Des Moines Water Works

Financial Report
December 31, 2022 and 2021

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Independent Auditor's Report

RSM US LLP

Board of Water Works Trustees
Des Moines Water Works

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of the business-type activities and fiduciary activities of Des Moines Water Works (Water Works), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Water Works' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Des Moines Water Works, as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter
As discussed in Note 9 to the financial statements, the 2021 financial statements have been restated as a result of retrospectively adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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

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

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, other postemployment benefit plan schedules, and pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2023 on our consideration of the Water Work's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Works' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Water Works' internal control over financial reporting and compliance.

RSM US LLP

Des Moines, Iowa
June 7, 2023

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, 2022 and 2021. 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 41% of total water revenues. Total service customers account for roughly 14% of total water revenues, leaving nearly 45% of revenues generated from Des Moines customers. This service area spans approximately 400 square miles, including most of Polk County and communities in eastern Dallas County and northern Warren County. The utility also provides billing and collection services on a contractual basis to total service customers and billing and collection services to the City of Des Moines for wastewater treatment, solid waste collection and the storm water utility.

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

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

Governance of the Water Works is vested in a five-member Board appointed by the Mayor of the City of Des Moines with the approval of the City Council. Trustees serve for six-year staggered terms. The Board has complete control of Water Works' management and employs approximately 209 full-time and 15 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 2022:
  - Operating revenues of $85,924,604 decreased 5.20%, approximately $4.7 million, from 2021.
  - Operating expenses of $60,590,596 increased 9.67%, roughly $5.3 million, over 2021.
  - Water Works' change in net position totaled approximately $33.7 million in 2022, resulting in net position as of December 31, 2022 of $430,653,334.
- In 2021:
  - Operating revenues of $90,642,547 increased 16.92%, approximately $13.1 million, over 2020.
  - Operating expenses of $55,256,513 decreased by 3.03%, roughly $1.7 million, from 2020.
  - Water Works' change in net position totaled approximately $41.7 million in 2022, resulting in net position as of December 31, 2021 of $396,920,645.

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

	2022	Restated 2021	2020	% Change 2021 to 2022	% Change 2020 to 2021
Current assets	$ 66,179,420	$ 54,348,291	$ 43,377,888	21.77%	25.29%
Capital assets, net	399,426,517	383,780,578	371,788,491	4.08	3.23
Other noncurrent assets	14,358,745	8,192,349	15,813,273	75.27	(48.19)
Total assets	479,964,682	446,321,218	430,979,652	7.54	3.56
Deferred outflow of resources	11,596,970	5,147,743	8,027,612	125.28	(35.87)
Current liabilities	16,225,347	13,862,438	23,268,317	17.05	(40.42)
Other noncurrent liabilities	33,536,499	19,608,070	39,526,447	71.03	(50.39)
Long-term debt, net	-	-	13,653,025	-	(100.00)
Total liabilities	49,761,846	33,470,508	76,447,789	48.67	(56.22)
Deferred inflows of resources	11,146,472	21,077,808	7,322,158	(47.12)	187.86
Net investment in capital assets	394,261,209	379,233,159	347,284,854	3.96	9.20
Restricted	-	160,143	6,036,307	(100.00)	(97.35)
Unrestricted	36,392,125	17,527,343	1,916,156	107.63	814.71
Total net position	$ 430,653,334	$ 396,920,645	$ 355,237,317	8.50	11.73

Condensed Revenues, Expenses and Changes in Net Position

	2022	2021	2020	% Change 2021 to 2022	% Change 2020 to 2021
Water sales	$ 79,234,317	$ 74,242,595	$ 68,117,735	6.72%	8.99%
Billing and collection services	2,066,729	1,981,894	1,892,792	4.28	4.71
Connection fees	1,171,519	718,658	879,667	63.01	(18.30)
Purchased capacity	-	10,993,228	3,112,611	(100.00)	253.18
Other sales and services	3,452,039	2,706,172	3,519,612	27.56	(23.11)
Total operating revenues	85,924,604	90,642,547	77,522,417	(5.20)	16.92
Investment income	238,472	15,922	166,563	1,397.75	(90.44)
Other	219,968	170,965	181,395	28.66	(5.75)
Grant revenue	268,412	978,043	-	(72.56)	-
Capital contributions	8,156,064	5,557,588	5,432,251	46.76	2.31
Gain (loss) on disposal of fixed assets	(498,209)	6,200	46,000	(8,135.63)	(86.52)
Total revenues	94,309,311	97,371,265	83,348,626	(3.14)	16.82
Labor and benefits	20,950,237	19,687,884	23,400,614	6.41	(15.87)
Chemicals	6,455,257	5,082,185	4,988,278	27.02	1.88
Utilities	3,911,261	3,500,554	3,388,750	11.73	3.30
Corporate Insurance	1,921,618	1,074,697	1,333,313	78.81	(19.40)
Purchased services	9,625,667	8,853,297	9,196,415	8.72	(3.73)
Materials, supplies and equipment	4,382,474	3,824,210	4,035,196	14.60	(5.23)
Depreciation	13,147,583	12,888,832	10,392,827	2.01	24.02
Other	196,499	336,298	245,011	(41.57)	37.26
Total operating expenses	60,590,596	55,247,957	56,980,404	9.67	(3.04)
Interest (income) expense	(13,974)	439,980	592,689	(103.18)	(25.77)
Total expenses	60,576,622	55,687,937	57,573,093	8.78	(3.27)
Change in net position	33,732,689	41,683,328	25,775,533	(19.07)	61.72
Net position, beginning of year	396,920,645	355,237,317	329,461,784	11.73	7.82
Net position, end of year	$ 430,653,334	$ 396,920,645	$ 355,237,317	8.50	11.73

Financial Analysis

Year ended December 31, 2022: Current assets increased 21.77%, equating to an increase of roughly $11.8 million. The cash balances in the Water Works' bank accounts related to daily operations and capital expenditures are approximately $23.2 million. This is down nearly $2.4 million from 2021 balances. The cash position of the Water Works' operating reserves is down nearly $6.3 million, meaning the operating reserves were nearly fully invested at the end of 2022. The investment account relating to operating reserves is shown in other noncurrent assets.

Additionally, the Water Works maintains accounts - both a cash account and a related investment account - that contain excess operating funds. The amounts in these accounts are as a result of continued increasing water sales over the last few years as well as a delayed cash outlay for capital projects. These excess operating funds are available to fund future capital investments in the water system.

Other noncurrent assets increased by 75.27% in 2022. This equates to approximately $6.2 million. The balance in operating reserve investments is up $6.7 million from 2021. This is due to an overall increase of the operating reserves as well as the operating reserves being fully invested rather than in a cash position, as mentioned above. Offsetting the increase is that the net position for the DMWW Pension Plan was in a net pension asset of approximately $478,000 in 2021. This changed back to a net pension liability of approximately $9.9 million in 2022.

Deferred outflows of resources increased $6.4 million in 2022. There are deferred outflows relating to the DMWW Pension Plan, IPERS, and DMWW's defined other post-employment benefits (OPEB) plan.

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

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

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

Current liabilities increased 17.05%, or roughly $2.4 million. Accounts payable was approximately $1.0 million higher at the end of 2022. This balance can vary widely from year to year due to receipt of vendor invoices. Construction payables were approximately $850,000 higher in 2022. As of December 31, 2022, Water Works has no outstanding debt. The Water Revenue Capital Loan Note, Series 2003 through the Drinking Water State Revolving Fund (SRF) was paid off in 2022.

Other noncurrent liabilities increased roughly $13.9 million in 2022. The net pension liability for the DMWW Pension Plan changed from a $478,000 net pension asset to a $9.9 million net pension liability. The net pension liability for IPERS increased $8.0 million in 2022, resulting in a balance of nearly $8.4 million. The increases to the net pension liability are as a result of unfavorable investment returns compared to expected results for both defined benefit plans. The OPEB liability decreased approximately $4.1 million. There was a significant decrease in the liability due to the discount rate assumption. As of December 31, 2022, the discount rate is 4.31%, compared to 2.25% as of December 31, 2021. Another factor contributing to the decrease in OPEB liability is the favorable experience on medical premium rate changes.

Deferred inflows of resources decreased by approximately $9.9 million. There are deferred inflows relating to the DMWW Pension Plan, IPERS, DMWW's defined other post-employment benefits (OPEB) plan, and leases.

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

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

The deferred inflows for leases reflect the present value of future lease revenue and is amortized throughout the life of the lease.

