset	1,436,524	1,433,101
	712,885,341	657,998,591
Accumulated depreciation and amortization	(252,952,751)	(242,114,200)
Capital assets, net	459,932,590	415,884,391
Noncurrent assets:		
Lease receivable	1,201,006	726,679
Other assets	311,333	291,870
	1,512,339	1,018,549
Total assets	568,925,249	518,212,560
Deferred outflows of resources		
Other postemployment benefit related amounts	2,003,207	2,888,959
Pension related amounts	3,946,929	6,661,084
	5,950,136	9,550,043
Total assets and deferred outflows of resources	\$ 574,875,385	\$ 527,762,603

	2024	2023, as restated
Liabilities		
Current liabilities:		
Accounts payable	\$ 3,138,399	\$ 3,802,533
Accrued wages and benefits	1,518,049	1,125,805
Compensated absences	1,898,471	1,856,341
Special deposits	2,201,486	2,130,984
Construction payables	9,915,599	6,890,258
Interest payable	27,352	-
Fees collected for other entities	1,468,598	1,563,890
Workers' compensation claims payable	115,720	584,848
Other current liabilities	-	4,359
Current portion of lease liability	40,721	50,852
Current portion of IT subscription liability	176,978	209,658
Total current liabilities	20,501,373	18,219,528
Noncurrent liabilities:		
Long-term debt	6,748,558	230,799
Compensated absences, less current portion	4,262,453	4,389,859
Lease liability, less current portion	24,340	65,061
IT subscription liability	173,632	326,531
Net pension liability	12,190,672	15,661,823
Total other postemployment benefits liability	15,241,808	15,106,065
Total noncurrent liabilities	38,641,463	35,780,138
Total liabilities	59,142,836	53,999,666
Deferred inflows of resources		
Pension related amounts	402,736	636,984
Other postemployment benefit related amounts	6,217,698	6,808,881
Lease related amounts	1,305,384	865,678
	7,925,818	8,311,543
Net position		
Net investment in capital assets	442,852,762	408,111,232
Unrestricted	64,953,969	57,340,162
Total net position	507,806,731	465,451,394
Total liabilities, deferred inflows of resources and net position	\$ 574,875,385	\$ 527,762,603

See notes to basic financial statements.

Des Moines Water Works

Statements of Revenues, Expenses and Changes in Net Position Years Ended December 31, 2024 and 2023

	2024	2023, as restated
Operating revenues:		
Water sales	\$ 89,480,013	\$ 87,666,374
Other sales and services	6,156,183	5,772,641
Connection fees	1,458,076	1,054,400
Total operating revenues	97,094,272	94,493,415
Operating expenses:		
Labor	16,030,533	15,011,180
Group insurance	4,257,947	3,929,220
Retirement benefits	4,369,491	1,720,674
Purchased services	10,995,461	10,246,176
Corporate insurance	1,612,072	1,957,219
Materials, supplies and equipment	5,082,932	5,165,931
Chemicals	7,961,423	8,512,265
Utilities	3,976,669	4,111,436
Depreciation	11,497,082	13,749,771
Other	700,075	646,136
Total operating expenses	66,483,685	65,050,008
Operating income	30,610,587	29,443,407
Nonoperating revenue (expense):		
Investment income	3,477,998	2,487,038
Interest and amortization income, net	11,772	1,942
Land use income	232,956	213,596
Gain (loss) on disposal of capital assets	(1,033,708)	108,308
Other	2,699	3,494
Total nonoperating revenue (expense), net	2,691,717	2,814,378
Income before capital contributions	33,302,304	32,257,785
Other revenue:		
Capital contributions	9,053,033	5,112,824
Change in net position	42,355,337	37,370,609
Net position, beginning of year, as previously reported	-	430,652,153
Change in accounting principle—see Note 9	-	(2,571,368)
Net position, beginning of year, as restated	465,451,394	428,080,785
Net position, end of year	\$ 507,806,731	\$ 465,451,394

See notes to basic financial statements.

Des Moines Water Works

Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023, as restated
Cash flows from operating activities:		
Cash received from customers	\$ 95,702,056	\$ 93,588,469
Cash paid to suppliers	(33,442,589)	(32,059,714)
Cash paid to employees and for payroll taxes	(24,911,935)	(23,200,944)
Net cash provided by operating activities	37,347,532	38,327,811
Cash flows from capital and related financing activities:		
Principal payments on long-term debt and lease/subsription obligations	(236,431)	(230,829)
Proceeds from long-term debt	6,517,759	230,799
Acquisition, construction and removal cost of capital assets	(48,075,912)	(23,172,781)
Proceeds from disposal of capital assets	92,553	81,736
Contributions received	4,098,512	599,891
Interest received	39,124	1,942
Land use income and other	213,732	202,435
Net cash used in capital and related financing activities	(37,350,663)	(22,286,807)
Cash flows from investing activities:		
Proceeds from maturities of investments	59,442,690	43,507,716
Purchase of investments	(49,963,575)	(65,691,801)
Interest received	3,450,626	2,405,096
Net cash provided by (used in) investing activities	12,929,741	(19,778,989)
Net increase (decrease) in cash	12,926,610	(3,737,985)
Cash, beginning of year	21,101,648	24,839,633
Cash, end of year	<u>\$ 34,028,258</u>	<u>\$ 21,101,648</u>
Reconciliation of cash to the statements of net position:		
Cash	\$ 32,434,660	\$ 19,437,758
Restricted assets, cash current	1,593,598	1,663,890
Total cash, end of year	\$ 34,028,258	\$ 21,101,648

(Continued)

Des Moines Water Works

Statements of Cash Flows (Continued) Years Ended December 31, 2024 and 2023

	2024	2023, as restated
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 30,610,587	\$ 29,443,407
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,497,082	13,749,771
Change in:		
Accounts receivable, billed	(2,966,262)	(1,153,702)
Accounts receivable, unbilled	1,195,908	(248,968)
Inventory, materials and supplies	(514,743)	4,985
Prepaid expenses	(1,039,201)	(1,870,244)
Other assets	(19,464)	(50,830)
Accounts payable	(664,134)	356,163
Accrued wages and benefits and compensated absences	306,968	(6,467)
Pension related amounts	(991,244)	(2,522,743)
Total other postemployment benefit liability related amounts	430,312	(10,660)
Special deposits	70,502	98,887
Fees collected for other entities	(95,292)	449,667
Workers' compensation claims payable	(469,128)	93,931
Other current liabilities	(4,359)	(5,386)
Net cash provided by operating activities	\$ 37,347,532	\$ 38,327,811
Schedule of noncash capital and related financing activities:		
Acquisition of capital assets through capital contributions	\$ 5,570,289	\$ 4,401,592
Acquisition of capital assets through construction payables	\$ (3,025,341)	\$ (1,782,186)
Acquisition of capital assets through lease obligation	\$ -	\$ 121,534
Acquisition of capital assets through IT subscriptions	\$ 36,625	\$ 1,118,126
Trade-in value towards assets purchased	\$ 32,000	\$ 52,000
Schedule of noncash investing activities, net depreciation of the fair value of investments	\$ (43,609)	\$ (46,299)

See notes to basic financial statements.

**Des Moines Water Works
Pension Plan**

**Statements of Fiduciary Net Position
December 31, 2024 and 2023**

	2024	2023
Assets		
Investments, pooled separate accounts	\$ 56,417,971	\$ 54,843,003
Liabilities	-	-
Net position restricted for pensions	<u>\$ 56,417,971</u>	<u>\$ 54,843,003</u>

See notes to basic financial statements.

**Des Moines Water Works
Pension Plan**

**Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2024 and 2023**

	2024	2023
Additions:		
Investment income:		
Investment income, including net appreciation in the fair value of pooled separate accounts, interest and dividends	\$ 4,331,277	\$ 6,902,248
Less investment expense	(30,282)	(23,753)
Net investment income	4,300,995	6,878,495
Employer contributions	1,411,056	979,632
Total additions	5,712,051	7,858,127
Deductions:		
Benefit payments	4,117,656	3,895,385
Administrative expenses	19,427	24,927
Total deductions	4,137,083	3,920,312
Net increase	1,574,968	3,937,815
Net position restricted for pensions:		
Beginning of year	54,843,003	50,905,188
End of year	<u>\$ 56,417,971</u>	<u>\$ 54,843,003</u>

See notes to basic financial statements.

Des Moines Water Works

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 and DMWW) 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. See fiduciary fund type paragraph regarding the pension plan as a component unit.

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.

Des Moines Water Works

Notes to Basic Financial Statements

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. 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, 2024 and 2023 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. 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. See Note 2 for additional information regarding valuation 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, administrative and general. Nonoperating revenues and expenses include those derived from capital and related financing activities, noncapital financing activities and investing activities.

