

COUNCIL BLUFFS CITY WATER WORKS
FINANCIAL STATEMENTS
DECEMBER 31, 2023 and 2022
(With Independent Auditor's Report Thereon)

CONTENTS

	Page
OFFICIALS	
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-4
FINANCIAL STATEMENTS	
Statements of net position	5
Statements of revenues, expenses and changes in net position	6
Statements of cash flows	7
Notes to financial statements	8-19
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the Water Works' proportionate share of the net pension liability	20
Schedule of Water Works' contributions	21-22
Notes to required supplementary information – pension liability	23
OTHER INFORMATION	
Budgetary comparison schedule of revenues, expenditures, and changes in balances – budget and actual	24
Notes to budgetary comparison schedule of revenues, expenditures and changes in balances – budget and actual	25
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 <i>GOVERNMENT AUDITING STANDARDS</i>	26-27
SCHEDULE OF FINDINGS	28

COUNCIL BLUFFS CITY WATER WORKS

OFFICIALS

Board of Trustees

Caitlin A. Beresford	Chairperson	June 30, 2024
Martin L. Brooks	Member	June 30, 2025
Keith R. Jones	Member	June 30, 2027
Glennay V. Jundt	Member	June 30, 2028
Patrick A. Miller	Member	June 30, 2028

Water Works' Officials

Brian T. Cady	CEO & General Manager	Indefinite
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Council Bluffs City Water Works
Council Bluffs, Iowa

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Council Bluffs City Water Works, Council Bluffs, Iowa (Water Works) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Council Bluffs City Water Works' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Council Bluffs City Water Works as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Council Bluffs City Water Works ability to continue as a going concern for the period January 1, 2024, through December 31, 2024.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 1 through 4), Schedule of the Utility's Proportionate Share of the Net Pension Liability (page 20) and the Schedule of the Utility's Contributions (pages 21 through 22) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Budgetary Comparison Schedule on page 24 has 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 it.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2024 on our consideration of the Council Bluffs City Water Works internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council Bluffs City Water Works internal control over financial reporting and compliance.

Hamilton Associates, P.C.

Council Bluffs, Iowa
May 16, 2024

**Council Bluffs Water Works
Council Bluffs, Iowa**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calendar Year Ending December 31, 2023

Council Bluffs Water Works provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the calendar year ending December 31, 2023. We encourage readers to consider this information in conjunction with our financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ The Water Works' operating revenues increased 9.75% or \$1,465,543 from calendar year 2022 to 2023.
- ◆ The Water Works' operating expenses increased by 12.51% or \$1,545,383, from calendar year 2022 to 2023.
- ◆ The Water Works' net position increased 26.76% or \$18,983,534, from December 31, 2022 to December 31, 2023.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Water Works financial activities.

Financial Statements consist of Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These provide information about the activities of the Council Bluffs Water Works as a whole and present an overall view of the Water Works finances.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the net pension liability and IPERS contributions.

Other Information further explains and supports the financial statement with a comparison of the Water Works' budget for the year.

**Council Bluffs Water Works
Council Bluffs, Iowa**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calendar Year Ending December 31, 2023

FINANCIAL ANALYSIS

Statements of Net Position

The statements of net position present the assets, liabilities, and net position of the Water Works, as of the end of the calendar year. The purpose of this statement is to present a summary of the Water Works to the readers of the financial statements. The statements of net position include year-end information concerning current assets and liabilities, and net position (assets less liabilities). Readers of the financial statements are able to determine the Water Works financial position by analyzing the increases and decreases in fund equity. This statement is a good source for readers to determine how much the Water Works owes to outside vendors and creditors. The statement presents the available assets that can be used to satisfy those liabilities.

The largest portion of the Water Works' net position 88.4% is the investment in capital assets (building and structures, furniture and fixtures, tools and equipment, distribution system, meters, and automotive equipment), less the related debt. The restricted portion of the net position 0.4% includes resources that are subject to restrictions. The remaining net position 11.2% is the unrestricted position that can be used to meet the Water Works' obligations as they come due.

