

**MARSHALLTOWN WATER WORKS**

**Independent Auditors' Reports  
Basic Financial Statements and  
Supplementary Information  
Schedule of Findings**

**June 30, 2022 and 2021**

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# MARSHALLTOWN WATER WORKS

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# MARSHALLTOWN WATER WORKS

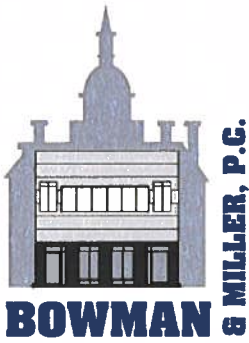
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# MARSHALLTOWN WATER WORKS

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Laura Eilers	Trustee – Chairperson	May 1, 2024
Jerry Young	Trustee	May 1, 2023
Thomas Mack	Trustee	May 1, 2025
Shelli Lovell	CEO/General Manager	Indefinite
Deborah McElroy	Customer Service Manager	Indefinite
Zach Maxfield	Director of Distribution	Indefinite
Pat Willey	Director of Finance	Indefinite
Connor Hunt	Operations Manager	Indefinite
Jared Wall	Facilities Manager	Indefinite



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report

To the Board of Trustees  
Marshalltown Water Works  
Marshalltown, Iowa

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of the Marshalltown Water Works (Water Works), a component unit of the City of Marshalltown, as of and for the years ended June 30, 2022 and 2021, and the related Notes to Financial Statements, which collectively comprise the Water Works' basic financial statements listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Marshalltown Water Works, a component unit of the City of Marshalltown, as of June 30, 2022 and 2021, and the respective changes in its financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of Financial Statements section of our report. We are required to be independent of Marshalltown Water Works, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe 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 the Marshalltown Water Works' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audits 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 auditors' 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audits.
- 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 audits 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 Marshalltown 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marshalltown 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Water Works' Proportionate Share of the Net Pension Liability, the Schedule of the Water Works' Net Pension Liability and the Schedules of the Water Works' Contributions on pages 5 through 7 and 29 through 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the third paragraph of this report the financial statements for the nine years ended June 30, 2021, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in pages 40 through 48, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 supplementary information included in pages 40 through 48 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2022, on our consideration of Marshalltown Water Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Marshalltown 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 Marshalltown Water Works' internal control over financial reporting and compliance.

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
October 17, 2022

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This section of the Marshalltown Water Works' Annual Financial Report presents our discussion of the Water Works' financial performance during the fiscal year ending June 30, 2022.

Use this discussion in conjunction with the financial report to better understand the Water Works' financial condition, which follows this section.

### **2022 FINANCIAL HIGHLIGHTS AND NOTEWORTHY ISSUES**

- ◆ Operating revenues of the Water Works increased 23%, or approximately \$1.3 million, from fiscal year 2021 to fiscal year 2022. The increase in operating revenues reflects a return to normal usage after a substantial decrease in industrial usage in fiscal year 2021 attributable to an Alliant Energy shutdown.
- ◆ Operating expenses of the Water Works decreased 1.9%, or approximately \$85,000, from fiscal year 2021 to fiscal year 2022. The decrease was attributed to a decrease in lime sludge removal costs.
- ◆ The Water Works net position increased 16.7%, or approximately \$3 million.

### **OVERVIEW OF THE ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements as well as other information as follows:

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

These 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 Marshalltown Water Works and present an overall view of the Water Works' finances.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the Water Works' budget for the year, the Water Works' proportionate share of the net pension liability and related contributions for both IPERS and the Water Works' Supplemental Retirement and Pension Plan.

Supplementary information provides detailed information about the Statements of Net Position and various department expense accounts.

The financial statements report information about the Water Works using the accounting method similar to those used by private sector companies. The Statements of Net Position include all of the Water Works' assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus.



All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statements of Net Position present financial information on all of the Water Works' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in the Water Works' net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Water Works is considered a business type activity because it charges fees to customers to cover the costs of all services it provides.

### **FINANCIAL ANALYSIS OF THE WATER WORKS AS A WHOLE**

- ◆ Operating revenues for the Water Works increased approximately \$1.3 million over fiscal year 2021 and operating expenses decreased approximately \$85,000 resulting in operating income of approximately \$2.7 million. After all non-operating income and expenses were recorded, the Water Works reported a net increase in net position of approximately \$3 million for the year ending June 30, 2022.
- ◆ The Water Works' operating revenues were approximately \$7 million, which resulted in an increase from the previous year and was approximately 112% of the budgeted revenues. Total expenses for fiscal year 2022 were approximately \$4.4 million and were approximately 83.7% of the budgeted amount approved by the Board of Trustees in March 2021.

### **DEBT ADMINISTRATION**

- ◆ During fiscal year 2022 the Marshalltown Water Works paid \$327,000 in principal, \$99,998 in interest and \$13,605 in service fees towards their water revenue capital loan note leaving a remaining balance of \$5,330,000 at June 30, 2022.

### **CONDITIONS OF THE WATER WORKS' INFRASTRUCTURE**

- ◆ The Marshalltown Water Works has spent and continues to spend a large portion of our resources maintaining and upgrading its existing infrastructure. We have developed a capital improvement plan that focuses on repair and replacement of infrastructure at the water treatment plant and in the distribution system. Water treatment plant repairs are focused on our wells and control equipment. We have prioritized needed valve, hydrant and water main repair and replacement projects based on operational needs and by the number of leaks and water main breaks. We also look at opportunistic water main replacements during city street renovations if the water main along the street warrants replacement.
- ◆ The Water Works, with the help of our planning agency, looks at proposed development sites within the City limits to be sure that we are adequately planning for capacity needed to service growth in those areas.

### **ECONOMIC FACTORS AND NEXT YEAR'S RATES**

- ◆ The Water Works implemented a 9% water rate increase effective July 1, 2021. This increase was based on a water rate study completed in 2020 that recommended the increase based on projected operational costs and approximately \$2 million in planned capital improvements, including water treatment plant and distribution system repairs and upgrades, well repairs and tower maintenance.

