

**XENIA RURAL WATER DISTRICT**

Audited Financial Statements

December 31, 2020 and 2019

## XENIA RURAL WATER DISTRICT

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**XENIA RURAL WATER DISTRICT**  
**Officials**  
**December 31, 2020**

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| <b>Name</b>   | <b>Title</b>     | <b>Term Expiration</b> |
|---------------|------------------|------------------------|
| Dan Lovett    | Chair            | April 2021             |
| 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 2021             |
| 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**

We have audited the accompanying financial statements of Xenia Rural Water District as of and for the year ended December 31, 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.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

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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    |

## **Opinion**

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, 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.

## **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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our 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 17, 2021, 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.

## **Prior Period Financial Statements**

The financial statements of Xenia Rural Water District as of December 31, 2019, were audited by other auditors whose report dated April 15, 2020, expressed an unmodified opinion on those statements.

*TDT CPAs and Advisors, P.C.*

West Des Moines, Iowa  
March 17, 2021

# **XENIA RURAL WATER DISTRICT**

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

### **For the Year Ended December 31, 2020**

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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 10.

#### **2020 FINANCIAL HIGHLIGHTS**

- ◆ The District's net position increased 20.48%, or \$4,120,723, in 2020 and increased 18.8%, or \$3,182,286, in 2019, primarily as a result of operations and other non operating gains or losses in the respective years.
- ◆ Operating revenues increased 6.54%, or \$1,000,813, in 2020. Operating revenues in 2019 increased less than 1%, or \$104,896, over 2018.
- ◆ Operating expenses decreased 1.42%, or \$132,800, in 2020 due to an increase in pension related deferred outflows. Operating expenses in 2019 increased \$547,397, or 6.2%, over 2018 due to several factors, including higher purchased water costs and increased salaries and benefits expenses.
- ◆ In 2020, the District reported an IPERS liability of \$1,158,567 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, 2020**

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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 2020 totaled \$24,239,686. This compares to \$20,118,963 at the end of 2019 and \$16,936,677 at the end of 2018. A summary of the District's net position is presented below.

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

|  | <b>2020</b>           | <b>2019</b>        | <b>2018</b>        |
|--|-----------------------|--------------------|--------------------|
| Current assets   | \$ 18,023,692         | 15,005,487         | 12,888,280         |
| Capital assets, net of accumulated depreciation/amortization | 109,593,458           | 111,048,460        | 113,635,333        |
| Other noncurrent assets                                      | 7,011,671             | 7,179,671          | 6,237,063          |
| Total assets   | <u>\$ 134,628,821</u> | <u>133,233,618</u> | <u>132,760,676</u> |
| Deferred outflows of resources                               | <u>\$ 847,312</u>     | <u>696,788</u>     | <u>777,879</u>     |
| Current liabilities  | \$ 3,684,895          | 3,447,192          | 3,329,522          |
| Noncurrent liabilities                                       | 107,373,858           | 110,182,451        | 113,194,200        |
| Total liabilities  | <u>\$ 111,058,753</u> | <u>113,629,643</u> | <u>116,523,722</u> |
| Deferred inflows of resources                                | <u>\$ 177,694</u>     | <u>181,800</u>     | <u>78,156</u>      |
| Net Position   |                       |                    |                    |
| Restricted   | \$ 6,455,704          | 6,452,249          | 5,397,896          |
| Unrestricted   | 17,783,982            | 13,666,714         | 11,538,781         |
| Total net position   | <u>\$ 24,239,686</u>  | <u>20,118,963</u>  | <u>16,936,677</u>  |

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

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Net position increased \$4,120,723 during the year ended December 31, 2020 and increased \$3,182,286 during the year ended December 31, 2019. The increase in net position in 2020 is primarily the result of lower operating expenses and an increase in residential and industrial water sales. The increase in net position 2019 was primarily the result of increased operating revenues due to increased residential water sales and water connection fees, increased non-operating revenues due to an investment gain and decreased non-operating expenses due to decreased interest expense.

Total liabilities of the District were \$111,058,753 and \$113,629,643 at December 31, 2020 and 2019, respectively. Noncurrent liabilities included in total liabilities were \$107,373,858 and \$110,182,451 at December 31, 2020 and 2019, respectively. Total liabilities decreased \$2,570,890 in 2020 and decreased \$2,894,079 in 2019. The decrease in liabilities at December 31, 2020 and December 31, 2019 was primarily the result of payments on outstanding bonds and notes.