Statements of Net Position December 31, 2023 and 2022		
	<u>2023</u>	<u>2022</u>
Current assets	\$ 14,391,075	\$ 12,534,155
Restricted assets	1,822,146	2,104,384
Capital assets	<u>101,635,672</u>	<u>86,494,622</u>
Total assets	<u>\$ 117,848,893</u>	<u>\$ 101,133,161</u>
Deferred outflows of resources	<u>\$ 408,413</u>	<u>\$ 217,787</u>
Current liabilities (payable from current assets)	\$ 3,815,374	\$ 3,758,714
Current liabilities (payable from restricted assets)	1,676,705	1,803,266
Revenue bonds payable	19,960,668	21,948,000
Other liabilities	<u>2,754,080</u>	<u>2,674,126</u>
Total liabilities	<u>\$ 28,206,827</u>	<u>\$ 30,184,106</u>
Deferred inflows of resources	<u>\$ 122,472</u>	<u>\$ 222,369</u>
Net investment in capital assets	\$ 79,507,900	\$ 62,472,977
Restricted	315,447	664,354
Unrestricted	<u>10,104,660</u>	<u>7,807,142</u>
Total net position	<u>\$ 89,928,007</u>	<u>\$ 70,944,473</u>

**Council Bluffs Water Works
Council Bluffs, Iowa**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calendar Year Ending December 31, 2023

Statement of Revenues and Expenses

The Statement of Revenues and Expenses reflects a positive with an increase in the net assets at the end of the calendar year.

In calendar year 2023, operating revenues increased by \$1,465,543 or 9.8%, due primarily to a 4.95% increase in average gallons-per-day consumption and an average 6.3% rate increase for 2023.

A summary of revenues and expenses for the years ending December 31, 2023 and 2022 is presented below:

Statements of Revenues and Expenses		
December 31, 2023 and 2022		
	<u>2023</u>	<u>2022</u>
Operating revenues		
Metered water sales	\$ 15,519,572	\$ 13,958,527
Rental	178,609	174,536
Other	800,267	899,842
Total operating revenues	\$ 16,498,448	\$ 15,032,905
Operating expenses		
Facilities and grounds	\$ 1,134,240	\$ 954,481
Inventory adjustment	(19,438)	(43,927)
Purification	3,186,257	2,528,390
Distribution and meter	1,824,370	1,694,081
Customer accounting	752,813	678,174
Administration and general	2,814,393	2,800,279
Pension and social security	338,606	169,392
Depreciation	3,867,209	3,572,197
Total operating expenses	\$ 13,898,450	\$ 12,353,067
Nonoperating revenues (expenses)		
Interest on investments	\$ 592,594	\$ 230,722
Interest expense	(502,716)	(539,465)
Loss on disposal of equipment	(17)	(9)
Nonoperating revenues, net	\$ 89,861	\$ (308,752)
Change in net position	\$ 2,689,859	\$ 2,371,086

**Council Bluffs Water Works
Council Bluffs, Iowa**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calendar Year Ending December 31, 2023

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities include metered water sales, miscellaneous water sales, penalty charges, and service charges. Cash used from capital and related financing activities includes: principal payment of revenue bonds, interest paid on revenue bonds, interest paid on consumer deposits, additions to property, plant, and equipment, and contributions-in-aid of construction. Cash used by investing activities includes interest income.

CAPITAL ASSETS

At December 31, 2023 the Water Works had \$101,635,672 invested in capital assets, net of accumulated depreciation of \$76,775,220. Depreciation expense totaled \$3,867,209 for calendar year 2023. More detailed information about the Water Works' capital assets is presented in Note 4 to the financial statements.

LONG-TERM DEBT

At December 31, 2023, the Water Works had \$24,132,003 debt outstanding. See Note 5 to the financial statements for more information.

ECONOMIC FACTORS

Council Bluffs Water Works continued to support development throughout the community to improve its financial position during the current calendar year.

Facilities and the distribution system operated by Water Works require constant maintenance and upkeep.

Chemical cost, electricity, maintenance of mains and services, and health insurance continue to place pressure on the Water Works resources.

Continued growth in the community requires the Water Works to invest in new infrastructure to meet the growing demands of the community.

Vulnerability and security improvement of our system will be an ongoing process.

CONTACTING THE COUNCIL BLUFFS WATER WORKS FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Water Works finances and operating activities. If you have any questions or require additional information please contact the General Manager, 2000 North 25th Street, PO Box 309, Council Bluffs, Iowa 51502.

