CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Independent Auditor's Report, Financial Statements and Supplementary and Other Information as of December 31, 2018 **DATE:** August 5, 2019

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 June 17, 2019 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, 2018 are that total assets and deferred outflows of resources of the Water Works have increased to $99,431,996, total liabilities and deferred inflows of resources have decreased to $22,431,367, and total net position has increased to $77,000,629. The Water Works Operated within its budget, in terms of total receipts and total disbursements during 2018.

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 48 and 49, while the Schedule of Findings is reported on pages 50 and 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 and Other Information as of December 31, 2018.

Lead Staff Member: Pat Mullenbach, Finance Manager and Treasurer, WDMWW

STAFF REVIEWS

Department Director	Christina Murphy, General Manager, WDMWW
Appropriations/Finance	
Legal	
Agenda Acceptance	

PUBLICATION(S) (if applicable)

Published In	
Dates(s) Published	

SUBCOMMITTEE REVIEW (if applicable)

Committee			
Date Reviewed			
Recommendation	Yes	No	Split

Financial Statements
December 31, 2018 and 2017

West Des Moines Water Works

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Name	Title	Term Expires
Brian P. Rickert	Trustee	December 31, 2020
Scott M. Brennan	Trustee	December 31, 2021
Jody E. Smith	Trustee	December 31, 2022
Mary Thomsen	Trustee	December 31, 2023
Gretchen H. Tegeler	Trustee	December 31, 2024

Independent Auditor's Report

To the Board of Trustees
West Des Moines Water Works
West Des Moines, Iowa

Report on the Financial Statements
We have audited the accompanying financial statements of the West Des Moines Water Works (Water Works) as of and for the years ended December 31, 2018 and 2017, and the related notes to the 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 audit. We conducted our audit 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.

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 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Des Moines Water Works as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Notes 1 and 14 to the financial statements, the Water Works has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension,* which has resulted in a restatement of the net position as of January 1, 2018. In accordance with GASB Statement No. 75, the 2017 financial statements have not been restated to reflect this change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information 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 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 Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise the West Des Moines Water Works' financial statements. The listing of officials, budgetary comparison of revenues, expenses, and changes in net position – actual to budget, notes to budgetary reporting, schedule of bond maturities and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule 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 schedule of bond maturities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of officials, budgetary comparison of revenues, expenses, and changes in net position – actual to budget, notes to budgetary reporting, and statistical section 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 May 20, 2019, on our consideration of the Water Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water Works' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Works' internal control over financial reporting and compliance.

Eide Bailly LLP

Dubuque, Iowa
May 20, 2019

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, 2018. 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 West Des Moines Water Works service area is the corporate limits of West Des Moines. The service area has expanded significantly since its governing Board of Trustees was established by election in 1950. 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.

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. Connection fee districts have also been established; developers and other new users are charged a per acre fee to cover core water mains, water towers, pumping stations and other required appurtenances for supplying water to customers.

The water sources for the Water Works are four 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 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 35 full-time employees.

FINANCIAL HIGHLIGHTS

West Des Moines Water Works' net position increased as a result of operations. At December 31, 2018, total assets and deferred outflows of resources were $99,431,996 and total liabilities and deferred inflows of resources were $22,431,367, resulting in net position of $77,000,629.

Operating revenues decreased 3% to $14,826,594 while operating expenses increased 6.8% to $12,011,318. During the year, the Water Works had an operating income of $2,815,276 and an increase in net position of $4,888,095.

The Water Works implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during fiscal year 2018. The beginning net position was restated by $203,935 to retroactively report the decrease in the OPEB liability as of January 1, 2018. OPEB expense for fiscal year 2017 and deferred outflows of resources at December 31, 2017 were not restated because the information needed to restate those amounts was not available.

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, deferred outflows, liabilities, deferred inflows and net position, thereby measuring the Water Works' 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 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*, including a Schedule of Changes in the Total OPEB Liability and Related Ratios, and a Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions.

Summary of Statements of Net Position at Year End

	2018	2017 (not restated)	2016 (not restated)
Current Unrestricted Assets	$ 15,758,657	$ 15,148,009	$ 12,356,678
Current Restricted Assets	5,241,362	5,059,381	5,050,731
Noncurrent Assets	1,334,629	1,333,939	1,729,183
Capital Assets, Net	76,573,164	75,187,077	71,018,455
Deferred Outflows of Resources	524,184	580,304	497,151
Total assets and deferred outflows of resources	$ 99,431,996	$ 97,308,710	$ 90,652,198
Current Liabilities	$ 8,069,124	$ 8,871,493	$ 7,418,973
Noncurrent Liabilities	14,198,683	16,412,440	15,710,987
Deferred Inflows of Resources	163,560	116,178	123,715
Total liabilities and deferred inflows of resources	22,431,367	25,400,111	23,253,675
Net Investment in Capital Assets	62,457,508	58,384,594	55,643,594
Restricted	1,941,743	1,889,918	2,254,982
Unrestricted	12,601,378	11,634,087	9,499,947
Total net position	77,000,629	71,908,599	67,398,523
Total liabilities, deferred inflows of resources, and net position	$ 99,431,996	$ 97,308,710	$ 90,652,198

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

	2018	2017 (not restated)	2016 (not restated)
Water Sales	$ 11,765,152	$ 11,906,135	$ 10,613,491
Connection Fees	1,166,526	1,373,652	680,503
Other Sales and Services	1,894,916	2,002,353	1,738,735
Total operating revenue	14,826,594	15,282,140	13,032,729
Wages	2,927,192	2,865,662	2,741,034
Benefits	1,025,744	994,173	803,894
Purchased Water	1,735,598	1,871,389	1,714,379
Chemicals and Power	1,076,396	1,008,349	885,020
Insurance	138,168	130,414	123,052
Maintenance and Supplies	917,066	497,904	675,232
Depreciation	3,191,663	2,969,150	2,730,172
Other	999,491	914,900	708,356
Total operating expense	12,011,318	11,251,941	10,381,139
Operating income	2,815,276	4,030,199	2,651,590
Interest Income	211,815	104,273	62,764
Rental Income	200,251	223,866	148,383
Interest Expense	(291,064)	(286,846)	(299,761)
Gain on Disposal of Capital Asset	682,485	24,901	17,954
Total non-operating revenues (expenses)	803,487	66,194	(70,660)
Income before capital contributions	3,618,763	4,096,393	2,580,930
Capital Contributions	1,269,332	413,683	698,961
Change in net position	4,888,095	4,510,076	3,279,891
Net Position, Beginning of Year, as restated	72,112,534	67,398,523	64,118,632
Net Position, End of Year	$ 77,000,629	$ 71,908,599	$ 67,398,523

Financial Analysis

Total current assets increased 3.9% primarily due to an increase in accounts receivable.

