Des Moines Water Works

Financial Report
December 31, 2020 and 2019

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Independent Auditor's Report

RSM US LLP

Board of Water Works Trustees
Des Moines Water Works

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary fund of the Des Moines Water Works (Water Works), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Water Works' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the pension plan fiduciary fund were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund of the Des Moines Water Works as of December 31, 2020 and 2019, 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.

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Other Matters

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

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2021 on our consideration of the Des Moines Water Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Des Moines 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 Des Moines Water Works' internal control over financial reporting and compliance.

RSM US LLP

Des Moines, Iowa
June 8, 2021

Des Moines Water Works

Management's Discussion and Analysis
Year Ended December 31, 2020

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, 2020 and 2019. 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 36% of total water revenues. Total service customers account for roughly 14% of total water revenues, leaving nearly 50% of revenues generated from Des Moines customers. This service area spans approximately 400 square miles, including most of Polk County and communities in eastern Dallas County and northern Warren County. The utility also provides billing and collection services on a contractual basis to total service customers and billing and collection services to the City of Des Moines for wastewater treatment, solid waste collection and the storm water utility.

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

Water Works operates three surface-water treatment plants for the benefit of roughly 500,000 central Iowans. The source waters for these plants include the Raccoon River, the Des Moines River, and ground water sources that are under the direct influence of each of these rivers. Additionally, a number of off-river storage sites are used that allow water from the Raccoon River to be temporarily stored in ponds, lakes, and reservoirs. These sources are used to provide adequate supply to our customers in a manner that balances the factors of finished water quality, overall treatment expense, and regulatory compliance.

Governance of the Water Works is vested in a five-member Board appointed by the Mayor of the City of Des Moines with the approval of the City Council. Trustees serve for six-year staggered terms. The Board has complete control of Water Works' management and employs approximately 205 full-time and 10 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 2020, operating revenues of $77,522,417 increased 9.50% over 2019 while operating expenses increased by 4.52% to $56,980,404. Operating revenues of $70,796,452 in 2019 increased by 3.79% over 2018 and operating expenses decreased by 5.62% to $54,518,718.

- During the year, Water Works had operating income of $20,542,013 and change in net position of $25,775,533. In 2019, operating income was $16,277,734 and change in net position was $26,564,925.
- Water Works' net position increased as a result of operations. As of December 31, 2020, and 2019, total assets were $430,979,652 and $405,410,555, respectively; total liabilities were $76,447,789 and $74,188,986, respectively; deferred outflows of resources were $8,027,612 and $5,239,475, respectively; deferred inflows of resources were $7,322,158 and $6,999,260, respectively; resulting in net position of $355,237,317 and $329,461,784, respectively.

Overview of the Financial Statements

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

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

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

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

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

Condensed Financial Information

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

Condensed Statement of Net Position Information

	2020	2019	2018	% Change 2019 to 2020	% Change 2018 to 2019
Current assets	**$ 43,377,888**	$ 26,518,405	$ 20,791,732	**63.58%**	27.54%
Capital assets, net	**371,788,491**	361,747,864	342,708,324	**2.78**	5.56
Other noncurrent assets	**15,813,273**	17,144,286	14,178,507	**(7.76)**	20.92
Total assets	**430,979,652**	405,410,555	377,678,563	**6.31**	7.34
Deferred outflow of resources	**8,027,612**	5,239,475	8,649,936	**53.21**	(39.43)
Current liabilities	**23,268,317**	19,983,745	17,125,877	**16.44**	16.69
Other noncurrent liabilities	**39,526,447**	36,451,676	41,197,802	**8.44**	(11.52)
Long-term debt, net	**13,653,025**	17,753,565	21,790,482	**(23.10)**	(18.53)
Total liabilities	**76,447,789**	74,188,986	80,114,161	**3.04**	(7.40)
Deferred inflows of resources	**7,322,158**	6,999,260	3,317,479	**4.61**	64.37
Net investment in capital assets	**347,284,854**	335,266,793	314,960,881	**3.58**	6.45
Restricted	**6,036,307**	5,393,894	5,293,344	**11.91**	1.90
Unrestricted	**1,916,156**	(11,198,903)	(17,357,366)	**(117.11)**	(35.48)
Total net position	**$ 355,237,317**	$ 329,461,784	$ 302,896,859	**7.82**	8.77