Water sales and capital improvement fees, both based on water consumption, along with water availability revenue, increased by nearly $5.0 million, a 6.72% increase from 2021. Consumption was approximately 1.2% higher in 2022 compared to 2021. This higher consumption, coupled with a moderate increase in water rates on April 1, 2022, contributed to the overall increase in revenue. Water rates are designed to cover the cost of water service to Water Works' various customer classes.

Revenue for billing and collection services was up 4.28%. This is mainly due to higher revenue from the City of Des Moines as their fees are based on a percentage of billed amounts. As their rates increase, so does the revenue for billing and collecting for those services.

Connection fees were up $453,000 compared to 2021. These fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Revenue from other sales and services increased 27.56% in 2022, which equates to $746,000. Included in this line are numerous revenue items in the utility including termination fees, credit card convenience fees, stop box repairs, distribution system repairs, operating and maintenance costs for shared-use facilities, lab testing, etc. Revenue from termination fees was up in 2022 by $479,000. Collection cuts were resumed in the latter half of 2021 and the dollar threshold for determining service termination eligibility was reduced in mid-2022. Revenue from other sales and services includes also $150,000 related to billing a contractor for damage of a feeder main at a construction site. Tap fees were higher in 2022 by $78,000. Similar to connection fees, tap fees can fluctuate widely from year to year depending on the level of development experienced within the utility's service areas.

Operating labor and benefits increased by approximately 6.41%, equating to nearly $1.3 million.

The cash outlay for labor and benefits, which includes payroll expenses, employer paid medical premiums, the actuarial defined contribution (ADC) to the DMWW Pension Plan, the required employer contributions to IPERS, and the statutory amounts paid for Social Security and Medicare (FICA) taxes reflect a moderate increase from 2021, primarily based on annual wage adjustments.

Operating labor expenses were down roughly 1.2% due to more labor being incurred on capital projects—and therefore capitalized—compared to 2021. Employer paid medical premiums were up just over $61,000. The ADC for the DMWW Pension Plan decreased by $190,000. The employer contribution to IPERS was up $54,000 due to increased overall wages (operating & capital), and the Water Works' expense for FICA taxes was up $25,000.

The entries for the balance sheet items related to pensions (both the DMWW Pension Plan and IPERS) and other post-employment benefits (OPEB), including deferred inflows or resources, deferred outflows of resources, net pension liability, and other post-employment benefits liability, are reported as benefits expense. There was $1.8 million of net income related to changes in the balance sheet items in 2022, compared to $3.2 million in 2021. This is a reduction of expenses of roughly $1.4 million, which makes up most of the variance.

Chemical expenses were up approximately 27.02%, equating to a difference of nearly $1.4 million. Chemical prices are continuing to see larger increases than in prior years. Shortages of raw materials and logistics costs are factors in the higher prices. Additionally, higher chemical usage due to higher pumpage in 2022 and ever-changing raw water conditions are also driving up the expenses.

Utilities expense was up 11.73%, or $411,000, in 2022. Higher electric usage at water treatment plants accounted for $238,000 and fuel costs for the fleet increased nearly $90,000.

Corporate insurance was up $847,000 in 2022. Insurance premium expenses were $119,000 higher in 2022. Workers' compensation expense was roughly $732,000 higher in 2022. While payments on claims were slightly higher in 2022, the reserve balance for workers compensation claims decreased by $330,000 in 2021 and increased by $372,000 in 2022. This caused a swing in expense of $702,000.

Purchased services increased nearly $772,000 compared to 2021. The utility has a myriad of services provided across all departments. There were modest increases in many services in 2022. Some of the larger increases relate to increased costs for I.T. maintenance contracts, utility-wide training, stop box repairs, services to repair large main breaks, and outside services for maintenance of the three treatment plants. Offsetting the higher expenses were lower costs in 2022 for residual removal from the Fleur Drive Water Treatment Plant and the McMullen Water Treatment Plant.

Materials, supplies and equipment increased by approximately 14.60% in 2022, for a difference totaling roughly $558,000. Included in this cost category are a multitude of items such as postage, inventory items and repair parts for the maintenance of the treatment facilities, distribution system, and fleet vehicles. Material expenses across the utility increased by modest amounts.

Other operating expenses decreased $140,000. This includes costs for casualty losses, bad debt write-off, and utility-wide training. Utility-wide training was up $48,000. Casualty losses were down $64,000. Bad debt write-off was down $124,000 due to a higher accrual made in 2021 to estimate the write-off amount.

Investment income increased approximately $223,000 as a result of higher investment returns on matured investments, amortization of premiums on investments, recognition of the unrealized gain/loss, and the accrued interest as of December 31, 2022.

Interest expense decreased $454,000. In 2021, bond interest expense was $453,000 which was primarily from the 2012A and 2012B bonds that were paid off in 2021. The SRF Loan had interest expense of approximately $6,000 in both 2021 and 2022. Finally, interest income and expense relating to leases accounted for $17,000 of revenue in 2022.

Capital contributions were approximately $8.2 million in 2022. This is down $2.6 million from 2021. This account varies widely from year-to-year depending on the capital projects constructed that are funded by other entities and the amount recognized for water mains conveyed by contractors for new development in Water Works' service areas. Water Works recognized roughly $600,000 of cash contributions for capital projects and approximately $7.6 million of conveyed water mains.

The aforementioned fluctuations result in an overall increase in net position of 8.50%. This includes a 5.20% decrease in operating revenues and an increase in operating expenses of 9.67%.

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

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

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

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

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

Current assets increased 25.29%, equating to an increase of nearly $11.0 million. The cash balance in the cash accounts and the cash position of the operating reserves are higher than the 2020 balances by $11.9 million. This cash balance in the general checking account can fluctuate widely from year to year due to timing of receiving customer payments and paying vendors and contractors. Water sales were strong in 2021 resulting in $6.1 million of additional revenue compared to 2020. DMWW received $963,000 from the State of Iowa CARES Act for reimbursement of Covid-19 expenses incurred in 2020. Offsetting these increases is the additional payment from DMWW funds of approximately $3.0 million to redeem the 2012 bonds. The cash balance of the operating reserves also fluctuates from year to year due to timing of investment maturities and purchases.

Other noncurrent assets decreased by 48.19% in 2021. This equates to approximately $8.7 million in lower investment balances. As previously stated, the cash position of operating reserve investments was higher at the end of 2021 compared to the end of 2020, which means the invested balance as of December 31, 2021, is lower. The balances of the debt service reserve fund and the bond sinking fund were applied to the early redemption of the bonds. Offsetting the decreases is that the net position for the DMWW Pension Plan changed from a net pension liability of $1.8 million in 2020 to a net pension asset of $478,000 in 2021.

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

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

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

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

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

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

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

Current liabilities decreased 40.42%, or roughly $9.4 million. Construction payables were approximately $3.2 million lower. There were a few City of Des Moines projects which had components of water main replacement or alterations partially constructed prior to 2021. These projects were closed out and paid in 2021. Due to the redemption of the 2012 bonds, the current liability for long-term debt only includes payment for the 2003 SRF loan, a reduction of nearly $3.7 million. Accounts payable was nearly $1.2 million lower at the end of 2021. This balance can vary widely from year to year due to receipt of vendor invoices.

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

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

Deferred inflows of resources increased by approximately $13.8 million. There are deferred inflows relating to the DMWW Pension Plan, IPERS, DMWW's defined other post-employment benefits (OPEB) plan, and lease agreements.

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

For the DMWW Pension Plan, deferred inflows decreased by approximately $250,000. The biggest driver of this change is in the deferred inflows related to the difference between expected and actual income. This deferred balance increased by nearly $1.6 million due to favorable investment returns in 2021. Offsetting that increase is the recognition of these deferred inflows to the income statement in the amount of $1.8 million. Deferred inflows related to the difference between expected and actual income are recognized over a five-year period. The changes in deferred inflows relating to expected and actual experience was $50,000.

For IPERS, deferred inflows increased by roughly $11.3 million. Again, favorable investment returns drove the change in the deferred inflows related to expected and actual income. The deferred position related to investment earnings changed from a $900,000 deferred outflow to a $11.1 million deferred inflow. The investment performance for the IPERS' fiscal year (July 2020 – June 2021) offset by the recognition of these inflows and outflows to the income statement resulted in the change to the deferred position.