## **CONTACTING THE WATER WORKS' FINANCIAL MANAGEMENT**

This financial report is designed to provide customers, investors, and creditors of the Marshalltown Water Works with a general overview of its financial situation and to demonstrate the accountability of the Water Works for the money it receives. If you have any questions about this report, you may contact either Shelli Lovell or Pat Willey at 205 East State Street, P.O. Box 1420, Marshalltown, IA 50158 or at (641) 753-7913.

# MARSHALLTOWN WATER WORKS

## Statements of Net Position June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b><u>ASSETS:</u></b>			
Current assets:			
Cash and cash equivalents	\$ 5,976,873	4,554,031	1,422,842
Receivables:			
Customer accounts	358,274	343,119	15,155
Unbilled water usage	468,639	399,800	68,839
Other receivables	37,038	37,593	(555)
Prepaid expenses	60,265	52,664	7,601
Restricted assets:			
Sinking fund	36,717	36,678	39
Total current assets	<u>6,937,806</u>	<u>5,423,885</u>	<u>1,513,921</u>
Non-current assets:			
Restricted cash and cash equivalents	849,037	858,394	(9,357)
Certificates of deposit	300,000	300,000	-
Capital reserve	400,208	400,946	(738)
Total non-current assets	<u>1,549,245</u>	<u>1,559,340</u>	<u>(10,095)</u>
Capital assets:			
Capital assets	39,039,694	37,534,790	1,504,904
Accumulated depreciation	<u>(18,030,805)</u>	<u>(17,494,870)</u>	<u>(535,935)</u>
Net capital assets	<u>21,008,889</u>	<u>20,039,920</u>	<u>968,969</u>
Total assets	<u>29,495,940</u>	<u>27,023,145</u>	<u>2,472,795</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES:</u></b>			
Pension related deferred outflows	<u>181,791</u>	<u>269,171</u>	<u>(87,380)</u>
Total assets and deferred outflows of resources	<u>\$ 29,677,731</u>	<u>27,292,316</u>	<u>2,385,415</u>

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b><u>LIABILITIES:</u></b>			
Current liabilities:			
Accounts payable	\$ 115,715	123,580	(7,865)
Payable from restricted assets:			
Landfill fees	13,575	14,054	(479)
Sewer fees	473,330	488,377	(15,047)
Storm sewer fees	120,387	125,594	(5,207)
Customer deposits - sewer	141,620	137,150	4,470
Customer deposits - water	101,350	94,435	6,915
Revenue note	334,000	327,000	7,000
Accrued interest	8,762	9,299	(537)
Accrued liabilities	191,458	160,981	30,477
Deferred revenue	375,775	410,774	(34,999)
Total current liabilities	<u>1,875,972</u>	<u>1,891,244</u>	<u>(15,272)</u>
Non-current liabilities:			
Revenue note	4,996,000	5,330,000	(334,000)
Net pension liability	1,212,302	1,859,951	(647,649)
Total non-current liabilities	<u>6,208,302</u>	<u>7,189,951</u>	<u>(981,649)</u>
Total liabilities	<u>8,084,274</u>	<u>9,081,195</u>	<u>(996,921)</u>
<b><u>DEFERRED INFLOWS OF RESOURCES:</u></b>			
Unavailable revenues:			
Pension related deferred inflows	565,228	185,600	379,628
Total liabilities and deferred inflows of resources	<u>8,649,502</u>	<u>9,266,795</u>	<u>(617,293)</u>
<b><u>NET POSITION:</u></b>			
Net investment in capital assets	15,678,889	14,382,920	1,295,969
Restricted for:			
Revenue note retirement	427,275	425,998	1,277
Unrestricted	4,922,065	3,216,603	1,705,462
Total net position	<u>21,028,229</u>	<u>18,025,521</u>	<u>3,002,708</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>29,677,731</u>	<u>27,292,316</u>	<u>2,385,415</u>

# MARSHALLTOWN WATER WORKS

## Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Residential	\$ 2,172,002	1,987,467	184,535
Multi-family	267,339	237,729	29,610
Commercial	601,457	519,887	81,570
Irrigation	102,965	83,648	19,317
Industrial	2,501,276	1,659,091	842,185
Wholesale	1,153,940	1,031,382	122,558
Non-metered	3,022	1,614	1,408
City contract services	84,499	82,191	2,308
Penalties	40,039	21,624	18,415
Customer service	34,740	34,043	697
Testing laboratory	2,540	2,698	(158)
Total operating revenues	<u>6,963,819</u>	<u>5,661,374</u>	<u>1,302,445</u>
Operating expenses:			
Salaries and wages	1,359,105	1,269,208	89,897
Payroll taxes and benefits	390,060	489,685	(99,625)
Utilities	471,943	421,455	50,488
Fuels	30,535	35,744	(5,209)
Supplies	178,449	151,066	27,383
Maintenance	261,273	221,556	39,717
Chemicals	875,251	1,080,670	(205,419)
Contract services	10,833	56,935	(46,102)
Insurance	86,150	75,384	10,766
Professional fees	38,343	25,450	12,893
Other operating expense	68,241	55,487	12,754
Depreciation	535,935	508,632	27,303
Total operating expenses	<u>4,306,118</u>	<u>4,391,272</u>	<u>(85,154)</u>
Operating income	<u>2,657,701</u>	<u>1,270,102</u>	<u>1,387,599</u>

# MARSHALLTOWN WATER WORKS

## Statements of Revenues, Expenses and Changes in Net Position (Continued) For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Non-operating revenues (expenses):			
Interest income	18,457	26,577	(8,120)
Rentals	3,712	3,758	(46)
Timber sales	82,745	-	82,745
Contribution of distribution property	309,954	-	309,954
Miscellaneous revenue	43,642	41,668	1,974
Interest expense	(112,603)	(119,032)	6,429
Miscellaneous expense	(900)	(900)	-
Net non-operating revenues (expenses)	<u>345,007</u>	<u>(47,929)</u>	<u>392,936</u>
Changes in net position	3,002,708	1,222,173	1,780,535
Net position beginning of year	<u>18,025,521</u>	<u>16,803,348</u>	<u>1,222,173</u>
Net position end of year	<u>\$ 21,028,229</u>	<u>18,025,521</u>	<u>3,002,708</u>

