

XENIA RURAL WATER DISTRICT

Audited Financial Statements

December 31, 2021 and 2020

XENIA RURAL WATER DISTRICT

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XENIA RURAL WATER DISTRICT
Officials
December 31, 2021

Name	Title	Term Expiration
Dan Lovett	Chair	April 2024
Troy Wilson	Vice Chair	April 2022
Gary Becker	Treasurer	April 2022
Peter Jensen	Secretary	April 2022
Jerry Carris	Director	April 2023
Mike Schrum	Director	April 2024
Steve Sporrer	Director	April 2023
Gary Benjamin	General Manager	Indefinite
Gary Andrews	Controller	Indefinite
Deena Dewbre	Staff Accountant	Indefinite



Independent Auditors' Report

To the Board of Directors
Xenia Rural Water District

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of Xenia Rural Water District as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xenia Rural Water District as of December 31, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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Burlington	Cedar Rapids	Centerville	Fairfield	Mt. Pleasant	Oskaloosa	Pella	West Des Moines
319.753.9877	319.393.2374	641.437.4296	641.472.6171	319.385.9718	641.672.2523	641.628.9411	515.657.5800

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

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

Other Information

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Xenia Rural Water District. The schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of operating expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating expenses are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration of Xenia Rural Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Xenia Rural Water District's internal control over financial reporting and compliance.

TDT CPAs and Advisors, P.C.

West Des Moines, Iowa
March 14, 2022

XENIA RURAL WATER DISTRICT

Management's Discussion and Analysis

For the Year Ended December 31, 2021 and 2020

As financial management of the District, we offer readers of these financial statements an overview and analysis of financial activities of the District. This narrative is designed to bring focus to significant financial issues, identifying changes in the District's financial position, and identifying individual issues or concerns.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin on page 11.

2021 FINANCIAL HIGHLIGHTS

- ◆ The District's net position increased 19.33%, or \$4,684,927, in 2021 and increased 20.48%, or \$4,120,723, in 2020, primarily as a result of operations and other non operating gains or losses in the respective years.
- ◆ Operating revenues increased 8.94%, or \$1,456,043 in 2021. Operating revenues in 2020 increased 6.54%, or \$1,000,813, over 2019.
- ◆ Operating expenses increased 10.86%, or \$1,003,691, in 2021 due to several factors, including higher purchased water costs and an increase in repairs and maintenance. Operating expenses in 2020 decreased 1.42%, or \$132,800 over 2019 due to an increase in pension related deferred outflows.
- ◆ In 2021 and 2020, the District reported an IPERS liability of \$1,457,762 and \$1,158,567, respectively, for its proportionate share of the net pension liability. For further details on IPERS liability, see Note 7 of the Notes to Financial Statements.

Using This Annual Report

The financial statements included in this financial report provide information about the activities and performance of the District using accounting methods similar to those used by private sector businesses. These financial statements combine the District's current financial resources with capital assets and long-term obligations.

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

The *Statements of Net Position* present information on the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

XENIA RURAL WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2021 and 2020

The *Statements of Cash Flows* provide information about the District's sources and uses of cash receipts and cash payments. The sources and uses are organized by operating activities, capital and related financing activities and investing activities.

The *Notes to Financial Statements* provide additional information essential to a full understanding of the data provided in the District's financial statements and are a required part of the basic financial statements.

The *Required Supplementary Information* and *Supplementary Information* provide further information for purposes of additional analysis.

FINANCIAL ANALYSIS

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's net position at the end of the 2021 totaled \$28,924,613. This compares to \$24,239,686 at the end of 2020 and \$20,118,963 at the end of 2019. A summary of the District's net position is presented below.

The following summarizes the District's financial position at December 31:

	2021	2020	2019
Current assets	\$ 18,150,423	18,023,692	15,005,487
Capital assets, net of accumulated depreciation/amortization	111,505,535	109,593,458	111,048,460
Other noncurrent assets	7,019,903	7,011,671	7,179,671
Total assets	<u>\$ 136,675,861</u>	<u>134,628,821</u>	<u>133,233,618</u>
Deferred outflows of resources	\$ 894,346	847,312	696,788
Current liabilities	\$ 4,399,282	3,684,895	3,447,192
Noncurrent liabilities	104,212,040	107,373,858	110,182,451
Total liabilities	<u>\$ 108,611,322</u>	<u>111,058,753</u>	<u>113,629,643</u>
Deferred inflows of resources	\$ 34,272	177,694	181,800
Net Position			
Restricted	\$ 6,450,544	6,455,704	6,452,249
Unrestricted	22,474,069	17,783,982	13,666,714
Total net position	<u>\$ 28,924,613</u>	<u>24,239,686</u>	<u>20,118,963</u>

**XENIA RURAL WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2021 and 2020**

Net position increased \$4,684,927 during the year ended December 31, 2021 and increased \$4,120,723 during the year ended December 31, 2020. The increase in net position in 2021 is primarily the result of state funds being received for the District's Highway 17 relocation project. The increase in net position 2020 was primarily the result of lower operating expenses and an increase in residential and industrial water sales.

