

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa

Financial Statements and
Supplementary Information

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa

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Independent Auditor's Report

To the Board of Trustees
Urbandale Water Utility
Urbandale, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the Urbandale Water Utility (Utility), a component unit of the City of Urbandale, Iowa, as of and for the year ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Urbandale Water Utility as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The schedule of cash receipts and cash disbursements – budget to actual is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of cash receipts and cash disbursements – budget to actual has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2021, on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.



Dubuque, Iowa
October 8, 2021

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa

Management's Discussion and Analysis

June 30, 2021 and 2020

This section of the Urbandale Water Utility's Annual Financial Report presents management's discussion and analysis of the Water Utility's fiscal performance during the fiscal years that ended on June 30, 2021 and 2020. It should be read in conjunction with the Water Utility's financial statements, which immediately follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Water Utility exceeded the liabilities and deferred inflows of resources at the close of the 2020-21 fiscal year by \$36,040,189 (net position). Of this amount, \$8,884,030 (unrestricted net position) may be used to meet the Water Utility's ongoing obligations and scheduled capital improvements.
- The Water Utility's total net position increased by \$2,904,813 for the year ended June 30, 2021. This is attributable to operating and non-operating income of \$2,366,737 and capital contributions of \$538,076.
- As of the close of the current fiscal year, the Water Utility's unrestricted cash and cash equivalents balance was \$10,380,981, an increase of \$1,368,676. The increase in cash and cash equivalents is primarily attributed to higher operating revenues during the year ended June 30, 2021.
- The Water Utility's total operating revenues increased by 16.890% to \$11,875,991, and the operating expenses increased by 13.852% to \$8,600,408. The total operating revenues exceeded total operating expenses by \$3,275,583.

Overview of the Financial Statements

The Water Utility Financial Report consists of three parts:

1. Management's Discussion and Analysis (this section),
2. Financial Statements, and
3. Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements.

The Water Utility's financial statements are designed to provide readers with a broad overview of the Water Utility's finances, in a manner similar to private business.

The Water Utility's financial statements report on the functions of the Water Utility. The Water Utility is an enterprise fund supported by water revenues. The Urbandale Water Utility Board consists of a three member Board of Trustees. The trustees are nominated by the Mayor and elected by the City Council. Under Chapter 388 of the Code of Iowa and Urbandale City Ordinance, the Water Utility Board is independent and has all the rights of a City Council with the exception that it cannot levy taxes or issue general obligation bonds. The Water Utility's operating budget is approved by the Water Board and accepted by the City Council.

The title to all property must be held in the name of the City, but the Water Utility Board has all the powers with respect to acquisition by purchase, condemnation or otherwise lease, sale or other disposition of the property, and the management, control and operation, subject to the requirements, terms, covenants, conditions and provisions of any resolutions authorizing the issuance of revenue bonds, pledge orders or obligations which are payable from the revenues of the water utility.

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
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Management's Discussion and Analysis

June 30, 2021 and 2020

The statement of net position presents information of the Water Utility's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over a period of time the increases or decreases in net position can be an indicator of the financial stability of the Water Utility. Total net position increased by 8.765% and 8.802% for the fiscal years ending June 30, 2021 and 2020, respectively.

The largest portion of the Water Utility's net position (75.350%) is investment in capital assets (e.g. building, distribution system and equipment). See discussion of capital asset activity on page 8. The Water Utility uses these capital assets to provide services to the residents of the City; therefore, the assets are not available for future spending. The capital assets are reported net of related debt. The Water Utility provides revenue through the sale of water and the delivery of goods and services to liquidate any liabilities incurred through operations or capitalized projects.

Water Utility Condensed Statements of Net Position

	June 30, 2021	June 30, 2020	June 30, 2019
Current assets	\$ 12,552,865	10,749,412	10,708,163
Restricted assets	175,066	146,834	324,901
Capital assets, net	27,850,159	26,845,218	25,775,802
Deferred outflows of resources	339,018	312,814	339,633
Total assets and deferred outflows of resources	<u>40,917,108</u>	<u>38,054,278</u>	<u>37,148,499</u>
Long-term liabilities	2,911,109	3,017,186	5,012,393
Other liabilities	1,905,491	1,742,049	1,613,104
Deferred inflows of resources	60,319	159,667	68,303
Total liabilities and deferred inflows of resources	<u>4,876,919</u>	<u>4,918,902</u>	<u>6,693,800</u>
Net position:			
Net investment in capital assets	27,156,159	25,929,218	22,821,802
Unrestricted	8,884,030	7,206,158	7,632,897
Total net position	<u>36,040,189</u>	<u>33,135,376</u>	<u>30,454,699</u>
Total liabilities, deferred inflows and net position	<u>\$ 40,917,108</u>	<u>38,054,278</u>	<u>37,148,499</u>

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
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Management's Discussion and Analysis

June 30, 2021 and 2020

The unrestricted net position \$8,884,030 and \$7,206,158 at fiscal years ending on June 30, 2021 and 2020, respectively, will be used to meet the Water Utility's ongoing obligations and scheduled capital improvements.

At the end of the current and prior fiscal years, the Water Utility's financial statements report positive balances of net position.

Water Utility Activities

The statements of revenues, expenses, and changes in net position show how the Water Utility's net position has changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal years.

The Water Utility has two categories for operating revenues; metered water sales and other. Metered water sales are revenues derived from the sale of water that has passed through metering devices. Other operating revenues include fees charged for various goods and services. Operating expenses have six categories; water purchases, distribution operations, distribution maintenance, accounting and collection, general and administrative, and depreciation. The separation of activities allows detailed information regarding the fiscal effectiveness of the activity and easier tracking capabilities. The Water Utility's activities increased its net position by \$2,904,813 and \$2,680,677 for the fiscal years ending June 30, 2021 and 2020, respectively. The increase in net position for the year ending June 30, 2021 is attributable to operating and non-operating income of \$2,366,737 and capital contributions in the amount of \$538,076. The following table depicts the changes in net position for the year.

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
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Management's Discussion and Analysis

June 30, 2021 and 2020

Water Utility Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating revenues:			
Metered sales	\$ 10,972,893	9,561,886	9,689,239
Other	903,098	598,094	655,626
Total operating revenues	<u>11,875,991</u>	<u>10,159,980</u>	<u>10,344,865</u>
Operating expenses:			
Water purchases	4,325,285	3,425,147	3,207,785
Distribution operations	1,146,669	1,077,814	1,090,316
Distribution maintenance	711,799	724,580	719,679
Accounting and collection	734,265	701,149	712,712
General and administrative	820,822	770,343	813,349
Depreciation	861,568	855,005	815,510
Total operating expenses	<u>8,600,408</u>	<u>7,554,038</u>	<u>7,359,351</u>
Operating income	<u>3,275,583</u>	<u>2,605,942</u>	<u>2,985,514</u>
Non-operating revenues (expenses):			
Interest income	74,119	97,390	118,931
Interest expense	(33,690)	(70,089)	(126,276)
Contributions	(1,074,058)	(1,070,197)	(1,067,424)
Lease revenue	104,297	117,511	126,459
Loss on disposal of asset	—	(464)	(25,819)
Miscellaneous income	20,486	17,852	24,541
Total non-operating expenses, net	<u>(908,846)</u>	<u>(907,997)</u>	<u>(949,588)</u>
Income before capital contributions	2,366,737	1,697,945	2,035,926
Capital contributions	<u>538,076</u>	<u>982,732</u>	<u>340,117</u>
Change in net position	2,904,813	2,680,677	2,376,043
Net position at beginning of year	<u>33,135,376</u>	<u>30,454,699</u>	<u>28,078,656</u>
Net position at end of year	<u>\$ 36,040,189</u>	<u>33,135,376</u>	<u>30,454,699</u>

The Water Utility's operating revenues increased by 16.890% and decreased 1.787% for fiscal years ending June 30, 2021 and 2020, respectively. Operating expenses increased by 13.852% and by 2.645%, respectively. The ending unrestricted position totaled \$8,884,030 and \$7,206,158, respectively. Total operating revenues exceeded operating expenses by \$3,275,583 and \$2,605,942, respectively.