Condensed Revenues, Expenses and Changes in Net Position

	2020	2019	2018	% Change 2019 to 2020	% Change 2018 to 2019
Water sales	**$ 70,511,521**	$ 62,544,762	$ 60,741,602	**12.74%**	2.97%
Billing and collection services	**1,892,792**	1,837,002	1,765,729	**3.04**	4.04
Connection fees	**879,667**	1,239,437	1,354,435	**(29.03)**	(8.49)
Purchased capacity	**718,825**	713,825	713,827	**0.70**	(0.00)
Other sales and services	**3,519,612**	3,851,426	3,633,896	**(8.62)**	5.99
Other	**-**	610,000	-	**(100.00)**	5.99
Total operating revenues	**77,522,417**	70,796,452	68,209,489	**9.50**	3.79
Investment income	**166,563**	419,071	266,236	**(60.25)**	57.41
Other	**181,395**	227,408	206,549	**(20.23)**	10.10
Capital contributions	**5,432,251**	10,317,938	14,852,526	**(47.35)**	(30.53)
Gain (loss) on sale of fixed assets	**46,000**	18,692	-	**146.09**	(30.53)
Total revenues	**83,348,626**	81,779,561	83,534,800	**1.92**	(2.10)
Labor and benefits	**23,400,614**	23,262,162	24,233,424	**0.60**	(4.01)
Chemicals	**4,988,278**	4,615,123	5,180,128	**8.09**	(10.91)
Utilities	**3,388,750**	3,133,847	3,104,908	**8.13**	0.93
Corporate Insurance	**1,333,313**	1,182,730	1,159,289	**12.73**	2.02
Purchased services	**9,196,415**	8,089,213	10,172,451	**13.69**	(20.48)
Materials, supplies and equipment	**4,035,196**	3,859,838	3,785,141	**4.54**	1.97
Depreciation	**10,392,827**	10,086,782	9,641,512	**3.03**	4.62
Other	**245,011**	289,023	487,978	**(15.23)**	(40.77)
Total operating expenses	**56,980,404**	54,518,718	57,764,831	**4.52**	(5.62)
Gain (loss) on sale of fixed assets	**-**	-	592,976	**-**	(12.51)
Interest expense	**592,689**	695,918	795,459	**(14.83)**	(12.51)
Total expenses	**57,573,093**	55,214,636	59,153,266	**4.27**	(6.66)
Change in net position	**25,775,533**	26,564,925	24,381,534	**(2.97)**	8.96
Net position, beginning of year	**329,461,784**	302,896,859	278,515,325	**8.77**	8.75
Net position, end of year	**$ 355,237,317**	$ 329,461,784	$ 302,896,859	**7.82**	8.77

Financial Analysis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Purchased capacity revenues had a minimal increase in 2020 compared to 2019. This revenue represents the continued amortization of unearned revenue. This unearned revenue represents cash contributions which funded the Saylorville Water Treatment Plant, the L.D. McMullen Water Treatment Plant, and projects to increase capacity in the overall core network. Financial participation in the construction of the plants allows users to participate in lower purchased capacity water rates. Unearned revenue balances are amortized to purchase capacity revenue over the length of the contract, generally 10 to 20 years.

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

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

Operating labor and benefits increased by less than 1.00%.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The aforementioned fluctuations result in an overall increase in net position of 8.75%. This includes a 3.79% increase in operating revenues and a decrease in operating expenses of 5.62%.

Capital Assets and Debt Administration

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

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

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

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

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 2020.

The Covid-19 pandemic resulted in higher costs for Water Works in 2020, primarily due to the sequestration of treatment and operations staff early in the pandemic. The pandemic did not materially impact water sales.

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, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	**$ 19,364,271**	$ 10,959,712
Investments	**4,947,393**	-
Restricted assets, cash	**907,277**	1,436,999
Accounts receivable:		
Billed	**8,576,726**	5,716,202
Unbilled	**2,451,278**	2,230,471
Receivables for capital projects funded by other entities	**2,351,588**	1,543,546
Interest receivable	**44,966**	53,538
Inventory, materials and supplies	**3,528,943**	3,310,409
Prepaid expenses	**1,205,446**	1,267,528
Total current assets	**43,377,888**	26,518,405
Restricted assets, cash and investments:		
Cash	**996,521**	386,213
Water revenue bond reserve fund	**4,439,786**	4,407,681
Water revenue bond improvement fund	**600,000**	600,000
	6,036,307	5,393,894
Long-term investments, board designated funds	**9,449,749**	11,420,014
Capital assets:		
Land	**8,208,369**	8,208,369
Construction-in-progress	**5,691,558**	14,716,100
Buildings, equipment and machinery	**202,951,563**	196,691,781
Supply system	**59,372,828**	58,571,610
Distribution system	**298,669,171**	284,185,771
	574,893,489	562,373,631
Accumulated depreciation	**(203,104,998)**	(200,625,767)
Capital assets, net	**371,788,491**	361,747,864
Other assets	**327,217**	330,378
Total assets	**430,979,652**	405,410,555
Deferred outflow of resources		
Deferred charge on refunding	**515,916**	734,238
Other postemployment benefit related amounts	**3,144,974**	1,025,270
Pension related amounts	**4,366,722**	3,479,967
	8,027,612	5,239,475
Total assets and deferred outflows of resources	**$ 439,007,264**	$ 410,650,030

See notes to basic financial statements.

	2020	2019
Liabilities		
Current liabilities:		
Accounts payable	**$ 3,603,854**	$ 2,728,048
Accrued wages and benefits	**958,028**	687,067
Compensated absences	**3,312,881**	2,771,752
Unearned revenue	**722,580**	718,825
Special deposits	**1,904,902**	1,804,424
Construction payables	**7,486,462**	5,681,948
Water revenue bonds interest payable	**43,007**	52,799
Current portion of long-term debt	**3,880,066**	3,779,796
Fees collected for other entities	**907,277**	1,436,999
Workers' compensation claims payable	**449,260**	322,087
Total current liabilities	**23,268,317**	19,983,745
Noncurrent liabilities:		
Long-term debt, less current installments	**13,653,025**	17,753,565
Compensated absences, less current portion	**661,360**	709,402
Net pension liability	**17,568,986**	17,017,214
Total other postemployment benefits liability	**18,793,745**	15,508,879
Unearned revenue	**2,502,356**	3,216,181
Total noncurrent liabilities	**53,179,472**	54,205,241
Total liabilities	**76,447,789**	74,188,986
Deferred inflows of resources:		
Pension related amounts	**5,199,586**	4,819,541
Other postemployment benefit related amounts	**2,122,572**	2,179,719
	7,322,158	6,999,260
Net position:		
Net investment in capital assets	**347,284,854**	335,266,793
Restricted, bond indentures	**6,036,307**	5,393,894
Unrestricted (deficit)	**1,916,156**	(11,198,903)
Total net position	**355,237,317**	329,461,784
Total liabilities, deferred inflows of resources and net position	**$ 439,007,264**	$ 410,650,030