# MARSHALLTOWN WATER WORKS

## Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from customers	\$ 6,880,380	5,687,829
Cash payments to suppliers for goods and services	(2,261,186)	(1,718,954)
Cash payments to employees and professional contractors for services	<u>(1,718,974)</u>	<u>(1,756,069)</u>
Net cash provided by operating activities	<u>2,900,220</u>	<u>2,212,806</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	701,893	706,381
Purchase of investments	(701,155)	(704,147)
Investment income	18,457	26,577
Receipt of rental income	3,712	3,758
Other non-operating revenues (expenses)	<u>435,441</u>	<u>40,768</u>
Net cash provided by investing activities	<u>458,348</u>	<u>73,337</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,504,904)	(1,289,766)
Disposition of capital assets	-	20,500
Principal paid on revenue note	(327,000)	(321,000)
Interest paid on revenue note	<u>(113,140)</u>	<u>(119,560)</u>
Net cash used for capital and related financing activities	<u>(1,945,044)</u>	<u>(1,709,826)</u>
Net change in cash and cash equivalents	1,413,524	576,317
Cash and cash equivalents at beginning of year	<u>5,449,103</u>	<u>4,872,786</u>
Cash and cash equivalents at end of year	<u>\$ 6,862,627</u>	<u>5,449,103</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 2,657,701	1,270,102
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	535,935	508,632

# MARSHALLTOWN WATER WORKS

## Statements of Cash Flows (Continued) For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
(Increase) decrease in assets:		
Accounts receivable	(15,155)	41,736
Unbilled water usage	(68,839)	(33,107)
Other receivables	555	17,826
Prepaid expenses	(7,601)	1,472
Deferred outflows of resources	87,380	49,760
Increase (decrease) in liabilities:		
Accounts payable	(7,865)	(353)
Payable to sewer fund	(15,047)	16,513
Payable to landfill fund	(479)	922
Payable to storm sewer fund	(5,207)	4,690
Customer deposits-sewer	4,470	6,855
Customer deposits-water	6,915	2,345
Accrued liabilities	30,477	1,591
Deferred revenue	(34,999)	410,774
Net pension liability	(647,649)	(176,107)
Deferred inflows of resources	<u>379,628</u>	<u>89,155</u>
Net cash provided by operating activities	<u>\$ 2,900,220</u>	<u>2,212,806</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included in the Statements of Net Position:</b>		
Current assets:		
Cash and cash equivalents	\$ 5,976,873	4,554,031
Sinking fund	36,717	36,678
Restricted assets:		
Cash and cash equivalents:		
Water deposits	101,350	94,435
Sewer deposits	141,620	137,150
Sewer cash	473,034	488,139
Storm sewer cash	119,458	124,616
Landfill cash	<u>13,575</u>	<u>14,054</u>
Cash and cash equivalents at year end	<u>\$ 6,862,627</u>	<u>5,449,103</u>



# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements June 30, 2022 and 2021

### Note 1. Summary of Significant Accounting Policies

The Marshalltown Water Works (the Water Works) is a component unit of the City of Marshalltown, as determined by criteria specified by the Governmental Accounting Standards Board. The Marshalltown Water Works is governed by a three-member board of trustees appointed by the Mayor and confirmed by the City Council, which exercises oversight responsibility under this criteria.

The financial statements of the Water Works have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

The accounts of the Water Works are primarily organized as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that 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.

The financial statements are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

The 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 regarding the Water Works' principal ongoing operations. The principal operating revenues of the Water Works are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### A. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, all short-term investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

#### B. Customer Accounts and Unbilled Usage

Accounts receivable represent uncollected amounts billed for water usage at June 30, 2022 and 2021. Because of the Water Works' policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded. Unbilled usage for service consumed between periodic schedule billing dates is estimated and is recognized as revenue in the period in which the service is provided.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Budgets

In accordance with the Code of Iowa, the Water Works annually adopts a budget on the accrual basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

#### D. Estimates

The Water Works uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

#### E. Capital Assets

Additions to the plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Reportable capital assets are defined by the Water Works as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Plants, wells, storage and distribution	\$5,000
Meters	5,000
Equipment and vehicles	1,000

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Plants, wells and storage	10-40 years
Distribution property	50-99 years
Meters	10-20 years
Vehicles	5 years
Equipment	7-10 years

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Restricted Assets

Restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers and amounts due to the City of Marshalltown for collection of sewer, landfill and storm sewer fees.

#### G. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which 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 Water Works after the measurement date but before the end of the Water Works' reporting period.

#### H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense (income), 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.

#### I. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which 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 Statements of Net Position consist of unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 1. Summary of Significant Accounting Policies (Continued)

#### J. 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 net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

#### K. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### Note 2. Cash, Cash Equivalents and Pooled Investments

The Water Works' deposits at June 30, 2022 and 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Water Works is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants on improvement certificates of a drainage district.

The Water Works' investments consist entirely of certificates of deposits at June 30, 2022 and 2021. The Water Works had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The Water Works' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Water Works.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 3. Compensated Absences

Water Works employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death and unused sick leave for subsequent use or payment upon retirement or death. The liability is recorded in the Statements of Net Position based on current rates of pay.

### Note 4. Pension Plan – IPERS

Plan Description – IPERS membership is mandatory for employees of the Water Works, except for those covered by the Marshalltown Water Works Supplemental Retirement and Pension Plan. 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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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, anytime 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, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date 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 that the member receives benefits before the member's earliest normal retirement age. For service earned on or after 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.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 4. Pension Plan – IPERS (Continued)

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

Contributions – 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 that the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The Water Works’ contributions to IPERS for the year ended June 30, 2022 totaled \$70,642.