FINANCIAL STATEMENTS

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF NET POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
CURRENT ASSETS		
Cash (Note 2)	\$ 9,639,684	\$ 8,115,918
Inventory	2,011,884	1,736,130
Receivables:		
Consumer accounts	1,793,078	1,597,485
Unbilled revenues	<u>474,553</u>	<u>429,034</u>
Total receivables	\$ 2,267,631	\$ 2,026,519
Prepaid expense	<u>471,876</u>	<u>655,588</u>
Total current assets	\$ 14,391,075	\$ 12,534,155
RESTRICTED ASSETS (Note 3)	1,822,146	2,104,384
PROPERTY, PLANT AND EQUIPMENT, NET (Note 4)	<u>101,635,672</u>	<u>86,494,622</u>
Total assets	<u>\$ 117,848,893</u>	<u>\$ 101,133,161</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows (Note 9)	<u>\$ 408,413</u>	<u>\$ 217,787</u>
LIABILITIES		
CURRENT LIABILITIES (payable from current assets):		
Accounts payable	\$ 322,119	\$ 398,977
Accrued wages and payroll taxes	63,056	67,436
Accrued compensated absences	243,570	305,980
Accrued interest payable	35,631	38,864
Construction costs payable	92,007	56,376
Retainage payable	18,096	18,269
Due to City of Council Bluffs	983,895	873,812
Current portion of long term debt (Note 5)	<u>2,057,000</u>	<u>1,999,000</u>
Total current liabilities (payable from current assets)	\$ 3,815,374	\$ 3,758,714
CURRENT LIABILITIES (payable from restricted assets):		
Consumer deposits	\$ 879,000	\$ 842,825
Plant expansion and main extension escrow deposits	487,575	664,040
Accrued interest on consumer deposits	<u>310,130</u>	<u>296,401</u>
Total current liabilities (payable from restricted assets)	\$ 1,676,705	\$ 1,803,266
LONG TERM DEBT (Note 5)	<u>\$ 19,960,668</u>	<u>\$ 21,948,000</u>
OTHER LIABILITIES		
Deferred revenue (Note 6)	\$ 1,191,520	\$ 1,218,600
Net pension liability (Note 9)	<u>1,562,560</u>	<u>1,455,526</u>
Total other liabilities	\$ 2,754,080	\$ 2,674,126
Total liabilities	<u>\$ 28,206,827</u>	<u>\$ 30,184,106</u>
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows (Note 9)	<u>\$ 122,472</u>	<u>\$ 222,369</u>
NET POSITION		
Net investment in capital assets	\$ 79,507,900	\$ 62,472,977
Restricted	315,447	664,354
Unrestricted	<u>10,104,660</u>	<u>7,807,142</u>
Total net position	<u>\$ 89,928,007</u>	<u>\$ 70,944,473</u>

See Notes to Financial Statements

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Metered water sales	\$ 15,519,572	\$ 13,958,527
Rental	178,609	174,536
Other	800,267	899,842
	<hr/>	<hr/>
Total operating revenues	\$ 16,498,448	\$ 15,032,905
	<hr/>	<hr/>
OPERATING EXPENSES		
Facilities and grounds	\$ 1,134,240	\$ 954,481
Inventory adjustment	(19,438)	(43,927)
Purification	3,186,257	2,528,390
Distribution and meter	1,824,370	1,694,081
Customer accounting	752,813	678,174
Administration and general	2,814,393	2,800,279
Pension and Social Security	338,606	169,392
Depreciation	3,867,209	3,572,197
	<hr/>	<hr/>
Total operating expenses	\$ 13,898,450	\$ 12,353,067
	<hr/>	<hr/>
Operating income	\$ 2,599,998	\$ 2,679,838
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES)		
Interest on investments	\$ 592,594	\$ 230,722
Interest expense	(502,716)	(539,465)
Loss on disposal of equipment	(17)	(9)
	<hr/>	<hr/>
Nonoperating revenues, net	\$ 89,861	\$ (308,752)
	<hr/>	<hr/>
Change in net position	\$ 2,689,859	\$ 2,371,086
	<hr/>	<hr/>
NET POSITION - BEGINNING	\$ 70,944,473	\$ 68,146,984
	<hr/>	<hr/>
Contributions in aid of construction (Note 7)	16,293,675	426,403
	<hr/>	<hr/>
NET POSITION - END OF YEAR	\$ 89,928,007	\$ 70,944,473
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See Notes to Financial Statements