A significant portion of the District's total assets, 81% and 83%, were invested in capital assets at December 31, 2020 and 2019, 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:

|                        | <u>2020</u>         | <u>2019</u>      | <u>2018</u>      |
|------------------------|---------------------|------------------|------------------|
| Operating revenues     | \$ 16,292,210       | 15,291,397       | 15,186,501       |
| Operating expenses     | (9,242,454)         | (9,375,254)      | (8,827,857)      |
| Operating income       | 7,049,756           | 5,916,143        | 6,358,644        |
| Nonoperating revenues  | 368,052             | 625,321          | 572,892          |
| Nonoperating expenses  | (3,297,085)         | (3,359,178)      | (3,406,495)      |
| Change in net position | <u>\$ 4,120,723</u> | <u>3,182,286</u> | <u>3,525,041</u> |

The Statements of Revenues, Expenses and Changes in Net Position reflect an increase in net position in 2020, 2019, and 2018.

**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.

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

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**Year ended December 31, 2019:**

The change in net position in 2019 was a result of the following: 1) The District's operating revenue increased less than 1% over the prior year because of decreased water connection fees. The District's water sales revenue of \$14,480,338 for fiscal year 2019 increased \$173,989 over 2018. 2) Non-operating revenues increased 9.2% over 2018. The increase was the result of gain on investments and sale of territory rights in fiscal year 2019. 3) Total operating expenses increased primarily due to increased professional fees for ongoing litigation. 4) Non-operating expenses decreased due to lower interest expense

*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>2020</b>   | <b>2019</b> | <b>2018</b> |
|--|---------------|-------------|-------------|
| Cash flows provided (used) by:                       |               |             |             |
| Operating activities                                 | \$ 10,154,649 | 8,963,184   | 9,432,068   |
| Capital and related financing activities             | (7,533,119)   | (6,287,354) | (7,528,330) |
| Investing activities                                 | 235,067       | 378,006     | 189,237     |
| Net increase (decrease) in cash and cash equivalents | 2,856,597     | 3,053,836   | 2,092,975   |
| Cash and cash equivalents – beginning of year        | 19,603,427    | 16,549,591  | 14,456,616  |
| Cash and cash equivalents – end of year              | \$ 22,460,024 | 19,603,427  | 16,549,591  |

**CAPITAL ASSETS**

The following summarizes capital assets at December 31:

|   | <b>2020</b>    | <b>2019</b>  | <b>2018</b>  |
|---|----------------|--------------|--------------|
| Nondepreciable capital assets                         | \$ 1,505,545   | 1,123,791    | 1,195,699    |
| Depreciable/ amortizable capital assets               | 150,541,384    | 149,516,537  | 149,143,799  |
| Intangible assets                                     | 5,214,348      | 5,202,848    | 5,211,098    |
| Accumulated depreciation/ amortization                | (47,667,819)   | (44,794,716) | (41,915,263) |
| Total capital assets, net of accumulated depreciation | \$ 109,593,458 | 111,048,460  | 113,635,333  |

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

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Capital assets, net of accumulated depreciation / amortization, (including water lines, equipment and buildings) of the District were \$109,593,458 and \$111,048,460 at December 31, 2020 and 2019, respectively. This is a net decrease of \$1,455,002 during the year ended December 31, 2020. Total capital assets decreased because of the disposal of equipment and tools and current year depreciation.

Construction in progress included in non-depreciable / non-amortizable capital assets was \$616,392 and \$243,638 at December 31, 2020 and 2019, respectively. Further details on capital assets are presented in Note 4 of the Notes to Financial Statements.

**LONG TERM DEBT**

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

|                            |    | 2020        | 2019        | 2018        |
|----------------------------|----|-------------|-------------|-------------|
| Revenue notes              | \$ | 39,847,061  | 40,747,911  | 41,631,959  |
| Revenue bonds              |    | 67,015,889  | 68,994,776  | 70,928,663  |
| Project anticipation notes |    | 1,288,168   | 1,313,168   | 1,338,168   |
| <br>                       |    |             |             |             |
| Total                      | \$ | 108,151,118 | 111,055,855 | 113,898,790 |

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.

In 2019, the District repaid \$880,184 of principal on USDA Rural Development water revenue notes, \$3,864 of principal on USDA Rural Development wastewater revenue notes, \$25,000 of principal on project anticipation notes and \$1,903,887 of principal on the refunding water revenue bonds, series 2016. No additional debt was acquired or retired in 2019.

The water revenue refunding bonds, series 2016 cash balance requirement for the restricted reserve is \$4,704,000. At December 31, 2020 and December 31, 2019, the balance of the restricted cash water revenue refunding bonds, Series 2016 reserve was \$4,757,531 and \$4,756,579, respectively. Further details on reserves and debt service are presented in Note 5 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, 2020 and 2019, the balance of the restricted cash, USDA water notes reserve was \$1,684,584 and \$1,682,135, respectively. On March 29, 2013, USDA approved refinancing all outstanding USDA Rural Development water revenue notes. As part of the refinancing, USDA has allowed the District to replenish the reserve account over a ten-year period beginning in January 2014, with the reserve account to reflect a fully replenished balance of \$1,649,640 by the end of 2023. As of December 31, 2020, the reserve account is fully replenished to the required amount. Further details on reserves and debt services are presented in Note 5.

