★ **Roll Call Number**

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Agenda Item Number
48

Date July 13, 2020

Receipt of the following reports from Des Moines Water Works:

1. Report to the Board of Water Works Trustees, June 9, 2020.

2. Financial Report, December 31, 2019 and 2018.

3. Statements of Cash Receipts and Disbursements, for years ended December 31, 2019 and 2018:
   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.

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

MOTION CARRIED APPROVED

________________________ Mayor

CERTIFICATE

I, P. Kay Cmelik, 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.

________________________ City Clerk

RSM

June 9, 2020

RSM US LLP

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Des Moines, IA 50309-2354

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

Attention: Ms. Diane Munns, Board Chair

This letter is to inform the Board of Trustees of Des Moines Water Works (the Water Works) about significant matters related to the conduct of our audit as of and for the year ended December 31, 2019, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management
Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated February 28, 2020. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit
We have issued a separate communication dated March 23, 2020 regarding the planned scope and timing of our audit and have discussed with you our identification of significant risks of material misstatement.

Significant Accounting Practices, Including Policies, Estimates and Disclosures
In our meeting with you, we will discuss our views about the qualitative aspects of the Water Works' significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The following is a list of the matters that will be discussed, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

- Significant Accounting Estimates
  - Depreciable Useful Life of Capital Assets
  - Fair Value of Investments
  - Total Other Postemployment Benefit Plan (OPEB) Liability and Assumptions
  - Net Pension Liability (NPL) and Assumptions
  - Unbilled Revenue
  - Accrued Sick Leave

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

Internal Control Matters and Compliance Findings
We have separately issued a report on internal control over financial reporting and on compliance and other matters during our audit of the financial statements, as required by *Government Auditing Standards,* and this communication is attached.

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

Management Representations
Attached is a copy of the management representation letters.

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 Des Moines Water Works.

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

RSM US LLP

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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*

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, the financial statements of the business-type activities and fiduciary fund of the Des Moines Water Works (Water Works) as of and for the year ended December 31, 2019, 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 9, 2020. 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 pension trust fund.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Water Works' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Works' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Des Moines, Iowa
June 9, 2020

DES MOINES WATER WORKS
Board of Water Works Trustees
2201 George Flagg Parkway | Des Moines, Iowa 50321-1190 | (515) 283-8700 | www.dmww.com

Des Moines Water Works
Water You Can Trust for Life

June 9, 2020

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

This representation letter is provided in connection with your audits of the basic financial statements of Des Moines Water Works, Des Moines, Iowa (Water Works) as of and for the years ended December 31, 2019 and 2018 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 9, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated February 28, 2020, 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 internal control to prevent and detect fraud.

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

5. Related-party transactions, including those with other organizations for which the nature and significance of their relationship with Des Moines Water Works are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete 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.

6. 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.

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

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

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

    b. Net position classifications.

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

    d. Future changes in accounting pronouncements for GASB Statement Nos. 84, 87 and 88, which have been issued, but which we have not yet adopted. GASB Statement Nos. 83, 90, 91, 92, 93 and 94 is not disclosed in the financial statements since the pending standard is not expected to significantly impact Des Moines Water Works' financial statements.

    e. We believe the implementation of GASB Statement No. 95 is appropriate, and its effect, if any, is properly disclosed in the financial statements.

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

10. We have complied with all aspects of contractual 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.

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

Information Provided

12. We have provided you with:

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

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

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

    d. Minutes of the meetings of the governing board and committees, 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 Water Works' financial statements involving:

    a. Management.

b. Employees who have significant roles in internal control.

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

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

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

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

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

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

21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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

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.

Supplementary Information

24. With respect to management's discussion and analysis, pension, and other postemployment benefit 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

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

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

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

    c. Has disclosed to the auditor there are no instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

    d. Has disclosed to the auditor there are no instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

    e. Has disclosed to the auditor there are no instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements.

    f. 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.

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

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

Des Moines Water Works

Ted Corrigan, Interim Chief Executive Officer

Peggy Freese, Chief Financial Officer

Michelle Holland, Controller

DES MOINES WATER WORKS
Board of Water Works Trustees

Des Moines Water Works
Water You Can Trust for Life

2201 George Flagg Parkway | Des Moines, Iowa 50321-1190 | (515) 283-8700 | www.dmww.com

June 9, 2020

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

This representation letter is provided in connection with your audits of the statements of cash receipts and disbursements (financial statements) of the Board of Water Works Trustees, Billing and Collection Agent for the Sewer Service Charges, Solid Waste Collection Charges and Storm Water Management Charges for the City of Des Moines, Iowa (the Agent) for the years ended December 31, 2019 and 2018, 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 9, 2020:

Financial Statements

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

2. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated February 28, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with the cash basis of accounting.

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

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

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

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

7. There are no known actual or possible litigation or claims to be accounted for in accordance with the cash basis of accounting.

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

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

   a. We have made all management decisions 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 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.

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

Information Provided

11. We have provided you with:

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

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

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

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

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.

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 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 and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.

19. We have disclosed to you the identity 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 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. 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

Ted Corrigan, Interim Chief Executive Officer

Peggy Freese, Chief Financial Officer

Michelle Holland, Controller

48

Des Moines Water Works

Financial Report
December 31, 2019 and 2018

THE POWER OF BEING UNDERSTOOD
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Contents

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Independent Auditor's Report

RSM US LLP

Board of Water Works Trustees
Des Moines Water Works

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and fiduciary fund of the Des Moines Water Works (Water Works) as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Water Works' basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund of the Des Moines Water Works as of December 31, 2019 and 2018, 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.

Other Matters

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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RSM US LLP

Des Moines, Iowa
June 9, 2020

Des Moines Water Works

Management's Discussion and Analysis
Year Ended December 31, 2019

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, 2019 and 2018. 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 33% of total water revenues. Total service customers account for roughly 15% of total water revenues, which leaves nearly 52% of revenues for City of Des Moines customers. This service area spans approximately 400 square miles, including most of Polk County and communities in eastern Dallas County and northern Warren County. The utility also provides billing and collection services on a contractual basis to total service customers and billing and collection services to the City of Des Moines for wastewater treatment, solid waste collection and the storm water utility.

As the utility's service area has expanded, so too has the need for water storage facilities, booster stations and additional treatment capacity to meet peak demand requirements. The most economical approach for the Water Works has involved utilizing these facilities to supply multiple customers. Contractual service users share in the cost of these joint-use facilities. Financial participation in the construction or improvement of these facilities includes initial cash contributions or payments of debt service, which then allows for some users to participate in lower or purchased capacity water rates. Additionally, DMWW receives payments from these users of the shared use facilities for their portion of the operating and maintenance costs. Ownership of these facilities is maintained by the Water Works.

Water Works operates three surface-water treatment plants for the benefit of roughly 500,000 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 202 full-time and 16 part-time or seasonal employees.

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

Financial Highlights

- In 2019, operating revenues of $70,796,452 increased 3.79% over 2018 while operating expenses decreased by 5.62% to $54,518,718. Operating revenues of $68,209,489 in 2018 increased by 5.35% over 2017 and operating expenses increased by 4.46% to $57,764,831.

- During the year, Water Works had operating income of $16,277,734 and change in net position of $26,564,925. In 2018, operating income was $10,444,658 and change in net position was $24,381,534.
- Water Works' net position increased as a result of operations. As of December 31, 2019, and 2018, total assets were $405,410,555 and $377,678,563, respectively; total liabilities were $74,188,986 and $80,114,161, respectively; deferred outflows of resources were $5,239,475 and $8,649,936, respectively; deferred inflows of resources were $6,999,260 and $3,317,479, respectively; resulting in net position of $329,461,784 and $302,896,859, respectively.
- Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, was implemented during fiscal year 2018. The beginning net position as of January 1, 2018 was restated by $7,651,792 to retroactively report the total postemployment benefits (OPEB) liability as of January 1, 2018. The financial statement amounts for fiscal year 2017 were not restated.

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

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

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

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

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

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

Condensed Statement of Net Position Information

	2019	2018	2017	% Change 2018 to 2019	% Change 2017 to 2018
Current assets	$ 26,518,405	$ 20,791,732	$ 18,381,126	27.54%	17.17%
Capital assets, net	361,747,864	342,708,324	319,300,723	5.56	4.76
Other noncurrent assets	17,144,286	14,178,507	14,434,474	20.92	1.46
Total assets	405,410,555	377,678,563	352,116,323	7.34	5.20
Deferred outflow of resources	5,239,475	8,649,936	9,498,069	(39.43)	(27.73)
Current liabilities	19,983,745	17,125,877	15,651,689	16.69	7.05
Other noncurrent liabilities	36,451,676	41,197,802	32,036,421	(11.52)	(5.28)
Long-term debt, net	17,753,565	21,790,482	25,740,839	(18.53)	(12.64)
Total liabilities	74,188,986	80,114,161	73,428,949	(7.40)	(5.75)
Deferred inflows of resources	6,999,260	3,317,479	2,018,326	64.37	1,152.96
Net investment in capital assets	335,266,793	314,960,881	291,294,592	6.45	6.88
Restricted	5,393,894	5,293,344	5,320,412	1.90	(17.25)
Unrestricted	(11,198,903)	(17,357,366)	(10,447,887)	(35.48)	13.62
Total net position	$ 329,461,784	$ 302,896,859	$ 286,167,117	8.77	6.07

Condensed Revenues, Expenses and Changes in Net Position

	2019	2018	2017	% Change 2018 to 2019	% Change 2017 to 2018
Water sales	$ 62,544,762	$ 60,741,602	$ 57,857,325	2.97%	4.99%
Billing and collection services	1,837,002	1,765,729	1,654,392	4.04	6.73
Connection fees	1,239,437	1,354,435	1,411,300	(8.49)	(4.03)
Purchased capacity	713,825	713,827	713,825	(0.00)	0.00
Other sales and services	3,851,426	3,633,896	3,105,894	5.99	17.00
Other	610,000	-	-		
Total operating revenues	70,796,452	68,209,489	64,742,736	3.79	5.35
Investment income	419,071	266,236	99,065	57.41	168.75
Other	227,408	206,549	209,065	10.10	(1.20)
Capital contributions	10,317,938	14,852,526	7,518,209	(30.53)	97.55
Gain (loss) on sale of fixed assets	18,692	-	24,422		
Total revenues	81,779,561	83,534,800	72,593,497	(2.10)	15.07
Labor and benefits	23,262,162	24,233,424	23,925,696	(4.01)	1.29
Chemicals	4,615,123	5,180,128	5,243,784	(10.91)	(1.21)
Utilities	3,133,847	3,104,908	2,976,525	0.93	4.31
Corporate Insurance	1,182,730	1,159,289	1,099,065	2.02	5.48
Purchased services	8,089,213	10,172,451	8,492,021	(20.48)	19.79
Materials, supplies and equipment	3,859,838	3,785,141	3,760,660	1.97	0.65
Depreciation	10,086,782	9,641,512	9,431,565	4.62	2.23
Other	289,023	487,978	369,854	(40.77)	31.94
Total operating expenses	54,518,718	57,764,831	55,299,170	(5.62)	4.46
Gain (loss) on sale of fixed assets	-	592,976	-		
Interest expense	695,918	795,459	906,140	(12.51)	(12.21)
Total expenses	55,214,636	59,153,266	56,205,310	(6.66)	5.24
Change in net position	26,564,925	24,381,534	16,388,187	8.96	48.78
Net position, beginning of year	302,896,859	278,515,325	269,778,930	8.75	3.24
Net position, end of year	$ 329,461,784	$ 302,896,859	$ 286,167,117	8.77	5.85