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

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

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

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

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

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

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

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

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

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

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

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

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

Purchased services decreased $343,000, or 3.73% compared to 2020. As mentioned above, DMWW no longer bears the expense of processing credit card fees. The convenience fee in 2020 was approximately $540,000. The processing fees and the corresponding revenue are now incurred by our 3rd party electronic payment processor. Offsetting this decrease is an increase for the PILOT (payment in lieu of taxes) to the City of Des Moines of $128,000, overall residual removal expenses higher by $73,000, and approximately $100,000 in consulting fees to facilitate the development of a strategic plan.

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

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

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

Interest expense decreased 25.77% due to decreasing interest payments on the outstanding debt for most of 2021.

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

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

The aforementioned fluctuations result in an overall increase in net position of 11.73%. This includes a 16.92% increase in operating revenues and a decrease in operating expenses of 3.04%.

Capital Assets and Debt Administration

During 2022, net capital assets increased $15.6 million or 4.08%. In addition to replacing aged and deteriorating water mains, the utility continues to reinvest in water treatment, production, storage and capacity. There are several large capital projects to replace, improve, and rehabilitate areas of the three treatment plants. There were no significant changes to the condition of infrastructure assets, nor were there any changes made to standard service lives of those assets.

As of December 31, 2022, the is no outstanding debt. The Water Revenue Capital Loan Note, Series 2003 through the Drinking Water State Revolving Fund (SRF) was paid off in 2022.

During 2021, net capital assets increased $12.0 million or 3.23%. In addition to replacing aged and deteriorating water mains, the utility continues to reinvest in water treatment, transmission, production, storage and capacity. A new booster station in the northwest part of the service area and a feeder main in the southwest part of the service area are being constructed. There are several large capital projects to replace, improve, and rehabilitate areas of the three treatment plants. Finally, a standpipe in Des Moines and a tank in Pleasant Hill were painted. There were no significant changes to the condition of infrastructure assets, nor were there any changes made to standard service lives of those assets.

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

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 2022.

Requests for Information

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

Des Moines Water Works

Statements of Net Position
December 31, 2022 and 2021

	2022	Restated 2021
Assets		
Current assets:		
Cash	$ 23,650,410	$ 35,251,029
Investments	22,635,308	1,590,900
Restricted assets, cash	1,189,223	1,001,627
Accounts receivable:		
Billed	8,686,942	7,644,204
Unbilled	2,914,894	2,613,898
Receivables for capital projects funded by other entities	640,150	574,049
Lease receivable	168,138	162,775
Interest receivable	98,524	1,162
Inventory, materials and supplies	4,770,969	4,130,745
Prepaid expenses	1,424,862	1,377,902
Total current assets	66,179,420	54,348,291
Long-term investments, board designated funds	13,217,353	6,473,212
Capital assets:		
Land	8,208,369	8,208,369
Construction-in-progress	9,644,209	7,899,450
Buildings, equipment and machinery	216,128,963	206,719,368
Supply system	61,641,214	60,344,512
Distribution system	332,519,559	316,300,802
Right-to-use asset	169,797	158,294
	628,312,111	599,630,795
Accumulated depreciation	(228,885,594)	(215,850,217)
Capital assets, net	399,426,517	383,780,578
Noncurrent assets:		
Net pension asset	-	477,996
Lease receivable	900,352	1,068,490
Other assets	241,040	172,651
	1,141,392	1,719,137
Total assets	479,964,682	446,321,218
Deferred outflows of resources		
Other postemployment benefit related amounts	2,554,696	3,266,160
Pension related amounts	9,042,274	1,881,583
	11,596,970	5,147,743
Total assets and deferred outflows of resources	$ 491,561,652	$ 451,468,961

See notes to basic financial statements.

	2022	Restated 2021
Liabilities		
Current liabilities:		
Accounts payable	**$ 3,446,370**	$ 2,404,257
Accrued wages and benefits	**1,048,736**	1,044,215
Compensated absences	**2,938,653**	3,025,913
Special deposits	**2,032,097**	1,931,707
Construction payables	**5,108,072**	4,253,313
Water revenue bonds interest payable	**-**	841
Current portion of long-term debt	**-**	157,000
Fees collected for other entities	**1,114,223**	791,484
Workers' compensation claims payable	**490,917**	118,803
Other current liabilities	**9,745**	43,849
Current portion of lease liability	**36,534**	91,056
Total current liabilities	**16,225,347**	13,862,438
Noncurrent liabilities:		
Compensated absences, less current portion	**819,715**	760,586
Lease liability, less current portion	**20,702**	46,050
Net pension liability	**18,270,897**	306,879
Total other postemployment benefits liability	**14,425,185**	18,494,555
Total noncurrent liabilities	**33,536,499**	19,608,070
Total liabilities	**49,761,846**	33,470,508
Deferred inflows of resources		
Pension related amounts	**2,931,843**	16,277,276
Other postemployment benefit related amounts	**7,166,158**	3,569,267
Lease related amounts	**1,048,471**	1,231,265
	11,146,472	21,077,808
Net position		
Net investment in capital assets	**394,261,209**	379,233,159
Restricted, bond indentures	**-**	160,143
Unrestricted	**36,392,125**	17,527,343
Total net position	**430,653,334**	396,920,645
Total liabilities, deferred inflows of resources and net position	**$ 491,561,652**	$ 451,468,961

Des Moines Water Works

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Operating revenues:		
Water sales	**$ 79,234,317**	$ 74,242,595
Purchased capacity revenue	**-**	10,993,228
Other sales and services	**5,518,768**	4,688,066
Connection fees	**1,171,519**	718,658
Total operating revenues	**85,924,604**	90,642,547
Operating expenses:		
Labor	**14,626,612**	14,638,532
Group insurance	**3,756,562**	3,695,374
Retirement benefits (including social security)	**2,567,063**	1,353,978
Purchased services	**9,625,667**	8,853,297
Corporate insurance	**1,921,618**	1,074,697
Materials, supplies and equipment	**4,382,474**	3,824,210
Chemicals	**6,455,257**	5,082,185
Utilities	**3,911,261**	3,500,554
Depreciation	**13,147,583**	12,888,832
Other	**196,499**	336,298
Total operating expenses	**60,590,596**	55,247,957
Operating income	**25,334,008**	35,394,590
Nonoperating revenue (expense):		
Investment income	**238,472**	15,922
Interest and amortization income (expense), net	**13,974**	(439,980)
Land use income	**215,700**	168,321
Gain (loss) on disposal of capital assets	**(498,209)**	6,200
Other	**4,268**	2,644
Total nonoperating expense, net	**(25,795)**	(246,893)
Income before capital contributions and grants	**25,308,213**	35,147,697
Other revenue:		
Capital contributions	**8,156,064**	5,557,588
Grant revenue	**268,412**	978,043
Total other revenue	**8,424,476**	6,535,631
Change in net position	**33,732,689**	41,683,328
Net position, beginning of year	**396,920,645**	355,237,317
Net position, end of year	**$ 430,653,334**	$ 396,920,645

See notes to basic financial statements.

Des Moines Water Works

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from customers	**$ 84,935,610**	$ 88,253,091
Cash paid to suppliers	**(25,799,836)**	(24,931,709)
Cash paid to employees and for payroll taxes	**(22,798,972)**	(22,940,393)
Net cash provided by operating activities	**36,336,802**	40,380,989
Cash flows from capital and related financing activities:		
Principal payments on long-term debt and lease obligations	**(248,373)**	(16,884,113)
Acquisition, construction and removal cost of capital assets	**(20,898,937)**	(23,761,813)
Proceeds from disposal of capital assets	**38,175**	-
Contributions received	**793,668**	4,125,411
Interest received (paid)	**13,133**	(479,396)
Net cash used in capital and related financing activities	**(20,302,334)**	(36,999,911)
Cash flows from investing activities:		
Proceeds from maturities of investments	**4,154,108**	17,384,666
Purchase of investments	**(31,942,657)**	(6,011,849)
Interest received	**141,110**	59,727
Land use income and other	**199,948**	170,965
Net cash provided by (used in) investing activities	**(27,447,491)**	11,603,509
Net increase (decrease) in cash	**(11,413,023)**	14,984,587
Cash, beginning of year	**36,252,656**	21,268,069
Cash, end of year	**$ 24,839,633**	$ 36,252,656
Reconciliation of cash to the statements of net position:		
Cash	**$ 23,650,410**	$ 35,251,029
Restricted assets, cash current	**1,189,223**	1,001,627
Total cash, end of year	**$ 24,839,633**	$ 36,252,656