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

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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 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 2020, 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 141<sup>st</sup> Street, Bouton, Iowa 50039.

**XENIA RURAL WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2020 and 2019**

| <b>Assets and Deferred Outflows of Resources</b>        | <b>2020</b>           | <b>2019</b>        |
|---|-----------------------|--------------------|
| <b>Current assets:</b>                                  |                       |                    |
| Cash, cash equivalents, and pooled investments          | \$ 16,004,320         | 13,151,178         |
| Accounts receivable                                     | 1,940,909             | 1,734,274          |
| Prepaid expenses  | 78,463                | 120,035            |
| Total current assets                                    | <u>18,023,692</u>     | <u>15,005,487</u>  |
| <b>Other assets:</b>                                    |                       |                    |
| Note receivable   | 375,834               | 463,591            |
| Inventory   | 180,133               | 263,831            |
| Restricted cash:  |                       |                    |
| USDA Rural Development water notes reserve fund         | 1,684,584             | 1,682,135          |
| USDA Rural Development wastewater notes reserve fund    | 13,589                | 13,535             |
| Refunding water revenue bonds, series 2016 reserve fund | 4,757,531             | 4,756,579          |
| Total other assets                                      | <u>7,011,671</u>      | <u>7,179,671</u>   |
| <b>Capital assets - net</b>                             | <u>109,593,458</u>    | <u>111,048,460</u> |
| Total assets  | <u>134,628,821</u>    | <u>133,233,618</u> |
| <b>Deferred outflows of resources:</b>                  |                       |                    |
| Deferred outflows related to debt refunding losses      | 445,837               | 467,238            |
| Pension related deferred outflows                       | 401,475               | 229,550            |
| Total deferred outflows of resources                    | <u>847,312</u>        | <u>696,788</u>     |
| Total assets and deferred outflows of resources         | <u>\$ 135,476,133</u> | <u>133,930,406</u> |

**XENIA RURAL WATER DISTRICT**  
**Statements of Net Position**  
**December 31, 2020 and 2019**

|  | <b>2020</b>    | <b>2019</b> |
|--|----------------|-------------|
| <b>Liabilities, Deferred Inflows of Resources and Net Position</b>   |                |             |
| <b>Current liabilities:</b>  |                |             |
| Accounts payable   | \$ 518,771     | 329,881     |
| Accrued payroll taxes, IPERS contribution,<br>and sales tax payable  | 79,819         | 50,446      |
| Accrued payroll  | 24,672         | 75,320      |
| Accrued compensated absences   | 108,577        | 87,499      |
| Unearned revenue   | 15,794         | 23,294      |
| Customer deposits  | 76,234         | 78,044      |
| Sewer payables   | 44,683         | 43,226      |
| Accrued interest payable:  |                |             |
| USDA Rural Development water revenue notes                           | 61,627         | 63,020      |
| Refunding water revenue bonds, series 2016                           | 241,854        | 245,729     |
| Current portion of long-term debt                                    | 2,512,864      | 2,450,733   |
| Total current liabilities  | 3,684,895      | 3,447,192   |
| <b>Long-term liabilities:</b>  |                |             |
| Accounts payable, long-term  | 166,569        | -           |
| Revenue notes payable  | 39,847,061     | 40,747,911  |
| Revenue bonds payable  | 67,015,889     | 68,994,776  |
| Project anticipation notes payable                                   | 1,288,168      | 1,313,168   |
|  | 108,317,687    | 111,055,855 |
| Less: current portion of long-term debt                              | (2,512,864)    | (2,450,733) |
| Total long-term debt   | 105,804,823    | 108,605,122 |
| Unearned revenue (less current portion)                              | 410,468        | 418,762     |
| Net pension liability  | 1,158,567      | 1,158,567   |
| Total long-term liabilities  | 107,373,858    | 110,182,451 |
| Total liabilities  | 111,058,753    | 113,629,643 |
| <b>Deferred inflows of resources:</b>                                |                |             |
| Pension related deferred inflows                                     | 177,694        | 181,800     |
| <b>Net position:</b>   |                |             |
| Restricted:  |                |             |
| Debt service   | 6,455,704      | 6,452,249   |
| Unrestricted   | 17,783,982     | 13,666,714  |
| Total net position   | 24,239,686     | 20,118,963  |
| Total liabilities, deferred inflows of<br>resources and net position | \$ 135,476,133 | 133,930,406 |

