MARSHALLTOWN WATER WORKS

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

June 30, 2021 and 2020

MARSHALLTOWN WATER WORKS

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MARSHALLTOWN WATER WORKS

Officials

Name	Title	Term Expires
Laura Eilers	Trustee – Chairperson	May 1, 2024
Thomas Mack	Trustee	May 1, 2022
Jerry Young	Trustee	May 1, 2023
Shelli Lovell	CEO/General Manager	Indefinite
Deborah McElroy	Customer Service Manager	Indefinite
Zach Maxfield	Director of Distribution	Indefinite
Pat Willey	Director of Finance	Indefinite
Connor Hunt	Operations Manager	Indefinite
Jared Wall	Facilities Manager	Indefinite

BOWMAN & MILLER, P.C.

CERTIFIED ♦ PUBLIC ♦ ACCOUNTANTS

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Independent Auditors' Report

To the Board of Trustees
Marshalltown Water Works
Marshalltown, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshalltown Water Works (Water Works), a component unit of the City of Marshalltown, as of and for the years ended June 30, 2021 and 2020, and the related Notes to Financial Statements, which collectively comprise the Water Works' basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Water Works' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Water Works' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Marshalltown Water Works, a component unit of the City of Marshalltown, as of June 30, 2021 and 2020, and the respective changes in is financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Water Works' Proportionate Share of the Net Pension Liability, the Schedule of the Water Works' Net Pension Liability and the Schedules of the Water Works' Contributions on pages 4 through 6 and 27 through 37 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 which 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in pages 38 through 46, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2021, on our consideration of Marshalltown Water Works' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Marshalltown Water Works' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshalltown Water Works' internal control over financial reporting and compliance.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Marshalltown Water Works' Annual Financial Report presents our discussion of the Water Works' financial performance during the fiscal year ending June 30, 2021.

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

2021 FINANCIAL HIGHLIGHTS AND NOTEWORTHY ISSUES

- Operating revenues of the Water Works decreased 4.3%, or approximately $257,000, from fiscal year 2020 to fiscal year 2021. The decrease in operating revenues can be attributed to a decrease in industrial water usage due to an Alliant Energy shutdown.

- Operating expenses of the Water Works increased 2.3%, or approximately $101,000, from fiscal year 2020 to fiscal year 2021. The increase was attributed to increases in lime sludge removal and payroll and benefit costs.

- The Water Works net position increased 7.3%, or approximately $1,222,000.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

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

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

These financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows. These provide information about the activities of the Marshalltown Water Works and present an overall view of the Water Works' finances.

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

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

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

The financial statements report information about the Water Works using the accounting method similar to those used by private sector companies. The Statements of Net Position include all of the Water Works' assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

FINANCIAL ANALYSIS OF THE WATER WORKS AS A WHOLE

- Operating revenues for the Water Works decreased approximately $257,000 over fiscal year 2020 and operating expenses increased approximately $101,000 resulting in operating income of approximately $1,270,000. After all non-operating income and expenses were recorded, the Water Works reported a net increase in net position of approximately $1,222,000 for the year ending June 30, 2021.

- The Water Works' operating revenues were approximately $5,661,000, which resulted in a decrease from the previous year and was approximately 90% of the budgeted revenues. Total expenses for fiscal year 2021 were approximately $4,511,000 and were approximately 85.5% of the budgeted amount approved by the Board of Trustees in March 2020.

DEBT ADMINISTRATION

- During fiscal year 2021 the Marshalltown Water Works paid $440,560 in principal and interest towards their water revenue capital loan note leaving a remaining balance of $5,657,000 at June 30, 2021.

CONDITIONS OF THE WATER WORKS' INFRASTRUCTURE

- The Marshalltown Water Works has spent and continues to spend a large portion of our resources maintaining and upgrading its existing infrastructure. We have developed a capital improvement plan that focuses on repair and replacement of infrastructure at the water treatment plant and in the distribution system. Water treatment plant repairs are focused on our wells and control equipment. We have prioritized needed valve, hydrant and water main repair and replacement projects based on operational needs and by the number of leaks and water main breaks. We also look at opportunistic water main replacements during city street renovations if the water main along the street warrants replacement.

- The Water Works, with the help of our planning agency, looks at proposed development sites within the City limits to be sure that we are adequately planning for capacity needed to service growth in those areas.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- The Water Works implemented a 9.5% water rate increase effective October 1, 2020. This increase was based on a water rate study completed in 2020 that recommended the increase based on projected operational costs and approximately $2 million in planned capital improvements, including water treatment plant and distribution system repairs and upgrades, well repairs and tower maintenance.

