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CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Independent Auditor's Report, Financial Statements and Supplementary Information, Auditor's Report on Compliance and Schedule of Findings of the West Des Moines Water Works as of December 31, 2014 and 2013.

DATE: May 4, 2015

FINANCIAL IMPACT: None to the City of West Des Moines

BACKGROUND: The Board of Trustees of the West Des Moines Water Works received, approved and filed the report on April 20, 2015 and authorized copies of it to be distributed to you and others who have requested copies of the document.

Highlights of the year ended December 31, 2014 are that total assets of the Water Works have increased to $88 million, total liabilities have decreased to $24 million, and total net position has increased to $64 million. The Water Works operated within its budget, in terms of total receipts and total disbursements during 2014.

The attached Audited Financial Statements give additional information regarding the current year's operations. The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters is reported on pages 49 and 50, while the Schedule of Findings is reported on page 51.

OUTSTANDING ISSUES (if any): None

RECOMMENDATION: That the City Council receive and file the West Des Moines Water Works Independent Auditor's Report, Financial Statements and Supplementary Information, Auditor's Report on Compliance, and Schedule of Findings as of December 31, 2014 and 2013.

PM

Lead Staff Member: Paula R. Meyer – Finance Manager and Treasurer West Des Moines Water Works

STAFF REVIEWS

Department Director	Diana J. Wilson, General Manager DW
Appropriations/Finance	
Legal	
Agenda Acceptance	RTJ

PUBLICATION(S) (if applicable)

Published In	
Dates(s) Published	

SUBCOMMITTEE REVIEW (if applicable)

Committee			
Date Reviewed			
Recommendation	Yes	No	Split

WEST DES MOINES WATER WORKS

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014 and 2013

M&Co.
MARTENS & COMPANY, CPA, LLP
CERTIFIED PUBLIC ACCOUNTANTS
West Des Moines, Iowa 50266

WEST DES MOINES WATER WORKS

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WEST DES MOINES WATER WORKS

OFFICIALS

December 31, 2014

Name	Title	Term Expires
Scott M. Brennan	Trustee	Dec 31, 2015
Philip J. Dorweiler	Trustee	Dec 31, 2016
Karen Novak Swalwell	Trustee	Dec 31, 2017
Gretchen H. Tegeler	Trustee	Dec 31, 2018
Brian P. Rickert	Trustee	Dec 31, 2020
Diana J. Wilson	General Manager/Secretary	Indefinite
William H. Garrett	Assistant General Manager	Indefinite
Paula R. Meyer	Finance Manager/Treasurer	Indefinite

MARTENS & COMPANY, CPA, LLP
CERTIFIED PUBLIC ACCOUNTANTS
4949 Pleasant Street, Suite 104
West Des Moines, Iowa 50266
(515)-223-4841
FAX: (515)-223-0851

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
West Des Moines Water Works

We have audited the accompanying financial statements of the West Des Moines Water Works, West Des Moines, Iowa, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements which collectively comprise the West Des Moines 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 an opinion 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the West Des Moines Water Works' 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 West Des Moines Water Works' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the West Des Moines Water Works, West Des Moines, Iowa, as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the other postemployment benefit plan schedule on pages 6 - 10 and 39 - 41 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Des Moines Water Works' basic financial statements. The schedule of bond maturities, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of bond maturities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of bond maturities are fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2015, on our consideration of the West 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 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 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 West Des Moines Water Works' internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
March 31, 2015

WEST DES MOINES WATER WORKS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2014

West Des Moines Water Works (Water Works) provides this management's discussion and analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2014. Please consider this information in conjunction with the financial statements and the accompanying notes to the basic financial statements that follow this section.

OVERVIEW OF BUSINESS

The service area of the Water Works has expanded significantly since its governing Board of Trustees was established by election in 1950. The service area is the corporate limits of West Des Moines. The Water Works also provides billing and collection services on a contractual basis to the City of West Des Moines for sanitary sewer usage, storm water management, and solid waste collection, and meter reading service to the City of Waukee through February 28, 2013.

As the Water Works' 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 requiring the land developers to install the water mains according to Water Works specifications after which the Water Works accepts ownership of the water facilities.

The water sources for the Water Works are three wells drilled into the Jordan Aquifer and nineteen wells that draw water from the Raccoon River Alluvial Aquifer. In addition, some West Des Moines water is purchased from the Des Moines Water Works.

Governance of the Water Works is vested in a five-member Board appointed by the Mayor of West Des Moines with approval of the City Council. Trustees serve for six-year staggered terms. The Board has complete control of the Water Works' management, and employs 36 full-time employees and one part-time seasonal employee.

FINANCIAL HIGHLIGHTS

West Des Moines Water Works' net position increased as a result of operations. At December 31, 2014, total assets were $88,176,005 and total liabilities and deferred outflow of resources were $24,161,881 resulting in net position of $64,014,124.

Operating revenues decreased 0.6% to $12,671,099 while operating expenses decreased 2.3% to $9,823,948.

During the year, the Water Works had an operating income of $2,847,151 and an increase in net position of $3,006,779.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

MD&A serves as an introduction to the financial statements, and the MD&A represents management's examination and analysis of West Des Moines 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, liabilities, deferred inflows and net position, thereby measuring the utility's liquidity and solvency. Liquidity is a measure of the Water Works' 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 year and provides information about the Water Works' recovery of costs. Water rates and other charges are established by the Board of Trustees and are based on Water Works' cost of service.

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

The notes to the 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, and commitments.

In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information*, concerning the West Des Moines Water Works, including progress in funding its obligation to provide retiree healthcare and a budgetary comparison based on the West Des Moines Water Works' legal level of budgetary control.

FINANCIAL INFORMATION OF THE WEST DES MOINES WATER WORKS

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

Summary of Statements of Net Position at Year End

	2014	2013
Current unrestricted assets	$ 7,856,024	$ 7,379,699
Current restricted assets	12,611,865	12,866,388
Long term assets	2,281,321	1,079,512
Capital assets, net	65,426,795	65,755,387
Total assets	$ 88,176,005	$ 87,080,986

	2014	2013
Current liabilities	$ 6,601,006	$ 6,421,152
Long term liabilities	15,214,856	17,201,217
Deferred inflow of resources	2,346,019	2,451,272
Total liabilities	24,161,881	26,073,641
Invested in capital assets, net of related debt	46,329,731	44,578,783
Restricted	9,897,188	9,909,070
Unrestricted	7,787,205	6,519,492
Total net position	64,014,124	61,007,345
Total liabilities, deferred inflow of resources, and net position	$ 88,176,005	$ 87,080,986

Summary of Revenues, Expenses and Changes in Net Position for the Years Ended December 31,

	2014	2013
Water sales	$ 8,957,068	$ 10,136,146
Connection fees	2,050,467	1,081,142
Other sales and services	1,663,564	1,534,144
Total operating revenue	12,671,099	12,751,432
Salaries and benefits	3,639,453	3,577,902
Chemicals and power	798,772	794,643
Purchased water	1,083,829	1,477,297
Insurance	132,199	129,668
Maintenance and supplies	632,387	599,851
Depreciation	2,866,319	2,750,717
Other	670,989	728,211
Total operating expenses	9,823,948	10,058,289
Operating income	2,847,151	2,693,143
Interest income	31,347	51,277
Rental income	171,864	157,736
Interest expense	(475,050)	(595,495)
Other, net	69,093	(27,053)
Total non-operating revenues (expenses)	(202,746)	(413,535)
Income before contributions	2,644,405	2,279,608
Capital contributions	362,374	263,940
Change in net position	3,006,779	2,543,548
Net position, beginning of year	61,007,345	58,463,797
Net position, end of year	$ 64,014,124	$ 61,007,345

FINANCIAL ANALYSIS

Current assets (not restricted) increased 6.5% primarily due to an increase in cash. Water main replacement capital projects were paid using bond funds. This allowed non restricted funds to increase.