Total liabilities of the District were \$108,611,322 and \$111,058,753 at December 31, 2021 and 2020, respectively. Noncurrent liabilities included in total liabilities were \$104,212,040 and \$107,373,858 at December 31, 2021 and 2020, respectively. Total liabilities decreased \$2,447,431 in 2021 and decreased \$2,570,890 in 2020. The decrease in liabilities at December 31, 2021 and December 31, 2020 was primarily the result of payments on outstanding bonds and notes.

A significant portion of the District's total assets, 82% and 81%, were invested in capital assets at December 31, 2021 and 2020, respectively.

Statements of Revenues, Expenses and Changes in Net Position

The following Condensed Statements of Revenues, Expenses and Changes in Net Position summarize the District's operating results for the years ended December 31:

	2021	2020	2019
Operating revenues	\$ 17,748,253	16,292,210	15,291,397
Operating expenses	(10,246,145)	(9,242,454)	(9,375,254)
Operating income	7,502,108	7,049,756	5,916,143
Nonoperating revenues	404,994	368,052	625,321
Nonoperating expenses	(3,222,175)	(3,297,085)	(3,359,178)
Change in net position	\$ 4,684,927	4,120,723	3,182,286

The Statements of Revenues, Expenses and Changes in Net Position reflect an increase in net position in 2021, 2020, and 2019.

Year ended December 31, 2021:

The change in net position in 2021 was a result of the following: 1) The District's operating revenue increased by 8.94% due to an increase in residential and industrial water sales. 2) Non-operating revenues increased 10.04% from 2020. The change was the result of the sale of territory rights increasing \$17,280, or 22.57% in 2020. 3) Operating expenses increased by \$1,003,691 or 10.86% from 2020, due to several factors, including higher purchased water costs and an increase in repairs and maintenance. 4) State funds received for the Highway 17 relocation project.

XENIA RURAL WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2021 and 2020

Year ended December 31, 2020:

The change in net position in 2020 was a result of the following: 1) The District's operating revenue increased by 6.54% due to an increase in residential and industrial water sales. 2) Non-operating revenues decreased 41% from 2019. The change was the result of the sale of territory rights decreasing \$105,588, or 58% in 2019. 3) Operating expenses decreased by \$132,800 or 1.42% from 2019.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes cash received from customers for water sales and sewer use reduced by employee payroll and payments to suppliers. Cash used by capital and related financing activities includes principal and interest paid on bonds and notes, proceeds from sale of territory rights and the purchase of capital assets. Cash provided by investing activities includes interest income.

The following summarize the District's cash flows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash flows provided (used) by:			
Operating activities	\$ 10,739,268	10,154,649	8,963,184
Capital and related financing activities	(11,120,924)	(7,533,119)	(6,287,354)
Investing activities	250,639	235,067	378,006
Net increase (decrease) in cash and cash equivalents	(131,017)	2,856,597	3,053,836
Cash and cash equivalents – beginning of year	22,460,024	19,603,427	16,549,591
Cash and cash equivalents – end of year	\$ <u>22,329,007</u>	<u>22,460,024</u>	<u>19,603,427</u>

CAPITAL ASSETS

The following summarizes capital assets at December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Nondepreciable capital assets	\$ 4,216,362	1,505,545	1,123,791
Depreciable/ amortizable capital assets	152,491,253	150,541,384	149,516,537
Intangible assets	5,236,718	5,214,348	5,202,848
Accumulated depreciation/ amortization	(50,438,798)	(47,667,819)	(44,794,716)
Total capital assets, net of accumulated depreciation	\$ <u>111,505,535</u>	<u>109,593,458</u>	<u>111,048,460</u>

XENIA RURAL WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2021 and 2020

Capital assets, net of accumulated depreciation / amortization, (including water lines, equipment and buildings) of the District were \$111,505,535 and \$109,593,458 at December 31, 2021 and 2020, respectively. This is a net increase of \$1,912,077 during the year ended December 31, 2021. Total capital assets increased because of the addition of water lines and other construction in progress projects.

Construction in progress included in non-depreciable / non-amortizable capital assets was \$3,327,209 and \$616,392 at December 31, 2021 and 2020, respectively. Further details on capital assets are presented in Note 5 of the Notes to Financial Statements.

LONG TERM DEBT

The following summarizes outstanding long-term debt at December 31:

		2021	2020	2019
Revenue notes	\$	38,709,583	39,847,061	40,747,911
Revenue bonds		64,992,002	67,015,889	68,994,776
Project anticipation notes		1,263,168	1,288,168	1,313,168
 Total	 \$	 104,964,753	 108,151,118	 111,055,855

In 2021, the District repaid \$913,790 of principal on USDA Rural Development water revenue notes, \$223,688 of principal on USDA Rural Development wastewater revenue notes, \$25,000 of principal on project anticipation notes and \$2,023,887 of principal on the refunding water revenue bonds, series 2016. The USDA Rural Development wastewater revenue note was paid off during 2021.

In 2020, the District repaid \$896,829 of principal on USDA Rural Development water revenue notes, \$4,021 of principal on USDA Rural Development wastewater revenue notes, \$25,000 of principal on project anticipation notes and \$1,978,887 of principal on the refunding water revenue bonds, series 2016. No additional debt was acquired or retired in 2020.