Des Moines Water Works

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating revenues:		
Water sales	**$ 71,230,346**	$ 63,258,587
Other sales and services	**5,412,404**	5,688,428
Connection fees	**879,667**	1,239,437
Other	**-**	610,000
Total operating revenues	**77,522,417**	70,796,452
Operating expenses:		
Labor	**14,190,396**	13,031,687
Group insurance	**3,517,572**	3,116,884
Retirement benefits (including social security)	**5,692,646**	7,113,591
Purchased services	**9,196,415**	8,089,213
Corporate insurance	**1,333,313**	1,182,730
Materials, supplies and equipment	**4,035,196**	3,859,838
Chemicals	**4,988,278**	4,615,123
Utilities	**3,388,750**	3,133,847
Depreciation	**10,392,827**	10,086,782
Other	**245,011**	289,023
Total operating expenses	**56,980,404**	54,518,718
Operating income	**20,542,013**	16,277,734
Nonoperating revenue (expense):		
Investment income	**166,563**	419,071
Interest and amortization expense	**(592,689)**	(695,918)
Land use income	**178,586**	225,501
Gain on sale of capital assets	**46,000**	18,692
Other	**2,809**	1,907
Total nonoperating expense, net	**(198,731)**	(30,747)
Income before capital contributions	**20,343,282**	16,246,987
Capital contributions	**5,432,251**	10,317,938
Change in net position	**25,775,533**	26,564,925
Net position, beginning of year	**329,461,784**	302,896,859
Net position, end of year	**$ 355,237,317**	$ 329,461,784

See notes to basic financial statements.

Des Moines Water Works

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from customers	**$ 73,304,930**	$ 69,156,036
Cash paid to suppliers	**(22,340,431)**	(20,557,181)
Cash paid to employees and for payroll taxes	**(21,483,491)**	(20,654,413)
Net cash provided by operating activities	**29,481,008**	27,944,442
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	**(3,779,796)**	(3,657,580)
Acquisition, construction and removal cost of capital assets	**(14,925,877)**	(21,360,697)
Contributions received	**967,145**	6,353,562
Interest paid	**(604,633)**	(708,610)
Net cash used in capital and related financing activities	**(18,343,161)**	(19,373,325)
Cash flows from investing activities:		
Proceeds from maturities of investments	**22,102,007**	13,672,131
Purchase of investments	**(25,111,240)**	(16,553,002)
Interest received	**175,136**	389,549
Land use income and other	**181,395**	227,408
Net cash used in investing activities	**(2,652,702)**	(2,263,914)
Net increase in cash	**8,485,145**	6,307,203
Cash, beginning of year	**12,782,924**	6,475,721
Cash, end of year	**$ 21,268,069**	$ 12,782,924
Reconciliation of cash to the statements of net position:		
Cash	**$ 19,364,271**	$ 10,959,712
Restricted assets, cash current	**907,277**	1,436,999
Restricted assets, cash long term	**996,521**	386,213
Total cash, end of year	**$ 21,268,069**	$ 12,782,924

(Continued)

Des Moines Water Works

Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 20,542,013**	$ 16,277,734
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	**10,392,827**	10,086,782
Change in:		
Accounts receivable, billed	**(2,860,524)**	(337,515)
Accounts receivable, unbilled	**(220,807)**	(80,670)
Inventory, materials and supplies	**(218,535)**	(220,438)
Prepaid expenses	**62,081**	(158,268)
Other assets	**3,161**	(65,928)
Accounts payable	**875,814**	381,369
Accrued wages and benefits and compensated absences	**764,046**	(237,675)
Pension related amounts	**45,062**	2,296,063
Total other postemployment benefit liability related amounts	**1,108,015**	521,866
Unearned revenue	**(710,070)**	(718,825)
Special deposits	**100,478**	55,368
Fees collected for other entities	**(529,722)**	117,154
Workers' compensation claims payable	**127,169**	27,495
Other current liabilities	**-**	(70)
Net cash provided by operating activities	**$ 29,481,008**	$ 27,944,442
Schedules of noncash capital and related financing activities:		
Acquisition of capital assets through capital contributions	**$ 3,657,064**	$ 5,352,339
Acquisition of capital assets through construction payables	**$ (1,804,514)**	$ (2,394,594)
Trade-in value towards assets purchased	**$ 46,000**	$ 32,151
Schedule of noncash investing activities, net depreciation of the fair value of investments	**$ 2,213**	$ 205

See notes to basic financial statements.

Des Moines Water Works
Pension Plan

Statements of Plan Net Position
December 31, 2020 and 2019

	2020	2019
Assets		
Investments, contracts with insurance companies, pooled separate accounts	**$ 61,058,128**	$ 56,080,636
Liabilities, none	**-**	-
Net position held in trust for pension benefits	**$ 61,058,128**	$ 56,080,636

See notes to basic financial statements.

Des Moines Water Works
Pension Plan

Statements of Changes in Plan Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Additions:		
Investment income:		
Investment income, including net appreciation in the fair value of pooled separate accounts, interest and dividends	**$ 6,804,238**	$ 8,669,799
Less investment expense	**(24,205)**	(23,849)
Net investment income	**6,780,033**	8,645,950
Employer contributions	**1,457,910**	1,377,486
Total additions	**8,237,943**	10,023,436
Deductions:		
Benefit payments	**3,254,898**	3,232,522
Administrative expenses	**5,553**	8,831
Total deductions	**3,260,451**	3,241,353
Net increase	**4,977,492**	6,782,083
Net position held in trust for pension benefits:		
Beginning of year	**56,080,636**	49,298,553
End of year	**$ 61,058,128**	$ 56,080,636

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.