Net Pension Liability, Pension Expense (Income), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the Water Works reported a liability of \$11,732 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the Water Works’ collective proportion was (0.003398)%, which was a decrease of 0.011831% from its proportion measured as of June 30, 2020.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 4. Pension Plan – IPERS (Continued)

For the year ended June 30, 2022, the Water Works recognized pension expense (income) of \$(30,649). At June 30, 2022, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,926	8,962
Changes of assumptions	7,674	-
Net difference between projected and actual earnings on IPERS' investments	-	425,062
Changes in proportion and differences between Water Works contributions and the Water Works' proportionate share of contributions	26,823	18,243
Water Works contributions subsequent to the measurement date	70,642	-
Total	<u>\$ 114,065</u>	<u>452,267</u>

\$70,642 reported as deferred outflows of resources related to pensions resulting from Water Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Total
2023	\$ (92,108)
2024	(100,375)
2025	(98,361)
2026	(118,171)
2027	171
	<u>\$ (408,844)</u>

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 4. Pension Plan – IPERS (Continued)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2021 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, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 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 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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	22.0 %	4.43 %
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0 %</u>	



# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 4. Pension Plan – IPERS (Continued)

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 employee contributions will be made at the contractually required rate and contributions from the Water Works will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ 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 IPERS’ 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 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 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Works' proportionate share of the net pension liability (asset)	\$ 415,227	11,732	(326,423)

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS – All legally required Water Works contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Water Works to IPERS by June 30, 2022.

### Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan

Plan Description – The Water Works maintains the Marshalltown Water Works Supplemental Retirement and Pension Plan, which is a single employer defined benefit plan administered by United Bank and Trust.

The Plan was established by the Marshalltown Water Works’ Board of Trustees on September 30, 1953. The Plan was restated and amended on January 1, 2014. The Board of Trustees has the authority to amend the Plan at any time.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan (Continued)

Pension Benefits – Employees who retire at or after age 65, or age 62 with 25 years of credited service, are entitled to retirement benefits payable monthly for life. Monthly benefits are equal to 2.12% of the employee's five-year final average salary multiplied by the number of years of consecutive service for the year ended June 30, 2022. Service prior to January 1, 1986 shall be limited to 25 years. Benefits are fully vested on reaching 10 or more years of credited service.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability benefits is eligible to claim Water Works pension benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement and has participated in the plan for 10 or more years prior to death, and is totally vested, the surviving spouse may request a return of the participant's accrued contributions with interest to the date of the participant's death, or may leave the balance in the pension plan and be entitled to a joint and 100% survivor annuity at the time the participant would have become eligible for pension benefits.

Contributions – The Water Works' funding policy provides for employer and employee contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The frozen entry age actuarial cost method is used to determine annual plan costs. The employer contribution rate for the years ended June 30, 2022 and 2021 was 8.93% plus an additional \$5,000 per bi-weekly payroll for fiscal years 2022 and 2021. The employee contribution rate for the years ended June 30, 2022 and 2021 was 4.95%. Contributions paid by the Water Works for the year ended June 30, 2022 totaled \$181,309, and the contributions paid by employees totaled \$28,441.

Net Pension Liability, Pension Expense (Income), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the Water Works reported a net pension liability of \$1,200,570. The net pension liability was measured as of March 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2022.

For the year ended June 30, 2022, the Water Works recognized pension expense (income) of \$(79,350). At June 30, 2022 the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,726	-
Net difference between projected and actual earnings on pension plan investments	-	112,961
Total	\$ 67,726	112,961

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

Year Ending June 30,		Total
2023	\$	4,963
2024		(1,388)
2025		(51,860)
2026		3,050
	\$	(45,235)

Actuarial Assumptions – The total pension liability in the March 31, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rates of salary increase (effective March 31, 2022)	3.00% per annum.
Long-term investment rate of return (effective March 31, 2022)	7.00%, compounded annually.

The actuarial assumptions used in the March 31, 2022 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

Note 5. Pension Plan – Marshalltown Water Works Supplemental Retirement and Pension Plan (Continued)

Mortality rates were based on the 1983 Group Annuity Mortality Table.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation). These ranges are combined to produce the long-term expected rate of return. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.67% based on the target allocation of assets summarized in the following table:

Asset Class	Asset Allocation
Large cap equity	30 %
Small cap equity	10
International equity	10
High dividend equity	10
Fixed income	40
Total	100 %

Sensitivity of the Water Works' Net Pension Liability to Changes in the Discount Rate – The following presents the Water Works' net pension liability calculated using the discount rate of 7.00%, as well as what the Water Works' net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Works' net pension liability	\$ 1,429,405	1,200,570	1,004,099

Note 6. Concentrations of Credit Risk

Concentrations of credit risk with respect to accounts receivable is limited due to the large number of customers comprising the Water Works' customer base and the Water Works' policy of receiving a deposit amount or a credit reference from another utility before beginning service. However, some risk exists due to the small geographic location of the receivables.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 7. Capital Assets

Capital assets are stated at cost as follows at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,115,721	1,115,721
Construction in progress	44,197	-
Plant and source of supply	19,114,552	18,837,171
Booster station	220,653	220,653
Distribution system and pipe	14,892,045	13,779,483
Meters	1,510,094	1,460,924
Machinery and equipment	451,765	451,765
Vehicles	321,034	321,034
Capital improvements	113,916	113,916
Capital improvements - buildings	811,284	811,284
Office equipment and furnishings	444,433	422,839
	<u>39,039,694</u>	<u>37,534,790</u>
Less accumulated depreciation	<u>(18,030,805)</u>	<u>(17,494,870)</u>
	<u>\$ 21,008,889</u>	<u>20,039,920</u>

Depreciation expense was \$535,935 for the year ended June 30, 2022 and \$508,632 for the year ended June 30, 2021.