The water revenue refunding bonds, series 2016 cash balance requirement for the restricted reserve is \$4,704,000. At December 31, 2021 and December 31, 2020, the balance of the restricted cash water revenue refunding bonds, Series 2016 reserve was \$4,756,086 and \$4,757,531, respectively. Further details on reserves and debt service are presented in Note 6 of the Notes to Financial Statements.

The USDA Rural Development bond resolution requires amounts to be deposited monthly into a reserve account until a balance of one-tenth of one full year's principal and interest payment is on reserve. At December 31, 2021 and 2020, the balance of the restricted cash, USDA water notes reserve was \$1,680,867 and \$1,684,584, respectively. On March 29, 2013, USDA approved refinancing all outstanding USDA Rural Development water revenue notes. As of December 31, 2021, the reserve account is fully replenished to the required amount. Further details on reserves and debt services are presented in Note 6.

**XENIA RURAL WATER DISTRICT
Management's Discussion and Analysis
For the Year Ended December 31, 2021 and 2020**

ECONOMIC OUTLOOK

The District has been able to stabilize water rates in recent years due in large part to increasing membership and ongoing effort to reduce costs in relation to the volume of water sold. With continuing population expansion in the western Des Moines metropolitan area and the Ames area, the District continues to see an increase in membership which has offset increasing costs and allowed the District to keep rates for residential and commercial water users unchanged. For fiscal year 2021, the District has approved raising water rates for some industrial and bulk water users in line with costs of providing water service.

Going forward, the District has significant capital investment and reinvestment plans budgeted in order to keep up with demand and to replace infrastructure that is approaching the end of its useful life. The expenses have been carefully budgeted, and projections indicate sufficient cash is available both currently and in the future for the District to meet cash flow needs for operating, debt financing and capital obligations while keeping water rates stable.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to present our customers and creditors with a general overview of the District's finances and operating activities. If you have any questions or require additional information, please contact the Controller of the Xenia Rural Water District at (515) 676-2117 or 23998 141st Street, Bouton, Iowa 50039.

XENIA RURAL WATER DISTRICT
Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current assets:		
Cash, cash equivalents, and pooled investments	\$ 15,878,463	16,004,320
Accounts receivable	2,180,847	1,940,909
Prepaid expenses	91,113	78,463
Total current assets	18,150,423	18,023,692
Other assets:		
Note receivable	285,664	375,834
Inventory	283,695	180,133
Restricted cash:		
USDA Rural Development water notes reserve fund	1,680,867	1,684,584
USDA Rural Development wastewater notes reserve fund	13,591	13,589
Refunding water revenue bonds, series 2016 reserve fund	4,756,086	4,757,531
Total other assets	7,019,903	7,011,671
Capital assets - net	111,505,535	109,593,458
Total assets	136,675,861	134,628,821
Deferred outflows of resources:		
Deferred outflows related to debt refunding losses	424,437	445,837
Pension related deferred outflows	469,909	401,475
Total deferred outflows of resources	894,346	847,312
Total assets and deferred outflows of resources	\$ 137,570,207	135,476,133

See accompanying notes to financial statements.

XENIA RURAL WATER DISTRICT
Statements of Net Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	\$ 1,175,208	518,771
Accrued payroll taxes, IPERS contribution, and sales tax payable	39,309	79,819
Accrued payroll	33,114	24,672
Accrued compensated absences	109,043	108,577
Unearned revenue	15,794	15,794
Customer deposits	78,114	76,234
Sewer payables	47,855	44,683
Accrued interest payable:		
USDA Rural Development water revenue notes	59,655	61,627
Refunding water revenue bonds, series 2016	235,208	241,854
Current portion of long-term debt	<u>2,605,982</u>	<u>2,512,864</u>
Total current liabilities	<u>4,399,282</u>	<u>3,684,895</u>
Long-term liabilities:		
Accounts payable, long-term	-	166,569
Revenue notes payable	38,709,583	39,847,061
Revenue bonds payable, including premium	64,992,002	67,015,889
Project anticipation notes payable	<u>1,263,168</u>	<u>1,288,168</u>
	104,964,753	108,317,687
Less: current portion of long-term debt	<u>(2,605,982)</u>	<u>(2,512,864)</u>
Total long-term debt	102,358,771	105,804,823
Unearned revenue (less current portion)	395,507	410,468
Net pension liability	<u>1,457,762</u>	<u>1,158,567</u>
Total long-term liabilities	<u>104,212,040</u>	<u>107,373,858</u>
Total liabilities	<u>108,611,322</u>	<u>111,058,753</u>
Deferred inflows of resources:		
Pension related deferred inflows	<u>34,272</u>	<u>177,694</u>
Net position:		
Restricted:		
Debt service	6,450,544	6,455,704
Unrestricted	<u>22,474,069</u>	<u>17,783,982</u>
Total net position	<u>28,924,613</u>	<u>24,239,686</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 137,570,207</u>	<u>135,476,133</u>

See accompanying notes to financial statements.

