

MARSHALLTOWN WATER WORKS

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

June 30, 2024 and 2023

MARSHALLTOWN WATER WORKS

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MARSHALLTOWN WATER WORKS

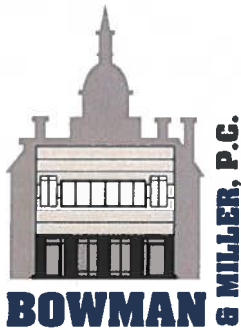
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MARSHALLTOWN WATER WORKS

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Laura Eilers	Trustee – Chairperson	May 1, 2027
Thomas Mack	Trustee	May 1, 2025
Nick Loney	Trustee	May 1, 2026
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



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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 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, 2024 and 2023, 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 accompanying 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, 2024 and 2023, and the respective changes in its financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 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 judgement 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 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 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 28 through 38 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 GAAS, 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 that collectively comprise the Marshalltown Water Works' basic financial statements. 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, 2023 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in pages 39 through 47, 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 GAAS. In our opinion, the supplementary information included in pages 39 through 47 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 November 18, 2024, 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 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
November 18, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2024.

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

2024 FINANCIAL HIGHLIGHTS AND NOTEWORTHY ISSUES

- ◆ Operating revenues of the Water Works increased 6.3%, or approximately \$495,000, from fiscal year 2023 to fiscal year 2024. The increase in operating revenues reflects a rate increase that went into effect July 1, 2023.
- ◆ Operating expenses of the Water Works increased 12.4%, or approximately \$630,000, from fiscal year 2023 to fiscal year 2024. The increase was attributed to an increase in salaries and benefits as well as inflation increasing the cost of both goods and services purchased by the Water Works.
- ◆ The Water Works net position increased 11.3%, or approximately \$2.7 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 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 \$495,000 over fiscal year 2023 and operating expenses increased approximately \$630,000 resulting in operating income of approximately \$2.6 million. After all non-operating income and expenses were recorded, the Water Works reported an increase in net position of approximately \$2.7 million for the year ending June 30, 2024.
- ◆ The Water Works' operating revenues were approximately \$8.4 million, which resulted in an increase from the previous year and was approximately 106% of the budgeted revenues. Total expenses for fiscal year 2024 were approximately \$5.8 million and were approximately 87% of the budgeted amount approved by the Board of Trustees in February 2023.

DEBT ADMINISTRATION

- ◆ During fiscal year 2024 the Marshalltown Water Works paid \$340,000 in principal, \$87,430 in interest and \$12,490 in service fees towards their water revenue capital loan note leaving a remaining balance of \$4,656,000 at June 30, 2024.
- ◆ During fiscal year 2024 the Marshalltown Water Works drew down \$2,348,174 on a State Revolving loan through the Iowa Finance Authority to help fund the costs of planning, designing and construction of a water treatment plant upgrade. The note has available borrowings up to \$4,288,639, is interest free and matures on April 14, 2026.

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 treatment 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 12% water rate increase effective July 1, 2024. This increase was based on a water rate model completed in early 2024 that recommended the increase based on projected operational costs and approximately \$21 million in planned capital improvements, including water treatment plant expansion and repairs, 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, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
<u>ASSETS:</u>			
Current assets:			
Cash and cash equivalents	\$ 6,022,775	4,571,470	1,451,305
Receivables:			
Customer accounts	502,735	448,621	54,114
Unbilled water usage	667,760	681,351	(13,591)
Other receivables	45,157	41,283	3,874
Prepaid expenses	96,491	77,740	18,751
Restricted assets:			
Sinking fund	36,677	36,660	17
Total current assets	<u>7,371,595</u>	<u>5,857,125</u>	<u>1,514,470</u>
Non-current assets:			
Restricted cash and cash equivalents	760,854	818,974	(58,120)
Certificates of deposit	308,025	306,836	1,189
Capital reserve	414,417	404,900	9,517
Total non-current assets	<u>1,483,296</u>	<u>1,530,710</u>	<u>(47,414)</u>
Capital assets:			
Capital assets	47,279,969	43,093,917	4,186,052
Accumulated depreciation	<u>(19,249,527)</u>	<u>(18,597,365)</u>	<u>(652,162)</u>
Net capital assets	<u>28,030,442</u>	<u>24,496,552</u>	<u>3,533,890</u>
Total assets	<u>36,885,333</u>	<u>31,884,387</u>	<u>5,000,946</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Pension related deferred outflows	<u>322,168</u>	<u>292,645</u>	<u>29,523</u>
 Total assets and deferred outflows of resources	 \$ <u>37,207,501</u>	 <u>32,177,032</u>	 <u>5,030,469</u>