COUNCIL BLUFFS CITY WATER WORKS

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 15,278,460	\$ 14,112,473
Cash received from other revenues	951,796	1,047,298
Cash paid to suppliers for goods and services	(6,656,795)	(5,961,619)
Cash paid to employees and on their behalf	(3,757,450)	(3,549,334)
(Payments) receipts for City sewer services net of collections	110,083	146,971
Net cash provided by operating activities:	<u>\$ 5,926,094</u>	<u>\$ 5,795,789</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment of long-term debt	\$ (1,999,000)	\$ (1,940,000)
Long-term debt issued	69,668	-
Interest paid on long-term debt	(463,953)	(501,443)
Interest paid on consumer deposits	(28,267)	(34,179)
Additions to property, plant, and equipment	(18,972,818)	(2,595,777)
Plant expansion and main extension escrow deposits	(176,465)	(376,997)
Contributions-in-aid of construction	16,293,675	426,403
Net cash provided by (used in) capital and related financing activities	<u>\$ (5,277,160)</u>	<u>\$ (5,021,993)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	592,594	230,722
Net cash provided by investing activities	<u>\$ 592,594</u>	<u>\$ 230,722</u>
NET INCREASE (DECREASE) IN CASH	\$ 1,241,528	\$ 1,004,518
CASH - BEGINNING OF YEAR	10,220,302	9,215,784
CASH - END OF YEAR	<u>\$ 11,461,830</u>	<u>\$ 10,220,302</u>
RECONCILIATION TO BALANCE SHEETS		
Cash	\$ 9,639,684	\$ 8,115,918
Cash included in restricted assets	1,822,146	2,104,384
	<u>\$ 11,461,830</u>	<u>\$ 10,220,302</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 2,599,998	\$ 2,679,838
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	3,867,209	3,572,197
Changes in assets and liabilities:		
(Increase) Decrease in inventory	(275,754)	(251,634)
(Increase) Decrease in receivables	(241,112)	153,946
(Increase) Decrease in prepaid insurance	183,712	(149,428)
(Increase) Decrease in deferred outflows of resources	(190,626)	6,029
Increase (Decrease) in accounts payable	(76,858)	199,680
Increase (Decrease) in salaries payable	(4,380)	7,027
Increase (Decrease) in accrued compensated absences	(62,410)	(3,780)
Increase (Decrease) in due to City of Council Bluffs	110,083	146,971
Increase (Decrease) in deferred revenue	(27,080)	(27,080)
Increase (Decrease) in net pension liability	107,034	1,404,326
Increase (Decrease) in consumer deposits	36,175	4,190
Increase (Decrease) in deferred inflows of resources	(99,897)	(1,734,071)
Net cash provided by operating activities	<u>\$ 5,926,094</u>	<u>\$ 6,008,211</u>

See Notes to Financial Statements

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies

The Council Bluffs City Water Works ("Water Works") is a related organization to the City of Council Bluffs, Iowa ("City") and is not included in the City's financial statements. The Mayor, with City Council concurrence, appoints individuals to the Water Works' Board of Trustees. The Water Works' Board of Trustees maintains oversight responsibility and, therefore, is responsible for selection of management personnel and all financial matters. The authority to adopt the annual budget, to incur debt and to fix rates and charges is vested in the Board of Trustees. The Water Works is exempt from state and Federal income taxes. The Water Works' financial statements are prepared on the accrual basis of accounting.

Reporting Entity:

For financial reporting purposes, the Water Works has included all funds, organizations, agencies, boards, commissions, and authorities. The Water Works has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Water Works are such that exclusion would cause the Water Works' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and 1) the ability of the Water Works to impose its will on that organization or 2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Water Works. The Water Works has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation:

The accounts of the Water Works are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Statement of Net Position presents the Water Works assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted – Use of net position is externally imposed.

Unrestricted – The portion of net position that is not in restricted or net of investment in capital assets.

Measurement Focus and Basis of Accounting:

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting - Continued:

Water Works distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Water Works' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of estimates:

In preparing the accompanying financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Water Works considers all highly liquid instruments with a maturity date of three months or less when purchased to be cash equivalents.

Consumer Accounts Receivable:

The consumer accounts receivable balance includes an assessment for sewer fees, which the Water Works bills on behalf of the City. A corresponding liability represents the amount of consumer accounts receivable that will be remitted to the City upon collection.

Revenues:

Metered water sales include amounts billed to customers on a monthly and bimonthly cycle basis and unbilled amounts based on estimated usage from the latest meter reading to the end of the accounting period.

Valuation of Inventories:

Inventories are valued at the lower of cost (average cost method) or market.

Contributions-in-Aid of Construction and Contributed Capital:

Contributions of cash by governments, customers or developers are maintained by the Water Works as restricted assets and restricted liabilities until expended. When expended the contributor's costs of construction are recorded as property, plant and equipment and contributed capital. Further, a contribution may be in the form of a completed project in which the contributor's costs of construction is recorded directly into the property, plant and equipment and contributed capital accounts. Depreciation expense recognized on these assets is charged to contributed capital.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies - Continued

Property, Plant and Equipment:

Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method based on estimated useful lives.

Maintenance and repair of property, plant and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of property, plant and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

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.

Accrued Compensated Absences:

Accrued compensated absences represent vacation time, which has been earned by employees in the current year to be used in subsequent years. Sick leave does not vest and, therefore, is not accrued.

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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources represent the difference between projected and actual earnings on pension plan investments.