Des Moines Water Works

Notes to Basic Financial Statements

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

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.

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 \$1,329,785 and \$1,337,261 in 2024 and 2023, 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 \$1,309,324 and \$1,310,479 in 2024 and 2023, 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 \$1,468,598 and \$1,563,890 as of December 31, 2024 and 2023, respectively. These fees have been reflected in Water Works' statement of net position and were remitted to the City, other political subdivisions and the 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 \$2,241,000 and \$2,158,000 in 2024 and 2023, 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: Water Works reserves certain assets to provide for payment of fees collected for other entities and certain employee compensation. Disbursement of these assets is restricted by the purpose of the respective funds.

Des Moines Water Works

Notes to Basic Financial Statements

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

Capital assets: Capital assets are recorded at cost (except for intangible right-to-use lease assets and subscription-based Information Technology assets, the measurements of which are discussed below) and depreciated utilizing the straight-line method over estimated useful lives as follows:

	Years
Buildings, equipment and machinery, including right-to-use and subscription assets	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 \$5,000. 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.

Leases—Water Works as lessee: Water Works is the lessee for noncancellable leases of equipment. Water Works has recognized a lease liability and an intangible right-to-use asset (lease asset) in the financial statements for leases with an initial, individual value of \$5,000 or more.

At the commencement of the lease, the Water Works initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payment made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Water Works determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Water Works uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Water Works generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments.

The Water Works monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leases—Water Works as lessor: Water Works is the lessor for noncancellable leases for the use of a portion of real property at the sites of Water Works' water towers for the transmission and reception of radio communication signals and for the construction, maintenance, repair or replacement of related facilities, towers, antennas, equipment or buildings and related activities. The Water Works recognizes a lease receivable and a deferred inflow of resources in the financial statements.

Des Moines Water Works

Notes to Basic Financial Statements

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

At the commencement of a lease, the Water Works initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Water Works determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

Water Works uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Water Works monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-based information technology arrangements (SBITAs): At the commencement of the IT subscription term, the Water Works initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of the payments made. The right-to-use IT subscription asset is initially measured as the initial amount of the IT subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to IT subscriptions include how Water Works determines the discount rate it uses to discount the expected subscription payments to present value, subscription term and subscription payments.

Water Works uses its estimated incremental borrowing rate as the discount rate for the present value calculation, as the vendors in which Water Works enters into the subscriptions with do not provide the interest rate.

The Water Works monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription.

Des Moines Water Works

Notes to Basic Financial Statements

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 debt 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, 2024 and 2023, Water Works did not have unspent debt 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.

Compensated absences: Full-time Water Works' employees earn 24 hours of sick leave after three months of employment and subsequently accrue 3.7 hours per pay period, totaling 96.2 hours annually, with unlimited accumulation. Upon retirement, up to 900 hours of accrued sick leave is payable at 90% of its cash value based on the employee's current rate of pay. Water Works accrues a liability for sick leave and related benefit payments that are more likely than not to be used, as well as for estimated accumulated leave expected to be paid upon termination or retirement, using current pay rates at year-end.

Employees accrue vacation leave each pay period, ranging from 80 to 200 hours annually based on length of service, with a maximum accrual limit of 1.5 times their annual accrual. Part-time employees accrue vacation leave on a prorated basis according to their scheduled hours, with a similarly prorated maximum. Unused vacation leave is paid out upon termination. Water Works accrues a liability for vacation leave and related benefit payments at current year-end pay rates for all accrued but unpaid vacation leave.

Water Works provides other types of compensated absences, including holidays, floating holidays, paid parental leave, jury duty leave, and military leave. Floating holidays expire at year-end and do not carry forward, and holidays are not earned or accumulated; therefore, neither are accrued at year-end. Paid parental leave, jury duty leave, and military leave affect a relatively small proportion of employees in any given reporting period, and a liability is recognized only if the leave has commenced prior to year-end.

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.

Des Moines Water Works

Notes to Basic Financial Statements

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

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. 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. The statement of net position includes pension, OPEB and lease 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. The lease related amount consists of the unamortized portion not yet recognized as lease revenue.

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.

Des Moines Water Works

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

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, 2024 and 2023, Water Works held \$48,557,631 and \$58,036,746 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, 2024 and 2023.

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.

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, 2024 and 2023:

Type	Fair Value December 31, 2024	Within 3 Months	Within 6 Months	Within 9 Months	Within 12 Months	Over 12 Months
U.S. Treasury Note Bonds	\$ 32,519,453	\$ 6,336,774	\$ 13,816,545	\$ 6,077,527	\$ 3,215,971	\$ 3,072,636
U.S. Treasury Bills	16,038,178	8,499,493	3,515,366	4,023,319	-	-
	<u>\$ 48,557,631</u>	<u>\$ 14,836,267</u>	<u>\$ 17,331,911</u>	<u>\$ 10,100,846</u>	<u>\$ 3,215,971</u>	<u>\$ 3,072,636</u>

Type	Fair Value December 31, 2023	Within 3 Months	Within 6 Months	Within 9 Months	Within 12 Months	Over 12 Months
U.S. Treasury Note Bonds	\$ 28,300,845	\$ 6,718,375	\$ 8,680,013	\$ -	\$ 12,902,457	\$ -
U.S. Treasury Bills	29,735,901	-	-	11,271,492	18,464,409	-
	<u>\$ 58,036,746</u>	<u>\$ 6,718,375</u>	<u>\$ 8,680,013</u>	<u>\$ 11,271,492</u>	<u>\$ 31,366,866</u>	<u>\$ -</u>

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, 2024 and 2023 were subject to credit risk as they were explicitly guaranteed by the U.S. Government.

Des Moines Water Works

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

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, 2024 and 2023, 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.

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, 2024 and 2023, 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 \$33,155,494 and \$34,028,258, respectively, as of December 31, 2024. Water Works' bank balances and book balances of deposits were \$21,144,256 and \$21,101,648, respectively, as of December 31, 2023.

Pension Plan Deposits and Investments:

Deposits: As of December 31, 2024 and 2023, 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 (depreciation) 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, 2024 and 2023, the Plan had investments listed in the table below. Amounts are shown in dollars. Effective duration is shown in years.

Des Moines Water Works

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

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

	2024		2023	
	Fair Value	Effective Duration	Fair Value	Effective Duration
Fixed income investments:				
Principal Core Fixed Income Account	\$ 19,635,843	6.04	\$ 18,795,396	6.04
Principal Bond Market Index Account	6,534,843	6.32	6,256,626	6.32
Principal High Yield I Account	2,292,496	4.19	2,199,792	4.19
Total fixed income investments	28,463,182		27,251,814	
Other investments, non-fixed income investments	27,954,789		27,591,189	
Total investments	<u>\$ 56,417,971</u>		<u>\$ 54,843,003</u>	

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, 2024, are as follows:

Asset Class	Target Allocation	Expected Arithmetic Return	Expected Geometric Return
U.S. Equity–Large Cap	25%	7.80%	6.35%
U.S. Equity–Mid Cap	7	8.35	6.35
U.S. Equity–Small Cap	4	8.70	6.35
Non–U.S. Equity	15	8.00	6.35
Core Bond	45	4.40	4.30
High Yield	4	6.30	5.85

The target allocations and long-term expected arithmetic and geometric rates of return for each major asset class as of December 31, 2023, are as follows:

Asset Class	Target Allocation	Expected Arithmetic Return	Expected Geometric Return
U.S. Equity–Large Cap	30%	7.80%	6.35%
U.S. Equity–Mid Cap	4	8.35	6.35
U.S. Equity–Small Cap	2	8.70	6.35
Non–U.S. Equity	15	8.00	6.35
Core Bond	45	4.40	4.30
High Yield	4	6.30	5.85

Des Moines Water Works

Notes to Basic Financial Statements

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.

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 and not subject to the concentration of credit risk. The Plan had the following investments as of December 31, 2024 and 2023:

	2024	2023
Principal pooled separate accounts:		
Fixed income:		
Core Fixed Income Account	\$ 19,635,843	\$ 18,795,396
Bond Market Index Account	6,534,844	6,256,626
Other fixed income	2,292,496	2,199,792
International equity:		
Overseas Account	2,187,114	2,162,597
Diversified International Account	6,231,714	4,745,705
Other International Equity	-	1,449,479
Large U.S. equity:		
Large-Cap Growth I Account	4,148,036	6,682,658
Equity Income Account	4,116,967	6,722,187
Large-Cap S&P 500 Index	5,649,292	2,838,535
Small/Mid U.S. equity	5,621,665	2,990,028
	<u>\$ 56,417,971</u>	<u>\$ 54,843,003</u>

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, 2024 and 2023, respectively. There are no participant redemption restrictions for these investments.