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Management's Discussion and Analysis

June 30, 2021 and 2020

Key elements of the changes in net position for the years ending June 30, 2021 and 2020, respectively:

- Contributions from developers for infrastructure improvements of \$538,076 and \$982,732 for 2021 and 2020, respectively.
- Operating revenues exceeded operating expenses by \$3,275,583 and \$2,605,942 in 2021 and 2020, respectively.

Capital Assets and Debt Administration

Capital assets

At the end of 2021 and 2020, the Water Utility had invested \$27,850,159 and \$26,845,218, respectively, in capital assets that include structures, distribution system and equipment (see table A). This amount represents a net increase (including additions and deductions) of \$1,004,941 (3.744%) from 2020 to 2021 and net increase (including additions and deductions) of \$1,069,416 (4.149%) from 2019 to 2020, respectively.

Table A

Capital assets	2021	2020	2019
Building	\$ 1,181,173	1,181,173	1,181,173
Distribution system	38,270,034	37,189,281	35,596,116
Land	2,198,900	2,198,900	2,198,900
Equipment	982,846	948,209	919,492
Construction in progress	1,201,499	506,693	251,404
	43,834,452	42,024,256	40,147,085
Less depreciation	15,984,293	15,179,038	14,371,283
Net capital assets	\$ 27,850,159	26,845,218	25,775,802

Additional information on the Water Utility's capital assets can be found in Note 3 of this report.

Long-term debt

The Water Utility had a long-term capital loan debt balance of \$1,469,000 on June 30, 2021. The debt balance on June 30, 2020 was \$1,756,000. The reduction of capital loan debt was \$287,000 in principal payments.

Additional information on the Water Utility's debt can be found in Note 4 of this report.

URBANDALE WATER UTILITY

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Maintaining the Condition of the Water Utility's Infrastructure

The Urbandale Water Utility has on-going water main replacement and distribution system maintenance programs. Each year the distribution system goes through an evaluation process to determine areas that need attention by both management and field personnel. The attention areas are prioritized and placed in the Capital Improvements Program and balanced with the available funds. The improvements have resulted in updating the system by replacing older and undersized water mains, increased fire flows and a reduction in water main breaks in troubled areas.

Distribution maintenance is performed on both a scheduled and an as needed basis. The system appurtenances such as valves and hydrants are checked after each use. They are scheduled for maintenance every three years. The valves are operated through a full cycle. Fire hydrants are operated, flowed and static pressures are recorded. Results are compared with previous tests to determine system changes.

Fiscal Year 2021 Activity

The Utility continued its meter replacement program and changed 260 meters and added 367 new connections this year. The new meters are equipped with automatic meter reading (AMR) technology allowing automated integration of meter readings to be downloaded to the customer service billing system resulting in more efficient use of utility resources.

The Water Utility completes a multi-year Capital Improvements Program (CIP) on an annual basis. The current CIP has an estimated cost of \$7,894,250 for water main replacement projects, main extensions, and various improvements to the distribution system. See Table B.

The budget was amended due to a couple of CIP projects that were delayed and carried over from the previous year. The Utility also received a larger than expected water rate increase from Des Moines Waterworks (DMWW) that caused the cost of water to be higher than anticipated. The budgeted rate increase was 10% and the actual increase was 15%.

The Des Moines Metro continues to research the feasibility of developing a Regional Water Production Utility to manage and the area water production facilities. If a Regional Production Utility is developed it would be responsible for building and constructing facilities to meet the future water treatment needs of the entire area. The Utility along with six other western communities received and filed a study relating to the feasibility and the availability of a water source to create a Western Regional Water Authority. The study determined that a Western Regional Production Utility does have potential, however the Utility will evaluate all of the options to determine what is best for our customers. In all cases the distribution & customer service activities would still be the responsibility of each utility.

URBANDALE WATER UTILITY

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Table B
Urbandale Water Utility Capital Improvements 2021-2026

Year		Feet	Description	Cost
2021	S21	1430	12" Douglas - 100th to 104th	\$ 600,000
	S21	1300	8" 67th - Airline to Aurora	325,000
	S21	500	8" Maryland - 72nd to Oliver Smith	125,000
	S21	650	8" 67th - Madison to Airline	162,500
	F21	2010	8" Maryland Dr. 68th to 72nd	502,500
				<u>1,715,000</u>
2022	S22	1700	20" 170th St. - Plum Dr. To Waterford Road	238,000
	S22	1155	8" Willard Ct./Willard Cir. - Hillsdale to Beverly	288,750
	S22	525	8" Beverly - Willard Ct. to New York	131,250
	F22	1300	8" 66th - Aurora to Townsend	325,000
	F22	605	8" 67th - NW Urbandale Dr. N. to dead-end	151,250
				<u>1,134,250</u>
2023	S23	1320	8" Airline - 66th to 70th	330,000
	S22	2000	Aurora - Valve replacement 64th to 70th	125,000
	S23	620	8" 81st St. - Douglas to Madison	155,000
	S23	150	8" Madison- 81st to 82nd	37,500
	F23	2100	8" 70th - Douglas to Aurora	525,000
				<u>1,172,500</u>
2024	S24	1300	8" Monroe Court - 70th to 72nd	325,000
	S24	1100	8" Oliver Smith - 72nd to 74th	275,000
	F24	1600	8" Monroe Court - 72nd to Roseland	400,000
				<u>1,000,000</u>
2025	S25	1250	8" Roseland - 70th to 72nd	312,500
	S25	900	8" Roseland - 72nd to 74th	225,000
	F25	800	8" Palm - 71st to 70th	200,000
	F25	540	8" 71st st. Roseland to Palm	135,000
				<u>872,500</u>
2026	S26	1470	8" Hillsdale - Patricia Dr. to Dewey Gibbs	367,500
	F26	2530	12" Meredith - 66th to Merle Hay	632,500
				<u>1,000,000</u>
				<u>2,000,000</u>
				\$ <u><u>7,894,250</u></u>

Projects may be adjusted forward or back depending on the timing of developments in the various areas and funds available as cash flows are adjusted to reflect actual revenues and expenses. (S) and (F) stands for spring and fall construction.

URBANDALE WATER UTILITY

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Management's Discussion and Analysis

June 30, 2021 and 2020

Economic Factors and Next Year's Budget and Rates

Based on historical trends, current fiscal year activity and building permits issued by the City of Urbandale, the Water Utility anticipates the following:

- Development is projected to see continued growth in the western part of the City which will increase the contributed assets of the Water Utility and the revenue from new customers.
- The 2021-22 fiscal year budget will show increases in revenues and disbursements due to anticipated increase in water and sewer sales and services to Urbandale customers. The rate the Urbandale Water Utility will be charged for water purchased from the Des Moines Water Works is projected to increase in April of 2022. This rate increase will be evaluated to determine if rate increases to our customers are necessary.
- In 2021-22 fiscal year the Utility has budgeted for early pay off of the DMWW Water Revenue Refunding Bonds, Series 2012B. The early payment would result in a reduction of debt and a savings of approximately \$261,500 over the remaining amortization.
- The pandemic event of COVID-19 which has changed the norm of operations has had little effect on our water sales. In fact, our sales have been up slightly perhaps due to Urbandale being predominately a residential community and many people working and staying at home.