Subsequent Events:

Subsequent events have been evaluated through May 16, 2024, which is the date the financial statements were available to be issued.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

2. Cash and Short-Term Investments

Below is a summary of the deposit and investment portfolios that comprise cash and investments on the December 31, 2023 balance sheet including restricted cash and cash equivalents and investments:

Deposits:

At December 31, 2023, deposits consisted of demand deposits and certificates of deposits and had the following balances:

Book Balance	\$ 11,460,030
Bank Balance	\$ 11,880,221

Of the total deposits, \$250,000 was covered by federal depository insurance and \$11,630,221 was covered by pledged securities that are being held in the pledging bank's trust department in the Board's name in the form of a joint safekeeping receipt.

3. Restricted Assets

Restricted assets represent funds set aside for payment of bonds, proceeds from bond issues to be used for capital improvements, or contributions of cash by governments, customers, or developers for costs of construction. These contributions are reflected as restricted assets until expended. Details of the accounts comprising restricted assets as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Consumer deposit fund cash	\$ 1,212,433	\$ 1,128,272
Plant expansion deposit	292,143	675,307
Main extension deposit	317,570	300,805
	<u>\$ 1,822,146</u>	<u>\$ 2,104,384</u>

4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2023 and 2022 consisted of the following:

<u>Description</u>	<u>Useful Life in</u> <u>Years</u>	<u>2023</u>	<u>2022</u>
Land	-	\$ 3,500,307	\$ 3,500,307
Building and Structures	20 - 50	38,783,596	37,983,648
Water Distribution System	20 - 75	94,928,403	93,082,915
Meters	25 - 40	2,554,398	2,417,221
Tools and Equipment	3 - 20	34,087,994	18,637,697
Automobiles and Trucks	5	2,331,277	2,113,594
Office Equipment	15	104,985	104,985
Work in Progress	-	2,119,932	1,655,803
		<u>\$ 178,410,892</u>	<u>\$ 159,496,170</u>
Less Accumulated Depreciation		<u>(76,775,220)</u>	<u>(73,001,548)</u>
		<u>\$ 101,635,672</u>	<u>\$ 86,494,622</u>

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

5. Revenue Bonds

In 2010, the Water Works executed the final \$25 million of its \$35.353 million Water Revenue Bonds for construction of a second water treatment facility. The Water Revenue Bonds originally bore interest at 3.00% due in 2040. In 2019, \$7,416,000 of these bonds were refinanced at an interest rate of 1.75%. In 2020 the remaining original balance of \$17,205,000 was also refinanced at an interest rate of 1.75%. The Iowa Finance Authority also charges an annual service fee of 0.25%. As of December 31, 2013, the Water Works had drawn down the \$35,353,000.

In 2015, the Water Works issued Water Revenue Bonds in the amount of \$1,200,000 for the purchase of land adjacent to their treatment plant to protect existing wells from potential contamination by farming practices and industries wanting to locate on adjacent property. The bonds are non-interest bearing, and are due in 2034. The Iowa Finance Authority charges an annual service fee of 0.25%.

In 2018, the Water Works issued Water Revenue Bonds in the amount of \$5,025,000 for the construction of a West Broadway transmission water main project. The Water Revenue Bonds bear interest at 1.75% due in 2039. The Iowa Finance Authority also charges an annual service fee of 0.25%. As of December 31, 2023, the Water Works had drawn down \$5,025,000.

In 2023, the Water Works issued Water Revenue Bonds in the amount of 1,503,400 to roll into the construction bond once all funds have been drawn. As of December 31, 2023, Water Works has drawn down \$69,668. This bond is non-interest bearing with no service fee until all funds have been drawn, and is due in 2026.

All of the bonds require that the Water Works produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the Revenue Bond falling due in the same year. The Water Works was in compliance with this requirement for the years ended December 31, 2023 and 2022.

Principal and interest requirements to maturity on revenue bonds outstanding at December 31, 2023 are as follows:

	Principal	Interest	Total Requirements
2024	\$ 2,057,000	\$ 361,130	\$ 2,418,130
2025	2,190,668	326,183	2,516,851
2026	2,185,000	293,808	2,478,808
2027	2,250,000	252,928	2,502,928
2028	2,320,000	214,585	2,534,585
2029-2033	7,710,000	516,355	8,226,355
2034-2038	2,533,000	142,958	2,675,958
2039-2040	772,000	6,388	778,388
	<u>\$ 22,017,668</u>	<u>\$ 2,114,335</u>	<u>\$ 24,132,003</u>

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

6. Deferred Revenue

In 2017, the Water Works signed an agreement that provided the buyer an exclusive communications easement and non-exclusive access and utility easement for 50 years. In 2018, the Water Works received \$1,354,000 for a 50-year communications easement. Revenue of \$27,080 will be recognized ratably each year over the 50-year agreement period. The deferred revenue balances as of 2023 and 2022, respectively, of \$1,191,520 and \$1,218,600 represent remaining cash received that has not yet been recognized.