CONTACTING THE WATER WORKS' FINANCIAL MANAGEMENT

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

MARSHALLTOWN WATER WORKS

Statements of Net Position
June 30, 2021 and 2020

		2021	2020	Increase (Decrease)
ASSETS:				
Current assets:				
Cash and cash equivalents	$	4,554,031	4,009,673	544,358
Receivables:				
Customer accounts		343,119	384,855	(41,736)
Unbilled water usage		399,800	366,693	33,107
Other receivables		37,593	55,419	(17,826)
Prepaid expenses		52,664	54,135	(1,471)
Restricted assets:				
Sinking fund		36,678	36,713	(35)
Total current assets		5,423,885	4,907,488	516,397
Non-current assets:				
Restricted cash and cash equivalents		858,394	826,400	31,994
Certificates of deposit		300,000	300,000	-
Capital reserve		400,946	403,180	(2,234)
Total non-current assets		1,559,340	1,529,580	29,760
Capital assets:				
Capital assets		37,534,790	36,285,988	1,248,802
Accumulated depreciation		(17,494,870)	(17,006,702)	(488,168)
Net capital assets		20,039,920	19,279,286	760,634
Total assets		27,023,145	25,716,354	1,306,791
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows		269,171	318,932	(49,761)
Total assets and deferred outflows of resources	$	27,292,316	26,035,286	1,257,030

See notes to financial statements.

		2021	2020	Increase (Decrease)
LIABILITIES:				
Current liabilities:				
Accounts payable	$	123,580	123,933	(353)
Payable from restricted assets:				
Landfill fees		14,054	13,132	922
Sewer fees		488,377	471,864	16,513
Storm sewer fees		125,594	120,904	4,690
Customer deposits - sewer		137,150	130,295	6,855
Customer deposits - water		94,435	92,090	2,345
Revenue note		327,000	321,000	6,000
Accrued interest		9,299	9,827	(528)
Accrued liabilities		160,981	159,390	1,591
Deferred revenue		410,774	-	410,774
Total current liabilities		1,891,244	1,442,435	448,809
Non-current liabilities:				
Revenue note		5,330,000	5,657,000	(327,000)
Net pension liability		1,859,951	2,036,058	(176,107)
Total non-current liabilities		7,189,951	7,693,058	(503,107)
Total liabilities		9,081,195	9,135,493	(54,298)
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues:				
Pension related deferred inflows		185,600	96,445	89,155
Total liabilities and deferred inflows of resources		9,266,795	9,231,938	34,857
NET POSITION:				
Net investment in capital assets		14,382,920	13,301,286	1,081,634
Retricted for:				
Revenue note retirement		425,998	440,560	(14,562)
Unrestricted		3,216,603	3,061,502	155,101
Total net position		18,025,521	16,803,348	1,222,173
Total liabilities, deferred inflows of resources and net position	$	27,292,316	26,035,286	1,257,030

MARSHALLTOWN WATER WORKS

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
Operating revenues:			
Residential	$ 1,987,467	1,780,239	207,228
Multi-family	237,729	210,817	26,912
Commercial	519,887	502,355	17,532
Irrigation	83,648	56,247	27,401
Industrial	1,659,091	2,277,137	(618,046)
Wholesale	1,031,382	916,580	114,802
Non-metered	1,614	1,408	206
City contract services	82,191	82,244	(53)
Penalties	21,624	45,741	(24,117)
Customer service	34,043	43,096	(9,053)
Testing laboratory	2,698	2,628	70
Total operating revenues	5,661,374	5,918,492	(257,118)
Operating expenses:			
Salaries and wages	1,269,208	1,152,237	116,971
Payroll taxes and benefits	489,685	526,266	(36,581)
Utilities	421,455	348,006	73,449
Fuels	35,744	33,844	1,900
Supplies	151,066	152,500	(1,434)
Maintenance	221,556	240,808	(19,252)
Chemicals	1,080,670	1,111,762	(31,092)
Contract services	56,935	100,740	(43,805)
Insurance	75,384	68,479	6,905
Professional fees	25,450	29,854	(4,404)
Other operating expense	55,487	53,571	1,916
Depreciation	508,632	472,464	36,168
Total operating expenses	4,391,272	4,290,531	100,741
Operating income	1,270,102	1,627,961	(357,859)

See notes to financial statements.

MARSHALLTOWN WATER WORKS

Statements of Revenues, Expenses and Changes in Net Position (Continued) For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
Non-operating revenues (expenses):			
Interest income	26,577	46,823	(20,246)
Rentals	3,758	3,666	92
SRF loan forgiveness	-	490,039	(490,039)
Miscellaneous revenue	41,668	232,408	(190,740)
Interest expense	(119,032)	(125,847)	6,815
Miscellaneous expense	(900)	(20,675)	19,775
Net non-operating revenues (expenses)	(47,929)	626,414	(674,343)
Changes in net position	1,222,173	2,254,375	(1,032,202)
Net position beginning of year	16,803,348	14,548,973	2,254,375
Net position end of year	$ 18,025,521	16,803,348	1,222,173