XENIA RURAL WATER DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Water Sales:	\$	
Residential	11,340,396	11,211,492
Commercial	855,440	807,602
Industrial	3,108,694	2,928,074
Wholesale	612,481	513,233
Service Charges	225,194	229,428
Contracted billing:		
Water	19,584	19,986
Wastewater	3,293	8,375
Water connection fees	743,984	477,433
Wastewater	90,059	93,481
Highway 17 relocation project	745,967	-
Miscellaneous	3,161	3,106
Total operating revenues	<u>17,748,253</u>	<u>16,292,210</u>
Operating expenses	<u>10,246,145</u>	<u>9,242,454</u>
Net operating income	<u>7,502,108</u>	<u>7,049,756</u>
Other revenues (expenses):		
Membership and termination fees	120,250	114,080
Investment gain	160,469	147,310
Interest expense	(3,222,175)	(3,297,085)
Rental income	9,767	9,600
Gain on disposal of capital assets	3,217	18,739
Gain (loss) on disposal of inventory	297	561
Miscellaneous	17,169	1,217
Sale of territory rights	93,825	76,545
Total other revenues (expenses)	<u>(2,817,181)</u>	<u>(2,929,033)</u>
Change in net position	4,684,927	4,120,723
Net position - beginning of year	<u>24,239,686</u>	<u>20,118,963</u>
Net position - end of year	<u>\$ 28,924,613</u>	<u>24,239,686</u>

See accompanying notes to financial statements.

XENIA RURAL WATER DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from customers	\$ 17,498,406	16,069,428
Cash payments to employees for services	(2,315,692)	(1,973,621)
Cash payments to suppliers for goods and services	(4,443,446)	(3,941,158)
Net cash provided (used) by operating activities	<u>10,739,268</u>	<u>10,154,649</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of assets and territory rights	227,042	664,157
Acquisition and construction of capital assets	(5,078,291)	(2,115,644)
Proceeds from sale of excess inventory	297	561
Miscellaneous revenues	147,186	124,897
Principal paid on bonds and notes	(3,186,365)	(2,904,737)
Interest paid on bonds and notes	(3,230,793)	(3,302,353)
Net cash provided (used) by capital and related financing activities	<u>(11,120,924)</u>	<u>(7,533,119)</u>
Cash flows from investing activities:		
Collections on notes receivable	90,170	87,757
Investment earnings	160,469	147,310
Net cash provided (used) by investing activities	<u>250,639</u>	<u>235,067</u>
Increase (decrease) in cash and cash equivalents	(131,017)	2,856,597
Cash and cash equivalents - beginning of year	<u>22,460,024</u>	<u>19,603,427</u>
Cash and cash equivalents - end of year	<u>\$ 22,329,007</u>	<u>22,460,024</u>

XENIA RURAL WATER DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 7,502,108	7,049,756
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization - wastewater systems	12,823	13,497
Depreciation/amortization - other	3,023,391	2,988,276
(Increase) decrease in:		
Accounts receivable	(239,938)	(206,635)
Prepaid expenses	(12,650)	41,572
Inventory	(103,562)	83,698
Deferred outflows of resources	(47,034)	(150,524)
Increase (decrease) in:		
Accounts payable, trade	489,868	355,459
Accounts payable, sewer	3,172	1,457
Accrued payroll taxes, IPERS contribution, and sales tax payable	(40,510)	29,373
Accrued payroll	8,908	(29,570)
Net pension liability	299,195	-
Customer deposits	1,880	(1,810)
Unearned revenues	(14,961)	(15,794)
Deferred inflows of resources	(143,422)	(4,106)
Net cash provided (used) by operating activities	<u>\$ 10,739,268</u>	<u>10,154,649</u>
Supplemental disclosure of cash flow information:		
Interest paid for the year	<u>\$ 3,230,793</u>	<u>3,302,353</u>

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies

Organization – The Xenia Rural Water District was formed in 1992 pursuant to the provisions of Chapter 357A.2 of the Code of Iowa. The purpose of the District is to establish, develop, construct, operate and maintain water distribution and wastewater treatment systems for resident member throughout its territory in rural central and north central Iowa. The District extends credit to customers served, all of whom are located in the State of Iowa.

The governing body of the District is composed of up to nine members, all of whom shall be participating members of the District. The Directors are elected by the participating member who each have one vote at the annual meeting. The Directors are elected to staggered terms so no more than three Directors are elected in any year. Directors hold office for a term of three years and until a successor is elected and has qualified.

Accounting Basis - The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

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

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

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

The District distinguishes operating revenues from nonoperating revenues. Operating revenues generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. All revenues not meeting this definition are reported as nonoperating revenues.

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Income Taxes – The District, as a political subdivision of the State of Iowa, is exempt from income taxes.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash, Cash Equivalents and Pooled Investments – The District considers all short term investments that are highly liquid 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. The investment in the Iowa Public Agency Investment Trust is valued at amortized cost.

Restricted Cash – Funds set aside for payment of debt issuances are classified as restricted.

Accounts Receivable – The District recognizes bad debt expense on the direct write-off method.

Inventory – Inventories are valued at the lower of cost (first in, first out) or market. Inventories consist of parts for the assembly and repair of new and existing water systems. When inventory is used for capital projects, it is included as a cost of the related project. Excess inventory held for sale is stated at estimated realizable value.

Capital Assets – Capital assets are accounted for at historical cost. The cost of repair and maintenance are charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation/amortization of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the District as assets with initial, individual costs in excess of \$5,000 and estimated useful lives in excess of two years.