Financial Analysis

Year ended December 31, 2019: Current assets increased 27.54%. The biggest driver of the increase is the cash balance in our general account at the end of 2019. This balance can fluctuate widely from year to year due to timing of receiving customer payments and paying vendors and contractors. Specifically, in 2019, there was a larger balance in construction payables to the City of Des Moines. DMWW was a participant in these city-led projects that required water main replacement or water main alterations. The City sends DMWW an invoice for reimbursement of DMWW project costs at the end of the project, after the City has reconciled project quantities and change orders for the entire project. The larger balance in construction payables results in more cash on hand. Offsetting this increase was that the cash position in our investment accounts was lower by $1.6 million at the end of 2019 compared to the end of 2018. As investments mature, the cash balance increases and then is reinvested back into fixed income (U.S. Treasury) securities.

Other noncurrent assets increased by 20.92% in 2019. This equates to approximately $2.9 million. As previously stated, the cash balance of investments was lower at the end of 2019 compared to the end of 2018, which means the invested balance as of December 31, 2019 was higher. Additionally, $1,000,000 was added to operating reserves. As the operating expenses of the utility increase over time, so does the need to build the invested operating reserves.

Deferred outflows of resources decreased $3.4 million, or 39.43%, in 2019. There are deferred outflows relating to the DMWW Pension Plan, IPERS, DMWW's defined other post-employment benefits (OPEB) plan, and advanced refunding of bonds.

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

For the DMWW Pension Plan, the deferred outflows decreased by $2.4 million. There was an increase in deferred outflows related to the differences between expected and actual experience of approximately $60,000. The deferred outflows related to changes assumptions resulted in an increase of approximately $464,000. The biggest driver of the change was on the deferred position related to differences between actual and expected investment income. The actual return for 2019 was 17.98%, with the expected return of 6.00%. Due to the favorable investment returns in 2019, the net position related to investment results changed from a deferred outflow of resources of approximately $2.9 million to a deferred inflow of resources of nearly $2.8 million. While this results in an overall change to the deferred position related to investment results of approximately $5.7 million, the variance in deferred outflows of resources is approximately $2.9 million.

For IPERS, deferred outflows decreased by approximately $1.8 million. Deferred outflows related to changes in assumptions decreased by roughly $605,000. The deferred outflows related to the change in proportionate share decreased by approximately $1.2 million. Each year, DMWW's proportionate share of the overall IPERS collective balances is calculated based on DMWW's contribution to IPERS related to overall employer contributions. This change in proportionate share changes the amounts DMWW needs to recognize on our financial statements for deferred inflows, deferred outflows and net pension liability. The changes to these financial statement balances due to the change in proportionate share are amortized through this deferred outflow.

More information on the changes to deferred outflows and inflows related to pensions can be found in Note 5 of the financial statement, starting on page 34.

The deferred outflows for other post-employment benefits (OPEB) show the effects of differences between expected and actual experience and changes in assumptions. For DMWW's OPEB plan, deferred outflows related to changes in assumptions in the 12/31/2019 valuation resulted in an increase of $1.0 million. This is primarily due to the decrease in the discount rate used in valuing the OPEB liability.

The deferred outflows relating to bonds decreased by approximately $254,000. This is the amortization of the difference between the reacquisition price and the net carrying amount of the 2006 bonds which were advanced refunded in 2012.

Current liabilities increased 16.69%, or nearly $2.9 million. Construction payables were nearly $2.4 million higher. As mentioned, construction payables on City of Des Moines' projects were much higher in 2019. Accounts payable was approximately $381,000 higher at the end of 2019. This balance can vary widely from year to year due to receipt of vendor invoices.

Other noncurrent liabilities decreased by approximately $4.7 million in 2019. The largest drivers of the decrease relate to the changes in the net pension liability and the OPEB liability. The net pension liability for the DMWW Pension Plan decreased by approximately $4.7 million while the net pension liability for IPERS decreased approximately $1.0 million. The OPEB liability increased by approximately $1.7 million. Other noncurrent liabilities also include unearned revenue being amortized over a period of 10 to 20 years. This liability decreased by approximately $700,000 as the unearned revenue is recognized as income.

Long-term debt decreased 18.53% in 2019 due to the reclassification of $3,713,000 of the scheduled 2020 debt service payments to short-term liabilities.

Deferred inflows of resources increased by almost $3.7 million. There are deferred inflows relating to the DMWW Pension Plan, IPERS, and DMWW's defined other post-employment benefits (OPEB) plan.

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

For the DMWW Pension Plan, decreases in the deferred inflows relating to differences between expected and actual experience and effects of changes in assumptions for the DMWW Pension Plan were approximately $56,000 and $100,000, respectively. Due to the favorable investment returns in 2019, the deferred position related to investment earnings changed from a $2.9 million deferred outflow to a $2.8 million deferred inflow. This resulted in a $2.9 million change to deferred inflows.

For IPERS, deferred inflows increased by nearly $1.3 million related to differences between expected and actual plan experience of nearly $150,000 and the difference between projected and actual investment earnings on pension plan investments of roughly $1.1 million.

Water sales were up 2.97% in 2019. This equates to approximately $1.8 million in additional water revenue. Consumption was approximately 4% lower in 2019 compared to 2018 but a moderate increase in water rates on April 1, 2019 contributed to the overall increase in revenue.

Revenue for billing and collection services was up 4.04%. This is mainly due to higher revenue from the City of Des Moines as their fees are based on a percentage of billed amounts. As rates increase, so does the revenue for billing and collecting for those services.

Connection fees were down 8.49% compared to 2018. These fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Purchased capacity revenues were unchanged in 2019 compared to 2018. This revenue represents the continued amortization of unearned revenue. This unearned revenue represents cash contributions which funded the Saylorville Water Treatment Plant, the L.D. McMullen Water Treatment Facility, and projects to increase capacity in the overall core network. Financial participation in the construction of the plants allows users to participate in lower purchased capacity water rates. Unearned revenue balances are amortized to purchase capacity revenue over the length of the contract, generally 10 to 20 years.

Revenue from other sales and services increased 5.99% in 2019. Included in this line are numerous revenue items in the utility including reconnect fees, credit card convenience fees, stop box repairs, distribution system repairs, operating and maintenance costs for shared-use facilities, lab testing, etc. The largest drivers of the increase were the implementation of an annual administration fee for each backflow assembly installed at a property, the refund of the right-of-way fees paid to the City of Des Moines in 2018, and revenue received from the DMWW Park Foundation for maintenance of the amphitheater and surrounding park area. Offsetting these increases was lower revenue related to termination fees. There were fewer collection cuts in 2019.

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

Operating labor and benefits decreased 4.01%. Operating labor expenses were down approximately $86,000. While there were modest increases in wage rates, the number of hours in operating labor projects was down in 2019 as more hours were charged to capital projects. Benefit costs decreased by approximately $885,000. The entries related to the balance sheet items related to pensions (both the DMWW Pension Plan and IPERS) and other post-employment benefits; such as, deferred inflows or resources, deferred outflows of resources, net pension liability, and other post-employment benefits liability are accounted for as benefits expense. The amount of these entries decreased by approximately $1.2 million in 2019. The other expenses in benefits costs are the employer paid medical insurance premiums, and retirement benefits, including amounts paid for the employer contributions to IPERS, the actuarial defined contribution to the DMWW Pension Plan, and the statutory amounts paid for Social Security and Medicare taxes. These expenses, which reflect the cash outlay of expenses, increased by approximately $335,000.

Chemical expenses were down 10.91% in 2019. While most chemical prices saw reasonable increases, there were several factors which caused overall lower expenses. Pumpage was lower in 2019 versus 2018. There was more water produced at the McMullen Water Treatment Plant and the Saylorville Water Treatment Plant and less water produced at the Fleur Water Treatment Plant. Those two plants treat water at lower a chemical cost per million gallons. And finally, quantities used on some chemicals declined in 2019 as the condition of the raw water continues to be ever-changing.

Utilities expense is up less than 1.00% in 2019. Lower pumpage in 2019 was offset by higher utility prices which resulted in much of the increase. Telecommunication expenses increased while fuel costs for the fleet decreased versus the prior year.

Corporate insurance is up 2.02% in 2019. Insurance premiums were nearly $92,000 lower in 2019. Workers' compensation claims expensed in 2019 were roughly $115,000 higher.

Purchased services decreased by 20.48% compared to 2018. This equates to approximately $2.1 million. The main driver of this decrease is related to lime residual removal expenses. In 2018, there was a concerted effort for the contractor to remove the residuals from the east lagoon at the McMullen Treatment Plant. This was necessary to make room for the newly produced residual product which translated into more tons being moved in 2018. Additionally, payment to the contractor is made once the residuals are applied offsite by end-users, which does not always correspond to when the residuals are removed from the treatment plants. These expenses will likely vary from year to year as end-user application may be greater or less than a prior year. Another significant variance was the use of an outside contractor in 2018 to complete concrete patch work from the large number of main breaks in that year. Those outside contractor costs were not incurred in 2019 resulting in the favorable variance.

Materials, supplies and equipment increased by approximately 1.97% in 2019 which totals nearly $75,000. This line includes a multitude of items such as postage, inventory items and repair parts for the maintenance of the treatment facilities, distribution system and fleet vehicles.

Other operating expenses decreased 40.77%, which equates to roughly $200,000. This includes costs for casualty losses, bad debt write-off, and utility-wide training, all of which were lower in 2019.