(Continued)

Des Moines Water Works

Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 25,334,008**	$ 35,394,590
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**13,147,583**	12,888,832
Change in:		
Accounts receivable, billed	**(1,042,738)**	932,522
Accounts receivable, unbilled	**(300,996)**	(162,620)
Inventory, materials and supplies	**(640,224)**	(601,802)
Prepaid expenses	**(46,960)**	(172,456)
Other assets	**(68,389)**	154,567
Accounts payable	**1,042,114**	(1,199,603)
Accrued wages and benefits and compensated absences	**(23,610)**	(101,554)
Pension related amounts	**(2,064,110)**	(4,177,274)
Total other postemployment benefit liability related amounts	**238,985**	1,026,319
Unearned revenue	**-**	(3,224,936)
Special deposits	**100,390**	26,805
Fees collected for other entities	**322,739**	(115,793)
Workers' compensation claims payable	**372,114**	(330,457)
Other current liabilities	**(34,104)**	43,849
Net cash provided by operating activities	**$ 36,336,802**	$ 40,380,989
Schedule of noncash capital and related financing activities:		
Acquisition of capital assets through capital contributions	**$ 7,564,707**	$ 4,187,760
Acquisition of capital assets through construction payables	**$ (854,759)**	$ 3,233,149
Acquisition of capital assets through lease obligation	**$ 11,503**	$ 10,641
Trade-in value towards assets purchased	**$ -**	$ 6,200
Schedule of noncash investing activities, net depreciation of the fair value of investments	**$ 165,986**	$ 11,878

See notes to basic financial statements.

Des Moines Water Works
Pension Plan

Statements of Plan Net Position
December 31, 2022 and 2021

	2022	2021
Assets		
Investments, pooled separate accounts	**$ 50,905,188**	$ 63,863,603
Liabilities, none	**-**	-
Net position restricted for pensions	**$ 50,905,188**	$ 63,863,603

See notes to basic financial statements.

Des Moines Water Works
Pension Plan

Statements of Changes in Plan Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Additions:		
Investment income (loss):		
Investment income (loss), including net appreciation (depreciation) in the fair value of pooled separate accounts, interest and dividends	**$ (10,466,377)**	$ 4,976,257
Less investment expense	**(24,718)**	(26,243)
Net investment income (loss)	**(10,491,095)**	4,950,014
Employer contributions	**1,293,349**	1,483,159
Total additions	**(9,197,746)**	6,433,173
Deductions:		
Benefit payments	**3,749,617**	3,612,256
Administrative expenses	**11,052**	15,442
Total deductions	**3,760,669**	3,627,698
Net increase (decrease)	**(12,958,415)**	2,805,475
Net position restricted for pensions:		
Beginning of year	**63,863,603**	61,058,128
End of year	**$ 50,905,188**	$ 63,863,603

See notes to basic financial statements.

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

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

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

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

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

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

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

Significant accounting policies:

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

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

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

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

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

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

Investments as of December 31, 2022 and 2021 were in U.S. government obligations and are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same – that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. Investments in pooled separate accounts are stated at net asset value based on the estimated fair value of the investments held in each account. Purchases and sales of securities are recorded on a trade-date basis. See Note 2 for additional information regarding valuation measures.

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

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

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

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

Transactions with the City of Des Moines: Water Works provides water service to the City without charge except for the Sewage Treatment Works, Des Moines International Airport and City golf courses. The value (computed at the commercial rate) of the service provided without charge was $1,275,335 and $1,246,031 in 2022 and 2021, 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 $1,329,838 and $1,359,081 in 2022 and 2021, 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 $1,114,223 and $791,484 as of December 31, 2022 and 2021, 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 $2,067,000 and $1,982,000 in 2022 and 2021, respectively. Water Works bears the total cost of meter reading, cash processing and statement preparation and mailing.

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

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

Restricted assets, cash: Water Works reserves certain assets to provide for payment of fees collected for other entities and certain employee compensation. Disbursement of these assets is restricted by the purpose of the respective funds.

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

Capital assets: Capital assets are recorded at cost (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below) and depreciated utilizing the straight-line method over estimated useful lives as follows:

	Years
Buildings, equipment and machinery, including intangible right-to-use assets	3-85
Supply system	20-85
Distribution system	10-100

Expenses for maintenance, repairs and minor replacements are charged to operations. Expenses for major repairs and betterments are capitalized. Water Works' capitalization threshold is $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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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, 2022 and 2021, 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.

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

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

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

Pensions: The net pension liability (asset), deferred outflows and inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and the Des Moines Water Works Pension Plan and additions to/deductions from these fiduciary net positions have been determined on the same basis as they are reported by IPERS and the Des Moines Water Works Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflow of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods(s) and so will not be recognized as an outflow of resources (expense) until then. 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, OPEB and lease related amounts as a deferred inflow of resources. The pension and OPEB related amounts consist of unrecognized items not yet charged against pension and OPEB expense. The lease related amount consists of the unamortized portion not yet recognized as lease revenue.

Note 2. Cash and Investments

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

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

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

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

Note 2. Cash and Investments (Continued)

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

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

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

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

As of December 31, 2022 and 2021, Water Works held $35,852,661 and $8,064,112 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, 2022 and 2021.

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

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

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

Information about the sensitivity of the fair value of the Water Works' investments to market interest rate fluctuations is provided by the tables below for December 31, 2022 and 2021:

Type	Fair Value December 31, 2022	Within 3 Months	Within 6 Months	Within 9 Months	Within 12 Months	Over 12 Months
U.S. Treasury Note Bonds	$ 28,705,660	$ 9,719,888	$ 5,501,312	$ 3,017,282	$ 10,467,178	$ -
U.S. Treasury Bills	7,147,001	-	4,997,184	-	2,149,817	-
	$ 35,852,661	$ 9,719,888	$ 10,498,496	$ 3,017,282	$ 12,616,995	$ -

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

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, 2022 and 2021 were subject to credit risk as they were explicitly guaranteed by the U.S. Government.

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

Investments issued or explicitly guaranteed by the U.S. Government are not subject to concentration of credit risk. All of Water Works' investments as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 $24,982,672 and $24,839,633, respectively, as of December 31, 2022. Works' bank balances and book balances of deposits were $36,866,053 and $36,252,656, respectively, as of December 31, 2021.

Pension Plan Deposits and Investments:

Deposits: As of December 31, 2022 and 2021, the Plan held no deposits.

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

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

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, 2022 and 2021, 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.

	2022		2021	
	Fair Value	Effective Duration	Fair Value	Effective Duration
Fixed income investments:				
Principal Core Fixed Income Account	$ 17,705,946	6.04	$ 21,540,864	5.92
Principal Bond Market Index Account	5,884,782	6.32	6,583,916	6.53
Principal High Yield I Account	2,054,249	4.19	2,532,418	4.16
Total fixed income investments	25,644,977		30,657,198	
Other investments, non-fixed income investments	25,260,211		33,206,405	
Total investments	$ 50,905,188		$ 63,863,603	

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

The target allocations and long-term expected arithmetic and geometric rates of return for each major asset class as of December 31, 2022, are as follows:

Asset Class	Target Allocation	Expected Arithmetic Return	Expected Geometric Return
U.S. Equity–Large Cap	30%	7.70%	6.20%
U.S. Equity–Mid Cap	4	8.00	6.20
U.S. Equity–Small Cap	2	8.55	6.20
Non–U.S. Equity	15	8.00	6.20
REITs	-	7.30	5.65
TIPS	-	3.75	3.60
Core Bond	45	4.20	4.05
High Yield	4	6.10	5.65

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, 2022 and 2021:

	2022	2021
Principal pooled separate accounts:		
Fixed income:		
Core Fixed Income Account	$ 17,705,946	$ 21,540,864
Bond Market Index Account	5,884,782	6,583,916
Other fixed income	2,054,249	2,532,418
International equity:		
Overseas Account	1,698,521	2,352,617
Diversified International Account	3,865,020	5,597,781
Other international equity	2,114,548	2,967,187
Large U.S. equity:		
Large-Cap Growth I Account	6,026,644	7,222,302
Equity Income Account	6,222,871	7,381,045
Large-Cap S&P 500 Index	2,608,625	4,528,714
Small/Mid U.S. equity	2,723,982	3,156,759
	$ 50,905,188	$ 63,863,603

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, 2022 and 2021, respectively. There are no participant redemption restrictions for these investments.