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, 2020 and 2019 were in U.S. government obligations and are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same – that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. Purchases and sales of securities are recorded on a trade-date basis. See Note 2 for additional information regarding fair value measures.

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

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

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

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

Transactions with the City of Des Moines: Water Works provides water service to the City without charge except for the Sewage Treatment Works, Des Moines International Airport and City golf courses. The value (computed at the commercial rate) of the service provided without charge was $1,138,444 and $1,178,288 in 2020 and 2019, 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 $1,231,117 and $1,199,873 in 2020 and 2019, 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 $907,277 and $1,436,999 as of December 31, 2020 and 2019, respectively. These fees have been reflected in Water Works' statement of net position and were remitted to the City, other political subdivisions and third-party provider of the Water Works' service line protection program subsequent to year-end. Processing fees billed to those entities for billing and collection services provided by Water Works totaled approximately $1,893,000 and $1,837,000 in 2020 and 2019, respectively. Water Works bears the total cost of meter reading, cash processing and statement preparation and mailing.

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

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

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

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

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

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

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

Net position: Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt or liability used for acquisition, construction or improvement of those assets and increased by deferred outflows of resources for deferred charges on refundings and unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. As of December 31, 2020 and 2019, Water Works did not have unspent bond proceeds.

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

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

Unearned revenue: During 1996 and years subsequent, Water Works entered into contractual agreements with other political subdivisions to sell treatment capacity to these entities. In exchange for purchasing these amounts of capacity, the political subdivisions will be able to purchase water at a lower wholesale water rate. Purchasers were offered the option of cash payment or participating in issues of water revenue bonds. For entities choosing to pay cash in advance, Water Works records these amounts as unearned revenue and amortizes the amounts into income over periods of 10 to 20 years. For entities participating in the bond issues, Water Works recognizes this revenue on a monthly basis as the entities are billed and as the principal and interest payments become due on the bonds. As of December 31, 2020, Water Works had $3,224,936 of unearned revenue relating to contractual agreements and has recognized $718,825 of revenue during 2020. As of December 31, 2019, Water Works had $3,935,006 of unearned revenue relating to contractual agreements and has recognized $723,825 of revenue during 2019.

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

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

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

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

Deferred outflow of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods(s) and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding reported in the statement of net position qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources for pension and OPEB related amounts consist of unrecognized items not yet charged to pension and OPEB expense and pension contributions from Water Works after the measurement date but before the end of Water Works' reporting period.

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

Risks and uncertainties: The spread of COVID-19, a novel strain of coronavirus, is altering the behavior of business and people throughout the United States. The Water Works continues to monitor the latest information and guidance from the Centers for Disease Control and Prevention (CDC) and the Iowa Department of Public Health (IDPH). Customer demand for water service did not decline in 2020 and is not expected to decline in 2021 due to COVID-19. The Water Works had additional expenses related to COVID-19 of approximately $1.0 million in 2020. Most of these expenses were labor costs to sequester operational employees at the three treatment plants during the uncertain, initial weeks of COVID-19 in order to ensure a continuous supply of safe drinking water was provided to the community. The extent to which the coronavirus will impact the Water Works' results will depend on future developments, which continue to remain uncertain and cannot be predicted.

Note 2. Cash and Investments

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

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

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

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

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, 2020 and 2019, Water Works held $19,436,928 and $16,427,695 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, 2020 and 2019.

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, 2020 and 2019:

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

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

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, 2020 and 2019 were subject to credit risk as they were explicitly guaranteed by the U.S. Government.

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

Investments issued or explicitly guaranteed by the U.S. Government are not subject to concentration of credit risk. All of Water Works' investments as of December 31, 2020 and 2019 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, 2020 and 2019 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 $21,478,778 and $21,268,069, respectively, as of December 31, 2020. Water Works' bank balances and book balances of deposits were $12,864,936 and $12,782,924, respectively, as of December 31, 2019. Water Works' investments were not exposed to custodial credit risk as of December 31, 2020 or 2019.

Pension Plan Deposits and Investments

Deposits: As of December 31, 2020 and 2019, the Plan held no deposits.

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

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

Note 2. Cash and Investments (Continued)

GASB Statement No. 40 requires plan investments to disclose an indication of the level of credit risk, concentration of credit risk and interest rate risk assumed by the Plan. These risk disclosures only pertain to fixed income investments. As of December 31, 2020 and 2019, 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.

	2020		2019	
	Fair Value	Effective Duration	Fair Value	Effective Duration
Fixed income investments:				
Principal Core Fixed Income Account	$ 20,926,821	6.13	$ 15,445,483	5.53
Principal Bond Market Index Account	6,969,733	6.00	9,794,828	5.47
Principal High Yield I Account	2,434,418	4.15	1,394,349	3.57
Total fixed income investments	30,330,972		26,634,660	
Other investments, non-fixed income investments	30,727,156		29,445,976	
Total investments	$ 61,058,128		$ 56,080,636	