Total current liabilities decreased 9% primarily due to a decrease in accounts payable, including construction project retainage, and the current portion of long term debt.

Long-term liabilities decreased 13.5% primarily due to a decrease in long term water revenue bond debt which was due to bond principal payments made, decrease in net pension liability and capital loan notes.

Water sales in 2018 decreased 1.2% compared to 2017, due to slightly wetter weather conditions than 2017.

Connection fees decreased 14.8% primarily due to a decrease in Southwest Area Connection District Revenue, a result of less development in this area.

Purchased water expense decreased 7.3% primarily due the wetter weather in 2018, and the ability of West Des Moines Water Works to treat more water due to system upgrades completed in 2017 and 2018.

Chemical and power expenses increased 6.7% due to an overall increase in chemical costs of 7%.

Maintenance and supplies expense increased 84.2% due to planned maintenance.

CAPITAL ASSETS

During 2018, net capital assets increased 1.8%. Projects included water main construction and replacement of unlined cast iron water mains, as well as a water meter replacement program which will eventually switch all water meters to read in one-gallon increments instead of 1,000 gallon increments.

DEBT ADMINISTRATION

At December 31, 2018, the Water Works had $8,633,071 in water revenue bonds outstanding, compared to $10,686,789 at December 31, 2017 as shown below. In addition to the water revenue bonds, Water Works had a State Revolving Fund loan for construction fees totaling $3,001,644 and $ 3,106,846 for a new deep well at December 31, 2018 and 2017, respectively.

Outstanding Debt at Year-End

	2018	2017	2016
Water Revenue Bonds	$ 8,633,071	$ 10,686,789	$ 12,759,337
Capital Loan Notes	3,001,644	3,106,846	133,000
Total	$ 11,634,715	$ 13,793,635	$ 12,892,337

Principal payments on all outstanding debt, were made as scheduled. In 2013, Moody's assigned an Aa2 rating to the Water Revenue Bonds Series 2013, as well as to the outstanding Water Revenue parity debt.

ECOMOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees approved an operating budget with a 10% expense increase for 2019. Revenue and expense estimates for 2019 are conservative. Water rates were increased by 5% for commodity water usage, and 6% for irrigation water usage as of January 1, 2019. Water rates are designed 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 1505 Railroad Avenue, West Des Moines, IA 50265.

Financial Statements
December 31, 2018 and 2017

West Des Moines Water Works

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	2018	2017
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	$ 5,096,940	$ 6,656,871
Investments	9,266,631	7,177,696
Accounts receivable	1,011,871	917,749
Inventories	225,796	264,338
Unexpired insurance	67,100	71,068
Accrued interest receivable	90,319	60,287
	15,758,657	15,148,009
Restricted Assets - Current		
Cash	2,685,278	2,430,365
Investments	1,408,500	1,408,500
Accounts receivable for City of West Des Moines	1,126,582	1,203,265
Accounts receivable - customer deposits	21,002	17,251
	5,241,362	5,059,381
Total current assets	21,000,019	20,207,390
Noncurrent Assets		
Investments	1,000,000	1,000,000
Deposit - Water Revenue Bond Fund	334,629	333,939
Total noncurrent assets	1,334,629	1,333,939
Capital Assets		
Land	914,866	620,768
Building and structures	27,531,969	28,003,737
Machinery and equipment	12,487,066	12,280,178
Mains and hydrants - constructed by Water Works	35,884,954	34,108,609
Mains and hydrants - constructed by developers	25,869,306	24,599,974
Wells	7,899,971	7,879,137
Meters	5,910,283	5,379,203
Treatment plant capacity- Des Moines Water Works	10,619,125	10,619,125
Construction in progress	1,360,368	1,109,911
	128,477,908	124,600,642
Less accumulated depreciation	(51,904,744)	(49,413,565)
Net capital assets	76,573,164	75,187,077
Total Assets	98,907,812	96,728,406
Deferred Outflows of Resources		
Pension related deferred outflows	524,184	580,304
Total assets and deferred outflows of resources	$ 99,431,996	$ 97,308,710

See Notes to Financial Statements

	2018	2017
Current Liabilities		
Accounts payable	$ 1,073,272	$ 1,647,820
Accounts payable - construction retainage	29,680	182,849
Accrued payroll	127,442	126,927
Accrued vacation	213,030	194,784
Accrued sick leave	145,869	147,052
Accrued sales tax and water excise tax	51,015	54,800
Accrued interest payable	20,505	23,024
Customer deposits	673,448	663,889
Revenue bonds	1,777,003	2,053,718
Capital loan notes	146,000	143,000
	4,257,264	5,237,863
Payable from restricted assets		
Payable to City of West Des Moines	3,811,860	3,633,630
Total current liabilities	8,069,124	8,871,493
Noncurrent Liabilities		
Unearned revenue	1,497,329	1,537,797
Deposit - shared water tower	246,781	238,702
Revenue bonds	7,071,269	8,891,569
Capital loan notes	2,855,644	2,963,846
Accrued sick leave	66,299	65,248
Other post employment benefits	99,664	297,698
Net pension liability	2,361,697	2,417,580
Total noncurrent liabilities	14,198,683	16,412,440
Total Liabilities	22,267,807	25,283,933
Deferred Inflows of Resources		
Pension related deferred inflows	161,520	116,178
OPEB related deferred inflows	2,040	-
Total deferred inflows	163,560	116,178
Total liabilities and deferred inflows of resources	22,431,367	25,400,111
Net Position		
Net investment in capital assets	62,457,508	58,384,594
Restricted for debt service	1,941,743	1,889,918
Unrestricted	12,601,378	11,634,087
Total net position	77,000,629	71,908,599
Total liabilities, deferred inflows and net position	$ 99,431,996	$ 97,308,710