Investment	2022 Value	2021 Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fixed income	$ 25,644,977	$ 30,657,198	$ -	Immediate	None
International equity	7,678,089	10,917,585	-	Immediate	None
Large U.S. equity	14,858,140	19,132,061	-	Immediate	None
Small/Mid U.S. equity	2,723,982	3,156,759	-	Immediate	None
Total investments measured at NAV	$ 50,905,188	$ 63,863,603	$ -		

Note 2. Cash and Investments (Continued)

(1) Fixed income

High Income Separate Account: The investment seeks high current income. Under normal circumstances, the fund invests primarily in below investment grade bonds and bank loans which are rated, at the time of purchase, Ba1 or lower by Moody's Investors Service, Inc. ("Moody's") and BB+ or lower by S&P Global Ratings ("S&P Global") (if the bond or bank loan has been rated by only one of those agencies, that rating will determine whether it is below investment grade; if the bond or bank loan has not been rated by either of those agencies, those selecting such investments will determine whether it is of a quality comparable to those rated below investment grade).

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

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

(2) International equity

Origin Emerging Markets Separate Account: The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of emerging market companies at the time of purchase. The advisor considers a security to be tied economically to an emerging market if the issuer of the security has its principal place of business or principal office in an emerging market, has its principal securities trading market in an emerging market, or derives a majority of its revenue from emerging markets.

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

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

Note 2. Cash and Investments (Continued)

International SmallCap Separate Account: The investment seeks long-term growth of capital by investing primarily in stocks of non-US companies with relatively small capitalizations. It invests in securities of companies with their principal place of business or principal office outside the US; companies for which the principal securities market is outside the US; or companies, regardless of where their securities are traded, that derive 50% of their total revenue outside of the US. Under normal market conditions, it invests at least 80% in companies similar in size to companies included in the Citigroup Extended Market Index (EMI) World ex US.

(3) Large U.S. equity

Equity Income Separate Account: The investment seeks to provide current income and long-term growth of income and capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in dividend-paying equity securities at the time of purchase. It usually invests in equity securities of companies with large and medium market capitalizations. The fund invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued.

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

LargeCap Growth I Separate Account: The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with large market capitalizations at the time of purchase. It invests in growth equity securities, an investment strategy that emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average. The fund is non-diversified.

(4) Small/Mid U.S. equity

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

MidCap Growth III Separate Account: The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with medium market capitalizations at the time of purchase. It invests in growth equity securities, an investment strategy that emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average.

Note 2. Cash and Investments (Continued)

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

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

Note 3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized:				
Land	$ 8,208,369	$ -	$ -	$ 8,208,369
Construction-in-progress	7,899,450	21,753,696	20,008,937	9,644,209
Total capital assets not being depreciated/amortized	16,107,819	21,753,696	20,008,937	17,852,578
Capital assets being depreciated:				
Buildings, equipment and machinery	206,719,368	9,521,801	112,206	216,128,963
Supply system	60,344,512	1,296,702	-	61,641,214
Distribution system	316,300,802	16,218,757	-	332,519,559
Intangible right-to-use asset	158,294	11,503	-	169,797
Total capital assets being depreciated/amortized	583,522,976	27,048,763	112,206	610,459,533
Less accumulated depreciation/amortization for:				
Buildings, equipment and machinery	110,413,173	7,519,235	112,206	117,820,202
Supply system	22,350,953	622,205	-	22,973,158
Distribution system	83,032,044	4,949,776	-	87,981,820
Intangible right-to-use asset	54,047	56,367	-	110,414
Total accumulated depreciation	215,850,217	13,147,583	112,206	228,885,594
Total capital assets being depreciated, net	367,672,759	13,901,180	-	381,573,939
Net capital assets	$ 383,780,578	$ 35,654,876	$ 20,008,937	$ 399,426,517

Note 3. Capital Assets (Continued)

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

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 8,208,369	$ -	$ -	$ 8,208,369
Construction-in-progress	5,691,558	20,528,664	18,320,772	7,899,450
Total capital assets not being depreciated	13,899,927	20,528,664	18,320,772	16,107,819
Capital assets being depreciated:				
Buildings, equipment and machinery	202,951,563	3,911,418	143,613	206,719,368
Supply system	59,372,828	971,684	-	60,344,512
Distribution system	298,669,171	17,631,631	-	316,300,802
Intangible right-to-use asset	147,653	10,641	-	158,294
Total capital assets being depreciated	561,141,215	22,525,374	143,613	583,522,976
Less accumulated depreciation for:				
Buildings, equipment and machinery	103,088,814	7,467,972	143,613	110,413,173
Supply system	21,719,078	631,875	-	22,350,953
Distribution system	78,297,106	4,734,938	-	83,032,044
Intangible right-to-use asset	-	54,047	-	54,047
Total accumulated depreciation	203,104,998	12,888,832	143,613	215,850,217
Total capital assets being depreciated, net	358,036,217	9,636,542	-	367,672,759
Net capital assets	$ 371,936,144	$ 30,165,206	$ 18,320,772	$ 383,780,578

Water Works is the lessor on several leases with communications providers for use of a portion of real property at the sites of Water Works' water towers. The Water Works receives approximately $186,000 in lease revenue yearly with an implicit rate of 2.00%. Revenue from these agreements is reported on the statements of revenues, expenses and changes in net position under land use income.

Note 4. Noncurrent Liabilities

As of December 31, 2022, Water Works had no outstanding debt. The Water Revenue Capital Loan Note, Series 2003 (through the Drinking Water State Revolving Fund (SRF)) was paid off in 2022. Interest on the SRF note was payable semiannually on June 1 and December 1, with principal payable on December 1. The Series 2003 note matured on December 1, 2022. In 2021, the Water Revenue Refunding Bonds Series 2012A and Series 2012B were paid off.

Changes in long-term obligations for the years ended December 31, 2022 and 2021, are as follows:

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Capital Bond, Series 2003	$ 157,000	$ -	$ 157,000	$ -	$ -
Net pension liability (Note 5)	306,879	17,964,018	-	18,270,897	-
Total other postemployment benefits liability (Note 6)	18,494,555	-	4,069,370	14,425,185	-
Lease liability	137,106	11,503	91,373	57,236	36,534
Compensated absences	3,786,499	3,758,368	3,786,499	3,758,368	2,938,653
	$ 22,882,039	$ 21,733,889	$ 8,104,242	$ 36,511,686	$ 2,975,187

	2021 (Restated)				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Water Revenue Bonds: Series 2012 A & B	$ 16,630,000	$ -	$ 16,630,000	$ -	$ -
Water Revenue Capital Bond, Series 2003	309,000	-	152,000	157,000	157,000
Unamortized Bond Premium	513,166	-	513,166	-	-
Net pension liability (Note 5)	17,568,986	-	17,262,107	306,879	-
Total other postemployment benefits liability (Note 6)	18,793,745	-	299,190	18,494,555	-
Lease liability	228,578	10,641	102,113	137,106	91,056
Compensated absences	3,974,241	3,786,499	3,974,241	3,786,499	3,025,913
	$ 58,017,716	$ 3,797,140	$ 38,932,817	$ 22,882,039	$ 3,273,969

The water revenue bond and water revenue capital loan bond resolutions (Resolutions) provide that future water customer revenues, net of specified operating expenses of Water Works, are pledged for the purpose of paying Series 2012 bonds. Proceeds from the bonds were used to provide additional infrastructure needs. The bonds are payable solely from customer net revenues. The Resolutions further require that sufficient monies be set aside to meet current expenses of Water Works. All remaining monies are to be segregated and restricted in separate special reserves. These special reserves are reflected as restricted assets on the statement of net position. The Resolutions also require the issuer maintain insurance coverage of a kind and in an amount, which usually would be carried by private companies engaged in a similar kind of business. Water Works maintains fire and extended coverage insurance in the amount of $413,241,258 (2022 number) on building and contents; in addition, liability insurance is maintained.

Note 4. Noncurrent Liabilities (Continued)

A summary of the outstanding debt, principal and interest requirements are as follows as of and for the year ended December 31, 2022:

	Issue Date	Year Maturing	Principal and Interest Remaining	Principal and Interest Paid in 2022	Annual Payments as a Percentage of Net Revenues
Water Revenue Capital Bond, Series 2003	4/16/2003	2022	$ -	$ 159,748	0.42%
			$ -	$ 159,748	0.42%

Total customer net revenues were $38,417,073. Annual principal and interest payments on the bonds are approximately 0.42% of net revenues.