Investment	2024 Value	2023 Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fixed income	\$ 28,463,183	\$ 27,251,814	\$ -	Immediate	None
International equity	8,418,828	8,357,781	-	Immediate	None
Large U.S. equity	13,914,295	16,243,380	-	Immediate	None
Small/Mid U.S. equity	5,621,665	2,990,028	-	Immediate	None
Total investments measured at NAV	<u>\$ 56,417,971</u>	<u>\$ 54,843,003</u>	<u>\$ -</u>		

Des Moines Water Works

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

(1) Fixed income

High Yield Separate Account: The investment seeks to provide a high level of current income. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in below investment grade bonds and bank loans (sometimes called "high yield" or "junk"), which are rated Ba1 or lower by Moody's Investors Service, Inc. ("Moody's") and BB+ or lower by S&P Global Ratings. It also invests in investment grade bank loans (also known as senior floating rate interests) and securities of foreign issuers.

Bond Market Index Separate Account: The investment seeks to provide current income. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in debt securities held by the Barclays U. S. Aggregate Bond Index at the time of purchase. The index is composed of investment grade, fixed rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more. It employs a passive investment approach designed to attempt to track the performance of the index.

Core Fixed Income Separate Account: The investment seeks to provide a high level of current income consistent with preservation of capital. The fund invests primarily in a diversified pool of investment-grade fixed-income securities, including corporate securities, U.S. government securities, asset-backed securities and mortgage-backed securities. It maintains an average portfolio duration that is within 25% of the duration of the Bloomberg U.S. Aggregate Bond Index.

(2) International equity

Overseas Separate Account: The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities that are tied economically to countries outside the U.S. at the time of purchase. It invests in emerging market securities. The fund invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued. It invests in equity securities of small, medium, and large market capitalization companies.

Diversified International Separate Account: The investment option normally invests the majority of assets in companies in at least three different countries. It invests in securities of companies with their principal place of business or principal office outside of the United States; companies for which the principal securities trade on a foreign exchange; and companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from goods or services produced or sold outside of the United States. The Separate Account may invest in securities of companies with small to medium market capitalizations.

Des Moines Water Works

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

(3) Large U.S. equity

Equity Income Separate Account: The investment seeks to provide current income and long-term growth of income and capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in dividend-paying equity securities. The managers define dividend-paying securities that produced dividend income within the last rolling 12 months. It usually invests in equity securities of companies with large and medium market capitalizations.

LargeCap S&P 500 Index Separate Account: The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

LargeCap Growth I Separate Account: The investment seeks long-term growth of capital. Under normal circumstances, the fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in growth equity securities of companies with large market capitalizations. The fund also invests in equity securities of companies with medium market capitalizations. It invested significantly in industries within the information technology sectors. The fund is non-diversified.

(4) Small/Mid U.S. equity

MidCap Value I Separate Account: The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of value companies with medium market capitalizations. It invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued.

MidCap Separate Account: The investment option invests primarily in common stocks and other equity securities of medium capitalization companies. It normally invests the majority of assets in companies with market capitalizations similar to those companies in the Russell MidCap Index. Management's securities selection is based on stocks with value and/or growth characteristics, and management constructs an investment portfolio that has a blend of stocks with these characteristics. It may invest up to 25% of assets in foreign securities.

SmallCap Value II Separate Account: The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with small market capitalizations. It invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued.

SmallCap Growth I Separate Account: The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in growth equity securities of companies with small market capitalizations. The fund may invest up to 30% of the fund's assets using an index sampling strategy designed to match the performance of the Russell 2000(R) Growth Index.

Des Moines Water Works

Notes to Basic Financial Statements

Note 3. Capital Assets

Capital assets activity for the year ended December 31, 2024, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized:				
Land	\$ 8,208,369	\$ -	\$ -	\$ 8,208,369
Construction-in-progress	17,474,531	51,119,202	34,349,755	34,243,978
Total capital assets not being depreciated/amortized	25,682,900	51,119,202	34,349,755	42,452,347
Capital assets being depreciated:				
Buildings, equipment and machinery	220,788,145	8,103,358	567,739	228,323,764
Supply system	63,945,821	161,749	-	64,107,570
Distribution system	345,901,187	30,530,912	-	376,432,099
Intangible right-to-use asset	247,437	-	114,400	133,037
IT subscription asset	1,433,101	36,625	33,202	1,436,524
Total capital assets being depreciated/amortized	632,315,691	38,832,644	715,341	670,432,994
Less accumulated depreciation/amortization for:				
Buildings, equipment and machinery	125,061,548	4,896,246	544,131	129,413,663
Supply system	23,612,609	666,827	-	24,279,436
Distribution system	93,065,754	5,490,315	-	98,556,069
Intangible right-to-use asset	134,139	50,522	114,400	70,261
IT subscription asset	240,150	393,172		633,322
Total accumulated depreciation	242,114,200	11,497,082	658,531	252,952,751
Total capital assets being depreciated, net	390,201,491	27,335,562	56,810	417,480,243
Net capital assets	\$ 415,884,391	\$ 78,454,764	\$ 34,406,565	\$ 459,932,590

Des Moines Water Works

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

Capital assets activity for the year ended December 31, 2023, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized:				
Land	\$ 8,208,369	\$ -	\$ -	\$ 8,208,369
Construction-in-progress	9,644,209	25,893,153	18,062,831	17,474,531
Total capital assets not being depreciated/amortized	17,852,578	25,893,153	18,062,831	25,682,900
Capital assets being depreciated:				
Buildings, equipment and machinery	216,128,963	5,206,771	547,589	220,788,145
Supply system	61,641,214	2,304,607	-	63,945,821
Distribution system	332,519,559	13,381,628	-	345,901,187
Intangible right-to-use asset	169,797	121,534	43,894	247,437
IT subscription asset	314,975	1,118,126	-	1,433,101
Total capital assets being depreciated/amortized	610,774,508	22,132,666	591,483	632,315,691
Less accumulated depreciation/amortization for:				
Buildings, equipment and machinery	117,820,202	7,762,363	521,017	125,061,548
Supply system	22,973,158	639,451	-	23,612,609
Distribution system	87,981,820	5,083,934	-	93,065,754
Intangible right-to-use asset	110,414	67,619	43,894	134,139
IT subscription asset	43,746	196,404	-	240,150
Total accumulated depreciation	228,929,340	13,749,771	564,911	242,114,200
Total capital assets being depreciated, net	381,845,168	8,382,895	26,572	390,201,491
Net capital assets	\$ 399,697,746	\$ 34,276,048	\$ 18,089,403	\$ 415,884,391

Water Works is the lessor on several leases with communications providers for use of a portion of real property at the sites of Water Works' water towers. The Water Works receives approximately \$190,000 in lease revenue yearly with an implicit rate of 2.00%. Revenue from these agreements is reported on the statements of revenues, expenses and changes in net position under land use income.

Note 4. Noncurrent Liabilities

As of December 31, 2024, Water Works' debt consisted of Water Revenue Capital Loan Note Anticipation Project Notes No. R-1, Series 2022 and Series 2023; and Water Revenue Capital Loan Note No. R-1, Series 2024A. All three Notes are issued through the Drinking Water State Revolving Fund (SRF) program, jointly administered by the Iowa Finance Authority and the Iowa Department of Natural Resources.

The Series 2022 Note is not to exceed \$1.1 million and has a maturity date of October 14, 2025. The Planning and Design (P&D) loan will fund the design of an Aquifer Storage and Recover (ASR) well. Interest on the SRF note is at 0% interest for three years for the planning and design of drinking water system improvements. At the end of the three-year period, the P&D costs will be rolled into an SRF construction loan, therefore the balance is presented as noncurrent with no amounts due within one year. Water Works has pledged anticipated receipts of the future construction loan to pay the P&D loan.

Des Moines Water Works

Notes to Basic Financial Statements

Note 4. Noncurrent Liabilities (Continued)

The Series 2023 Note is not to exceed \$10,599,673 and has a maturity date of July 14, 2026. The Planning and Design (P&D) loan will fund the design of a 10 million gallon per day treatment expansion and raw water supply at the Saylorville Water Treatment Plant at 0% interest for three years for the planning and design of drinking water system improvements. This Note was transferred to Central Iowa Water Works on January 3, 2025. (See Note 10 - Subsequent Events for additional information.)

The Series 2024A Note is not to exceed \$14,200,000 and has a maturity date of December 1, 2044. The interest rate is 2.50% and interest on this note is payable semiannually on June 1 and December 1. The loan will fund the construction of two transmission main improvement projects critical to convey additional flows and volumes associated with the Saylorville Water Treatment Plant expansion. This Note was transferred to Central Iowa Water Works on January 3, 2025. (See Note 10 - Subsequent Events for additional information.)