Capital assets of the District are depreciated/amortized using the straight line method over the following useful lives:

Classifications	Estimated Useful Lives
Water system and wells	60 years
Wastewater systems	15-60 years
Intangibles, purchased capacity	40 years
Intangibles, software	3-5 years
Plant building	40 years
Office building and improvements	7-39 years
Equipment and tools	3-12 years
Transportation equipment	3-7 years
Office furniture and equipment	3-7 years

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources – Deferred outflows of resources include unamortized bond refunding losses and pension related amounts. 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) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, contributions from the District after the measurement date but before the end of the District's reporting period and debt refunding losses.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The District's liability for accumulated vacation has been computed based on rates of pay in effect at December 31, 2021 and 2020.

Unearned Revenue – The District enters into contractual agreements with other political subdivisions to sell treatment capacity to those entities. In exchange for purchasing treatment capacity, the political subdivisions will be able to purchase water at a lower wholesale water rate. At the beginning of the agreement, the purchaser makes a cash payment, and the District records the amount as unearned revenue and then amortizes the amount into income over a period of 30 years. As of December 31, 2021, the District had \$411,301 of unearned revenue related to contractual agreements and recognized \$15,794 of revenue during 2021. As of December 31, 2020, the District had \$426,262 of unearned revenue related to contractual agreements and recognized \$15,794 of revenue during 2020.

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

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 2 – Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at December 31, 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 depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest in 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 District; 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 or improvement certificates of a drainage district.

The District had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,885,739 pursuant to rule 2a-7 under the Investment Company Act of 1940. There were not limitations or restrictions on withdrawals for the IPAIT investments. The investments in the Iowa Public Agency Investment Trust are unrated for credit risk purposes.

Note 3 - Restricted Cash

Xenia has established restricted cash accounts for the payment of future debt requirements, reserve accounts as required by note agreements and for funded depreciation. Total restricted cash equaled \$6,450,544 and \$6,455,704 as of December 31, 2021 and 2020, respectively.

Note 4 – Sale of Territory Rights

The District holds exclusive rights and responsibilities to provide water service to customers within the District's territory. The District has reached various agreements releasing these water service rights to other entities which wish to develop certain areas within the District's territory. Per several of the agreements, when individual lots in the designated area are sold to third parties, the District will be paid \$2,700 for each lot. During the year ended December 31, 2021 and December 31, 2020, the District received \$93,825 and \$76,545, respectively, pursuant to the agreements.

In February 2015, the District entered into an agreement with the Iowa State University Research Park (ISURP). The property areas are being annexed into the City of Ames and ISURP wished to procure Ames water service to the property. In order for the City of Ames to provide water service, the City required undisputed rights. The agreement reached released the District's water service rights related to the property and included a promissory note requiring ISURP to pay the District \$609,922 plus interest on the unpaid principal balance at a rate of 2.75% per annum. The payment schedule required a principal payment of \$60,922 in February 2016, interest only payments of \$15,097 during calendar years 2016, 2017 and 2018 and annual principal and interest payments totaling \$100,506 beginning in February 2019 and continuing through February 2024.

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 4 – Sale of Territory Rights (Continued)

The following is a schedule of the future payments to be received by the District:

Year Ending December 31,	Interest Rates		Principal	Interest	Total
2022	2.75%	\$	92,650	7,856	100,506
2023	2.75		95,198	5,308	100,506
2024	2.75		97,816	2,690	100,505
Total		\$	285,664	15,854	301,517

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 5 – Capital Assets

Capital asset activity for the years ended December 31, 2021 and 2020 was as follows:

	Year ended December 31, 2021			
	Balance 2020	Additions	Deletions	Balance 2021
Non-depreciable assets:				
Land	\$ 889,153	-	-	889,153
Construction in progress	616,392	4,590,162	(1,879,345)	3,327,209
Total non-depreciable assets	<u>1,505,545</u>	<u>4,590,162</u>	<u>(1,879,345)</u>	<u>4,216,362</u>
Depreciable assets:				
Office building and improvements	3,456,135	26,616	-	3,482,751
Office furniture and equipment	243,632	-	-	243,632
Plant building	2,941,653	-	-	2,941,653
Wells	62,982	-	-	62,982
Wastewater systems	1,627,311	-	-	1,627,311
Water lines	139,777,310	1,967,759	(229,775)	141,515,294
Intangibles, purchased capacity	5,050,834	-	-	5,050,834
Intangibles, software	163,514	22,370	-	185,884
Telemetry system	616,388	48,596	-	664,984
Equipment and tools	1,815,973	333,783	(197,110)	1,952,646
Total depreciable assets	<u>155,755,732</u>	<u>2,399,124</u>	<u>(426,885)</u>	<u>157,727,971</u>
Less accumulated depreciation:				
Office building and improvements	1,873,544	113,112	-	1,986,656
Office furniture and equipment	238,794	1,290	-	240,084
Plant building	710,786	73,098	-	783,884
Wells	59,839	1,575	-	61,414
Wastewater systems	310,110	27,846	-	337,956
Water lines	39,689,901	2,382,317	(78,506)	41,993,712
Intangibles, purchased capacity	2,849,965	135,725	-	2,985,690
Intangibles, software	155,528	10,047	-	165,575
Telemetry system	433,522	37,227	-	470,749
Equipment and tools	1,345,830	253,977	(186,729)	1,413,078
Accumulated depreciation	<u>47,667,819</u>	<u>3,036,214</u>	<u>(265,235)</u>	<u>50,438,798</u>
Depreciable assets, net	<u>\$ 108,087,913</u>	<u>(637,090)</u>	<u>(161,650)</u>	<u>107,289,173</u>
Capital assets, net	<u>\$ 109,593,458</u>	<u>3,953,072</u>	<u>(2,040,995)</u>	<u>111,505,535</u>