Current liabilities increased 2.8% primarily due to an increase in customer deposits and accrued vacation and sick leave.

Long-term liabilities decreased 11.5% primarily due to a $2,013,287 decrease in long term water revenue bond debt which was due to bond principal payments made.

Water sales in 2014 decreased 11.6% compared to 2013, primarily because 2014 was a fairly rainy weather year while 2013 was rather dry.

Connection fees increased 89.7% due to a large increase in construction permits issued, and new plats recorded. Construction has picked up as the economy has improved.

Other sales and services increased 8.4% for several reasons, including an increase in the number of water main taps, and water main inspections as development increased in 2014.

Chemical and power expenses increased 0.5% due to an increase in costs.

Purchased water expense decreased 26.6% due to lower irrigation water usage compared with 2013. 2013 was a rather dry year with higher irrigation water sales than 2014.

Cost of corporate insurance increased 2.0%.

Maintenance and supplies expense increased 5.4% primarily due to increased maintenance on equipment including pumps due to the high volume of water treated and distributed in 2013.

CAPITAL ASSETS

During 2014, net capital assets decreased by a very slight 0.5%. Additional costs of water main construction and replacement of unlined cast iron water mains were offset by depreciation expense, resulting in a minor decrease in net capital assets.

DEBT ADMINISTRATION

At December 31, 2014, the Water Works had $16,856,458 in water revenue bonds outstanding, compared to $18,818,035 at December 31, 2013 as shown below.

Outstanding Debt at Year-End

	2014	2013
Water revenue bonds	$ 16,856,458	$ 18,818,035

Debt decreased by $1,961,577 due to principal payments on all outstanding debt, which were made as scheduled. Moody's assigned an Aa2 rating to the Water Revenue Bonds Series 2013, as well as to the outstanding Water Revenue parity debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees approved an operating budget with a 2.5% expense increase for 2015. Revenue and expense estimates for 2015 are conservative. Water rates were increased by approximately 2% as of January 1, 2015. Water rates are designed only to cover the cost of water service to customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of West Des Moines Water Works' finances. If you have any questions or require additional information, please contact the General Manager at 4200 Mills Civic Parkway, Suite 1D, West Des Moines, IA 50265-2049.

FINANCIAL STATEMENTS

WEST DES MOINES WATER WORKS

STATEMENT OF NET POSITION

December 31, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash	$ 3,028,543	$ 4,749,630
Investments	2,840,099	1,684,186
Accounts receivable	1,730,468	792,675
Inventory	181,032	78,577
Unexpired insurance	65,583	66,616
Accrued interest receivable	10,299	8,015
	7,856,024	7,379,699
RESTRICTED ASSETS - CURRENT		
Cash	9,505,201	9,399,700
Investments	2,172,397	2,527,716
Accounts receivable for City of West Des Moines	918,461	922,519
Accounts receivable	15,806	16,453
	12,611,865	12,866,388
Total current assets	20,467,889	20,246,087
LONG TERM ASSETS		
Investments	904,500	67,000
Investments - restricted	595,500	233,000
Deposit - Water Revenue Bond Fund	781,321	779,512
Total long term assets	2,281,321	1,079,512
CAPITAL ASSETS		
Land	620,768	620,768
Buildings and structures	26,294,750	26,294,750
Machinery and equipment	10,257,229	10,183,878
Mains and hydrants - constructed by Water Works	27,311,712	27,197,927
Mains and hydrants - contributed by developers	22,822,213	22,459,839
Wells	4,495,373	4,495,373
Meters	3,298,094	2,871,093
Treatment plant capacity - Des Moines Water Works	10,619,125	10,619,125
Construction in progress	1,305,958	71,369
	107,025,222	104,814,122
Less accumulated depreciation	(41,598,427)	(39,058,735)
Net capital assets	65,426,795	65,755,387
Total Assets	$ 88,176,005	$ 87,080,986

See notes to financial statements.

LIABILITIES AND NET POSITION

	2014	2013
CURRENT LIABILITIES		
Accounts payable	$ 243,070	$ 273,222
Accrued payroll	68,158	61,543
Accrued vacation	176,375	157,761
Accrued sick leave	72,068	48,440
Accrued sales tax	41,964	41,482
Accrued interest payable	24,258	26,426
Current portion of long-term debt	2,013,287	1,961,577
	2,639,180	2,570,451
Payable from restricted assets:		
Customer deposits	563,911	504,030
Accounts payable	91,367	97,601
Payable to City of West Des Moines	3,306,548	3,249,070
	3,961,826	3,850,701
Total current liabilities	6,601,006	6,421,152
LONG-TERM LIABILITIES		
Revenue Bonds - net of current portion	14,843,171	16,856,458
Accrued sick leave	162,331	169,468
Other post employment benefits	209,354	175,291
Total long-term liabilities	15,214,856	17,201,217
DEFERRED INFLOW OF RESOURCES		
Deposit - shared water tower	221,038	216,730
Unearned revenue	1,659,201	1,699,669
Bond premium	465,780	534,873
Total deferred inflow of resources	2,346,019	2,451,272
Total liabilities and deferred inflow of resources	24,161,881	26,073,641
NET POSITION		
Invested in capital assets, net of related debt	46,329,731	44,578,783
Restricted for debt service	2,235,472	2,235,165
Restricted for capital improvements	7,661,716	7,673,905
Unrestricted	7,787,205	6,519,492
Total net position	64,014,124	61,007,345
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 88,176,005	$ 87,080,986

WEST DES MOINES WATER WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION

Years ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Sale of water	$ 8,957,068	$ 10,136,146
Basic service charge	1,128,111	1,015,528
Connection fees	2,050,467	1,081,142
EPA grant	19,037	14,308
Labor charges	38,907	45,451
Sanitary sewer service collection fees	50,481	49,170
Solid waste service collection fees	46,957	46,127
Stormwater service collection fees	70,946	69,335
Late and non-payment charges	92,439	92,447
Sale of materials	79,179	90,650
Meter reading fees	-	1,240
Shared water tower revenue	40,468	40,468
Miscellaneous	97,039	69,420
Total operating revenues	12,671,099	12,751,432
OPERATING EXPENSES		
Water treatment plant operation and maintenance		
Salaries	843,050	787,092
Retirement and employee benefits	271,268	329,168
Utilities	356,119	313,579
Chemicals	382,711	397,037
Purchased water	1,083,829	1,477,297
Maintenance	321,361	299,968
Lime residuals removal	112,684	125,252
Insurance	71,401	70,991
Supplies	28,020	23,984
Communications	11,157	11,305
Water quality testing fees	14,944	11,885
Miscellaneous	2,554	1,776
Operation permit	6,618	7,410
Safety consulting fees	830	2,910
Depreciation	1,264,783	1,291,004
Data processing	14,295	13,510
	4,785,624	5,164,168
Water distribution system operation and maintenance		
Salaries	895,014	862,723
Retirement and employee benefits	334,981	329,161
Maintenance	203,028	190,972
Utilities	54,817	78,641
Insurance	35,916	33,743
Supplies	33,891	36,812