The Water Utility tracks water sales on a calendar year basis. Table C shows a trend line for the past 7 years allowing a visual look at the increase or decrease in water sales. Water sales are estimated using past history of water sales, weather conditions and population increases.

URBANDALE WATER UTILITY

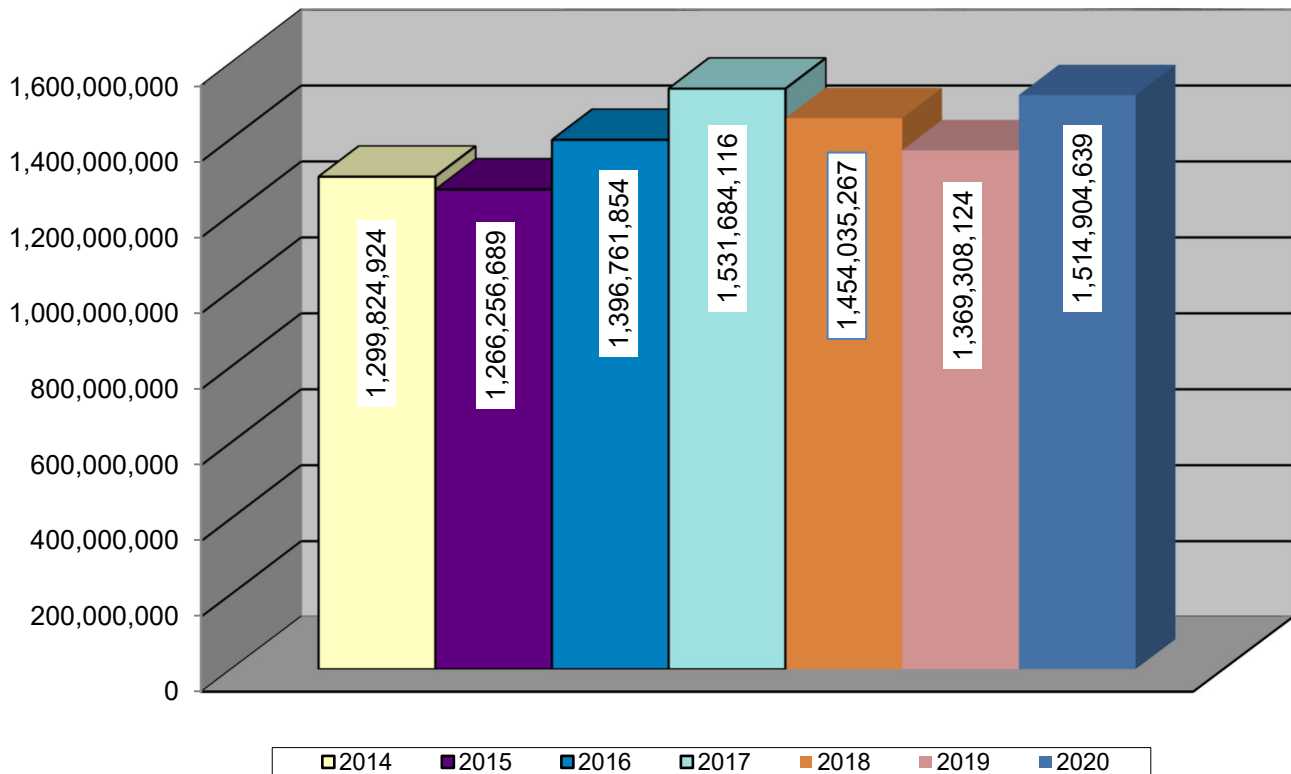
(A Component Unit of the City of Urbandale, Iowa)
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Management's Discussion and Analysis

June 30, 2021 and 2020

Table C

Water Gallons Sold 2014-2020



Contacting the Urbandale Water Utility's Financial Management

This financial report is designed to provide customers, investors and creditors with a general overview of the Water Utility's finances and to demonstrate the Utility's accountability for the business aspects of the entity. If there are questions about this report or additional financial information is needed, please contact the Urbandale Water Utility, at 3720 86th Street, Urbandale, Iowa 50322.

URBANDALE WATER UTILITY

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Statements of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets and Deferred Outflows of Resources		
Current assets:		
Cash (note 2)	\$ 92,476	145,131
Cash equivalents (note 2)	10,288,505	8,867,174
Accounts receivable	1,848,058	1,459,716
Due from City of Urbandale	26,838	20,463
Prepaid expense and other assets	49,381	70,888
Accrued interest receivable	—	86
Inventories, at cost	247,607	185,954
Total current assets	<u>12,552,865</u>	<u>10,749,412</u>
Restricted assets:		
Cash and cash equivalents (note 2)	173,906	146,034
Due from City of Urbandale	1,160	800
Total restricted assets	<u>175,066</u>	<u>146,834</u>
Capital assets (note 3):		
Building	1,181,173	1,181,173
Distribution system	38,270,034	37,189,281
Land	2,198,900	2,198,900
Equipment	982,846	948,209
Construction in progress	1,201,499	506,693
	43,834,452	42,024,256
Less accumulated depreciation	<u>15,984,293</u>	<u>15,179,038</u>
Net capital assets	<u>27,850,159</u>	<u>26,845,218</u>
Total assets	<u>40,578,090</u>	<u>37,741,464</u>
Deferred outflows of resources:		
Pension related deferred outflows	291,794	279,040
OPEB related deferred outflows	47,224	33,774
Total deferred outflows of resources	<u>339,018</u>	<u>312,814</u>
Total assets and deferred outflows of resources	<u>\$ 40,917,108</u>	<u>38,054,278</u>

See accompanying notes to financial statements.

URBANDALE WATER UTILITY

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Statements of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities, Deferred Inflows and Net Position		
Liabilities:		
Current liabilities payable from current assets:		
Accounts payable	\$ 25,489	122,481
Due to other governments	1,156,386	935,529
Due to City of Urbandale	70,967	68,634
Compensation and payroll taxes	108,937	110,575
Compensated absences (note 4)	112,596	103,806
Interest payable	7,726	9,064
Current portion of capital loans payable (note 4)	294,000	287,000
	<u>1,776,101</u>	<u>1,637,089</u>
Current liabilities payable from restricted assets:		
Customer deposits	129,390	104,960
Total current liabilities	<u>1,905,491</u>	<u>1,742,049</u>
Long-term liabilities:		
Capital loans payable (note 4):	1,175,000	1,469,000
Compensated absences (note 4):	234,659	244,365
Total OPEB liability (note 6):	298,157	263,712
Net pension liability (note 5):	1,203,293	1,040,109
Total long-term liabilities	<u>2,911,109</u>	<u>3,017,186</u>
Total liabilities	<u>4,816,600</u>	<u>4,759,235</u>
Deferred inflows of resources:		
Pension related deferred inflows	59,579	158,867
OPEB related deferred inflows	740	800
Total deferred inflows of resources	<u>60,319</u>	<u>159,667</u>
Net Position:		
Net investment in capital assets	27,156,159	25,929,218
Unrestricted	8,884,030	7,206,158
Total net position	<u>36,040,189</u>	<u>33,135,376</u>
Commitments (note 8)		
Total liabilities, deferred inflows and net position	<u>\$ 40,917,108</u>	<u>38,054,278</u>

See accompanying notes to financial statements.