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 5 – Capital Assets (Continued)

	Year ended December 31, 2020			
	Balance 2019	Additions	Deletions	Balance 2020
Non-depreciable assets:				
Land	\$ 889,153	-	-	889,153
Construction in progress	234,638	808,040	(426,286)	616,392
Total non-depreciable assets	1,123,791	808,040	(426,286)	1,505,545
Depreciable assets:				
Office building and improvements	3,456,135	-	-	3,456,135
Office furniture and equipment	260,942	-	(17,310)	243,632
Plant building	2,941,653	-	-	2,941,653
Wells	62,982	-	-	62,982
Wastewater systems	1,566,301	61,010	-	1,627,311
Water lines	138,846,797	963,169	(32,656)	139,777,310
Intangibles, purchased capacity	5,050,834	-	-	5,050,834
Intangibles, software	152,014	11,500	-	163,514
Telemetry system	598,012	18,376	-	616,388
Equipment and tools	1,783,715	124,879	(92,621)	1,815,973
Total depreciable assets	154,719,385	1,178,934	(142,587)	155,755,732
Less accumulated depreciation:				
Office building and improvements	1,762,782	110,762	-	1,873,544
Office furniture and equipment	252,856	2,835	(16,897)	238,794
Plant building	637,688	73,098	-	710,786
Wells	58,266	1,573	-	59,839
Wastewater systems	282,873	27,237	-	310,110
Water lines	37,378,485	2,344,072	(32,657)	39,689,900
Intangibles, purchased capacity	2,714,240	135,726	-	2,849,966
Intangibles, software	152,014	3,514	-	155,528
Telemetry system	407,456	26,066	-	433,522
Equipment and tools	1,148,056	276,892	(79,118)	1,345,830
Accumulated depreciation	44,794,716	3,001,775	(128,672)	47,667,819
Depreciable assets, net	\$ 109,924,669	(1,822,841)	(13,915)	108,087,913
Capital assets, net	\$ 111,048,460	(1,014,801)	(440,201)	109,593,458

Depreciation/amortization expense charged to wastewater systems for 2021 and 2020 was \$12,823 and \$13,497 respectively. Depreciation/amortization expense charged to water operations for 2021 and 2020 was \$3,023,391 and \$2,988,276 respectively.

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 6 – Long -Term Liabilities

A summary of changes in long-term liabilities for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31, 2021			
	Beginning of Year	Increases	Decreases	End of Year
Refunding water revenue bond, Series 2016	\$ 58,045,000	-	(1,595,000)	56,450,000
USDA water and wastewater revenue notes	39,847,061	-	(1,137,478)	38,709,583
Project anticipation note	1,288,168	-	(25,000)	1,263,168
	99,180,229	-	(2,757,478)	96,422,751
Accounts payable, long-term	166,569	-	(166,569)	-
Unamortized premium	8,970,889	-	(428,887)	8,542,002
Total long-term debt	\$ 108,317,687	-	(3,352,934)	104,964,753

	Year ended December 31, 2020			
	Beginning of Year	Increases	Decreases	End of Year
Refunding water revenue bond, Series 2016	\$ 59,595,000	-	(1,550,000)	58,045,000
USDA water and wastewater revenue notes	40,747,911	-	(900,850)	39,847,061
Project anticipation note	1,313,168	-	(25,000)	1,288,168
	101,656,079	-	(2,475,850)	99,180,229
Accounts payable, long-term	-	166,569	-	166,569
Unamortized premium	9,399,776	-	(428,887)	8,970,889
Total long-term debt	\$ 111,055,855	166,569	(2,904,737)	108,317,687

Forbearance Agreement and Debt Restructuring – On March 28, 2013, the District completed a forbearance agreement with Assured Guaranty Corporation, the reinsurance company. The forbearance agreement reconstructed the District’s repayment schedule for outstanding debt obligations and replenishment of the reserve requirements for the water revenue bonds, series 2006 and the USDA Rural Development water revenue notes.

USDA Water and Wastewater Notes – The District has approximately 13 notes with USDA Rural Development for the construction of various water and wastewater construction projects. The water revenue notes bear interest at a stated interest rate of 1.875%, and the wastewater revenue note bears a state interest rate of 4.00%. The notes require monthly principal and interest payments over the life of the notes, generally have a maturity of 40 years, and are secured by a lien on the future net earnings of the District and the District’s water and sewer systems. In addition, the notes require the District to maintain certain debt reserve accounts. The balance of the notes was \$38,709,583 and \$39,847,061 at December 31, 2021 and 2020, respectively. During 2021, the wastewater revenue note was paid off in full.