7. Contributions-in-Aid of Construction and Contributed Capital

The following is a schedule of contributions of cash by governments and customers or developers:

	Other Governments	Customers and Developers	Total
Balances at January 1, 2022	\$ 1,652,969	\$ 21,248,607	\$ 22,901,576
Contributions-in-aid of construction	-	426,404	426,404
Transfers – Depreciation of contributed property, plant and equipment	<u>(140,058)</u>	<u>(913,935)</u>	<u>(1,053,993)</u>
Balances at December 31, 2022	\$ 1,512,911	\$ 20,761,076	\$ 22,273,987
Contributions-in-aid of construction	54,625	16,239,050	16,293,675
Transfers – Depreciation of contributed property, plant and equipment	<u>(126,247)</u>	<u>(1,435,182)</u>	<u>(1,561,429)</u>
Balances at December 31, 2023	<u>\$ 1,441,289</u>	<u>\$ 35,564,944</u>	<u>\$ 37,006,233</u>

8. Risk Management

The Water Works is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Water Works carries commercial insurance for all risks of loss, including errors and omissions, destruction of assets and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Water Works participates in a partially self-funding benefit plan for its employees' health insurance. The plan is administered by a third party, which estimates the Water Works maximum annual exposure to be \$429,550. The Water Works contributes funds monthly to a separate bank account to supplement the employee's deductible. The balance in this account as of December 31, 2023 and 2022 was \$104,365 and \$32,659, respectively.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

9. Pension Plan

Plan Description:

IPERS membership is mandatory for employees of the Water Works, except for those covered by another retirement system. 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 9117, 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 an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

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

Disability and Death Benefits:

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

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

9. Pension Plan – Continued

Contributions:

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

In the year ending December 31, 2023, pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Water Works contributed 9.44 percent for a total rate of 15.73 percent.

The Water Works' total contributions to IPERS for the year ended December 31, 2023 and 2022 were \$292,806 and \$276,452, respectively.

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

At December 31, 2023 and 2022, the Water Works reported a liability of \$1,562,560 and \$1,455,526, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2023, the Water Works' collective proportion was (.033864) percent which was a decrease of .002808 percent from its proportion measured as of June 30, 2022. At June 30, 2022, the Water Works' collective proportion was (.036672) percent which was an increase of .021841 percent from its proportion measured as of June 30, 2021.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

9. Pension Plan – Continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued:

For the year ended December 31, 2023 and 2022, the Water Works recognized pension expense of \$107,084 and (\$46,648), respectively. The Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at December 31:

\$142,042 reported as deferred outflows of resources related to pensions resulting from the Water Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2023, will be recognized in pension expense as follows:

	2023		2022	
	Deferred	Deferred	Deferred	Deferred
	Outflows of Resources	Inflows of Resources	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$ 132,195	\$ 6,423	\$ 62,789	\$ 19,938
Changes of assumptions	-	25	1,234	35
Net difference between projected and actual earnings on pension plan investments	144,713	-	-	155,810
Changes in proportion and differences between Water Works contributions and proportionate share of contributions	(10,537)	116,024	10,963	46,586
Water Works' contributions subsequent to the measurement date	142,042		142,801	-
	<u>\$ 408,413</u>	<u>\$ 122,472</u>	<u>\$ 217,787</u>	<u>\$ 222,369</u>

Year Ended
December 31,

2024	\$ (47,632)
2025	(126,606)
2026	341,941
2027	58,710
2028	8,424
Total	<u>234,837</u>

There were no non-employer contributing entities at IPERS.

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

9. Pension Plan – Continued

Actuarial Assumptions:

The total pension liability in the June 30, 2023 and June 30, 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60 percent per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25 percent, average, including inflation Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 percent, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25 percent per annum based on 2.60 percent inflation and .65 percent real wage inflation.

The actuarial assumptions used in the June 30, 2023 and June 30, 2022 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2023 and 2022 valuations were based on the Pub2010 General Employees Mortality Tables, projected generationally using Scale MP-2021.