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
<u>LIABILITIES:</u>			
Current liabilities:			
Accounts payable	\$ 521,404	125,352	396,052
Payable from restricted assets:			
Landfill fees	10,213	10,685	(472)
Sewer fees	376,101	418,824	(42,723)
Storm sewer fees	84,026	104,366	(20,340)
Customer deposits - sewer	171,631	167,098	4,533
Customer deposits - water	118,883	115,365	3,518
Revenue notes	347,000	340,000	7,000
Accrued interest	7,654	8,213	(559)
Accrued liabilities	<u>330,631</u>	<u>295,068</u>	<u>35,563</u>
Total current liabilities	<u>1,967,543</u>	<u>1,584,971</u>	<u>382,572</u>
Non-current liabilities:			
Revenue notes	6,657,174	4,656,000	2,001,174
Net pension liability	<u>1,635,721</u>	<u>1,702,485</u>	<u>(66,764)</u>
Total non-current liabilities	<u>8,292,895</u>	<u>6,358,485</u>	<u>1,934,410</u>
Total liabilities	<u>10,260,438</u>	<u>7,943,456</u>	<u>2,316,982</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Unavailable revenues:			
Pension related deferred inflows	<u>44,819</u>	<u>55,385</u>	<u>(10,566)</u>
Total liabilities and deferred inflows of resources	<u>10,305,257</u>	<u>7,998,841</u>	<u>2,306,416</u>
<u>NET POSITION:</u>			
Net investment in capital assets	21,026,268	19,500,552	1,525,716
Retricted for:			
Revenue note retirement	428,480	427,430	1,050
Unrestricted	<u>5,447,496</u>	<u>4,250,209</u>	<u>1,197,287</u>
Total net position	<u>26,902,244</u>	<u>24,178,191</u>	<u>2,724,053</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 37,207,501</u>	<u>32,177,032</u>	<u>5,030,469</u>

MARSHALLTOWN WATER WORKS

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Operating revenues:			
Residential	\$ 2,517,128	2,430,752	86,376
Multi-family	334,690	296,390	38,300
Commercial	693,835	683,214	10,621
Irrigation	131,448	128,414	3,034
Industrial	3,169,113	2,813,988	355,125
Wholesale	1,332,293	1,314,013	18,280
Non-metered	6,126	5,459	667
City contract services	82,174	80,105	2,069
Penalties	56,586	45,866	10,720
Customer service	38,469	68,160	(29,691)
Testing laboratory	2,132	2,219	(87)
Total operating revenues	<u>8,363,994</u>	<u>7,868,580</u>	<u>495,414</u>
Operating expenses:			
Salaries and wages	1,863,628	1,689,342	174,286
Payroll taxes and benefits	566,258	498,658	67,600
Utilities	497,283	503,118	(5,835)
Fuels	44,890	41,328	3,562
Supplies	207,813	225,519	(17,706)
Maintenance	319,200	264,418	54,782
Chemicals	1,182,307	960,018	222,289
Contract services	41,852	131,706	(89,854)
Insurance	138,384	107,542	30,842
Professional fees	77,713	32,036	45,677
Other operating expense	85,966	77,542	8,424
Depreciation	702,472	566,560	135,912
Total operating expenses	<u>5,727,766</u>	<u>5,097,787</u>	<u>629,979</u>
Operating income	<u>2,636,228</u>	<u>2,770,793</u>	<u>(134,565)</u>

MARSHALLTOWN WATER WORKS

Statements of Revenues, Expenses and Changes in Net Position (Continued) For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Non-operating revenues (expenses):			
Interest income	116,384	54,063	62,321
Rentals	6,877	5,777	1,100
Miscellaneous revenue	80,268	436,464	(356,196)
Interest expense	(99,361)	(106,051)	6,690
Miscellaneous expense	(16,343)	(11,084)	(5,259)
Net non-operating revenues (expenses)	<u>87,825</u>	<u>379,169</u>	<u>(291,344)</u>
Changes in net position	2,724,053	3,149,962	(425,909)
Net position beginning of year	<u>24,178,191</u>	<u>21,028,229</u>	<u>3,149,962</u>
Net position end of year	<u>\$ 26,902,244</u>	<u>24,178,191</u>	<u>2,724,053</u>

MARSHALLTOWN WATER WORKS

Statements of Cash Flows For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 8,319,597	7,561,276
Cash payments to suppliers for goods and services	(2,368,730)	(2,116,605)
Cash payments to employees and professional contractors for services	(2,406,037)	(2,859,063)
Net cash provided by operating activities	<u>3,544,830</u>	<u>2,585,608</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	728,697	700,208
Purchase of investments	(739,404)	(711,736)
Investment income	116,384	54,063
Receipt of rental income	6,877	5,777
Other non-operating revenues	63,925	425,380
Net cash provided by investing activities	<u>176,479</u>	<u>473,692</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,276,535)	(4,054,223)
Disposal of capital assets	40,174	-
Principal paid on revenue note	(340,000)	(334,000)
Principal received on revenue note	2,348,174	-
Interest paid on revenue note	(99,920)	(106,600)
Net cash used for capital and related financing activities	<u>(2,328,107)</u>	<u>(4,494,823)</u>
Net change in cash and cash equivalents	1,393,202	(1,435,523)
Cash and cash equivalents at beginning of year	<u>5,427,104</u>	<u>6,862,627</u>
Cash and cash equivalents at end of year	<u>\$ 6,820,306</u>	<u>5,427,104</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,636,228	2,770,793
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	702,472	566,560