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, 2020 and 2019**

|   | <u>2020</u>          | <u>2019</u>        |
|---|----------------------|--------------------|
| <b>Operating revenues:</b>              |                      |                    |
| Water Sales:                            | \$                   |                    |
| Residential                             | 11,211,492           | 10,406,994         |
| Commercial                              | 807,602              | 801,113            |
| Industrial                              | 2,928,074            | 2,728,715          |
| Wholesale                               | 513,233              | 543,516            |
| Service Charges                         | 229,428              | 244,228            |
| Contracted billing:                     |                      |                    |
| Water                                   | 19,986               | 7,873              |
| Wastewater                              | 8,375                | 18,743             |
| Water connection fees                   | 477,433              | 443,178            |
| Wastewater                              | 93,481               | 92,870             |
| Miscellaneous                           | 3,106                | 4,167              |
| Total operating revenues                | <u>16,292,210</u>    | <u>15,291,397</u>  |
| <b>Operating expenses</b>               | <u>9,242,454</u>     | <u>9,375,254</u>   |
| <b>Net operating income</b>             | <u>7,049,756</u>     | <u>5,916,143</u>   |
| <b>Other revenues (expenses):</b>       |                      |                    |
| Membership and termination fees         | 114,080              | 103,450            |
| Investment gain                         | 147,310              | 292,597            |
| Interest expense                        | (3,297,085)          | (3,359,178)        |
| Rental income                           | 9,600                | 9,600              |
| Gain on disposal of capital assets      | 18,739               | 34,924             |
| Gain (loss) on disposal of inventory    | 561                  | 170                |
| Miscellaneous                           | 1,217                | 2,447              |
| Sale of territory rights                | 76,545               | 182,133            |
| Total other revenues (expenses)         | <u>(2,929,033)</u>   | <u>(2,733,857)</u> |
| <b>Change in net position</b>           | 4,120,723            | 3,182,286          |
| <b>Net position - beginning of year</b> | <u>20,118,963</u>    | <u>16,936,677</u>  |
| <b>Net position - end of year</b>       | <u>\$ 24,239,686</u> | <u>20,118,963</u>  |

**XENIA RURAL WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

|  | <u>2020</u>          | <u>2019</u>        |
|--|----------------------|--------------------|
| <b>Cash flows from operating activities:</b>                         |                      |                    |
| Cash received from customers   | \$ 16,069,428        | 15,240,312         |
| Cash payments to employees for services                              | (1,973,621)          | (2,072,532)        |
| Cash payments to suppliers for goods and services                    | (3,941,158)          | (4,204,596)        |
| Net cash provided (used) by operating activities                     | <u>10,154,649</u>    | <u>8,963,184</u>   |
| <b>Cash flows from capital and related financing activities:</b>     |                      |                    |
| Proceeds from sale of assets and territory rights                    | 664,157              | 362,186            |
| Acquisition and construction of capital assets                       | (2,115,644)          | (557,965)          |
| Proceeds from sale of excess inventory                               | 561                  | 170                |
| Miscellaneous revenues   | 124,897              | 115,497            |
| Principal paid on bonds and notes                                    | (2,904,737)          | (2,842,935)        |
| Interest paid on bonds and notes                                     | (3,302,353)          | (3,364,307)        |
| Net cash provided (used) by capital and related financing activities | <u>(7,533,119)</u>   | <u>(6,287,354)</u> |
| <b>Cash flows from investing activities:</b>                         |                      |                    |
| Collections on notes receivable                                      | 87,757               | 85,409             |
| Investment earnings  | 147,310              | 292,597            |
| Net cash provided (used) by investing activities                     | <u>235,067</u>       | <u>378,006</u>     |
| <b>Increase (decrease) in cash and cash equivalents</b>              | 2,856,597            | 3,053,836          |
| <b>Cash and cash equivalents - beginning of year</b>                 | <u>19,603,427</u>    | <u>16,549,591</u>  |
| <b>Cash and cash equivalents - end of year</b>                       | <u>\$ 22,460,024</u> | <u>19,603,427</u>  |

**XENIA RURAL WATER DISTRICT**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

|  | <u>2020</u>          | <u>2019</u>      |
|--|----------------------|------------------|
| <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b> |                      |                  |
| Operating income   | \$ 7,049,756         | 5,916,143        |
| Adjustments to reconcile operating income to net cash provided by operating activities:        |                      |                  |
| Depreciation/amortization - wastewater systems   | 13,497               | 25,931           |
| Depreciation/amortization - other  | 2,988,276            | 2,973,778        |
| (Increase) decrease in:  |                      |                  |
| Accounts receivable  | (206,635)            | (55,704)         |
| Prepaid expenses   | 41,572               | (62,020)         |
| Inventory  | 83,698               | 26,336           |
| Deferred outflows of resources   | (150,524)            | 81,091           |
| Increase (decrease) in:  |                      |                  |
| Accounts payable, trade  | 355,459              | 17,540           |
| Accounts payable, sewer  | 1,457                | 723              |
| Accrued payroll taxes, IPERS contribution, and sales tax payable                               | 29,373               | 9,655            |
| Accrued payroll  | (29,570)             | 13,392           |
| Net pension liability  | -                    | (91,221)         |
| Customer deposits  | (1,810)              | 12,190           |
| Unearned revenues  | (15,794)             | (8,294)          |
| Deferred inflows of resources  | (4,106)              | 103,644          |
| Net cash provided (used) by operating activities   | <u>\$ 10,154,649</u> | <u>8,963,184</u> |
| <b>Supplemental disclosure of cash flow information:</b>                                       |                      |                  |
| Interest paid for the year   | <u>\$ 3,302,353</u>  | <u>3,364,307</u> |

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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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 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, 2020 and 2019**

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**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:

| <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                     |

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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**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, 2020 and 2019.

