

**XENIA RURAL WATER DISTRICT**

Audited Financial Statements

December 31, 2022 and 2021



**FORGE**

FINANCIAL & MANAGEMENT CONSULTING

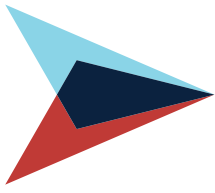
## XENIA RURAL WATER DISTRICT

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**XENIA RURAL WATER DISTRICT**  
**Officials**  
**December 31, 2022**

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<b>Name</b>	<b>Title</b>	<b>Term Expiration</b>
Dan Lovett	Chair	April 2024
Troy Wilson	Vice Chair	April 2025
Gary Becker	Treasurer	April 2025
Peter Jensen	Secretary	April 2025
Jerry Carris	Director	April 2023
Mike Schrum	Director	April 2024
Steve Sporrer	Director	April 2023
Gary Andrews	Controller	Indefinite
Royce Hammitt	General Manager	Indefinite



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## 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, 2022 and 2021, 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, 2022 and 2021, 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.

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 April 27, 2023, 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.

*Forge Financial & Management Consulting*

West Des Moines, Iowa  
April 27, 2023

# **XENIA RURAL WATER DISTRICT**

## **Management's Discussion and Analysis**

### **For the Year Ended December 31, 2022 and 2021**

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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.

#### **2022 FINANCIAL HIGHLIGHTS**

- ◆ The District's net position increased 14.19%, or \$4,104,815, in 2022 and increased 19.33%, or \$4,684,927, in 2021, primarily as a result of operations and other non operating gains or losses in the respective years.
- ◆ Operating revenues decreased 2.87%, or \$509,680 in 2022. Operating revenues in 2021 increased 8.94%, or \$1,456,043, over 2020.
- ◆ Operating expenses increased 6.72%, or \$688,129, in 2022 due to several factors, including higher purchased water costs and an increase in repairs and maintenance. Operating expenses in 2021 increased 10.86%, or \$1,003,691 over 2020 due to several factors, including higher purchased water costs and an increase in repairs and maintenance
- ◆ In 2022 and 2021, the District reported an IPERS liability of \$29,242 and \$1,457,762, 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, 2022 and 2021**

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 2022 totaled \$33,029,428. This compares to \$28,924,613 at the end of 2021 and \$24,239,686 at the end of 2020. A summary of the District's net position is presented below.

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Current assets	\$ 17,572,305	18,243,073	18,023,692
Capital assets, net of accumulated depreciation/amortization	112,724,750	111,505,535	109,593,458
Other noncurrent assets	4,435,581	6,927,253	7,011,671
Total assets	<u>\$ 134,732,636</u>	<u>136,675,861</u>	<u>134,628,821</u>
Deferred outflows of resources	\$ 729,445	894,346	847,312
Current liabilities	\$ 4,434,040	4,399,282	3,684,895
Noncurrent liabilities	93,451,853	104,212,040	107,373,858
Total liabilities	<u>\$ 97,885,893</u>	<u>108,611,322</u>	<u>111,058,753</u>
Deferred inflows of resources	\$ 4,546,760	34,272	177,694
Net Position			
Restricted	\$ 3,794,140	6,450,544	6,455,704
Unrestricted	29,235,288	22,474,069	17,783,982
Total net position	<u>\$ 33,029,428</u>	<u>28,924,613</u>	<u>24,239,686</u>



**XENIA RURAL WATER DISTRICT  
Management's Discussion and Analysis  
For the Year Ended December 31, 2022 and 2021**

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Net position increased \$4,104,815 during the year ended December 31, 2022 and increased \$4,684,927 during the year ended December 31, 2021. The increase in net position in 2022 is primarily the result of operations creating net revenues. The increase in net position in 2021 was primarily the result of state funds being received for the District's Highway 17 relocation project.

Total liabilities of the District were \$97,885,893 and \$108,611,322 at December 31, 2022 and 2021, respectively. Noncurrent liabilities included in total liabilities were \$93,451,853 and \$104,212,040 at December 31, 2022 and 2021, respectively. Total liabilities decreased \$10,725,429 in 2022 and decreased \$2,447,431 in 2021. The decrease in liabilities at December 31, 2022 and December 31, 2021 was primarily the result of payments on outstanding bonds and notes, as well as an advanced refunding of the series 2016 bonds during 2022.