West Des Moines Water Works

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenues		
Sale of water	$ 11,765,152	$ 11,906,135
Basic service charge	1,337,630	1,308,964
Connection fees	1,166,526	1,373,652
Labor charges	92,088	140,071
Sanitary sewer service collection fees	54,881	54,260
Solid waste service collection fees	76,146	49,214
Stormwater service collection fees	49,835	75,084
Late and non-payment charges	94,073	107,492
Sale of materials	104,382	195,223
Shared water tower revenue	40,468	40,468
Miscellaneous	45,413	31,577
Total operating revenues	14,826,594	15,282,140
Operating Expenses		
Salaries	2,927,192	2,865,662
Retirement and employee benefits	1,025,744	994,173
Utilities	581,061	554,212
Chemicals	495,335	454,137
Purchased water	1,735,598	1,871,389
Maintenance	854,112	442,031
Lime residuals removal	138,693	178,708
Operation permit and water quality testing fees	20,576	13,490
Professional and consulting fees	326,879	155,971
Insurance	138,168	130,414
Supplies	62,954	55,873
Postage	83,347	84,283
Printing	41,922	43,020
Legal publications, memberships	38,535	47,022
Data processing	140,741	100,312
Bad debts	5,090	1,627
Lock box charges	42,146	43,622
Communications	18,393	22,321
Depreciation	3,191,663	2,969,150
Cost of material sold	71,916	123,795
Economic development expense	-	50,000
Miscellaneous	71,253	50,729
Total operating expenses	12,011,318	11,251,941
Operating income	2,815,276	4,030,199

	2018	2017
Non-operating Revenues (Expenses)		
Interest revenue	$ 211,815	$ 104,273
Rental	200,251	223,866
Gain on disposal of capital asset	682,485	24,901
Interest expense	(291,064)	(286,846)
Total nonoperating revenue (expense)	803,487	66,194
Income before capital contributions	3,618,763	4,096,393
Capital Contributions	1,269,332	413,683
Change in Net Position, as restated	4,888,095	4,510,076
Net Position at Beginning of Year	72,112,534	67,398,523
Net Position at End of Year	$ 77,000,629	$ 71,908,599

West Des Moines Water Works
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from customers	$ 14,843,946	$ 15,093,969
Cash payments for goods and services	(5,977,666)	(4,886,222)
Cash payments to employees	(2,908,430)	(2,819,609)
Net cash provided by operating activities	5,957,850	7,388,138
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(4,270,572)	(6,063,303)
Proceeds from sale of assets	1,200,498	-
Deposits-shared water tower	8,080	6,511
Principal payments on revenue bonds	(2,053,718)	(2,072,548)
Principal receipts on government loan	37,798	2,973,846
Principal paid on government loan	(143,000)	-
Water revenue bond fund deposit	(690)	395,243
Interest paid	(334,363)	(355,940)
Net cash used by capital and financing activities	(5,555,967)	(5,116,191)
Cash Flows from Investing Activities		
Interest received	181,783	92,768
Certificate of deposits redeemed	6,500,000	6,000,000
Rental income	200,251	223,866
Purchase of investments	(5,088,935)	(1,556,034)
Certificate of deposits purchased	(3,500,000)	(6,500,000)
Net cash used by investing activities	(1,706,901)	(1,739,400)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,305,018)	532,547
Cash and Cash Equivalents Beginning of Year	9,087,236	8,554,689
Cash and Cash Equivalents End of Year	$ 7,782,218	$ 9,087,236

	2018	2017
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 2,815,276	$ 4,030,199
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,191,663	2,969,150
Decrease (increase) in assets		
Accounts receivable	(21,192)	(131,187)
Inventory	38,542	(56,986)
Unexpired insurance	3,968	(11,722)
Increase (decrease) in liabilities		
Customer deposits	9,559	21,059
Accounts payable	57,645	476,140
Accrued payroll	515	34,958
Accrued vacation	18,246	8
Accrued sick leave	(132)	(24,725)
Other post employment benefits	(198,034)	14,523
Net pension liability and related deferred outflows and deferred inflows of resources	45,579	64,376
Accrued sales tax and water excise tax	(3,785)	2,345
Total adjustments	3,142,574	3,357,939
Net Cash Provided by Operating Activities	5,957,850	7,388,138
Schedule of Noncash Capital and Related Financing		
Contributions of water mains from contractors for construction and equipment contributions	$ 1,269,332	$ 413,683
Construction in progress directly financed with accounts payable and retainage payables	$ 785,362	$ 1,212,552

Note 1 - Summary of Significant Accounting Policies

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.

Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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.

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.

Investments

The cash balances of the Water Works are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are valued at amortized cost.

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 statement.

Inventories

Inventories of materials and supplies are valued at the lower of cost (average cost) or market.

Capital Assets

Capital assets, which include property, equipment and vehicles, infrastructure, and intangibles, are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Water Works as assets with an initial, individual cost in excess of $500 and estimated useful lives in excess of two years. Capital assets of the Water Works are depreciated/amortized using the straight-line method over estimated useful lives of five to fifty years.

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.

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.

Net Position

Net position represents the difference between assets, deferred outflows of resources, 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 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.