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 6 – Long -Term Liabilities (Continued)

Refunding Water Revenue Bonds – In September 2016, the District issued \$63,315,000 of Water Revenue Refunding bonds, Series 2016. The loan proceeds are being used to refund water revenue bonds, Series 2006. The note bears interest ranging from 2.00% to 5.00% and requires monthly payments through maturity on December 1, 2041. The notes were issued at a premium equal to \$10,821,841. The amount outstanding, including the unamortized premium of \$8,542,002, is \$64,992,002 and \$67,015,889 at December 31, 2021 and 2020 respectively.

In September 2016, the District issued water revenue refunding bonds to refund previously issued water revenue bonds, series 2006. In a current refunding, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow or inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The difference between these amounts at the time of refunding was \$538,274 in which \$6,836 was recognized as a component of interest expense for 2016. The deferred outflow reported at December 31, 2016 was \$531,438, which will be amortized over 25 years. \$21,400 recognized as a component of interest expense for both fiscal year 2020 and 2021, leaving a reported deferred outflow of resources of \$424,437 and \$445,837 at December 31, 2021 and 2020, respectively.

Project Anticipation Notes – In 2006, the District entered into a State Revolving Fund loan and distribution agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee for the issuance of planning and design loans). The notes were issued to pay the costs of planning, designing and constructing improvements and extensions to the water system. The funds were drawn by the District from the Trustee upon request to reimburse the District for costs as they were incurred. The District has drawn \$1,468,168.

As a condition of the forbearance agreement discussed above, the District refinanced the project anticipation notes due to the Iowa Finance Authority, (IFA). The refinanced project anticipation notes are interest free and are due in full on January 1, 2032. The District made principal payments of \$25,000 during the years December 31, 2021 and 2020, reducing the outstanding principal balance to \$1,263,168

Interest expense on all long term debt totaled \$3,222,175 and \$3,297,085 during the years ended December 31, 2021 and 2020, respectively. This amount includes amortization of bond discount/premium of \$428,887 and \$428,887 for the years ended December 31, 2021 and 2020, respectively.

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 6 – Long -Term Liabilities (Continued)

Future debt service requirements as of December 31, 2021, are as follows:

Year Ended	Refunding Bond	USDA Notes	IFA	Interest	Total
2022	\$ 1,675,000	930,982	-	3,540,402	6,146,384
2023	1,760,000	948,589	-	3,439,045	6,147,634
2024	1,845,000	964,617	-	3,335,017	6,144,634
2025	1,940,000	984,771	-	3,222,613	6,147,384
2026	2,035,000	1,003,395	-	3,106,989	6,145,384
2027-2031	11,815,000	5,307,096	-	13,612,074	30,734,170
2032-2036	15,320,000	5,827,247	1,263,168	9,820,173	32,230,588
2037-2041	20,060,000	6,401,346	-	4,961,324	31,422,670
2042-2046	-	7,030,261	-	1,214,159	8,244,420
2047-2051	-	7,720,972	-	523,448	8,244,420
2052-2056	-	1,590,307	-	15,973	1,606,280
	\$ 56,450,000	38,709,583	1,263,168	46,791,217	143,213,968

Note 7 - IPERS Pension Benefits

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

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

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes a multiplier based on years of service and the member’s highest five-year average salary, except members with service before June 30, 2012 will use 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 on or after July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 7 - IPERS Pension Benefits (Continued)

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

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

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 2021, pursuant to the required rate, Regular members contributed 6.29 percent of pay and the District contributed 9.44 percent for a total rate of 15.73 percent through June 30, 2021. The District's total contributions to IPERS for the year ended December 31, 2021 and 2020 were \$155,468 and \$143,738 respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At December 31, 2021, the District reported a liability of \$1,457,762 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2020, the District's collective proportion was .020898 percent which was an increase of .001024 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2021 and 2020, the District recognized pension expense of 250,668 and \$(12,352), respectively, The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 7 - IPERS Pension Benefits (Continued)

	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	32,943	3,212	41,655
Changes of assumptions	74,826	-	124,099	-
Net difference between projected and actual earnings on pension plan investments	81,949	-	-	130,556
Changes in proportion and differences between District contributions and proportionate share of contributions	65,686	1,329	23,112	5,483
District contributions subsequent to the measurement date	247,448	-	251,052	-
Total	\$ 469,909	34,272	401,475	177,694

\$247,448 and \$251,052, reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the years ended December 31, 2021 and 2020, respectively. Other amounts reported as deferred (outflows) of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>2021</u>	<u>2020</u>
2022	\$ 38,464	29,299
2023	44,909	(20,922)
2024	40,802	(14,925)
2025	58,935	(18,960)
2026	5,079	(1,764)
Total	\$ 188,189	(27,272)

There were no non-employer contributing entities at IPERS.

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 7 - IPERS Pension Benefits (Continued)

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)	2.6% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 % - 16.25%, depending upon years of service
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense
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, 2017 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(.21)
Private equity	11.0	10.31
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District 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.