Investment income increased approximately $153,000. This includes amortizing the discount on bonds purchased at the end of 2018, recognizing the unrealized gain/loss and recognizing accrued interest as of December 31, 2019.

Interest expense decreased 12.51% due to decreasing interest payments on outstanding debt.

Capital contributions were approximately $10.3 million in 2019. This is down $4.5 million from 2018. This account varies widely from year-to-year depending on the capital projects being done that are funded by other entities. Water Works recognized nearly $2.8 million from the DMWW Park Foundation for expenses relating to the design and construction administration costs for park improvements. There is a feeder main and booster station being constructed in the southwest part of DMWW's service area for the benefit of Norwalk, West Des Moines, and Cumming. The amount contributed by these entities is approximately $1.4 million. Another feeder main is being built in the northwest part of the service area which is partially funded by Polk City with a contributed amount of nearly $514,000. And finally, approximately $5.4 million was recognized for water mains conveyed by contractors for new development in the Water Works' service areas. The amount of conveyed water mains can also fluctuate widely from year to year.

The aforementioned fluctuations result in an overall increase in net position of 8.77%. This includes a 3.79% increase in operating revenues and a decrease in operating expenses of 5.62%.

Year ended December 31, 2018: Current assets increased 13.11%. The driver of the increase is in receivables for capital projects which are being funded by other entities. There are several projects being built by DMWW which are being fully or partially funded by others, including the DMWW Park Improvements, feeder mains and booster stations in the northwest part and southwest part of our service area which will benefit customers in those areas. Offsetting that increase is a lower cash balance of approximately $1.4 million at the end of 2018 compared to 2017. This is made up of two things. Cash in the general bank account was down roughly $3.0 million. This can fluctuate widely from year to year due to timing of receiving customer payments and paying vendors and contractors. Offsetting that decrease is an increase in the operating reserves of $1.6 million. This represents a cash position as of December 31, 2018 and is primarily due to the final year of replenishing the operating reserves due to a revenue shortfall in 2015 because of lower water consumption. Accounts receivable and inventory are up slightly at the end of 2018. These accounts also fluctuate from year to year due to timing of customer payments, increased water rates and increased cost of inventory items.

Other noncurrent assets decreased by 1.77% in 2018. This equates to approximately $250,000 and is related to investment balances for operating reserves and bond reserves. As previously stated, the cash balance of investments was higher as of December 31, 2018.

Deferred outflows of resources decreased nearly $850,000.

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

For the DMWW Pension Plan, deferred outflows of resources increased by approximately $2.0 million. This is primarily due the unfavorable investment return on pension plan assets compared to the expected return. The actual return for 2018 was -4.87%, with the expected return of 6.00%. Due to the unfavorable investment returns in 2018, the deferred position on investment returns changed from a deferred inflow of resources of approximately $1.7 million to a deferred outflow of resources of approximately $2.9 million. While this results in an overall change to the deferred position related to investment results of roughly $4.6 million, the variance in deferred outflows related to investment performance is approximately $2.9 million. The DMWW Pension Plan also had a reduction of approximately $700,000 in deferred outflows related to changes in assumptions and approximately $162,000 reduction in deferred outflows related to differences between expected and actual experience.

For IPERS, deferred outflows decreased by approximately $2.6 million. Deferred outflows related to changes in assumptions decreased by nearly $550,000. The deferred outflows related to the change in proportionate share decreased by approximately $2.1 million. Each year, DMWW's proportionate share of the overall IPERS collective balances is calculated based on DMWW's contribution to IPERS related to overall employer contributions. This change in proportionate share changes the amounts DMWW needs to recognize on our financial statements for deferred inflows, deferred outflows and net pension liability. The changes to these financial statement balances due to the change in proportionate share are amortized through this deferred outflow.

More information on the changes to deferred outflows and inflows related to pensions can be found in Note 5 of the financial statement, starting on page 34.

The deferred outflows relating to bonds decreased by approximately $288,000. This is the amortization of the difference between the reacquisition price and the net carrying amount of the 2006 bonds which were advanced refunded in 2012.

Current liabilities increased 9.42%. Construction payables were nearly $1.3 million higher at the end of 2018. This balance can have a significant variance due to large projects having work being done in the latter part of the year and the timing of receiving contractor statements. Fees collected for other entities was also up by nearly $500,000. This relates to payments received for entities utilizing DMWW's billing and collection services. These payments are shown as restricted cash in the asset section and are remitted to the entities on a daily or monthly schedule, depending on the agreements with those entities. Other current liabilities decreased by approximately $466,000. There was a $203,000 liability at the end of 2017 to refund bond reserve funds which was paid in 2018. There was also a $263,000 liability at the end of 2017 for upfront funds received by the Des Moines Water Works Park Foundation for park improvements. The amount of funds on hand at the end of 2018 from the Park Foundation has been netted with the amount in receivables for capital projects funded by other entities.

Other noncurrent liabilities increased by approximately $9.2 million in 2018. The increase relates to the changes in the OPEB liability and the net pension liability. The OPEB liability increased by approximately $5.7 million. This includes a $7.65 million increase to the opening balance of the OPEB liability to implement GASB 75. Offsetting this increase is a $1.9 million reduction in the OPEB liability to account for the service cost, interest and changes in assumptions and the difference between expected and actual experience related to 2018. The net pension liability for the DMWW Pension Plan increased by approximately $4.8 million while the net pension liability for IPERS decreased approximately $650,000. Other noncurrent liabilities also includes unearned revenue being amortized over a period of 10 to 20 years. This liability decreased by approximately $700,000 as the unearned revenue is recognized as income.

Long-term debt decreased 15.35% in 2018 due to the reclassification of $3,593,000 of the scheduled 2019 debt service payments to short-term liabilities.

Deferred inflows of resources increased by almost $1.3 million. The deferred inflows show the effects of actuarial differences, changes in assumptions, and differences between actual and projected earnings on plan investments. For the DMWW Pension Plan, which is measured on a calendar year, 2018 had unfavorable investment earnings compared to projections. This caused the deferred position of resources on investment earnings to go from $1.7 million deferred inflows to $2.9 million deferred outflows, which results in $1.7 million decrease in this section. Increases in the deferred inflows relating to differences between expected and actual experience and effects of changes in assumptions for the DMWW Pension Plan were approximately $62,000 and $157,000, respectively. For IPERS, deferred inflows decreased by nearly $420,000 related to differences between expected and actual plan experience and the difference between projected and actual investment earnings on pension plan investments. The IPERS results are measured on a July 1 – June 30 year.

Water sales were up 4.99% in 2018. This equates to approximately $2.9 million in additional water revenue. Consumption was approximately 2% lower in 2018 compared to 2017 but a moderate increase in water rates on April 1, 2018 contributed to the overall increase in revenue.

Revenue for billing and collection services was up 6.73%. This is mainly due to higher revenue from the City of Des Moines as their fees are based on a percentage of billed amounts. As rates increase, so does the revenue for billing and collecting for those services.

Connection fees were down 4.03% compared to 2017. These fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Purchased capacity revenues were unchanged in 2018 compared to 2017. This revenue represents the continued amortization of unearned revenue. This unearned revenue represents cash contributions which funded the Saylorville Water Treatment Plant, the L.D. McMullen Water Treatment Facility, and projects to increase capacity in the overall core network. Financial participation in the construction of the plants allows users to participate in lower purchased capacity water rates. Unearned revenue balances are amortized to purchase capacity revenue over the length of the contract, generally 10 to 20 years.

Revenue from other sales and services increased 17.00% in 2018. Included in this line are numerous revenue items in the utility including reconnect fees, credit card convenience fees, stop box repairs, distribution system repairs, operating and maintenance costs for shared-use facilities, lab testing, etc. Revenue related to termination fees increased due to more collection cuts as well as an increase in the termination fee in 2018. Additionally, there was an increase in revenue for O&M costs for shared-use and suburban-owned/DMWW operated facilities. There were higher costs to operate and maintain the LP Moon Booster Station, the Urbandale Booster Station, and Norwalk Booster Station. The increase in expenses directly equates into additional revenue charged to the entities owning or benefitting from the facilities.

Operating labor and benefits increased 1.29%. Operating labor expenses were down approximately $54,000. While there were modest increases in wage rates, the number of hours in operating labor projects was down in 2018 as more hours were charged to capital projects. Benefit costs increased by nearly $362,000 due to an increase in expenses for employer paid medical insurance premiums and retirement benefits. The retirement benefits include amounts paid for the employer contribution to IPERS, the actuarial defined contribution to the DMWW Pension Plan, and the statutory amounts paid for Social Security and Medicare taxes. Finally, changes to the balance sheet items related to pensions (both IPERS and the DMWW Pension Plan) and other postemployment benefits, such as deferred inflows of resources, deferred outflows of resources, net pension liability, and other post-employment benefits liability are accounted for in retirement expenses, which are included in retirement benefits on the statements of revenues, expenses and changes in net position.

Chemical expenses were down 1.21% in 2018. While most chemical prices saw reasonable increases, the lower pumpage in 2018 versus 2017 more than offset the higher prices.

Utilities expense is up 4.31% in 2018. Lower pumpage in 2018 was more than offset by higher utility prices which resulted in much of the increase. Additionally, telecommunication expenses and fuel costs for the fleet also had year over year increases.

Corporate insurance is up 5.48% in 2018. This equates to approximately $60,000 and is due to insurance premiums being higher than 2017 premiums. Workers' compensation claims expensed in 2018 were roughly $10,000 lower.

Purchased services increased by 19.79% compared to 2017. This equates to approximately $1.7 million. The main driver of this increase is related to lime residual removal expenses. In 2018, there continued to be a high volume of residuals being removed from the east lagoon at the McMullen Treatment Plant. This is necessary to make room for newly produced residual product. Additionally, payment to the contractor is made once the residuals are applied offsite by end-users, which does not always correspond to when the residuals are removed from the treatment plants. These expenses will likely vary from year to year as end-user application may be greater or less than a prior year. Other variances to the prior year include using an outside contractor to complete concrete patch work from the large number of main breaks in early 2018, higher payment to the City of Des Moines for the PILOT, and increased fees for processing credit card payments.

Materials, supplies and equipment increased by less than 1.00% in 2018. This line includes a multitude of items such as postage, inventory items and repair parts for the maintenance of the treatment facilities, distribution system and fleet vehicles.

Other operating expenses increased 31.94%, which equates to approximately $118,000. This includes costs for casualty losses, bad debt write-off, and utility-wide training.

Investment income increased approximately $167,000. This includes investment income and accounts for the unrealized gain/loss and recognizing accrued interest as of December 31, 2018.