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - CONTINUED

Years ended December 31, 2014 and 2013

	2014	2013
OPERATING EXPENSES - CONTINUED		
Water distribution system operation and maintenance - continued		
Miscellaneous	$ 1,343	$ 799
Iowa One Call	7,054	5,180
Communications	4,061	5,765
Depreciation	1,542,736	1,406,223
Data processing	22,988	18,620
	3,135,829	2,968,639
Accounting and customer service		
Salaries	674,870	695,162
Retirement and employee benefits	255,334	248,993
Postage	81,070	78,995
Printing	40,419	44,088
Insurance	24,882	24,934
Supplies	14,380	19,171
Communications	4,023	4,489
Maintenance	31,707	32,013
Bad debts	4,828	2,945
Lock box charges	46,312	41,697
Miscellaneous	2,155	15,927
Utilities	5,125	5,386
Depreciation	58,800	53,490
Cost of materials sold	74,415	64,162
Data processing	32,126	29,458
	1,350,446	1,360,910
Administration		
Salaries	250,739	207,829
Retirement and employee benefits	114,197	117,774
Professional and consulting fees	97,804	131,961
Legal publications	22,838	37,546
Dues and memberships	7,630	7,990
Communication	1,961	1,675
Miscellaneous	6,880	9,797
Economic development expense	50,000	50,000
	552,049	564,572
Total operating expenses	9,823,948	10,058,289
Operating income	2,847,151	2,693,143

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - CONTINUED

Years ended December 31, 2014 and 2013

	2014	2013
NON-OPERATING REVENUES		
Interest	$ 31,347	$ 51,277
Bond premium	69,093	62,850
Rental	171,864	157,736
Total non-operating revenues	272,304	271,863
NON-OPERATING EXPENSES		
Interest	475,050	595,495
Bond discount	-	22,631
Bond issue costs	-	67,272
Total non-operating expenses	475,050	685,398
Income before capital contributions	2,644,405	2,279,608
CAPITAL CONTRIBUTIONS	362,374	263,940
CHANGE IN NET POSITION	3,006,779	2,543,548
NET POSITION AT BEGINNING OF YEAR	61,007,345	58,463,797
NET POSITION AT END OF YEAR	$ 64,014,124	$ 61,007,345

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF CASH FLOWS

Years ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 11,635,556	$ 12,931,738
Cash payments for goods and services	(4,197,315)	(4,524,884)
Cash payments to employees	(2,638,444)	(2,565,403)
Net cash provided by operating activities	4,799,797	5,841,451
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(2,181,587)	(3,339,325)
Deposits - shared water tower	4,308	7,324
Proceeds from bonds	-	6,515,000
Principal paid on revenue bonds	(1,961,577)	(6,286,879)
Deposit - south area fee district	-	(300,000)
Bond issuance, discount and premium	-	(12,210)
Water revenue bond fund deposit	(1,809)	11,104
Interest paid	(475,050)	(595,495)
Net cash (used) by capital and financing activities	(4,615,715)	(4,000,481)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	29,063	50,345
Certificate of deposits redeemed	4,200,000	2,500,000
Rental income	171,864	157,736
Certificate of deposits purchased	(6,200,000)	(3,600,000)
Net cash (used) by investing activities	(1,799,073)	(891,919)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,614,991)	949,051
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	14,161,232	13,212,181
CASH AND CASH EQUIVALENTS END OF YEAR	$ 12,546,241	$ 14,161,232

See notes to financial statements.

WEST DES MOINES WATER WORKS

STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2014 and 2013

	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	$ 2,847,151	$ 2,693,143
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,866,319	2,750,717
Decrease (increase) in assets:		
Accounts receivable	(933,088)	182,215
Inventory	(102,455)	(1,909)
Unexpired insurance	1,033	(3,565)
Deposit - software consulting	-	3,398
Increase (decrease) in liabilities:		
Customer deposits	59,881	79,424
Accounts payable	(15,309)	16,332
Accrued payroll	6,616	(21,790)
Accrued vacation	18,613	9,193
Accrued sick leave	16,491	94,490
Other post employment benefits	34,063	40,541
Accrued sales tax	482	(738)
Total adjustments	1,952,646	3,148,308
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 4,799,797	$ 5,841,451
Schedule of noncash capital and related financing - Contributions of water mains from contractors for construction, and equipment contributions.	$ 362,374	$ 263,940

See notes to financial statements.

WEST DES MOINES WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The West Des Moines Water Works was established by the City of West Des Moines, Iowa to supply water to the City and its inhabitants. Since November 7, 1950, the Water Works has been under the management and control of a Board of Trustees and the accounts of the Water Works are maintained separately from those of the City of West Des Moines, Iowa. The Code of Iowa, Chapter 388, states that the Board of Trustees has the oversight responsibility for the management and control of the Water Works.

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.

B. Fund Accounting

The accounts of the Water Works are organized on the basis of funds or groups of accounts. Each fund or group of accounts is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of accounts for cash and investment balances, receipts and disbursements. A description of each of the existing funds is set forth as follows:

Water Revenue Fund

The Water Revenue Fund is the general operating fund of the Water Works. This fund is used to account for the utility services which are financed and operated primarily from user charges to the general public.

Bond Retirement Fund

The Bond Retirement Fund is used to provide and account for principal and interest payments on the water revenue bonds issued.

Trust Fund

The Trust Fund has been established to account for deposits received from customers.

C. Cash

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid with maturities of three months or less are considered to be cash equivalents.

D. Investments

The cash balances of the Water Works are pooled and invested. Investments are stated at cost, which approximates market value. Interest is recorded in the fund owning the investment and transferred to the Water Revenue Fund. In order to obtain a high rate of return, some investments are pooled.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Accounts Receivable

Accounts receivable and revenues are recorded at the time that service is billed. Unbilled revenues for service consumed between periodic scheduled billing dates are not considered to have a material effect on the financial statements.

F. Inventories

Proprietary fund type inventories of materials and supplies are valued at the lower of cost (average cost) or market.

G. Capital Assets

Property, plant and equipment are stated at cost or at the value of the contributions to the Water Works for mains and hydrants by developers. Depreciation is computed on a straight-line basis over estimated useful lives of five to fifty years.

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments are capitalized.

The cost and related accumulated depreciation on property, plant and equipment sold or retired are eliminated from the accounts at the time of sale or retirement and the resulting gain or loss is reflected in operations.

H. Budget

In accordance with the Code of Iowa, the Water Works adopted a budget based upon anticipated expenditures by line item for operations. The budget was prepared on an accrual basis which is consistent with generally accepted accounting principles.

I. Sanitary Sewer, Solid Waste, and Stormwater Management Service

The West Des Moines Water Works bills and collects sanitary sewer service charges, solid waste charges, and stormwater management fees in accordance with the city ordinances for the City of West Des Moines, Iowa.