Lease agreements: Water Works has entered into lease agreements for several pieces of office equipment including multifunction printers (printers, copiers, scanners) and a mail inserting system. On September 27, 2022, Water Works entered into a lease agreement for a multifunction printer and an additional lease liability of $11,503 was recorded. During the year ended December 31, 2022, principal and interest paid were $91,373 and $6,004, respectively.

Future principal and interest lease payments as of December 31, 2022 are as follows:

	Principal	Interest	Total
Year ending December 31:			
2023	$ 36,534	$ 3,537	$ 40,071
2024	13,649	1,129	14,778
2025	2,317	462	2,779
2026	2,501	277	2,778
2027	2,235	80	2,315
	$ 57,236	$ 5,485	$ 62,721

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, 2022:

	Des Moines Water Works Pension Plan	IPERS	Total
Net pension liability	$ 9,918,937	$ 8,351,960	$ 18,270,897
Deferred outflows of resources	7,684,624	1,357,650	9,042,274
Deferred inflows of resources	1,286,049	1,645,794	2,931,843
Pension expense (credit)	1,164,537	(220,542)	943,995

Note 5. Retirement Plans (Continued)

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

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

Des Moines Water Works Pension Plan:

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

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

Membership data at December 31, 2022 and 2021 included:

	2022	2021
Active plan members	91	100
Inactive plan members entitled to but not yet receiving benefits	39	42
Disabled plan members entitled to but not yet receiving benefits	2	4
Retired plan members or beneficiaries currently receiving benefits	200	193
	332	339

Note 5. Retirement Plans (Continued)

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, 2022 and 2021, the annual money weighted rate of return on Plan investments, net of investment expense was (16.84)% and 8.29%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability: The total pension liability was determined using an actuarial valuation date of December 31, 2022 using generally accepted actuarial principles and methods. Water Works is utilizing December 31, 2022 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, 2022 and 2021, are as follows:

	2022	2021
Total pension liability		
Service cost	$ 411,165	$ 481,077
Interest	3,460,899	3,441,223
Benefit payments	(3,749,617)	(3,612,256)
Difference between expected and actual experience	(302,442)	77,689
Change in assumptions	(2,381,487)	115,619
Net change in total pension liability	(2,561,482)	503,352
Total pension liability—beginning of year	63,385,607	62,882,255
Total pension liability—end of year	$ 60,824,125	$ 63,385,607
Plan fiduciary net position		
Contributions—employer	$ 1,293,349	$ 1,483,159
Investment income (loss), net of investment expenses 2022 $24,718; 2021 $26,243	(10,491,095)	4,950,014
Benefit payments	(3,749,617)	(3,612,256)
Administrative expenses	(11,052)	(15,442)
Net change in plan fiduciary net position	(12,958,415)	2,805,475
Total plan fiduciary net position, beginning of year	63,863,603	61,058,128
Total plan fiduciary net position, end of year	$ 50,905,188	$ 63,863,603
Net pension liability (asset)	$ 9,918,937	$ (477,996)
Plan fiduciary net position as a percentage of the total pension liability	83.69%	100.75%

Note 5. Retirement Plans (Continued)

Change in assumptions: In the December 31, 2022, actuary valuation, the long-term rate of return on assets increased from 5.60% to 6.00%. The inflation rate was increased from 2.25% to 2.40%.

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

Actuarial assumptions for the years ended December 31, 2022 and 2021 are as shown in the tables below:

	December 31, 2022
Actuarial valuation:	
Frequency	Annual
Cost method	Entry age normal
Assumptions:	
Long-term rate of return	6.00% per year
Salary increases	N/A—Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages through retirement. The projected inflation rate of 2.40% has been used in place of the projected rate of change in salary.
Retirement age	Retirement Age Based Tables as follows:

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

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

Note 5. Retirement Plans (Continued)

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

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

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

Discount rate: The discount rate used to measure the total pension liability as of December 31, 2022 and 2021, was 6.00% and 5.60%, respectively. 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 2022 to 2115 and 2021 to 2103, respectively. Benefit payments after 2115 are projected to be none. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 5. Retirement Plans (Continued)

Sensitivity of the Plan's net pension liability (asset) to changes in the discount rate: The following presents the Plan's net pension liability (asset) calculated as of December 31, 2022 and 2021, using the single discount rate of 6.00% and 5.60%, respectively, 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)%
2022	$ 16,033,788	$ 9,918,937	$ 4,669,319

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

Pension expense and deferred outflows and inflows of resources related to pensions: For the years ended December 31, 2022 and 2021, Water Works recognized pension expense for the Plan of $1,164,537 and $14,380, respectively. At December 31, Water Works reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,699	$ 144,920	$ 40,694	$ 18,426
Effects of changes in assumptions	5,505	1,141,129	389,734	-
Net differences between expected and actual net investment income	7,675,420	-	-	4,539,172
	$ 7,684,624	$ 1,286,049	$ 430,428	$ 4,557,598

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

Years ended December 31:	
2023	$ (651,298)
2024	1,777,849
2025	2,475,350
2026	2,796,674
	$ 6,398,575

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

Note 5. Retirement Plans (Continued)

Iowa Public Employees' Retirement System (IPERS):

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

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

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

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

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

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

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

Note 5. Retirement Plans (Continued)

Contributions: Effective July 1, 2012, because of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1% point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In 2022 and 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Water Works contributed 9.44% of covered payroll for a total rate of 15.73%.

The Water Works' contributions to IPERS for the years ended December 31, 2022 and 2021, were $1,714,766 and $1,661,021, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At December 31, 2022, the Water Works reported a liability of $8,351,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to the pension plan relative to the contributions of all participating governments. At June 30, 2022, the Water Works' proportion was 0.210425%, which was a decrease of 0.008475% from its proportion measured as of June 30, 2021.

The Water Works recognized pension credit for IPERS of $220,542 and $1,047,474 for the years ended December 31, 2022 and 2021, 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:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 370,241	$ 114,403	$ 233,492	$ 234,440
Changes of assumptions	7,087	199	200,725	-
Net difference between projected and actual investment earnings on pension plan investments	-	894,051	-	11,118,726
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	121,661	637,141	191,322	366,512
Water Works contributions subsequent to the measurement date	858,661	-	825,616	-
	$ 1,357,650	$ 1,645,794	$ 1,451,155	$ 11,719,678

Note 5. Retirement Plans (Continued)

The $858,661 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, 2023. 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:	
2023	$ (907,222)
2024	(719,531)
2025	(1,224,932)
2026	1,719,455
2027	(14,575)
	$ (1,146,805)

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, 2022.

The following actuarial assumptions used in the June 30, 2022 valuation are as follows:

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

Mortality rates were based on the mortality PubG-2010 Employee and Healthy Annuitant Tables with MP-2021 generational adjustments.

The demographic actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2021.

The following actuarial assumptions used in the June 30, 2021 valuation are as follows:

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

Note 5. Retirement Plans (Continued)

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method on which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and including inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22%	3.57%
International equity	18	4.79
Global smart beta equity	6	4.16
Core—plus fixed income	20	1.66
Public credit	4	3.77
Cash	1	0.77
Private equity	13	7.57
Private real assets	8	3.55
Private credit	8	3.63
	100%	

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2022 and 2021 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, 2022 and 2021, using the discount rate of 7.00% as well as what the Water Works' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2022	$ 15,560,705	$ 8,351,960	$ 1,999,074
2021	10,861,452	306,879	(8,538,524)

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, 2022 and 2021, respectively, the Water Works reported payables to the defined benefit pension plan of $135,141 and $127,388, for legally required employer contributions and $90,047 and $84,880 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 6. Other Postemployment Benefits (OPEB)

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

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

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

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

	2022	2021
Inactive participants currently receiving benefits	117	127
Active employees	197	194
	314	321

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

Total OPEB liability: The Water Works' total OPEB liability of $14,425,185 was measured as of December 31, 2022. The actuarial valuation was done as of December 31, 2021.