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa

Statements of Revenues, Expenses, and Changes in Net Position Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Metered sales	\$ 10,972,893	9,561,886
Other	903,098	598,094
Total operating revenues	<u>11,875,991</u>	<u>10,159,980</u>
Operating expenses:		
Water purchases	4,325,285	3,425,147
Distribution operations	1,146,669	1,077,814
Distribution maintenance	711,799	724,580
Accounting and collection	734,265	701,149
General and administrative	820,822	770,343
Depreciation	861,568	855,005
Total operating expenses	<u>8,600,408</u>	<u>7,554,038</u>
Operating income	<u>3,275,583</u>	<u>2,605,942</u>
Nonoperating revenues (expenses):		
Interest income	74,119	97,390
Interest expense and fiscal charges	(33,690)	(70,089)
Contribution (note 8)	(1,074,058)	(1,070,197)
Lease revenue	104,297	117,511
Loss on disposal of asset	—	(464)
Miscellaneous income	20,486	17,852
Total nonoperating revenues (expenses), net	<u>(908,846)</u>	<u>(907,997)</u>
Income before capital contributions	2,366,737	1,697,945
Capital contributions	<u>538,076</u>	<u>982,732</u>
Change in net position	2,904,813	2,680,677
Net position at beginning of year	<u>33,135,376</u>	<u>30,454,699</u>
Net position at end of year	<u>\$ 36,040,189</u>	<u>33,135,376</u>

See accompanying notes to financial statements.

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash receipts from customers and users	\$ 11,728,534	10,331,662
Cash payments to suppliers	(5,614,355)	(4,484,365)
Cash receipts on behalf of other governments	9,869,606	9,348,957
Cash payments to other governments	(9,871,939)	(9,355,886)
Cash payments to employees	(1,409,993)	(1,313,111)
Other operating cash payments	(779,774)	(793,417)
Net cash provided by operating activities	<u>3,922,079</u>	<u>3,733,840</u>
Cash flows from noncapital financing activities:		
Cash receipts from lease	104,297	117,511
Cash receipts from miscellaneous income	20,486	17,852
Net cash provided by noncapital financing activities	<u>124,783</u>	<u>135,363</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,328,433)	(942,153)
Cash paid for interest	(35,028)	(70,608)
Principal payments on revenue bonds and capital loans	(287,000)	(2,101,000)
Cash paid for capital contributions	(1,074,058)	(1,070,197)
Net cash used in capital and related financing activities	<u>(2,724,519)</u>	<u>(4,183,958)</u>
Cash flows from investing activities:		
Cash received from interest	74,205	107,530
Net increase (decrease) in cash and cash equivalents	1,396,548	(207,225)
Cash and cash equivalent at beginning of year	9,158,339	9,365,564
Cash and cash equivalents at end of year	\$ <u>10,554,887</u>	<u>9,158,339</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash	\$ 92,476	145,131
Cash equivalent	10,288,505	8,867,174
Restricted assets - cash and cash equivalents	173,906	146,034
Total cash and cash equivalents at end of year	\$ <u>10,554,887</u>	<u>9,158,339</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 3,275,583	2,605,942
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	861,568	855,005
Change in:		
Accounts receivable	(388,342)	(30,234)
Due from City of Urbandale	(6,735)	(5,548)
Prepaid expense	21,507	6,814
Inventories, at cost	(61,653)	(51,579)
Accounts payable	(96,992)	(6,765)
Due to other governments	220,857	187,805
Due to City of Urbandale	2,333	6,929
Compensation and payroll taxes	195,075	34,558
Deferred inflows and outflows of resources	(125,552)	118,183
Customer deposits	24,430	12,730
Net cash provided by operating activities	\$ <u>3,922,079</u>	<u>3,733,840</u>

Schedule of noncash capital and related financing activities –

Contribution from developers, water distribution system, \$538,076 in 2021 and \$982,732 in 2020.

See accompanying notes to financial statements.

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
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Notes to Financial Statements

June 30, 2021 and 2020

(1) Summary of Significant Accounting Policies

(a) *Organization and Basis of Accounting*

The accompanying financial statements of the Urbandale Water Utility have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Water Utility is governed by a three-member board of trustees nominated by the Mayor and elected by the City Council. Under Chapter 388 of the Code of Iowa and Urbandale City Ordinance, the Water Utility Board is independent and has all the rights of a City Council with the exception that it cannot levy taxes or issue general obligation bonds.

The Water Utility is a component unit of the City of Urbandale, Iowa (the City). The financial statements do not present the financial position and changes in net position of the City.

The flow of economic resources measurement focus and the accrual basis of accounting are used by the Urbandale Water Utility, wherein revenues are recognized when earned and expenses when incurred.

(b) *Cash and Cash Equivalents*

Cash equivalents of the Water Utility include a money market account and an investment in the Iowa Public Agency Investment Trust (IPAIT), which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 and is not subject to risk categorization. IPAIT was established under Iowa law to authorize cities, counties, and municipal utilities to jointly invest. IPAIT invests only in permitted investments as specified for public agencies by Iowa law. The board of trustees of IPAIT meets quarterly to monitor investment compliance and performance.

For purposes of the Statement of Cash Flows, all short-term cash 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.

(c) *Accounts Receivable*

Utilizing the first billing subsequent to year-end, the Urbandale Water Utility accrues estimated unbilled water revenues for service rendered subsequent to the last billing date and prior to year-end, based upon the number of days unbilled. Management periodically reviews accounts receivable to determine if there are amounts that are uncollectible. Accounts receivable are written off when deemed uncollectible. The direct write off method approximates the allowance method. Therefore, no allowance is deemed necessary at June 30, 2021 and 2020.

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(d) Inventories

Inventories of materials and supplies are valued at the lower of average cost or market. Inventories are recorded as expenditure at the time of consumption.

(e) Capital Assets

Building, distribution system, and equipment of the Urbandale Water Utility are stated at cost or at estimated historical cost if actual cost is not available. Contributed capital assets are recorded at acquisition value. Depreciation has been provided using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	40
Distribution system	50
Equipment	5 – 10

The cost of repairs and maintenance is charged to operations when incurred, while the cost of renewals or substantial improvements is capitalized. Reportable capital assets are defined by the Utility as assets with an initial cost in excess of \$5,000.

(f) Restricted Assets

Customer deposits are disclosed in the balance sheets as restricted assets and liabilities as they represent funds that may be refunded back to customers at the termination of their water service.

Restricted cash and cash equivalents after June 30, 2021 and June 30, 2020 also represents two capital loan sinking funds. These funds are being held for the repayment of the capital loans issued during the fiscal years ending June 30, 2011, and June 30, 2015.

(g) Compensated Absences

Water Utility employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. These accumulations are recorded as liabilities and are expensed in the year earned.

(h) Budgetary and Appropriation Data

The Water Utility follows the same budgeting process as the City. State law mandates that annual budgets for funds other than Custodial and Internal Service for the fiscal year beginning July 1 must be certified to the county auditor no later than March 31. The Water Utility also annually adopts a five-year capital improvement plan. The review and adoption of a budget is handled in accordance with state laws, as there is no City Ordinance governing the budget process. Preliminary review of all operating budget requests is conducted by the City Manager (the Manager) at a departmental level. The Water Utility's budget is included in this process. The Manager's budget, considered as a plan of financial operation along with proposed sources of revenues, is presented to the Council at least two

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months prior to certification. The Council holds hearings with the Manager, department heads, boards, and commissions, as well as a public hearing prior to adopting a budget. By resolution, the Council adopts a budget effective July 1 and certifies it to the county auditor, who, in turn, certifies the City's budget to the State Department of Management. This budget becomes the appropriation and is prepared on a cash basis (budget basis).