XENIA RURAL WATER DISTRICT
Notes to Financial Statements
December 31, 2021 and 2020

Note 7 - IPERS Pension Benefits (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
District's proportionate share of the net pension liability for 2021	\$ 641,972	1,457,762	2,430,695
District's proportionate share of the net pension liability for 2020	404,769	1,158,567	2,057,240

Pension Plan 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 the Pension Plan – At December 31, 2021, and 2020, the District reported payables to the defined benefit pension plan of \$31,219 and \$30,744, respectively for legally required employer contributions or legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8 –Risk Management

The District 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District assumes liability for any deductibles and claims in excess of coverage limits.

Note 9 – Major Customers

Water sales revenue to three ethanol plants were \$3,108,694 and \$2,928,074 for the years ended December 31, 2021 and 2020, respectively. This represents 18.0% and 18.0% of total operating revenues for each year, respectively. The balances due from these customers and included in accounts receivable were \$81,678 and \$75,275 at December 31, 2021 and 2020, respectively.

Note 10 – Compensated Absences

District employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as expenses by the District until used or paid. The District's liability for earned vacation payable to employees at December 31, 2021 and 2020 were \$109,043 and \$108,577, respectively. This liability has been computed based on rates of pay in effect at December 31, 2021 and December 31, 2020, respectively.

XENIA RURAL WATER DISTRICT

Required Supplementary Information

December 31, 2021

XENIA RURAL WATER DISTRICT
Schedule of the District's
Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Seven Fiscal Years*
(In Thousands)
Required Supplementary Information

	2021	2020	2019	2018	2017	2016	2015
Association's proportion of the net pension liability (asset)	0.020898%	0.019874%	0.020008%	0.019749%	0.019030%	0.019445%	0.019684%
Association's proportionate share of the net pension liability	\$ 1,458	1,159	1,159	1,250	1,268	1,224	972
Association's covered-employee payroll	\$ 1,642	1,525	1,544	1,465	1,427	1,379	1,391
Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.80%	75.98%	75.06%	85.32%	88.86%	88.76%	69.88%
Plan fiduciary net position as a percentage of the total pension liability	81.87%	84.38%	82.57%	82.21%	81.82%	85.19%	87.61%

* 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.

XENIA RURAL WATER DISTRICT
Schedule of District's Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years*
(In Thousands)
Required Supplementary Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	155	144	148	140	128	126	122	121	106	110
Contributions in relation to the statutorily required contribution	(155)	(144)	(148)	(140)	(128)	(126)	(122)	(121)	(106)	(110)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Association's covered-employee payroll	1,642	1,525	1,595	1,544	1,433	1,411	1,366	1,355	1,247	1,341
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.28%	9.07%	8.93%	8.93%	8.93%	8.93%	8.50%	8.20%

* - The amounts presented for the fiscal years ended June 30.

See accompanying independent auditors' report.

XENIA RURAL WATER DISTRICT
Notes to Required Supplementary Information – Pension Liability
December 31, 2021

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of Assumptions

The 2018 valuation implemented the following refinements as a result of the 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 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the discount rate from 7.50 percent to 7.00 percent.
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (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.

XENIA RURAL WATER DISTRICT
Schedules of Operating Expenses
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Provision for depreciation/amortization:		
Wastewater systems	\$ 12,823	13,497
Water	3,023,391	2,988,276
Salaries and wages	1,581,618	1,571,377
Purchased water	2,536,100	2,054,565
Professional fees	120,390	321,513
Utilities	346,272	292,207
Chemicals	238,136	207,825
Payroll taxes	125,360	127,184
General insurance	123,373	123,040
Employee benefits	577,112	274,863
Repair and maintenance	910,643	632,970
Wastewater operations	48,402	94,077
Fuel	99,853	79,002
Office expense	226,573	224,680
Postage and freight	4,131	4,573
Telephone	32,448	38,166
Vehicle repair and maintenance	80,114	52,919
Testing and lab	33,773	62,411
Licenses, dues and subscriptions	32,141	36,184
Miscellaneous	1,357	1,825
Bank fees and services charges	82,609	38,085
Continuing education	3,110	2,703
Mileage	1,329	40
Advertising and promotion	2,128	276
Meals and lodging	2,959	196
	<u>\$ 10,246,145</u>	<u>9,242,454</u>

XENIA RURAL WATER DISTRICT

Supplementary Information

December 31, 2021



Independent Auditors' 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*

Board of Directors
Xenia Rural Water District

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 Xenia Rural Water District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Xenia Rural Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Xenia Rural Water District'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 the 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 internal control items that we would consider to be a material weakness or significant deficiency.

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Burlington	Cedar Rapids	Centerville	Fairfield	Mt. Pleasant	Oskaloosa	Pella	West Des Moines
319.753.9877	319.393.2374	641.437.4296	641.472.6171	319.385.9718	641.672.2523	641.628.9411	515.657.5800

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

TDT CPAs and Advisors, P.C.

West Des Moines, Iowa
March 14, 2022

XENIA RURAL WATER DISTRICT
Schedule of Findings and Responses
December 31, 2021

Part I: Summary of independent auditors' results

1. An unmodified opinion was issued on the financial statements.
2. The audit of the financial statements did not uncover any significant deficiencies or material weaknesses in internal control over financial reporting. However, material weaknesses or significant deficiencies may exist that have not been uncovered.
3. The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Finding(s) related to the financial statements

NONE