A significant portion of the District's total assets, 84% and 82%, were invested in capital assets at December 31, 2022 and 2021, 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:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Operating revenues	\$ 17,238,573	17,748,253	16,292,210
Operating expenses	(10,934,274)	(10,246,145)	(9,242,454)
Operating income	6,304,299	7,502,108	7,049,756
Nonoperating revenues	1,176,438	404,994	368,052
Nonoperating expenses	(3,375,922)	(3,222,175)	(3,297,085)
Change in net position	\$ 4,104,815	4,684,927	4,120,723

The Statements of Revenues, Expenses and Changes in Net Position reflect an increase in net position in 2022, 2021, and 2020.

**Year ended December 31, 2022:**

The change in net position in 2022 was a result of the following: 1) The District's operating revenue decreased by 2.87% due to state funds received in 2021 for the Highway 17 relocation project, which were not in 2022. 2) Non-operating revenues increased 190.48% from 2021. The change was mainly the result of the gain on territory settlement of \$602,653 in 2022. 3) Operating expenses increased by \$688,129 or 6.72% from 2021, due to several factors, including increased water purchased costs and an increase in repairs and maintenance.

**XENIA RURAL WATER DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2022 and 2021**

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**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.

*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:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Cash flows provided (used) by:			
Operating activities	\$ 8,545,040	10,739,268	10,154,649
Capital and related financing activities	(12,637,320)	(11,120,924)	(7,533,119)
Investing activities	404,298	250,639	235,067
Net increase (decrease) in cash and cash equivalents	(3,687,982)	(131,017)	2,856,597
Cash and cash equivalents – beginning of year	22,329,007	22,460,024	19,603,427
Cash and cash equivalents – end of year	\$ 18,641,025	22,329,007	22,460,024

**CAPITAL ASSETS**

The following summarizes capital assets at December 31:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Nondepreciable capital assets	\$ 4,072,878	4,216,362	1,505,545
Depreciable/ amortizable capital assets	156,737,072	152,491,253	150,541,384
Intangible assets	5,236,718	5,236,718	5,214,348
Accumulated depreciation/ amortization	(53,321,918)	(50,438,798)	(47,667,819)
Total capital assets, net of accumulated depreciation	\$ 112,724,750	111,505,535	109,593,458

**XENIA RURAL WATER DISTRICT**  
**Management’s Discussion and Analysis**  
**For the Year Ended December 31, 2022 and 2021**

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Capital assets, net of accumulated depreciation / amortization, (including water lines, equipment and buildings) of the District were \$112,724,750 and \$111,505,535 at December 31, 2022 and 2021, respectively. This is a net increase of \$1,219,215 during the year ended December 31, 2022. 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 \$3,183,725 and \$3,327,209 at December 31, 2022 and 2021, 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:

		2022	2021	2020
Revenue notes	\$	37,778,511	38,709,583	39,847,061
Revenue bonds		57,174,808	64,992,002	67,015,889
Project anticipation notes		1,238,168	1,263,168	1,288,168
Total	\$	96,191,487	104,964,753	108,151,118

In July 2022, the District issued \$48,345,000 in water revenue refunding bonds with an interest rate of 4%. The District issued the bonds to advance refund \$47,195,000 of the outstanding series 2016 water revenue bonds with a 5% interest rate. See Note 6 of the Notes to Financial Statements for further information. During 2022, the District repaid \$931,079 of principal on USDA Rural Development water revenue notes, \$25,000 of principal on project anticipation notes, \$1,675,000 of principal on the refunding water revenue bonds, series 2016, and \$430,000 of principal on the refunding water revenue bonds, series 2022.

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.