*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, 2020, the District had \$426,262 of unearned revenue related to contractual agreements and recognized \$15,794 of revenue during 2020. As of December 31, 2019, the District had \$442,056 of unearned revenue related to contractual agreements and recognized \$15,794 of revenue during 2019.

*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, 2020 and 2019**

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

The District's deposits in banks at December 31, 2020 and 2019 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 \$1,119,274 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 \$6,455,704 and \$6,452,249 as of December 31, 2020 and 2019, 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, 2020 and December 31, 2019, the District received \$76,545 and \$182,133, respectively, pursuant to the agreements.

In October 2017, the District entered into an agreement with the City of Webster City, the Hamilton County Board of Supervisors and the Hamilton County Conservation Board. The Hamilton County Conservation Board wished to purchase domestic water in quantities that were able to accommodate their fire suppression needs for Briggs Woods Park, the Briggs Woods Golf Course, the Briggs Woods Recreation Center and a new conference center. In order for the Conservation Board to receive water services from the City and to transition the public water supply services in these areas from the District to the City, the City required undisputed rights. The agreement reached released the District's water service rights related to the property and provided the District with a payment of \$61,387.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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

In May 1998, the District entered into an agreement with the City of Boone. At that time, the District wished to expand the water system to include an area located within two miles of the limits of the City, which was prohibited by the Code of Iowa Chapter 357A, unless the City has approved a new water system plan. The agreement included an option for the City to purchase the territory from the District when the City determines it will begin providing water services to the territory. Until this determination is made, the District holds these rights. In February 2017, the District began working with the City on purchasing the territory so that it could begin providing water services. The City provided the District with a payment of \$8,385 for the water service rights.

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 only 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<br/>December 31,</b> | <b>Interest<br/>Rates</b> |    | <b>Principal</b> | <b>Interest</b> | <b>Total</b>   |
|-------------------------------------|---------------------------|----|------------------|-----------------|----------------|
| 2021                                | 2.75%                     | \$ | 90,171           | 10,335          | 100,506        |
| 2022                                | 2.75                      |    | 92,650           | 7,856           | 100,506        |
| 2023                                | 2.75                      |    | 95,198           | 5,308           | 100,506        |
| 2024                                | 2.75                      |    | 97,815           | 2,690           | 100,505        |
| Total                               |                           | \$ | <u>375,834</u>   | <u>26,189</u>   | <u>402,023</u> |

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 5 – Capital Assets**

Capital asset activity for the years ended December 31, 2020 and 2019 was as follows:

|                                       | <b>Year ended December 31, 2020</b> |                    |                  |                         |
|---------------------------------------|-------------------------------------|--------------------|------------------|-------------------------|
|                                       | <b>Balance<br/>2019</b>             | <b>Additions</b>   | <b>Deletions</b> | <b>Balance<br/>2020</b> |
| <b>Non-depreciable assets:</b>        |                                     |                    |                  |                         |
| Land                                  | \$ 889,153                          | -                  | -                | 889,153                 |
| Construction in progress              | 234,638                             | 808,040            | (426,286)        | 616,392                 |
| <b>Total non-depreciable assets</b>   | <b>1,123,791</b>                    | <b>808,040</b>     | <b>(426,286)</b> | <b>1,505,545</b>        |
| <b>Depreciable assets:</b>            |                                     |                    |                  |                         |
| Office building<br>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               |
| <b>Total depreciable assets</b>       | <b>154,719,385</b>                  | <b>1,178,934</b>   | <b>(142,587)</b> | <b>155,755,732</b>      |
| <b>Less accumulated depreciation:</b> |                                     |                    |                  |                         |
| Office building<br>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               |
| <b>Accumulated depreciation</b>       | <b>44,794,716</b>                   | <b>3,001,775</b>   | <b>(128,672)</b> | <b>47,667,819</b>       |
| <b>Depreciable assets, net</b>        | <b>\$ 109,924,669</b>               | <b>(1,822,841)</b> | <b>(13,915)</b>  | <b>108,087,913</b>      |
| <b>Capital assets, net</b>            | <b>\$ 111,048,460</b>               | <b>(1,014,801)</b> | <b>(440,201)</b> | <b>109,593,458</b>      |