### Note 8. Risk Management

The Water Works is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Water Works assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for 2022 and 2021. There have been no reductions in insurance coverage from prior years.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 9. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Revenue note	\$ 5,657,000	-	327,000	5,330,000	334,000
Net pension liability	1,859,951	-	647,649	1,212,302	-
Total	\$ 7,516,951	-	974,649	6,542,302	334,000

### Revenue Note – Direct Borrowing

On July 29, 2016, the Water Works entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of \$7,833,531 of a revenue capital loan note with interest at 1.75% per annum. The agreement also requires the Water Works to annually pay a 0.25% servicing fee. The note was issued pursuant to Chapters 384.24A and 384.83 of the Code of Iowa to provide financing for improvements to the water plant. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever action as law or equity may appear necessary or desirable to collect the amounts due. During the year ended June 30, 2022, the Water Works paid principal of \$327,000 and interest of \$98,998 on the note.

The Water Works has pledged future water revenues, net of specified operating expenses to repay the revenue note. The note is payable solely from water customer net revenues and is payable through 2036. Annual principal and interest payments on the note is expected to require 16.5% of net receipts. The total principal and interest remaining to be paid on the note is \$6,059,629. For the current year, principal and interest paid and total net receipts were \$425,998 and \$2,657,701, respectively.

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The note will only be redeemed from the future earnings of the water fund and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2022, the Water Works was in compliance with the revenue note provisions.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 9. Long-Term Liabilities (Continued)

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 334,000	93,275	427,275
2024	340,000	87,430	427,430
2025	347,000	81,480	428,480
2026	354,000	75,408	429,408
2027	361,000	69,213	430,213
2028-2032	1,917,000	248,728	2,165,728
2033-2036	1,677,000	74,095	1,751,095
Total	\$ 5,330,000	729,629	6,059,629

### Note 10. Construction Commitments

The Water Works has entered into a contract totaling \$128,500 for resurfacing of a water tower. As of June 30, 2022 there have been no costs incurred on the project.

The Water Works has entered into a contract totaling \$276,120 for master radio upgrade at the water treatment plant. As of June 30, 2022 there have been no costs incurred on the project.

### Note 11. COVID – 19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Marshalltown Water Works, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Marshalltown Water Works. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Marshalltown Water Works.

# MARSHALLTOWN WATER WORKS

## Notes to Financial Statements (Continued) June 30, 2022 and 2021

### Note 12. Subsequent Events

On July 19, 2022 the Water Works entered into a construction contract totaling \$866,095 for a water main project and on August 18, 2022 the Water Works entered into an engineering service contract totaling \$4,057,641 for design and construction of a new reverse osmosis membrane treatment process train at the water treatment plant.

### Note 13. Date of Management Evaluation

Management has evaluated subsequent events through October 17, 2022, the date on which the financial statements were available to be issued.



## **Required Supplementary Information**

# MARSHALLTOWN WATER WORKS

## Budgetary Comparison Schedule of Revenues, Expenses and Changes in Balances - Budget to Actual Required Supplementary Information For the Year Ended June 30, 2022

	<u>Actual</u>	<u>Budgeted Amounts Original/Final</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for services	\$ 6,963,819	6,234,128	729,691
Miscellaneous	458,510	20,000	438,510
Total revenues	<u>7,422,329</u>	<u>6,254,128</u>	<u>1,168,201</u>
Expenses:			
Business type activities	<u>4,419,621</u>	<u>5,282,715</u>	<u>863,094</u>
Increase in net position	3,002,708	971,413	2,031,295
Net position beginning of year	<u>18,025,521</u>	<u>17,293,878</u>	<u>731,643</u>
Net position end of year	<u>\$ 21,028,229</u>	<u>18,265,291</u>	<u>2,762,938</u>

# **MARSHALLTOWN WATER WORKS**

## **Notes to Required Supplementary Information – Budgetary Reporting June 30, 2022**

In accordance with the Code of Iowa, the Water Works' Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2022 expenditures did not exceed the amounts budgeted.

# MARSHALLTOWN WATER WORKS

## Schedule of the Water Works' Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System For the Last Eight Years\* Required Supplementary Information

	2022	2021	2020
Water Works' proportion of the net pension liability (asset)	(0.003398) %	0.008433 %	0.008842 %
Water Works' proportionate share of the net pension liability	\$ 11,732	592,438	512,025
Water Works' covered payroll	\$ 679,199	669,308	672,930
Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	1.73 %	88.52 %	76.09 %
Plan fiduciary net position as a percentage of the total pension liability	100.81 %	82.90 %	85.45 %

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
0.008313 %	0.007153 %	0.007343 %	0.007330 %	0.007533 %
526,041	476,503	462,143	362,120	298,746
624,770	533,963	526,989	502,146	492,923
84.20 %	89.24 %	87.69 %	72.11 %	60.61 %
83.62 %	82.21 %	81.82 %	85.19 %	87.61 %

# MARSHALLTOWN WATER WORKS

## Schedule of the Water Works' Net Pension Liability Supplemental Retirement and Pension Plan For the Last Eight Years\* Required Supplementary Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Water Works' net pension liability	\$ 1,200,570	1,267,513	1,524,033
Water Works' covered payroll	\$ 574,573	570,838	434,039
Water Works' net pension liability as a percentage of its covered payroll	209 %	222 %	351 %
Plan fiduciary net position as a percentage of the total pension liability	57.58 %	54.97 %	43.22 %

\* The amounts presented for each fiscal year were determined as of March 31.