Changes in long-term obligations for the years ended December 31, 2024 and 2023, are as follows:

	2024				
	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Capital Loan Note,					
Series 2022	\$ 230,799	\$ -	\$ -	\$ 230,799	\$ -
Series 2023	-	593,322	-	593,322	-
Series 2024	-	5,924,437	-	5,924,437	-
Net pension liability (Note 5)	15,661,823	-	3,471,151	12,190,672	-
Total other postemployment benefits liability (Note 6)	15,106,065	135,743	-	15,241,808	-
Lease liability	115,913	-	50,852	65,061	40,721
IT subscription liability	536,189	-	185,579	350,610	176,978
Compensated absences *	6,246,200	-	85,276	6,160,924	1,898,471
	<u>\$ 37,896,989</u>	<u>\$ 6,653,502</u>	<u>\$ 3,792,858</u>	<u>\$ 40,757,633</u>	<u>\$ 2,116,170</u>
	2023				
	Beginning Balance, as Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Capital Loan Note,					
Series 2022	\$ -	\$ 230,799	\$ -	\$ 230,799	\$ -
Net pension liability (Note 5)	18,270,897	-	2,609,074	15,661,823	-
Total other postemployment benefits liability (Note 6)	14,425,185	680,880	-	15,106,065	-
Lease liability	57,236	121,534	62,857	115,913	50,852
IT subscription liability	272,410	431,751	167,972	536,189	209,658
Compensated absences *	6,329,736	-	83,536	6,246,200	1,856,341
	<u>\$ 39,355,464</u>	<u>\$ 1,464,964</u>	<u>\$ 2,923,439</u>	<u>\$ 37,896,989</u>	<u>\$ 2,116,851</u>

* The increase or decrease for compensated absences has been presented on the net basis.

Des Moines Water Works

Notes to Basic Financial Statements

Note 4. Noncurrent Liabilities (Continued)

Lease agreements: Water Works has entered into lease agreements for several pieces of office equipment including multifunction printers (printers, copiers, scanners) and a mail inserting system. On April 14, 2023, Water Works entered into a 3 year lease agreement for a mail inserting system and an additional lease liability of \$101,704 was recorded. On May 30, 2023, Water Works entered into a 5 year lease agreement for two multifunction printers and an additional lease liability of \$19,830 was recorded. The Water Works' discount rates on these agreements range from 2.75% to 7.69%.

During the year ended December 31, 2024, principal and interest paid were \$50,852 and \$3,938, respectively. During the year ended December 31, 2023, principal and interest paid were \$62,857 and \$6,067, respectively.

Future principal and interest lease payments as of December 31, 2024 are as follows:

	Principal	Interest	Total
Year ending December 31:			
2025	\$ 40,721	\$ 2,069	\$ 42,790
2026	15,390	942	16,332
2027	6,631	421	7,052
2028	2,319	49	2,368
	<u>\$ 65,061</u>	<u>\$ 3,481</u>	<u>\$ 68,542</u>

IT subscription agreements: Water Works has entered into information technology software agreements for programs including administrative and financial software. The Water Works agreements have terms of 3 and 5 years with payment terms requiring quarterly or annual payments. During the year ended December 31, 2024, principal and interest paid on these agreements were \$185,579 and \$14,394, respectively. During the year ended December 31, 2023, principal and interest paid on these agreements were \$167,972 and \$11,851, respectively.

Future principal and interest IT subscriptions payments as of December 31, 2024 are as follows:

	Principal	Interest	Total
Year ending December 31:			
2025	\$ 176,978	\$ 8,295	\$ 185,273
2026	78,231	3,673	81,904
2027	76,023	1,493	77,515
2028	19,378	44	19,423
	<u>\$ 350,610</u>	<u>\$ 13,505</u>	<u>\$ 364,115</u>

Des Moines Water Works

Notes to Basic Financial Statements

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, 2024:

	Des Moines Water Works Pension Plan	IPERS	Total
Net pension liability	\$ 4,348,544	\$ 7,842,128	\$ 12,190,672
Deferred outflows of resources	2,058,677	1,888,252	3,946,929
Deferred inflows of resources	-	402,736	402,736
Pension expense (credit)	1,565,118	796,843	2,361,961

Below is a summary of amounts reported by the Water Works as of and for the year ended December 31, 2023:

	Des Moines Water Works Pension Plan	IPERS	Total
Net pension liability	\$ 6,109,522	\$ 9,552,301	\$ 15,661,823
Deferred outflows of resources	3,984,173	2,676,911	6,661,084
Deferred inflows of resources	10,456	626,528	636,984
Pension expense (credit)	(404,925)	674,531	269,606

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.

Des Moines Water Works

Notes to Basic Financial Statements

Note 5. Retirement Plans (Continued)

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, 2024 and 2023 included:

	2024	2023
Active plan members	74	83
Inactive plan members entitled to but not yet receiving benefits	30	36
Disabled plan members entitled to but not yet receiving benefits	1	1
Retired plan members or beneficiaries currently receiving benefits	217	207
	<u>322</u>	<u>327</u>

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, 2024 and 2023, the annual money weighted rate of return on Plan investments, net of investment expense was 8.09% and 13.97%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability: The total pension liability was determined using an actuarial valuation date of December 31, 2024 using generally accepted actuarial principles and methods. Water Works is utilizing December 31, 2024 as its measurement date for reporting its net pension liability and related deferred inflows/outflows of resources in their financial statements.

Des Moines Water Works

Notes to Basic Financial Statements

Note 5. Retirement Plans (Continued)

A schedule of the Plan's changes in its net pension liability for the years ended December 31, 2024 and 2023, are as follows:

	2024	2023
Total pension liability		
Service cost	\$ 295,901	\$ 326,934
Interest	3,544,088	3,544,877
Benefit payments	(4,117,656)	(3,895,385)
Difference between expected and actual experience	70,001	176,754
Change in assumptions	21,656	(24,780)
Net change in total pension liability	(186,010)	128,400
Total pension liability—beginning of year	60,952,525	60,824,125
Total pension liability—end of year	<u>\$ 60,766,515</u>	<u>\$ 60,952,525</u>
Plan fiduciary net position		
Contributions—employer	\$ 1,411,056	\$ 979,632
Investment income (loss), net of investment expenses		
2024 \$30,282; 2023 \$23,753	4,300,995	6,878,495
Benefit payments	(4,117,656)	(3,895,385)
Administrative expenses	(19,427)	(24,927)
Net change in plan fiduciary net position	1,574,968	3,937,815
Total plan fiduciary net position, beginning of year	54,843,003	50,905,188
Total plan fiduciary net position, end of year	<u>\$ 56,417,971</u>	<u>\$ 54,843,003</u>
Net pension liability	<u>\$ 4,348,544</u>	<u>\$ 6,109,522</u>
Plan fiduciary net position as a percentage of the total pension liability	92.84%	89.98%

Des Moines Water Works

Notes to Basic Financial Statements

Note 5. Retirement Plans (Continued)

Change in assumptions: In the December 31, 2024, actuarial valuation, the inflation rate was decreased from 2.50% to 2.40%.

In the December 31, 2023, actuarial valuation, the inflation rate was increased from 2.40% to 2.50%.

Actuarial assumptions for the years ended December 31, 2024 and 2023 are as shown in the tables below:

December 31, 2024				
Actuarial valuation:				
Frequency	Annual			
Cost method	Entry age normal			
Assumptions:				
Long-term rate of return	6.00% 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 2.40% has been used in place of the projected rate of change in salary.			
Retirement age	Retirement Age Based Tables as follows:			
	Active participants		Inactive participants	
	Age	Rate	Age	Rate
	55-57	5%	55-61	10%
	58-59	10	62	20
	60	15	63-64	15
	61	20	65 and older	100
	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.			

Des Moines Water Works

Notes to Basic Financial Statements

Note 5. Retirement Plans (Continued)

December 31, 2023

Actuarial valuation:

Frequency	Annual
Cost method	Entry age normal

Assumptions:

Long-term rate of return	6.00% 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 2.50% has been used in place of the projected rate of change in salary.

Retirement age

Retirement Age Based Tables as follows:

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

Discount rate: The discount rate used to measure the total pension liability as of December 31, 2024 and 2023, was 6.00%. 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 2023 to 2115 and 2022 to 2115, respectively. Benefit payments after 2115 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.