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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

|                                     | Year ended December 31, 2019 |             |           |             |
|-------------------------------------|------------------------------|-------------|-----------|-------------|
|                                     | Balance<br>2018              | Additions   | Deletions |             |
| Non-depreciable assets:             |                              |             |           |             |
| Land                                | \$ 889,153                   | -           | -         | 889,153     |
| Construction in progress            | 306,546                      | 334,402     | (406,310) | 234,638     |
| Total non-depreciable assets        | 1,195,699                    | 334,402     | (406,310) | 1,123,791   |
| Depreciable assets:                 |                              |             |           |             |
| Office building<br>and improvements | 3,456,135                    | -           | -         | 3,456,135   |
| Office furniture and equipment      | 259,504                      | 6,450       | (5,012)   | 260,942     |
| Plant building                      | 2,854,224                    | 87,429      | -         | 2,941,653   |
| Wells                               | 62,982                       | -           | -         | 62,982      |
| Wastewater systems                  | 1,494,792                    | 71,509      | -         | 1,566,301   |
| Water lines                         | 138,733,436                  | 318,882     | (205,521) | 138,846,797 |
| Intangibles, purchased capacity     | 5,050,834                    | -           | -         | 5,050,834   |
| Intangibles, software               | 160,264                      | -           | (8,250)   | 152,014     |
| Telemetry system                    | 598,012                      | -           | -         | 598,012     |
| Equipment and tools                 | 1,684,714                    | 171,942     | (72,941)  | 1,783,715   |
| Total depreciable assets            | 154,354,897                  | 656,212     | (291,724) | 154,719,385 |
| Less accumulated depreciation:      |                              |             |           |             |
| Office building<br>and improvements | 1,652,019                    | 110,763     | -         | 1,762,782   |
| Office furniture and equipment      | 252,185                      | 5,683       | (5,012)   | 252,856     |
| Plant building                      | 565,683                      | 72,005      | -         | 637,688     |
| Wells                               | 56,691                       | 1,575       | -         | 58,266      |
| Wastewater systems                  | 256,943                      | 25,930      | -         | 282,873     |
| Water lines                         | 35,091,639                   | 2,323,098   | (36,252)  | 37,378,485  |
| Intangibles, purchased capacity     | 2,578,516                    | 135,724     | -         | 2,714,240   |
| Intangibles, software               | 156,679                      | 1,385       | (6,050)   | 152,014     |
| Telemetry system                    | 384,454                      | 23,002      | -         | 407,456     |
| Equipment and tools                 | 920,454                      | 300,543     | (72,941)  | 1,148,056   |
| Accumulated depreciation            | 41,915,263                   | 2,999,708   | (120,255) | 44,794,716  |
| Depreciable assets, net             | \$ 112,439,634               | (2,343,496) | (171,469) | 109,924,669 |
| Capital assets, net                 | \$ 113,635,333               | (2,009,094) | (577,779) | 111,048,460 |

Depreciation/amortization expense charged to wastewater systems for 2020 and 2019 was \$27,237 and \$25,930, respectively. Depreciation/amortization expense charged to other operations for 2020 and 2019 was \$2,974,536 and \$2,973,778, respectively.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

**Note 6 – Long -Term Liabilities**

A summary of changes in long-term liabilities for the years ended December 31, 2020 and 2019 is as follows:

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

  

|  | <b>Year ended December 31, 2019</b> |                  |                    |                        |
|--|-------------------------------------|------------------|--------------------|------------------------|
|  | <b>Beginning<br/>of Year</b>        | <b>Increases</b> | <b>Decreases</b>   | <b>End<br/>of Year</b> |
| Refunding water revenue bond,<br>Series 2016 | \$ 61,100,000                       | -                | (1,505,000)        | 59,595,000             |
| USDA water and wastewater<br>revenue notes   | 41,631,959                          | -                | (884,048)          | 40,747,911             |
| Project anticipation note                    | 1,338,168                           | -                | (25,000)           | 1,313,168              |
|  | <u>104,070,127</u>                  | <u>-</u>         | <u>(2,414,048)</u> | <u>101,656,079</u>     |
| Unamortized premium                          | 9,828,663                           | -                | (428,887)          | 9,399,776              |
| Total long-term debt                         | <u>\$ 113,898,790</u>               | <u>-</u>         | <u>(2,842,935)</u> | <u>111,055,855</u>     |

*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 \$39,847,061 and \$40,747,911 at December 31, 2020 and 2019, respectively. Subsequent to year-end, the wastewater revenue note in the amount of \$223,688 has been paid off in full.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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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. The amount outstanding, including the unamortized premium, is \$67,015,889 and \$68,994,776 at December 31, 2020 and 2019 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 2019 and 2020, leaving a reported deferred outflow of resources of \$445,837 at December 31, 2020.

*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, 2020 and 2019, reducing the outstanding principal balance to \$1,288,168 at December 31, 2020.