Amendments to the budget are considered annually only if revenue sources are available (i.e., unanticipated revenues and budget surpluses). The actual amendment process, as prescribed by state law, is identical to the procedures followed for the original budget, including certification. The budget for the fiscal year ending June 30, 2021 was amended and the fiscal year ending June 30, 2020 was not amended.

State law allows budgeting and accounting to be on a cash basis rather than on a generally accepted accounting principles (GAAP) basis. A reconciliation of the differences between the budgetary and GAAP basis for the year ended June 30, 2021 is presented for the Water Utility in The Schedule of Cash Receipts and Cash Disbursements – Budget to Actual.

(i) Financial Statement Presentation

For financial statement purposes, the Urbandale Water Utility is treated as an enterprise fund, a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, which includes providing water resources and related services to the citizens of Urbandale. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(j) 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.

(k) Total OPEB Liability

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

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(l) Deferred Outflows of Resources

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

(m) Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows consist of unrecognized items not yet charged to pension and OPEB expense.

(2) Cash Deposits and Cash Equivalents

At June 30, 2021 and 2020, the Urbandale Water Utility's cash deposits were 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.

At June 30, 2021 and 2020, cash equivalents included a money market account of \$6,968,574 and \$3,720,289, respectively, and an investment in the Iowa Public Agency Investment Trust (IPAIT) \$3,449,321 and \$5,248,845 respectively, which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940, and is not subject to risk categorization. Additionally, there are checking accounts with \$136,992 and \$189,205, respectively.

Interest rate risk. The Water Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in 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 Utility.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated. IPAIT was established under Iowa law to authorize cities, counties, and municipal utilities to jointly invest. IPAIT invests only in permitted investments as specified for public agencies by Iowa law. The board of trustees of IPAIT meets quarterly to monitor investment compliance and performance.

Concentration of credit risk. The Water Utility places no limit on the amount that may be invested in any one issuer, but does have a diversification policy to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific issue, or a specific class of securities.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a credit union failure, the Utility's deposits may not be returned to it. The Water Utility's deposits are entirely covered by the National Credit Union Administration or by letters of credit in accordance with Chapter 12C of the Code

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of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Water Utility held no such investments during the year.

The Utility had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2021 and 2020 is as follows:

	2021			
	June 30, 2020 Balance	Increases	Decreases	June 30, 2021 Balance
Capital assets, not being depreciated				
Land	\$ 2,198,900	—	—	2,198,900
Construction in progress	506,693	1,161,775	466,969	1,201,499
Total capital assets, not being depreciated	2,705,593	1,161,775	466,969	3,400,399
Capital assets being depreciated:				
Equipment	948,209	126,857	92,220	982,846
Buildings	1,181,173	—	—	1,181,173
Distribution system	37,189,281	1,087,282	6,529	38,270,034
Total capital assets being depreciated	39,318,663	1,214,139	98,749	40,434,053
Less accumulated depreciation for:				
Equipment	737,612	56,698	49,784	744,526
Buildings	805,745	30,617	—	836,362
Distribution system	13,635,681	774,253	6,529	14,403,405
Total accumulated depreciation	15,179,038	861,568	56,313	15,984,293
Total capital assets, net	\$ 26,845,218	1,514,346	509,405	27,850,159

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Notes to Financial Statements

June 30, 2021 and 2020

	2020			
	June 30, 2019			June 30, 2020
	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	\$ 2,198,900	—	—	2,198,900
Construction in progress	251,404	488,633	233,344	506,693
Total capital assets, not being depreciated	<u>2,450,304</u>	<u>488,633</u>	<u>233,344</u>	<u>2,705,593</u>
Capital assets being depreciated:				
Equipment	919,492	65,383	36,666	948,209
Buildings	1,181,173	—	—	1,181,173
Distribution system	35,596,116	1,604,213	11,048	37,189,281
Total capital assets being depreciated	<u>37,696,781</u>	<u>1,669,596</u>	<u>47,714</u>	<u>39,318,663</u>
Less accumulated depreciation for:				
Equipment	712,982	71,880	47,250	737,612
Buildings	775,128	30,617	—	805,745
Distribution system	12,883,173	752,508	—	13,635,681
Total accumulated depreciation	<u>14,371,283</u>	<u>855,005</u>	<u>47,250</u>	<u>15,179,038</u>
Total capital assets, net	<u>\$ 25,775,802</u>	<u>1,303,224</u>	<u>233,808</u>	<u>26,845,218</u>

(4) Long-term Obligations

(a) *Water Revenue Refunding Capital Loan Notes*

On June 1, 2015 the Utility issued \$1,963,000 in Water Revenue Refunding Capital Loan Notes. Interest is payable each December 1 and June 1 at a rate of 1.99%. Principal payments are due each June 1 and range from \$201,000 to \$236,000 with final maturity in 2024. The proceeds were used to refund \$2,275,000 of outstanding 2005 Water Revenue Bonds which had an interest rate of 3.90%. At June 30, 2021 the restricted cash on the balance sheet includes \$21,053 in the Sinking Fund. The debt is owned by Regions Bank and; therefore, constitutes a direct borrowing.

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Principal and interest requirements to maturity for obligations at June 30, 2021 are as follows:

Years Ending June 30,	Water Revenue Refunding Capital Loan	
	Principal	Interest
2022	\$ 227,000	13,811
2023	231,000	9,293
2024	236,000	4,696
	<u>\$ 694,000</u>	<u>27,800</u>

(b) Drinking Water State Revolving Fund

The Urbandale Water Utility applied for and received a capital loan note from the Drinking Water State Revolving Fund on February 17, 2010 in the amount of \$1,671,000. The funds were used solely for the meter replacement project as defined in the application. Funds were disbursed from the Iowa Finance Authority when invoices were submitted by the Utility and approved for the project. The first \$332,000 disbursed to the Utility represents the forgivable portion of the loan. The remaining \$1,339,000 was disbursed over the next 24 months and will be repaid semi-annually over a twenty year period. A loan servicing fee is payable each June 1 at a rate of .25% of the principal amount of the loan outstanding. Interest is payable each December 1 and June 1 at a rate of 3.0%. Principal payments are due June 1 of each year, and range from \$65,000 to \$89,000 with final maturity in 2031. Effective June 1, 2020, the interest rate was reduced to 1.75% that will result in an interest savings of \$66,312. At June 30, 2021 the restricted cash on the balance sheet includes \$23,463 in the Sinking Fund. The debt is owned by the Iowa Finance Authority and; therefore, constitutes a direct borrowing.

Principal and interest requirements to maturity for obligations at June 30, 2021 are as follows:

June 30,	Principal	Interest
2022	\$ 67,000	13,563
2023	69,000	12,390
2024	71,000	11,183
2025	74,000	9,940
2026	76,000	8,645
2027-2031	<u>418,000</u>	<u>22,417</u>
	<u>\$ 775,000</u>	<u>78,138</u>

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June 30, 2021 and 2020

Changes in long-term obligations for the year ended June 30, 2021 and 2020 are as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due within 1 year
Water revenue refunding	\$ 916,000	—	222,000	694,000	227,000
Capital loan	840,000	—	65,000	775,000	67,000
Compensated absences	348,171	—	916	347,255	112,596
Total	<u>\$ 2,104,171</u>	<u>—</u>	<u>287,916</u>	<u>1,816,255</u>	<u>406,596</u>

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due within 1 year
Water revenue refunding	\$ 1,134,000	—	218,000	916,000	222,000
Capital loans	2,723,000	—	1,883,000	840,000	65,000
Compensated absences	304,981	43,190	—	348,171	103,806
Total	<u>\$ 4,161,981</u>	<u>43,190</u>	<u>2,101,000</u>	<u>2,104,171</u>	<u>390,806</u>

(5) Retirement Plans

(a) Iowa Public Employee Retirement System

Plan Description – IPERS membership is mandatory for employees of the Utility. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early retirement deduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement

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benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2021 and 2020, pursuant to the required rate, Regular members contributed 6.29 percent of covered payroll, and the Utility contributed 9.44 percent of covered payroll for a total rate of 15.73 percent.