Asset allocation strategy: The Des Moines Water Works Pension Plan's named fiduciary asset allocation strategy shall identify target allocations to eligible asset classes and, where appropriate, suitable ranges within which each asset class can fluctuate as a percent of the total fund. Each asset class is to remain suitably invested at all times in either cash (or cash equivalents) or permitted securities within each class. The assets classes may be rebalanced from time to time to take advantage of tactical misvaluations across major asset classes or investment styles, or to align the current asset mix with strategic targets. The target allocations and long-term expected arithmetic and geometric rates of return for each major asset class as of December 31, 2020 are as follows:

Asset Class	Target Allocation	Expected Arithmetic Return	Expected Geometric Return
U.S. Equity–Large Cap	29%	7.70%	6.20%
U.S. Equity–Mid Cap	3	8.00	6.20
U.S. Equity–Small Cap	2	8.55	6.20
Non–U.S. Equity	16	8.00	6.20
REITs	-	7.30	5.65
TIPS	-	1.70	1.50
Core Bond	47	2.60	2.45
High Yield	3	5.45	5.00

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

Note 2. Cash and Investments (Continued)

Credit risk and concentration of credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The pooled separate accounts held by the Plan are commingled pools, rather than individual securities. As a result, these investments are not rated. The Plan had the following investments as of December 31, 2020 and 2019:

	2020	2019
Principal pooled separate accounts:		
Fixed income:		
Core Fixed Income Account	$ 20,926,821	$ 15,445,486
Bond Market Index Account	6,969,733	9,794,828
Other fixed income	2,434,418	1,394,349
International equity:		
Overseas Account	2,666,330	3,307,857
Diversified International Account	4,069,158	3,262,146
Other international equity	3,585,455	3,459,890
Large U.S. equity:		
Large-Cap Growth I Account	6,696,765	6,463,754
Equity Income Account	6,706,117	6,322,204
Large-Cap S&P 500 Index	4,049,150	2,723,777
Small/Mid U.S. equity	2,954,181	2,769,341
Balanced/Asset allocation	-	1,137,004
	$ 61,058,128	$ 56,080,636

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, 2020 and 2019, respectively. There are no participant redemption restrictions for these investments.

Investment	2020 Value	2019 Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Fixed income	$ 30,330,972	$ 26,634,663	$ -	Immediate	None
International equity	10,320,943	10,029,893	-	Immediate	None
Large U.S. equity	17,452,032	15,509,735	-	Immediate	None
Small/Mid U.S. equity	2,954,181	2,769,341	-	Immediate	None
Balanced/Asset allocation	-	1,137,004	-	Immediate	None
Total investments measured at NAV	$ 61,058,128	$ 56,080,636	$ -		

Note 3. Capital Assets

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

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

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

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

Note 4. Noncurrent Liabilities

As of December 31, 2020, Water Works' debt consists of Water Revenue Refunding Bonds Series 2012A and Series 2012B; and Water Revenue Capital Loan Note, Series 2003 (through the Drinking Water State Revolving Fund (SRF)). Interest on these bonds and note is payable semiannually on June 1 and December 1, with principal payable on December 1. Series 2012A matures on December 1, 2023, and Series 2012B matures on December 1, 2025. The Series 2003 note matures on December 1, 2022. The bonds and note are redeemable at the option of Water Works prior to their maturity in whole or, from time to time, in part, in any order of maturity and within a maturity by lot, at a price of par plus accrued interest to call date.

Changes in long-term obligations for the years ended December 31, 2020 and 2019 are as follows:

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

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

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

Note 4. Noncurrent Liabilities (Continued)

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

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2021	2.00%	$ 485,000	$ 21,825	$ 506,825
2022	2.00	500,000	12,125	512,125
2023	2.13	100,000	2,125	102,125
		$ 1,085,000	$ 36,075	$ 1,121,075

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

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2021	3.00%	$ 3,195,000	$ 466,350	$ 3,661,350
2022	3.00	3,295,000	370,500	3,665,500
2023	3.00	3,405,000	271,650	3,676,650
2024	3.00	3,520,000	169,500	3,689,500
2025	3.00	2,130,000	63,900	2,193,900
		$ 15,545,000	$ 1,341,900	$ 16,886,900

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

Maturing During Year Ending December 31:	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2021	1.75%	$ 152,000	$ 5,407	$ 157,407
2022	1.75	157,000	2,748	159,748
		$ 309,000	$ 8,155	$ 317,155

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

Total Maturity	Interest Rate	Annual Principal Payment	Annual Interest Payment	Total Annual Payment
2021	1.75%–3.00%	$ 3,832,000	$ 493,582	$ 4,325,582
2022	1.75%–3.00%	3,952,000	385,373	4,337,373
2023	2.13%–3.00%	3,505,000	273,775	3,778,775
2024	3.00%	3,520,000	169,500	3,689,500
2025	3.00%	2,130,000	63,900	2,193,900
		$ 16,939,000	$ 1,386,130	$ 18,325,130

Note 4. Noncurrent Liabilities (Continued)

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

A summary of the outstanding debt, principal and interest requirements are as follows as of and for the year ended December 31, 2020:

	Issue Date	Year Maturing	Principal and Interest Remaining	Principal and Interest Paid in 2020	Annual Payments as a Percentage of Net Revenues
Water Revenue Bonds:					
Series 2012 A	10/30/2012	2023	$ 1,121,075	$ 506,325	1.64%
Series 2012 B	10/30/2012	2025	16,886,900	3,649,050	11.80
Water Revenue Capital Bond, Series 2003	4/16/2003	2022	317,155	157,140	0.51
			$ 18,325,130	$ 4,312,515	13.95%

Total customer net revenues were $30,934,836. Annual principal and interest payments on the bonds are approximately 14% of net revenues.