MARSHALLTOWN WATER WORKS

Statements of Cash Flows (Continued) For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
(Increase) decrease in assets:		
Accounts receivable	(54,114)	(90,347)
Unbilled water usage	13,591	(212,712)
Other receivables	(3,874)	(4,245)
Prepaid expenses	(18,751)	(17,475)
Deferred outflows of resources	(29,523)	(110,854)
Increase (decrease) in liabilities:		
Accounts payable	396,052	9,637
Payable to sewer fund	(42,723)	(54,506)
Payable to landfill fund	(472)	(2,890)
Payable to storm sewer fund	(20,340)	(16,021)
Customer deposits-sewer	4,533	25,478
Customer deposits-water	3,518	14,015
Accrued liabilities	35,563	103,610
Deferred revenue	-	(375,775)
Net pension liability	(66,764)	490,183
Deferred inflows of resources	<u>(10,566)</u>	<u>(509,843)</u>
 Net cash provided by operating activities	 \$ <u>3,544,830</u>	 <u>2,585,608</u>
 Reconciliation of cash and cash equivalents at year end to specific assets included in the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	\$ 6,022,775	4,571,470
Sinking fund	36,677	36,660
Restricted assets:		
Cash and cash equivalents:		
Water deposits	118,883	115,365
Sewer deposits	171,631	167,098
Sewer cash	376,101	421,714
Storm sewer cash	84,026	104,112
Landfill cash	<u>10,213</u>	<u>10,685</u>
 Cash and cash equivalents at year end	 \$ <u>6,820,306</u>	 <u>5,427,104</u>

MARSHALLTOWN WATER WORKS

Notes to Financial Statements June 30, 2024 and 2023

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, 2024 and 2023. 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, 2024 and 2023

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, 2024 and 2023

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, 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, 2024 and 2023

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 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 in banks at June 30, 2024 and 2023 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, 2024 and 2023. 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, 2024 and 2023

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 at year end.

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.

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, 2024 and 2023

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 2024, 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, 2024 totaled \$111,018.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2024, the Water Works reported a liability of \$503,612 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 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, 2023, the Water Works’ collective proportion was 0.011157%, which was an increase of 0.001866% from its proportion measured as of June 30, 2022.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2024 and 2023

Note 4. Pension Plan – IPERS (Continued)

For the year ended June 30, 2024, the Water Works recognized pension expense of \$67,048. At June 30, 2024, 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	\$ 42,606	2,070
Changes of assumptions	-	8
Net difference between projected and actual earnings on IPERS' investments	46,640	-
Changes in proportion and differences between Water Works contributions and the Water Works' proportionate share of contributions	89,783	8,311
Water Works contributions subsequent to the measurement date	111,018	-
Total	\$ 290,047	10,389

\$111,018 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, 2025. 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
2025	\$ 6,308
2026	(19,283)
2027	134,335
2028	38,138
2029	9,142
	\$ 168,640

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2024 and 2023

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, 2023 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, 2023 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2023 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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 geometric 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 %	4.56 %
International equity	16.5	6.22
Global smart beta equity	5.0	5.22
Core plus fixed income	23.0	2.69
Public credit	3.0	4.38
Cash	1.0	1.59
Private equity	17.0	10.44
Private real assets	9.0	3.88
Private credit	4.5	4.60
Total	100.0 %	

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2024 and 2023

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	\$ 1,070,791	503,612	28,306

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.

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, 2024.

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, 2024 and 2023

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, 2024. 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 entry age normal actuarial cost method is used to determine annual plan costs. The employer contribution rate for the years ended June 30, 2024 and 2023 was 8.93% plus an additional \$5,000 per bi-weekly payroll for fiscal years 2024 and 2023. The employee contribution rate for the years ended June 30, 2024 and 2023 was 4.95%. Contributions paid by the Water Works for the year ended June 30, 2024 totaled \$188,581, and the contributions paid by employees totaled \$32,472.

Net Pension Liability, Pension Income, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2024, the Water Works reported a net pension liability of \$1,132,109. The net pension liability was measured as of March 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of March 31, 2024.

For the year ended June 30, 2024, the Water Works recognized pension income of \$62,883. At June 30, 2024 the Water Works reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2024 and 2023

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	\$ 32,121	-
Net difference between projected and actual earnings on pension plan investments	-	34,430
Total	\$ 32,121	34,430

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
2025	\$	(24,817)
2026		30,093
2027		18,575
2028		(26,160)
	\$	(2,309)

Actuarial Assumptions – The total pension liability in the March 31, 2024 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rates of salary increase (effective March 31, 2024)	3.00% per annum.
Long-term investment rate of return (effective March 31, 2024)	7.00%, compounded annually.