The water revenue refunding bonds cash balance requirement for the restricted reserve is \$2,144,500. At December 31, 2022 and December 31, 2021, the balance of the restricted cash water revenue refunding bonds, Series 2016 reserve was \$2,144,500 and \$4,756,086, 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, 2022 and 2021, the balance of the restricted cash, USDA water notes reserve was \$1,649,640 and \$1,680,860, respectively. On March 29, 2013, USDA approved refinancing all outstanding USDA Rural Development water revenue notes. As of December 31, 2022, 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, 2022 and 2021**

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**ECONOMIC OUTLOOK**

The District has been able to stabilize water rates in recent years due in large part to increasing membership and ongoing efforts 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 helped offset increasing costs. For the calendar year 2023, the District has approved a 2.00% rate increase for residential and commercial water users. Water rates for some industrial and bulk water users have also been increased in order to keep up with inflation.

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 expenditures 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 141<sup>st</sup> Street, Bouton, Iowa 50039.

**XENIA RURAL WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current assets:</b>		
Cash, cash equivalents, and pooled investments	\$ 14,846,885	15,878,463
Accounts receivable	1,949,618	2,180,847
Territory settlement receivable	602,653	-
Prepaid expenses	77,951	91,113
Notes receivable - current	95,198	92,650
Total current assets	17,572,305	18,243,073
<b>Other assets:</b>		
Note receivable - long term	97,816	193,014
Inventory	543,625	283,695
Restricted cash:		
USDA Rural Development water notes reserve fund	1,649,640	1,680,867
USDA Rural Development wastewater notes reserve fund	-	13,591
Refunding water revenue bonds, reserve fund	2,144,500	4,756,086
Total other assets	4,435,581	6,927,253
<b>Capital assets - net</b>	112,724,750	111,505,535
Total assets	134,732,636	136,675,861
<b>Deferred outflows of resources:</b>		
Deferred outflows related to debt refunding losses	403,037	424,437
Pension related deferred outflows	326,408	469,909
Total deferred outflows of resources	729,445	894,346
Total assets and deferred outflows of resources	\$ 135,462,081	137,570,207

**XENIA RURAL WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 641,639	1,175,208
Accrued payroll taxes, IPERS contribution, and sales tax payable	116,873	39,309
Accrued payroll	37,248	33,114
Accrued compensated absences	128,622	109,043
Unearned revenue	15,794	15,794
Customer deposits	81,429	78,114
Sewer payables	14,326	47,855
Accrued interest payable:		
USDA Rural Development water revenue notes	58,220	59,655
Refunding water revenue bonds	191,300	235,208
Current portion of long-term debt	3,148,589	2,605,982
Total current liabilities	<u>4,434,040</u>	<u>4,399,282</u>
<b>Long-term liabilities:</b>		
Revenue notes payable	37,778,511	38,709,583
Revenue bonds payable, including premium	57,174,808	64,992,002
Project anticipation notes payable	1,238,168	1,263,168
	<u>96,191,487</u>	<u>104,964,753</u>
Less: current portion of long-term debt	(3,148,589)	(2,605,982)
Total long-term debt	93,042,898	102,358,771
Unearned revenue (less current portion)	379,713	395,507
Net pension liability	29,242	1,457,762
Total long-term liabilities	<u>93,451,853</u>	<u>104,212,040</u>
Total liabilities	<u>97,885,893</u>	<u>108,611,322</u>
<b>Deferred inflows of resources:</b>		
Deferred inflows related to debt refunding gains	3,484,925	-
Pension related deferred inflows	1,061,835	34,272
	<u>4,546,760</u>	<u>34,272</u>
<b>Net position:</b>		
Restricted:		
Debt service	3,794,140	6,450,544
Unrestricted	29,235,288	22,474,069
Total net position	<u>33,029,428</u>	<u>28,924,613</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 135,462,081</u>	<u>137,570,207</u>