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The Utility's total contributions to IPERS for the year ended June 30, 2021 and 2020 were \$135,472 and \$128,287, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021 and 2020, the Utility reported a liability of \$1,203,293 and \$1,040,109 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on the Utility's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Utility's collective proportion was .0171294 percent which was a decrease of .000832 percent from its proportion measured as of June 30, 2019 of .0179618 percent.

For the year ended June 30, 2021 and 2020, the Utility recognized pension expense of \$186,650 and \$193,273, respectively. At June 30, 2021 and 2020, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 1,328	28,521	2,882	37,397
Changes of assumptions	61,765		111,411	-
Net difference between projected and actual earnings on IPERS' investments.	67,645	-	-	117,207
Changes in proportion and differences between Utility contributions and the Utility's share of contributions	25,584	31,058	36,460	4,263
Utility contributions subsequent to the measurement date	<u>135,472</u>	<u>-</u>	<u>128,287</u>	<u>-</u>
Total	\$ <u>291,794</u>	<u>59,579</u>	<u>279,040</u>	<u>158,867</u>

The \$135,472 in 2021 and \$128,287 in 2020 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022 and 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ending June 30,		2021		Year Ending June 30,		2020
2022	\$	17,815		2021	\$	31,074
2023		25,580		2022		(17,371)
2024		22,263		2023		(9,348)
2025		34,662		2024		(12,706)
2026		(3,575)		2025		237
	\$	<u>96,745</u>			\$	<u>(8,114)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

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, 2020 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 2020 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public Credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions from the Utility will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Utility's proportionate share of the net pension liability at June 30, 2021	\$ 2,006,390	1,203,293	529,909
	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Utility's proportionate share of the net pension liability at June 30, 2020	\$ 1,846,898	1,040,109	363,383

IPERS' Fiduciary Net Position – Detailed information about the 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 – At June 30, 2021 and 2020, the Utility reported payables to IPERS of \$10,347 and \$9,627, respectively for legally required employer contributions and \$6,895 and \$6,414, respectively for

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legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(b) Money Purchase Plan

The Water Utility also offers its employees a money purchase plan created and administered in accordance with Internal Revenue Code Section 401(a). The plan, available to all full-time Water Utility employees, permits them to contribute up to 8% of their salary with the Water Utility matching 60% of the employee's contribution. Additionally, the Utility offers its employees the option of contributing to a 457 or Roth IRA deferred compensation plan in accordance with Internal Revenue Code Sections 457(g) and 408A(c)(5). The Utility does not make contributions to either of these plans. All assets and income of the plans are held in trusts established for the exclusive benefit of eligible participants and their beneficiaries. No part of the trusts shall revert to the Water Utility or be used for or diverted to purposes other than the exclusive benefit of participants and their beneficiaries. Third-party administrators who act in a trustee capacity manage the plans. Accordingly, these plan assets are not reported in the Water Utility's financial statements. The contributions made by the Utility to the 401(a) plan were \$55,544 and \$54,122 for the years ended June 30, 2021 and 2020, respectively. Employee contributions to the 401(a) were \$92,572 and \$90,203, the 457 were \$33,269 and \$33,300 the Roth IRA were \$9,250 and \$7,433 for the years ended June 30, 2021 and 2020, respectively.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The Utility administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the Utility are eligible to participate in the group health plan and are eligible to continue healthcare benefits upon a bona fide retirement as defined by IPERS or Social Security. Retirees under age 65 receive one month of insurance for each year of service which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

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	<u>2021</u>	<u>2020</u>
Inactive employees currently receiving benefit payments	0	0
Active employees	17	16

Total OPEB Liability - The Utility's total OPEB liability of \$298,157 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all period included in the measurement.

Rate of inflation (effective June 30, 2019)	3.00% per annum
Discount rate (effective June 30, 2019)	3.15%, compounded annually, including inflation.
Health care cost trend rate (effective June 30, 2019)	6.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.15% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>2021</u>	<u>2020</u>
Total OPEB liability beginning of year	\$ 263,712	238,391
Changes for the year:		
Service cost	8,448	8,448
Interest	8,573	7,775
Differences between expected and actual experience	17,424	9,098
Net changes	34,445	25,321
Total OPEB liability end of year	\$ <u>298,157</u>	<u>263,712</u>

Sensitivity of the Utility's total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would

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be if it were calculated using a discount rate that is 1% lower (2.15%) or 1% higher (4.15%) than the current discount rate.

		1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
2021 Total OPEB liability	\$	319,247	298,157	279,216
		1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
2020 Total OPEB liability	\$	282,522	263,712	246,585

Sensitivity of the Utility's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Utility, as well as what the Utility's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

		1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
2021 Total OPEB liability	\$	285,666	298,157	311,056
		1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
2020 Total OPEB liability	\$	255,597	263,712	272,017

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB - For the year ended June 30, 2021, the Utility recognized OPEB expense of \$20,935.

At June 30, 2021, the Utility reported deferred outflows of resources related to OPEB from the following resources:

		2021	2020	
		Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$	47,224	740	33,774
				800

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

Year Ending June 30,		2021	Year Ending June 30,		2020
2022	\$	3,914	2021	\$	2,609
2023		3,914	2022		2,609
2024		3,914	2023		2,609
2025		3,914	2024		2,609
2026		3,914	2025		2,609
Thereafter		26,911	Thereafter		19,929
	\$	<u>46,481</u>		\$	<u>32,974</u>

(7) Risk Management

The Utility is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Workers compensation and general liability and auto liability coverages are provided through the Utility's participation in self-insurance risk pools as described in the subsequent paragraphs. Commercial insurance is purchased for all other risks of loss. Settlements have not exceeded coverages for each of the past three fiscal years.

(a) *Iowa Municipalities Workers' Compensation Association*

The Utility is a member of the Iowa Municipalities Workers' Compensation Association (the Association). The Association is a local government risk-sharing pool whose more than 530 members include various municipal and county governments throughout the State of Iowa. The Association was formed in July, 1981 to formulate, develop and administer, on behalf of the member governments, a program of joint self-insurance to stabilize costs related to members' workers' compensation liabilities. The members participating in the Association to manage and conduct the business and affairs of the Association elect a board of trustees consisting of seven members. Program components include claims management, member education and loss control services. There have been no reductions in insurance coverage from prior years.

Each member pays annual premiums determined by using applicable standard rates for the exposure to risk and applicable experience modification factors of the National Council on Compensation Insurance. Each member may be subject to additional premiums to pay its pro rata share of claims which exceeds the Association's resources available to pay such claims. A distribution to members may also be made if the Association has excess monies remaining after payment of claims and expenses. The Association uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. Claims exceeding \$750,000 are reinsured in an amount not to exceed \$2,000,000 per occurrence. Members may withdraw from the Association at any time provided they provide assets for settlement of all pending claims.

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The Utility's premium contributions to the Association are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Utility's annual contributions to the Association for the year ended June 30, 2021 were \$38,157.