Remittances are due to the City within seventy-five days after the end of each billing period. The West Des Moines Water Works is reimbursed for a portion of the expense of billing and collecting the sanitary sewer service, solid waste charges, and stormwater management fees at rates agreed upon by the City of West Des Moines and West Des Moines Water Works.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Basis of Accounting

The Proprietary fund types are reported using the accrual basis of accounting. Their revenues are recognized when earned and expenses are recognized when incurred.

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

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

K. Net Position

Net position represents the difference between assets, deferred outflows of resources and liabilities in the financial statements. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used for acquisition, construction, or improvement of those assets. 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.

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.

L. 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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

The West Des Moines Water Works' deposits in financial institutions as of December 31, 2014 and through 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 that there is no loss of public funds.

As of December 31, 2014, $1,600,000 was invested in four fourteen month certificates of deposit at Veridian Credit Union. The amount of this deposit in excess of $250,000 was collateralized with a letter of credit held by the Water Works in the amount of 110% or $1,485,000.

The West Des Moines Water Works' investments are categorized to give an indication of the level of risk assumed by the Water Works at year's end. The West Des Moines Water Works' investments are all category 1, which means that the investments are insured or registered or the securities are held by the West Des Moines Water Works or its agent in the name of the West Des Moines Water Works.

As of December 31, 2014 and 2013 all monies of the West Des Moines Water Works were invested in lawful depositories of the Water Works.

The West Des Moines Water Works' cash, cash equivalents and investments at December 31, 2014 and 2013 are as follows:

Cash, Cash Equivalents and Investments	2014	2013
Cash	$ 12,533,745	$ 14,149,330
Iowa Public Agency Investment Trust	12,496	11,902
Total Cash and Cash Equivalents	12,546,241	14,161,232
Certificates of Deposit	6,500,000	4,500,000
Total Cash, Cash Equivalents and Investments	$ 19,046,241	$ 18,661,232

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 accordance with the West Des Moines Water Work's investment policy, the Water Works minimizes the market value risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Information about the sensitivity of the fair values of the Water Work's investments to market interest risk fluctuations is provided by the following table that shows the distribution of the Water Work's investments:

Investment Type	Fair Value
Iowa Public Agency Investment Trust	$ 12,496

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 West Des Moines Water Works has no investments meeting the disclosure requirement of Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2014 was as follows:

	Balance 1/01/14	Increases	Decreases	Balance 12/31/14
Capital assets not being depreciated:				
Land	$ 620,768	$ -	$ -	$ 620,768
Construction in progress	71,369	1,234,589	-	1,305,958
Total capital assets not being depreciated	692,137	1,234,589	-	1,926,726
Capital assets being depreciated:				
Buildings and structures	$ 26,294,750	$ -	$ -	$ 26,294,750
Machinery and equipment	10,183,878	244,112	(170,761)	10,257,229
Mains and hydrants	27,197,927	113,785	-	27,311,712
Mains and hydrants - developers	22,459,839	362,374	-	22,822,213
Wells	4,495,373	-	-	4,495,373
Meters in service	2,871,093	582,867	(155,866)	3,298,094
DMWW plant capacity 5.0 MG	5,000,000	-	-	5,000,000
DMWW plant capacity 1.323 MG	1,819,125	-	-	1,819,125
DMWW plant capacity 2 MG	3,800,000	-	-	3,800,000
Total capital assets being depreciated	104,121,985	1,303,138	(326,627)	105,098,496
Less accumulated depreciation for:				
Buildings and structures	8,624,015	568,162	-	9,192,177
Machinery and equipment	7,804,565	743,386	(170,761)	8,377,190
Mains and hydrants	6,950,418	544,217	-	7,494,635
Mains and hydrants - developers	8,346,133	448,994	-	8,795,127
Wells	2,381,417	114,666	-	2,496,083
Meters in service	1,484,483	181,416	(155,866)	1,510,033
DMWW plant capacity 5.0 MG	2,093,750	125,000	-	2,218,750
DMWW plant capacity 1.323 MG	613,954	45,478	-	659,432
DMWW plant capacity 2 MG	760,000	95,000	-	855,000
Total accumulated depreciation	39,058,735	2,866,319	(326,627)	41,598,427
Total capital assets being depreciated, net	65,063,250	(1,563,181)	-	63,500,069
Net capital assets	$ 65,755,387	$ (328,592)	$ -	$ 65,426,795

NOTE 3 - CAPITAL ASSETS - CONTINUED

Capital assets activity for the year ended December 31, 2013 was as follows:

	Balance 1/01/13	Increases	Decreases	Balance 12/31/13
Capital assets not being depreciated:				
Land	$ 620,768	$ -	$ -	$ 620,768
Construction in progress	2,498,257	1,518,814	(3,945,702)	71,369
Total capital assets not being depreciated	3,119,025	1,518,814	(3,945,702)	692,137
Capital assets being depreciated:				
Buildings and structures	$ 25,738,566	$ 556,184	$ -	$ 26,294,750
Machinery and equipment	9,989,855	290,248	(96,225)	10,183,878
Mains and hydrants	23,655,023	3,542,904	-	27,197,927
Mains and hydrants - developers	22,195,899	263,940	-	22,459,839
Wells	4,495,373	-	-	4,495,373
Meters in service	2,628,569	242,524	-	2,871,093
DMWW plant capacity 5.0 MG	5,000,000	-	-	5,000,000
DMWW plant capacity 1.323 MG	1,819,125	-	-	1,819,125
DMWW plant capacity 2 MG	3,800,000	-	-	3,800,000
Total capital assets being depreciated	99,322,410	4,895,800	(96,225)	104,121,985
Less accumulated depreciation for:				
Buildings and structures	8,126,738	497,277	-	8,624,015
Machinery and equipment	7,132,917	767,873	(96,225)	7,804,565
Mains and hydrants	6,458,273	492,145	-	6,950,418
Mains and hydrants - developers	7,902,862	443,271	-	8,346,133
Wells	2,264,765	116,652	-	2,381,417
Meters in service	1,316,462	168,021	-	1,484,483
DMWW plant capacity 5.0 MG	1,968,750	125,000	-	2,093,750
DMWW plant capacity 1.323 MG	568,476	45,478	-	613,954
DMWW plant capacity 2 MG	665,000	95,000	-	760,000
Total accumulated depreciation	36,404,243	2,750,717	(96,225)	39,058,735
Total capital assets being depreciated, net	62,918,167	2,145,083	-	65,063,250
Net capital assets	$ 66,037,192	$ 3,663,897	$(3,945,702)	$ 65,755,387

NOTE 4 - LONG TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended December 31, 2014 is as follows:

	Balance 1/01/2014	Increases	Decreases	Balance 12/31/2014	Due Within One Year
Water Revenue Bonds	$ 18,818,035	$ -	$ (1,961,577)	$ 16,856,458	$ 2,013,287
Sick Pay Liability	217,908	16,491	-	234,399	72,068
Net OPEB Liability	175,291	34,063	-	209,354	-
Total	$ 19,211,234	$ 50,554	$ (1,961,577)	$ 17,300,211	$ 2,085,355

A summary of the changes in long-term liabilities for the year ended December 31, 2013 is as follows:

	Balance 1/01/2013	Increases	Decreases	Balance 12/31/2013	Due Within One Year
Water Revenue Bonds	$ 18,589,914	$ 6,515,000	$ (6,286,879)	$ 18,818,035	$ 1,961,577
Sick Pay Liability	123,418	94,490	-	217,908	48,440
Net OPEB Liability	134,750	40,541	-	175,291	-
Total	$ 18,848,082	$ 6,650,031	$ (6,286,879)	$ 19,211,234	$ 2,010,017

PURCHASE OF WATER TREATMENT PLANT CAPACITY:

A. The West Des Moines Water Works entered into agreements with the Des Moines Water Works for the purchase of five million gallons per day, and 1.323 million gallons per day of water treatment plant capacity in two separate purchases. Per the Water Treatment Plant Purchased Capacity Master Agreement dated July 23, 1996, the West Des Moines Water Works' proportionate share of the Des Moines Water Works Bonds Series 1997 issued by the Des Moines Water Works were $5,640,000 and $1,819,125 respectively.