Des Moines Water Works

Notes to Basic Financial Statements

Note 5. Retirement Plans (Continued)

Sensitivity of the Plan's net pension liability to changes in the discount rate: The following presents the Plan's net pension liability calculated as of December 31, 2024 and 2023, using the single discount rate of 6.00%, as well as what the Plan's net pension liability 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 (5.00)%	Current Discount Rate (6.00)%	1% Increase (7.00)%
2024	\$ 10,221,658	\$ 4,348,544	\$ (704,350)
	1% Decrease (5.00)%	Current Discount Rate (6.00)%	1% Increase (7.00)%
2023	\$ 12,110,225	\$ 6,109,522	\$ 952,980

Pension expense and deferred outflows and inflows of resources related to pensions: For the year ended December 31, 2024, Water Works recognized pension expense for the Plan of \$1,565,118. For the year ended December 31, 2023, Water Works recognized pension credit for the Plan of \$404,925. Water Works reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,546	\$ -	\$ 74,584	\$ -
Effects of changes in assumptions	7,594	-	-	10,456
Net differences between expected and actual net investment income	2,026,537	-	3,909,589	-
	<u>\$ 2,058,677</u>	<u>\$ -</u>	<u>\$ 3,984,173</u>	<u>\$ 10,456</u>

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

Years ended December 31:

2025	\$ 1,499,851
2026	1,789,035
2027	(1,007,639)
2028	(222,570)
	<u>\$ 2,058,677</u>

Des Moines Water Works

Notes to Basic Financial Statements

Note 5. Retirement Plans (Continued)

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.

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.

Des Moines Water Works

Notes to Basic Financial Statements

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 2024 and 2023, 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, 2024 and 2023, were \$1,942,148 and \$1,812,717, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At December 31, 2024, the Water Works reported a liability of \$7,842,128 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the Water Works' proportion was 0.212362%, which was a decrease of 0.005344% from its proportion measured as of June 30, 2023.

The Water Works recognized pension expense for IPERS of \$796,843 for the year ended December 31, 2024. The Water Works recognized pension expense for IPERS of \$674,531 for the year ended December 31, 2023. 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:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	\$ 624,005	\$ 4,872	\$ 808,138	\$ 39,263
Changes of assumptions	-	110	-	151
Net difference between projected and actual investment earnings on pension plan investments	98,078	-	884,659	-
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	182,993	397,754	67,200	587,114
Water Works contributions subsequent to the measurement date	983,176	-	916,914	-
	<u>\$ 1,888,252</u>	<u>\$ 402,736</u>	<u>\$ 2,676,911</u>	<u>\$ 626,528</u>

Des Moines Water Works

Notes to Basic Financial Statements

Note 5. Retirement Plans (Continued)

The \$983,176 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, 2024. 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:

2025	\$ (1,158,801)
2026	1,812,408
2027	61,679
2028	(227,840)
2029	14,894
	<u>\$ 502,340</u>

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, 2024.

The following actuarial assumptions used in the June 30, 2024 and 2023 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 PubG-2010 Employee and Healthy Annuitant Tables with MP-2021 generational adjustments.

The demographic actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2021.

Des Moines Water Works

Notes to Basic Financial Statements

Note 5. Retirement Plans (Continued)

An experience study of the System's demographic assumptions was presented to the Investment Board in June 2022. This study included information on mortality, retirement, disability, and termination rates, as well as salary trends, for the period of July 1, 2017 to June 30, 2021. The findings of the experience study, along with the resulting recommendations, are included in the report dated June 16, 2022.

Several factors are considered in evaluating the actuarial assumed investment return including long-term historical data, estimates inherent in current market data, along with estimates of variability and correlations for each asset class, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) were developed by the System's investment consultant. These ranges were combined to develop the actuarial assumed investment return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The actuarial assumed investment return reflects the anticipated returns on current and future plan assets and provides a discount rate to determine the present value of future benefit payments.

Best estimates of geometric real rates of return for each major asset class included in IPERS' target asset allocation as of June 30, 2024, are shown in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	21%	3.52%
International equity	13	5.18
Global smart beta equity	5	4.12
Core-plus fixed income	26	3.04
Public credit	3	4.53
Cash	1	1.69
Private equity	17	8.89
Private real assets	9	4.25
Private credit	5	6.62
	<u>100%</u>	

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2024 and 2023 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.

Des Moines Water Works

Notes to Basic Financial Statements

Note 5. Retirement Plans (Continued)

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, 2024 and 2023, using the discount rate of 7.00% as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-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%)
2024	\$ 19,244,444	\$ 7,842,128	\$ (1,707,370)
2023	20,310,321	9,552,301	536,903

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, 2024 and 2023, respectively, the Water Works reported payables to the defined benefit pension plan of \$156,090 and \$143,198 for legally required employer contributions and \$104,005 and \$95,415 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Deferred Compensation Plan

Water Works offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The Section 457 plan is available to full-time employees who have been continuously employed by Water Works for at least three months and allows participants to defer a portion of their salary to future years. Deferred amounts become available to employees upon termination of employment, retirement, approved financial hardship request, or death.

Water Works provides a 50% match on employee contributions through a graduated scale based on years of service, with a maximum employer match of up to 3% of the employee's salary. Matching contributions totaled \$400,849 and \$375,927 for the years ended December 31, 2024 and 2023, respectively.

The 457 plan is individually owned by each participating employee and is not considered an asset of Water Works.

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.

Des Moines Water Works

Notes to Basic Financial Statements

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

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 spouses 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:

	2024	2023
Inactive participants currently receiving benefits	132	125
Active employees	212	202
	<u>344</u>	<u>327</u>

Total OPEB liability: The Water Works' total OPEB liability of \$15,241,808 was measured as of December 31, 2024. The actuarial valuation was done as of December 31, 2023.

Des Moines Water Works

Notes to Basic Financial Statements

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

Actuarial methods and assumptions: The total OPEB liability in the December 31, 2024 and 2023, 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	2024: 4.28% 2023: 4.00%
Payroll growth	2024 and 2023: Based on the rates for general employees used in the IPERS valuation as of June 30, 2023. 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

Health care trend rates	2024		
		FYE	Post-65
		Pre-65	
	2024	*	**
	2025	7.5%	6.25%
	2026	7.0	6.00
	2027	6.5	5.75
	2028	6.0	5.50
	2029	5.5	5.25
	2030	5.0	5.50
	2031	4.5	4.75
	2032+	4.5	4.50

*FYE 2024 Pre-65 Health Care Trend Rates are based on actual premium rate changes from rates effective July 1, 2023 to those effective July 1, 2024.

*FYE 2024 Post-65 Health Care Trend Rates are based on actual premium rate changes from rates effective January 1, 2024 to those effective January 1, 2025.

Des Moines Water Works

Notes to Basic Financial Statements

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

2023	FYE	Pre-65	Post-65
	2024	8.0%	6.50%
	2025	7.5	6.25
	2026	7.0	6.00
	2027	6.5	5.75
	2028	6.0	5.50
	2029	5.5	5.25
	2030	5.0	5.50
	2031	4.5	4.75
	2032+	4.5	4.50

Mortality 2022-2023: SOA Pub-2010 General Headcount Weighted Mortality Table
fully generational using Scale MP-2021 for actives and retirees

2022-2023: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality
Table fully generational using Scale MP-2021 for surviving
spouses

In the actuarial valuation for the year ended December 31, 2024, the retirement and withdrawal rates assumptions have been updated to follow the IPERS actuarial valuation for the fiscal year ending June 30, 2024.

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 for the years ended December 31, 2024 and 2023.

Des Moines Water Works

Notes to Basic Financial Statements

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

Changes in the total OPEB liability:

	Total OPEB Liability
Balance as of December 31, 2022	\$ 14,425,185
Changes for the year:	
Service cost	643,298
Interest	644,181
Changes in assumptions or other inputs	1,220,015
Differences between expected and actual experience	(1,579,466)
Contributions and payments made	(247,148)
Net changes	680,880
Balance as of December 31, 2023	15,106,065
Changes for the year:	
Service cost	775,048
Interest	629,803
Changes in assumptions or other inputs	(555,176)
Differences between expected and actual experience	(439,143)
Contributions and payments made	(274,789)
Net changes	135,743
Balance as of December 31, 2024	\$ 15,241,808

The discount rate used to measure the total OPEB liability as of December 31, 2024 and 2023 was 4.28% and 4.00%, 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 or 1-percentage-point higher than the current discount rate:

	2024		
	1% Decrease 3.28%	Discount Rate 4.28%	1% Increase 5.28%
Total OPEB liability	\$ 17,371,988	\$ 15,241,808	\$ 13,482,359
	2023		
	1% Decrease 3.00%	Discount Rate 4.00%	1% Increase 5.00%
Total OPEB liability	\$ 17,261,885	\$ 15,106,065	\$ 13,327,913

Des Moines Water Works

Notes to Basic Financial Statements

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	2024		
	(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	\$ 13,032,309	\$ 15,241,808	\$ 18,041,666

	2023		
	(7.00% Decreasing to 3.50%)	Health Care Cost Trend Rates (8.00% Decreasing to 4.50%)	(9.00% Decreasing to 5.50%)
Total OPEB liability	\$ 12,987,010	\$ 15,106,065	\$ 17,786,079

OPEB expense and deferred outflows and inflows of resources related to OPEB: For the years ended December 31, 2024 and 2023, the Water Works recognized OPEB expense of \$705,101 and \$236,488, respectively. At December 31, 2024 and 2023, the Water Works reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,089,884	\$ -	\$ 3,506,337
Changes of assumptions or other inputs	2,003,207	3,127,814	2,888,959	3,302,544
	<u>\$ 2,003,207</u>	<u>\$ 6,217,698</u>	<u>\$ 2,888,959</u>	<u>\$ 6,808,881</u>

Des Moines Water Works

Notes to Basic Financial Statements

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:

2025	\$ (849,288)
2026	(849,291)
2027	(1,157,767)
2028	(933,925)
2029	(175,641)
Thereafter	(248,579)
	<u>\$ (4,214,491)</u>

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 \$4,768,407 per coverage year in the aggregate. The annual aggregate loss limit is a function of the estimated normal premium.