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	21.0%	8.03%
International equity	16.5	3.08
Global smart beta equity	5.0	3.66
Core plus fixed income	19.0	(0.84)
Public credit	3.0	1.77
Cash	1.0	2.76
Private equity	17.0	1.6
Private real assets	9.5	-2.88
Private credit	8.0	1.85
Total	100%	

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

9. Pension Plan – Continued

Discount Rate:

The discount rate used to measure the total pension liability was 7 percent for 2023 and 2022. 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 benefit 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 recorded at December 31, 2023 using the discount rate of 7.0 percent, as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	1% Decrease	Discount Rate	1% Increase
Water Works' proportionate share of the net pension liability - 2023	\$ 3,322,370	\$ 1,562,560	\$ 87,827

The following presents the Water Works' proportionate share of the net pension liability recorded at December 31, 2022 using the discount rate of 7.0 percent, as well as what the Water Works' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point 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 - 2022	\$ 2,711,834	\$ 1,455,526	\$ 348,388

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

9. Pension Plan – Continued

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.

Payables to the Pension Plan:

At December 31, 2023, the Water Works reported payables to the defined benefit pension plan of \$6,329 for legally required employer contributions and \$4,217 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS. At December 31, 2022, the Water Works reported payables to the defined benefit pension plan of \$5,923 for legally required employer contributions and \$3,660 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

10. Commitments

As of December 31, 2023, the Water Works had construction contracts in progress with remaining future commitments totaling \$5,634,751.

REQUIRED SUPPLEMENTARY INFORMATION

COUNCIL BLUFFS CITY WATER WORKS

SCHEDULE OF THE WATER WORKS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Iowa Public Employee's Retirement System
Last Year*, ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Water Works' proportion of the net pension liability (asset)	0.033864%	0.0366717%	-0.0148305%	0.0372398%	0.0380176%	0.0374052%	0.0369811%	0.0373848%	0.0405283%
Water Works' proportionate share of the net pension liability	1,562,560	1,455,526	51,200	2,615,997	2,201,471	2,367,093	2,463,408	2,352,748	1,607,315
Water Works' covered-employee payroll	3,102,960	2,928,520	3,011,382	3,068,838	2,983,267	2,811,350	2,760,458	2,682,875	2,595,093
Water Works' proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.36%	49.70%	1.70%	85.24%	73.79%	84.20%	89.24%	87.70%	61.94%
Plan fiduciary net position as a percentage of the total pension liability	90.13%	91.40%	100.81%	82.90%	85.45%	83.62%	82.21%	87.82%	87.61%

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

See accompanying independent auditor's report

Note: GASB Statement No.68 requires 10 years of information 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.

COUNCIL BLUFFS CITY WATER WORKS

SCHEDULE OF WATER WORKS' CONTRIBUTIONS

Iowa Public Employee's Retirement System
Last Ten Calendar Years, ending December 31
(In Thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contributions	\$ 293	\$ 276	\$ 284	\$ 290
Contributions in relation to the statutorily required contribution	<u>(293)</u>	<u>(276)</u>	<u>(284)</u>	<u>(290)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Water Works' covered-employee payroll	3,102	2,929	3,011	\$ 3,068
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.44%	9.44%

See accompanying independent auditor's report

COUNCIL BLUFFS CITY WATER WORKS

SCHEDULE OF WATER WORKS' CONTRIBUTIONS

Iowa Public Employee's Retirement System
Last Ten Calendar Years, ending December 31
(In Thousands)

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 275	\$ 262	\$ 249	\$ 243	\$ 235	\$ 234
<u>(275)</u>	<u>(262)</u>	<u>(249)</u>	<u>(243)</u>	<u>(235)</u>	<u>(234)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,912	\$ 2,857	\$ 2,788	\$ 2,720	\$ 2,628	\$ 2,620
9.44%	9.17%	8.93%	8.93%	8.94%	8.93%

COUNCIL BLUFFS CITY WATER WORKS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year ended December 31, 2023

1. Changes of benefit terms

There are no significant changes in benefit terms.

2. Changes of assumptions

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018.

- Changed mortality assumption 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 an experience study dated March 24, 2017:

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

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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.