MARSHALLTOWN WATER WORKS

Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from customers	$ 5,687,829	5,844,637
Cash payments to suppliers for goods and services	(1,718,954)	(2,233,304)
Cash payments to employees and professional contractors for services	(1,756,069)	(1,647,770)
Net cash provided by operating activities	2,212,806	1,963,563
Cash flows from investing activities:		
Proceeds from the sale of investments	706,381	708,766
Purchase of investments	(704,147)	(707,849)
Investment income	26,577	46,823
Receipt of rental income	3,758	3,666
Other non-operating revenues (expenses)	40,768	211,733
Net cash provided by investing activities	73,337	263,139
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,289,766)	(758,385)
Disposition of capital assets	20,500	30,964
Proceeds from revenue note	-	5,000
Principal paid on revenue note	(321,000)	(315,492)
Interest paid on revenue note	(119,560)	(127,163)
Net cash used for capital and related financing activities	(1,709,826)	(1,165,076)
Net change in cash and cash equivalents	576,317	1,061,626
Cash and cash equivalents at beginning of year	4,872,786	3,811,160
Cash and cash equivalents at end of year	$ 5,449,103	4,872,786
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,270,102	1,627,961
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	508,632	472,464

See notes to financial statements.

MARSHALLTOWN WATER WORKS

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2021 and 2020

	2021	2020
(Increase) decrease in assets:		
Accounts receivable	41,736	(79,063)
Unbilled water usage	(33,107)	19,294
Other receivables	17,826	(14,086)
Prepaid expenses	1,471	(6,137)
Deferred outflows of resources	47,961	(101,312)
Increase (decrease) in liabilities:		
Accounts payable	(353)	(4,574)
Payable to sewer fund	16,513	95,397
Payable to landfill fund	922	3,463
Payable to storm sewer fund	4,690	25,604
Customer deposits-sewer	6,855	(210)
Customer deposits-water	2,345	(3,205)
Accrued liabilities	1,591	23,990
Deferred revenue	410,774	(26,227)
Net pension liability	(176,107)	78,769
Total OPEB Liability	-	(200,516)
Deferred inflows of resources	89,155	51,951
Net cash provided by operating activities	$ 2,211,006	1,963,563

Reconciliation of cash and cash equivalents at year end to specific assets included in the Statements of Net Position:		
Current assets:		
Cash and cash equivalents	$ 4,554,031	4,009,673
Sinking fund	36,678	36,713
Restricted assets:		
Cash and cash equivalents:		
Water deposits	94,435	92,090
Sewer deposits	137,150	130,295
Sewer cash	488,139	471,491
Storm sewer cash	124,616	119,392
Landfill cash	14,054	13,132
Cash and cash equivalents at year end	$ 5,449,103	4,872,786

See notes to financial statements.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements
June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

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

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

The accounts of the Water Works are primarily organized as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

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

A. Cash and Cash Equivalents

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

B. Customer Accounts and Unbilled Usage

Accounts receivable represent uncollected amounts billed for water usage at June 30, 2021 and 2020. Because of the Water Works' policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded. Unbilled usage for service consumed between periodic schedule billing dates is estimated and is recognized as revenue in the period in which the service is provided.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued)
June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

C. Budgets

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

D. Estimates

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

E. Capital Assets

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

Asset Class	Amount
Plants, wells, storage and distribution	$5,000
Meters	5,000
Equipment and vehicles	1,000

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

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

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued)
June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

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

G. Deferred Outflows of Resources

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

H. Pensions

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

I. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the Statements of Net Position consist of unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued)
June 30, 2021 and 2020

Note 1. Summary of Significant Accounting Policies (Continued)

J. Net Position

Net Position is reported in the following categories:

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

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

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

K. Budgets and Budgetary Accounting

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

Note 2. Cash, Cash Equivalents and Pooled Investments

The Water Works' deposits at June 30, 2021 and 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The Water Works' investments consist entirely of certificates of deposits at June 30, 2021 and 2020. The Water Works had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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

Note 3. Compensated Absences

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

Note 4. Pension Plan – IPERS

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

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

Note 4. Pension Plan – IPERS (Continued)

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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Water Works contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Water Works' contributions to IPERS for the year ended June 30, 2021 totaled $64,116.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the Water Works reported a liability of $592,438 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water Works' proportion of the net pension liability was based on the Water Works' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Water Works' collective proportion was .008433%, which was a decrease of .000409% from its proportion measured as of June 30, 2019.

Note 4. Pension Plan – IPERS (Continued)

For the year ended June 30, 2021, the Water Works recognized pension expense of $103,003. At June 30, 2021, the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	654	14,042
Changes of assumptions		30,410	-
Net difference between projected and actual earnings on IPERS' investments		33,305	-
Changes in proportion and differences between Water Works contributions and the Water Works' proportionate share of contributions		43,514	16,744
Water Works contributions subsequent to the measurement date		64,116	-
Total	$	171,999	30,786

$64,116 reported as deferred outflows of resources related to pensions resulting from Water Works contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		Total
2022	$	19,806
2023		24,489
2024		16,213
2025		18,341
2026		(1,752)
	$	77,097

Note 4. Pension Plan – IPERS (Continued)

There were no non-employer contributing entities to IPERS.