The claims liability of \$115,720 and \$584,848 as of December 31, 2024 and 2023, 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, 2024, 2023 and 2022, is as follows:

	2024	2023	2022
Unpaid claims, beginning of year	\$ 584,848	\$ 490,917	\$ 118,803
Current year claims and changes in estimates	227,034	817,211	683,635
Claim payments	(842,453)	(723,280)	(311,521)
Claims recovered from excess work comp policy	146,291	-	-
Unpaid claims, end of year	<u>\$ 115,720</u>	<u>\$ 584,848</u>	<u>\$ 490,917</u>

Des Moines Water Works

Notes to Basic Financial Statements

Note 8. Commitments

Approximately \$16,765,000 related to 2024 contracts has been formally committed as of December 31, 2024. In addition, the Board has approved approximately \$50,500,000 of expenditures for capital acquisitions and improvements, all of which are expected to be expended in 2025. An estimated \$23,900,000 has been budgeted for capital acquisitions and improvements designated for Central Iowa Water Works. As capital expenses on these capital projects occur, DMWW will issue monthly invoices to CIWW for reimbursement. Additionally, there is approximately \$5,200,000 budgeted to be funded through the Drinking Water State Revolving Fund (SRF).

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 \$148,000 in both 2024 and 2023.

In August 2021, the Water Works and the Greater Des Moines Botanical Gardens (GDMBG) entered into an agreement for the Water Works to provide continuing financial support to the GDMBG through December 31, 2026. Under this agreement, financial support is provided solely by means of cash payment and the amount will decline each year through 2026. For the years ended December 31, 2024 and 2023, Water Works provided cash payments of \$50,000 and \$100,000, respectively.

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

As of December 31, 2024, Water Works adopted the following GASB Statements:

- GASB Statement No. 100, *Accounting Changes and Error Corrections*, issued in June 2022, is designed to improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which results in greater consistency in application in practice. The adoption of this guidance did not have a material impact on financial position, results of operation, or cash flows.
- GASB Statement No. 101, *Compensated Absences*, issued in June 2022, is designed to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter, and is implemented on a retroactive basis for each financial statement period presented. Water Works adopted Statement No. 101 during the year ended December 31, 2024 and the impact is disclosed below.

Des Moines Water Works

Notes to Basic Financial Statements

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

Statement of net position impact:

	2023 as Originally Presented	Change in Accounting Principle - 2022	Change in Accounting Principle - 2023	2023 as Restated
Current liabilities:				
Compensated absences	\$ 3,002,802	\$ (1,227,991)	\$ 81,530	\$ 1,856,341
Total current liabilities	\$ 19,365,989	\$ (1,227,991)	\$ 81,530	\$ 18,219,528
Noncurrent liabilities:				
Compensated absences	\$ 707,614	\$ 3,799,359	\$ (117,114)	\$ 4,389,859
Total noncurrent liabilities	32,097,893	3,799,359	(117,114)	35,780,138
Total liabilities	\$ 51,463,882	\$ 2,571,368	\$ (35,584)	\$ 53,999,666
Net position:				
Net investment in capital assets	\$ 408,111,232	\$ -	\$ -	\$ 408,111,232
Unrestricted	59,875,946	(2,571,368)	35,584	57,340,162
Total net position	\$ 467,987,178	\$ (2,571,368)	\$ 35,584	\$ 465,451,394

The cumulative effect implementing GASB Statement No. 101, *Compensated Absences*, to Water Work's financial statements for the year ended December 31, 2023, is summarized in the table below related to statements of revenues, expenses and changes in net position and cash flows.

	Originally Presented	Change in Accounting Principle	2023 as Restated
Labor operating expense	\$ 15,046,764	\$ (35,584)	\$ 15,011,180
Total operating expenses	65,085,592	(35,584)	65,050,008
Operating income	29,407,823	35,584	29,443,407
Income before capital contributions	32,222,201	35,584	32,257,785
Change in net position	37,335,025	35,584	37,370,609
Net position, beginning of year, as originally reported			430,652,153
Change in accounting principle			(2,571,368)
Net position, beginning of year, as restated	430,652,153		428,080,785
Net position, end of year	\$ 467,987,178	\$ 35,584	\$ 465,451,394
Net cash provided by operating activities	\$ 38,827,811	\$ -	\$ 38,827,811
Operating income	29,407,823	35,584	29,443,407
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in accrued wages, benefits and compensated absences	\$ 29,117	\$ (35,584)	\$ (6,467)

Des Moines Water Works

Notes to Basic Financial Statements

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

The GASB has issued the several statements not yet implemented by the Water Works. The statements which may impact the Water Works are as follows:

- GASB Statement No. 102, *Certain Risk Disclosures*, issued in December 2023, will be effective for the Water Works beginning with its fiscal year ended December 31, 2025. The objective of Statement No. 102 is to provide users of financial statements with essential information about risks related to a government's financial condition due to certain concentrations or constraints.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024, will be effective for the Water Works beginning with its fiscal year ended December 31, 2026. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information, and financial trends in the statistical section.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued September 2024, will be effective for the Water Works beginning with its fiscal year ended December 31, 2026. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this statement requires intangible assets other than those three types to be disclosed separately by major class. Statement No. 104 also requires additional disclosures for capital assets held for sale.

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

Note 10. Subsequent Events

On January 1, 2025, Central Iowa Water Works (CIWW) commenced operationally. Production assets and facilities were transferred to CIWW as of Operational Commencement. In consideration for the transfer of production assets to CIWW, DMWW will receive approximately \$78 million in cash prior to December 31, 2025. As part of the transaction, DMWW will recognize an estimated Loss on Disposal of Capital Assets of approximately \$44 million and will capitalize capacity purchased in the regional system valued at approximately \$79 million. Because the final calculation for amounts owed and received by CIWW members related to Asset Transfer requires financial data from other CIWW members which is not yet available, these amounts are estimated for purposes of this disclosure.

Des Moines Water Works

Notes to Basic Financial Statements

Note 10. Subsequent Events (Continued)

The book value of production capital assets transferred to CIWW and removed from DMWW asset values at January 1, 2025 were as follows:

Capital Assets	Original Cost	Accumulated Depreciation	Book Value of Production Assets Removed From DMWW Books
Land	\$ 6,947,952	\$ -	\$ 6,947,952
Construction-in-progress	19,162,322	-	19,162,322
Buildings, equipment and machinery	158,814,655	(83,252,325)	75,562,330
Supply system	62,646,098	(22,820,314)	39,825,784
Distribution system	68,577,442	(11,724,683)	56,852,759
	<u>\$ 316,148,469</u>	<u>\$ (117,797,322)</u>	<u>\$ 198,351,147</u>

On January 3, 2025, the existing DMWW debt related to transferred production assets was paid off with proceeds from the asset transfer. For assets originally debt-financed by DMWW, CIWW issued Capital Loan Notes through the State Revolving Fund (SRF) program, administered by the Iowa Finance Authority (IFA), to acquire the assets and complete the projects under construction. Debt removed from DMWW's liabilities include the following:

DMWW Series	Issuance Date	Original Par	Principal Paid Off	Balance on January 3, 2025, CIWW Issued New Debt	Remaining Issuance in DMWW's Name
Series 2023	7/14/2023	\$ 10,599,673	\$ 593,206	\$ 10,006,467	\$ -
Series 2024A	9/20/2024	14,200,000	5,995,437	8,204,563	-
		<u>\$ 24,799,673</u>	<u>\$ 6,588,643</u>	<u>\$ 18,211,030</u>	<u>\$ -</u>

On January 6, 2025, DMWW transferred to CIWW \$5.0 million cash as a good faith payment towards amounts owed to CIWW as funding for incomplete DMWW capital projects, as outlined in the terms of the 28E/28F Agreement forming CIWW. An additional amount of approximately \$5.1 million will be transferred to CIWW prior to July 1, 2025, for a total of \$10.1 million. This amount represents DMWW revenues collected for capital projects that are incomplete as of December 31, 2024. These amounts will be reimbursed to DMWW as the capital costs are incurred and the projects are completed.