The Water Works has financed the acquisition of certain equipment by means of capital leases; therefore, the leases were recorded at the inception date as a liability at the present value of the future minimum lease payments. The future minimum lease payments and the present value of the remaining minimum lease payments as of December 31, 2020 are as follows:

Maturing During Year Ending December 31:	Interest Rate	Total Annual Payment
2021	3.25%–3.50%	$ 50,894
2022	3.25%–3.50%	34,015
Total minimum lease payments		84,909
Less amount representing interest		3,984
Present value of future minimum lease payments		$ 80,925

Note 4. Noncurrent Liabilities (Continued)

Equipment as of December 31, 2020 includes the following assets under capital lease:

Equipment	$ 459,535
Less accumulated depreciation	(229,336)
Total	$ 230,199

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, 2020:

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

Below is a summary of amounts reported by the Water Works as of and for the year ended December 31, 2019:

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

Note 5. Retirement Plans (Continued)

Des Moines Water Works Pension Plan:

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

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

Membership data at December 31, 2020 and 2019 included:

	2020	2019
Active plan members	116	119
Inactive plan members entitled to but not yet receiving benefits	43	46
Disabled plan members entitled to but not yet receiving benefits	4	5
Retired plan members or beneficiaries currently receiving benefits	179	177
	342	347

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, 2020 and 2019, the annual money weighted rate of return on Plan investments, net of investment expense was 12.35% and 17.98%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 5. Retirement Plans (Continued)

Net pension liability: The total pension liability was determined using an actuarial valuation date of December 31, 2020 using generally accepted actuarial principles and methods. Water Works is utilizing December 31, 2020 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, 2020 and 2019 are as follows:

	2020	2019
Total pension liability		
Service cost	$ 463,625	$ 485,304
Interest	3,532,653	3,412,125
Benefit payments	(3,254,898)	(3,232,522)
Difference between expected and actual experience	(118,020)	95,861
Change in assumptions	2,108,486	1,272,937
Net change in total pension liability	2,731,846	2,033,705
Total pension liability—beginning of year	60,150,409	58,116,704
Total pension liability—end of year	$ 62,882,255	$ 60,150,409
Plan fiduciary net position		
Contributions—employer	$ 1,457,910	$ 1,377,486
Investment income (loss), net of investment expenses 2020 $24,205; 2019 $23,849	6,780,033	8,645,950
Benefit payments	(3,254,898)	(3,232,522)
Administrative expenses	(5,553)	(8,831)
Net change in plan fiduciary net position	4,977,492	6,782,083
Total plan fiduciary net position, beginning of year	56,080,636	49,298,553
Total plan fiduciary net position, end of year	$ 61,058,128	$ 56,080,636
Net pension liability	$ 1,824,127	$ 4,069,773
Plan fiduciary net position as a percentage of the total pension liability	97.10%	93.23%

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

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

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

Note 5. Retirement Plans (Continued)

Actuarial assumptions for the years ended December 31, 2020 and 2019 are as shown in the tables below:

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

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

Note 5. Retirement Plans (Continued)

December 31, 2019

Actuarial valuation:	
Frequency	Annual
Cost method	Entry age normal
Assumptions:	
Long-term rate of return	6.00% per year
Salary increases	N/A—Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages through retirement. The projected inflation rate of 2.25% has been used in place of the projected rate of change in salary.
Retirement age	Retirement Age Based Tables as follows:

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

Discount rate: The discount rate used to measure the total pension liability as of December 31, 2020 and 2019 was 5.60% and 6.00%, 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 2020 to 2102, and 2019 to 2106, respectively. Benefit payments after 2102 are projected to be none. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 5. Retirement Plans (Continued)

Sensitivity of the Plan's net pension liability to changes in the discount rate: The following presents the Plan's net pension liability calculated as of December 31, 2020 and 2019 using the single discount rate of 5.60% and 6.00%, 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 (4.6)%	Current Discount Rate (5.6)%	1% Increase (6.6)%
2020	$ 8,492,443	$ 1,824,127	$ (3,882,859)

	1% Decrease (5.0)%	Current Discount Rate (6.0)%	1% Increase (7.0)%
2019	$ 10,492,506	$ 4,069,773	$ (1,416,930)

Pension expense and deferred outflows and inflows of resources related to pensions: For the years ended December 31, 2020 and 2019, Water Works recognized pension expense for the Plan of $469,731 and $1,646,240, respectively. At December 31, Water Works reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,675	$ 68,223	$ 58,268	$ 26,912
Effects of changes in assumptions	1,493,384	-	773,746	57,088
Net differences between expected and actual net investment income	-	4,739,662	-	2,784,373
	$ 1,514,059	$ 4,807,885	$ 832,014	$ 2,868,373

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

Years ended December 31:	
2021	$ (350,707)
2022	(395,817)
2023	(1,849,802)
2024	(697,500)
	$ (3,293,826)

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

Note 5. Retirement Plans (Continued)

Iowa Public Employees' Retirement System (IPERS):

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

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

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

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

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

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

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

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

Note 5. Retirement Plans (Continued)

In 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Water Works contributed 9.44% of covered payroll for a total rate of 15.73%.

The Water Works' contributions to IPERS for the years ended December 31, 2020 and 2019 were $1,721,301 and $1,612,743, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At December 31, 2020, the Water Works reported a liability of $15,744,859 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Water Works' proportion was 0.225708%, which was an increase of .002116% from its proportion measured as of June 30, 2019.