OPEB

For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Water Work's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Pensions

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

Deferred 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. Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet credited to pension expense.

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.

Accounting Adoptions

As of January 1, 2018, the Water Work's adopted GASB Statement No. 75, *Accounting and Financial Report for Other Postemployment Benefits Other Than Pensions.* The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and requires governments calculate and report costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the total OPEB liability and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 14 and the additional disclosures required by this standard is included in Note 7.

Note 2 - Cash, Cash Equivalents and Investments

The West Des Moines Water Works' deposits in financial institutions as of December 31, 2018 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.

The West Des Moines Water Works' cash, cash equivalents and investments are as follows:

	2018	2017
Cash Deposits	$ 7,778,720	$ 9,084,618
Petty Cash	3,498	2,618
Iowa Public Agency Investment Trust	7,175,131	2,086,196
Certificates of Deposit	4,500,000	7,500,000
Total Cash and Investments	$ 19,457,349	$ 18,673,432
Cash and Investments on Financial Statements		
Current cash	$ 5,096,940	$ 6,656,871
Current investments	9,266,631	7,177,696
Current restricted cash	2,685,278	2,430,365
Current restricted investments	1,408,500	1,408,500
Noncurrent investments	1,000,000	1,000,000
Total Cash and Investments on Financial Statements	$ 19,457,349	$ 18,673,432

At December 31, 2018 and 2017, the Water Works had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of $7,175,131 and $2,086,196, respectively, pursuant to rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The Water Work's investment in IPAIT is unrated.

The Iowa Public Agency Investment Trust is a common law trust established under Iowa Code law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

The West Des Moines Water Works had no investments meeting the disclosure requirement of Government Accounting Standards Board 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 investments. 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 Works' 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 requirement for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

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 in IPAIT is unrated.

Note 3 - Capital Assets

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

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
Capital Assets Not Being Depreciated				
Land	$ 620,768	$ 294,098	$ -	$ 914,866
Construction in progress	1,109,911	3,199,335	(2,948,878)	1,360,368
Total capital assets not being depreciated	1,730,679	3,493,433	(2,948,878)	2,275,234
Capital Assets Being Depreciated				
Buildings and structures	28,003,737	360,473	(832,241)	27,531,969
Machinery and equipment	12,280,178	530,740	(323,852)	12,487,066
Mains and hydrants	34,108,609	1,776,345	-	35,884,954
Mains and hydrants - developers	24,599,974	1,269,332	-	25,869,306
Wells	7,879,137	20,834	-	7,899,971
Meters in service	5,379,203	603,490	(72,410)	5,910,283
DMWW plant capacity	10,619,125	-	-	10,619,125
Total capital assets being depreciated	122,869,963	4,561,214	(1,228,503)	126,202,674
Less Accumulated Depreciation for				
Buildings and structures	10,947,314	560,312	(304,222)	11,203,404
Machinery and equipment	9,661,851	608,268	(323,852)	9,946,267
Mains and hydrants	9,342,563	695,279	-	10,037,842
Mains and hydrants - developers	10,218,298	501,396	-	10,719,694
Wells	2,878,213	217,708	-	3,095,921
Meters in service	1,835,709	343,221	(72,410)	2,106,520
DMWW plant capacity	4,529,617	265,479	-	4,795,096
Total accumulated depreciation	49,413,565	3,191,663	(700,484)	51,904,744
Total capital assets being depreciated, net	73,456,398	1,369,551	(528,019)	74,297,930
Net capital assets	$75,187,077	$ 4,862,984	$(3,476,897)	$76,573,164

Capital assets activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Increases	Decreases	Balance December 31, 2017
Capital Assets Not Being Depreciated				
Land	$ 620,768	$ -	$ -	$ 620,768
Construction in progress	995,431	3,847,811	(3,733,331)	1,109,911
Total capital assets not being depreciated	1,616,199	3,847,811	(3,733,331)	1,730,679
Capital Assets Being Depreciated				
Buildings and structures	28,033,066	-	(29,329)	28,003,737
Machinery and equipment	11,421,761	993,731	(135,314)	12,280,178
Mains and hydrants	32,550,665	1,557,944	-	34,108,609
Mains and hydrants - developers	24,186,291	413,683	-	24,599,974
Wells	4,495,373	3,383,764	-	7,879,137
Meters in service	4,736,443	703,499	(60,739)	5,379,203
DMWW plant capacity	10,619,125	-	-	10,619,125
Total capital assets being depreciated	116,042,724	7,052,621	(225,382)	122,869,963
Less Accumulated Depreciation for				
Buildings and structures	10,357,303	590,011	-	10,947,314
Machinery and equipment	9,266,232	530,933	(135,314)	9,661,851
Mains and hydrants	8,682,563	660,000	-	9,342,563
Mains and hydrants - developers	9,736,152	482,146	-	10,218,298
Wells	2,737,265	140,948	-	2,878,213
Meters in service	1,596,815	299,633	(60,739)	1,835,709
DMWW plant capacity	4,264,138	265,479	-	4,529,617
Total accumulated depreciation	46,640,468	2,969,150	(196,053)	49,413,565
Total capital assets being depreciated, net	69,402,256	4,083,471	(29,329)	73,456,398
Net capital assets	$71,018,455	$ 7,931,282	$ (3,762,660)	$75,187,077

Note 4 - Long Term Liabilities

A summary of the changes in long-term liabilities for the year ended December 31, 2018 is as follows:

	Balance January 1, 2018, as restated	Increases	Decreases	Balance December 31, 2018	Due Within One Year
Water Revenue Bonds	$ 10,686,789	$ -	$ (2,053,718)	$ 8,633,071	$ 1,777,003
Bond Premium	258,498	-	(43,297)	215,201	-
Capital Loan Notes	3,106,846	37,798	(143,000)	3,001,644	146,000
Vacation Liability	194,784	213,030	(194,784)	213,030	213,030
Sick Pay Liability	212,300	-	(132)	212,168	145,869
Total OPEB Liability	93,763	5,901	-	99,664	-
Net Pension Liability	2,417,580	-	(55,883)	2,361,697	-
Total	$ 16,970,560	$ 256,729	$ (2,490,814)	$ 14,736,475	$ 2,281,902