Des Moines Water Works

Required Supplementary Information

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

	2024	2023
Total OPEB liability		
Service cost	\$ 775,048	\$ 643,298
Interest	629,803	644,181
Differences between expected and actual experience	(439,143)	(1,579,466)
Changes of assumptions or other inputs	(555,176)	1,220,015
Benefit payments	(274,789)	(247,148)
Net change in total OPEB liability	135,743	680,880
Total OPEB liability—beginning	15,106,065	14,425,185
Total OPEB liability—ending	<u>\$ 15,241,808</u>	<u>\$ 15,106,065</u>
Covered payroll	\$ 20,573,607	\$ 19,202,510
Total OPEB liability as a percentage of covered payroll	74.08%	78.67%

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:

2024	4.28%
2023	4.00
2022	4.31
2021	2.25
2020	2.12
2019	3.26
2018	4.11

2023: The retirement and withdrawal rates assumptions have been updated to follow the IPERS actuarial valuation for the year ending June 30, 2023. Pre-65 health care trend rates have been updated to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. Post-65 health care trend rates have been updated to an initial rate of 6.5% decreasing by 0.25% annually to an ultimate rate of 4.5%.

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.

	2022		2021		2020		2019		2018
\$	1,046,369	\$	1,087,723	\$	817,019	\$	485,096	\$	596,560
	436,934		418,967		528,665		581,186		575,062
	(684,439)		(2,399,519)		(552,889)		(333,106)		(351,291)
	(4,623,562)		832,650		2,712,218		1,230,324		(2,501,908)
	(244,672)		(239,011)		(220,147)		(218,418)		(221,067)
	(4,069,370)		(299,190)		3,284,866		1,745,082		(1,902,644)
	18,494,555		18,793,745		15,508,879		13,763,797		15,666,441
\$	14,425,185	\$	18,494,555	\$	18,793,745	\$	15,508,879	\$	13,763,797
\$	18,164,894	\$	17,595,555	\$	18,234,117	\$	17,084,137	\$	16,881,645
	79.41%		105.11%		103.07%		90.78%		81.53%

Des Moines Water Works

Required Supplementary Information
Schedule of Changes in Net Pension Liability
Last Ten Fiscal Years
Des Moines Water Works Pension Plan

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:										
Service cost	\$ 295,901	\$ 326,934	\$ 411,165	\$ 481,077	\$ 463,625	\$ 485,304	\$ 465,354	\$ 490,401	\$ 523,384	\$ 580,106
Interest	3,544,088	3,544,877	3,460,899	3,441,223	3,532,653	3,412,125	3,397,770	3,427,064	3,423,314	3,342,170
Benefit payments	(4,117,656)	(3,895,385)	(3,749,617)	(3,612,256)	(3,254,898)	(3,232,522)	(3,255,624)	(3,174,948)	(3,000,082)	(2,826,683)
Difference between expected and actual experience	70,001	176,754	(302,442)	77,689	(118,020)	95,861	(121,340)	(33,428)	441,617	320,599
Changes in assumptions	21,656	(24,780)	(2,381,487)	115,619	2,108,486	1,272,937	(257,396)	1,135,050	905,072	-
Net change in total pension liability	(186,010)	128,400	(2,561,482)	503,352	2,731,846	2,033,705	228,764	1,844,139	2,293,305	1,416,192
Total pension liability, beginning of year	60,952,525	60,824,125	63,385,607	62,882,255	60,150,409	58,116,704	57,887,940	56,043,801	53,750,496	52,334,304
Total pension liability, end of year	\$ 60,766,515	\$ 60,952,525	\$ 60,824,125	\$ 63,385,607	\$ 62,882,255	\$ 60,150,409	\$ 58,116,704	\$ 57,887,940	\$ 56,043,801	\$ 53,750,496
Plan fiduciary net position:										
Contributions—employer	\$ 1,411,056	\$ 979,632	\$ 1,293,349	\$ 1,483,159	\$ 1,457,910	\$ 1,377,486	\$ 1,236,796	\$ 1,228,734	\$ 597,434	\$ 911,175
Investment income (loss)	4,300,995	6,902,248	(10,466,377)	4,976,257	6,804,238	8,669,799	(2,535,025)	6,907,660	3,295,965	(607,906)
Investment expenses	(30,282)	(23,753)	(24,718)	(26,243)	(24,205)	(23,849)	(24,033)	(23,425)	(21,585)	(22,091)
Benefit payments	(4,087,374)	(3,895,385)	(3,749,617)	(3,612,256)	(3,254,898)	(3,232,522)	(3,255,624)	(3,174,948)	(3,000,082)	(2,826,683)
Administrative expenses	(19,427)	(24,927)	(11,052)	(15,442)	(5,553)	(8,831)	(9,942)	(31,506)	(16,126)	(4,676)
Net change in plan fiduciary net position	1,574,968	3,937,815	(12,958,415)	2,805,475	4,977,492	6,782,083	(4,587,828)	4,906,515	855,606	(2,550,181)
Total plan fiduciary net position, beginning of year	54,843,003	50,905,188	63,863,603	61,058,128	56,080,636	49,298,553	53,886,381	48,979,866	48,124,260	50,674,441
Total plan fiduciary net position, end of year	\$ 56,417,971	\$ 54,843,003	\$ 50,905,188	\$ 63,863,603	\$ 61,058,128	\$ 56,080,636	\$ 49,298,553	\$ 53,886,381	\$ 48,979,866	\$ 48,124,260
Net pension liability (asset)	\$ 4,348,544	\$ 6,109,522	\$ 9,918,937	\$ (477,996)	\$ 1,824,127	\$ 4,069,773	\$ 8,818,151	\$ 4,001,559	\$ 7,063,935	\$ 5,626,236

Change in assumptions:

Discount Rate: In the December 31, 2022, actuary valuation, the discount rate was increased from 5.60% to 6.00%. 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%.

Inflation Rate: In the December 31, 2024, actuary valuation, the inflation rate decreased from 2.50% to 2.40%. In the December 31, 2023, actuary valuation, the inflation rate increased from 2.40% to 2.50%. In the December 31, 2022, actuary valuation, the inflation rate increased from 2.25% to 2.40%. In the December 31, 2018, actuary valuation, the inflation rate increased from 2.00% to 2.25%.

Mortality Rate: 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
Last Ten Fiscal Years
Des Moines Water Works Pension Plan

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability, end of year	\$ 60,766,515	\$ 60,952,525	\$ 60,824,125	\$ 63,385,607	\$ 63,385,607	\$ 60,150,409	\$ 58,116,704	\$ 57,887,940	\$ 56,043,801	\$ 53,750,496
Plan net position, end of year	56,417,971	54,843,003	50,905,188	63,863,603	63,863,603	56,080,636	49,298,553	53,886,381	48,979,866	48,124,260
Net pension liability	\$ 4,348,544	\$ 6,109,522	\$ 9,918,937	\$ (477,996)	\$ (477,996)	\$ 4,069,773	\$ 8,818,151	\$ 4,001,559	\$ 7,063,935	\$ 5,626,236
Plan net position as a percentage of the total pension liability	92.8%	90.0%	83.7%	100.8%	100.8%	93.2%	84.8%	93.1%	87.4%	89.5%
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	N/A	N/A

* As the Plan was frozen to future benefit accruals effective December 31, 2013, there was no covered payroll for the last ten fiscal years.

See note to required supplementary information.

Des Moines Water Works

**Required Supplementary Information
Schedule of Investment Returns
Last Ten Fiscal Years
Des Moines Water Works Pension Plan**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	8.09%	13.97%	(16.84)%	8.29%	12.35%	17.98%	(4.87)%	14.40%	7.00%	(1.27)%

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
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
2022	1,293,349	1,293,349	-	*	N/A
2023	979,632	979,632	-	*	N/A
2024	1,411,056	1,411,056	-	*	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 last ten fiscal years.

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 2022-2024-6.00% per year; 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 2.40% for 2024; 2.50% for 2023; 2.40% for 2022; 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.

Des Moines Water Works

Note to Required Supplementary Information (Continued) Des Moines Water Works Pension Plan

Changes of assumptions:

The 2024 valuation implemented the following refinements:

- Decrease the inflation rate from 2.50% to 2.40%.

The 2023 valuation implemented the following refinements:

- Increase the inflation rate from 2.40% to 2.50%.