Interest expense decreased 12.21% due to decreasing interest payments on outstanding debt.

Capital contributions were approximately $14.8 million in 2018. This is up $7.3 million from 2017. Several large projects were underway which are being funded by other entities. Water Works recognized nearly $4.5 million from the DMWW Park Foundation for expenses relating to the design and construction administration costs relating to park improvements. There is a feeder main and booster station being constructed in the southwest part of DMWW's service area for the benefit of Norwalk, West Des Moines, and Cumming. The amount contributed by these entities is approximately $3.1 million. Another feeder main is being built in the northwest part of the service area which is partially funded by Polk City with a contributed amount of nearly $363,000. And finally, approximately $6.8 million was recognized for water mains conveyed by contractors for new development in the Water Works' service areas. These contributions, both cash and conveyed water mains, can fluctuate widely from year to year.

The aforementioned fluctuations result in an overall increase in net position of 8.05%. This includes a 5.35% increase in operating revenues and an increase in operating expenses of 4.46%.

Capital Assets and Debt Administration

During 2019, net capital assets increased $19,039,540 or 5.56%. In addition to replacing deteriorating water mains, the utility continues to reinvest in water treatment, production, storage and capacity. A new customer information and billing system continues to be implemented. The current system has been in use for 16 years. An additional reverse osmosis skid was installed at the Saylorville Water Treatment Plant to increase production capacity. Finally, there were a few large capital projects being partially or fully funded by other entities. New feeder mains and booster stations are being constructed in the northwest and the southwest parts of the service area. And construction of the Water Works Park improvements was completed in 2019 with offsetting revenue in contributed capital. There were no significant changes to the condition of infrastructure assets, nor were there any changes made to standard service lives of those assets.

Water Works' long-term debt was $17,753,565 as of December 31, 2019. The decrease of approximately $3.7 million is due to scheduled principal payments.

During 2018, net capital assets increased $23,407,601 or 7.33%. In addition to replacing deteriorating water mains, the utility continues to reinvest in water treatment, production, storage and capacity. A new customer information and billing system continues to be implemented. The current system has been in use for 15 years. Finally, there were a few large capital projects being partially or fully funded by other entities. New feeder mains and booster stations are being constructed in the northwest and the southwest parts of the service area. And construction of the Water Works Park improvements was well underway in 2018 with offsetting revenue in contributed capital. There were no significant changes to the condition of infrastructure assets, nor were there any changes made to standard service lives of those assets.

Water Works' long-term debt was $21,790,482 as of December 31, 2018. The decrease of approximately $4.0 million is due to scheduled principal payments.

Economic Factors

Due to the Water Works' large concentration of residential customers, weather impacts revenue to a greater degree than do economic cycles. Water Works budgets revenues and expenses based on anticipated consumption for a "normal" weather year. Most service areas received a modest water rate increase in 2019.

Requests for Information

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

Des Moines Water Works

Statements of Net Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 10,959,712	$ 4,788,643
Restricted assets, cash	1,436,999	1,319,845
Accounts receivable:		
Billed	5,716,202	5,378,687
Unbilled	2,230,471	2,149,801
Receivables for capital projects funded by other entities	1,543,546	2,931,509
Interest receivable	53,538	24,016
Inventory, materials and supplies	3,310,409	3,089,971
Prepaid expenses	1,267,528	1,109,260
Total current assets	26,518,405	20,791,732
Restricted assets, cash and investments:		
Cash	386,213	367,233
Water revenue bond reserve fund	4,407,681	4,326,111
Water revenue bond improvement fund	600,000	600,000
	5,393,894	5,293,344
Long-term investments, board designated funds	11,420,014	8,620,713
Capital assets:		
Land	8,208,369	7,316,557
Construction-in-progress	14,716,100	14,363,395
Buildings, equipment and machinery	196,691,781	187,486,721
Supply system	58,571,610	57,895,230
Distribution system	284,185,771	266,401,059
	562,373,631	533,462,962
Accumulated depreciation	(200,625,767)	(190,754,638)
Capital assets, net	361,747,864	342,708,324
Other assets	330,378	264,450
Total assets	405,410,555	377,678,563
Deferred outflow of resources		
Deferred charge on refunding	734,238	987,973
Other postemployment benefit related amounts	1,025,270	-
Pension related amounts	3,479,967	7,661,963
	5,239,475	8,649,936
Total assets and deferred outflows of resources	$ 410,650,030	$ 386,328,499

See notes to basic financial statements.

	2019	2018
Liabilities		
Current liabilities:		
Accounts payable	$ 2,728,048	$ 2,346,679
Accrued wages and benefits	687,067	983,042
Compensated absences	2,771,752	2,701,729
Unearned revenue	718,825	723,825
Special deposits	1,804,424	1,749,056
Construction payables	5,681,948	3,287,354
Water revenue bonds interest payable	52,799	62,105
Current portion of long-term debt	3,779,796	3,657,580
Fees collected for other entities	1,436,999	1,319,845
Workers' compensation claims payable	322,087	294,592
Other current liabilities	-	70
Total current liabilities	19,983,745	17,125,877
Noncurrent liabilities:		
Long-term debt, less current installments	17,753,565	21,790,482
Compensated absences, less current portion	709,402	721,125
Net pension liability	17,017,214	22,782,874
Total other postemployment benefits liability	15,508,879	13,763,797
Unearned revenue	3,216,181	3,930,006
Total noncurrent liabilities	54,205,241	62,988,284
Total liabilities	74,188,986	80,114,161
Deferred inflows of resources:		
Pension related amounts	4,819,541	939,814
Other postemployment benefit related amounts	2,179,719	2,377,665
	6,999,260	3,317,479
Net position:		
Net investment in capital assets	335,266,793	314,960,881
Restricted, bond indentures	5,393,894	5,293,344
Unrestricted deficit	(11,198,903)	(17,357,366)
Total net position	329,461,784	302,896,859
Total liabilities, deferred inflows of resources and net position	$ 410,650,030	$ 386,328,499

Des Moines Water Works

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenues:		
Water sales	**$ 63,258,587**	$ 61,455,429
Other sales and services	**5,688,428**	5,399,625
Connection fees	**1,239,437**	1,354,435
Other	**610,000**	-
Total operating revenues	**70,796,452**	68,209,489
Operating expenses:		
Labor	**13,031,687**	13,117,436
Group insurance	**3,116,884**	2,931,572
Retirement benefits (including social security)	**7,113,591**	8,184,416
Purchased services	**8,089,213**	10,172,451
Corporate insurance	**1,182,730**	1,159,289
Materials, supplies and equipment	**3,859,838**	3,785,141
Chemicals	**4,615,123**	5,180,128
Utilities	**3,133,847**	3,104,908
Depreciation	**10,086,782**	9,641,512
Other	**289,023**	487,978
Total operating expenses	**54,518,718**	57,764,831
Operating income	**16,277,734**	10,444,658
Nonoperating revenue (expense):		
Investment income	**419,071**	266,236
Interest and amortization expense	**(695,918)**	(795,459)
Land use income	**225,501**	203,813
Gain (loss) on sale of capital assets	**18,692**	(592,976)
Other	**1,907**	2,736
Total nonoperating expense, net	**(30,747)**	(915,650)
Income before capital contributions	**16,246,987**	9,529,008
Capital contributions	**10,317,938**	14,852,526
Change in net position	**26,564,925**	24,381,534
Net position, beginning of year	**302,896,859**	278,515,325
Net position, end of year	**$ 329,461,784**	$ 302,896,859

See notes to basic financial statements.

Des Moines Water Works

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from customers	$ 69,156,036	$ 67,168,013
Cash paid to suppliers	(20,557,181)	(24,910,005)
Cash paid to employees and for payroll taxes	(20,654,413)	(19,928,571)
Net cash provided by operating activities	27,944,442	22,329,437
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(3,657,580)	(3,541,437)
Acquisition, construction and removal cost of capital assets	(21,360,697)	(25,618,938)
Proceeds from disposal of capital assets	-	22,528
Contributions received	6,353,562	5,419,566
Interest paid	(708,610)	(809,301)
Net cash used in capital and related financing activities	(19,373,325)	(24,527,582)
Cash flows from investing activities:		
Proceeds from maturities of investments	13,672,131	12,853,730
Purchase of investments	(16,553,002)	(12,574,653)
Interest received	389,549	262,848
Land use income and other	227,408	206,549
Net cash provided by (used in) investing activities	(2,263,914)	748,474
Net increase (decrease) in cash	6,307,203	(1,449,671)
Cash, beginning of year	6,475,721	7,925,392
Cash, end of year	$ 12,782,924	$ 6,475,721
Reconciliation of cash to the statements of net position:		
Cash	$ 10,959,712	$ 4,788,643
Restricted assets, cash current	1,436,999	1,319,845
Restricted assets, cash long term	386,213	367,233
Total cash, end of year	$ 12,782,924	$ 6,475,721

(Continued)

Des Moines Water Works

Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 16,277,734**	$ 10,444,658
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**10,086,782**	9,641,512
Change in:		
Accounts receivable, billed	**(337,515)**	(674,191)
Accounts receivable, unbilled	**(80,670)**	(218,462)
Inventory, materials and supplies	**(220,438)**	(184,280)
Prepaid expenses	**(158,268)**	(129,003)
Other assets	**(65,928)**	(16,155)
Accounts payable	**381,369**	(253,618)
Accrued wages and benefits and compensated absences	**(237,675)**	189,338
Pension related amounts	**2,296,063**	3,640,494
Total other postemployment benefit liability related amounts	**521,866**	475,021
Unearned revenue	**(718,825)**	(715,625)
Special deposits	**55,368**	91,677
Fees collected for other entities	**117,154**	491,280
Workers' compensation claims payable	**27,495**	12,483
Other current liabilities	**(70)**	(465,692)
Net cash provided by operating activities	**$ 27,944,442**	$ 22,329,437
Schedules of noncash capital and related financing activities:		
Acquisition of capital assets through capital contributions	**$ 5,352,339**	$ 6,775,052
Acquisition of capital assets through construction payables	**$ (2,394,594)**	$ (1,270,628)
Trade-in value towards assets purchased	**$ 32,151**	$ 12,500
Schedule of noncash investing activities, net depreciation of the fair value of investments	**$ 205**	$ 3,074

See notes to basic financial statements.

Des Moines Water Works
Pension Plan

Statements of Plan Net Position
December 31, 2019 and 2018

	2019	2018
Assets		
Investments, contracts with insurance companies, pooled separate accounts	$ 56,080,636	$ 49,298,553
Liabilities, none	-	-
Net position held in trust for pension benefits	$ 56,080,636	$ 49,298,553

See notes to basic financial statements.