(b) Iowa Communities Assurance Pool

The Utility is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The Utility's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Utility's contributions to the Pool for the year ended June 30, 2021 were \$51,488.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Utility's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Utility's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by

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the Utility's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Utility does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2021, no liability has been recorded in the Utility's financial statements. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

(8) Commitments

(a) *Des Moines Water Works*

The Urbandale Water Utility has entered into agreements with Des Moines Water Works for the construction of Des Moines Water Works-owned booster stations, a treatment plant, feeder mains, and a storage tank, which will enhance service to the City. Des Moines Water Works designed, constructed, and financed the booster stations, a treatment plant, feeder mains, and storage tank through issuance of revenue bonds. The Urbandale Water Utility has commitments outstanding at June 30, 2021 and 2020 to contribute to Des Moines Water Works \$4,381,498 and \$5,468,561, respectively.

Future minimum payments in conjunction with these commitments are as follows:

Year Ending June 30,		Saylorville Treatment Plant
2022	\$	1,091,127
2023		1,092,131
2024		1,094,083
2025		834,990
2026		269,167
	\$	<u>4,381,498</u>

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(b) *Central Iowa Regional Drinking Water Commission*

The Urbandale Water Utility, in conjunction with 23 other governmental entities that provide water services, created a Central Iowa Regional Drinking Water Commission (the Commission). The Commission was created to (1) jointly plan and coordinate implementation for water supply, treatment, distribution, and storage facilities; (2) enable the participants in the Commission to jointly provide services in a cost effective manner; and (3) enable the participants in the Commission to undertake joint or coordinated procurement of goods and services. The Commission has not set a budget for expenditures. The Water Utility will be responsible for its proportional share of the budgeted expenses, which will be determined on the basis of the ratio of its retail customer accounts to the total retail customers of all participants, using the most recent information available each year.

(9) 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 Urbandale Water Utility remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Urbandale Water Utility. 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 Urbandale Water Utility.

URBANDALE WATER UTILITY
(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa
Required Supplementary Information
Schedule of the Utility's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System - IPERS
For the Last Seven Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utility's proportionate share of the net pension liability (asset)	0.0171294%	0.0179618%	0.0173791%	0.0168905%	0.0170391%	0.0170161%	0.0175847%
Utility's proportion of the net pension liability (asset)	\$ 1,203,293	1,040,109	1,099,795	1,125,122	1,072,327	840,677	697,393
Utility's covered payroll	\$ 1,360,104	1,367,021	1,306,205	1,260,797	1,222,791	1,165,755	1,150,666
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	88.47%	76.09%	84.20%	89.24%	87.70%	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability.	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying notes to required supplementary information.

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

URBANDALE WATER UTILITY
(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa
Required Supplementary Information
Schedule of Utility Contributions
Iowa Public Employees' Retirement System - IPERS
Last Ten Fiscal Years

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$	135,472	128,287	129,041	116,645	112,589	109,195	104,102	102,751	104,545	97,864
Contributions in relation to the statutorily required contribution		<u>135,472</u>	<u>128,287</u>	<u>129,041</u>	<u>116,645</u>	<u>112,589</u>	<u>109,195</u>	<u>104,102</u>	<u>102,751</u>	<u>104,545</u>	<u>97,864</u>
Contribution deficiency (excess)	\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Utility's covered payroll	\$	1,442,877	1,360,140	1,367,021	1,306,205	1,260,797	1,222,791	1,165,755	1,150,666	1,205,835	1,212,689
Contributions as a percentage of covered payroll		9.39%	9.43%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

See accompanying notes to required supplementary information.

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Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2021

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 a quadrennial experience study dated March 24, 2017:

- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the inflation assumption from 3.00% to 2.6%.
- Decreased the discount rate from 7.5% 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.

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
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Required Supplementary Information

**Schedule of Changes in the Utility's Total OPEB Liability, Related Ratios and Notes
For the Last Four Years**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 8,448	8,448	7,084	7,084
Interest cost	8,573	7,775	8,013	6,954
Difference between expected and actual experience	<u>17,424</u>	<u>9,098</u>	<u>14,983</u>	<u>14,409</u>
Net change in total OPEB liability	<u>34,445</u>	<u>25,321</u>	<u>30,080</u>	<u>28,447</u>
Total OPEB liability beginning of year	<u>263,712</u>	<u>238,391</u>	<u>208,311</u>	<u>179,864</u>
Total OPEB liability end of year	\$ <u>298,157</u>	<u>263,712</u>	<u>238,391</u>	<u>208,311</u>
Covered-employee payroll	\$ 1,402,066	1,389,586	1,337,814	1,284,137
Total OPEB liability as a percentage of covered-employee payroll	21.27%	18.98%	17.82%	16.22%

Notes to Schedule of Changes in the Utility's Total OPEB Liability and Related Ratios

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

There were no significant changes in assumptions.

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa

Schedule of Cash Receipts and Cash Disbursements – Budget and Actual

Year ended June 30, 2021

	2021			
	Original	Amended and Final	Actual	Actual over (under) budget
Cash receipts:				
Metered sales	\$ 9,704,230	9,704,230	10,569,291	865,061
Bulk and construction water sales	23,000	23,000	47,780	24,780
Water service hookup	132,550	132,550	185,143	52,593
Other service	10,000	10,000	10,760	760
Other:				
Collections for sewer districts	5,404,323	5,404,323	5,153,332	(250,991)
Taps	6,100	6,100	5,330	(770)
Meters and parts	95,500	95,500	179,942	84,442
Hydrant meter charge	6,500	6,500	11,237	4,737
Sewer collection fees	129,996	129,996	131,011	1,015
WET/Sales Taxes	814,972	814,972	759,151	(55,821)
Bacteriological samples	3,700	3,700	2,620	(1,080)
Late charges	31,000	31,000	27,965	(3,035)
Miscellaneous	126,500	126,500	112,685	(13,815)
Main reimbursements	50,000	50,000	123,080	73,080
Interest on investments	132,000	132,000	74,205	(57,795)
Trust receipts	63,000	63,000	63,380	380
Lease revenue	107,064	107,064	104,297	(2,767)
Solid Waste	2,273,700	2,273,700	2,302,521	28,821
Solid waste collect	29,605	29,605	30,009	404
Storm Water	2,371,188	2,371,188	2,396,827	25,639
Storm Water collect	32,280	32,280	32,614	334
Miscellaneous Non-Operating	5,000	5,000	20,486	15,486
Loan Proceeds	—	—	—	—
Total other	11,682,428	11,682,428	11,530,692	(151,736)
Total cash receipts	\$ 21,552,208	21,552,208	22,343,666	791,458
Cash disbursements:				
Water purchases	\$ 3,822,352	4,390,451	4,102,311	(288,140)
Distribution operations:				
Personnel:				
Salaries	\$ 589,544	589,544	510,601	(78,943)
Part-time	38,250	38,250	17,209	(21,041)
FICA	48,026	48,026	39,964	(8,062)
Retirement	55,653	55,653	47,950	(7,703)
Group insurance	174,453	174,453	134,433	(40,020)
	905,926	905,926	750,157	(155,769)
Operations and maintenance:				
Telephone and communication	\$ 12,000	12,000	8,051	(3,949)
Bacteriological samples	20,838	20,838	16,809	(4,029)
Drafting supplies	2,500	2,500	1,063	(1,437)
Vehicle repair and maintenance	28,000	28,000	15,127	(12,873)
Buildings and grounds	199,500	199,500	139,242	(60,258)
Utility systems and structures	1,126,110	1,419,351	1,321,095	(98,256)
Inspections	75,000	75,000	10,000	(65,000)
New meters	192,275	192,275	264,690	72,415
Automotive equipment	43,000	43,000	37,435	(5,565)
Easements	2,500	2,500	—	(2,500)
Miscellaneous	2,500	2,500	128	(2,372)
	1,704,223	1,997,464	1,813,640	(183,824)
Total distribution operations	2,610,149	2,903,390	2,563,797	(339,593)