A summary of the changes in long-term liabilities for the year ended December 31, 2017 is as follows:

	Balance January 1, 2017	Increases	Decreases	Balance December 31, 2017	Due Within One Year
Water Revenue Bonds	$ 12,759,337	$ -	$ (2,072,548)	$ 10,686,789	$ 2,053,718
Bond Premium	327,592	-	(69,094)	258,498	-
Capital Loan Notes	133,000	2,973,846	-	3,106,846	143,000
Vacation Liability	194,776	194,784	(194,776)	194,784	194,784
Sick Pay Liability	237,025	-	(24,725)	212,300	147,052
Total OPEB Liability	283,175	14,523	-	297,698	-
Net Pension Liability	2,262,514	155,066	-	2,417,580	-
Total	$ 16,197,419	$ 3,338,219	$ (2,361,143)	$ 17,174,495	$ 2,538,554

Purchase of Water Treatment Plant Capacity

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 Revenues Bonds Series 2004B, which have now been replaced by the Refunding Water Revenues Bonds Series 2011. The remaining balance on the bonds is $-0- as of December 31, 2018.

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. The remaining balance on the bonds is $1,838,071 as of December 31, 2018.

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.

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 total principal and interest remaining to be paid on the bonds and capital loan notes is $12,967,067. For the current year, principal and interest paid and total customer net receipts were $2,531,081 and $6,006,939.

The required amount to be deposited in the Sinking Fund for the bonds 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, 2018 and 2017 is $220,031 and $168,206, 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, 2018 and 2017 is at the maximum of $1,408,500 and $1,408,500, respectively.

Details of the revenue bonds payable at December 31, 2018 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2018
Series 2012	10/23/12	3.0%	12/01/23	$25,000-$1,000,000	$7,570,000	$ 4,750,000
Series 2013	12/02/13	1.5 - 2.3 %	12/01/21	$600,000-$1,780,000	6,515,000	2,045,000
Series 2012 (DMWW)	10/30/12	3.0%	12/01/25	$180,005-$294,823	3,132,119	1,838,071
						$ 8,633,071

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2018 is as follows:

Year Ending Dec. 31	Principal	Interest	Total
2019	$ 1,777,003	$ 241,167	$ 2,018,170
2020	1,866,782	195,557	2,062,339
2021	1,949,757	144,954	2,094,711
2022	1,278,106	91,186	1,369,292
2023	1,286,595	52,843	1,339,438
2024-2025	474,828	19,645	494,473
Totals	$ 8,633,071	$ 745,352	$ 9,378,423

Details of the revenue bonds payable at December 31, 2017 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2017
Series 2012	10/23/12	3.0%	12/01/23	$25,000-$1,000,000	$7,570,000	$ 4,775,000
Series 2013	12/02/13	1.5 - 2.3 %	12/01/21	$435,000-$1,780,000	6,515,000	3,825,000
Series 2012 (DMWW)	10/30/12	3.0%	12/01/25	$180,005-$294,823	3,132,119	2,086,789
						$ 10,686,789

A summary of the annual revenue bonds principal and interest requirements to maturity as of December 31, 2017 is as follows:

Year Ending Dec. 31	Principal	Interest	Total
2018	$ 2,053,718	$ 276,079	$ 2,329,797
2019	1,777,003	241,167	2,018,170
2020	1,866,782	195,557	2,062,339
2021	1,949,757	144,954	2,094,711
2022	1,278,106	91,186	1,369,292
2023-2025	1,761,423	72,488	1,833,911
Totals	$ 10,686,789	$ 1,021,431	$ 11,708,220

Capital Loan Notes

Revenue capital loans notes have been issued for the planning and construction of water capital projects through the State of Iowa Revolving Loan Funds. The Water Works pledged income derived from the acquired or constructed assets to pay debt service.

Details of the capital loan notes at December 31, 2018 are as follows:

	Date of Issue	Interest Rate	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding Dec. 31, 2018
2016 Capital Loan Note	02/10/17	2.00%	06/01/37	$143,000-$209,000	$3,144,644	$ 3,001,644

A summary of the annual capital loan note principal and interest requirements to maturity as of December 31, 2018 is as follows:

Year Ending Dec. 31	Principal	Interest	Total
2019	146,000	57,068	203,068
2020	149,000	54,486	203,486
2021	152,000	51,852	203,852
2022	155,000	49,166	204,166
2023	158,000	46,428	204,428
2024-2028	838,000	189,143	1,027,143
2029-2033	927,000	111,993	1,038,993
2034-2037	476,644	26,864	503,508
Totals	$ 3,001,644	$ 587,000	$ 3,588,644

Note 5 - Restricted Assets

The West Des Moines Water Works' restricted assets are composed of customer deposits, deposits on bond issuance, and collection 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 Benefits

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). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9177, Des Moines, Iowa 50306-9117 or at **www.ipers.org**.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. 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 early-retirement reductions. 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 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% 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 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 benefits 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

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 percentage 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.

Pursuant to the required rate, regular members contributed 5.95% of pay and the Water Works contributed 8.93% for a total rate of 14.88% from January 1, 2017 to June 30, 2018. Regular members contributed 6.29% of pay and the Water Works contributed 9.44% for a total rate of 15.73% from July 1, 2018 to December 31, 2018.

The Water Works contributions' to IPERS for the year ended December 31, 2018 and 2017 were $258,619 and $244,858, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018 and 2017, the Water Works reported a liability of $2,361,697 and $2,417,580 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, 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 IPERS participating employers. At June 30, 2018, the Water Works' collective proportion was 0.0373320%, which was an increase of 0.0010270% from its proportion measured as of June 30, 2017 of 0.0362931%.