   Series 1997 bonds have been replaced by the Refunding Water Revenue Bonds Series 2004B, which have now been replaced by the Refunding Water Revenue Bonds Series 2011. The interest rate on the 2011 bonds is a flat 3% from now through maturity.

B. The West Des Moines Water Works entered into the Wholesale Water Service Master Agreement with the Des Moines Water Works on June 13, 2005, agreeing to purchase an additional two million gallons per day of water treatment plant capacity. West Des Moines Water Works' proportionate share in the Des Moines Water Works 2006 Water Revenue Bonds was $4,105,000. Series 2006 bonds have been replaced by the Refunding Water Revenue Bonds Series 2012. The interest rate is a flat 3% from now through maturity.

PLANT AND DISTRIBUTION CAPITAL IMPROVEMENTS:

The Series 2004 Water Revenue Refunding Bonds were issued by the West Des Moines Water Works, under resolutions of the Board of Trustees of the Water Works. The balance of the 2004 Water Revenue Refunding Bonds in the amount of $2,795,000 was paid out of the 2012 Water Revenue Bonds. Additionally, the 2012 bonds were used to expand the system infrastructure to new areas in the City of West Des Moines. Series 1998A and 1998B were redeemed by the 2007 Water Revenue Refunding bonds on June 1, 2007. The balance of the 2007 Water Revenue Refunding Bonds in the amount of $4,575,000 was paid out of the 2013 Water Revenue Bonds. Additionally, the 2013 bonds are being used to expand the system infrastructure.

NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Interest is payable on the first day of June and December.

Bonds and interest are payable from the future net earnings of the Water Works and the net earnings of the Water Works are pledged to the payment of the bonds and interest.

The required amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding Bonds and Parity Bonds plus 1/12th of the installment of principal coming due on such Bonds on the next succeeding principal payment date until the full amount of such installment is on hand. The balance at December 31, 2014 and 2013 is $118,842 and $118,535, respectively.

The Bond Resolution requires that the Debt Service Reserve Fund be maintained in an amount equal to at least the lesser of the maximum annual debt service on the Bonds and the Parity Bonds, or 10% of the stated principal amount of the Bonds and Parity Bonds. The balance at December 31, 2014 and 2013 is at the maximum of $1,408,500 and $1,408,500, respectively.

In the Future Capital Outlay Fund, the minimum amount to be deposited in the Fund each month shall be $30,000; provided, however, that when the amount in said fund shall equal or exceed $750,000, no further monthly deposits need be made into the Fund except to maintain it at such level. The balance at December 31, 2014 and 2013 is $5,899,100 and $4,175,011, respectively.

Changes in long-term water revenue bonds for the year ended December 31, 2014 are as follows:

	Balance 01-01-2014	Increases	Decreases	Balance 12-31-2014	Due Within One Year
Water Revenue Bonds					
Series 2012 Water Revenue Bonds	$ 6,905,000	$ -	$ (670,000)	$ 6,235,000	$ 695,000
Series 2013 Water Revenue Bonds	6,515,000	-	(435,000)	6,080,000	440,000
Series 2011 (DMWW 6.323 MG)	2,450,854	-	(663,197)	1,787,657	675,951
Series 2012 (DMWW-2MG)	2,947,181	-	(193,380)	2,753,801	202,336
Totals	$ 18,818,035	$ -	$ (1,961,577)	$16,856,458	$2,013,287

NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Details of the revenue bonds payable at December 31, 2014 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2014
Series 2012	10/23/12	3.0 - 3.0%	12/01/23	$25,000-$1,000,000	$7,570,000	$ 6,235,000
Series 2012	12/02/13	1.5 - 2.3%	12/01/21	$435,000-$1,780,000	6,515,000	6,080,000
Series 2011 (DMWW)	02/23/11	3.0 - 3.0%	12/01/17	$408,122-$703,584	4,357,547	1,787,657
Series 2012 (DMWW)	10/30/12	3.0 - 3.0%	12/01/25	$180,005-$294,823	3,132,119	2,753,801
Total						$16,856,458

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2014 is as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2015	$ 2,013,287	$ 427,344	$ 2,440,631
2016	2,083,834	373,545	2,457,379
2017	2,072,548	317,254	2,389,802
2018	2,053,718	276,079	2,329,797
2019	1,777,003	241,167	2,018,170
2018-2024	6,676,063	498,785	7,174,848
2025	180,005	5,400	185,405
Totals	$16,856,458	$ 2,139,574	$18,996,032

Changes in long-term obligations for the year ended December 31, 2013 are as follows:

	Balance 01-01-2013	Increases	Decreases	Balance 12-31-2013	Due Within One Year
Water Revenue Bonds					
Series 2007 Refunding	$ 4,820,000	$ -	$ (4,820,000)	$ -	$ -
Series 2012 Water Revenue Bonds	7,545,000	-	(640,000)	6,905,000	670,000
Series 2013 Water Revenue Bonds	-	6,515,000	-	6,515,000	435,000
Series 2011 (DMWW 6.323 MG)	3,092,795	-	(641,941)	2,450,854	663,197
Series 2012 (DMWW-2MG)	3,132,119	-	(184,938)	2,947,181	193,380
Totals	$ 18,589,914	$ 6,515,000	$ (6,286,879)	$18,818,035	$1,961,577

NOTE 4 - LONG TERM LIABILITIES - CONTINUED

Details of the revenue bonds payable at December 31, 2013 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2014
Series 2012	10/23/12	3.0 - 3.0%	12/01/23	$25,000-$1,000,000	$7,570,000	$ 6,905,000
Series 2012	12/02/13	1.5 - 2.3%	12/01/21	$435,000-$1,780,000	6,515,000	6,515,000
Series 2011 (DMWW)	02/23/11	3.0 - 3.0%	12/01/17	$408,122-$703,584	4,357,547	2,450,854
Series 2012 (DMWW)	10/30/12	3.0 - 3.0%	12/01/25	$180,005-$294,823	3,132,119	2,947,181
Total						$18,818,035

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2013 is as follows:

Year Ending Dec. 31,	Principal	Interest	Total
2014	$ 1,961,577	$ 479,359	$ 2,440,936
2015	2,013,287	427,344	2,440,631
2016	2,083,834	373,545	2,457,379
2017	2,072,548	317,254	2,389,802
2018	2,053,718	276,079	2,329,797
2019-2023	8,158,243	725,707	8,883,950
2024-2025	474,828	19,645	494,473
Totals	$18,818,035	$ 2,618,933	$21,436,968

NOTE 5 - RESTRICTED ASSETS

The West Des Moines Water Works' restricted assets are composed of customer deposits, deposits on bond issuance, funds restricted for capital improvements and collections for sanitary sewer service, solid waste service, stormwater management fees, and human services donations for the City of West Des Moines.