**XENIA RURAL WATER DISTRICT**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating revenues:</b>		
Water Sales:	\$	
Residential	11,533,606	11,340,396
Commercial	855,748	855,440
Industrial	3,088,637	3,108,694
Wholesale	707,884	612,481
Service Charges	241,506	225,194
Contracted billing:		
Water	10,349	19,584
Wastewater	2,862	3,293
Water connection fees	702,223	743,984
Wastewater	92,556	90,059
Highway 17 relocation project	-	745,967
Miscellaneous	3,202	3,161
Total operating revenues	<u>17,238,573</u>	<u>17,748,253</u>
<b>Operating expenses</b>	<u>10,934,274</u>	<u>10,246,145</u>
<b>Net operating income</b>	<u>6,304,299</u>	<u>7,502,108</u>
<b>Other revenues (expenses):</b>		
Membership and termination fees	106,500	120,250
Investment gain	309,100	160,469
Interest expense	(2,577,845)	(3,222,175)
Rental income	10,600	9,767
Gain on disposal of capital assets	73,607	3,217
Gain (loss) on disposal of inventory	-	297
Miscellaneous	1,879	17,169
Gain related to Johnston territory settlement	602,653	-
Sale of territory rights	72,099	93,825
Debt issuance costs	(798,077)	-
Total other revenues (expenses)	<u>(2,199,484)</u>	<u>(2,817,181)</u>
<b>Change in net position</b>	4,104,815	4,684,927
<b>Net position - beginning of year</b>	<u>28,924,613</u>	<u>24,239,686</u>
<b>Net position - end of year</b>	<u>\$ 33,029,428</u>	<u>28,924,613</u>

See accompanying notes to financial statements.

**XENIA RURAL WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 17,423,794	17,498,406
Cash payments to employees for services	(2,059,334)	(2,315,692)
Cash payments to suppliers for goods and services	(6,816,872)	(4,443,446)
Net cash provided (used) by operating activities	<u>8,547,588</u>	<u>10,739,268</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from sale of assets and territory rights	219,313	227,042
Acquisition and construction of capital assets	(4,287,406)	(5,078,291)
Proceeds from sale of excess inventory	-	297
Miscellaneous revenues	118,979	147,186
Payments to bond escrow	(2,520,035)	-
Principal paid on bonds and notes	(3,061,072)	(3,186,365)
Interest paid on bonds and notes	(3,107,099)	(3,230,793)
Net cash provided (used) by capital and related financing activities	<u>(12,637,320)</u>	<u>(11,120,924)</u>
<b>Cash flows from investing activities:</b>		
Collections on notes receivable	95,198	90,170
Investment earnings	309,100	160,469
Net cash provided (used) by investing activities	<u>404,298</u>	<u>250,639</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(3,685,434)</b>	<b>(131,017)</b>
<b>Cash and cash equivalents - beginning of year</b>	<u>22,329,007</u>	<u>22,460,024</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 18,643,573</u>	<u>22,329,007</u>
	2,548	



**XENIA RURAL WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 6,304,299	7,502,108
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization - wastewater systems	12,354	12,823
Depreciation/amortization - other	3,055,837	3,023,391
Gain on disposal of assets	(73,607)	-
Deferred outflow/inflows of resources	1,171,064	(190,456)
Net pension liability	(1,428,520)	299,195
(Increase) decrease in:		
Accounts receivable	231,229	(239,938)
Prepaid expenses	13,162	(12,650)
Inventory	(259,930)	(103,562)
Increase (decrease) in:		
Accounts payable, trade	(533,569)	489,868
Accounts payable, sewer	(33,529)	3,172
Accrued payroll taxes, IPERS contribution, and sales tax payable	77,564	(40,510)
Accrued payroll	23,713	8,908
Customer deposits	3,315	1,880
Unearned revenues	(15,794)	(14,961)
Net cash provided (used) by operating activities	<u>\$ 8,547,588</u>	<u>10,739,268</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid for the year	<u>\$ 2,623,188</u>	<u>3,302,353</u>
<b>Supplemental disclosures of noncash investing and capital and related financing activities:</b>		
Proceeds from bond refunding	\$ 48,345,000	-
Less debt issuance costs paid in bond refunding	(798,077)	-
Net bond proceeds	<u>\$ 47,546,923</u>	<u>-</u>
Payments to escrow to fund future bond payments	\$ 2,520,035	-
Proceeds from bond issuance	48,345,000	-
Total paid to escrow	<u>\$ 50,865,035</u>	<u>-</u>
Deferred inflows related to debt refunding gains	<u>\$ 3,561,349</u>	<u>-</u>
Payoff of refunded 2016 bond	<u>\$ (47,195,000)</u>	<u>-</u>
Removal of 2016 bond premium related to refunded portion	<u>\$ (6,433,307)</u>	<u>-</u>

See accompanying notes to financial statements.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**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 members 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 members 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 the 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, 2022 and 2021**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Reclassification of Prior Year Presentation* – Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Statements of Net Position for the year ended December 31, 2022, to reclassify certain receivables as current assets.