For the years ended December 31, 2020 and 2019, the Water Works recognized pension expense for IPERS of $2,754,542 and $3,640,052, 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:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	$ 17,394	$ 373,193	$ 35,894	$ 465,522
Changes of assumptions	808,178	-	1,386,856	-
Net difference between projected and actual investment earnings on pension plan investments	885,112	-	-	1,459,021
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	300,236	18,508	425,595	26,625
Water Works contributions subsequent to the measurement date	841,743	-	799,608	-
	$ 2,852,663	$ 391,701	$ 2,647,953	$ 1,951,168

Note 5. Retirement Plans (Continued)

The $841,743 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, 2021. 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:	
2021	$ 318,673
2022	378,197
2023	353,035
2024	554,705
2025	14,609
	$ 1,619,219

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, 2020. The following actuarial assumptions used in the June 30, 2020 and 2019 valuation:

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

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

The demographic actuarial assumptions used in the June 30, 2020 and 2019 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2017.

Note 5. Retirement Plans (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method on which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and including inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22%	4.43%
International equity	18	5.15
Global smart beta equity	6	4.87
Core - plus fixed income	28	(0.29)
Public credit	4	2.29
Cash	1	(0.78)
Private equity	11	6.54
Private real assets	7	4.48
Private credit	3	3.11
	100%	

Discount rate: The discount rate used to measure the total pension liability as of June 30, 2020 and 2019 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, 2020 and 2019 using the discount rate of 7.00% as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
2020	$ 26,253,223	$ 15,744,859	$ 6,933,756
2019	22,990,472	12,947,441	4,523,453

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, 2020 and 2019, respectively, the Water Works reported payables to the defined benefit pension plan of $133,312 and $122,452, for legally required employer contributions and $88,828 and $81,592 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.

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

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

	2020	2019
Inactive participants currently receiving benefits	118	120
Active employees	207	199
	325	319

Total OPEB liability: The Water Works' total OPEB liability of $18,793,745 was measured as of December 31, 2020. The actuarial valuation was done as of December 31, 2019. An interim actuarial valuation was done and standard update procedures were used to roll forward the total OPEB liability to December 31, 2020.

***Actuarial methods and assumptions*:** The total OPEB liability in the December 31, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Frequency	Biennial
Cost method	Entry age normal, level % of salary
Assumptions:	
Discount rate	2020: 2.12% 2019: 3.26%
Payroll growth	2020 & 2019: Based on the rates for general employees used in the IPERS valuation as of June 30, 2019. The rates include general wage inflation of 3.25% and merit/productivity increases as follows:

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

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

Inflation rate: 2.60% per year

Health care trend rates

2020:

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

2019:

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

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

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

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 Bond Buyer 20-Bond General Obligation Index and S&P Municipal Bond 20-Year High Grade Rate Index for the years ended December 31, 2020 and 2019, respectively.

Changes in the total OPEB liability:

	Total OPEB Liability
Balance as of December 31, 2018	$ 13,763,797
Changes for the year:	
Service cost	485,096
Interest	581,186
Changes in assumptions or other inputs	1,230,324
Differences between expected and actual experience	(333,106)
Contributions and payments made	(218,418)
Net changes	1,745,082
Balance as of December 31, 2019	15,508,879
Changes for the year:	
Service cost	817,019
Interest	528,665
Changes in assumptions or other inputs	2,712,218
Differences between expected and actual experience	(552,889)
Contributions and payments made	(220,147)
Net changes	3,284,866
Balance as of December 31, 2020	$ 18,793,745

The discount rate used to measure the total OPEB liability as of December 31, 2020 and 2019 was 2.12% and 3.26%, respectively.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Water Works, as well as what the Water Works' approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current discount rate:

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

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

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

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

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

	2019		
	(7.00% Decreasing to 3.50%)	Health Care Cost Trend Rates (8.00% Decreasing to 4.50%)	(9.00% Decreasing to 5.50%)
Total OPEB liability	$ 13,247,444	$ 15,508,879	$ 18,392,241

OPEB expense and deferred outflows and inflows of resources related to OPEB: For the years ended December 31, 2020 and 2019, the Water Works recognized OPEB expense of $1,328,162 and $740,284, respectively. At December 31, 2020 and 2019 the Water Works reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 871,619	$ -	$ 511,781
Changes of assumptions or other inputs	3,144,974	1,250,953	1,025,270	1,667,938
	$ 3,144,974	$ 2,122,572	$ 1,025,270	$ 2,179,719

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:	
2021	$ (17,522)
2022	(17,522)
2023	(17,517)
2024	458,014
2025	308,476
Thereafter	308,473
	$ 1,022,402

Note 7. Risk Management

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

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

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

The claims liability of $449,260 and $322,087 as of December 31, 2020 and 2019, 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, 2020 and 2019 is as follows:

	2020	2019
Unpaid claims, beginning of year	$ 322,087	$ 294,592
Current year claims and changes in estimates	252,237	323,939
Claim payments	(125,064)	(296,444)
Unpaid claims, end of year	$ 449,260	$ 322,087

Note 8. Commitments

Approximately $4,428,000 related to 2020 contracts has been formally committed as of December 31, 2020. In addition, the Board has approved approximately $24,508,000 of expenditures for capital acquisitions and improvements, all of which are expected to be expended in 2021.

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 2020 and 2019.

On January 1, 2014, the Water Works and the Greater Des Moines Botanical Gardens (GDMBG) entered into an agreement for Water Works to provide for $200,000 of in-kind services to be performed for the GDMBG every year for ten years. For the year ended December 31, 2020 and 2019, Water Works provided in-kind services valued at approximately $208,000 and $144,000, respectively. Any over/under spending will be offset against expenses in a future year.