For the year ended December 31, 2018 and 2017, the Water Works recognized pension expense of $304,185 and $309,248 respectively. At December 31, 2018 and 2017, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 12,949	$ 53,378
Change of Assumptions	336,911	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	64,892
Changes in Proportion and Differences Between Water Works Contributions and Proportionate Share of Contributions	42,962	43,250
Water Works Contributions Subsequent to the Measurement Date	131,362	-
Total	$ 524,184	$ 161,520

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 22,210	$ 20,946
Change of Assumptions	420,064	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	25,251
Changes in Proportion and Differences Between Water Works Contributions and Proportionate Share of Contributions	14,795	69,981
Water Works Contributions Subsequent to the Measurement Date	123,235	-
Total	$ 580,304	$ 116,178

Deferred outflows of resources of $131,362 related to pensions resulting from the Water Works contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended	2018	2017
December 31, 2018	na	$ 35,317
December 31, 2019	$ 148,199	164,992
December 31, 2020	80,428	98,698
December 31, 2021	(7,907)	12,257
December 31, 2022	9,771	29,627
December 31, 2023	811	-
	$ 231,302	$ 340,891

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the December 31, 2018 and 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2018)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investments rate of return (effective June 30, 2017)	7.0%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% annum based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2014 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements modeled using Scale MP-2017.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22%	6.01%
International Equity	15.0	6.48
Global Smart Beta Equity	3.0	6.23
Core Plus Fixed Income	27.0	1.97
Public Credit	3.5	3.93
Public Real Assets	7.0	2.91
Cash	1.0	(0.25)
Private Equity	11.0	10.81
Private Real Assets	7.5	4.14
Private Credit	3.0	3.11
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Water Works will be made at contractually required rates, actuarially determined. 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 benefits payments to determine the total pension liability.

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 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% lower (6.0%) or 1% higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Water Works' Proportionate Share of the Net Pension Liability at June 30, 2018	$ 4,008,275	$ 2,361,697	$ 980,463

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 is available on IPERS website at www.ipers.org.

Payable to the Pension Plan

At December 31, 2018 and 2017, the Water Works had no payables to the defined benefit pension plan for legally required employer contributions or legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 7 - Other Postemployment Benefits

Plan Description

The Water Works operates a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses and dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. 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. The healthcare benefit plans are self-insured and are administered by a third party.

OPEB Benefits

Individuals who are employed by the Water Works and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay 102% of the full active employee premium rates. This results in an implicit subsidy and an OPEB liability. 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.

Retired participants must be age 55 or older at retirement. At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employess or beneficiaries currently reciving benefit payments	1
Active employees	32
Total	33

Total OPEB Liability

The Water Work's total OPEB liability of $99,664 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective December 31, 2018)	2.75% per annum
Rates of salary increases (effective December 31, 2018)	3.00% per annum, including inflation
Discount rate (effective December 31, 2018)	3.96% compounded annually, including inflation
Healthcare cost trend rate (effective December 31, 2018)	6.00% per annum

Discount Rate

The discount rate used to measure the total OPEB liability was 3.96% which reflects the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuitant distinct mortality table 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.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB
Total OPEB Liability Beginning of Year, as Restated	$ 93,763
Changes for the year:	
Service cost	5,387
Interest	3,909
Recognition of Deferred Inflows/Outflows	(2,230)
Benefits	(1,165)
Total OPEB Liability End of Year	$ 99,664

Sensitivity of the Water Work's 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 Work's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.96%) or 1% higher (4.96%) than the current discount rate.

	1% Decrease 2.96%	Discount Rate 3.96%	1% Increase 4.96%
Total OPEB Liability	$ 108,730	$ 99,664	$ 91,427

Sensitivity of the Water Work's Total OPEB liability to Changes in the Healthcare Cost Rate

	1% Decrease 5.00%	Discount Rate 6.00%	1% Increase 7.00%
Total OPEB Liability	$ 88,154	$ 99,664	$ 113,203

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Water Works recognized OPEB expense of $9,106. At December 31, 2018, the Water Works reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,040

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

For year ending December 31:	Amount
2019	$ (190)
2020	(190)
2021	(190)
2022	(190)
2023	(190)
Thereafter	(1,090)
	$ (2,040)

Note 8 - Intergovernmental Agreements

On May 14, 1993 the Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) when 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 benefits 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 coordinate 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 the 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 unearned revenues 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 May 15, 2015 Water Works entered into an intergovernmental agreement (Chapter 28E of the Code of Iowa) with the City of West Des Moines and the Board of Water Works Trustees of City of Des Moines. The agreement details the responsibilities for design, construction, maintenance and operation of an Aquifer Storage and Recovery well and supporting infrastructure to serve current and future development within the South Area of West Des Moines. This agreement shall terminate on March 31, 2045, the termination date of the Wholesale Water Service Master Agreement. If the term of the Wholesale Water Service Master Agreement is at any time or from time to time extended beyond March 31, 2045, then the term of the Agreement shall be extended automatically. From June 15th through September 15th of each year when the ASR facility is presumed to be in production mode, it is understood that West Des Moines Water Works' consumption of up to 3.0 MGD in the South Pressure Zone will be considered a "Regional Capacity Credit" and as such, shall be excluded for purposes of calculating "Consumption Above Purchased Capacity" as defined in Section 18 and 19 of the Wholesale Water Service Master Agreement.

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. The retail value of water provided to the City in 2018 and 2017 were $107,063 and $126,776 respectively.