*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 date 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 net realizable value. 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.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Capital Assets (Continued)* – Capital assets of the District are depreciated/amortized using the straight line method over the following useful lives:

<b>Classifications</b>	<b>Estimated Useful Lives</b>
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

*Deferred Outflows of Resources* – Deferred outflows of resources include unamortized bond refunding gains 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, 2022 and 2021.

*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, 2022, the District had \$395,507 of unearned revenue related to contractual agreements and recognized \$15,794 of revenue during 2022. 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.

*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.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*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, and unamortized bond refunding gains.

*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.

**Note 2 – Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at December 31, 2022 and 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to ensure there will be no loss of public funds.

The District 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 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 \$13,412,504 pursuant to rule 2a-7 under the Investment Company Act of 1940. There were no 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 and reserve accounts as required by note agreements and for funded depreciation. Total restricted cash equaled \$3,794,140 and \$6,450,544 as of December 31, 2022 and 2021, 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, 2022 and December 31, 2021, the District received \$72,099 and \$93,825, respectively, pursuant to the agreements.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Note 4 – Sale of Territory Rights (Continued)**

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.

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

<b>Year Ending December 31,</b>	<b>Interest Rates</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	2.75%	\$ 95,198	5,308	100,506
2024	2.75%	97,816	2,690	100,506
Total		\$ 193,014	7,998	201,012

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 5 – Capital Assets**

Capital asset activity for the years ended December 31, 2022 and 2021 was as follows:

	<b>Year ended December 31, 2022</b>			
	<b>Balance 2021</b>	<b>Additions</b>	<b>Deletions</b>	
<b>Non-depreciable assets:</b>				
Land	\$ 889,153	-	-	889,153
Construction in progress	3,327,209	3,722,877	(3,866,361)	3,183,725
<b>Total non-depreciable assets</b>	<b>4,216,362</b>	<b>3,722,877</b>	<b>(3,866,361)</b>	<b>4,072,878</b>
<b>Depreciable assets:</b>				
Office building and improvements	3,482,751	29,281	-	3,512,032
Office furniture and equipment	243,632	17,746	-	261,378
Plant building	2,941,653	46,921	-	2,988,574
Wells	62,982	-	-	62,982
Wastewater systems	1,627,311	86,825	-	1,714,136
Water lines	141,515,294	3,833,850	-	145,349,144
Intangibles, purchased capacity	5,050,834	-	-	5,050,834
Intangibles, software	185,884	-	-	185,884
Telemetry system	664,984	9,035	-	674,019
Equipment and tools	1,952,646	407,232	(185,071)	2,174,807
<b>Total depreciable assets</b>	<b>157,727,971</b>	<b>4,430,890</b>	<b>(185,071)</b>	<b>161,973,790</b>
<b>Less accumulated depreciation:</b>				
Office building and improvements	1,986,656	116,357	-	2,103,013
Office furniture and equipment	240,084	2,341	-	242,425
Plant building	783,884	73,879	-	857,763
Wells	61,414	1,568	-	62,982
Wastewater systems	337,956	28,571	-	366,527
Water lines	41,993,712	2,405,418	-	44,399,130
Intangibles, purchased capacity	2,985,690	135,724	-	3,121,414
Intangibles, software	165,575	11,290	-	176,865
Telemetry system	470,749	45,365	-	516,114
Equipment and tools	1,413,078	247,678	(185,071)	1,475,685
<b>Accumulated depreciation</b>	<b>50,438,798</b>	<b>3,068,191</b>	<b>(185,071)</b>	<b>53,321,918</b>
<b>Depreciable assets, net</b>	<b>\$ 107,289,173</b>	<b>1,362,699</b>	<b>-</b>	<b>108,651,872</b>
<b>Capital assets, net</b>	<b>\$ 111,505,535</b>	<b>5,085,576</b>	<b>(3,866,361)</b>	<b>112,724,750</b>

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 5 – Capital Assets (Continued)**

	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	1,505,545	4,590,162	(1,879,345)	4,216,362
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	155,755,732	2,399,124	(426,885)	157,727,971
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	47,667,819	3,036,214	(265,235)	50,438,798
Depreciable assets, net	\$ 108,087,913	(637,090)	(161,650)	107,289,173
Capital assets, net	\$ 109,593,458	3,953,072	(2,040,995)	111,505,535

Depreciation/amortization expense charged to wastewater systems for 2022 and 2021 was \$12,354 and \$12,823 respectively. Depreciation/amortization expense charged to water operations for 2022 and 2021 was \$3,055,837 and \$3,023,391 respectively.