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

As of December 31, 2020, the GASB had issued the following Statement not yet implemented by the Water Works.

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

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

Des Moines Water Works

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

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

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

Changes of benefit terms: None

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

2020	2.12%
2019	3.26
2018	4.11

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.

Des Moines Water Works

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

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	**$ 463,625**	$ 485,304	$ 465,354	$ 490,401	$ 523,384	$ 580,106	$ -
Interest	**3,532,653**	3,412,125	3,397,770	3,427,064	3,423,314	3,342,170	3,449,503
Benefit payments	**(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	**(118,020)**	95,861	(121,340)	(33,428)	441,617	320,599	305,961
Changes in assumptions	**2,108,486**	1,272,937	(257,396)	1,135,050	905,072	-	542,112
Net change in total pension liability	**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	**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	**$ 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	**$ 1,457,910**	$ 1,377,486	$ 1,236,796	$ 1,228,734	$ 597,434	$ 911,175	$ 906,542
Investment income (loss), net of investment expenses 2020 $24,205; 2019 $23,849; 2018 $24,033; 2017 $23,425; 2016 $21,585; 2015 $22,091; 2014 $22,219	**6,780,033**	8,645,950	(2,559,058)	6,884,235	3,274,380	(629,997)	2,680,610
Benefit payments	**(3,254,898)**	(3,232,522)	(3,255,624)	(3,174,948)	(3,000,082)	(2,826,683)	(2,696,531)
Administrative expenses	**(5,553)**	(8,831)	(9,942)	(31,506)	(16,126)	(4,676)	(4,442)
Net change in plan fiduciary net position	**4,977,492**	6,782,083	(4,587,828)	4,906,515	855,606	(2,550,181)	886,179
Total plan fiduciary net position, beginning of year	**56,080,636**	49,298,553	53,886,381	48,979,866	48,124,260	50,674,441	49,788,262
Total plan fiduciary net position, end of year	**$ 61,058,128**	$ 56,080,636	$ 49,298,553	$ 53,886,381	$ 48,979,866	$ 48,124,260	$ 50,674,441
Net pension liability	**$ 1,824,127**	$ 4,069,773	$ 8,818,151	$ 4,001,559	$ 7,063,935	$ 5,626,236	$ 5,564,263

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

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

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

In the December 31, 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, 2020, 2019, 2018, 2017, 2016, 2015 and 2014
Des Moines Water Works Pension Plan

	2020	2019	2018	2017	2016	2015	2014
Total pension liability, end of year	**$ 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	**61,058,128**	56,080,636	49,298,553	53,886,381	48,979,866	48,124,260	50,674,441
Net pension liability	**$ 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	**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

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, 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, 2020, 2019, 2018, 2017, 2016, 2015 and 2014
Des Moines Water Works Pension Plan

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

	2015	2014
Annual money-weighted rate of return, net of investment expense	(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
2011	$ 2,204,886	$ 2,204,886	$ -	$ 12,436,915	17.73%
2012	2,782,486	2,782,486	-	12,186,884	22.83
2013	2,915,710	2,915,710	-	11,453,783	25.46
2014	906,542	906,542	-	*	N/A
2015	911,175	911,175	-	*	N/A
2016	796,578	597,434	199,144	*	N/A
2017	1,029,590	1,228,734	(199,144)	*	N/A
2018	1,236,796	1,236,796	-	*	N/A
2019	1,377,486	1,377,486	-	*	N/A
2020	1,457,910	1,457,910	-	*	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, 2020, 2019, 2018, 2017, 2016, 2015 and 2014.

See note to required supplementary information.

Des Moines Water Works

Note to Required Supplementary Information
Des Moines Water Works Pension Plan

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

Actuarial valuation:	
Frequency	Annual
Cost method	Entry age normal
Amortization	The amortization method used is Level Dollar Over a Closed Period. The weighted average remaining period is 15 years.
Assumptions:	
Long-term rate of return	2020-5.60% per year; 2017-2019-6.00% per year; 2016-6.25% per year; 2015-2014-6.50% per year.
Salary increases	N/A - Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages through retirement. The projected inflation rate of 2.25% for 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 Employee, male and female Retirees-PubG-2010 Healthy Retiree base table, male and female Mortality Improvement - MP-2020
Disability	1987 Commissioner's Group Disability Table, six month elimination period, male and female.
Rate of withdrawal	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.30.

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

Changes of assumptions:

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 rate was updated to PubG-2010 General base rate mortality table with scale MP-2020, based on data published by the SOA in October 2020.

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:	**2020**	2019	2018	2017	2016	2015	2014
Measurement date	**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	**0.225708%**	0.223592%	0.220673%	0.219512%	0.214469%	0.216317%	0.130958%
Water Works' proportionate share of the net pension liability	**$ 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	**$ 18,234,117**	$ 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	**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	**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.

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
2011	$ 98,602	$ 98,602	$ -	N/A	N/A
2012	123,421	123,421	-	N/A	N/A
2013	196,544	196,544	-	N/A	N/A
2014	1,297,307	1,297,307	-	N/A	N/A
2015	1,404,619	1,404,619	-	$ 15,729,212	8.93%
2016	1,401,116	1,401,116	-	15,689,986	8.93%
2017	1,435,230	1,435,230	-	16,072,005	8.93%
2018	1,550,376	1,550,376	-	16,881,645	9.18%
2019	1,612,743	1,612,743	-	17,084,137	9.44%
2020	1,721,301	1,721,301		18,234,117	9.44%

N/A - Not available.

Des Moines Water Works

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

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

Changes of assumptions:

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.