Actuarial methods and assumptions: The total OPEB liability in the December 31, 2022 and 2021, 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	2022: 4.31% 2021: 2.25%
Payroll growth	2022 and 2021: Based on the rates for general employees used in the IPERS valuation as of June 30, 2021 (for 2022) and as of June 30, 2019 (for 2021). The rates include general wage inflation of 3.25% and merit/productivity increases as follows:

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

Inflation rate	2.60% per year

Health care trend rates — 2022 and 2021:

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

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

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). The discount rate was based on a range of indices using the highest rate from this range, rates were provided by S&P Municipal Bond 20-Year High Grade Rate Index for the years ended December 31, 2022 and 2021.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance as of December 31, 2020	$ 18,793,745
Changes for the year:	
Service cost	1,087,723
Interest	418,967
Changes in assumptions or other inputs	832,650
Differences between expected and actual experience	(2,399,519)
Contributions and payments made	(239,011)
Net changes	(299,190)
Balance as of December 31, 2021	18,494,555
Changes for the year:	
Service cost	1,046,369
Interest	436,934
Changes in assumptions or other inputs	(4,623,562)
Differences between expected and actual experience	(684,439)
Contributions and payments made	(244,672)
Net changes	(4,069,370)
Balance as of December 31, 2022	$ 14,425,185

The discount rate used to measure the total OPEB liability as of December 31, 2022 and 2021 was 4.31% and 2.25%, respectively.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Water Works, as well as what the Water Works' approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	2022		
	1% Decrease 3.31%	Discount Rate 4.31%	1% Increase 5.31%
Total OPEB liability	$ 16,430,162	$ 14,425,185	$ 12,771,002

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

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

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

	2022		
	(6.00% Decreasing to 3.50%)	Health Care Cost Trend Rates (7.00% Decreasing to 4.50%)	(8.00% Decreasing to 5.50%)
Total OPEB liability	$ 12,363,685	$ 14,425,185	$ 17,031,353

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

OPEB expense and deferred outflows and inflows of resources related to OPEB: For the years ended December 31, 2022 and 2021, the Water Works recognized OPEB expense of $483,657 and $1,265,330, respectively. At December 31, 2022 and 2021, the Water Works reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,786,122	$ -	$ 2,735,299
Changes of assumptions or other inputs	2,554,696	4,380,036	3,266,160	833,968
	$ 2,554,696	$ 7,166,158	$ 3,266,160	$ 3,569,267

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

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

Years ending December 31:	
2023	$ (999,641)
2024	(524,110)
2025	(673,648)
2026	(673,651)
2027	(982,127)
Thereafter	(758,285)
	$ (4,611,462)

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 $4,726,247 per coverage year in the aggregate. The annual aggregate loss limit is a function of the estimated normal premium.

The claims liability of $490,917 and $118,803 as of December 31, 2022 and 2021, 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, 2022, 2021 and 2020, is as follows:

	2022	2021	2020
Unpaid claims, beginning of year	$ 118,803	$ 449,260	$ 322,087
Current year claims and changes in estimates	683,635	(48,325)	252,237
Claim payments	(311,521)	(282,132)	(125,064)
Unpaid claims, end of year	$ 490,917	$ 118,803	$ 449,260

Note 8. Commitments

Approximately $2,735,000 related to 2022 contracts has been formally committed as of December 31, 2022. In addition, the Board has approved approximately $62,462,000 of expenditures for capital acquisitions and improvements, all of which are expected to be expended in 2023. Approximately $31,000,000 of those capital acquisitions and improvements are budgeted to be funded through the Drinking Water State Revolving Fund (SRF) loans.

In 1983, Water Works determined additional water resources would be required for future customer needs. As a result, the Board has contracted with the United States of America—Army Corps of Engineers, through the state of Iowa, for water supply storage in the Saylorville Reservoir Project continuing through the life of the project. Under the contract, Water Works is required to pay a portion of future major renovation costs of the project. Water Works also pays a portion of the annual operation and maintenance costs of the project. Water Works portion of the operation and maintenance costs was approximately $133,000 in both 2022 and 2021.

In August 2021, the Water Works and the Greater Des Moines Botanical Gardens (GDMBG) entered into an agreement for the Water Works to provide continuing financial support to the GDMBG through December 31, 2026. Under this agreement, financial support is provided solely by means of cash payment and the amount will decline each year through 2026. Prior to this agreement, the Water Works and the Greater Des Moines Botanical Gardens (GDMBG) had an agreement for Water Works to provide $200,000 of in-kind services to be performed for the GDMBG every year for ten years. For the year ended December 31, 2022, Water Works provided cash payment of $200,000. In 2021, Water Works provided in-kind services valued at approximately $195,000.

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

As of December 31, 2022, Water Works adopted the following GASB Statement:

- GASB Statement No. 87, *Leases,* issued June 2017, is effective for the Water Works beginning with its fiscal year ending December 31, 2022. The Statement 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. In accordance with GASB 87, Water Works applied the provisions of this Statement retroactively for all prior periods presented, which included a restatement of fiscal year 2021. The implementation of this standard resulted in Water Works recording a right-to-use asset and lease liability of approximately $150,000 as of January 1, 2021 for its lessee agreements and a lease receivable and lease related deferred inflow of approximately $1,400,000 as of January 1, 2021 for its lessor agreements in all periods presented. The implementation of this standard also resulted in lease expenditures being reclassified in all periods presented and in certain additional disclosures. The adoption of the Statement did not materially impact change in net position and did not result in a cumulative-effect adjustment to the opening balance of net position.

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

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

- GASB Statement No. 99, *Omnibus 2022*, addresses a variety of topics and practice issues that have been identified during implementation and application of certain GASB Statements. The new statement clarifies issues related to derivative instruments, leases, PPP and APA arrangements, SBITAs and various other topics. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. This statement will be effective for the Water Works with its year ending December 31, 2023.

- GASB Statement No. 100, *Accounting Changes and Error Corrections*, issued in June 2022, will be effective for the Water Works beginning with its fiscal year ended December 31, 2024. The objective of Statement No. 100 is to improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice.

- GASB Statement No. 101, *Compensated Absences*, issued in June 2022, will be effective for the Water Works beginning with its fiscal year ended December 31, 2024. The objective of Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

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

Des Moines Water Works

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

	2022	2021
Total OPEB liability		
Service cost	**$ 1,046,369**	$ 1,087,723
Interest	**436,934**	418,967
Differences between expected and actual experience	**(684,439)**	(2,399,519)
Changes of assumptions or other inputs	**(4,623,562)**	832,650
Benefit payments	**(244,672)**	(239,011)
Net change in total OPEB liability	**(4,069,370)**	(299,190)
Total OPEB liability—beginning	**18,494,555**	18,793,745
Total OPEB liability—ending	**$ 14,425,185**	$ 18,494,555
Covered payroll	**$ 18,164,894**	$ 17,595,555
Total OPEB liability as a percentage of covered payroll	**79.41%**	105.11%

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:

2022	4.31%
2021	2.25
2020	2.12
2019	3.26
2018	4.11

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

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

See note to required supplementary information.

	2020	2019	2018
	$ 817,019	$ 485,096	$ 596,560
	528,665	581,186	575,062
	(552,889)	(333,106)	(351,291)
	2,712,218	1,230,324	(2,501,908)
	(220,147)	(218,418)	(221,067)
	3,284,866	1,745,082	(1,902,644)
	15,508,879	13,763,797	15,666,441
	$ 18,793,745	$ 15,508,879	$ 13,763,797
	$ 18,234,117	$ 17,084,137	$ 16,881,645
	103.07%	90.78%	81.53%