The actuarial assumptions used in the March 31, 2024 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, 2024 and 2023

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 16.31% 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	\$ 1,363,181	1,132,109	933,139

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, 2024 and 2023

Note 7. Capital Assets

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

	<u>2024</u>	<u>2023</u>
Land	\$ 1,115,721	1,115,721
Construction in progress	3,533,179	1,512,996
Plant and source of supply	19,588,429	19,612,468
Booster station	220,653	220,653
Distribution system and pipe	17,146,832	16,559,341
Meters	3,258,206	1,761,883
Machinery and equipment	498,410	498,410
Vehicles	421,298	364,485
Capital improvements	113,916	113,916
Capital improvements - buildings	864,188	864,188
Office equipment and furnishings	519,137	469,856
	<u>47,279,969</u>	<u>43,093,917</u>
Less accumulated depreciation	<u>(19,249,527)</u>	<u>(18,597,365)</u>
	<u>\$ 28,030,442</u>	<u>24,496,552</u>

Depreciation expense was \$702,472 for the year ended June 30, 2024 and \$566,560 for the year ended June 30, 2023.

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 2024 and 2023. There have been no reductions in insurance coverage from prior years.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2024 and 2023

Note 9. Long-Term Liabilities

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Revenue note	\$ 4,996,000	-	340,000	4,656,000	347,000
Project anticipation note	-	2,348,174	-	2,348,174	-
Net pension liability	1,702,485	-	66,764	1,635,721	-
Total	\$ 6,698,485	2,348,174	406,764	8,639,895	347,000

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, 2024, the Water Works paid principal of \$340,000 and interest of \$87,430 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 16.2% of net receipts. The total principal and interest remaining to be paid on the note is \$5,204,924. For the current year, principal and interest paid and total net receipts were \$427,430 and \$2,636,228, 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, 2024, the Water Works was in compliance with the revenue note provisions.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued) June 30, 2024 and 2023

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
2025	\$ 347,000	81,480	428,480
2026	354,000	75,408	429,408
2027	361,000	69,213	430,213
2028	368,000	62,895	430,895
2029	376,000	56,455	432,455
2030-2034	1,995,000	180,950	2,175,950
2035-2036	855,000	22,523	877,523
Total	<u>\$ 4,656,000</u>	<u>548,924</u>	<u>5,204,924</u>

Project Anticipation Note

On April 14, 2023, the Water Works entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority for up to \$4,288,639 for the purpose of paying the costs of planning, designing and construction of a water treatment plant upgrade. As of June 30, 2024, the Water Works had drawn down \$2,348,174 on the note. The note is interest free and matures on April 14, 2026. The note was issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and is payable from the proceeds of an authorized loan and disbursement agreement and the corresponding future issuance of water revenue bonds.

Note 10. Construction Commitments

The Water Works has entered into engineering and construction contracts totaling \$5,004,916 for the design and construction of a new reverse osmosis membrane treatment process train at the water treatment plant. As of June 30, 2024 there have been \$2,518,118 of costs incurred on the project. This project will be funded with a State Revolving Fund loan.

Note 11. Date of Management Evaluation

Management has evaluated subsequent events through November 18, 2024, 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 and Actual Required Supplementary Information For the Year Ended June 30, 2024

	<u>Actual</u>	<u>Budgeted Amounts Original/Final</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Charges for services	\$ 8,363,994	7,902,778	461,216
Miscellaneous	203,529	30,000	173,529
Total revenues	<u>8,567,523</u>	<u>7,932,778</u>	<u>634,745</u>
Expenses:			
Business type activities	<u>5,843,470</u>	<u>6,695,499</u>	<u>852,029</u>
Increase in net position	2,724,053	1,237,279	1,486,774
Net position beginning of year	<u>24,178,191</u>	<u>22,605,599</u>	<u>1,572,592</u>
Net position end of year	<u>\$ 26,902,244</u>	<u>23,842,878</u>	<u>3,059,366</u>

MARSHALLTOWN WATER WORKS

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2024

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, 2024 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 Ten Years* Required Supplementary Information

	2024	2023	2022
Water Works' proportion of the net pension liability (asset)	0.011157 %	0.009291 %	(0.003398) %
Water Works' proportionate share of the net pension liability	\$ 503,612	351,042	11,732
Water Works' covered payroll	\$ 979,852	748,328	679,199
Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	51.40 %	46.91 %	1.73 %
Plan fiduciary net position as a percentage of the total pension liability	90.13 %	91.40 %	100.81 %

* 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.