NOTE 6 - PENSION AND RETIREMENT BENEFIT

The Water Works contributes to the Iowa Public Employees Retirement System (IPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

NOTE 6 - PENSION AND RETIREMENT BENEFIT - CONTINUED

Plan members are required to contribute a percentage of their annual salary and the Water Works is also required to contribute a percentage of the annual covered payroll to IPERS as established by State statute. Contribution requirements for employees for 2014 were 5.95% from January 1 through June 30 and 5.95% from July 1 through December 31. Contribution requirements for West Des Moines Water Works were 8.93% from January 1 through June 30 and 8.93% from July 1 through December 31. The Water Works' contributions to IPERS for the years ended December 31, 2014, 2013, and 2012 were $232,432, $220,607, and $217,361, respectively, equal to the required contributions for each year.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The Water Works sponsors a single-employer health care plan that provides certain postretirement health care benefits for retirees and their spouses. There are 36 active and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with insurance premiums paid to the City of West Des Moines who self insures to their selected stop loss limits and buys stop loss insurance from a third party. The plan is administered by Wellmark.

Retirees under age 65 pay 102% of the full active employee premium rates, which results in an implicit subsidy and an OPEB liability.

Funding Policy: The contribution requirements of plan members are established and may be amended by the Water Works. The Water Works currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The Water Works' annual OPEB cost is calculated based on the annual required contribution (ARC) of the Water Works, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Water Works' annual OPEB cost for the year ended December 31, 2014, 2013 and 2012, the amount actually contributed to the plan and changes in the Water Works' net OPEB obligation:

	2014	2013	2012
Annual Required Contribution (ARC)	$ 37,852	$ 43,269	$ 40,207
Interest on net OPEB obligation	4,382	3,369	2,444
Adjustment to annual required contribution	(8,171)	(6,097)	(5,662)
Annual OPEB cost	$ 34,063	$ 40,541	$ 36,989

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

	2014	2013	2012
Annual OPEB Cost	$ 34,063	$ 40,541	$ 36,989
Contributions made	-	-	-
Increase in net OPEB obligation	34,063	40,541	36,989
Net OPEB obligation beginning of year	175,291	134,750	97,761
Net OPEB obligation end of year	$ 209,354	$ 175,291	$ 134,750

For calculation of the net OPEB obligation, the actuary has set the transition day as January 1, 2014. The end of the year Net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended December 31, 2014.

For the year ended December 31, 2014, the Water Works contributed $-0- to the medical plan. Plan members eligible for benefits contributed $-0- of the premium costs. No West Des Moines Water Works retirees are currently in the retirement benefit plan.

The Water Works's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of December 31, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	$36,989	0%	$134,750
December 31, 2013	$40,541	0%	$175,291
December 31, 2014	$34,063	0%	$209,354

Funded Status and Funding Progress: As of January 1, 2014, the most recent actuarial valuation date for the period January 1, 2014 through December 31, 2016, the actuarial accrued liability was $341,839, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $347,561 at December 31, 2014, and $357,098 at December 31, 2012. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,663,673, $2,552,806 and $2,633,090 and the ratio of the UAAL to covered payroll was 12.8%, 13.9% and 12.6% for 2014, 2013 and 2012, respectively. As of December 31, 2014 there were no trust fund assets.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the January 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the Water Works' funding policy. The health cost trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were developed by the actuary, as listed in Appendix B of the Actuary Report.

NOTE 8 - COMPENSATED ABSENCES

The West Des Moines Water Works' employees accumulate vacation benefits for subsequent use or payable on termination, death or retirement. These accumulations are recorded as liabilities and expenses in the year earned.

West Des Moines Water Works allows employees to accrue up to 720 hours of sick leave to be paid upon retirement. The employee must be at least 55 years of age before they can retire. Retirement prior to the age of 62 is based on the IPERS retirement rules. Sick leave payable is recorded as a liability when retirement is probable and subject to estimation. Accordingly, as of December 31, 2014 current liabilities of $72,068 and long term liabilities of $162,331 have been recorded for accrued sick leave.

NOTE 9 - DEFERRED COMPENSATION PLAN

West Des Moines Water Works offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Water Works full time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency and participation is optional. The plan was amended to comply with IRC Section 457(g) which allowed for the plan to hold the assets in trust. Under these requirements, the assets of the plan are not subject to the claims of the governmental employer's creditors. Accordingly, the liability and corresponding investment are not reflected in the Water Works' financial statements.

On January 1, 2012 West Des Moines Water Works became a participating employer in the State of Iowa Retirement Investors' Club (RIC) 457/401a Program. The State of Iowa administers this deferred compensation program, and currently has five deferred compensation providers to choose from. All of West Des Moines Water Works' full time employees are eligible to participate in this program.

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS

On May 14, 2001 the Water Works approved the first amendment to intergovernmental agreement for the joint occupation of municipal offices (Chapter 28E of the Code of Iowa) with the City of West Des Moines for joint occupancy in a new City Hall facility. The West Des Moines Water Works' total cost is $546,761, of which $546,761 has been paid.

On May 14, 1993 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines and the Park Board of Commissioners of the West Des Moines Parks and Recreation Department. Under the agreement, they jointly developed a parcel of land (58 acres) owned by the City to provide recreation resources and water resources for residents. The Water Works constructed eight shallow wells and one deep well on the site. The Water Works has paid the City $450,000 for the use of the land. This agreement is for ninety-nine years and expires on May 14, 2092.

On April 17, 2001 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) creating the Central Iowa Regional Drinking Water Commission Master Agreement. The purposes of this agreement are to (1) enable the Parties to jointly plan and coordinate implementation for water supply, treatment, distribution and storage facilities for the benefit of the Parties and their respective customers, to (2) enable the Parties to jointly provide services in a cost-effective manner to each other and to (3) enable the Parties to undertake joint or coordinated procurement of goods and services. The Commission is governed by a Board of Directors consisting of one representative of each of the Parties. On October 18, 2011 an amended and restated 28E Agreement with the Central Iowa Regional Drinking Water Commission (CIRDWC) was adopted. The changes include adding source water issues as a purpose of CIRDWC, distinguishing between Governing Members and Non-Governing Members, and establishing dues at a rate of $100 plus one cent per Member retail account.

On November 20, 2003 the Water Works entered into an Agreement for Shared Use of Water Tower Capacity (this is not a 28E agreement) with the City of Clive, the City of Waukee and the Des Moines Water Works. On November 1, 2005 that water tower was put into service. The cities of Clive and Waukee paid 40% and 20% respectively, of the total project cost to West Des Moines Water Works for shared capacity of the water tower. The water tower is recorded at cost on West Des Moines Water Works' fixed asset schedule, and the payments made by Clive and Waukee are recorded as an unearned revenue deferred inflow of resources to be recognized over the 50 year life of the water tower. This agreement will remain in effect through the useful life of the water tower plus one year. A shared water tower fund has been created into which Clive, Waukee and West Des Moines Water Works contribute annually for property insurance and future painting of the tower.