Des Moines Water Works
Pension Plan

Statements of Changes in Plan Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
Additions:		
Investment income (loss):		
Investment income (loss), including net appreciation (depreciation) in the fair value of pooled separate accounts, interest and dividends	**$ 8,669,799**	$ (2,535,025)
Less investment expense	**(23,849)**	(24,033)
Net investment income (loss)	**8,645,950**	(2,559,058)
Employer contributions	**1,377,486**	1,236,796
Total additions	**10,023,436**	(1,322,262)
Deductions:		
Benefit payments	**3,232,522**	3,255,624
Administrative expenses	**8,831**	9,942
Total deductions	**3,241,353**	3,265,566
Net increase (decrease)	**6,782,083**	(4,587,828)
Net position held in trust for pension benefits:		
Beginning of year	**49,298,553**	53,886,381
End of year	**$ 56,080,636**	$ 49,298,553

See notes to basic financial statements.

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

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

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

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

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

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

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

Significant accounting policies:

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

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

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

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

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, 2019 and 2018 were in U.S. government obligations and are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same – that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. Purchases and sales of securities are recorded on a trade-date basis. See Note 2 for additional information regarding fair value measures.

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

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

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

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

Transactions with the City of Des Moines: Water Works provides water service to the City without charge except for the Sewage Treatment Works, Des Moines International Airport and City golf courses. The value (computed at the commercial rate) of the service provided without charge was $1,178,288 and $1,205,949 in 2019 and 2018, 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 $1,199,873 and $1,131,758 in 2019 and 2018, 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 $1,436,999 and $1,319,845 as of December 31, 2019 and 2018, respectively. These fees have been reflected in Water Works' statement of net position and were remitted to the City, other political subdivisions and third-party provider of the Water Works' service line protection program subsequent to year-end. Processing fees billed to those entities for billing and collection services provided by Water Works totaled approximately $1,837,000 and $1,766,000 in 2019 and 2018, respectively. Water Works bears the total cost of meter reading, cash processing and statement preparation and mailing.

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

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

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

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

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

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments are capitalized. Water Works' capitalization threshold is $1,000. When capital assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gains or losses are included in the statement of revenues, expenses and changes in net position. Water Works adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, during the year ended December 31, 2018 and as a result no interest was capitalized and none will be capitalized going forward.

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

Net position: Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt or liability used for acquisition, construction or improvement of those assets and increased by deferred outflows of resources for deferred charges on refundings and unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. As of December 31, 2019 and 2018, Water Works did not have unspent bond proceeds.

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

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

Unearned revenue: During 1996 and years subsequent, Water Works entered into contractual agreements with other political subdivisions to sell treatment capacity to these entities. In exchange for purchasing these amounts of capacity, the political subdivisions will be able to purchase water at a lower wholesale water rate. Purchasers were offered the option of cash payment or participating in issues of water revenue bonds. For entities choosing to pay cash in advance, Water Works records these amounts as unearned revenue and amortizes the amounts into income over periods of 10 to 20 years. For entities participating in the bond issues, Water Works recognizes this revenue on a monthly basis as the entities are billed and as the principal and interest payments become due on the bonds. As of December 31, 2019, Water Works had $3,935,006 of unearned revenue relating to contractual agreements and has recognized $723,825 of revenue during 2019. As of December 31, 2018, Water Works had $4,653,831 of unearned revenue relating to contractual agreements and has recognized $725,625 of revenue during 2018.

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

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

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.

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. The deferred charge on refunding reported in the statement of net position qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources for pension and OPEB related amounts consist of unrecognized items not yet charged to pension and OPEB expense and pension contributions from Water Works after the measurement date but before the end of Water Works' reporting period.

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

Note 2. Cash and Investments

The Governmental Accounting Standards Board (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 US 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.

Note 2. Cash and Investments (Continued)

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

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

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

As of December 31, 2019 and 2018, Water Works held $16,427,695 and $13,546,824 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, 2019 and 2018.

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 Governmental Accounting Standards Board (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, 2019 and 2018:

Type	Fair Value December 31, 2019	Within 3 Months	Within 6 Months	Within 9 Months	Within 12 Months
US Treasury Note Bond	$ 16,427,695	$ 2,998,359	$ 2,704,445	$ 2,007,188	$ 8,717,703

Type	Fair Value December 31, 2018	Within 3 Months	Within 6 Months	Within 9 Months	Within 12 Months
US Treasury Note Bond	$ 13,546,824	$ -	$ 2,985,750	$ 3,442,146	$ 7,118,928

Note 2. Cash and Investments (Continued)

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, 2019 and 2018 were subject to credit risk as they were explicitly guaranteed by the U.S. Government.

Concentration of credit risk: The policy defines diversification requirements for the Water Works' investments. Invested assets shall be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of security. Portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Liquidity practices shall be followed to ensure that funds required for the next disbursement date and next payroll date are covered through maturity investments, marketable US 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, 2019 and 2018 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, 2019 and 2018 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 $12,864,936 and $12,782,924, respectively, as of December 31, 2019. Water Works' bank balances and book balances of deposits were $7,664,489 and $6,475,721, respectively, as of December 31, 2018. Water Works' investments were not exposed to custodial credit risk as of December 31, 2019 or 2018.

Pension Plan Deposits and Investments

Deposits: As of December 31, 2019 and 2018, the Plan held no deposits.

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

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

Note 2. Cash and Investments (Continued)

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, 2019 and 2018, the Plan had investments listed in the table below. Amounts are shown in dollars. Effective duration is shown in years.

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

	2019		2018	
	Fair Value	Effective Duration	Fair Value	Effective Duration
Fixed income investments:				
Principal Core Plus Bond Account	$ -	-	$ 17,603,010	5.73
Principal Core Fixed Income Account	15,445,483	5.53	-	-
Principal Bond Market Index Account	9,794,828	5.47	5,920,212	6.06
Principal High Yield I Account	1,394,349	3.57	2,566,739	3.53
Total fixed income investments	26,634,660		26,089,961	
Other investments, non-fixed income investments	29,445,976		23,208,592	
Total investments	$ 56,080,636		$ 49,298,553	

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 percent 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 are as follows:

Asset Class	Target Allocation	Expected Arithmetic Return	Expected Geometric Return
U.S. Equity - Large Cap	29%	7.70%	6.35%
U.S. Equity - Mid Cap	3	7.95	6.35
U.S. Equity - Small Cap	2	8.50	6.35
Non - U.S. Equity	17	7.95	6.35
REITs	-	7.60	5.95
TIPS	1	3.50	3.35
Core Bond	46	4.00	3.90
High Yield	2	6.45	6.00

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

Note 2. Cash and Investments (Continued)

Credit risk and concentration of credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The pooled separate accounts held by the Plan are commingled pools, rather than individual securities. As a result, these investments are not rated. The Plan had the following investments as of December 31, 2019 and 2018:

	2019	2018
Principal pooled separate accounts:		
Fixed income:		
Core Plus Bond Account	$ -	$ 17,603,010
Core Fixed Income Account	15,445,486	
Bond Market Index Account	9,794,828	5,920,212
Other fixed income	1,394,349	2,566,739
International equity:		
Overseas Account	3,307,857	4,956,858
Diversified International Account	3,262,146	-
Other international equity	3,459,890	2,726,198
Large U.S. equity:		
Large-Cap Growth I Account	6,463,754	5,069,978
Equity Income Account	6,322,204	5,207,252
Other Large U.S. equity	2,723,777	2,141,527
Small/Mid U.S. equity	2,769,341	2,123,697
Balanced/Asset allocation	1,137,004	983,082
	$ 56,080,636	$ 49,298,553

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, 2019 and 2018, respectively. There are no participant redemption restrictions for these investments.

Investment	2019 Value	2018 Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fixed income	$ 26,634,663	$ 26,089,961	$ -	Immediate	None
International equity	10,029,893	7,683,056	-	Immediate	None
Large U.S. equity	15,509,735	12,418,757	-	Immediate	None
Small/Mid U.S. equity	2,769,341	2,123,697	-	Immediate	None
Balanced/Asset allocation	1,137,004	983,082	-	Immediate	None
Total investments measured at NAV	$ 56,080,636	$ 49,298,553	$ -		

Note 3. Capital Assets

Capital assets activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 7,316,557	$ 891,812	$ -	$ 8,208,369
Construction-in-progress	14,363,395	23,787,441	23,434,736	14,716,100
Total capital assets not being depreciated	21,679,952	24,679,253	23,434,736	22,924,469
Capital assets being depreciated:				
Buildings, equipment and machinery	187,486,721	9,434,172	229,112	196,691,781
Supply system	57,895,230	676,380	-	58,571,610
Distribution system	266,401,059	17,784,712	-	284,185,771
Total capital assets being depreciated	511,783,010	27,895,264	229,112	539,449,162
Less accumulated depreciation for:				
Buildings, equipment and machinery	101,021,892	5,076,846	215,653	105,883,085
Supply system	20,187,941	768,768	-	20,956,709
Distribution system	69,544,805	4,241,168	-	73,785,973
Total accumulated depreciation	190,754,638	10,086,782	215,653	200,625,767
Total capital assets being depreciated, net	321,028,372	17,808,482	13,459	338,823,395
Net capital assets	$ 342,708,324	$ 42,487,735	$ 23,448,195	$ 361,747,864

Capital assets activity for the year ended December 31, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 7,332,800	$ -	$ 16,243	$ 7,316,557
Construction-in-progress	14,499,881	26,496,844	26,633,330	14,363,395
Total capital assets not being depreciated	21,832,681	26,496,844	26,649,573	21,679,952
Capital assets being depreciated:				
Buildings, equipment and machinery	183,533,727	5,136,788	1,183,794	187,486,721
Supply system	54,919,089	2,976,141	-	57,895,230
Distribution system	241,105,606	25,295,453	-	266,401,059
Total capital assets being depreciated	479,558,422	33,408,382	1,183,794	511,783,010
Less accumulated depreciation for:				
Buildings, equipment and machinery	96,986,476	5,012,670	977,254	101,021,892
Supply system	19,449,247	738,694	-	20,187,941
Distribution system	65,654,657	3,890,148	-	69,544,805
Total accumulated depreciation	182,090,380	9,641,512	977,254	190,754,638
Total capital assets being depreciated, net	297,468,042	23,766,870	206,540	321,028,372
Net capital assets	$ 319,300,723	$ 50,263,714	$ 26,856,113	$ 342,708,324

Note 4. Noncurrent Liabilities

As of December 31, 2019, Water Works' debt consists of Water Revenue Refunding Bonds Series 2012A and Series 2012B; and Water Revenue Capital Loan Note, Series 2003 (through the Drinking Water State Revolving Fund (SRF)). Interest on these bonds and note is payable semiannually on June 1 and December 1, with principal payable on December 1. Series 2012A matures on December 1, 2023, and Series 2012B matures on December 1, 2025. The Series 2003 note matures on December 1, 2022. The bonds and note are redeemable at the option of Water Works prior to their maturity in whole or, from time to time, in part, in any order of maturity and within a maturity by lot, at a price of par plus accrued interest to call date.