The 2022 valuation implemented the following refinements:

- The expected long-term rate of return assumption was increased from 5.60% to 6.00%
- Increased the inflation rate from 2.25% to 2.40%.

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.

Des Moines Water Works

Note to Required Supplementary Information (Continued) Des Moines Water Works Pension Plan

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:	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Water Works' proportion of the net pension liability	0.212362%	0.207018%	0.210425%	0.218900%	0.225708%	0.223592%	0.220673%	0.219512%	0.214469%	0.216317%
Water Works' proportionate share of the net pension liability	\$ 7,842,128	\$ 9,552,301	\$ 8,351,960	\$ 306,879	\$ 15,744,859	\$ 12,947,441	\$ 13,964,723	\$ 14,622,270	\$ 13,497,195	\$ 10,687,114
Water Works' covered payroll	\$ 20,573,607	\$ 19,202,510	\$ 18,164,894	\$ 17,595,555	\$ 18,234,117	\$ 17,084,137	\$ 16,881,645	\$ 16,072,005	\$ 15,391,075	\$ 14,819,686
Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	38.12%	49.75%	45.98%	1.74%	86.35%	75.79%	82.72%	90.98%	87.69%	72.11%
Plan fiduciary net position as a percentage of the total pension liability	91.60%	90.13%	91.40%	100.81%	82.90%	84.38%	83.62%	82.21%	81.82%	85.19%

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
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
2022	1,714,766	1,714,766	-	18,164,894	9.44
2023	1,812,717	1,812,717	-	19,202,510	9.44
2024	1,942,148	1,942,148	-	20,573,607	9.44

N/A - Not available.

See note to required supplementary information.

Des Moines Water Works

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:

2024 valuation:

- None

2023 valuation:

- None

2022 valuation:

- Mortality assumption was changed to the PubG-2010 Employee and Healthy Annuitant Tables, using MP-2021 generational adjustments.

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%.

(Continued)

Des Moines Water Works

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

2016 valuation:

- None

2015 valuation:

- None

**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, 2024 and 2023
(With Independent Auditor's Report Thereon)



RSM US LLP

Independent Auditor's Report

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 statements of cash receipts and disbursements of sewer service charges billed and collected by Des Moines Water Works for the City of Des Moines, Iowa for the years ended December 31, 2024 and 2023, and the related notes (the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and disbursements of sewer service charges billed and collected by Des Moines Water Works for the years ended December 31, 2024 and 2023 in accordance with the cash basis of accounting described in Note 2.

Basis for Opinion

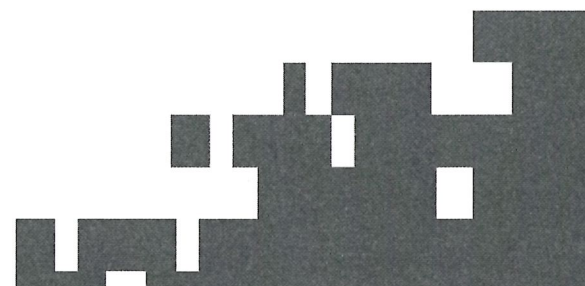
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Des Moines Water Works 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 Des Moines Water Work'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.

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

Kansas City, Missouri
June 5, 2025

**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, 2024 and 2023**

	2024	2023
Cash receipts, sewer service charges	<u>\$ 50,258,775</u>	<u>\$ 47,739,596</u>
Cash disbursements:		
Remittances to the City of Des Moines	49,545,360	46,620,018
Billing and collection services	<u>892,297</u>	<u>850,308</u>
Total cash disbursements	<u>50,437,657</u>	<u>47,470,326</u>
Cash receipts over (under) cash disbursements	(178,882)	269,270
Cash receipts balance, beginning of year	<u>502,415</u>	<u>233,145</u>
Cash receipts balance, end of year	<u><u>\$ 323,533</u></u>	<u><u>\$ 502,415</u></u>

See notes to statements of cash receipts and cash disbursements.

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

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. 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 \$4,691,743 and \$4,538,972 as of December 31, 2024 and 2023, respectively, are not reflected in the statements of cash receipts and disbursements.

These statements present 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. They do not purport to, and do not, present fairly the financial position and changes in financial position of the Des Moines Water Works as of and for the years ended December 31, 2024 and 2023.

**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, 2024 and 2023
(With Independent Auditor's Report Thereon)



RSM US LLP

Independent Auditor's Report

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 statements of cash receipts and disbursements of storm water charges billed and collected by Des Moines Water Works for the City of Des Moines, Iowa for the years ended December 31, 2024 and 2023, and the related notes (the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and disbursements of storm water charges billed and collected by Des Moines Water Works for the years ended December 31, 2024 and 2023 in accordance with the cash basis of accounting described in Note 2.

Basis for Opinion

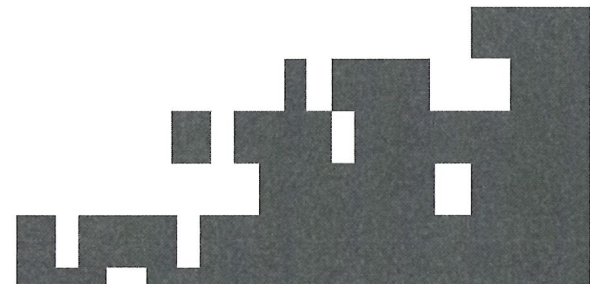
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Des Moines Water Works 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 Des Moines Water Work'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.

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

Kansas City, Missouri
June 5, 2025

**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, 2024 and 2023**

	2024	2023
Cash receipts, storm water management charges	<u>\$ 35,278,243</u>	<u>\$ 33,285,217</u>
Cash disbursements:		
Remittances to the City of Des Moines	34,721,350	32,576,154
Billing and collection services	<u>625,517</u>	<u>592,633</u>
Total cash disbursements	<u>35,346,867</u>	<u>33,168,787</u>
Cash receipts over (under) cash disbursements	(68,624)	116,430
Cash receipts balance, beginning of year	<u>304,506</u>	<u>188,076</u>
Cash receipts balance, end of year	<u><u>\$ 235,882</u></u>	<u><u>\$ 304,506</u></u>

See notes to statements of cash receipts and cash disbursements.

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

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. 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 \$3,384,273 and \$3,376,294 as of December 31, 2024 and 2023, respectively, are not reflected in the statements of cash receipts and disbursements.

These statements present 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. They do not purport to, and do not, present fairly the financial position and changes in financial position of the Des Moines Water Works as of and for the years ended December 31, 2024 and 2023.

**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, 2024 and 2023
(With Independent Auditor's Report Thereon)



RSM US LLP

Independent Auditor's Report

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 statements of cash receipts and disbursements of solid waste charges billed and collected by Des Moines Water Works for the City of Des Moines, Iowa for the years ended December 31, 2024 and 2023, and the related notes (the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and disbursements of solid waste charges billed and collected by Des Moines Water Works for the years ended December 31, 2024 and 2023 in accordance with the cash basis of accounting described in Note 2.

Basis for Opinion

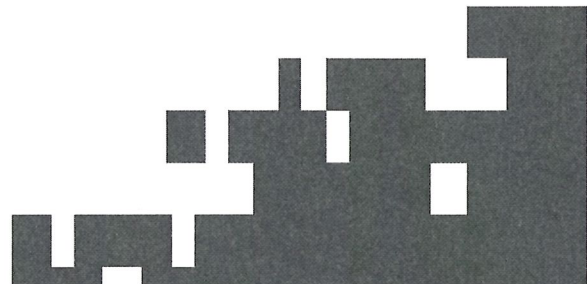
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Des Moines Water Works 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 Des Moines Water Work'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.

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

Kansas City, Missouri
June 5, 2025

**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, 2024 and 2023**

	2024	2023
Cash receipts, solid waste collection charges	<u>\$ 15,452,279</u>	<u>\$ 15,147,803</u>
Cash disbursements:		
Remittances to the City of Des Moines	15,204,993	14,845,596
Billing and collection services	<u>275,285</u>	<u>272,667</u>
Total cash disbursements	<u>15,480,278</u>	<u>15,118,263</u>
Cash receipts over (under) cash disbursements	(27,999)	29,540
Cash receipts balance, beginning of year	<u>140,559</u>	<u>111,019</u>
Cash receipts balance, end of year	<u><u>\$ 112,560</u></u>	<u><u>\$ 140,559</u></u>

See notes to statements of cash receipts and cash disbursements.

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

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. 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 \$1,800,790 and \$2,024,614 as of December 31, 2024 and 2023, respectively, are not reflected in the statements of cash receipts and disbursements.

These statements present 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. They do not purport to, and do not, present fairly the financial position and changes in financial position of the Des Moines Water Works as of and for the years ended December 31, 2024 and 2023.