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
1,431,248	1,445,910	1,476,868	1,547,805	1,471,746
365,396	381,898	499,157	462,980	483,147
392 %	379 %	296 %	334 %	305 %
46.89 %	46.78 %	45.72 %	44.16 %	46.85 %

# MARSHALLTOWN WATER WORKS

## Schedule of Water Works' Contributions Iowa Public Employees' Retirement System For the Last Ten Years Required Supplementary Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 70,642	64,116	63,183	63,525
Contributions in relation to the statutorily required contribution	<u>(70,642)</u>	<u>(64,116)</u>	<u>(63,183)</u>	<u>(63,525)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Water Works' covered payroll	\$ 748,328	679,199	669,308	672,930
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%



<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
55,792	47,683	47,060	44,842	44,018	41,028
(55,792)	(47,683)	(47,060)	(44,842)	(44,018)	(41,028)
-	-	-	-	-	-
624,770	533,963	526,989	502,146	492,923	473,218
8.93%	8.93%	8.93%	8.93%	8.93%	8.67%

# MARSHALLTOWN WATER WORKS

## Schedule of Water Works' Contributions Supplemental Retirement and Pension Plan For the Last Ten Years Required Supplementary Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially required contribution	\$ 51,309	50,976	38,760	32,630
Contributions in relation to the actuarially required contribution	<u>(181,309)</u>	<u>(180,976)</u>	<u>(168,760)</u>	<u>(136,630)</u>
Contribution deficiency (excess)	<u>\$ (130,000)</u>	<u>(130,000)</u>	<u>(130,000)</u>	<u>(104,000)</u>
Water Works' covered payroll	\$ 574,573	570,838	434,039	365,396
Required contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
34,104	44,575	41,344	43,145	44,683	41,519
(138,104)	(152,140)	(119,344)	(121,145)	(122,357)	(117,189)
(104,000)	(107,565)	(78,000)	(78,000)	(77,674)	(75,670)
381,898	499,157	462,980	483,147	500,366	478,884
8.93%	8.93%	8.93%	8.93%	8.93%	8.67%

# MARSHALLTOWN WATER WORKS

## Notes to Required Supplementary Information – IPERS Pension Liability Year ended June 30, 2022

### Changes of benefit terms:

There are no significant changes in benefit terms.

### Changes of assumptions:

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

- 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 an experience study dated March 24, 2017:

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

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 (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

## **Supplementary Information**

# MARSHALLTOWN WATER WORKS

## Schedules of Net Position Detail June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b>Cash:</b>			
Cash on hand	\$ 938	330	608
Petty cash	300	300	-
Cash in bank	6,012,352	4,590,079	1,422,273
Water deposits	101,350	94,435	6,915
Total cash	<u>6,114,940</u>	<u>4,685,144</u>	<u>1,429,796</u>
<b>Cash held for city:</b>			
Sewer deposit fund	141,620	137,150	4,470
Sewer cash	473,034	488,139	(15,105)
Storm sewer cash	119,458	124,616	(5,158)
Landfill cash	13,575	14,054	(479)
Total cash held for city	<u>747,687</u>	<u>763,959</u>	<u>(16,272)</u>
Total cash and cash equivalents	<u>\$ 6,862,627</u>	<u>5,449,103</u>	<u>1,413,524</u>
<b>Capital assets:</b>			
Land	\$ 1,115,721	1,115,721	-
Construction in progress	44,197	-	44,197
Plant and source of supply	19,114,552	18,837,171	277,381
Accumulated depreciation - plant	(10,739,359)	(10,442,098)	(297,261)
Distribution system and pipe	14,892,045	13,779,483	1,112,562
Accumulated depreciation - distribution	(4,382,333)	(4,228,414)	(153,919)
Booster station	220,653	220,653	-
Accumulated depreciation-booster station	(96,662)	(92,133)	(4,529)
Meters	1,510,094	1,460,924	49,170
Accumulated depreciation - meters	(1,218,535)	(1,199,000)	(19,535)
Machinery and equipment	451,765	451,765	-
Accumulated depreciation - machinery and equipment	(397,185)	(385,897)	(11,288)
Vehicles	321,034	321,034	-
Accumulated depreciation - vehicles	(230,719)	(208,456)	(22,263)
Capital improvements	113,916	113,916	-
Accumulated depreciation - capital improvements	(93,358)	(93,024)	(334)
Capital improvements - buildings	811,284	811,284	-
Accumulated depreciation - buildings	(468,039)	(448,797)	(19,242)
Office equipment and furnishings	444,433	422,839	21,594
Accumulated depreciation - office equipment and furnishings	(404,615)	(397,051)	(7,564)
Net capital assets	<u>\$ 21,008,889</u>	<u>20,039,920</u>	<u>968,969</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Net Position Detail (Continued) June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Prepaid expenses:			
Prepaid insurance	\$ 26,423	22,553	3,870
Prepaid computer maintenance	29,948	28,675	1,273
Prepaid billing supplies	<u>3,894</u>	<u>1,436</u>	<u>2,458</u>
Total prepaid expenses	<u>\$ 60,265</u>	<u>52,664</u>	<u>7,601</u>
Other receivables:			
Miscellaneous accounts receivable billings	\$ 36,236	36,659	(423)
Interest receivable	<u>802</u>	<u>934</u>	<u>(132)</u>
Total other receivables	<u>\$ 37,038</u>	<u>37,593</u>	<u>(555)</u>
Accrued liabilities:			
Accrued sales tax	\$ 9,383	9,097	286
Accrued F.I.C.A.	4,084	2,786	1,298
Accrued payroll	55,299	38,241	17,058
Accrued pension	1,916	1,557	359
Accrued vacation	117,591	107,071	10,520
Accrued retirement expense	3,185	1,915	1,270
Insurance deductible	<u>-</u>	<u>314</u>	<u>(314)</u>
Total accrued liabilities	<u>\$ 191,458</u>	<u>160,981</u>	<u>30,477</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Treatment Plant Expenses For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b>Salaries:</b>			
Operational	\$ <u>473,144</u>	<u>420,875</u>	<u>52,269</u>
<b>Employee benefits:</b>			
Health insurance	60,330	60,941	(611)
Dental insurance	397	280	117
Pension	6,700	72,476	(65,776)
Social security	34,631	30,532	4,099
Life insurance	1,142	1,086	56
Registration	2,275	840	1,435
Lodging	1,796	-	1,796
Travel	73	-	73
Safety training	1,000	-	1,000
Safety clothing	1,325	1,676	(351)
Medical	537	-	537
Dues	375	155	220
Food	117	-	117
	<u>110,698</u>	<u>167,986</u>	<u>(57,288)</u>
<b>Utilities:</b>			
Electric	428,898	394,664	34,234
Gas	21,541	9,440	12,101
Internet	1,238	1,236	2
Telephone	1,147	1,207	(60)
	<u>452,824</u>	<u>406,547</u>	<u>46,277</u>
<b>Depreciation:</b>			
Plant depreciation	297,262	282,785	14,477
Vehicle depreciation	10,140	9,834	306
	<u>307,402</u>	<u>292,619</u>	<u>14,783</u>
<b>Fuels:</b>			
Gas	1,627	1,650	(23)
Oil	-	2,310	(2,310)
Diesel	3,106	9,406	(6,300)
LP	-	8,038	(8,038)
	<u>4,733</u>	<u>21,404</u>	<u>(16,671)</u>