2021	2020	2019	2018	2017	2016	2015
0.008433 %	0.008842 %	0.008313 %	0.007153 %	0.007343 %	0.007330 %	0.007533 %
592,438	512,025	526,041	476,503	462,143	362,120	298,746
669,308	672,930	624,770	533,963	526,989	502,146	492,923
88.52 %	76.09 %	84.20 %	89.24 %	87.69 %	72.11 %	60.61 %
82.90 %	85.45 %	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 Ten Years* Required Supplementary Information

	2024	2023	2022
Water Works' net pension liability	\$ 1,132,109	1,351,443	1,200,570
Water Works' covered payroll	\$ 656,006	626,039	574,573
Water Works' net pension liability as a percentage of its covered payroll	173 %	216 %	209 %
Plan fiduciary net position as a percentage of the total pension liability	60.75 %	53.12 %	57.58 %

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

2021	2020	2019	2018	2017	2016	2015
1,267,513	1,524,033	1,431,248	1,445,910	1,476,868	1,547,805	1,471,746
570,838	434,039	365,396	381,898	499,157	462,980	483,147
222 %	351 %	392 %	379 %	296 %	334 %	305 %
54.97 %	43.22 %	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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily required contribution	\$ 111,018	92,498	70,642	64,116
Contributions in relation to the statutorily required contribution	(111,018)	(92,498)	(70,642)	(64,116)
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Water Works' covered payroll	\$ 1,176,034	979,852	748,328	679,199
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%

2020	2019	2018	2017	2016	2015
63,183	63,525	55,792	47,683	47,060	44,842
(63,183)	(63,525)	(55,792)	(47,683)	(47,060)	(44,842)
-	-	-	-	-	-
669,308	672,930	624,770	533,963	526,989	502,146
9.44%	9.44%	8.93%	8.93%	8.93%	8.93%

MARSHALLTOWN WATER WORKS

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially required contribution	\$ 58,581	55,905	51,309	50,976
Contributions in relation to the actuarially required contribution	<u>(188,581)</u>	<u>(175,905)</u>	<u>(181,309)</u>	<u>(180,976)</u>
Contribution deficiency (excess)	<u>\$ (130,000)</u>	<u>(120,000)</u>	<u>(130,000)</u>	<u>(130,000)</u>
Water Works' covered payroll	\$ 656,006	626,039	574,573	570,838
Required contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

2020	2019	2018	2017	2016	2015
38,760	32,630	34,104	44,575	41,344	43,145
(168,760)	(136,630)	(138,104)	(152,140)	(119,344)	(121,145)
(130,000)	(104,000)	(104,000)	(107,565)	(78,000)	(78,000)
434,039	365,396	381,898	499,157	462,980	483,147
8.93%	8.93%	8.93%	8.93%	8.93%	8.93%

MARSHALLTOWN WATER WORKS

Notes to Required Supplementary Information – IPERS Pension Liability Year ended June 30, 2024

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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%.

Supplementary Information

MARSHALLTOWN WATER WORKS

Schedules of Net Position Detail June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Cash:			
Cash on hand	\$ 1,238	1,238	-
Petty cash	300	300	-
Cash in bank	6,057,914	4,606,592	1,451,322
Water deposits	118,883	115,365	3,518
Total cash	<u>6,178,335</u>	<u>4,723,495</u>	<u>1,454,840</u>
Cash held for city:			
Sewer deposit fund	171,631	167,098	4,533
Sewer cash	376,101	421,714	(45,613)
Storm sewer cash	84,026	104,112	(20,086)
Landfill cash	10,213	10,685	(472)
Total cash held for city	<u>641,971</u>	<u>703,609</u>	<u>(61,638)</u>
Total cash and cash equivalents	<u>\$ 6,820,306</u>	<u>5,427,104</u>	<u>1,393,202</u>
Capital assets:			
Land	\$ 1,115,721	1,115,721	-
Construction in progress	3,533,179	1,512,996	2,020,183
Plant and source of supply	19,588,429	19,612,468	(24,039)
Accumulated depreciation - plant	(11,325,271)	(11,036,753)	(288,518)
Distribution system and pipe	17,146,832	16,559,341	587,491
Accumulated depreciation - distribution	(4,755,636)	(4,553,444)	(202,192)
Booster station	220,653	220,653	-
Accumulated depreciation-booster station	(105,708)	(101,192)	(4,516)
Meters	3,258,206	1,761,883	1,496,323
Accumulated depreciation - meters	(1,347,581)	(1,242,373)	(105,208)
Machinery and equipment	498,410	498,410	-
Accumulated depreciation - machinery and equipment	(422,579)	(409,650)	(12,929)
Vehicles	421,298	364,485	56,813
Accumulated depreciation - vehicles	(252,378)	(256,606)	4,228
Capital improvements	113,916	113,916	-
Accumulated depreciation - capital improvements	(93,492)	(93,425)	(67)
Capital improvements - buildings	864,188	864,188	-
Accumulated depreciation - buildings	(508,643)	(487,929)	(20,714)
Office equipment and furnishings	519,137	469,856	49,281
Accumulated depreciation - office equipment and furnishings	(438,239)	(415,993)	(22,246)
Net capital assets	<u>\$ 28,030,442</u>	<u>24,496,552</u>	<u>3,533,890</u>