**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 6 – Long -Term Liabilities**

A summary of changes in long-term liabilities for the years ended December 31, 2022 and 2021 is as follows:

	<b>Year ended December 31, 2022</b>			
	<b>Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>End of Year</b>
Refunding water revenue bond, Series 2016	\$ 56,450,000	-	(48,870,000)	7,580,000
Refunding water revenue bond, Series 2022	-	48,345,000	(430,000)	47,915,000
USDA water and wastewater revenue notes	38,709,583	-	(931,072)	37,778,511
Project anticipation note	1,263,168	-	(25,000)	1,238,168
	96,422,751	48,345,000	(50,256,072)	94,511,679
Unamortized premium	8,542,002	-	(6,862,194)	1,679,808
<b>Total long-term debt</b>	<b>\$ 104,964,753</b>	<b>48,345,000</b>	<b>(57,118,266)</b>	<b>96,191,487</b>

	<b>Year ended December 31, 2021</b>			
	<b>Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>End of Year</b>
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
<b>Total long-term debt</b>	<b>\$ 108,317,687</b>	<b>-</b>	<b>(3,352,934)</b>	<b>104,964,753</b>

*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 Notes* – The District has approximately 12 notes with USDA Rural Development for the construction of various water construction projects. The water revenue notes bear interest at a stated interest rate of 1.875%. 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 systems. In addition, the notes require the District to maintain certain debt reserve accounts. The balance of the notes was \$37,778,511 and \$38,709,583 at December 31, 2022 and 2021, respectively.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**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. During the year ended December 31, 2022, the District did an advance partial refunding of \$47,195,000 of the 2016 water revenue bonds. The District retained \$9,255,000 of the 2016 water revenue bonds and continues to make debt payments on this portion. The amount outstanding, including the unamortized premium on the unrefunded 2016 water revenue bonds of \$1,679,808, is \$9,259,808 and \$64,992,002 at December 31, 2022 and 2021 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 of 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 was recognized as a component of interest expense for both fiscal year 2022 and 2021, leaving a reported deferred outflow of resources of \$403,037 and \$424,437 at December 31, 2022 and 2021, respectively.

In July 2022, the District issued \$48,345,000 in water revenue refunding bonds with an interest rate of 4%. The District issued the bonds to advance refund \$47,195,000 of the outstanding series 2016 water revenue bonds with a 5% interest rate. The District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2016 water revenue bonds. As a result, that portion of the 2016 series bonds is considered defeased, and the District has removed that portion of the liability from its accounts. The outstanding principal of the series 2022 bonds was \$47,915,000 at December 31, 2022.

The advance refunding reduced total debt service payments over the next 18 years by \$6,399,813. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,864,160. The District used \$2,559,500 of the Series 2016 reserve fund to fund the irrevocable trust for the advance refunding resulting in a net economic gain of \$1,304,660.

*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, 2022 and 2021, reducing the outstanding principal balance to \$1,238,168.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

**Note 6 – Long -Term Liabilities (Continued)**

Interest expense on all long term debt totaled \$2,577,845 and \$3,222,175 during the years ended December 31, 2022 and 2021, respectively. This amount includes amortization of bond discount/premium of \$90,765 and \$428,887 for the years ended December 31, 2022 and 2021, respectively. This amount also includes deferred outflows and deferred inflows on defeasances that offset interest expense. For the years ended December 31, 2022 and 2021, the net deferred inflows related to debt refunding gains were \$3,081,888 and \$-0-, respectively.