# MARSHALLTOWN WATER WORKS

## Schedules of Treatment Plant Expenses (Continued) For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b>Supplies:</b>			
Lab supplies	32,899	26,521	6,378
Plant supplies	377	234	143
Building supplies	1,546	-	1,546
Cleaning supplies	325	369	(44)
General supplies	1,492	1,696	(204)
Health and first aid	133	215	(82)
Safety equipment	2,386	454	1,932
Operational fees and permits	4,533	420	4,113
	<u>43,691</u>	<u>29,909</u>	<u>13,782</u>
<b>Maintenance:</b>			
Building maintenance	10,474	3,644	6,830
Machinery maintenance	90,493	92,067	(1,574)
Heating and air conditioner maintenance	4,319	6,309	(1,990)
Computer maintenance	1,389	577	812
Safety equipment maintenance	865	265	600
Grounds maintenance	6,496	8,054	(1,558)
Well field maintenance	4,964	10,212	(5,248)
Vehicle maintenance	666	4,365	(3,699)
Generator	40,634	14,566	26,068
	<u>160,300</u>	<u>140,059</u>	<u>20,241</u>
<b>Chemicals:</b>			
Pebble-lime	450,090	413,946	36,144
CO2	53,269	45,754	7,515
CL2	56,642	47,239	9,403
Fluoride	18,084	12,841	5,243
Poly-phosphate	13,475	10,890	2,585
Lime sludge removal	283,691	550,000	(266,309)
	<u>875,251</u>	<u>1,080,670</u>	<u>(205,419)</u>
<b>Contract services:</b>			
Lab services	1,013	1,211	(198)
	<u>1,013</u>	<u>1,211</u>	<u>(198)</u>
<b>Total treatment plant</b>	<u>\$ 2,429,056</u>	<u>2,561,280</u>	<u>(132,224)</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Construction and Maintenance Expenses For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b>Salaries:</b>			
General salaries	\$ <u>296,962</u>	<u>290,339</u>	<u>6,623</u>
<b>Employee benefits:</b>			
Health insurance	39,516	39,935	(419)
Dental insurance	444	520	(76)
Pension	4,776	38,610	(33,834)
Social security	22,056	20,980	1,076
Life insurance	660	755	(95)
Mileage	48	321	(273)
Registration	9,436	343	9,093
Dues	37	-	37
Food	128	76	52
Safety training	3,250	67	3,183
Safety clothing	4,315	3,480	835
Medical	433	-	433
	<u>85,099</u>	<u>105,087</u>	<u>(19,988)</u>
<b>Depreciation:</b>			
Distribution depreciation	153,919	138,665	15,254
Booster station depreciation	4,530	3,874	656
Equipment depreciation	11,287	13,943	(2,656)
	<u>169,736</u>	<u>156,482</u>	<u>13,254</u>
<b>Fuels:</b>			
Gas	8,741	4,113	4,628
Oil	295	330	(35)
Diesel fuel	11,826	6,306	5,520
Grease	-	28	(28)
	<u>20,862</u>	<u>10,777</u>	<u>10,085</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Construction and Maintenance Expenses (Continued) For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b>Supplies:</b>			
Distribution supplies	27,366	15,555	11,811
Shop supplies	4,666	2,606	2,060
Leak repair supplies	41,053	74,707	(33,654)
Hydrant and valve supplies	24,912	-	24,912
Data processing supplies	158	-	158
Operational fees and permits	221	120	101
Health and first aid	-	2,072	(2,072)
	<u>98,376</u>	<u>95,060</u>	<u>3,316</u>
<b>Maintenance:</b>			
Vehicle maintenance	5,106	2,131	2,975
Equipment maintenance	18,725	12,436	6,289
Computer maintenance	636	-	636
Reservoir maintenance	9,381	-	9,381
Safety equipment maintenance	123	-	123
Tower maintenance	2,362	214	2,148
Well field maintenance	2,182	-	2,182
Booster station maintenance	381	2,939	(2,558)
	<u>38,896</u>	<u>17,720</u>	<u>21,176</u>
Total construction and maintenance	<u>\$ 709,931</u>	<u>675,465</u>	<u>34,466</u>

# MARSHALLTOWN WATER WORKS

## Schedules of Customer Service and Meter Expenses For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b>Salaries:</b>			
Salaries	\$ 173,936	182,035	(8,099)
<b>Employee benefits:</b>			
Health insurance	25,771	20,225	5,546
Dental insurance	288	150	138
Pension	(1,855)	23,867	(25,722)
Social security	12,614	13,291	(677)
Life insurance	434	445	(11)
Mileage	216	123	93
Registration	210	1,413	(1,203)
Food	46	-	46
Lodging	175	-	175
Safety training	1,000	-	1,000
Safety clothing	782	1,318	(536)
Dues	500	4,500	(4,000)
Medical	186	-	186
	<u>40,367</u>	<u>65,332</u>	<u>(24,965)</u>
<b>Depreciation:</b>			
Vehicle depreciation	12,123	8,855	3,268
Meter depreciation	19,534	20,436	(902)
	<u>31,657</u>	<u>29,291</u>	<u>2,366</u>
<b>Fuels:</b>			
Gas	4,940	3,563	1,377
<b>Maintenance:</b>			
Vehicle maintenance	1,129	1,336	(207)
Equipment maintenance	1,879	1,013	866
Safety equipment maintenance	123	-	123
	<u>3,131</u>	<u>2,349</u>	<u>782</u>
<b>Supplies:</b>			
General supplies	5,820	1,194	4,626
Meter repair supplies	5,274	2,628	2,646
Shop supplies	815	34	781
Health and first aid	-	146	(146)
Service repair supplies	906	2,138	(1,232)
	<u>12,815</u>	<u>6,140</u>	<u>6,675</u>
Total customer service and meter	\$ 266,846	288,710	(21,864)