MARSHALLTOWN WATER WORKS

Schedules of Net Position Detail (Continued) June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Prepaid expenses:			
Prepaid insurance	\$ 33,809	26,773	7,036
Prepaid computer maintenance	<u>62,682</u>	<u>50,967</u>	<u>11,715</u>
Total prepaid expenses	<u>\$ 96,491</u>	<u>77,740</u>	<u>18,751</u>
Other receivables:			
Miscellaneous accounts receivable billings	\$ 38,158	35,712	2,446
Interest receivable	<u>6,999</u>	<u>5,571</u>	<u>1,428</u>
Total other receivables	<u>\$ 45,157</u>	<u>41,283</u>	<u>3,874</u>
Accrued liabilities:			
Accrued sales tax	\$ 53,312	41,598	11,714
Accrued F.I.C.A.	5,296	4,538	758
Accrued payroll	72,255	61,674	10,581
Accrued pension	2,233	2,031	202
Accrued benefits	14	-	14
Accrued vacation	193,084	181,552	11,532
Accrued retirement expense	<u>4,437</u>	<u>3,675</u>	<u>762</u>
Total accrued liabilities	<u>\$ 330,631</u>	<u>295,068</u>	<u>35,563</u>

MARSHALLTOWN WATER WORKS

Schedules of Treatment Plant Expenses For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Salaries:			
Operational	\$ <u>620,009</u>	<u>582,563</u>	<u>37,446</u>
Employee benefits:			
Health insurance	65,293	53,855	11,438
Dental insurance	560	420	140
Pension	17,306	9,175	8,131
Social security	45,556	43,166	2,390
Life insurance	1,754	1,614	140
Registration	2,460	2,617	(157)
Dues	25	-	25
Travel	15	-	15
Lodging	195	148	47
Safety training	705	875	(170)
Safety clothing	2,224	1,927	297
Medical	-	358	(358)
	<u>136,093</u>	<u>114,155</u>	<u>21,938</u>
Utilities:			
Electric	450,784	445,632	5,152
Gas	25,562	33,179	(7,617)
Internet	1,834	2,218	(384)
Telephone	1,023	1,197	(174)
	<u>479,203</u>	<u>482,226</u>	<u>(3,023)</u>
Depreciation:			
Plant depreciation	298,654	297,394	1,260
Equipment depreciation	-	3,498	(3,498)
Vehicle depreciation	23,823	10,140	13,683
	<u>322,477</u>	<u>311,032</u>	<u>11,445</u>
Fuels:			
Gas	2,920	2,122	798
Oil	7,645	832	6,813
Diesel	7,048	5,913	1,135
LP	-	758	(758)
	<u>17,613</u>	<u>9,625</u>	<u>7,988</u>

MARSHALLTOWN WATER WORKS

Schedules of Treatment Plant Expenses (Continued) For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Supplies:			
Lab supplies	52,020	38,433	13,587
Plant supplies	1,008	695	313
Building supplies	925	10	915
Cleaning supplies	568	266	302
General supplies	2,997	2,267	730
Health and first aid	129	123	6
Safety equipment	1,090	1,763	(673)
Operational fees and permits	1,331	680	651
	<u>60,068</u>	<u>44,237</u>	<u>15,831</u>
Maintenance:			
Building maintenance	9,802	3,073	6,729
Machinery maintenance	133,375	87,568	45,807
Heating and air conditioner maintenance	7,071	23,655	(16,584)
Computer maintenance	60	463	(403)
Safety equipment maintenance	880	369	511
CIWA meter pit maintenance	61	-	61
Grounds maintenance	11,869	9,070	2,799
Well field maintenance	12,746	11,541	1,205
Vehicle maintenance	1,636	1,080	556
Generator	18,268	14,526	3,742
	<u>195,768</u>	<u>151,345</u>	<u>44,423</u>
Chemicals:			
Pebble-lime	644,371	645,883	(1,512)
CO2	70,547	60,988	9,559
CL2	115,944	89,974	25,970
Fluoride	22,869	20,604	2,265
Poly-phosphate	34,314	38,821	(4,507)
Sodium Chlorite	2,262	-	2,262
Lime sludge removal	292,000	103,748	188,252
	<u>1,182,307</u>	<u>960,018</u>	<u>222,289</u>
Contract services:			
Lab services	1,074	5,186	(4,112)
	<u>1,074</u>	<u>5,186</u>	<u>(4,112)</u>
 Total treatment plant	 <u>\$ 3,014,612</u>	 <u>2,660,387</u>	 <u>354,225</u>