On November 1, 2005 the Water Works entered into intergovernmental(Chapter 28E of the Code of Iowa) agreements for meter reading services with the City of Waukee. West Des Moines Water Works will read water and gas meters for Waukee. The initial term of this agreement is three years from November 1, 2005. Addendum "A" to this agreement was signed in July 2008 establishing the meter reading rates for the subsequent three years. This addendum became effective November 1, 2008. Thereafter, the term of services shall automatically renew for successive three year terms on each November 1st unless either party shall give written notice of termination to the other. The agreement with the City of Waukee was terminated as of February 28, 2013.

NOTE 10 - INTERGOVERNMENTAL AGREEMENTS - CONTINUED

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines for the placement of radio antenna and related equipment on/in water towers in West Des Moines. The term of this agreement shall be for a period of ten years. The annual charge to the City for locating and operating transmitting and receiving equipment on a tower shall be one dollar per year payable in advance on the first business day of each year.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the code of Iowa) with the City of West Des Moines to provide the city with water at no cost to the City for city-owned public buildings, facilities and landscaped medians. Unless otherwise extended or amended by mutual written agreement of the parties, this Agreement will expire ten years from July 20, 2009.

On July 20, 2009 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines for the sharing of fiber optic and computer related technologies for the betterment for the services provided by the public by each entity. The purpose of the Agreement is for the City of West Des Moines to provide West Des Moines Water Works with internet connectivity and land-line phone services. Unless otherwise extended or amended by mutual written agreement of the parties, this Agreement will expire ten years from July 20, 2009. For the 2014-15 fiscal year of the City of West Des Moines, the Water Works paid the City a fee of $12,000. Further adjustments to the fee may occur if annual maintenance agreements with third-parties change due to upgrades within the system. Notification of such an adjustment will be provided at least 30 days in advance of any fee adjustment and documentation of the change will be provided.

NOTE 11 - RELATED ORGANIZATION

The West Des Moines Water Works uses services of the City of West Des Moines and also provides billing and collection services to the City in connection with the City's Sewer, Solid Waste, and Stormwater Management Enterprise Funds. The following is a summary of the related party transactions for the year ended December 31, 2014 and 2013:

	Amount 2014	Amount 2013
Received from the City of West Des Moines		
Iowa One Call	$ 2,482	$ 4,536
Sanitary sewer service collection fees	50,481	49,170
Solid waste service collection fees	46,957	46,127
Stormwater service collection fees	70,946	69,335

NOTE 11 - RELATED ORGANIZATION - CONTINUED

	Amount 2014	Amount 2013
Payments to the City of West Des Moines		
Sanitary sewer service	$8,653,765	$8,773,682
Solid waste service	1,791,801	1,760,288
Sewer availability fee	693,551	670,805
City capital fee	25,759	27,348
Stormwater services	2,182,378	2,144,955
Health and dental insurance premiums	484,789	487,535
General insurance premiums	132,914	134,899
Gasoline	45,741	48,900
Utilities	12,679	12,625
Miscellaneous	5,302	7,492
Donations collected	6,140	5,409
Janitorial services	13,402	15,975
Information services	12,000	12,000
West Des Moines Magazine and City Survey	1,500	4,500
Economic development	50,000	50,000
Recruitment services	-	7,492
Amounts payable to the City of West Des Moines		
Sanitary sewer charges	$2,117,586	$2,089,065
Sewer availability fees	180,635	170,668
City capital fees	6,158	6,820
Stormwater management fees	550,003	535,694
Solid waste charges	451,390	446,236
Donations to Human Services	775	586

NOTE 12 - RISK MANAGEMENT

The Water Works, through the City of West Des Moines, is a member of the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 721 members include various governmental entities throughout the state of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

NOTE 12 - RISK MANAGEMENT - CONTINUED

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Water Works' property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Water Works' contributions to the Pool for the year ended December 31, 2014 were $35,500.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured in an amount not to exceed $2,650,000 per claim. For members requiring specific coverage from $3,000,000 to $12,000,000, such excess coverage is also reinsured. West Des Moines Water Works' coverage is $10,000,000. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Water Works does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at December 31, 2014, no liability has been recorded in the Water Works' financial statements. As of June 30, 2014 settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

NOTE 12 - RISK MANAGEMENT - CONTINUED

The Water Works also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and employee blanket bonds. The Water Works assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - TOWER LEASE AGREEMENTS

The Water Works has entered into agreements with I Wireless, United States Cellular Wireless Communications, Sprint/Nextel, Capital Communications Co. Inc. (WOI-TV), AT & T Wireless, Verizon Wireless, the City of Des Moines and the City of Waukee for the rental of space on four elevated water storage facilities located in the City of West Des Moines. The agreements are for a period of five years with renewal options of five additional five-year terms. The agreements with I Wireless (50th St Tower), U.S. Cellular, Sprint/Nextel and WOI-TV are in their fourth, five-year contract. AT & T and Verizon are in their third, five-year contract. The City of Des Moines, the City of Waukee and I Wireless (88th St Tower) are in their first, five-year contract.

Future minimum rents under these leases at December 31, 2014 are as follows:

Year	Amount
2015	$152,909
2016	157,473
2017	161,924
2018	170,270
2019	172,283

Total rental income for 2014 was $171,864.

NOTE 14 - UNION AGREEMENT

The West Des Moines Water Works entered into an agreement as of January 1, 2013 with the American Federation of State, County and Municipal Employees Council 61 and Local 3673-15 (AFL-CIO). This agreement remained in full force and effect through December 31, 2014. This agreement covers the period from January 1, 2013 through December 31, 2014.

The West Des Moines Water Works entered into an agreement as of January 1, 2015 with the American Federation of State, County and Municipal Employees Council 61 and Local 3673-15 (AFL-CIO). This agreement covers the period from January 1, 2015 through December 31, 2017.

NOTE 15 - COMMITMENTS

The West Des Moines Water Works has entered into construction contracts totaling $2,696,179 at December 31, 2014 and $578,609 at December 31, 2013 for various capital projects. There were $1,706,940 and $507,240 of uncompleted contracts at December 31, 2014 and 2013 respectively.

NOTE 15 - COMMITMENTS - CONTINUED

On January 4, 2012 the EPA awarded a new grant to the Water Works to continue with the monitoring and administration of the aerators. The total budget for January 4, 2012 through December 31, 2015 is $249,872.

NOTE 16 - SUBSEQUENT EVENTS

The Water Works has evaluated all subsequent events through March 31, 2015, the date the financial statements were available.

REQUIRED SUPPLEMENTARY INFORMATION

WEST DES MOINES WATER WORKS

BUDGETARY COMPARISON OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ACTUAL TO BUDGET

Year ended December 31, 2014

	Actual	Budget	Variance Favorable (Unfavorable)
TOTAL REVENUES	$ 13,305,777	$ 12,336,373	$ 969,404
TOTAL EXPENSES	10,298,998	11,271,564	972,566
NET	3,006,779	1,064,809	$ 1,941,970
NET POSITION BEGINNING OF YEAR	61,007,345	60,358,568	
NET POSITION END OF YEAR	$ 64,014,124	$ 61,423,377	

See notes to financial statements.