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

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	4.43 %
International equity	17.5	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
Total	100.0 %	

Note 4. Pension Plan – IPERS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Water Works will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

		1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Works' proportionate share of the net pension liability	$	987,846	592,438	260,901

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required Water Works contributions and legally required employee contributions which had been withheld from employee wages were remitted by the Water Works to IPERS by June 30, 2021.

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

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

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

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

Pension Benefits – Employees who retire at or after age 65, or age 62 with 25 years of credited service, are entitled to retirement benefits payable monthly for life. Monthly benefits are equal to 2.12% of the employee's five-year final average salary multiplied by the number of years of consecutive service for the year ended June 30, 2021. Service prior to January 1, 1986 shall be limited to 25 years. Benefits are fully vested on reaching 10 or more years of credited service.

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

Contributions – The Water Works' funding policy provides for employer and employee contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. The frozen entry age actuarial cost method is used to determine annual plan costs. The employer contribution rate for the years ended June 30, 2021 and 2020 was 8.93% plus an additional $5,000 per bi-weekly payroll for fiscal years 2021 and 2020. The employee contribution rate for the years ended June 30, 2021 and 2020 was 4.95%. Contributions paid by the Water Works for the year ended June 30, 2021 totaled $180,976, and the contributions paid by employees totaled $28,257.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the Water Works reported a net pension liability of $1,267,513. The net pension liability was measured as of April 1, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2021.

For the year ended June 30, 2021, the Water Works recognized pension expense of $102,875. At June 30, 2021 the Water Works reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	97,172	-
Net difference between projected and actual earnings on pension plan investments		-	154,814
Total	$	97,172	154,814

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

Year Ending June 30,		Total
2022	$	(204)
2023		1,912
2024		(4,439)
2025		(54,911)
	$	(57,642)

Actuarial Assumptions – The total pension liability in the April 1, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rates of salary increase (effective April 1, 2021)	3.00% per annum.
Long-term investment rate of return (effective April 1, 2021)	7.00%, compounded annually.

The actuarial assumptions used in the April 1, 2021 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation). These ranges are combined to produce the long-term expected rate of return. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.40% based on the target allocation of assets summarized in the following table:

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Water Works' net pension liability	$ 1,500,377	1,267,513	1,067,239

Note 6. Concentrations of Credit Risk

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

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued)
June 30, 2021 and 2020

Note 7. Capital Assets

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

	2021	2020
Land	$ 1,115,721	1,115,721
Plant and source of supply	18,837,172	18,270,005
Booster station	220,652	165,996
Distribution system and pipe	13,779,483	13,398,604
Meters	1,460,924	1,440,778
Machinery and equipment	451,765	467,055
Vehicles	321,034	254,530
Capital improvements	113,916	113,916
Capital improvements - buildings	811,284	642,767
Office equipment and furnishings	422,839	416,616
	37,534,790	36,285,988
Less accumulated depreciation	(17,494,870)	(17,006,702)
	$ 20,039,920	19,279,286

Depreciation expense was $508,632 for the year ended June 30, 2021 and $472,464 for the year ended June 30, 2020.

Note 8. Risk Management

The Water Works is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Water Works assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for 2021 and 2020. There have been no reductions in insurance coverage from prior years.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued)
June 30, 2021 and 2020

Note 9 . Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

		Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Revenue note	$	5,978,000	-	321,000	5,657,000	327,000
Net pension liability		2,036,058	-	176,107	1,859,951	-
Total	$	8,014,058	-	497,107	7,516,951	327,000

Revenue note

One issue of an unmatured revenue note, totaling $5,657,000, is outstanding at June 30, 2021. The revenue note is a State Revolving Loan under the Iowa Drinking Water Facilities Financing Program to fund improvements to the water plant. The revenue note has a total issue price of $7,833,531. This note bears interest at a rate of 1.75% per annum and a service fee of 0.25% per annum and matures in varying annual amounts ranging from $343,000 to $432,000, with the final maturity due in the year ending June 30, 2036.

The Water Works has pledged future water revenues, net of specified operating expenses to repay the revenue note. Proceeds from the note provided financing for the construction of improvements to the water treatment plant. The note is payable solely from water customer net revenues and is payable through 2036.

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

(a) The note will only be redeemed from the future earnings of the water fund and the note holders hold a lien on the future earnings of the fund.

(b) Sufficient monthly transfers shall be made to a revenue note retirement account for the purpose of making the note principal and interest payments when due.

(c) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2021, the Water Works was in compliance with the revenue note provisions.