MARSHALLTOWN WATER WORKS

Schedules of Construction and Maintenance Expenses For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Salaries:			
General salaries	\$ <u>633,787</u>	<u>427,225</u>	<u>206,562</u>
Employee benefits:			
Health insurance	75,085	61,149	13,936
Dental insurance	730	534	196
Pension	27,879	7,561	20,318
Social security	46,565	31,706	14,859
Life insurance	1,533	1,232	301
Mileage	-	120	(120)
Registration	3,572	4,225	(653)
Dues	1,315	1,264	51
Travel	706	148	558
Food	274	236	38
Safety training	615	875	(260)
Safety clothing	7,035	3,080	3,955
Medical	358	7	351
	<u>165,667</u>	<u>112,137</u>	<u>53,530</u>
Depreciation:			
Distribution depreciation	202,191	171,112	31,079
Booster station depreciation	4,516	4,530	(14)
Meter depreciation	105,209	-	105,209
Vehicle depreciation	12,123	3,624	8,499
Equipment depreciation	12,929	8,967	3,962
	<u>336,968</u>	<u>188,233</u>	<u>148,735</u>
Fuels:			
Gas	14,211	10,741	3,470
Oil	2,698	2,328	370
Diesel fuel	7,295	13,967	(6,672)
Grease	-	156	(156)
	<u>24,204</u>	<u>27,192</u>	<u>(2,988)</u>

MARSHALLTOWN WATER WORKS

Schedules of Construction and Maintenance Expenses (Continued) For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Supplies:			
Distribution supplies	24,934	33,941	(9,007)
Shop supplies	4,996	9,579	(4,583)
Leak repair supplies	44,637	46,877	(2,240)
Hydrant and valve supplies	41,576	54,263	(12,687)
Booster station supplies	507	59	448
Safety equipment	-	4,032	(4,032)
Data processing supplies	-	165	(165)
Operational fees and permits	261	26	235
	<u>116,911</u>	<u>148,942</u>	<u>(32,031)</u>
Maintenance:			
Vehicle maintenance	2,941	2,523	418
Equipment maintenance	29,702	47,746	(18,044)
Computer maintenance	-	59	(59)
Reservoir maintenance	24,470	-	24,470
Safety equipment maintenance	28	175	(147)
Tower maintenance	344	3,500	(3,156)
Booster station maintenance	1,536	989	547
	<u>59,021</u>	<u>54,992</u>	<u>4,029</u>
 Total construction and maintenance	 <u>\$ 1,336,558</u>	 <u>958,721</u>	 <u>377,837</u>

MARSHALLTOWN WATER WORKS

Schedules of Customer Service and Meter Expenses For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Salaries:			
Salaries	\$ 64,078	215,363	(151,285)
Employee benefits:			
Health insurance	10,453	20,941	(10,488)
Dental insurance	130	199	(69)
Pension	4,820	2,503	2,317
Social security	4,598	16,017	(11,419)
Life insurance	736	617	119
Mileage	-	226	(226)
Registration	-	441	(441)
Food	-	15	(15)
Safety training	615	875	(260)
Safety clothing	249	936	(687)
Dues	-	500	(500)
	<u>21,601</u>	<u>43,270</u>	<u>(21,669)</u>
Depreciation:			
Vehicle depreciation	-	12,123	(12,123)
Meter depreciation	-	23,838	(23,838)
	<u>-</u>	<u>35,961</u>	<u>(35,961)</u>
Fuels:			
Gas	3,073	4,511	(1,438)
Maintenance:			
Vehicle maintenance	329	2,484	(2,155)
Equipment maintenance	-	568	(568)
Computer maintenance	-	120	(120)
Safety equipment maintenance	28	133	(105)
	<u>357</u>	<u>3,305</u>	<u>(2,948)</u>
Supplies:			
General supplies	1,153	160	993
Meter repair supplies	2,283	1,957	326
Shop supplies	224	430	(206)
Service repair supplies	1,629	324	1,305
	<u>5,289</u>	<u>2,871</u>	<u>2,418</u>
Total customer service and meter	\$ 94,398	305,281	(210,883)