WEST DES MOINES WATER WORKS

NOTE TO BUDGETARY REPORTING

December 31, 2014

In accordance with the Code of Iowa, the Water Works' Board of Trustees adopts a budget on the accrual basis consistent with U.S. generally accepted accounting principles following required public notice and hearing. The formal and legal level of control is at the total expense level. The Board of Trustees reviews the proposed budget and grants final approval. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

In 2014 there were no budget amendments and disbursements did not exceed the amount budgeted.

WEST DES MOINES WATER WORKS

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

Required Supplementary Information

December 31, 2014

Year End	Actuarial Valuation Date	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2012	Jan 1, 2014	0	$357,098	$357,098	0%	$2,834,606	12.6%
2013	Jan 1, 2014	0	$354,224	$354,224	0%	$2,552,806	13.9%
2014	Jan 1, 2014	0	$341,839	$341,839	0%	$2,663,673	12.8%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES

Year ended December 31, 2014

Series 2012 Water Revenue Bonds: Series 2012 Water Revenue Bonds were issued under Resolutions adopted by the Board of Trustees.

The 2012 Bonds were issued to refund all of the Water Works' outstanding Water Revenue Bonds Series 2004 (the "Refunded Bonds"), and to finance a pumping station and water mains to supply water to the south area of West Des Moines, as well as water main extensions to the west side of West Des Moines.

The proceeds of the original Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Bonds. The Project included: (i) the construction and/or purchase of water supply and distribution facilities and the land for such facilities, (ii) the construction of additional water treatment capacity, (iii) the construction facilities for handling water treatment plant residues, (iv) improvements to the electrical distribution system of the water treatment plant, (v) improvements to the electronic control system of the Water Works and (vi) construction of new and replacement water mains (See Note 4).

The following is a summary of the debt obligations of the West Des Moines Water Works:

	West Des Moines Water Works	
	Series 2012 Water Revenue Bonds	
Maturing December 1	Principal	Interest
2015	$ 695,000	$ 187,050
2016	740,000	166,200
2017	25,000	144,000
2018	25,000	143,250
2019	750,000	142,500
2020	1,000,000	120,000
2021	1,000,000	90,000
2022	1,000,000	60,000
2023	1,000,000	30,000
	$ 6,235,000	$ 1,083,000

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2014

Series 2013 Water Revenue Bonds: Series 2013 Water Revenue Bonds were issued under Resolutions adopted by the Board of Trustees.

The 2013 bonds were issued to refund all of the Water Works' outstanding Water Revenue Bonds Series 2007 (the "Refunded Bonds"), and to finance a pumping station upgrade and water mains on the west side of West Des Moines.

The proceeds of the original Bonds were used to finance certain capital improvements to the System (the "Project") and to pay costs of issuing the Series 2007 Bonds. The Project included: (i) upgrades to the Water Works' water treatment plant and water storage facilities and (ii) construction of a new pumping station.

The following is a summary of the debt obligations of the West Des Moines Water Works:

	West Des Moines Water Works	
	Series 2013 Water Revenue Bonds	
Maturing December 1	Principal	Interest
2015	$ 440,000	$ 104,050
2016	415,000	97,450
2017	1,400,000	91,225
2018	1,780,000	70,225
2019	770,000	43,525
2020	600,000	28,125
2021	675,000	15,525
	$ 6,080,000	$ 450,125

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2014

Proportionate share of Series 2011 Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per Water Treatment Plant Purchased Capacity Master Agreement dated July 23, 1996 (See Note 4).

The following is a summary of the debt obligations to the Des Moines Water Works:

	Des Moines Water Works	
	Series 2011 Water Revenue Refunding Bonds	
Maturing December 1	Principal	Interest
2015	$ 675,951	$ 53,630
2016	703,584	33,351
2017	408,122	12,243
	$ 1,787,657	$ 99,224

WEST DES MOINES WATER WORKS

SCHEDULE OF BOND MATURITIES - CONTINUED

Year ended December 31, 2014

Proportionate share of Series 2012 Water Revenue Refunding Bonds issued by the Des Moines Water Works and payable to the Des Moines Water Works per the Wholesale Water Service Master Agreement signed June 13, 2005 (See Note 4).

	Des Moines Water Works	
	Series 2012 Water Revenue Refunding Bonds	
Maturing December 1	Principal	Interest
2015	$ 202,336	$ 82,614
2016	225,250	76,544
2017	239,426	69,786
2018	248,718	62,604
2019	257,003	55,142
2020	266,782	47,432
2021	274,757	39,429
2022	278,106	31,186
2023	286,595	22,843
2024	294,823	14,245
2025	180,005	5,400
	$ 2,753,801	$ 507,225

STATISTICAL SECTION (UNAUDITED)

WEST DES MOINES WATER WORKS

SCHEDULE OF WATER USAGE BY MONTH

Year ended December 31, 2014

(UNAUDITED)

Month	Accounts with Water Service	Dollar Amount of Water Billings	Gallons of Water Billed	Gallons of Water Pumped
January	23,315	$ 716,865	161,753,720	169,634,000
February	23,399	534,490	120,269,767	150,248,000
March	23,398	539,580	121,076,277	165,508,000
April	23,475	558,405	125,207,348	166,532,000
May	23,623	811,239	179,856,602	203,350,000
June	23,663	781,913	172,531,552	215,323,000
July	23,822	1,189,014	260,960,415	288,815,000
August	23,811	1,206,554	262,802,925	292,429,000
September	23,811	806,623	177,452,550	200,035,000
October	23,898	763,214	171,288,464	177,979,000
November	23,845	497,625	111,780,500	161,510,000
December	23,869	551,546	125,776,754	160,468,000
		$ 8,957,068	1,990,756,874	2,351,831,000
ADD:				
Metered water for City ($0.00)		-	16,729,717	-
Other non-billed water/non-pumped water		-	20,499,632	-
Totals		$ 8,957,068	2,027,986,223	2,351,831,000

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
West Des Moines Water Works

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Des Moines Water Works, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise West Des Moines Water Works' basic financial statements, and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Water Works' operations for the year ended December 31, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Works. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the West Des Moines Water Works during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
March 31, 2015

WEST DES MOINES WATER WORKS

SCHEDULE OF FINDINGS

Year ended December 31, 2014

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

(1) An unmodified opinion was issued on the financial statements.

(2) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.

(3) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: OTHER FINDINGS RELATED TO STATUTORY REPORTING:

(1) Certified Budget - Disbursements during the year ended December 31, 2014, did not exceed the amount budgeted.

(2) Questionable Expenditures - We noted no expenditures that we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

(3) Travel Expenses - No disbursements of West Des Moines Water Works' money for travel expenses of spouses of West Des Moines Water Works' officials or employees were noted.

(4) Business Transactions - No business transactions between the West Des Moines Water Works and West Des Moines Water Works' officials or employees were noted.

(5) Bond Coverage - Surety Bond coverage of West Des Moines Water Works' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure coverage is adequate for current operations.

(6) Board of Trustees Minutes - No transactions were found that we believe should have been approved in the trustee minutes but were not.

(7) Deposits and Investments - The West Des Moines Water Works has adopted a written investment policy as required by Chapter 128.10B of the Code of Iowa.

(8) Revenue Bonds - The Water Works has established the sinking and reserve accounts as required by the water revenue bond resolutions.