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 to 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 2017-18 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 9 - 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 cash transactions for the years-ended:

	2018	2017
Received from the City of West Des Moines		
Sanitary sewer service collection fees	$ 54,881	$ 54,260
Solid waste service collection fees	49,835	49,214
Stormwater service collection fees	76,146	75,084
Payments to the City of West Des Moines		
Sanitary sewer service	10,058,877	9,635,592
Solid waste service	1,915,714	1,880,031
Sewer availability fee	845,048	808,219
Stormwater services	2,582,514	2,383,216
Health and dental insurance premiums	509,878	513,731
General insurance premiums	136,286	144,191
Projects (WMR, Cricket Pitch, Intersection Improv)	-	148,254
Gasoline	34,325	24,855
Utilities	11,963	11,729
Miscellaneous	10,477	2,476
Donations collected	5,634	5,719
Janitorial services	15,412	16,720
Information services	12,000	12,000
Economic development	-	50,000
SW Area Grand Prairie Pkwy Main Extension Project	319,296	-
Convert Ball Fields to Lake Water Irrigation Project	89,100	-
Grand Ave Main Replacement Delevan to Wolf Way Project	1,400	-
29th & Woodland Project	450	-
98th St Improvement Project	81,653	-
PCC Reconstruction Project	32,895	-
Grand Ave Phase VI Project	57,232	-
Amounts Receivable for the City of West Des Moines		
Sanitary sewer charges	696,755	808,142
Sewer availability fees	139,442	142,456
Stormwater management fees	60,513	62,681
Solid waste charges	229,872	189,986

	2018	2017
Amounts Payable to the City of West Des Moines		
Sanitary sewer charges	$ 2,366,222	$ 2,350,330
Sewer availability fees	218,223	208,779
Stormwater management fees	720,315	600,568
Solid waste charges	506,360	473,502
Donations to Human Services	740	451
Project participation	695,848	1,029,703

Note 10 - 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 775 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.

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 of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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, reinsurance premiums, losses, and loss expenses for property risks estimated for the fiscal 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 contribution to the Pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Water Works' contribution to the Pool for the year ended December 31, 2018 and 2017 were $96,689 and $96,791 respectively.

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 $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Water Works' risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Water Works' risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Water Works does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at December 31, 2018 and 2017, no liability has been recorded in the Water Works financial statements. As of December 31, 2018, settled claims have not exceeded the risk pool or reinsurance 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 11 - Tower Lease Agreements

The Water Works has entered into agreements with T-Mobile, United States Cellular Wireless Communications, Sprint / Nextel, Nexstar (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 are as follows: T-Mobile (50th St Tower), U.S. Cellular, Sprint/Nextel and Nexstar are in their fifth, five-year contract. AT & T and Verizon are in their fourth, five-year contract. The City of Des Moines and the City of Waukee are in their second, five-year contract. T-Mobile (88th St & 98th St Towers) is in their first, five-year contract.

Future minimum rents under these leases at December 31, 2018 are as follows:

Years	Amount
2019	$ 212,235
2020	215,590
2021	220,846
2022	229,422
2023	241,552

Total rental income for 2018 and 2017 were $200,251 and $223,866, respectively.

Note 12 - Commitments

The West Des Moines Water Works has entered into construction contracts totaling $9,719,351 at December 31, 2018 and $1,560,393 at December 31, 2017 for various capital projects. There were $9,372,134 and $424,318 of uncompleted contracts at December 31, 2018 and 2017 respectively.

Note 13 - Subsequent Events

The Water Works has evaluated all subsequent events through May 20, 2019, the date the financial statements were available.

Note 14 - Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Net Position
Net Position December 31, 2017	$ 71,908,599
Total OPEB Obligation Measured Under Previous Standards	297,698
Total OPEB Liability at December 31, 2017	(93,763)
Net Position January 1, 2018, as Restated	$ 72,112,534

Disclosures in Note 7 relating to OPEB have been updated to reflect the changes under GASB Statement No. 75. Previous disclosures related to the OPEB liability reported in 2017 were not included.

Required Supplementary Information
December 31, 2018 and 2017

West Des Moines Water Works

Schedule of Water Works' Proportionate Share of the Net Pension Liability and Schedule of Water Works Contributions to the Iowa Public Employees' Retirement System
Last Five Fiscal Years Ended December 31, 2018 and 2017

Fiscal Year Ended	Water Works' proportionate share of the net pension liability (asset)	Water Works' proportion of the net pension liability (asset)	Water Works' covered payroll	Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.0373320%	$ 2,361,697	$ 2,851,030	82.84%	83.62%
2017	0.0362931%	2,417,580	2,694,284	89.73%	82.21%
2016	0.0359511%	2,262,514	2,579,981	87.69%	81.82%
2015	0.0376786%	1,861,503	2,581,323	72.11%	85.19%
2014	0.0393635%	1,561,119	2,575,777	60.61%	87.61%

The amounts presented for each fiscal year were determined as of June 30 of the fiscal year.

See accompanying notes to required supplementary information

Note: GASB Statement No. 68 requires ten years to be presented in this table. However, until a full 10-year trend is compiled, the Water Works will present information for those years for which information is available.

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Water Works' Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	$ 258,619	$ 258,619	$ -	$ 2,815,667	9.18%
2017	244,858	244,858	-	2,741,971	8.93%
2016	237,955	237,955	-	2,664,671	8.93%
2015	228,449	228,449	-	2,558,217	8.93%
2014	232,431	232,431	-	2,602,820	8.93%
2013	220,607	220,607	-	2,506,754	8.80%
2012	217,361	217,361	-	2,599,482	8.36%
2011	193,853	193,853	-	2,566,242	7.55%
2010	172,667	172,667	-	2,534,032	6.81%
2009	158,571	158,571	-	2,436,337	6.51%

Changes of benefits terms

Legislation passed in 2010 modified benefits terms for current 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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Changes of assumptions

The 2018 valuation implemented the following refinements after a demographic assumption study:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of a quadrennial experience study:

- 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 long-term rate of return assumption from 7.50% to 7.00%
- Decreased the wage growth and payroll growth assumption from 4.00% to 3.25%

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

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

Year	Service cost	Interest cost	Difference between expected and actual	Changes in assumptions	Benefit payments	Net change in total OPEB liability	Total OPEB liability beginning of year, as restated	Total OPEB liability end of year	Covered employee payroll	Total OPEB liability as a % of covered-employee payroll
2018	$ 5,387	$ 3,909	$ (2,230)	$ -	$ (1,165)	$ 5,901	$ 93,763	$ 99,664	$ 2,849,482	3.50%

Notes to Schedule of Changes in the Water Works Total OPEB Liability and Related Ratios

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

There were no significant changes in assumptions.