Changes in long-term obligations for the years ended December 31, 2019 and 2018 are as follows:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Bonds:					
Series 2012 A & B	$ 23,645,000	$ -	$ 3,450,000	$ 20,195,000	$ 3,565,000
Water Revenue Capital,					
Series 2003	600,000	-	143,000	457,000	148,000
Unamortized Bond Premium	990,761	-	257,121	733,640	-
Net pension liability (Note 5)	22,782,874	-	5,765,660	17,017,214	-
Total other postemployment					
benefits liability (Note 6)	13,763,797	1,745,082	-	15,508,879	-
Capital lease payable	212,301	-	64,580	147,721	66,796
Compensated absences	3,422,854	3,481,154	3,422,854	3,481,154	2,771,752
	$ 65,417,587	$ 5,226,236	$ 13,103,215	$ 57,540,608	$ 6,551,548

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Bonds:					
Series 2012 A & B	$ 26,985,000	$ -	$ 3,340,000	$ 23,645,000	$ 3,450,000
Water Revenue Capital,					
Series 2003	739,000	-	139,000	600,000	143,000
Unamortized Bond Premium	1,283,538	-	292,777	990,761	-
Net pension liability (Note 5)	18,623,829	4,159,045	-	22,782,874	-
Total other postemployment					
benefits liability (Note 6)					
as restated	15,666,441	-	1,902,644	13,763,797	-
Capital lease payable	274,738	-	62,437	212,301	64,580
Compensated absences	3,306,578	3,422,854	3,306,578	3,422,854	2,701,729
	$ 66,879,124	$ 7,581,899	$ 9,043,436	$ 65,417,587	$ 6,359,309

Note 4. Noncurrent Liabilities (Continued)

A summary of the aggregate principal and interest requirements outstanding for the Water Revenue Refunding Bonds, Series 2012A is as follows:

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2020	2.00%	$ 475,000	$ 31,325	$ 506,325
2021	2.00	485,000	21,825	506,825
2022	2.00	500,000	12,125	512,125
2023	2.13	100,000	2,125	102,125
		$ 1,560,000	$ 67,400	$ 1,627,400

A summary of the aggregate principal and interest requirements outstanding for the Water Revenue Refunding Bonds, Series 2012B is as follows:

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2020	3.00%	$ 3,090,000	$ 559,050	$ 3,649,050
2021	3.00	3,195,000	466,350	3,661,350
2022	3.00	3,295,000	370,500	3,665,500
2023	3.00	3,405,000	271,650	3,676,650
2024	3.00	3,520,000	169,500	3,689,500
2025	3.00	2,130,000	63,900	2,193,900
		$ 18,635,000	$ 1,900,950	$ 20,535,950

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

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2020	1.75%	$ 148,000	$ 7,998	$ 155,998
2021	1.75	152,000	5,407	157,407
2022	1.75	157,000	2,748	159,748
		$ 457,000	$ 16,153	$ 473,153

A summary of the total principal and interest requirements for all outstanding debt is as follows:

Total Maturity	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2020	1.75%–3.00%	$ 3,713,000	$ 598,373	$ 4,311,373
2021	1.75%–3.00%	3,832,000	493,582	4,325,582
2022	1.75%–3.00%	3,952,000	385,373	4,337,373
2023	1.75%–3.00%	3,505,000	273,775	3,778,775
2024	1.75%–3.00%	3,520,000	169,500	3,689,500
2025	1.75%–3.00%	2,130,000	63,900	2,193,900
		$ 20,652,000	$ 1,984,503	$ 22,636,503

Note 4. Noncurrent Liabilities (Continued)

The water revenue bond and water revenue capital loan note resolutions (Resolutions) provide that future water customer revenues, net of specified operating expenses of Water Works, are pledged for the purpose of paying Series 2012 bonds. Proceeds from the bonds were used to provide additional infrastructure needs. The bonds are payable solely from customer net revenues. The Resolutions further require that sufficient monies be set aside to meet current expenses of Water Works. All remaining monies are to be segregated and restricted in separate special reserves. These special reserves are reflected as restricted assets on the statement of net position. The Resolutions also require the issuer maintain insurance coverage of a kind and in an amount, which usually would be carried by private companies engaged in a similar kind of business. Water Works maintains fire and extended coverage insurance in the amount of $413,223,567 per occurrence on building and contents; in addition, liability insurance is maintained.

A summary of the outstanding debt, principal and interest requirements are as follows as of and for the year ended December 31, 2019:

	Issue Date	Year Maturing	Principal and Interest Remaining	Principal and Interest Paid in 2019	Annual Payments as a Percentage of Net Revenues
Water Revenue Bonds:					
Series 2012 A	10/30/2012	2023	$ 1,627,400	$ 500,525	1.94%
Series 2012 B	10/30/2012	2025	20,535,950	3,638,750	14.13
Water Revenue Capital, Series 2003	4/16/2003	2022	473,153	155,000	0.60
			$ 22,636,503	$ 4,294,275	16.67%

Total customer net revenues were $25,754,515. Annual principal and interest payments on the bonds are approximately 17% of net revenues.

The Water Works has financed the acquisition of certain equipment by means of capital leases; therefore, the leases were recorded at the inception date as a liability at the present value of the future minimum lease payments. The future minimum lease payments and the present value of the remaining minimum lease payments as of December 31, 2019 are as follows:

Maturing During Year Ending December 31:	Interest Rate	Total Annual Payment
2020	3.25%–3.50%	$ 71,915
2021	3.25%–3.50%	50,893
2022	3.25%–3.50%	34,015
Total minimum lease payments		156,823
Less amount representing interest		9,102
Present value of future minimum lease payments		$ 147,721

Note 4. Noncurrent Liabilities (Continued)

Equipment as of December 31, 2019 includes the following assets under capital lease:

Equipment	$ 459,535
Less accumulated depreciation	(183,177)
Total	$ 276,358

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, 2019:

	Des Moines Water Works Pension Plan	IPERS	Total
Net pension liability	$ 4,069,773	$ 12,947,441	$ 17,017,214
Deferred outflows of resources	832,014	2,647,953	3,479,967
Deferred inflows of resources	2,868,373	1,951,168	4,819,541
Pension expense	1,646,240	3,640,052	5,286,292

Below is a summary of amounts reported by the Water Works as of and for the year ended December 31, 2018:

	Des Moines Water Works Pension Plan	IPERS	Total
Net pension liability	$ 8,818,151	$ 13,964,723	$ 22,782,874
Deferred outflows of resources	3,221,257	4,440,706	7,661,963
Deferred inflows of resources	240,484	699,330	939,814
Pension expense	2,509,726	3,917,940	6,427,666

Note 5. Retirement Plans (Continued)

Des Moines Water Works Pension Plan:

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

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

Membership data at December 31, 2019 and 2018 included:

	2019	2018
Active plan members	119	122
Inactive plan members entitled to but not yet receiving benefits	46	48
Disabled plan members entitled to but not yet receiving benefits	5	5
Retired plan members or beneficiaries currently receiving benefits	177	174
	347	349

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, 2019 and 2018, the annual money weighted rate of return on Plan investments, net of investment expense was 17.98% and (4.87)%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 5. Retirement Plans (Continued)

Net pension liability: The total pension liability was determined using an actuarial valuation date of December 31, 2019 using generally accepted actuarial principles and methods. Water Works is utilizing December 31, 2019 as its measurement date for reporting its net pension liability and related deferred inflows/outflows of resources in their financial statements.

A schedule of the Plan's changes in its net pension liability for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Total pension liability		
Service cost	$ 485,304	$ 465,354
Interest	3,412,125	3,397,770
Benefit payments	(3,232,522)	(3,255,624)
Difference between expected and actual experience	95,861	(121,340)
Change in assumptions	1,272,937	(257,396)
Net change in total pension liability	2,033,705	228,764
Total pension liability—beginning of year	58,116,704	57,887,940
Total pension liability—end of year	$ 60,150,409	$ 58,116,704
Plan fiduciary net position		
Contributions—employer	$ 1,377,486	$ 1,236,796
Investment income (loss), net of investment expenses 2019 $23,849; 2018 $24,033	8,645,950	(2,559,058)
Benefit payments	(3,232,522)	(3,255,624)
Administrative expenses	(8,831)	(9,942)
Net change in plan fiduciary net position	6,782,083	(4,587,828)
Total plan fiduciary net position, beginning of year	49,298,553	53,886,381
Total plan fiduciary net position, end of year	$ 56,080,636	$ 49,298,553
Net pension liability	$ 4,069,773	$ 8,818,151
Plan fiduciary net position as a percentage of the total pension liability	93.23%	84.83%

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

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.

Note 5. Retirement Plans (Continued)

Actuarial assumptions for the years ended December 31, 2019 and 2018 are as shown in the tables below:

	December 31, 2019
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 2.25% has been used in place of the projected rate of change in salary.
Retirement age	Retirement Age Based Tables as follows:

Active participants:

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

Inactive participants

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

Mortality	PubG-2010 Employee, male and female Retirees-PubG-2010 Healthy Retiree base table, male and female Mortality Improvement - MP-2019.
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.
Rate of withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.30.

Note 5. Retirement Plans (Continued)

	December 31, 2018
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 2.25% has been used in place of the projected rate of change in salary.
Retirement age	Retirement Age Based Tables as follows:

Age	Rate
55	25%
56-61	15
62	20
63	5
64	10
65 and older	100

Mortality	Adjusted RP-2014 Mortality with Scale MP-2018—Generational MI scale, annuitant, 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 0.45.