OTHER INFORMATION

COUNCIL BLUFFS CITY WATER WORKS

**BUDGETARY COMPARISON SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN BALANCES – BUDGET AND ACTUAL**

Year ended December 31, 2023

	2023 Actual	2023 Budget	Budget Variance Favorable (Unfavorable)
Operating revenues:			
Metered water sales	\$ 15,519,572	\$ 14,400,000	\$ 1,119,572
Rental	178,609	150,000	28,609
Other	800,267	705,000	95,267
	<u>\$ 16,498,448</u>	<u>\$ 15,255,000</u>	<u>\$ 1,243,448</u>
Operating expenses:			
Facilities and grounds	\$ 1,134,240	\$ 1,062,000	\$ (72,240)
Inventory adjustment	(19,438)	5,000	24,438
Purification	3,186,257	3,019,000	(167,257)
Distribution and meter	1,824,370	1,770,000	(54,370)
Customer accounting	752,813	650,000	(102,813)
Administration and general	2,814,393	3,056,000	241,607
Pension and Social Security	338,606	470,000	131,394
Total operating expenses	<u>\$ 10,031,241</u>	<u>\$ 10,032,000</u>	<u>\$ 759</u>
Operating income	<u>\$ 6,467,207</u>	<u>\$ 5,223,000</u>	<u>\$ 1,244,207</u>
Nonoperating revenues (expenses):			
Interest on investments	\$ 592,594	\$ 120,100	\$ 472,494
Interest expense	(502,716)	(505,100)	2,384
Loss on disposal of equipment	(17)	(5,000)	4,983
Nonoperating revenues, net	<u>\$ 89,861</u>	<u>\$ (390,000)</u>	<u>\$ 479,861</u>
Surplus (Deficit) from Operations	\$ 6,557,068	\$ 4,833,000	\$ 1,724,068
Debt Service	(1,999,000)	(2,403,500)	404,500
Capital Outlay	(3,059,398)	(5,065,000)	2,005,602
Surplus (Deficit)	<u>\$ 1,498,670</u>	<u>\$ (2,635,500)</u>	<u>\$ 4,134,170</u>
Reconciliation to statement of revenues and expenses:			
Budget Basis Deficit	\$ 1,498,670		
Debt Service	1,999,000		
Capital Outlay	3,059,398		
Depreciation and Amortization	(3,867,209)		
Excess of revenues over expenses	<u>\$ 2,689,859</u>		

COUNCIL BLUFFS CITY WATER WORKS

**BUDGETARY COMPARISON SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN BALANCES – BUDGET AND ACTUAL**

Year ended December 31, 2023

1. Budgetary reporting

In accordance with the Code of Iowa, the Water Works' Board of Trustees adopts a budget following required public notice and hearing. The budget is adopted on a budget basis which consists of accrual basis revenues and expenditures plus cash outlay for debt service and capital improvements and cash receipts of bond proceeds. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. In 2023, there were no budget amendments and total expenses did not exceed the amount budgeted.

**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"**

The Board of Trustees
Council Bluffs City Water Works
Council Bluffs, Iowa

We have audited the financial statements of the Council Bluffs City Water Works as of and for the year ended December 31, 2023 and have issued our report thereon dated May 16, 2024. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Council Bluffs City Water Works' internal control over financial reporting (internal control) as a basis for designing 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 Council Bluffs City Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of Council Bluffs City 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council Bluffs City Water Works' financial statements are free of 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 financial statements. 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, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Works. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Hamilton Associates, P.C.

Council Bluffs, Iowa
May 16, 2024

COUNCIL BLUFFS CITY WATER WORKS

SCHEDULE OF FINDINGS

Year ended December 31, 2023

I. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None reported

II. OTHER FINDINGS RELATED TO STATUTORY REPORTING

II-A-20 Certified Budget – We compared the Water Works disbursements for the 12 months ended December 31, 2023 with the published budget and found that disbursements did not exceed the amounts budgeted.

II-B-20 Questionable Disbursements – No disbursements that we believe may not meet the requirements of public purpose as defined in an attorney general's opinion dated April 25, 1979 were noted.

II-C-20 Travel Expense – No expenditures of funds for travel expenses of spouses of Water Works' officials or employees were noted.

II-D-20 Business Transactions – During the course of our audit of Water Works as of December 31, 2023, we looked at many records substantiating disbursements. We noted no business transactions between the Water Works and Water Works' officials or employees.

II-E-20 Bond Coverage – We reviewed the statutory provisions for surety bond coverage of Water Works' officials and employees. The City of Council Bluffs has an ordinance allowing the City to set bonding requirements for the Water Works. Resolution 83-475 sets the amount of surety bond coverage for board members at \$500 annually. Water Works maintains public officials' liability insurance, which sufficiently meets bond coverage requirements.

II-F-20 Board Minutes – We noted no transactions that we believe should have been approved in the Board minutes but were not.

II-G-20 Deposits and Investments – Chapter 12C of the Code of Iowa requires that public bodies approve the financial institutions and maximum amounts that may be kept on deposit in each approved depository. The Water Works has an approved depository resolution and at December 31, 2023, deposits did not exceed the maximum amount approved for deposit in one financial institution.

II-H-20 Revenue Notes – No instances of non-compliance with the revenue bond and note requirements were noted.