# MARSHALLTOWN WATER WORKS

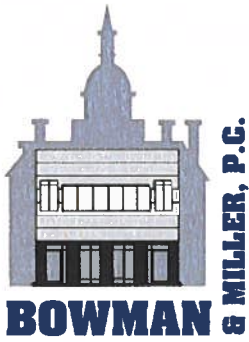
## Schedules of Administrative and Non-Operating Expenses For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b>Salaries:</b>			
Administrative salaries	\$ 415,063	375,959	39,104
<b>Employee benefits:</b>			
Health insurance	40,556	38,395	2,161
Dental insurance	436	350	86
Pension	12,813	72,735	(59,922)
Pension supplement	50,650	-	50,650
Social security	31,034	27,702	3,332
Life insurance	1,078	1,003	75
Mileage	1,731	821	910
Registration fees	1,619	26	1,593
Dues and subscriptions	12,399	9,873	2,526
Safety clothing and training	1,000	174	826
Lodging	435	-	435
Food	145	201	(56)
	<u>153,896</u>	<u>151,280</u>	<u>2,616</u>
<b>Utilities:</b>			
Electricity	9,608	8,263	1,345
Gas	4,259	2,089	2,170
Internet expense	2,313	1,673	640
Telephone	2,939	2,883	56
	<u>19,119</u>	<u>14,908</u>	<u>4,211</u>
<b>Depreciation:</b>			
Building depreciation	19,242	17,250	1,992
Capital improvement depreciation	334	6,278	(5,944)
Equipment depreciation	7,564	6,712	852
	<u>27,140</u>	<u>30,240</u>	<u>(3,100)</u>
<b>General supplies:</b>			
Office supplies	10,742	3,874	6,868
Data processing supplies	1,848	6,483	(4,635)
Building supplies	96	108	(12)
Cleaning supplies	643	1,127	(484)
General supplies	6,419	7,512	(1,093)
Operational fees and permits	3,534	180	3,354

# MARSHALLTOWN WATER WORKS

## Schedules of Administrative and Non-Operating Expenses (Continued) For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
<b>General Supplies (continued):</b>			
Health and first aid	285	409	(124)
Safety equipment	-	264	(264)
	<u>23,567</u>	<u>19,957</u>	<u>3,610</u>
<b>Maintenance:</b>			
Computer maintenance	43,633	44,654	(1,021)
Office machine maintenance	1,954	1,976	(22)
Grounds maintenance	133	385	(252)
Storm sewer	1,032	1,032	-
Heating and air conditioning maintenance	1,791	421	1,370
Building maintenance	10,403	12,960	(2,557)
	<u>58,946</u>	<u>61,428</u>	<u>(2,482)</u>
<b>Administrative expenses:</b>			
Insurance	86,150	75,384	10,766
Banking services	35,909	22,448	13,461
Legal services	8,479	9,864	(1,385)
Cleaning services	6,980	6,965	15
Accounting services	29,864	15,586	14,278
Postage	22,680	23,195	(515)
Public notices	2,672	2,879	(207)
Engineering services	6,651	52,178	(45,527)
Computer services	-	45	(45)
Contract services	3,169	3,501	(332)
	<u>202,554</u>	<u>212,045</u>	<u>(9,491)</u>
Total administrative expenses	<u>\$ 900,285</u>	<u>865,817</u>	<u>34,468</u>
<b>Non-operating expenses:</b>			
Board compensation	\$ 900	900	-
Interest expense	112,603	119,032	(6,429)
	<u>113,503</u>	<u>119,932</u>	<u>(6,429)</u>
Total non-operating expenses	<u>\$ 113,503</u>	<u>119,932</u>	<u>(6,429)</u>



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on  
Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on Audits  
of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Trustees of the  
Marshalltown Water Works  
Marshalltown, 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 Marshalltown Water Works, as of and for the years ended June 30, 2022 and 2021, and the related Notes to Financial Statements, and have issued our report thereon dated October 17, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Marshalltown 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshalltown Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of Marshalltown 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 Water Works' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshalltown 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, non-compliance 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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 years ended June 30, 2022 and 2021 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Water Works. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Purpose of this Report

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

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

*Bowman and Miller, P.C.*

Marshalltown, Iowa  
October 17, 2022



# MARSHALLTOWN WATER WORKS

## Schedule of Findings Years Ended June 30, 2022 and 2021

### **Part I: Summary of the Independent Auditors' Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audits of the financial statements.
- (c) The audits did not disclose any non-compliance which is material to the financial statements.

# MARSHALLTOWN WATER WORKS

## Schedule of Findings (Continued) Years Ended June 30, 2022 and 2021

### FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

No matters were noted.

### INSTANCES OF NON-COMPLIANCE:

No matters were noted.

### Part II: Other Findings Related to Required Statutory Reporting:

- 22-II-A Certified Budget - Expenditures during the years ended June 30, 2022 and 2021, did not exceed the amounts budgeted.
- 22-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 22-II-C Travel Expense - No expenditures of Marshalltown Water Works' money for travel expenses of spouses of Marshalltown Water Works officials or employees were noted.
- 22-II-D Business Transactions - No business transactions between the Water Works and Water Works officials or employees were noted.
- 22-II-E Restricted Donor Activity - No transactions were noted between the Water Works, Water Works officials and Water Works employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 22-II-F 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 that the coverage is adequate for current operations.
- 22-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 22-II-H Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Water Works' investment policy were noted.
- 22-II-I Revenue Note - No instances of non-compliance with the water revenue note provisions were noted.

# **MARSHALLTOWN WATER WORKS**

## **Audit Staff**

This report was prepared by:

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