Discount rate: The discount rate used to measure the total pension liability as of December 31, 2019 and 2018 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 2019 to 2106, and 2018 to 2107, respectively. Benefit payments after 2106 are projected to be none. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 5. Retirement Plans (Continued)

Sensitivity of the Plan's net pension liability to changes in the discount rate: The following presents the Plan's net pension liability calculated as of December 31, 2019 and 2018 using the single discount rate of 6.00% as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (5.00)%	Current Discount Rate (6.00)%	1% Increase (7.00)%
2019	$ 10,492,506	$ 4,069,773	$ (1,416,930)
2018	15,049,533	8,818,151	3,485,441

Pension expense and deferred outflows and inflows of resources related to pensions: For the years ended December 31, 2019 and 2018, Water Works recognized pension expense for the Plan of $1,646,240 and $2,509,726, respectively. At December 31, Water Works reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 58,268	$ 26,912	$ -	$ 83,242
Effects of changes in assumptions	773,746	57,088	309,560	157,242
Net differences between expected and actual net investment income	-	2,784,373	2,911,697	-
	$ 832,014	$ 2,868,373	$ 3,221,257	$ 240,484

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

Years ended December 31:	
2020	$ (381,930)
2021	(493,066)
2022	(9,062)
2023	(1,152,301)
	$ (2,036,359)

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

Note 5. Retirement Plans (Continued)

Iowa Public Employees' Retirement System (IPERS):

Plan description: IPERS membership is mandatory for employees of the Water Works. Employees of the Water Works are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is .25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is .50% for each month that the member receives benefits before age 65.

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

Disability and death benefits: A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions: Effective July 1, 2012, as a result 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.

Note 5. Retirement Plans (Continued)

In 2019, 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%.

For January-June 2018, Regular members contributed 5.95% of covered payroll and the Water Works contributed 8.93% of covered payroll for a total of 14.88%. For July-December 2018, 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, 2019 and 2018 were $1,612,743 and $1,550,376, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At December 31, 2019, the Water Works reported a liability of $12,947,441 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Water Works' proportion was 0.223592%, which was an increase of 0.00292% from its proportion measured as of June 30, 2018.

For the years ended December 31, 2019 and 2018, the Water Works recognized pension expense for IPERS of $3,640,052 and $3,917,940, respectively. 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:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 35,894	$ 465,522	$ 76,567	$ 315,625
Changes of assumptions	1,386,856	-	1,992,154	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,459,021	-	383,705
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	425,595	26,625	1,578,922	-
Water Works contributions subsequent to the measurement date	799,608	-	793,063	-
	$ 2,647,953	$ 1,951,168	$ 4,440,706	$ 699,330

Note 5. Retirement Plans (Continued)

The $799,608 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, 2020. 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:		
2020	$	578,757
2021		(250,991)
2022		(193,047)
2023		(217,956)
2024		(19,586)
	$	(102,823)

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, 2019. The following actuarial assumptions used in the June 30, 2019 and 2018 valuation:

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 RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The demographic actuarial assumptions used in the June 30, 2019 and 2018 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2017.

Note 5. Retirement Plans (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22%	5.60%
International equity	15	6.08
Global smart beta equity	3	5.82
Core - plus fixed income	27	1.71
Public credit	4	3.32
Public real assets	7	2.81
Cash	1	(0.21)
Private equity	11	10.13
Private real assets	7	4.76
Private credit	3	3.01
	100%	

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2019 and 2018 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.

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, 2019 and 2018 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%)
2019	$ 22,990,472	$ 12,947,441	$ 4,523,453
2018	23,700,945	13,964,723	5,797,484

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, 2019 and 2018, respectively, the Water Works reported payables to the defined benefit pension plan of $122,452 and $120,646, for legally required employer contributions and $81,592 and $80,388 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 6. Other Postemployment Benefits (OPEB)

Plan description: The Water Works' defined benefit OPEB plan is a single-employer health care plan that provides certain postretirement health care benefits, in accordance with the policy established by the Board, to all employees who retire from Water Works after attaining age 55 with 5 years of service. The OPEB plan is administered by Water Works' staff and the Board has the authority to establish or amend the plan provisions or contribution requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone financial report.

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

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

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

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

	2019	2018
Inactive participants currently receiving benefits	120	122
Active employees	199	201
	319	323

Total OPEB liability: The Water Works' total OPEB liability of $15,508,879 was measured as of December 31, 2019. The actuarial valuation was done as of December 31, 2019.

Actuarial methods and assumptions: The total OPEB liability in the December 31, 2019 and 2017 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	2019: 3.26% 2018: 4.11%
Payroll growth	2019: Based on the rates for general employees used in the IPERS valuation as of June 30, 2019. The rates include general wage inflation of 3.25% and merit/productivity increases as follows:

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

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

2018: Based on the rates for general employees used in the IPERS valuation as of June 30, 2017. The rates include general wage inflation of 3.25% and merit/productivity increases as follows:

Years of Service	Rate
1	11.0%
5	2.1
10	1.3
15	0.8
20	0.5
25	0.4
30	0.4
35+	-

Inflation rate

2019: 2.60% per year
2018: 3.25% per year

Health care trend rates

2019:

FYE	Pre-65	Post-65
2020	8.00%	5.00%
2021	7.50	4.75
2022	7.00	4.50
2023	6.50	4.50
2024	6.00	4.50
2025	5.50	4.50
2026	5.00	4.50
2027+	4.50	4.50

2018:

FYE	Pre-65	Post-65
2019	8.50%	4.75%
2020	8.00	4.50
2021	7.50	4.50
2022	7.00	4.50
2023	6.50	4.50
2024	6.00	4.50
2025	5.50	4.50
2026+	5.00	4.50

Mortality

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

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

2018: SOA RPH-2017 Total Dataset Mortality table fully generational using Scale MP-2017

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

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).

Changes in the total OPEB liability:

	Total OPEB Liability
Balance as of December 31, 2017	$ 15,666,441
Changes for the year:	
Service cost	596,560
Interest	575,062
Changes in assumptions or other inputs	(2,501,908)
Differences between expected and actual experience	(351,291)
Contributions and payments made	(221,067)
Net changes	(1,902,644)
Balance as of December 31, 2018	13,763,797
Changes for the year:	
Service cost	485,096
Interest	581,186
Changes in assumptions or other inputs	1,230,324
Differences between expected and actual experience	(333,106)
Contributions and payments made	(218,418)
Net changes	1,745,082
Balance as of December 31, 2019	$ 15,508,879

The discount rate used to measure the total OPEB liability as of December 31, 2019 and 2018 was 3.26% and 4.11%, respectively. 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.

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 (2.26%) or 1-percentage-point higher (4.26%) than the current discount rate:

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

	2019		
	1% Decrease 2.26%	Discount Rate 3.26%	1% Increase 4.26%
Total OPEB liability	$ 17,793,622	$ 15,508,879	$ 13,637,982

	2018		
	1% Decrease 3.11%	Discount Rate 4.11%	1% Increase 5.11%
Total OPEB liability	$ 15,804,158	$ 13,763,797	$ 12,094,141

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 (7.00% decreasing to 3.50%) or 1-percentage-point higher (8.50% decreasing to 5.50%) than the current healthcare cost trend rates:

	2019		
	(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	$ 13,247,444	$ 15,508,879	$ 18,392,241

	2018		
	(7.50% Decreasing to 4.00%)	Health Care Cost Trend Rates (8.50% Decreasing to 5.00%)	(9.50% Decreasing to 6.00%)
Total OPEB liability	$ 11,757,366	$ 13,763,797	$ 16,303,664

OPEB expense and deferred outflows and inflows of resources related to OPEB: For the years ended December 31, 2019 and 2018, the Water Works recognized OPEB expense of $740,284 and $696,088, respectively. At December 31, 2019 and 2018 the Water Works reported deferred outflows and inflows of resources related to OPEB from the following sources:

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

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 511,781	$ -	$ 292,742
Changes of assumptions or other inputs	1,025,270	1,667,938	-	2,084,923
	$ 1,025,270	$ 2,179,719	$ -	$ 2,377,665

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:	
2020	$ (325,998)
2021	(325,998)
2022	(325,998)
2023	(325,993)
2024	149,538
	$ (1,154,449)

Note 7. Risk Management

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

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

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

The claims liability of $322,087 and $294,592 as of December 31, 2019 and 2018, 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, 2019 and 2018 is as follows:

	2019	2018
Unpaid claims, beginning of year	$ 294,592	$ 282,109
Current year claims and changes in estimates	323,939	210,591
Claim payments	(296,444)	(198,108)
Unpaid claims, end of year	$ 322,087	$ 294,592

Note 8. Commitments

Approximately $2,467,000 related to 2019 contracts has been formally committed as of December 31, 2019. In addition, the Board has approved approximately $27,526,000 of expenditures for capital acquisitions and improvements, all of which are expected to be expended in 2020.

In 1983, Water Works determined additional water resources would be required for future customer needs. As a result, the Board has contracted with the United States of America—Army Corps of Engineers, through the state of Iowa, for water supply storage in the Saylorville Reservoir Project continuing through the life of the project. Under the contract, Water Works is required to pay a portion of future major renovation costs of the project. Water Works also pays a portion of the annual operation and maintenance costs of the project. Water Works portion of the operation and maintenance costs was approximately $133,000 in both 2019 and 2018.

On January 1, 2014, the Water Works and the Greater Des Moines Botanical Gardens (GDMBG) entered into an agreement for Water Works to provide for $200,000 of in-kind services to be performed for the GDMBG every year for ten years. For the year ended December 31, 2019 and 2018, Water Works provided in-kind services valued at approximately $144,000 and $251,000, respectively. Any over/under spending will be offset against expenses in a future year.

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

As of December 31, 2019, the GASB had issued several Statements not yet implemented by the Water Works.

- GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the Water Works beginning with its fiscal year ending December 31, 2020. Statement No. 84 is designed to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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

- GASB Statement No. 87, *Leases,* issued June 2017, will be effective for the Water Works beginning with its fiscal year ending December 31, 2021. Statement No 87. Is designed to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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

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

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement,* issued March 2018, will be effective for the Water Works beginning with its fiscal year ending December 31, 2020, with earlier adoption encouraged. Statement No. 88 clarifies which liabilities governments should include in their note disclosures related to debt. This statement defines debt that must be disclosed in the notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Governments must also disclose amounts of unused lines of credit, assets pledges as collateral for debt and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, and subjective acceleration clauses. Within the notes, governments should separate information regarding direct borrowings and direct placements of debt from other debt.