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the Water Works will present information for the years for which information is available.

Supplementary Information
December 31, 2018

West Des Moines Water Works

	Actual	Budget	Variance Positive (Negative)
Total Revenues	$ 17,190,477	$ 14,444,752	$ 2,745,725
Total Expenses	12,302,382	12,546,380	243,998
Net	4,888,095	1,898,372	$ 2,989,723
Net Position Beginning of the Year, as Restated	72,112,534	70,729,533	
Net Position End of Year	$ 77,000,629	$ 72,627,905	

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 grant final approval. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

In 2018 there were no budget amendments and disbursements did not exceed the amount budgeted.

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
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
	$ 4,750,000	$ 442,500

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 obligation of the West Des Moines Water Works:

	West Des Moines Water Works	
	Series 2012 Water Revenue Bonds	
Maturing December 1	Principal	Interest
2019	$ 770,000	$ 43,525
2020	600,000	28,125
2021	675,000	15,525
	$ 2,045,000	$ 87,175

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).

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

	West Des Moines Water Works	
	Series 2012 Water Revenue Refunding Bonds	
Maturing December 1	Principal	Interest
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
	$ 1,838,071	$ 215,677

Series 2016 Water Revenue Capital Loan Notes were issued under Resolutions adopted by the Board of Trustees.

The 2016 Water Revenue Capital Loan Notes were issued to finance certain capital improvements to the System (the "Project"). The project includes specific construction activities designed to provide safe drinking water.

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

	West Des Moines Water Works	
	Series 2016 Water Revenue Capital Loan Notes	
Maturing June 1	Principal	Interest
2019	$ 146,000	$ 57,068
2020	149,000	54,486
2021	152,000	51,852
2022	155,000	49,166
2023	158,000	46,428
2024	161,000	43,637
2025	164,000	40,793
2026	168,000	37,888
2027	171,000	34,922
2028	174,000	31,903
2029	178,000	28,823
2030	182,000	25,673
2031	185,000	22,461
2032	189,000	19,189
2033	193,000	15,847
2034	196,000	12,443
2035	200,000	8,978
2036	80,644	5,443
	$ 3,001,644	$ 587,000

Statistical Section
(Unaudited)
December 31, 2018 and 2017

West Des Moines Water Works

West Des Moines Water Works

Schedule of Water Usage by Month (Unaudited)

Year Ended December 31, 2018

Month	Accounts With Water Service	Dollar Amount of Water Billings	Gallons of Water Billed	Gallons of Water Pumped
January	25,426	$ 657,718	135,036,113	172,079,000
February	25,462	657,161	135,747,705	152,562,000
March	25,492	714,402	146,762,126	166,828,000
April	25,525	667,349	136,361,126	174,965,000
May	25,589	788,592	158,771,021	234,798,000
June	25,633	1,428,003	274,914,624	274,749,000
July	25,692	1,441,966	273,274,270	380,428,000
August	25,747	2,141,579	399,266,715	366,384,000
September	25,793	1,109,564	213,540,354	222,780,000
October	25,832	811,818	160,450,981	171,103,000
November	25,874	703,726	144,866,665	155,419,000
December	25,914	643,273	128,789,937	160,266,000
		11,765,151	2,307,781,637	2,632,361,000
SUBTRACT:				
WDM Customers on DM Main			(1,039,243)	
ADD:				
Metered water for City ($0.00)			20,067,151	
Metered Water for WW			473,000	
Main Breaks			1,323,340	
Water Main Construction			2,579,437	
Flushing & Other Misc.			10,838,860	
Fire Hydrant Bleeders			83,550	
Public Works			575,200	
Fire Department			506,100	
Totals		$ 11,765,151	2,343,189,032	2,632,361,000

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
West Des Moines, Iowa

We have audited, 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, the financial statements of the West Des Moines Water Works (Water Works) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Water Works' basic financial statements, and have issued our report thereon dated May 20, 2019.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a material weakness.

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

Comments involving statutory and other legal matters about the Water Works' operations for the year ended December 31, 2018, 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.

Water Works' Response to the Finding
West Des Moines Water Works' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. West Des Moines Water Works' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Eide Bailly LLP

Dubuque, Iowa
May 20, 2019

Part I: Findings Related to the Financial Statements:

MATERIAL WEAKNESS

2018-001 **Segregation of Duties**

Criteria – Properly designed segregation of duties allow entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. The Water Works has a limited number of people having responsibility for certain accounting and financial duties.

Cause/Effect – With a limited number of office employees, segregation of duties is difficult. As a result, some of those aspects of internal control which rely upon an adequate segregation of duties are missing and misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – The Water Works should develop standard journal entry forms which document initiation and review/authorization along with similar procedures for reconciling of monthly bank accounts.

Response – The Water Works is aware of the situation and will try to segregate duties as much as possible when assigning duties.

Part II: Other Findings Related to Statutory Reporting:

2018-IA-A **Certified Budget** – Expenses during the year ended December 31, 2018, did not exceed the amount budgeted.

2018-IA-B **Questionable Expenditures** - We noted no expenditures that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2018-IA-C **Travel Expense** - No expenditures of Water Work's money for travel expenses of spouses or Water Work's officials or employees were noted.

2018-IA-D **Business Transactions** - No business transactions between the Water Works and its officials or employees were noted.

2018-IA-E **Bond Coverage** - Surety bond coverage of Water Works officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

2018-IA-F **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.

2018-IA-G **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Water Work's investment policy were noted.

2018-IA-H **Revenue Notes** – No instances of non-compliance with the revenue note provisions were noted.