MARSHALLTOWN WATER WORKS

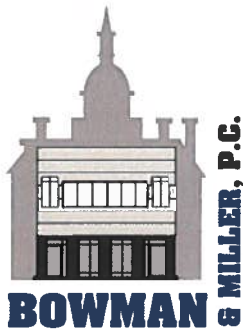
Schedules of Administrative and Non-Operating Expenses For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Salaries:			
Administrative salaries	\$ <u>545,754</u>	<u>464,191</u>	<u>81,563</u>
Employee benefits:			
Health insurance	35,623	42,193	(6,570)
Dental insurance	475	443	32
Pension	13,954	11,770	2,184
Pension supplement	130,000	120,000	10,000
Social security	40,017	33,867	6,150
Life insurance	1,987	1,549	438
Mileage	1,524	1,514	10
Registration fees	1,005	4,011	(3,006)
Dues and subscriptions	13,074	10,998	2,076
Safety clothing and training	3,258	1,063	2,195
Lodging	1,539	1,452	87
Food	209	236	(27)
Medical	232	-	232
	<u>242,897</u>	<u>229,096</u>	<u>13,801</u>
Utilities:			
Electricity	8,004	9,727	(1,723)
Gas	2,627	4,769	(2,142)
Internet expense	4,861	3,749	1,112
Telephone	2,588	2,647	(59)
	<u>18,080</u>	<u>20,892</u>	<u>(2,812)</u>
Depreciation:			
Building depreciation	20,714	19,890	824
Capital improvement depreciation	67	67	-
Equipment depreciation	22,246	11,377	10,869
	<u>43,027</u>	<u>31,334</u>	<u>11,693</u>
General supplies:			
Office supplies	11,634	7,946	3,688
Data processing supplies	2,306	11,163	(8,857)
Building supplies	448	-	448
Cleaning supplies	360	220	140
General supplies	7,028	9,379	(2,351)
Operational fees and permits	3,456	535	2,921

MARSHALLTOWN WATER WORKS

Schedules of Administrative and Non-Operating Expenses (Continued) For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
General Supplies (continued):			
Health and first aid	290	226	64
Safety equipment	23	-	23
	<u>25,545</u>	<u>29,469</u>	<u>(3,924)</u>
Maintenance:			
Computer maintenance	58,826	46,127	12,699
Office machine maintenance	1,084	5,710	(4,626)
Grounds maintenance	66	-	66
Storm sewer	1,204	860	344
Heating and air conditioning maintenance	281	411	(130)
Building maintenance	2,593	1,668	925
	<u>64,054</u>	<u>54,776</u>	<u>9,278</u>
Administrative expenses:			
Insurance	138,384	107,542	30,842
Banking services	46,304	44,282	2,022
Legal services	48,656	19,520	29,136
Cleaning services	7,817	7,134	683
Accounting services	29,057	12,516	16,541
Postage	26,835	22,800	4,035
Public notices	5,010	3,326	1,684
Engineering services	35,590	6,058	29,532
Computer services	2,215	59,580	(57,365)
Contract labor	-	58,333	(58,333)
Contract services	2,973	2,549	424
	<u>342,841</u>	<u>343,640</u>	<u>(799)</u>
Total administrative expenses	\$ <u>1,282,198</u>	<u>1,173,398</u>	<u>108,800</u>
Non-operating expenses:			
Board compensation	\$ 900	900	-
Economic development	10,229	10,184	45
Penalties	5,214	-	5,214
Interest expense	99,361	106,051	(6,690)
	<u>115,704</u>	<u>117,135</u>	<u>(1,431)</u>
Total non-operating expenses	\$ <u>115,704</u>	<u>117,135</u>	<u>(1,431)</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, 2024 and 2023, and the related Notes to Financial Statements, which collectively comprise the Water Works' basic financial statements, and have issued our report thereon dated November 18, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in Part II of the accompanying Schedule of Findings as 2024-001 that we consider to be a material weakness.

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, 2024 and 2023 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.

Marshalltown Water Works' Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on the Marshalltown Water Work's response to the finding identified in our audit and described in the accompanying Schedule of Findings. Marshalltown Water Works response was not subjected to the other auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on the response.

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 audits 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
November 18, 2024

MARSHALLTOWN WATER WORKS

Schedule of Findings Years Ended June 30, 2024 and 2023

Part I: Summary of the Independent Auditors' Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit 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, 2024 and 2023

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

2024-001 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling book and bank balances.

Condition – The Water Works did not prepare a monthly bank reconciliation comparing the month end bank statement balance to the month end general ledger for the Water Works bank accounts.

Cause – Procedures have not been implemented to ensure all accounts are reconciled to the bank balance and are complete and accurate to ensure proper accounting for all funds.

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Water Works should establish procedures to ensure bank account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved immediately to improve financial accountability and control. In addition, the reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – The Water Works converted their financial accounting software from Tyler 9 to Tyler 10 in September 2023, and many of the reconciling issues were related to the conversion of the software. We are working on reconciling our book to bank balances monthly going forward.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MARSHALLTOWN WATER WORKS

Schedule of Findings (Continued) Years Ended June 30, 2024 and 2023

Part III: Other Findings Related to Required Statutory Reporting:

- 2024-A Certified Budget - Expenditures during the year ended June 30, 2024 did not exceed the amounts budgeted.
- 2024-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.
- 2024-C Travel Expense - No expenditures of Marshalltown Water Works' money for travel expenses of spouses of Marshalltown Water Works officials or employees were noted.
- 2024-D Business Transactions - No business transactions between the Water Works and Water Works officials or employees were noted.
- 2024-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.
- 2024-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.
- 2024-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 2024-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.
- 2024-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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