Des Moines Water Works

Required Supplementary Information
Schedule of Changes in Net Pension Liability
For the Years Ended December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014
Des Moines Water Works Pension Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	$ **411,165**	$ 481,077	$ 463,625	$ 485,304	$ 465,354	$ 490,401	$ 523,384	$ 580,106	$ -
Interest	**3,460,899**	3,441,223	3,532,653	3,412,125	3,397,770	3,427,064	3,423,314	3,342,170	3,449,503
Benefit payments	**(3,749,617)**	(3,612,256)	(3,254,898)	(3,232,522)	(3,255,624)	(3,174,948)	(3,000,082)	(2,826,683)	(2,696,531)
Difference between expected and actual experience	**(302,442)**	77,689	(118,020)	95,861	(121,340)	(33,428)	441,617	320,599	305,961
Changes in assumptions	**(2,381,487)**	115,619	2,108,486	1,272,937	(257,396)	1,135,050	905,072	-	542,112
Net change in total pension liability	**(2,561,482)**	503,352	2,731,846	2,033,705	228,764	1,844,139	2,293,305	1,416,192	1,601,045
Total pension liability, beginning of year	**63,385,607**	62,882,255	60,150,409	58,116,704	57,887,940	56,043,801	53,750,496	52,334,304	54,637,659
Total pension liability, end of year	$ **60,824,125**	$ 63,385,607	$ 62,882,255	$ 60,150,409	$ 58,116,704	$ 57,887,940	$ 56,043,801	$ 53,750,496	$ 56,238,704
Plan fiduciary net position:									
Contributions—employer	$ **1,293,349**	$ 1,483,159	$ 1,457,910	$ 1,377,486	$ 1,236,796	$ 1,228,734	$ 597,434	$ 911,175	$ 906,542
Investment income (loss), net of investment expenses 2022 $24,718; 2021 $26,243; 2020 $24,205; 2019 $23,849; 2018 $24,033; 2017 $23,425; 2016 $21,585; 2015 $22,091; 2014 $22,219	**(10,491,095)**	4,950,014	6,780,033	8,645,950	(2,559,058)	6,884,235	3,274,380	(629,997)	2,680,610
Benefit payments	**(3,749,617)**	(3,612,256)	(3,254,898)	(3,232,522)	(3,255,624)	(3,174,948)	(3,000,082)	(2,826,683)	(2,696,531)
Administrative expenses	**(11,052)**	(15,442)	(5,553)	(8,831)	(9,942)	(31,506)	(16,126)	(4,676)	(4,442)
Net change in plan fiduciary net position	**(12,958,415)**	2,805,475	4,977,492	6,782,083	(4,587,828)	4,906,515	855,606	(2,550,181)	886,179
Total plan fiduciary net position, beginning of year	**63,863,603**	61,058,128	56,080,636	49,298,553	53,886,381	48,979,866	48,124,260	50,674,441	49,788,262
Total plan fiduciary net position, end of year	$ **50,905,188**	$ 63,863,603	$ 61,058,128	$ 56,080,636	$ 49,298,553	$ 53,886,381	$ 48,979,866	$ 48,124,260	$ 50,674,441
Net pension liability (asset)	$ **9,918,937**	$ (477,996)	$ 1,824,127	$ 4,069,773	$ 8,818,151	$ 4,001,559	$ 7,063,935	$ 5,626,236	$ 5,564,263

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

Change in assumptions: In the December 31, 2022, actuary valuation, the discount rate was increased from 5.60% to 6.00%. In the December 31, 2020, actuary valuation, the discount rate was reduced from 6.00% to 5.60%.

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

In the December 31, 2022, actuary valuation, the inflation rate increased from 2.25% to 2.40%. In the December 31, 2018, actuary valuation, the inflation rate increased from 2.00% to 2.25%.

In the December 31, 2021, actuary valuation, the mortality improvement scale was updated from the MP-2020 Improvement to the MP-2021 Improvement. In the December 31, 2020, actuary valuation, the mortality improvement scale was updated from the MP-2019 Improvement to the MP-2020 Improvement. In the December 31, 2019, actuary valuation, the mortality table was updated from the RP-2014 baseline mortality with MP-2018 Improvement to the Pub-2010 baseline with MP-2019 Improvement. The rate of withdrawal was updated to the 2003 Society of Actuaries Small Plan Age Table, multiplied by 0.45 to the 2003 Society of Actuaries Small Plan Age Table, multiplied by 0.30. The retirement age percentages by age group were also updated.

See note to required supplementary information.

Des Moines Water Works

Required Supplementary Information
Schedule of Net Pension Liability and Related Ratio
For the Years Ended December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014
Des Moines Water Works Pension Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability, end of year	**$ 60,824,125**	$ 63,385,607	$ 62,882,255	$ 60,150,409	$ 58,116,704	$ 57,887,940	$ 56,043,801	$ 53,750,496	$ 56,238,704
Plan net position, end of year	**50,905,188**	63,863,603	61,058,128	56,080,636	49,298,553	53,886,381	48,979,866	48,124,260	50,674,441
Net pension liability	**$ 9,918,937**	$ (477,996)	$ 1,824,127	$ 4,069,773	$ 8,818,151	$ 4,001,559	$ 7,063,935	$ 5,626,236	$ 5,564,263
Plan net position as a percentage of the total pension liability	**83.7%**	100.8%	97.1%	93.2%	84.8%	93.1%	87.4%	89.5%	90.1%
Covered payroll	*	*	*	*	*	*	*	*	*
Net pension liability as a percentage of covered payroll	**N/A**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

See note to required supplementary information.

Des Moines Water Works

Required Supplementary Information
Schedule of Investment Returns
For the Years Ended December 31, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014
Des Moines Water Works Pension Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	**(16.84)%**	8.29%	12.35%	17.98%	(4.87)%	14.40%	7.00%	(1.27)%	5.51%

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

See note to required supplementary information.

Des Moines Water Works

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

Plan Year Ended December 31:	Annual Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percent of Covered Payroll
2013	$ 2,915,710	$ 2,915,710	$ -	$ 11,453,783	25.46%
2014	906,542	906,542	-	*	N/A
2015	911,175	911,175	-	*	N/A
2016	796,578	597,434	199,144	*	N/A
2017	1,029,590	1,228,734	(199,144)	*	N/A
2018	1,236,796	1,236,796	-	*	N/A
2019	1,377,486	1,377,486	-	*	N/A
2020	1,457,910	1,457,910	-	*	N/A
2021	1,483,159	1,483,159	-	*	N/A
2022	**1,293,349**	**1,293,349**	**-**	*****	**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, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

See note to required supplementary information.

Note to Required Supplementary Information
Des Moines Water Works Pension Plan

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

Actuarial valuation:	
Frequency	Annual
Cost method	Entry age normal
Amortization	The amortization method used is Level Dollar Over a Closed Period. The weighted average remaining period is 15 years.
Assumptions:	
Long-term rate of return	2022-6.00% per year; 2020-2021-5.60% per year; 2017-2019-6.00% per year; 2016-6.25% per year; 2015-2014-6.50% per year.
Salary increases	N/A—Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages through retirement. The projected inflation rate of 2.40% for 2022; 2.25% for 2021, 2020, 2019 and 2018 and 2.00% for 2017, 2016, 2015 and 2014 has been used in place of the projected rate of change in salary.
Retirement age	Retirement Age Based Tables as follows:

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

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

Changes of assumptions:

The 2022 valuation implemented the following refinements:
- The expected long-term rate of return assumption was increased from 5.60% to 6.00%
- Increased the inflation rate from 2.25% to 2.40%.

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

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

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

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

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

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

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

The 2016 valuation implemented the following refinements:

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

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

The 2015 valuation implemented the following refinements:

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

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

Des Moines Water Works

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

Year ending December 31:	**2022**	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	**June 30, 2022**	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Water Works' proportion of the net pension liability	**0.210425%**	0.218900%	0.225708%	0.223592%	0.220673%	0.219512%	0.214469%	0.216317%	0.130958%
Water Works' proportionate share of the net pension liability	**$ 8,351,960**	$ 306,879	$ 15,744,859	$ 12,947,441	$ 13,964,723	$ 14,622,270	$ 13,497,195	$ 10,687,114	$ 5,193,679
Water Works' covered payroll	**$ 18,164,894**	$ 17,595,555	$ 18,234,117	$ 17,084,137	$ 16,881,645	$ 16,072,005	$ 15,391,075	$ 14,819,686	$ 8,569,339
Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	**45.98%**	1.74%	86.35%	75.79%	82.72%	90.98%	87.69%	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	**91.40%**	100.81%	82.90%	84.38%	83.62%	82.21%	81.82%	85.19%	87.61%

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

See note to required supplementary information.

Des Moines Water Works

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

Year Ended December 31:	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2013	$ 196,544	$ 196,544	$ -	N/A	N/A
2014	1,297,307	1,297,307	-	N/A	N/A
2015	1,404,619	1,404,619	-	$ 15,729,212	8.93%
2016	1,401,116	1,401,116	-	15,689,986	8.93
2017	1,435,230	1,435,230	-	16,072,005	8.93
2018	1,550,376	1,550,376	-	16,881,645	9.18
2019	1,612,743	1,612,743	-	17,084,137	9.44
2020	1,721,301	1,721,301	-	18,234,117	9.44
2021	1,661,021	1,661,021	-	17,595,555	9.44
2022	**1,714,766**	**1,714,766**		**18,164,894**	9.44

N/A - Not available.

See note to required supplementary information.

Des Moines Water Works

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

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

Changes of assumptions:

2022 valuation:

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

2021 valuation:

- None

2020 valuation:

- None

2019 valuation:

- None

2018 valuation:

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

2017 valuation:

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

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.