MARSHALLTOWN WATER WORKS

Notes to Financial Statements (Continued)
June 30, 2021 and 2020

Note 9. Long-Term Liabilities (Continued)

Details of the revenue note payable at June 30, 2021 is as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Oustanding June 30, 2021
Revenue note	July 29, 2016	1.75%	June 1, 2036	$343,000-432,000	$7,833,531	$5,657,000

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

Year Ending June 30,	Principal	Interest	Total
2022	$ 327,000	98,998	425,998
2023	334,000	93,275	427,275
2024	340,000	87,430	427,430
2025	347,000	81,480	428,480
2026	354,000	75,408	429,408
2027-2031	1,879,000	281,610	2,160,610
2032-2036	2,076,000	110,425	2,186,425
Total	$ 5,657,000	828,626	6,485,626

Note 10. COVID – 19

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

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

Note 11. Date of Management Evaluation

Management has evaluated subsequent events through November 11, 2021, the date on which the financial statements were available to be issued.

Required Supplementary Information

MARSHALLTOWN WATER WORKS

Budgetary Comparison Schedule of Revenues, Expenses and Changes in Balances - Budget to Actual
Required Supplementary Information
For the Year Ended June 30, 2021

		Actual	Budgeted Amounts Original/Final	Variance Favorable (Unfavorable)
Revenues:				
Charges for services	$	5,661,374	6,265,898	(604,524)
Miscellaneous		72,003	25,000	47,003
Total revenues		5,733,377	6,290,898	(557,521)
Expenses:				
Business type activities		4,511,204	5,277,706	766,502
Increase in net position		1,222,173	1,013,192	208,981
Net position beginning of year		16,803,348	4,933,876	11,869,472
Net position end of year	$	18,025,521	5,947,068	12,078,453

See accompanying independent auditors' report.

MARSHALLTOWN WATER WORKS

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2021

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

During the year ended June 30, 2021 expenditures did not exceed the amounts budgeted.

MARSHALLTOWN WATER WORKS

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

	2021	2020	2019
Water Works' proportion of the net pension liability	0.008433 %	0.008842 %	0.008313 %
Water Works' proportionate share of the net pension liabilty	$ 592,438	512,025	526,041
Water Works' covered payroll	$ 669,308	672,930	624,770
Water Works' proportionate share of the net pension liability as a percentage of its covered payroll	88.52 %	76.09 %	84.20 %
Plan fiduciary net position as a percentage of the total pension liability	82.90 %	85.45 %	83.62 %

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

2018	2017	2016	2015
0.007153 %	0.007343 %	0.007330 %	0.007533 %
476,503	462,143	362,120	298,746
533,963	526,989	502,146	492,923
89.24 %	87.69 %	72.11 %	60.61 %
82.21 %	81.82 %	85.19 %	87.61 %

MARSHALLTOWN WATER WORKS

Schedule of the Water Works' Net Pension Liability
Supplemental Retirement and Pension Plan
For the Last Seven Years
Required Supplementary Information

	2021*	2020*	2019*
Water Works' net pension liability	$ 1,267,513	1,524,033	1,431,248
Water Works' covered payroll	$ 570,838	434,039	365,396
Water Works' net pension liability as a percentage of its covered payroll	222 %	351 %	392 %
Plan fiduciary net position as a percentage of the total pension liability	54.97 %	43.22 %	46.89 %

* The amounts presented for each fiscal year were determined as of April 1.

2018*	2017*	2016*	2015*
1,445,910	1,476,868	1,547,805	1,471,746
421,308	385,702	471,164	448,704
343 %	383 %	329 %	328 %
46.78 %	45.72 %	44.16 %	46.85 %

MARSHALLTOWN WATER WORKS

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

		2021	2020	2019	2018
Statutorily required contribution	$	64,116	63,183	63,525	55,792
Contributions in relation to the statutorily required contribution		(64,116)	(63,183)	(63,525)	(55,792)
Contribution deficiency (excess)	$	-	-	-	-
Water Works' covered payroll	$	679,199	669,308	672,930	624,770
Contributions as a percentage of covered payroll		9.44%	9.44%	9.44%	8.93%

2017	2016	2015	2014	2013	2012
47,683	47,060	44,842	44,018	41,028	36,382
(47,683)	(47,060)	(44,842)	(44,018)	(41,028)	(36,382)
-	-	-	-	-	-
533,963	526,989	502,146	492,923	473,218	450,830
8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

MARSHALLTOWN WATER WORKS

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

	2021	2020	2019	2018
Actuarially required contribution	$ 50,976	38,760	32,630	34,104
Contributions in relation to the actuarially required contribution	(180,976)	(168,760)	(136,630)	(138,104)
Contribution deficiency (excess)	$ (130,000)	(130,000)	(104,000)	(104,000)
Water Works' covered payroll	$ 570,838	434,039	365,396	381,898
Required contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

See accompanying independent auditors' report.