Interest expense on all long term debt totaled \$3,297,085 and \$3,359,178 during the years ended December 31, 2020 and 2019, respectively. This amount includes amortization of bond discount/premium of \$428,887 and \$428,887 for the years ended December 31, 2020 and 2019, respectively.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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

Future debt service requirements as of December 31, 2020, are as follows:

| <b>Year<br/>Ended</b> | <b>Refunding<br/>Bond</b> | <b>USDA Notes</b> | <b>IFA</b>       | <b>Interest</b>   | <b>Total</b>       |
|-----------------------|---------------------------|-------------------|------------------|-------------------|--------------------|
| 2021                  | \$ 1,595,000              | 917,864           | -                | 3,646,314         | 6,159,178          |
| 2022                  | 1,675,000                 | 935,313           | -                | 3,549,115         | 6,159,428          |
| 2023                  | 1,760,000                 | 953,097           | -                | 3,447,581         | 6,160,678          |
| 2024                  | 1,845,000                 | 969,285           | -                | 3,343,393         | 6,157,678          |
| 2025                  | 1,940,000                 | 989,653           | -                | 3,230,775         | 6,160,428          |
| 2026-2030             | 11,250,000                | 5,236,128         | -                | 14,310,762        | 30,796,890         |
| 2031-2035             | 14,495,000                | 5,753,928         | 1,288,168        | 10,683,462        | 32,220,558         |
| 2036-2040             | 19,005,000                | 6,322,363         | -                | 6,055,777         | 31,383,140         |
| 2041-2045             | 4,480,000                 | 6,949,913         | -                | 1,583,727         | 13,013,640         |
| 2046-2050             | -                         | 7,626,730         | -                | 670,953           | 8,297,683          |
| 2051-2055             | -                         | 3,192,787         | -                | 62,186            | 3,254,973          |
| Thereafter            | -                         | -                 | -                | -                 | -                  |
|                       | <b>\$ 58,045,000</b>      | <b>39,847,061</b> | <b>1,288,168</b> | <b>50,584,045</b> | <b>149,764,274</b> |

**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.

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, 2020 and 2019**

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**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 2020, 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, 2020. The District's total contributions to IPERS for the year ended December 31, 2020 and 2019 were \$143,738 and \$147,769 respectively.

*Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At December 31, 2020, the District reported a liability of \$1,158,567 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019, the District's collective proportion was .019874 percent which was a decrease of .000134 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2020 and 2019, the District recognized pension expense of \$176,031 and \$218,511, 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, 2020 and 2019**

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

|   | <u>2020</u>                                   | <u>2020</u>                                  | <u>2019</u>                                   | <u>2019</u>                                  |
|---|---|--|---|--|
|   | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
| Differences between expected and actual experience  | \$ 3,212                                      | 41,655                                       | 3,212   | 41,655                                       |
| Changes of assumptions  | 124,099                                       | -  | 124,099                                       | -  |
| Net difference between projected and actual earnings on pension plan investments                              | -   | 130,556                                      | -   | 130,556                                      |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 23,112  | 5,483  | 26,331  | 9,589  |
| District contributions subsequent to the measurement date   | 251,052                                       | -  | 75,908  | -  |
| <b>Total</b>  | <b>\$ 401,475</b>                             | <b>177,694</b>                               | <b>229,550</b>                                | <b>181,800</b>                               |

\$251,052 and \$75,908, 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>2020</u>        | <u>2019</u>     |
|--------------------------------|--------------------|-----------------|
| 2021                           | \$ 29,299          | 29,657          |
| 2022                           | (20,922)           | (24,911)        |
| 2023                           | (14,925)           | (13,416)        |
| 2024                           | (18,960)           | (17,719)        |
| 2025                           | (1,764)            | (1,769)         |
| <b>Total</b>                   | <b>\$ (27,272)</b> | <b>(28,158)</b> |

There were no non-employer contributing entities at IPERS.

**XENIA RURAL WATER DISTRICT**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

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

*Actuarial Assumptions* – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|  |   |
|--|---|
| Rate of inflation<br>(effective June 30, 2017)                   | 2.6% per annum.   |
| Rates of salary increase<br>(effective June 30, 2017)            | 3.25 % - 16.25%, depending upon<br>years of service                         |
| Long-term investment rate of return<br>(effective June 30, 2017) | 7.00%, compounded annually, net of<br>investment expense                    |
| Wage growth<br>(effective June 30, 2017)                         | 3.25% per annum, based on 2.60% inflation<br>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%                   | 8.48%   |
| International equity     | 17.5                    | 6.13  |
| Global smart beta equity | 6.0                     | 7.25  |
| Core plus fixed income   | 26.0                    | 1.56  |
| Public credit            | 4.0                     | 4.66  |
| Cash                     | 1.0                     | 1.87  |
| Private equity           | 13.0                    | 14.83   |
| Private real assets      | 7.5                     | 1.49  |
| Private credit           | 3.0                     | 3.18  |
| 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, 2020 and 2019**

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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<br/>6.0%</b> | <b>Discount Rate<br/>7.0%</b> | <b>1% Increase<br/>8.0%</b> |
|---|-----------------------------|-------------------------------|-----------------------------|
| District's proportionate share of the net pension liability | \$ 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](http://www.ipers.org).