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

Note 10. Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The Water Works implemented their Contagious Disease Response Plan and made some immediate changes to operations, primarily in the areas of isolating the water treatment plants and limiting contact among employees, customers, and vendors. As of the date of this report, customer demand of water service has not declined, and management believes there will not be a significant adverse impact to Water Works' financial statements or operations. The extent to which COVID-19 may affect the Water Works' results will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

Des Moines Water Works

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

	2019	2018
Total OPEB liability		
Service cost	$ 485,096	$ 596,560
Interest	581,186	575,062
Differences between expected and actual experience	(333,106)	(351,291)
Changes of assumptions or other inputs	1,230,324	(2,501,908)
Benefit payments	(218,418)	(221,067)
Net change in total OPEB liability	1,745,082	(1,902,644)
Total OPEB liability—beginning	13,763,797	15,666,441
Total OPEB liability—ending	$ 15,508,879	$ 13,763,797
Covered payroll	$ 17,084,137	$ 16,881,645
Total OPEB liability as a percentage of covered-employee payroll	90.78%	81.53%

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

Changes of benefit terms: None

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

2019	3.26%
2018	4.11
2017	3.56

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.

Des Moines Water Works

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

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

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

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

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

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

See note to required supplementary information.

Des Moines Water Works

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

	2019	2018	2017	2016	2015	2014
Total pension liability, end of year	**$ 60,150,409**	$ 58,116,704	$ 57,887,940	$ 56,043,801	$ 53,750,496	$ 56,238,704
Plan net position, end of year	**56,080,636**	49,298,553	53,886,381	48,979,866	48,124,260	50,674,441
Net pension liability	**$ 4,069,773**	$ 8,818,151	$ 4,001,559	$ 7,063,935	$ 5,626,236	$ 5,564,263
Plan net position as a percentage of the total pension liability	**93.2%**	84.8%	93.1%	87.4%	89.5%	90.1%
Covered payroll	*	*	*	*	*	*
Net pension liability as a percentage of covered payroll	**N/A**	N/A	N/A	N/A	N/A	N/A

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

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

See note to required supplementary information.

Des Moines Water Works

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

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

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

See note to required supplementary information.

Des Moines Water Works

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

Plan Year Ended December 31:	Annual Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percent of Covered Payroll
2010	$ 1,541,866	$ 1,541,866	$ -	$ 12,318,720	12.52%
2011	2,204,886	2,204,886	-	12,436,915	17.73
2012	2,782,486	2,782,486	-	12,186,884	22.83
2013	2,915,710	2,915,710	-	11,453,783	25.46
2014	906,542	906,542	-	*	N/A
2015	911,175	911,175	-	*	N/A
2016	796,578	597,434	199,144	*	N/A
2017	1,029,590	1,228,734	(199,144)	*	N/A
2018	1,236,796	1,236,796	-	*	N/A
2019	1,377,486	1,377,486	-	*	N/A

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

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

See note to required supplementary information.

Des Moines Water Works

Note to Required Supplementary Information
Des Moines Water Works Pension Plan

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

Actuarial valuation:	
Frequency	Annual
Cost method	Entry age normal
Amortization	The amortization method used is Level Dollar Over a Closed Period. The weighted average remaining period is 15 years.
Assumptions:	
Long-term rate of return	2017-2019-6.00% per year; 2016-6.25% per year; 2015 and 2014-6.50% per year.
Salary increases	N/A - Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages through retirement. The projected inflation rate of 2.25% for 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 Employee, male and female Retirees-PubG-2010 Healthy Retiree base table, male and female Mortality Improvement - MP-2019
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.
Rate of withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.30.

Changes of assumptions:

The 2019 valuation implemented the following refinements as a result of an annual experience study:

- 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 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 as a result of an annual experience study:

- 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 as a result of an annual experience study:

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

The 2016 valuation implemented the following refinements as a result of an annual experience study:

- 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 as a result of an annual experience study:

- 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:	**2019**	2018	2017	2016	2015	2014
Measurement date	**June 30, 2019**	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Water Works' proportion of the net pension liability	**0.223592%**	0.220673%	0.219512%	0.214469%	0.216317%	0.130958%
Water Works' proportionate share of the net pension liability	**$ 12,947,441**	$ 13,964,723	$ 14,622,270	$ 13,497,195	$ 10,687,114	$ 5,193,679
Water Works' covered payroll	**$ 17,084,137**	$ 16,881,645	$ 16,072,005	$ 15,391,075	$ 14,819,686	$ 8,569,339
Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	**75.79%**	82.72%	90.98%	87.69%	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	**84.38%**	83.62%	82.21%	81.82%	85.19%	87.61%

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

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
2010	$ 85,236	$ 85,236	$ -	N/A	N/A
2011	98,602	98,602	-	N/A	N/A
2012	123,421	123,421	-	N/A	N/A
2013	196,544	196,544	-	N/A	N/A
2014	1,297,307	1,297,307	-	N/A	N/A
2015	1,404,619	1,404,619	-	$ 15,729,212	8.93%
2016	1,401,116	1,401,116	-	15,689,986	8.93%
2017	1,435,230	1,435,230	-	16,072,005	8.93%
2018	1,550,376	1,550,376	-	16,881,645	9.18%
2019	1,612,743	1,612,743	-	17,084,137	9.44%

N/A - Not available.

Notes 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:

2019 valuation

- None

2018 valuation:

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

2017 valuation:

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

2014 valuation:

- Decreased the inflation from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

2010 valuation:

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

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48

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 Disbursements
Years Ended December 31, 2019 and 2018
(With Independent Auditor's Report Thereon)

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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

Report on the Financial Statements

We have audited the accompanying statements of cash receipts and disbursements of Board of Water Works Trustees, Billing and Collection Agent for the Storm Water Management Charges for the City of Des Moines, Iowa (the Agent), for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Agent for the years ended December 31, 2019 and 2018, in accordance with the cash basis of accounting described in Note 2.

Emphasis of Matter
As described in Note 1, the financial statements were prepared for the purpose of complying with a contractual agreement with the City of Des Moines, Iowa. The statements do not purport to, and do not present fairly the financial position of the Board of Water Works Trustees or the Des Moines Water Works as of December 31, 2019 and 2018, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis of Accounting
We draw attention to Note 2 to 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.

RSM US LLP

Des Moines, Iowa
June 9, 2020

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 Disbursements
Years Ended December 31, 2019 and 2018

	2019	2018
Cash receipts, storm water management charges	**$ 26,685,159**	$ 24,639,057
Cash disbursements:		
Remittances to the City of Des Moines	**26,256,698**	24,022,607
Billing and collection services	**468,945**	433,795
Total disbursements	**26,725,643**	24,456,402
Receipts over (under) disbursements	**(40,484)**	182,655
Cash balance, beginning of year	**290,783**	108,128
Cash balance, end of year	**$ 250,299**	$ 290,783

See notes to statements of cash receipts and disbursements.

Notes to Statements of Cash Receipts and Disbursements

Note 1. Reporting Entity and Nature of Business

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

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

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

Note 2. Basis of Accounting

These statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the liability is incurred. Therefore, uncollected billings for storm water management charges of $1,819,603 and $1,728,211 as of December 31, 2019 and 2018, respectively, are not reflected in the statements of cash receipts and disbursements.

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48

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 Disbursements
Years Ended December 31, 2019 and 2018
(With Independent Auditor's Report Thereon)

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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

Report on the Financial Statements
We have audited the accompanying statements of cash receipts and disbursements of Board of Water Works Trustees, Billing and Collection Agent for the Sewer Service Charges for the City of Des Moines, Iowa (the Agent), for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Agent for the years ended December 31, 2019 and 2018, in accordance with the cash basis of accounting described in Note 2.

Emphasis of Matter
As described in Note 1, the financial statements were prepared for the purpose of complying with a contractual agreement with the City of Des Moines, Iowa. The statements do not purport to, and do not present fairly the financial position of the Board of Water Works Trustees or the Des Moines Water Works as of December 31, 2019 and 2018, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis of Accounting
We draw attention to Note 2 to 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.

RSM US LLP

Des Moines, Iowa
June 9, 2020

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 Disbursements
Years Ended December 31, 2019 and 2018

	2019	2018
Cash receipts, sewer service charges	**$ 42,703,965**	$ 42,699,928
Cash disbursements:		
Remittances to the City of Des Moines	**41,858,619**	41,751,809
Billing and collection services	**755,450**	753,591
Total disbursements	**42,614,069**	42,505,400
Receipts over disbursements	**89,896**	194,528
Cash balance, beginning of year	**408,068**	213,540
Cash balance, end of year	**$ 497,964**	$ 408,068

See notes to statements of cash receipts and disbursements.

Notes to Statements of Cash Receipts and Disbursements

Note 1. Reporting Entity and Nature of Business

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

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

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

Note 2. Basis of Accounting

These statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the liability is incurred. Therefore, uncollected billings for sewer service charges of $2,855,634 and $2,836,778 as of December 31, 2019 and 2018, respectively, are not reflected in the statements of cash receipts and disbursements.

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48

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 Disbursements
Years Ended December 31, 2019 and 2018
(With Independent Auditor's Report Thereon)

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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

Report on the Financial Statements
We have audited the accompanying statements of cash receipts and disbursements of Board of Water Works Trustees, Billing and Collection Agent for the Solid Waste Collection Charges for the City of Des Moines, Iowa (the Agent), for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Agent for the years ended December 31, 2019 and 2018, in accordance with the cash basis of accounting described in Note 2.

Emphasis of Matter
As described in Note 1, the financial statements were prepared for the purpose of complying with a contractual agreement with the City of Des Moines, Iowa. The statements do not purport to, and do not present fairly the financial position of the Board of Water Works Trustees or the Des Moines Water Works as of December 31, 2019 and 2018, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis of Accounting
We draw attention to Note 2 to 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.

RSM US LLP

Des Moines, Iowa
June 9, 2020

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 Disbursements
Years Ended December 31, 2019 and 2018

	2019	2018
Cash receipts, solid waste collection charges	**$ 13,525,439**	$ 12,303,182
Cash disbursements:		
Remittances to the City of Des Moines	**13,311,267**	11,999,251
Billing and collection services	**239,967**	217,308
Total disbursements	**13,551,234**	12,216,559
Receipts over (under) disbursements	**(25,795)**	86,623
Cash balance, beginning of year	**157,935**	71,312
Cash balance, end of year	**$ 132,140**	$ 157,935

See notes to statements of cash receipts and disbursements.

Notes to Statements of Cash Receipts and Disbursements

Note 1. Reporting Entity and Nature of Business

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

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

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

Note 2. Basis of Accounting

These statements are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the liability is incurred. Therefore, uncollected billings for solid waste collection charges of $1,091,981 and $1,057,406 as of December 31, 2019 and 2018, respectively, are not reflected in the statements of cash receipts and disbursements.

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