2017	2016	2015	2014	2013	2012
44,575	41,344	43,145	44,683	41,519	34,779
(152,140)	(119,344)	(121,145)	(122,357)	(117,189)	(112,779)
(107,565)	(78,000)	(78,000)	(77,674)	(75,670)	(78,000)
499,157	462,980	483,147	500,366	478,884	479,708
8.93%	8.93%	8.93%	8.93%	8.67%	7.25%

MARSHALLTOWN WATER WORKS

Notes to Required Supplementary Information – IPERS 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 an experience study dated March 24, 2017:

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

MARSHALLTOWN WATER WORKS

Schedules of Net Position Detail
June 30, 2021 and 2020

		2021	2020	Increase (Decrease)
Cash:				
Cash on hand	$	330	330	-
Petty cash		300	300	-
Cash in bank		4,590,079	4,045,756	544,323
Water deposits		94,435	92,090	2,345
Total cash		4,685,144	4,138,476	546,668
Cash held for city:				
Sewer deposit fund		137,150	130,295	6,855
Sewer cash		488,139	471,491	16,648
Storm sewer cash		124,616	119,392	5,224
Landfill cash		14,054	13,132	922
Total cash held for city		763,959	734,310	29,649
Total cash and cash equivalents	$	5,449,103	4,872,786	576,317
Capital assets:				
Land	$	1,115,721	1,115,721	-
Plant and source of supply		18,837,171	18,270,005	567,166
Accumulated depreciation - plant		(10,442,098)	(10,159,312)	(282,786)
Distribution system and pipe		13,779,483	13,398,604	380,879
Accumulated depreciation - distribution		(4,228,414)	(4,089,714)	(138,700)
Booster station		220,653	165,996	54,657
Accumulated depreciation-booster station		(92,133)	(88,258)	(3,875)
Meters		1,460,924	1,440,778	20,146
Accumulated depreciation - meters		(1,199,000)	(1,178,564)	(20,436)
Machinery and equipment		451,765	467,055	(15,290)
Accumulated depreciation - machinery and equipment		(385,897)	(392,454)	6,557
Vehicles		321,034	254,530	66,504
Accumulated depreciation - vehicles		(208,456)	(189,768)	(18,688)
Capital improvements		113,916	113,916	-
Accumulated depreciation - capital improvements		(93,024)	(86,746)	(6,278)
Capital improvements - buildings		811,284	642,767	168,517
Accumulated depreciation - buildings		(448,797)	(431,547)	(17,250)
Office equipment and furnishings		422,839	416,616	6,223
Accumulated depreciation - office equipment and furnishings		(397,051)	(390,339)	(6,712)
Net capital assets	$	20,039,920	19,279,286	760,634

See accompanying independent auditors' report.

MARSHALLTOWN WATER WORKS

Schedules of Net Position Detail (Continued)
June 30, 2021 and 2020

		2021	2020	Increase (Decrease)
Prepaid expenses:				
Prepaid insurance	$	22,553	19,628	2,925
Prepaid computer maintenance		28,675	27,463	1,212
Prepaid billing supplies		1,435	7,044	(5,609)
Total prepaid expenses	$	52,663	54,135	(1,472)
Other receivables:				
Miscellaneous accounts receivable billings	$	36,659	52,439	(15,780)
Interest receivable		934	2,980	(2,046)
Total other receivables	$	37,593	55,419	(17,826)
Accrued liabilities:				
Accrued sales tax	$	9,097	10,331	(1,234)
Accrued F.I.C.A.		2,786	3,000	(214)
Accrued payroll		38,241	40,463	(2,222)
Accrued pension		1,557	1,234	323
Accrued vacation		107,071	100,307	6,764
Accrued retirement expense		1,915	2,495	(580)
Accrued health savings account		-	1,560	(1,560)
Insurance deductible		314	-	314
Total accrued liabilities	$	160,981	159,390	1,591

MARSHALLTOWN WATER WORKS

Schedules of Treatment Plant Expenses
For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
Salaries:			
Operational	$ 420,875	391,967	28,908
Employee benefits:			
Health insurance	60,941	67,824	(6,883)
Dental insurance	280	-	280
Pension	72,476	90,057	(17,581)
Social security	30,532	28,686	1,846
Life insurance	1,086	1,108	(22)
Mileage	-	109	(109)
Registration	840	1,300	(460)
Safety clothing	1,676	1,001	675
Dues	155	-	155
Food	-	30	(30)
	167,986	190,115	(22,129)
Utilities:			
Electric	394,664	324,809	69,855
Gas	9,440	1,998	7,442
Internet	1,236	1,235	1
Telephone	1,207	1,182	25
	406,547	329,224	77,323
Depreciation:			
Plant depreciation	282,785	259,708	23,077
Vehicle depreciation	9,834	8,361	1,473
	292,619	268,069	24,550
Fuels:			
Gas	1,650	1,154	496
Oil	2,310	3,683	(1,373)
Diesel	9,406	1,664	7,742
LP	8,038	17,392	(9,354)
Grease	-	903	(903)
	21,404	24,796	(3,392)
Supplies:			
Lab supplies	26,521	29,396	(2,875)
Plant supplies	234	441	(207)