*Payables to the Pension Plan* – At December 31, 2020, and 2019, the District reported payables to the defined benefit pension plan of \$30,744 and \$11,800, 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 \$2,928,074 and \$2,728,715 for the years ended December 31, 2020 and 2019, respectively. This represents 18.0% and 17.9% of total operating revenues for each year, respectively. The balances due from these customers and included in accounts receivable were \$75,275 and \$237,536 at December 31, 2020 and 2019, 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, 2020 and 2019 were \$108,577 and \$87,499, respectively. This liability has been computed based on rates of pay in effect at December 31, 2020 and December 31, 2019, respectively.

**XENIA RURAL WATER DISTRICT**

Required Supplementary Information

December 31, 2020

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

|  | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Association's proportion of the net pension liability (asset)  | 0.019874%   | 0.020008%   | 0.019749%   | 0.019030%   | 0.019445%   |
| Association's proportionate share of the net pension liability   | \$ 1,159    | 1,159       | 1,250       | 1,268       | 1,224       |
| Association's covered-employee payroll   | \$ 1,525    | 1,544       | 1,465       | 1,427       | 1,379       |
| Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 75.98%      | 80.96%      | 86.55%      | 85.77%      | 88.76%      |
| Plan fiduciary net position as a percentage of the total pension liability                                     | 85.45%      | 85.45%      | 83.62%      | 82.21%      | 81.82%      |

\* 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**

|   | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  | 2013  | 2012  | 2011  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Statutorily required contribution                                     | 144   | 148   | 140   | 128   | 126   | 122   | 121   | 106   | 110   | 109   |
| Contributions in relation to the<br>statutorily required contribution | (144) | (148) | (140) | (128) | (126) | (122) | (121) | (106) | (110) | (109) |
| Contribution deficiency (excess)                                      | -     | -     | -     | -     | -     | -     | -     | -     | -     | -     |
| Association's covered-employee<br>payroll                             | 1,525 | 1,595 | 1,544 | 1,433 | 1,411 | 1,366 | 1,355 | 1,247 | 1,341 | 1,493 |
| Contributions as a percentage of<br>covered-employee payroll          | 9.44% | 9.28% | 9.07% | 8.93% | 8.93% | 8.93% | 8.93% | 8.50% | 8.20% | 7.30% |

\* - 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, 2020**

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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 2018 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**  
**Notes to Required Supplementary Information – Pension Liability**  
**December 31, 2020**

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**Changes of Assumptions (Continued)**

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

**XENIA RURAL WATER DISTRICT**

Supplementary Information

December 31, 2020

**XENIA RURAL WATER DISTRICT**  
**Schedules of Operating Expenses**  
**For the Years Ended December 31, 2020 and 2019**

|  | <u>2020</u>         | <u>2019</u>      |
|--|---------------------|------------------|
| Provision for depreciation/amortization: | \$                  |                  |
| Wastewater systems                       | 13,497              | 25,931           |
| Other                                    | 2,988,276           | 2,973,778        |
| Salaries and wages                       | 1,571,377           | 1,487,973        |
| Purchased water                          | 2,054,565           | 1,820,848        |
| Professional fees                        | 321,513             | 445,149          |
| Utilities                                | 292,207             | 347,625          |
| Chemicals                                | 207,825             | 183,230          |
| Payroll taxes                            | 127,184             | 115,742          |
| General insurance                        | 123,040             | 117,635          |
| Employee benefits                        | 274,863             | 489,971          |
| Repair and maintenance                   | 632,970             | 763,174          |
| Wastewater operations                    | 94,077              | 102,681          |
| Fuel                                     | 79,002              | 88,559           |
| Office expense                           | 224,680             | 209,771          |
| Postage and freight                      | 4,573               | 12,342           |
| Telephone                                | 38,166              | 35,026           |
| Vehicle repair and maintenance           | 52,919              | 39,544           |
| Testing and lab                          | 62,411              | 42,921           |
| Liscenses, dues and subscriptions        | 36,184              | 19,661           |
| Miscellaneous                            | 1,825               | 6,889            |
| Bank fees and services charges           | 38,085              | 37,291           |
| Continuing education                     | 2,703               | 6,248            |
| Mileage                                  | 40                  | 1,431            |
| Advertising and promotion                | 276                 | 696              |
| Meals and lodging                        | 196                 | 1,138            |
|  | \$ <u>9,242,454</u> | <u>9,375,254</u> |



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, 2020, 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 17, 2021.

**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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 17, 2021

**XENIA RURAL WATER DISTRICT**  
**Schedule of Findings and Responses**  
**December 31, 2020**

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**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**