Future debt service requirements as of December 31, 2022, are as follows:

Year Ended	Refunding Bonds	USDA Notes	IFA	Interest	Total
2023	\$ 2,200,000	948,589	-	2,995,896	6,144,485
2024	2,305,000	964,617	-	2,874,267	6,143,884
2025	2,415,000	984,771	-	2,743,463	6,143,234
2026	2,530,000	1,003,395	-	2,608,839	6,142,234
2027	2,390,000	1,022,371	-	2,468,313	5,880,684
2028-2032	13,135,000	5,405,984	1,238,168	10,551,236	30,330,388
2033-2037	15,720,000	5,938,931	-	7,202,289	28,861,220
2038-2042	14,800,000	6,522,408	-	3,231,212	24,553,620
2043-2047	-	7,163,217	-	1,081,203	8,244,420
2048-2052	-	7,824,228	-	334,902	8,159,130
	\$ 55,495,000	37,778,511	1,238,168	36,091,620	130,603,299

**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](http://www.ipers.org).

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

*Pension Benefits* – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Note 7 - IPERS Pension Benefits (Continued)**

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.

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, 2022 and 2021 were \$159,814 and \$155,468 respectively.

*Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At December 31, 2022, the District reported a liability of \$29,242 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, 2021, the District's collective proportion was .020859 percent which was an decrease of .00004 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2022 and 2021, the District recognized pension expense (reduction in expense) of \$(257,456) and \$250,668, 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, 2022 and 2021**

**Note 7 - IPERS Pension Benefits (Continued)**

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	91	-	32,943
Changes of assumptions	19,127	-	74,826	-
Net difference between projected and actual earnings on pension plan investments	-	1,059,495	81,949	-
Changes in proportion and differences between District contributions and proportionate share of contributions	46,066	2,249	65,686	1,329
District contributions subsequent to the measurement date	261,215	-	247,448	-
<b>Total</b>	<b>\$ 326,408</b>	<b>1,061,835</b>	<b>469,909</b>	<b>34,272</b>

\$261,215 and \$247,448, 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, 2022 and 2021, 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>2022</u>	<u>2021</u>
2023	\$ (242,118)	38,464
2024	(246,222)	44,909
2025	(228,125)	40,802
2023	(281,889)	58,935
2027	1,712	5,079
<b>Total</b>	<b>\$ (996,642)</b>	<b>188,189</b>

There were no non-employer contributing entities at IPERS.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Note 7 - IPERS Pension Benefits (Continued)**

*Actuarial Assumptions* – The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.6% 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:

<b>Asset Class</b>	<b>Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	.29
Public credit	4.0	2.08
Cash	1.0	(.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

*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, 2022 and 2021**

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**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.

	<b>1% Decrease 6.0%</b>	<b>Discount Rate 7.0%</b>	<b>1% Increase 8.0%</b>
District's proportionate share of the net pension liability for 2022	\$ 1,034,979	29,242	(813,629)
District's proportionate share of the net pension liability for 2021	\$ 1,034,979	29,242	(813,629)

*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](http://www.ipers.org).

*Payables to the Pension Plan* – At December 31, 2022, and 2021, the District reported payables to the defined benefit pension plan of \$33,756 and \$31,219, 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 \$3,088,637 and \$3,108,694 for the years ended December 31, 2022 and 2021, respectively. This represents 17.9% and 17.5% of total operating revenues for each year, respectively. The balances due from these customers and included in accounts receivable were \$100,658 and \$81,678 at December 31, 2022 and 2021, 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, 2022 and 2021 were \$128,622 and \$109,043, respectively. This liability has been computed based on rates of pay in effect at December 31, 2022 and December 31, 2021, respectively.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Note 11 –Johnston Territory Settlement**

In December 2022, the District entered into a settlement agreement with the City of Johnston. The agreement reached released the District's water service rights related to certain property. The payment to Xenia is to be made in a lump sum for \$602,653 on January 21, 2023. Johnston will also pay Xenia 40% share of Johnston-established water connection fees for any residential development that occurs before December 31, 2032 on the property related to the settlement.