MARSHALLTOWN WATER WORKS

Schedules of Treatment Plant Expenses (Continued)
For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
Supplies (continued):			
Building supplies	-	419	(419)
Cleaning supplies	369	55	314
General supplies	1,696	3,379	(1,683)
Health and first aid	215	441	(226)
Safety equipment	454	678	(224)
Operational fees and permits	420	892	(472)
	29,909	35,701	(5,792)
Maintenance:			
Building maintenance	3,644	4,727	(1,083)
Machinery maintenance	92,067	97,472	(5,405)
Heating and air conditioner maintenance	6,309	2,933	3,376
Computer maintenance	577	4,694	(4,117)
Safety equipment maintenance	265	1,495	(1,230)
CIWA meter pit maintenance	-	261	(261)
Grounds maintenance	8,054	16,940	(8,886)
Well field maintenance	10,212	21,101	(10,889)
Vehicle maintenance	4,365	1,418	2,947
Generator	14,566	11,700	2,866
	140,059	162,741	(22,682)
Chemicals:			
Pebble-lime	413,946	433,364	(19,418)
CO2	45,754	47,229	(1,475)
CL2	47,239	53,072	(5,833)
Fluoride	12,841	12,032	809
Poly-phosphate	10,890	12,096	(1,206)
Lime sludge removal	550,000	540,000	10,000
Sodium chlorite	-	13,969	(13,969)
	1,080,670	1,111,762	(31,092)
Contract services:			
Lab services	1,211	3,936	(2,725)
Total treatment plant	$ 2,561,280	2,518,311	42,969

MARSHALLTOWN WATER WORKS

Schedules of Construction and Maintenance Expenses
For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
Salaries:			
General salaries	$ 290,339	272,776	17,563
Employee benefits:			
Health insurance	39,935	39,190	745
Dental insurance	520	-	520
Pension	38,610	60,633	(22,023)
Social security	20,980	19,487	1,493
Life insurance	755	568	187
Mileage	321	566	(245)
Registration	343	1,512	(1,169)
Lodging	-	126	(126)
Food	76	209	(133)
Safety training	67	-	67
Safety clothing	3,480	1,303	2,177
Medical	-	457	(457)
	105,087	124,051	(18,964)
Depreciation:			
Distribution depreciation	138,665	132,640	6,025
Booster station depreciation	3,874	2,500	1,374
Equipment depreciation	13,943	14,226	(283)
	156,482	149,366	7,116
Fuels:			
Gas	4,113	2,224	1,889
Oil	330	717	(387)
Diesel fuel	6,306	2,858	3,448
Grease	28	-	28
	10,777	5,799	4,978

MARSHALLTOWN WATER WORKS

Schedules of Construction and Maintenance Expenses (Continued)
For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
Supplies:			
Distribution supplies	15,555	6,829	8,726
Shop supplies	2,606	1,718	888
Leak repair supplies	74,707	74,462	245
Hydrant and valve supplies	-	2,699	(2,699)
Data processing supplies	-	613	(613)
Operational fees and permits	120	2	118
Safety equipment	-	1,742	(1,742)
Health and first aid	2,072	164	1,908
Booster station supplies	-	34	(34)
	95,060	88,263	6,797
Maintenance:			
Vehicle maintenance	2,131	8,607	(6,476)
Equipment maintenance	12,436	2,837	9,599
Computer maintenance	-	959	(959)
Safety equipment maintenance	-	28	(28)
Tower maintenance	214	517	(303)
Well field maintenance	-	50	(50)
Booster station maintenance	2,939	3,402	(463)
	17,720	16,400	1,320
Total construction and maintenance	$ 675,465	656,655	18,810

MARSHALLTOWN WATER WORKS

Schedules of Customer Service and Meter Expenses
For the Years Ended June 30, 2021 and 2020

		2021	2020	Increase (Decrease)
Salaries:				
Salaries	$	182,035	146,613	35,422
Employee benefits:				
Health insurance		20,225	13,586	6,639
Dental insurance		150	-	150
Pension		23,867	32,936	(9,069)
Social security		13,291	11,013	2,278
Life insurance		445	260	185
Mileage		123	20	103
Registration		1,413	82	1,331
Safety clothing		1,318	515	803
Dues		4,500	-	4,500
		65,332	58,412	6,920
Depreciation:				
Vehicle depreciation		8,855	5,229	3,626
Meter depreciation		20,436	22,297	(1,861)
		29,291	27,526	1,765
Fuels:				
Gas		3,563	3,061	502
Oil		-	188	(188)
		3,563	3,249	314
Maintenance:				
Vehicle maintenance		1,336	1,203	133
Equipment maintenance		1,013	929	84
Safety equipment maintenance		-	561	(561)
		2,349	2,693	(344)
Supplies:				
General supplies		1,194	1,561	(367)
Meter repair supplies		2,628	3,805	(1,177)
Shop supplies		34	193	(159)
Health and first aid		146	174	(28)
Service repair supplies		2,138	1,868	270
		6,140	7,601	(1,461)
Total customer service and meter	$	288,710	246,094	42,616

See accompanying independent auditors' report.