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Schedule of Cash Receipts and Cash Disbursements – Budget and Actual

Year ended June 30, 2021

2021				
	Original	Amended and Final	Actual	Actual over (under) budget
Distribution maintenance:				
Personnel:				
Salaries	\$ 429,243	429,243	366,609	(62,634)
FICA	32,837	32,837	27,286	(5,551)
Retirement	39,879	39,879	32,784	(7,095)
Group insurance	131,563	131,563	110,048	(21,515)
	<u>633,522</u>	<u>633,522</u>	<u>536,727</u>	<u>(96,795)</u>
Operations and maintenance:				
System maintenance	\$ 70,250	70,250	51,756	(18,494)
Minor equipment and tools	18,200	18,200	14,271	(3,929)
Main maintenance supplies	50,500	50,500	19,280	(31,220)
Repair maintenance, vehicles, and equipment	98,750	98,750	55,297	(43,453)
Miscellaneous contract work	10,000	10,000	7,350	(2,650)
Meter parts	14,500	14,500	4,044	(10,456)
Hydrants, valves, and parts	65,000	65,000	77,273	12,273
Miscellaneous	750	750	494	(256)
	<u>327,950</u>	<u>327,950</u>	<u>229,765</u>	<u>(98,185)</u>
Total distribution maintenance	<u>961,472</u>	<u>961,472</u>	<u>766,492</u>	<u>(194,980)</u>
Accounting and collection:				
Personnel:				
Salaries	\$ 274,585	274,585	274,673	88
Part-time	4,800	4,800	—	(4,800)
FICA	21,373	21,373	19,486	(1,887)
Retirement	25,921	25,921	25,835	(86)
Group insurance	110,735	110,735	112,851	2,116
	<u>437,414</u>	<u>437,414</u>	<u>432,845</u>	<u>(4,569)</u>
Operations and maintenance:				
Postage and shipping	\$ 130,600	130,600	122,833	(7,767)
Computer/Printing	198,538	198,538	156,431	(42,107)
Customer refunds	20,000	20,000	17,443	(2,557)
Remittances to sewer districts	5,404,323	5,404,323	5,169,768	(234,555)
Solid Waste remittances	2,273,700	2,273,700	2,299,172	25,472
Storm Water remittances	2,371,188	2,371,188	2,402,167	30,979
Sales tax remittances	827,179	827,179	710,140	(117,039)
Miscellaneous	1,000	1,000	9	(991)
	<u>11,226,528</u>	<u>11,226,528</u>	<u>10,877,963</u>	<u>(348,565)</u>
Total accounting and collection	<u>11,663,942</u>	<u>11,663,942</u>	<u>11,310,808</u>	<u>(353,134)</u>

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa

Schedule of Cash Receipts and Cash Disbursements – Budget and Actual

Year ended June 30, 2021

		2021			
		Original	Amended and Final	Actual	Actual over (under) budget
General and administrative:					
Personnel:					
Salaries	\$	312,172	312,172	312,172	—
FICA		24,616	24,616	21,445	(3,171)
Retirement		96,949	96,949	85,446	(11,503)
Group insurance		71,338	71,338	56,050	(15,288)
		<u>505,075</u>	<u>505,075</u>	<u>475,113</u>	<u>(29,962)</u>
Operations and maintenance:					
Liability insurance	\$	96,291	96,291	65,515	(30,776)
Professional fees		124,600	124,600	104,222	(20,378)
Dues, memberships, and subscriptions		13,000	13,000	11,341	(1,659)
Postage and shipping		2,350	2,350	2,577	227
Telephone		17,541	17,541	18,545	1,004
Training		11,000	11,000	4,466	(6,534)
Travel and conference expense		10,000	10,000	—	(10,000)
Office supplies and equipment		20,300	20,300	6,989	(13,311)
Utilities		15,000	15,000	10,431	(4,569)
Advertising and legal publications		2,000	2,000	1,555	(445)
Miscellaneous		13,100	13,100	12,372	(728)
Bank service charge		60,000	60,000	53,968	(6,032)
Capital Contributions		1,075,422	1,075,422	1,074,058	(1,364)
Trust disbursements		50,000	50,000	40,530	(9,470)
		<u>1,510,604</u>	<u>1,510,604</u>	<u>1,406,569</u>	<u>(104,035)</u>
Total general and administrative		<u>2,015,679</u>	<u>2,015,679</u>	<u>1,881,682</u>	<u>(133,997)</u>
2015 Water Revenue Refunding					
Debt Service - 2015 Capital Loan	\$	240,228	240,228	240,228	—
2010 SRF Capital Loan:					
Debt Service - SRF Loan		92,300	92,300	81,800	(10,500)
Treatment Plant					
		—	—	—	—
Total Bond/Loan Expenditures		<u>332,528</u>	<u>332,528</u>	<u>322,028</u>	<u>(10,500)</u>
Total cash disbursements		<u>21,406,122</u>	<u>22,267,462</u>	<u>20,947,118</u>	<u>(1,320,344)</u>
Cash receipts over cash disbursements	\$	<u>146,086</u>	<u>(715,254)</u>	<u>1,396,548</u>	<u>2,111,802</u>
Cash and cash equivalents at beginning of year				<u>9,158,339</u>	
Cash and cash equivalents at end of year				<u>\$ 10,554,887</u>	

URBANDALE WATER UTILITY

(A Component Unit of the City of Urbandale, Iowa)
Urbandale, Iowa

Reconciliation of Cash Receipts over Cash Disbursements to Change in Net Position

Year ended June 30, 2021

	<u>2021</u>
Cash receipts over (under) cash disbursements	\$ 1,396,548
Change in Accrued Revenue	(8,908,166)
Change in Accrued Expense	10,470,848
Reconciling Accruals	<u>(54,417)</u>
Total change in Net Position	<u>\$ 2,904,813</u>



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Trustees
Urbandale Water Utility

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Urbandale Water Utility (Utility) as of and for the year ended June 30, 2021 and the related notes to the financial statements, and have issued our report thereon dated October 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Utility's operations for the year ended June 30, 2021, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility and are reported in Part II of the accompanying Schedule of Findings and Responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Urbandale Water Utility's Responses to Findings

The Utility's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Utility's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Utility's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Erik Bailly in cursive script.

Dubuque, Iowa
October 8, 2021

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCY

2021-001 Segregation of Duties

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

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

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

Recommendation – We recognize that with a limited number of office employees, segregation of duties is difficult, and it may not be cost effective to employ additional persons for the purpose of segregating duties. However, the Utility should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Response – The Utility is aware of the situation and continues to segregate duties as much as possible.

Part II: Other Findings Related to Statutory Reporting:

2021-IA-A Questionable Expenditures - We noted no expenditures that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2021-IA-B Travel Expense - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.

2021-IA-C Business Transactions - No business transactions between the Utility and its officials or employees were noted.

2021-IA-D Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Part II: Other Findings Related to Statutory Reporting (continued):

2021-IA-E Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

2021-IA-F Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utility's investment policy were noted.

2021-IA-G Revenue Notes - No instances of non-compliance with the revenue note provisions were noted.

2021-IA-H Restricted Donor Activity – No transactions were noted between the Utility, Utility officials, Utility employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.