**XENIA RURAL WATER DISTRICT**

Required Supplementary Information

Year Ended December 31, 2022

**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**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2016</b>	<b>2015</b>
Association's proportion of the net pension liability (asset)	0.020859%	0.020898%	0.019874%	0.020008%	0.019749%	0.019030%	0.019445%
Association's proportionate share of the net pension liability	\$ 29	1,458	1,159	1,159	1,250	1,268	1,224
Association's covered-employee payroll	\$ 1,695	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	1.71%	95.58%	75.06%	79.11%	87.60%	91.95%	87.99%
Plan fiduciary net position as a percentage of the total pension liability	99.65%	81.87%	84.38%	82.57%	82.21%	81.82%	85.19%

\* 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**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Statutorily required contribution</b>	160	155	144	148	140	128	126	122	121	106
<b>Contributions in relation to the statutorily required contribution</b>	(160)	(155)	(144)	(148)	(140)	(128)	(126)	(122)	(121)	(106)
<b>Contribution deficiency (excess)</b>	-	-	-	-	-	-	-	-	-	-
<b>Association's covered-employee payroll</b>	1,695	1,642	1,525	1,595	1,544	1,433	1,411	1,366	1,355	1,247
<b>Contributions as a percentage of covered-employee payroll</b>	9.44%	9.44%	9.44%	9.28%	9.07%	8.93%	8.93%	8.93%	8.93%	8.50%

\* - 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, 2022**

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**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.

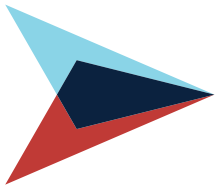
**XENIA RURAL WATER DISTRICT**

Supplementary Information

Year Ended December 31, 2022

**XENIA RURAL WATER DISTRICT**  
**Schedules of Operating Expenses**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Provision for depreciation/amortization:		
Wastewater systems	\$ 12,354	12,823
Water	3,055,837	3,023,391
Salaries and wages	1,762,927	1,581,618
Purchased water	2,681,114	2,536,100
Professional fees	314,131	120,390
Utilities	379,913	346,272
Chemicals	296,922	238,136
Payroll taxes	148,046	125,360
General insurance	141,949	123,373
Employee benefits	249,638	577,112
Repair and maintenance	1,133,899	910,643
Wastewater operations	68,768	48,402
Fuel	141,584	99,853
Office expense	259,346	226,573
Postage and freight	3,211	4,131
Telephone	37,319	32,448
Vehicle repair and maintenance	84,448	80,114
Testing and lab	58,359	33,773
Licenses, dues and subscriptions	32,087	32,141
Miscellaneous	15,747	1,357
Bank fees and services charges	46,763	82,609
Continuing education	4,179	3,110
Mileage	1,963	1,329
Advertising and promotion	2,777	2,128
Meals and lodging	993	2,959
	<u>\$ 10,934,274</u>	<u>10,246,145</u>



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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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 27, 2023.

## **Report on 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01 that we consider to be a material weakness.

**Report on 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*.

**Xenia Rural Water District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Xenia Rural Water District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Xenia Rural Water District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

*Forge Financial & Management Consulting*

West Des Moines, Iowa  
April 27, 2023



**XENIA RURAL WATER DISTRICT**  
**Schedule of Findings and Responses**  
**December 31, 2022**

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**Part I: Summary of independent auditors' results**

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

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

**Material Weakness:**

**Finding 2022-001: Material Audit Adjustments**

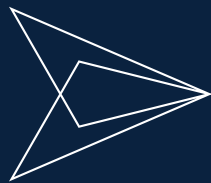
Criteria and Condition: Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). During our audit, we noted material adjustments were necessary for the financial statements to be presented in accordance with U.S. GAAP.

Context: The adjusting journal entries recorded during the audit were material to the financial statements and resulted in a material impact on debt, debt-refunding related expenses, debt-refunding related gains and losses, and settlement accounts receivable and revenue.

Effect: Material misstatements in the financial statements due to error or fraud could occur and not be prevented or detected in a timely manner.

Recommendation: We suggest management institute processes for proper implementation of unique events or transactions that may occur during the year, including the proper recording of debt refunding transactions.

Views of Responsible Officials: Management agrees that the material audit adjustments were needed for the audit. Management will research or seek professional assistance on the proper recording on unique transactions or events that may occur in order to maintain materially accurate financials.



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