MARSHALLTOWN WATER WORKS

Schedules of Administrative and Non-Operating Expenses
For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
Salaries:			
Administrative salaries	$ 375,959	340,881	35,078
Employee benefits:			
Health insurance	38,395	33,381	5,014
Dental insurance	350	-	350
Pension	72,735	79,575	(6,840)
Social security	27,702	25,285	2,417
Life insurance	1,003	924	79
Mileage	821	3,559	(2,738)
Registration fees	26	1,386	(1,360)
Dues and subscriptions	9,873	7,834	2,039
Safety clothing and training	174	115	59
Lodging	-	1,175	(1,175)
Food	201	454	(253)
	151,280	153,688	(2,408)
Utilities:			
Electricity	8,263	9,258	(995)
Gas	2,089	2,905	(816)
Internet expense	1,673	3,085	(1,412)
Telephone	2,883	3,534	(651)
	14,908	18,782	(3,874)
Depreciation:			
Building depreciation	17,250	14,327	2,923
Capital improvement depreciation	6,278	9,120	(2,842)
Equipment depreciation	6,712	4,056	2,656
	30,240	27,503	2,737
General supplies:			
Office supplies	3,874	4,274	(400)
Data processing supplies	6,483	1,990	4,493
Building supplies	108	184	(76)
Cleaning supplies	1,127	277	850
General supplies	7,512	6,058	1,454
Operational fees and permits	180	7,153	(6,973)
Health and first aid	409	959	(550)
Safety equipment	264	40	224
	19,957	20,935	(978)

See accompanying independent auditors' report.

MARSHALLTOWN WATER WORKS

Schedules of Administrative and Non-Operating Expenses (Continued)
For the Years Ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)
Maintenance:			
Computer maintenance	44,654	40,752	3,902
Office machine maintenance	1,976	1,745	231
Grounds maintenance	385	1,691	(1,306)
Storm sewer	1,032	1,032	-
Heating and air conditioning maintenance	421	5,160	(4,739)
Building maintenance	12,960	8,594	4,366
	61,428	58,974	2,454
Administrative expenses:			
Insurance	75,384	68,479	6,905
Banking services	22,448	18,681	3,767
Legal services	9,864	7,547	2,317
Cleaning services	6,965	7,367	(402)
Accounting services	15,586	22,307	(6,721)
Postage	23,195	18,877	4,318
Public notices	2,879	8,646	(5,767)
Engineering sevices	52,178	93,878	(41,700)
Computer services	45	-	45
Contract services	3,501	2,926	575
	212,045	248,708	(36,663)
Total administrative expenses	$ 865,817	869,471	(3,654)
Non-operating expenses:			
Board compensation	$ 900	675	225
Interest expense	119,032	125,847	(6,815)
Economic development	-	20,000	(20,000)
Total non-operating expenses	$ 119,932	146,522	(26,590)

BOWMAN & MILLER, P.C.

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

To the Board of Trustees of the
Marshalltown Water Works
Marshalltown, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Marshalltown Water Works, as of and for the years ended June 30, 2021 and 2020, and the related Notes to Financial Statements, and have issued our report thereon dated Novembe 11, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Marshalltown Water Works' internal control over financial reporting as a basis for desgining the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshalltown Water Works' internal control. Accordingly, we do not express an opinion on the effectiveness of Marshalltown Water Works' internal control.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Water Works' operations for the years ended June 30, 2021 and 2020 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Water Works. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Marshalltown Water Works' Responses to the Findings

Marshalltown Water Works' response to the finding identified in our audit is described in the accompanying Schedule of Findings. Marshalltown Water Works' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinon 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 Water Works' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Water Works' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Bowman and Miller, P.C.

Marshalltown, Iowa
November 11, 2021

MARSHALLTOWN WATER WORKS

Schedule of Findings
Years Ended June 30, 2021 and 2020

Part I: Summary of the Independent Auditors' Results

(a) An unmodified opinion was issued on the financial statements.

(b) No reportable conditions in internal control over financial reporting were disclosed by the audits of the financial statements.

(c) The audits did not disclose any non-compliance which is material to the financial statements.

MARSHALLTOWN WATER WORKS

Schedule of Findings (Continued)
Years Ended June 30, 2021 and 2020

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

21-II-A Certified Budget - Expenditures during the years ended June 30, 2021 and 2020, did not exceed the amounts budgeted.

21-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

21-II-C Travel Expense - No expenditures of Marshalltown Water Works' money for travel expenses of spouses of Marshalltown Water Works officials or employees were noted.

21-II-D Business Transactions - No business transactions between the Water Works and Water Works officials or employees were noted.

21-II-E Restricted Donor Activity - No transactions were noted between the Water Works, Water Works officials and Water Works employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

21-II-F Bond Coverage - Surety bond coverage of Water Works' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

21-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

21-II-H Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Water Works' investment policy were noted.

21-II -I Revenue Note - No instances of non-compliance with the water revenue note provisions were noted.

MARSHALLTOWN WATER WORKS

Audit Staff

This report was prepared by:

BOWMAN AND MILLER, P.C.
Certified Public Accountants
Marshalltown, Iowa

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